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From the Editor

Ours is a compassionate society, but is our compassion being well directed? As individuals and groups, Australians are extraordinarily willing to help others in need with cash and kind.

Nothing shows this more than the response to the Asian tsunami, with around $300 million donated by individual Australians and corporations, and over $1 billion pledged on their behalf by governments. It is estimated that, in 1997, 8.6 million Australians donated $2.8 billion to non-profit organizations, and in 2000–01, Australia’s business sector provided $1.4 billion to non-profit organizations through gifts and sponsorships.

This is all fine and good. Indeed it is an important underpinning of a free society.

We are a very affluent society with expectations that companies and individuals will lend a helping hand. We have rightly become less enamoured of government solutions. Moreover, many have satisfied their life’s goals and are looking to give something back to society.

Increasingly, however, some of this compassion is being misdirected with unintended consequences. In short, compassion can be sent awry and not all philanthropy goes towards a good end.

One example is the Waterkeepers Australia, whose recent activities are discussed in this issue (page 12). This group has a seductive name, an appealing purpose, an apparently kosh board, and a very impassioned, slick spiel. They claim to be mobilizing community groups to protect our waterways. This appeal, and the seemingly good purpose, has allowed it to procure funds from serious and sensible foundations.

The reality is different. The Alliance is a derivative of a US group of the same name which specializes in joining NIMBY’s and tort lawyers against large agricultural business. Waterkeepers Australia’s link with the community is weak and it is, for the most part, composed of a small network of deep Green activists working behind a new façade. It focuses on political and legal action rather than directly helping the environment. It conducts a polished but essentially dishonest campaign that takes the oxygen from the many groups and volunteers already working to improve our rivers. Moreover, it seeds fear and paranoia where neither are appropriate or helpful.

In short, philanthropic funding of the Waterkeepers Australia is destructive of civil society, economic growth and the environment.

Misdirected philanthropy also lies behind the plethora of campaigns against farming and other traditional resource-based businesses. Farmers currently face campaigns to stop the raising of sheep, the milking of cows, the growing of rice and cotton, the use of feedlots, the intensive raising of pigs and chickens, the export of livestock, the use of biotechnology, the use of water, the clearing of re-growth vegetation, the culling of kangaroos and other wildlife, the use of pesticides, and the employment of their own children.

Activists are also lobbying to eliminate trout from Victorian streams, to exclude beekeepers, firewood collectors, horse-riders, power boats, 4-wheel drive vehicles and motorcycles from our national parks; to stop the harvesting of native timbers, and to restrict the growth of pine and native timber plantations.

Jennifer Marohasy (page 14) and Michael Thompson (page 16) discuss some of these campaigns.

These campaigns, which together constitute an attempt to shut down rural Australia, are being waged by wealthy, unduly influential, urban-based groups. Few of these groups have more than a handful of members. The lion’s share of their funding comes from governments seeking to buy ‘the green vote’ and from gullible urban elites.

Unfortunately, they are being successful and in the process are sowing the seeds for a return of One Nation.

Of course, people should be able to do with their money what they wish, even if it is poorly informed and potentially destructive. But should we subsidize their destructive indulgence with tax breaks?

There are things that can be done. We can revisit the definition of charity and ensure that charity status and its financial benefits go only to groups that directly address their chosen area. That is, we should give only to groups that get their hands dirty or undertake real research. Groups that are little more than lobbyists should not be treated as charities.

And we can also start taking on these groups and their financiers in the halls of public opinion. Few philanthropists wish to do bad things or receive a bad press.
THE OLD INDUSTRIAL RELATIONS SYSTEM

The condition of Australia’s old industrial relations system has dominated the policy debate following the 2004 federal election. There has been argument about such things as setting the minimum wage, the role of the AIRC, and the number of allowable matters in industrial awards.

The discussion, however, has largely missed the point. Most of the players in the industrial relations system have been so caught up in the old way of doing things that the transformation of work in Australia has been ignored. The ‘industrial relations club’ remains fixated on models of the employment relationship that are out-of-date.

Our current structure of industrial relations—relying on awards, arbitration and conciliation—is literally a product of the nineteenth century. The central assumption of that structure—that the interests of employers and employees are fundamentally different—is also a basic assumption of Karl Marx, another long-discredited product of the nineteenth century.

To ensure Australia’s continued prosperity into the twenty-first century, we require a system which encourages creativity, rewards initiative, and responds to the needs of individuals and families. The existing system meets none of these criteria.

What is occurring in Australia is nothing less than a transformation of how we work. The traditional employer/employee relationship is becoming less relevant as an increasing number of individuals are rejecting the restrictions of an inappropriate industrial relations system. Individuals are choosing to work for themselves to gain the benefits of the choice and flexibility that self-employment provides. The consequences of this transformation for the economy, for society, and for our political parties will be dramatic.

HOW THE WORLD HAS CHANGED

The trend to self-employment will accelerate in coming decades. Five major reasons explain this change.

First, the nature of the Australian economy will continue to develop with knowledge-intensive and service industries assuming a more important position. These industries already have a high proportion of self-employed workers.

Second, as the population gains the higher levels of education required for the jobs of the future, the number of self-employed will increase, as better educated workers are more likely to choose self-employment.

Third, older workers are more comfortable becoming self-employed than are younger workers, and the effects of this will become apparent as the population ages.

Fourth, individuals are demanding choice over their working arrangements, as they are in every other aspect of their lives, and self-employment provides this.

Fifth, individuals are more willing to assume responsibility for the decisions that affect their lives and their families. Outside the family, deciding the course of his employment is perhaps the biggest decision an individual can make.

The phenomena just described raise issues beyond the scope of industrial relations, and they are the focus of a new research project of the IPA entitled A Self-Reliant Society. Other issues to be considered during the project include such matters as the extent to which individuals and families are seeking greater control over their financial assets, and what the consequences of this might be.

This article is one of the first outcomes of the A Self-Reliant Society project. Specifically this article examines:

• the number of people self-employed;
• the growth of self-employment; and
• the political consequences of self-employment.

HOW MANY PEOPLE ARE SELF-EMPLOYED?

There is no simple answer to this question. The idea that people might not be either ‘employees’ or ‘employers’, but could be ‘self-employed’ is relatively new. The development of measures of self-employment, therefore, have lagged behind traditional indicators such as the number of people...
who are unemployed, or who are union members, or who are not in workforce at all.

There are actually at least three different measures of the number of self-employed. The census conducted by the Australian Bureau of Statistics (ABS) every five years asks people to identify their employment status. The ABS also conducts a monthly labour force survey (from which the unemployment statistics are derived). The figures for the self-employed vary between the census and the survey because one attempts to be comprehensive while the other is only a sample of the population. A significant problem with both the census and the survey is that people who work as owner-managers of incorporated enterprises and who would regard themselves as self-employed, are classed as employees because they are employed by the business.

To overcome these issues, in 1998 in a separate survey, the ABS started counting owner-managers as self-employed. This survey is held every three years and the most recent data available are from 2001. In that year, there were at least 1.75 million Australians who were self-employed. This compares with the figure of 1.67 million self-employed recorded in 1998. (The results of the 2004 survey will be released later this year.)

Although census and survey data from the ABS underestimate the extent of self-employment, they are useful. This is because they allow trends to be measured over time, and because the census records information, including data about where individuals live and differences between electorates, they can be analysed.

THE GROWTH OF SELF-EMPLOYMENT

The attention that trade unions and their leaders receive from the media and governments (both Coalition and Labor) is not reflected in the size of their membership. By contrast, the self-employed are a silent but growing group getting on with the job. As has been known since at least the 1990s, the proportion of union members in the workforce has been steadily declining, but the related phenomenon of the growth of self-employment has been practically ignored.

When the number of trade union members in the private sector is compared with the number of self-employed, what is occurring is made very obvious. And when it is remembered that the figures for the self-employed, (see Chart 1) are taken from an ABS survey that underestimates self-employment, the effect is even more striking.

THE SELF-RELIANT SOCIETY
THE SELF-RELIANT SOCIETY

THE POLITICAL CONSEQUENCES OF SELF-EMPLOYMENT

While the ALP remains wedded to the union movement and the old industrial relations system, the nature of work in its own electorates is changing to embrace self-employment. Using data from the ABS censuses conducted in 1981 and the most recent census of 2001 and breaking down the rate of self-employment to individual electorates, it can be easily seen that the rate of self-employment grew most in ALP electorates. In 1981, 10.1 per cent of workers in ALP electorates were self-employed, and in 2001 this figure was 14.3 per cent, an increase of over 40 per cent. By contrast, in Coalition electorates, where the percentage of self-employed is higher, the rate of growth of self-employment was not as great, rising from 18.6 per cent to 20.3 per cent, which is a change of around 10 per cent (see Chart 2). (As mentioned, ABS census figures understate the extent of self-employment and the actual incidence of self-employment in both ALP and Coalition electorates is much higher.)

What this means is that there are now many ALP electorates in which self-employed workers outnumber union members. As yet, the Labor Party has not woken up to the fact that if it is to regain government, it must at the very least consider the needs of this growing constituency.

Chart 3 shows the percentage of self-employed workers across all types of ALP and Coalition electorates in 2001. An analysis of individual electorates reveals that there are many electorates which have a much higher percentage of self-employed workers than the average. More than one-third of ALP electorates had a workforce in which 15 per cent or more of those working were self-employed, and in some electorates this percentage rose to around 20 per cent.

As ALP electorates become more marginal, the percentage of self-employed workers increases. Similarly, the safer Coalition seats tend to have a higher percentage of self-employed.

CONCLUSION

The relationship between self-employment and voting intention is, of course, not simple, and many other factors determine an individual’s political choice at elections. But what this analysis does show is that neither side of politics can afford to ignore the growing number of self-employed. Because the self-employed are by their nature independent, they haven’t been collectively represented—nor have they sought to be. They have stood aside from the battles between employers and employees because they are neither.

At the level of national policy, the full impact of the self-employment revolution has yet to be recognized. To an increasing number of Australian workers the ‘old-speak’ of industrial relations is irrelevant. The challenge for all governments and political parties is to think in new ways about employment and recognize that the growth in self-employment is the inevitable consequence of the economic and social conditions of the late twentieth century. There is no likelihood of the trend being reversed.

John Roskam is a Research Fellow at the Institute of Public Affairs. This article is based on a forthcoming IPA Backgrounder on self-employment and the self-reliant society. The information sources for this article are available from the IPA.
Taxes, Health and Federalism

Mike Nahan

The Howard Government’s victory in the Senate, which comes into effect in July 2005, has led to a renewed push for reform. And not before time, for there are clear signs that the gains from past reforms are beginning to wane—productivity growth is slowing, capacity constraint is beginning to bite, the cost of regulation is growing, the efficiency of government is declining and the savings rate is almost zero.

Taxation should be near the top of the list—especially for Liberals—but it isn’t. Why and how is this so?

Liberals, by theory and constituency, should have a strong predilection for lower taxes, an aversion to tax complexity, and should value personal choice and responsibility over enforced collectivism.

It is well known, moreover, that the Australian tax system remains seriously flawed. The top marginal income tax rates are high and kick in at a relatively low level. The interaction between the tax and welfare systems produces effective tax rates of often over 80 per cent for low-income earners, locking many thousands of people out of work and in to welfare. The Tax Act has become a destructive monster of 7,000 pages with tax compliance estimated to be consuming over $8 billion per year.

The leading members of the Howard Government know this. After all, they spent the better part of six years making the arguments for creating and defending A New Tax System (ANTS). Although ANTS did make some major improvements, it was seriously warped during its passage through the old Senate. Moreover, it did not address everything—such as the high tax rates.

Why, then, are the leading erstwhile proponents of tax reform in the Howard Government—Prime Minister John Howard, Treasurer Peter Costello and the Finance Minister Nick Minchin—resisting another wave of tax reform?

Howard and Costello are willing to cut taxes, but only as a residual. As Mr Costello said:

We are going to fund health, education, tsunami relief, the war on terror, we are going to fund our troops in the field and we are going to balance our budgets, and when we have done all of that we are going to keep taxes as low as is consistent with that.

Tax cuts will come after spending and subject to a balanced budget.

A cynical might argue that the Howard team, having mastered the art of buying votes with judicious dollops of taxpayer largesse, is loath to limit its capacity to do so in the future by cutting taxes now.

There is another perspective, and this is that there is concern within the Howard team that people currently prefer higher spending, particularly for health, to tax cuts.

The polls on tax cuts versus spending are notoriously malleable and most often used as a tool to spruik bigger government. As stated by V.O. Key in The Responsible Electorate: Rationality in Presidential Voting 1936-60, ‘the voice of the people is but an echo’, shaped by the ‘clarity of alternatives presented to it and the character of the information available to it’. If the information and options put forward are distorted and incomplete, so too will public opinion.

Some patterns can be gleaned from the available survey data.

First, more people still prefer tax cuts than more government spending in general (see Figure 1). Second, the popularity of tax cuts as opposed to higher spending has declined over the last decade-and-a-half. Third, when the choice is narrowed down to tax cuts versus additional health spending, the pendulum of popularity swings strongly in favour of the latter. Fourth, increasing spending on areas other than health is much less popular, particularly if it is for unemployment benefits and social welfare.

What do these trends mean?

First, that the efforts at State and Federal level to drive efficiency and greater transparency in government spending put in place during the 1990s have had the effect of engendering greater support for government spending. That is, voters think government is now more efficient, effective and transparent; which of course they are—in some areas. What has not been noticed by the public is the distinct decline in efficient, effective and transparent government spending at all levels over the last six years. This needs to be remedied to make space for tax cuts.

Second, tax reform, particularly the GST along with cuts to tax rates and tax thresholds, has reduced the desire for additional tax cuts. Put another way, tax reform has given gov-
government the ability to pluck the goose with less hissing. This is particularly the case for the States. They have been given a huge growth tax raised by the Commonwealth—the GST—at a time of a huge consumption binge. This has generated unprecedented revenue flows, particularly for the laggard States and Territories of South Australia, Tasmania and the Northern Territory. To the State electorates, this largesse appears as money for jam.

Third, people have a hierarchy of spending priorities, with health at the top and unemployment at the bottom, and their views on tax cuts depend on which area of spending they expect to be affected. If people think, as the proponents of bigger government are wont to portray, that a dollar less in tax is a dollar less for public hospitals, they are, on average, against such a trade-off. On the other hand, if the tax cuts come from a lower priority area, they are not—for example, the $24 million subsidy for the Tasmania-to-Sydney Ferry (aka the chunder bucket), or the $780 million cost overrun of the ‘very fast’ but slow trains slowly being rolled out in regional Victoria, or the $1.2 billion Perth–Mandurah light rail system (which, on current expectations, will be a ghost train for 75 per cent of its run).

Fourth, people have become fearful about the funding of health. Stories about increasing waiting lists, ambulance bypassing, declining bulk billing rates and cuts to pharmaceutical subsidies, coupled with the rising costs of technology and advanced services, have given rise to fears of having to go it alone without the support of government. In addition, as the population ages, health becomes a more important issue and the desire for government to take on individuals’ health risks increases. For example, the average expected health cost from all sources per year for a 65-year-old is just over $12,000, while the expected annual health costs for a 35-year-old is around $900. These translate into 55 per cent and 2 per cent respectively of average wages. One can see why the old are prone to concerns about the level of health spending for them.

Of course, from a classical liberal perspective, the views of the median voter should not matter, particularly when, in reality, a very small proportion of tax revenue is spent on classical public goods such as defence, police, public health, and pollution abatement and control. People should have the right to reap the benefits of their own labour and saving.

We have, however, travelled far from our liberal traditions and too many people have become dependent upon the government taking from others on their behalf. The question is: how do we return to our liberal traditions and lower taxes?

First, unfunded tax cuts that drive budgets into the red are not the answer. Debt is nothing less than taxes postponed. Costello is right on this.

Second, we must renew the drive for efficiency, effectiveness and transparency in government spending. Costello is also correct in arguing that the focus needs be on the States and Territories—they are responsible for service delivery and infrastructure where the major gains are to be made. But the Commonwealth is also more than an appropriate target. The drive for efficiency in spending in Canberra has waned in recent years as the propensity for pork-barrelling has grown. For example, in the last federal election, Coalition politicians issued how-to-vote cards which contained a colour-coded map of the district with every grant/project given over the last term and every new one promised during the next term. The Gallop Government followed the Howard Government’s lead during the recent WA State Election.

Third, over time, we must develop a health system that is based on individual choice and responsibility rather than socialism.

Mike Nahan is Executive Director of the Institute of Public Affairs.
Without Australia as a signatory, the Kyoto Protocol came into force on 16 February this year.

The Kyoto Protocol is an historic agreement, worthy of extensive debate and it was inevitable and appropriate for the media to increase its focus on the issue of climate change.

But not, it appears, worthy of objective coverage—at least in some quarters. As is increasingly the case with many environmental issues, instead of treating the debate with the level of objectivity and nuance that it deserves, some of the Australian media joined activists in a campaign designed to create a state of fear.

A case study of this phenomenon was a four-part series on Climate Change and Kyoto published in Melbourne in The Age in mid-February 2005.

On Saturday 12 February, readers were greeted with the four-page spread written by environment reporter Melissa Fyfe, with the bold headline, WAKE UP THIS IS SERIOUS, and a subheading, ‘scientists are all but screaming that the world is on a path to disaster unless we stop global warming’.

Fyfe presents ten case studies, in fewer than 150 words each, which supposedly prove the case of catastrophic impacts of man-made greenhouse gases and the need for immediate and drastic action. This, we are told, is the end of the argument. Instead of blindly obeying her directive to START WORRYING NOW, it is worth doing some research about whether Fyfe’s summary of the science is accurate. What emerges is a picture of cherry-picked facts which misrepresents the situation as scientists best know it, all in the name of environmental advocacy.

**DISTORTED CASE STUDIES**

**Polar Bears**

Green groups and environmental activists know that the cuter the animal, the more powerful the imagery. While it is unlikely that anybody would want a polar bear for an indoor pet, they are cute from a distance—and even more so when drawn as a cartoon. Melissa Fyfe regurgitates the old, old claim that polar bears are in danger. In The Age, polar bears’ bodies are said to be becoming thinner. It turns out that this was true at least in one area in Canada during one year. A survey of polar bears in the Hudson Bay region found that the average weight of female polar bears was eight per cent lower in 1999 than found in a previous survey. The research was conducted by Dr Ian Stirling, a researcher with the Canadian Wildlife Service.

In the study Dr Stirling stated: ‘I’m reluctant to speculate too wildly’ but then went on to speculate that the causes may be ‘anything from the chemical composition of seals in the area, to pollutants, to hydro-electric developments in the area’ and, of course, climate change. Elsewhere, Stirling was less coy. At a conference of science journalists in Montreal in 2004, he advocated curbing carbon-dioxide by 60–80 per cent to save the polar bears. WWF picked up and broadcast his statement predicting the extinction of polar bears if climate change continues.

Such ‘wild’ speculation is what fuels the climate change industry. Scientists make narrow studies. They bundle the study with speculative conclusions. These conclusions are pounced upon by legions of activist cherry-pickers, excited by new prophecies of doom. Importantly, we can find no evidence of Dr Stirling or any other scientist setting the record straight or admonishing WWF and others for misrepresenting their research.

Are polar bears being endangered by an early melting of Arctic ice as prophesied by Dr Stirling, WWF and The Age? Not according to WWF’s own study ‘Polar Bears at Risk’. Their report found that polar bear populations are stable, and in many areas increasing. Indeed they were found to be in decline in only two of the 19 areas studied. True to form, the WWF press release only referred to the areas in decline.

Other more recent studies have found a 20–25 per cent increase in polar bear numbers across Canada. Indeed, the numbers have increased to the point where the Inuit people have increased the number available for hunters. In a number of Arctic villages, polar bears are ‘so abundant there’s a public safety issue’. Canada’s Department of Fisheries and Oceans, which monitors and models the relationship between shifting sea ice and global warming, has concluded that ‘overall
the possible impact of global warming appears to play a minor role in changes to Arctic sea ice’.

In short, speculation by a scientist is picked up and augmented by propagandists, and then transmitted around the world as an example of why Australians should reduce their energy consumption by at least 60 per cent within 45 years.

**Penguins**

Far higher on the cute ladder than polar bears are penguins. Just like polar bears, penguins are said to be feeling the wrath of climate change.

While penguins might have limited contact with Man, they are the most studied type of bird. There is a huge volume of detailed research on penguin populations—in particular, of the Adelie penguin—going back as far as five decades. The evidence shows that change in population numbers has occurred almost everywhere. In some places the Adelie penguin populations have experienced long sustained growth, in some places they are stable, and in a few places they are declining.

This conflicting evidence is not particularly surprising, but neither is it fully understood. For example, an American research group team in the Antarctic Peninsula (whose results, perhaps, are those upon which Fyfe of *The Age* appears to rely—*The Age* provides no references), has found that the number of breeding pairs of Adelie penguins has dropped in some places where they were replaced by Gentoo and Chinstrap penguins. The team put these trends down to global warming. (http://www. internet.edu/vignettes/pal.html)

Down the Peninsula, and still in the American area, another team of US scientists has been studying another Adelie penguin group for decades. They have found a large and sustained increase in the population numbers. In the Ross Sea area, the New Zealanders have also found a large sustained rise in Adelie penguin numbers. For example, the *New Zealand Journal of Ecology* reports that Adelie penguins in the Ross Sea are repopulating areas that, in the fluctuating climate of the last thousand years, they had at times abandoned. Third, Australian researchers at the Davis, Mawson and Casey stations in East Antarctica have reported ‘sustained, long term increases for the past 30 or more years’ of Adelie penguins. In the Casey region, the total breeding population has actually more than tripled since the 1960s.

These three independent research groups are in agreement that global warming is the likely cause of the increases in penguin numbers that they have found.

So what is the public to make of all this? Scientists speculating that increases and decreases of Adelie penguin populations in close proximity to each other are both caused by global warming. These concerns are then broadcast by Greenpeace and others and used by Melissa Fyfe to demand action to curb global warming now.

**Snow Gums**

Just like cute animals, beautiful scenery is an effective tool for swaying public opinion. But unlike polar bears, snow gums can’t mall you. And so Melissa Fyfe turns to the harsh environment of the Victorian Alps and Snowy Mountains, where she argues that snow gums are moving up the mountains, and that climate change, due to human activity, is undeniably at fault.

Once again, her premise is not wrong. A 2001 study by Lynise J. Wearne and John W. Morgan showed that snow gums were growing further up Mt Hotham than they had been previously. In this case, however, the study in question—unlike *The Age*—did not put it down to climate change. Indeed, despite there being an increase in average temperature over the last 150 years, the authors note that the cause is not fully known, and requires ‘further clarification’. It could well be that the snow gums have been slowly creeping up the mountains for more than a hundred years. In the absence of calamitous events—in this case, extreme frost—plants are able to slowly encroach on areas which may not have been as conducive to growth in the past. But what if this is simply a natural cyclical trend? When the occasional extreme weather event occurs again, the recently colonized areas may recede and the cycle of re-colonization may start anew. To argue that this cycle is clearly indicative of anthropogenic climate change is disingenuous.

**Tuvalu**

Sea levels are rising on Tuvalu. Siafa Fa Lalu wrote in Tuvalu News, ‘Our island is sinking together with our hearts.’ But—and readers of the Review might be detecting a pattern here—there is slightly more to the story than what is presented by Fyfe and Lalua. The sea level is indeed rising … at a heartbreaking 0.9mm per year. The South Pacific Sea Level and Climate Monitoring Project, which has been monitoring Tuvalu for 22 years, doesn’t credit even this barely perceptible change in sea level to global warming. Instead it argues that ‘Variations in monthly mean sea level are dominated by seasonal cycles and by the effect of the 1997/1998 El Niño.’ It goes on to state that ‘even with 22 years of data, the trend cannot be established without sizeable uncertainties’. The experience of other islands around the world—because, of course, this is global warming—confirms this trend. But, as the report from Tuvalu states, ‘We caution against drawing conclusions prematurely’. Once again, this caution has appeared to have been missed or ignored by Melissa Fyfe. Instead, with unambiguous confidence, she asserts, in 10 REASONS TO START WORRYING NOW—‘Tuvalu, a small nation made up of nine atolls near Fiji, is shrinking with rising sea levels.’

Claims such as ‘animals are on the move, glaciers are melting and drought is spreading’ are wilfully misleading. Kyoto spruikers wrap their campaigns in deception and, like all good propagandists, provide a simple solution—the Kyoto Protocol. But this simple solution isn’t enough for some
activists. As Fyfe argues, Kyoto is ‘just a start’. Indeed, the Australian Conservation Foundation contends that it is ‘essential that Australia’s greenhouse gas emissions are reduced by 70–80% by 2050 and that the use of fossil fuels is phased out’. The ACF is also dead against nuclear power and more hydroelectric power.

Buy your batteries now—but how will they be charged?

A SCIENTIFIC CONSENSUS?

Media campaigns consistently present an image of consensus amongst scientists about climate change. That is, that the science is settled and there is an overwhelming majority of independent scientists worldwide who agree that human-caused global warming is proceeding at an alarming rate. A speech by the President of the Pew Center on Global Climate Change urges pro-Kyoto activists continually to emphasize the ‘clear and overwhelming consensus among scientists’. (http://www.pewclimate.org/press_room/speech_transcripts/climatechange.cfm). The remaining ‘skeptics’ are portrayed as being a small pocket of people of questionable authority and of even more questionable motives.

It is important to emphasize that, in any case, consensus has nothing to do with science; one new hypothesis can, and sometimes does, disprove the opinion of every scientist in the world. Science is not determined on a vote. Successful new hypotheses must account for existing data and also be predictive. Nevertheless, because the ‘consensus’ argument is so often deployed by alarmist global warming supporters, it is important to note that such claims of scientific consensus are, in fact, utterly false.

It is true that the majority of climatologists and other experts on climate change believe that change is being partly driven by human-produced greenhouse gases. But there is simply no consensus. For example, in a recent article in Der Spiegel, Hans von Storch, head of the Coastal Research Institute in Geesthacht, and Nico Stehr, Sociologist at the Zeppelin University in Friedrichshafen, quoted a survey conducted last year among climate researchers throughout the world. It found that a quarter of the respondents still harboured significant doubts about the human origin of the most recent climatic changes.

The Oregon Petition (http://www.oism.org/pproject/) which urges the United States to reject Kyoto and argues that there is inadequate scientific evidence to back up the charge that humans are causing catastrophic heating of the Earth’s atmosphere and are affecting the Earth’s climate has been signed by 17,000 American scientists. The Heidelberg Appeal — publicly released at the 1992 Earth Summit in Rio de Janeiro, and warning of the emergence of an irrational ideology which is opposed to scientific and industrial progress and impedes economic and social development — has been signed by 4,000 scientists, and counts 72 Nobel Prize winners amongst its signatories.

But in this scientific debate, The Age prefers to quote Frank Fitzgerald-Ryan, the principal of Vox Bandicoot, the company that created the Sustainability Street approach, labelling the sceptics, ‘Holocaust-deniers’.

A previous article by Fyfe on 27 November 2004, titled ‘The Skeptics’, disparaged any scientists who questioned her pro-Kyoto stance as mere ‘hired guns’, who followed a corporate line while jettisoning scientific process and honesty. At the same time, she uncritically reported the views of people whose livelihoods are dependent upon the Kyoto agreement and on the dramatic action needed to ‘prevent’ the impending climate change.

Underlying this approach was the headline in The Age—ALL YOU NEED TO KNOW—with the word ‘need’ in red. Even for those who would take The Age’s side in this debate, that headline is outrageously patronizing of those who wish to be fully informed about the facts in order to participate in rational discussion.

DISTORTION OF THE PUBLIC DEBATE

Why is there such distortion of the public debate on climate change?

There at least three possible explanations: noble cause corruption; the politics of funding and rent seeking. Aynsley Kellow, The Greenhouse and the Garbage Can: Uncertainty and Problem Construction in Climate Policy suggests—in the context of NSW Premier Bob Carr’s recent prediction of catastrophic change if we do not act immediately to reduce greenhouse gases—that it is the nobility of the cause that leads people to rationalize the misuse of evidence. It also explains the willingness and unquestioning collusion of the activist media and the Green fundamentalists, who believe profoundly that it is the decent and moral thing to be concerned about environmental threats, irrespective of the facts or of judgements about the likelihood of particular threats eventuating.

The second reason is money. There is a New Yorker cartoon that depicts an elderly gentleman walking through a park with his grand-
son. ‘It’s good to know about trees,’ he says, ‘Just remember, nobody ever made big money knowing about trees’. But in this era, there is big money to be made for talking about trees. Richard Lindzen, Sloan Professor of Meteorology, Department of Earth, Atmospheric and Planetary Sciences, MIT, argues that a strong bond has developed between the media, politicians and scientists. In a recent paper ‘On the Anatomy of Alarmism’, he outlines the concept of an ‘Iron Triangle’ (of alarmism) linked with the ‘Iron Rice Bowl’ (of Science). Scientists make meaningless or ambiguous statements that are then picked up by advocates and the media and translated into alarmist declarations. This in turn pressures the politicians, who respond to the alarm by feeding scientists more money for their research. Of course, in turn, this motivates scientists to find more reasons for encouraging funding of research through selectively reporting more alarming science. The sums of money divvied up by governments for greenhouse science confirm Lindzen’s analysis, with US$3–4 billion annually being allocated to climate change research in the United States alone. A National Climate Change Adaptation Programme, announced by the Australian federal government in May last year, is being granted $14.2 million over a four-year period to ‘prepare governments, vulnerable industries, communities and ecosystems to manage the unavoidable consequences of climate change’. And during 2003–04, the Australian Greenhouse Office received $107 million for tasks which are grouped under such categories as ‘leading the agenda’, ‘promoting sustainable energy’ and ‘taking early action’. Yes indeed, there is money in climate change.

A third reason, somewhat dependent on the second, is the money handed out by government to NGOs and businesses. Legislation has already been introduced which allows for the capture of niche markets that have not existed previously. The Age lists some so-called ‘clean’ businesses—all of which have clear commercial interests in catastrophic climate change and the subsidies that come from it. These include firms such as Global Renewables, which focuses on capturing greenhouse emissions from landfill and the subsidies for doing so; Pacific Hydro which specializes in developing heavily subsidized renewable energy; and CO2 Australia which specializes in tree planting subsidies. The Age also reports that the Australasian Emissions Trading Forum, representing these and other climate change-dependent businesses, has calculated that its members have lost up to $1.5 billion in business opportunities due to Australia’s failure to sign the Kyoto Protocol. Again the big money is with climate change. The Age quotes the Climate Group, a London-based international body set up last year by Tony Blair to break a perceived climate change deadlock, as saying ‘Kyoto may be flawed, but it is a start’. Yet The Age gave no consideration to the fact that this body had a commercial and constitutional imperative to hold just this view.

Similarly, when Melissa Fyfe quotes Justin Porteli of the Carbon Management Group, as claiming that the climate change skeptics ‘have no credibility whatsoever’, she fails to explore Mr Porteli’s own commercial conflict—his business is based on the trading of carbon credits that have themselves been created by the Kyoto Agreement. For him, no Kyoto Agreement means no business.

Instead of even briefly examining the vested interests of the new climate change industries, much of The Age’s coverage of climate change uncritically quotes activists and other persons with a conflict of interest and much to gain. Contrast this with the shrill and repeated criticisms regarding alleged ‘fossil fuel company’ funding for climate change skeptics. Indeed, in some cases, active climate scientists have seen their funding shrink (and even disappear) because of their taking a neutral or critical public position on human-caused climate change.

CONCLUSION

The cycle that we have described is hard to break. The scientist makes a vague, speculative statement; activists and their friends in the media pick it up and present it as ALL YOU NEED TO KNOW. Media attention puts pressure on politicians to act, and those politicians respond with yet more funding to the scientists who made the original ambiguous statement.

The Australian public should be able to rely upon publicly-funded scientists to provide them with clear analyses of climate change science, and critiques of obviously fallacious arguments. Furthermore, and particularly in view of the economic and public importance of the issue, scientists should restrain themselves from making broad, ambiguous speculations regarding climate change.

There is a worldwide, systematic, institutional, money-driven misinformation campaign about climate change. Climate change is indeed a serious issue which requires public concern and discussion. This requires rigorous science, long-term planning and careful analysis. Government-driven gravy trains must be cut, and lucid, disinterested analysis restored for this important policy issue.

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In late 2004, Melbourne’s *The Age* newspaper gave considerable publicity to the supposed ‘Parlous state of the Yarra River’. Articles headed ‘Our sick river’ and ‘It’s time to put the needs of the Yarra first’ bled ink into the majestic waterway’s swirling eddies. The campaign was joined by breathless *Age* reporters and ‘authorities’ as diverse as politicians on both sides of the State Parliament. One major player was ‘the President of the Yarra Riverkeepers’.

Oddly enough, there has been little data accompanying these claims. Nobody making them wanted to spoil a good story about Man’s unfettered ability to destroy things of grace and beauty or to pass up an opportunity to bash the State’s activist environment minister for not being ‘green’ enough.

The campaign prompted Melbourne Water to put on their Website the measurements they have conducted over many years of the E. coli levels at various places along the river.

It will come as no great surprise to those who have taken a serious interest in the river’s health that it is extensively monitored and has shown substantial improvement over decades. Indeed the Yarra is monitored daily at 72 sites for over 20 different pollutants. The records, which are readily available show, improvement for all pollutants and are the result of extensive efforts government, business and the community.

In the case of E. coli levels in the Yarra, on average, last year, these were one-eighth of their levels of 1974 and less than half the levels of the early 1990s.

The chart below illustrates the trends.

Melbourne Water itself, in spite of its highly conservative stance and its reluctance to comment on the health and safety of the river, was moved to say on its website:

Over the past 20 years, however, there has been a general improvement in the river’s water quality resulting from the increased sewerage of catchments and the diversion of industrial discharges into the sewerage system.

In addition to water quality

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**Geometric means of E. coli counts (per 100 ml) at Princes Bridge**

![Geometric means of E. coli counts (per 100 ml) at Princes Bridge](http://www.melbournewater.com.au/images/news/yrara_ecoli_2.jpg)
improvements in the Yarra River, other significant environmental changes in recent times are the wider distribution of platypus and a range of migratory native fish species. Platypus, are now know to occur in the Yarra River at Kew, less than 10 kilometres from the city centre.

As the data is so conclusive, it is a matter of concern that a beat-up could be engineered and that *The Age* could have found it attractive and credible enough to give it prominence.

How did this happen? Thank gullible philanthropists, greedy scientists, populist politicians and journalists being manipulated by job-seeking Luddites.

The sting was the work of the new Waterkeepers Alliance—a venture modelled on the US operation of the same name (see ‘The Waterkeepers’, *IPA Review*, Vol. 56, No. 1, 2004, pages 8–9).

The Waterkeepers cherry-picked the dataset, selecting samples that contained high E. coli counts, combined them with reports that a kayaker had fallen sick, found sympathetic arms of the media to run the story that the river was being ‘rooned’, that there was a conspiracy of silence by the regulators and that they the Waterkeepers—were here to save it.

Apart from Melbourne Water, no scientist publicly exposed the bias. Politicians made public laments about the demise of this iconic river and promised that they the Waterkeepers—were here to save it.

Apart from Melbourne Water, no scientist publicly exposed the bias. Politicians made public laments about the demise of this iconic river and promised to do more. No mentioned was made of the significant improvements to environmental quality in recent years, the $22.5 million investment over the last three years to reduce the big problem of storm water contamination, the detailed monitoring of the river, the ready and full availability of the data on river quality (see www.vicwaterdat.net); the extensive community involvement in the monitoring and management of the river (see www.vic.waterwatch.org.au and www.clearwater.asn.au).

There is no question that the river...
The Lost Battle of Queensland Farming

Michael Thomson

The Eureka Stockade is such a fascinating event in Australian history that it has since been reinterpreted by countless groups to suit their various political arguments.

Among the many reinterpretations of the story, one could make an argument that the Eureka Stockade was all about government controls over natural resources and property rights. In the miners’ case, it was the use of licences to mine gold. In the recent case of Queensland farmers, it was the irrational limitation being placed on land clearing by their State Government. Unfortunately, the outcomes of the two debates were completely different.

From a public relations’ perspective, the original Eureka was an amazing success given that the group of violent rebels aimed their guns at the establishment. Yet they have been hailed as heroes and remembered fondly by history. Public opinion was divided about their tactic of armed protest, but it took the strong gesture of that uprising to shift the paradigm of the debate over mining licences. It quickly changed things for the better.

Just as public opinion was initially split over the miners’ revolt, research by the nation’s leading pollster, Crosby Textor, last year found that there were anomalies in public support for Queensland farmers. There is great sympathy for rural landholders among the broader public—city people today like country people—and they think farmers are friendly and honest. So why do city people have such concerns about the way farmers are managing the environment? Why is it that the farmers and landholders are on the back foot in terms of driving reforms to native vegetation legislation? Is it because environmental groups have better managed the media on issues such as land clearing and consequently enjoy greater influence with government?

In my view, the answer lies in the failure by rural, agricultural, business and political groups to coordinate an integrated campaign to change public perceptions. Even at the ugly height of last year’s land-clearing debate in Queensland, there was no grand public stand by these groups, there was no Eureka moment to change the broader community’s perceptions and to shift the political paradigm.

Tactically, groups such as AgForce and the Queensland Nationals fought the battle on the back foot, using backroom lobbying to rebut a campaign being driven and fought by the Green movement on the televisions and in the letterboxes of suburban South East Queensland. Farm groups naively believed that the truth alone—or in this case, the scientific, economic and social evidence of the implications of banning clearing—would set them free. But public perceptions of the environmental impact of tree clearing were far more powerful than the facts being used to counter them.

The State Labor and Federal Coalition Governments together gave three core reasons for the ban—salinity, biodiversity and greenhouse—and in each case there were major scientific flaws with the arguments.

The same occurred in the debate about biodiversity. Environment Australia estimated that 16,000 species could be prevented from becoming threatened or endangered if broad-scale clearing was banned. To reach that figure, a multiplier...
Despite the fact that the policy to ban broad-scale clearing has been proved scientifically flawed, the State Government pushed ahead with its clearing ban knowing it was the path of least electoral damage and most electoral gain.

of 600 was used, making its accuracy dubious. But the claims concerning salinity, tree cover and biodiversity all failed to take into account the impact of not clearing the country.

Forever and a day before white man arrived in Australia, the indigenous peoples managed the environment with fire. When white man arrived, the early explorers described rural Queensland as an open savannah plain. But, since then, trees have exploded across the Queensland landscape unchecked by fire and, with time, those woodlands have become thicker and thicker until now it’s hard even to walk through the scrub in some areas, let alone graze it. Vegetation thickening has encouraged the spread of some timber species, while choking out others, including grasses and bird species. So when the environmental movement and the governments argued on behalf of protecting biodiversity, they were arguing for a flawed plan of returning the country to a so-called pristine wilderness, that is, one which would be unmanaged, and actually vastly different from that which the early settlers found 200 years ago.

This phenomenon of vegetation thickening has been proved by 40 years of research by internationally renowned woodlands scientist, Dr Bill Burrows. Dr Burrows and a team of Primary Industries and Natural Resources scientists and economists were asked to prepare a paper for submission to the Productivity Commission. What that team found was distinctly unpalatable to the Queensland Government, which then decided to withdraw its participation in the PC inquiry, and took Dr Burrows’ research into Cabinet to prevent its public release. Rural Press obtained and published details of the report, which found that if woodland thickening were to continue unchecked due to the clearing ban, not only would there be severe environmental implications, but it would cost the Queensland economy more than $900 million in lost grazing lands and the subsequent lost production. Compare this to the $150m in compensation offered by the State Government.

The third element of the environmental argument was that of greenhouse. Arguing that landholders should not clear their country in order to compensate for the massive emissions of a fossil-fuel driven consumer society in the cities does not seem a sensible solution, as it fails to address the source of the CO2 emissions. But for the Federal Government to achieve its greenhouse targets ‘according to Kyoto’, it would be cheaper and electorally safer to lock up the Queensland bush than force industry and the great masses of urban voters to cut back on fossil fuel consumption. Documents obtained by Rural Press revealed that the Commonwealth deliberately ignored the impact of vegetation thickening in its greenhouse accounting to ensure its emission reduction targets were lower—a deception which saved the energy sector $4 billion a year by not having to reduce their emissions by a further 20 per cent.

On all three counts—salinity, biodiversity and greenhouse—the arguments are baseless.

Despite the fact that the policy to ban broad-scale clearing has been proved scientifically flawed, the State Government pushed ahead with its clearing ban knowing it was the path of least electoral damage and most electoral gain. In the urban heartland where elections are decided, opinion is formed by impressions and perceptions and not detailed analysis of all the available facts. Political parties, like the Green movement, realize that changing the opinion of the masses is not done by detailed argument, but by simple, recurring messages: pictures of pristine rainforests or koalas alongside violent images of dozers clearing scrub, and simple slogans of how clearing the land was killing the environment. The Green campaigns targeted the great masses of uninformed urban voters who knew least about the issue and were least affected by the outcomes, and yet who decided the recent election.

It was in this area that rural Australia failed not only itself, but also the environment. Its handling of the issue was reactive, defending itself from the accusations of the Greens, rather than conducting its own campaigns to influence the urban masses with its side of the argument.

Until agri-political groups either embrace the same media tactics that the environmentalists have used to achieve their success, or devise their own strategy that will let them dictate the terms of engagement instead of the Greens, nothing will change. Farmers have to make use of the powerful facts at their disposal as the basis for a broad, multi-layered, integrated campaign to change public perceptions. They need to emotionally, intellectually and financially tap into the community support for farmers that is out there.

Farm groups need Eureka-like moments that will shift the publicity paradigm in their favour.

Michael Thomson is the Canberra Bureau Chief of Rural Press Agricultural Publishing.
Campaigning Against our Cultural Heritage

Jennifer Marohasy

There has been much written about how Australia’s national character emerged from a bush ethos: the idea that a specifically Australian outlook emerged first amongst workers in the Australian pastoral industry. The recent, big environmental and animal liberation campaigns, however, challenge key assumptions from this history. They portray Australian agriculture as harmful to the environment, and the animal liberationists suggest that our farmers are inhumane. Maybe it is time to abandon the bush, and embrace a vegan future!

Banjo Paterson, perhaps more than any other writer, created and defined our cultural heritage. His story about the shearer and his jumbuck in outback Queensland remains our most popular national song. Renditions of ‘Waltzing Matilda’ dominate when Australians gather at major international sporting events, including the Olympic Games and Rugby Union matches. But People for the Ethical Treatment of Animals (PETA) are, at the moment, campaigning against the wool industry. They are against live export and they are against mulesing. Mulesing involves the cutting away of skin from the crutch area to reduce the susceptibility of individual sheep to fly strike. PETA wants the practice stopped or sheep to be anaesthetized during the procedure. As part of the campaign against wool products focused on US consumers, PETA campaigners have also suggested that the Australian climate is too hot for sheep.

‘The Man from Snowy River’, also by Paterson, is about bushmen and their horses in the High Country. The man from Snowy River chased the brumbies ‘down the mountain like a torrent down its bed’ through open country and mountain scrub before ‘turning their heads for home’ with his pony covered in ‘blood from hip to shoulder from the spur’. Now the NSW and Victorian Governments are intent on banning grazing and brumbies from the High Country on the basis that they have an adverse impact on the natural heritage of the Alpine region.

The Victorian mountain cattlemen recently sought an emergency cultural and historic heritage listing with the Federal Environment Minister to counter the Victorian Government’s proposed ban on grazing.

No-one has a monopoly on the future. Is it, perhaps, time that Australians moved beyond ‘Waltzing Matilda’ and ‘The Man from Snowy River’? The PETA Website explains that there are alternatives to wool, including polyester fleece, synthetic shearing, and other cruelty-free fibres. Tencel—breathable, durable, and biodegradable—is one of the newest cruelty free wool substitutes…. Choosing to buy these non-wool products not only helps the animals, but can also reduce or eliminate many of the consumer problems and inconveniences that go along with wearing or using wool.

But what about a replacement for lamb chops? While the animal liberationists and environmentalists are against the farming of exotic animals, they are also intent on preventing the development of any industry based on the farming of Australian native animals, including kangaroos. PETA is even against the drinking of milk.

Not surprisingly, rural and regional Australia feel under siege. There are many other campaigns, including ones against the use of our native forests for bee-keeping, against recreational horse riding in National Parks, and a campaign to ban line fishing in the Murray River. The timber industry has long struggled, and mostly lost, against campaigners intent on closing down their industry. But stopping the logging of native forests has not reduced the demand for wood products. Mahogany and teak cabinets and tables from Indonesia are crammed into warehouses across Australia.

Maybe it is time to abandon the bush, and embrace a vegan future!

Although the general perception is that forest cover in Australia is reducing, the reality is quite the opposite. Since 1995, the area of old-growth forests in reserves has increased by 1.2 million hectares and is now 3.7 million hectares. This constitutes a tiny percentage of the 165 million hectares (and growing) of native forest in Australia.

The poem ‘My Country’ by Dorothy MacKellar is also central to our bush heritage and she refers to Australia as ‘A land of sweeping plains’. In 1904, when the poem was penned, large areas of western New South Wales and Queensland were open, treeless plains. Over the last century, however, many of these areas have become covered in trees. Forest encroachment is a consequence, at least in part, of reduced burning-off and increased grazing pressure from sheep and cattle.

Although Aborigines kept the landscape open through the use of fire, graziers have come to rely...
on chain pulling (dragging a chain attached to two bulldozers) to knock down re-growth and keep the landscape productive from a grass perspective. The bottom line is that increasing tree cover reduces the productivity of the land and reduces stocking rates.

In early 2003, the Wilderness Society, supported by the World Wildlife Fund and the Australian Conservation Foundation, launched a final campaign against tree clearing, warning that

‘The scale of commitment to land clearing and woodlands protection issues from national state and local (environment) groups has now reached a high level, comparable to the native forest protection campaigns of the eighties and nineties’

I live in the leafy Brisbane suburb of Chelmer and during this campaign, which coincided with the State election, my letterbox was continually filled with information, mostly from the Wilderness Society or the Labor Party, telling me about the need to ban broad-scale tree clearing.

The campaign slogan was ‘Land clearing, turning Queensland into waste land’ and the TV campaign included graphic advertisements showing koalas in trees and trees being bulldozed. At the time, I sent the Courier Mail an opinion piece explaining that graziers would not bulldoze trees with koalas in them and that there had actually been a 5 million hectare increase in native vegetation cover in Queensland over the previous ten years, with 26 per cent of all the clearing done in 2000–2001 on land that had no trees in 1991. The then Opinion Editor suggested that my piece was offensive and that the idea that there had been a net increase in tree cover unbelievable—never mind all the supporting information.

Soon after the election it was decreed that there would be a complete ban on broad-scale tree clearing starting in 2006.

Late last year, Environment Minister Senator Ian Campbell restated Australia’s commitment to meeting its Kyoto target and praised the ‘tremendous effort by governments, industry and the Australian community’ in cutting carbon emissions. He should really have thanked Queensland’s pastoral industry because this is where most of the emissions savings are coming from at a cost of approximately $1 billion dollars to the industry.

This has come about because the ‘Australia Clause’ (Article 3.7) in the Kyoto Protocol allows countries for which land use change and forestry was a net source of emissions in 1990 to include the emissions from land use change in their 1990 baseline. The Australian Greenhouse Office consequently exaggerated the extent of the clearing in 1990 to give an inflated baseline value and at the same time did not record carbon sinks resulting from forest growth and woodland thickening. The Federal Government then supported the Queensland Government’s introduction of controls on tree clearing. So now we are “on-track” to achieve the Kyoto target for 2008–2012 and without even having to turn off our air-conditioners.

A more sensible approach might have been to acknowledge that trees regrow. Ecologist Bill Burrows, writing in the international journal Global Change Biology in 2002, explained that if we could include woodland thickening and forest encroachment as carbon sinks in our National Greenhouse Gas Inventory, then nationally net emissions would be reduced by 25 per cent. This would then create the potential for Australians to choose between carbon credits for more trees or open grassland that supports a pastoral industry, kangaroos and granivorous birds.

Instead, our State and Federal Governments have denied that trees regrow. Then again, to do otherwise would jeopardize the Government’s current bizarre strategy for meeting Kyoto targets. Indeed the Federal Government has perhaps already rejected our bush ethos heritage—a respect for the truth and a fair go.

To be sure, trees don’t regrow everywhere and some parts of Australia have been over-cleared, and large areas of once native grasslands have been sown to exotic grass species. But there has been no potential for honest discussion of these issues. Do we want more trees or more native grasses? Do we want brumbies in the High Country or a landscape free of exotic (non-native) animals? Metropolitan Australia has seemed largely uninterested in these important issues, or appears to take the side of the campaigners against our cultural heritage and in apparent ignorance of our natural heritage.

So what might a sheep-free, PETA future be like? Our land of sweeping plains may become a vast expanse of thick forest. This may reduce the amount of surface water running off into our catchments, but we can build desalinization plants to do away with the need for catchments altogether. There will be no bushmen, or brumbies or even trail riders in the High Country which will also become a vaster and thicker expanse of forest. There will be no logging of all this forest. We will sit on chairs imported from Indonesia in our polyester fleece manufactured in China. We will worship the environment but we will never visit wild places because National Parks are only for nature. We will be concerned about Kyoto but not understand what it means. We will sing ‘Waltzing Matilda’ and remember the now extinct sheep—saved from mulesing.

Jennifer Marohasy is Director of the IPA’s Environment Unit.

**In 1904 … large areas of western New South Wales and Queensland were open, treeless plains.**
Global Transaction Strategy
How to win the War against the West

Thomas P.M. Barnett & Henry H. Gaffney Jr.

The Bush administration’s response to the terrorist attack of 11 September was both swift (the global war on terrorism) and profound (the Department of Homeland Security). With last year’s publication of the National Security Strategy, the White House went even further and described—rather boldly—a global future worth creating. By doing so, the Bush administration embraced the notion recently put forth by many experts: that Washington now stands at an historical ‘creation point’ much like the immediate post-World War II years.

When the United States finally went to war again in the Persian Gulf, it was not about settling old scores or simply enforcing UN-mandated disarmament of illegal weapons, nor was it a distraction in the war on terror. Instead, the Bush administration’s first application of its controversial preemption strategy marked an historical tipping point—the moment when Washington took real ownership of strategic security in the age of globalization.

This is why the public debate about the war has been so important: it has forced Americans to come to terms with what we believe is the new security paradigm that shapes this age: disconnectedness defines danger.

Saddam Hussein’s outlaw regime was dangerously disconnected from the globalizing world, from its rule sets, its norms, and all the ties that bind countries together in mutually assured dependence. Understanding this distinction is crucial for our understanding of the tasks that lie ahead as the United States not only wages war against global terrorism but also seeks to make globalization truly global.

As globalization deepens and spreads, two groups of states are essentially pitted against one another: one, countries seeking to align themselves internally to the emerging global rule set (e.g., advanced Western democracies, Vladimir Putin’s Russia, Asia’s emerging economies); the other, countries that refuse such internal realignment—and thus remain largely ‘disconnected’ from globalization—due to either political/cultural rigidity (the Middle East) or continuing abject poverty (most of Central Asia, Africa, and Central America). We shall dub the former the ‘Functioning Core’ of globalization and the latter countries the ‘Non-Integrating Gap’.

Although the United States is recognized as both economic and political-military leader of the Core, US foreign policy did not reflect much unity of vision regarding globalization until the 11 September attack triggered the ongoing war on terrorism. Rather, globalization was treated as a largely economic affair that the US government left to private business, with the government promoting the tariff cuts and regulations that support free trade both at home and abroad. The US security community worried about globalization only to the extent that it fostered the proliferation of weapons of mass destruction and the actions of certain nefarious transnational actors.

The perturbations of the global system triggered by 11 September have done much to highlight both the limits and risks of globalization, as well as the United States’ current and future role as ‘system administrator’ to this historical process. For example, the vast majority (almost 95 per cent) of US military interventions over the past two decades have occurred within the Non-Integrating Gap. That is, we tend to ‘export’ security to precisely those parts of the world that have a hard time coping with globalization or are otherwise not benefiting from it.

Fulfilling this kind of leadership role will require a new understanding as to the Functioning Core’s essential transactions with the Gap, which is—unsurprisingly—the source of virtually all the global terrorism we seek to eradicate.

LIVING LARGE
Although the United States represents only one-twentieth of the global population, its environmental footprint is dramatically larger. It consumes roughly a quarter of the world’s energy while it produces approximately a quarter of the pollution and garbage. Economists will point out that the United States also produces roughly a quarter of the world’s wealth, but frankly, a lot of that stays home, while it tends to import its energy and ‘export’ its pollution.

The US economic footprint is equally skewed. As its consist-
ently huge trade deficit indicates, it also tends to live well beyond its economic means. Basically, the United States counts on the rest of the world to finance its sovereign debt, which most countries—like Japan—are willing to do because the US government is such a good credit risk, and the dollar is the closest thing there is to a global reserve currency. There is not a whole lot to complain about in this deal—basically trading pieces of paper for actual goods. Put these two transactions together and it is easy to see why the United States has benefited from the rise of a global economy.

So what has the United States provided the world in return? Clearly it is a leader in technology and cultural exports, but these are fundamentally private-sector transactions that any advanced economy can provide.

The one US public-sector export that has only increased its global market share with time is security. It accounts for nearly half the global public spending on security, and unlike any other state, it can actually be exported to other regions on a substantial and continuous basis. And that is the United States’ fundamental transaction with the global economy: it imports consumption and exports security.

Sharing its surplus of security with the world is what makes the US unique. Any advanced industrial state can sell arms, but only the United States can export stability. Yes, it does engender plenty of anger from some quarters, but from far more it elicits real gratitude—and an allowance for ‘living large.’

BEYOND CONTAINMENT

During the Cold War, Western policy vis-à-vis the Soviet Bloc was one of containment. The Globalization Era presents a different challenge: the Non-Integrating Gap does not just need to be contained, it needs to be shrunk. Doing so will take decades, however, and in the meantime we need to ‘firewall’ off the Core from the Gap’s worst exports: terrorism, narcotics, disease, genocide, and other violent disruptions.

The good news is that the United States already has plenty of experience working the Gap—in fact, it has been the major focus of US military crisis response for the past generation. Four key events in the 1970s marked the fundamental shift from Cold War containment to Gap firewall management:

- détente in Europe;
- OPEC (Organization of Petroleum Exporting Countries) oil shocks of the early 1970s;
- the end of the Vietnam War; and
- the fall of the Shah of Iran in 1979.

Prior to this quartet of events, the patterns of the US military’s permanent forward deployments and crisis responses were largely in sync—clustered in the Cold War foci of Europe and Northeast Asia. But by the early 1980s, this strategy was clearly out of balance. Most of European Command’s response activity had shifted to the Eastern Mediterranean, while most of Pacific Command’s responses had slid toward the Persian Gulf.

...that is the United States’ fundamental transaction with the global economy: it imports consumption and exports security.
Logically, the United States created the Central Command at that point, signaling the effective shift of focus from Cold War containment to Gap firewalling. According to the Center for Strategic Studies (CSS), in the 1980s the Middle East already accounted for just over half of the four services’ combined situation response days (9,288 of 16,795, or 55 percent).

Turning to the CSS’ response data since 1990 gives us an even clearer outline of the Non-Integrating Gap. When a line is drawn around roughly 95 percent of the US military responses in the post-Cold War era (1990-2002)—isolating responses involving Taiwan and North Korea in an otherwise stable northeast Asia—it captures those portions of the world that are either losing out to globalization or rejecting much of the content flows connected with its advance. (See diagram)

Looking at this experience, a simple logic emerges: if a country is either losing out to globalization or rejecting much of the content flows associated with its advance, there is a far greater chance that the United States will end up sending forces at some point. Conversely, if a country is largely functioning within globalization, that country tends not require forces sent there to restore order or eradicate threats.

FLOWING GLOBALIZATION

Four major flows must proceed over the next several decades if globalization is to continue its advance and the Gap is to be shrunk. The US government and its allies in the Core must enable and balance all four of these flows, for the disruption of one will damage the others, leaving the global economy and security environment vulnerable to the sort of system perturbations witnessed in connection with 11 September.

Flow of people from Gap to Core.

According to the United Nations, by 2050 the global population should peak somewhere around 9 billion people and decline thereafter. This will be a huge turning point for humanity in more ways than one. Take graying: by 2050, the global 60-and-over cohort will match the 15-and-under group at roughly 2 billion each. From that point on, the old will progressively outnumber the young on this planet.

In theory, the aging of the global population spells good news regarding humanity’s tendency to wage war, either on a local level or state-on-state. Today, the vast bulk of violence lies within the Gap, where, on average, less than 10 percent of the population is over 60 years of age. In contrast, Core states average 10 percent to 25 percent of their population over age 60. Simply put, older societies are associated with lower levels of conflict because these older societies are emerging out of the success of globalization, with prosperity and fewer children per family.

The big hitch is this: current UN projections say that by 2050, the potential support ratio (PSR, or people aged 15-to-64 per one person 65-and-older) in the advanced economies will have dropped from 5-to-1 to 2-to-1, while in the least developed regions the PSR still will stand at roughly 10-to-1. That means that worker-to-retiree ratios in the Core will plummet just as the retirement burden there skyrockets—unless the Gap’s ‘youth bulges’ flow toward the older Core states. Japan will require more than half a million immigrants per year to maintain its current workforce size, while the European Union will need to increase its current immigrant flow roughly fivefold—but both have great difficulty acceding to that need.

In effect, emigration from the Gap to the Core is globalization’s release valve. With it, the prosperity of the Core can be maintained and more of the world’s people can participate. Without it, overpopulation and underperforming economies in the Gap can lead to explosive situations that spill over to the Core. One hopeful sign of the future: the Philippines has demonstrated that such flows can be achieved on a temporary deployment or ‘global commuting’ basis without resorting to permanent emigration or generating increased xenophobia in host nations.
Flow of security from Core to Gap.

For now, the war on terrorism and the long-term commitment to rehabilitate Iraq have superseded previous Bush administration talk about an East Asian security strategy. These continuing interventions underline the reality that the US military remains in the business of working the bloody seam between the Gap and the Core. In the 1990s, that seam ran from the Balkans to the Persian Gulf, but today it also extends into Central Asia, where we have built a number of ‘temporary’ military bases in former Soviet states to support our operations in Afghanistan—with Russian acquiescence—in a remarkable turn of history.

The reality is that the United States will end up exporting security (e.g., bases, naval presence, crisis response activity, military training) into Central and Southwest Asia for some time to come. For the first half of the 21st century, the primary cluster of security threats will lie in these areas—which also happen to be the supply center of the global energy market (we identify them as a cluster because the ultimate resolutions of individual conflict situations there are highly interrelated).

While the United States is already pursuing an ambitious plan to rebuild much of post-Saddam Hussein Iraq, there is little doubt among regional experts that the world is really looking at a lengthy rehabilitation period similar to post-World War II Germany or Japan. The United States might well establish permanent military bases in Iraq, having moved them from Saudi Arabia.

The Israeli-Palestinian issue is heading toward a Berlin Wall-like separation. It may eventually involve a United States-led demilitarized zone occupation force. Then we simply would have to wait out a couple of generations of Palestinian anger as that society ultimately is bought off through substantial Core economic aid and the Palestinians reduce their family size as they achieve some economic viability.

Saudi Arabia’s dramatic slide in per capita income during the past 20 years signals a downward spiral that will trigger radical political reform and/or substantial internal strife. Forestalling this may require a lot more prodding by the United States if institutional reforms are to occur and the Core is to avoid organizing yet another peacekeeping force. The course of events in Iraq will bear strongly on this evolution.

Assuming the United States remains deeply involved in the West Bank, Saudi Arabia, and Iraq, Iran’s mullahs will fear Tehran is next and likely step up their anti-Americanism—if that is possible. The United States therefore will continue its long-term containment strategy until the restive Iranian public prevails in its desire to join globalization.

The combination of prosperity stemming from globalization and the export of US surplus military power has taken ‘great power war’ off the table in region after region. As the 21st century begins, such warfare is essentially unthinkable in the Western Hemisphere, in Europe (where NATO members and Russia have joined in a common effort), or for that matter anywhere on the high seas. We hope that in a couple of decades, the same combination of efforts—a mix of economic and security cooperation—makes war unthinkable throughout developing Asia. But for the foreseeable future, it is the export of US security into the Islamic regions of Southwest and Central Asia that remains our most serious international security task. We are witnessing the beginning of a long-term integration effort there, one that will ultimately rival our Cold War effort in Europe in its strategic centrality.

Flow of energy from Gap to Core.

Sometime in the next 20 years, Asia will replace North America as the global energy market’s demand center. That is because US energy demand will increase rather slowly in the coming decades while Asia’s will double. Asia has sufficient coal but will import the vast majority of both natural gas and oil as demand skyrockets.

The great source for all that Asian demand will be Central and Southwest Asia plus Russia. A codependent relationship is already in the making: energy-strapped Asia increasingly depends on political-military stability in the Middle East, while the no-longer cash-rich Middle East increasingly depends on economic growth in Asia. According to US Department of Energy projections, by 2020 Asia will buy just under two-thirds of all the oil shipped out of the Persian Gulf.
and the Gulf will account for roughly four-fifths of Asia’s oil imports.

Disrupt the flow of Middle East oil, and Asia’s full integration into the Core is put at risk as its economies falter. India or China could feel the need to play ‘great power’ in the Gulf if the United States drops that ball. That could create an awkward competition among the Core countries, putting us all at the mercy of the Gap’s chronic conflicts.

The United States must enable the smooth flow of energy from the Middle East to Asia because the latter is such an important partner in its global transactions. China and Japan are the two greatest sources of the American trade deficit, and Japan has long been a leading buyer of US sovereign debt. China’s domestic market may become the greatest export opportunity as it opens up under the World Trade Organization’s guidelines. India, meanwhile, supplies half the world’s software. In the end, it may not be an American oil supply but it most certainly will be its prosperity that is protected when the United States exports security to the Middle East.

**Flow of investments from Old Core to New Core.**

Unprecedented flows of foreign direct investment are required for Asia’s energy and other infrastructure requirements, approaching $2 trillion by 2020. Asians themselves will shoulder much of the burden, but plenty more long-term money will have to come from private investors in the United States and Europe, which in combination control roughly two-thirds of the annual global flow of approximately $1 trillion. So not only is Asia (the ‘New Core’) dependent on the Gap for energy, but it is also dependent on the ‘Old Core’ countries (the United States, European Union) for the financing. Put these two realities together, and you begin to understand that China’s ‘rising’ is far more about integration with the global economy than Beijing seeking some illusory power or hegemony.

The major problems with Asia’s energy demands and investment climate are threefold: Asian governments, especially China’s, still play far too large a decision-making role, delaying the rise of private-sector markets; national legal systems are still too arbitrary, meaning the rules are not applied equally to all players; and there are still too many chronic security flash points.

Continuing US military presence in Asia helps deter the ‘vertical scenarios’ of war (e.g., China-Taiwan, India-Pakistan, the Koreas), while enabling markets to emerge and tackle the harder, long-term ‘horizontal scenarios,’ such as meeting the region’s ballooning energy demands while mitigating the already profound environmental costs. So long as markets can deflate buildup of pressure associated with all this development, none of these horizontal scenarios should segue into vertical shocks, i.e., conflicts. In effect, our military forces occupy both a physical and fiscal space in the region, encouraging Asian states to spend less on defense and more on development—the ultimate security.

**TRANSACTION STRATEGY**

The ‘Transaction Strategy’ is nothing more than a US national security vision that recognizes the primacy of these four global flows. That means the US government cannot pursue any national policy—such as the war on terrorism, the preemption strategy, missile defense, or exemptions from the International Criminal Court—in such a way as to weaken this fragile, independent balancing act across the globe as a whole. Instead, all security initiatives must be framed in such a way as to encourage and strengthen these system-level bonds. This will be best accomplished by being explicit with both friends and foes alike that US national security policy will necessarily differentiate between the role we need to play within the Core’s ever-strengthening security community (i.e., more assurance/deterrence-oriented) and the one we must assume whenever we enter the Gap (more dissuasion/preemption-oriented).

If that is the overarching principle of the Transaction Strategy, then its macro rule set on security can be summarized as follows:

- Do everything feasible to nurture security relations across the Functioning Core by maintaining and expanding our historical alliances.
- Discretely firewall off the Core from the Gap’s most destabilizing exports—namely, terrorism, drugs, and pandemic diseases—while working the immigration rule set to provide opportunities to those who can contribute.
- Progressively shrink the Gap by continuing to export security to its greatest trouble spots while integrating any countries that are economic success stories as quickly as possible.

Is this a strategy for a Second American Century? Yes and no. Yes, because it acknowledges that the United States is the de facto model for globalization—the first multinational state and economic union. And yes, because it asserts that US leadership is crucial to globalization’s advance. But no, in that it reflects the basic principles of ‘collective goods’ theory, meaning the United States should expect to put in the lion’s share of the security effort to support globalization’s advance while enjoying its benefits disproportionately—hence this is a practical transaction in its own right.

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IPA
The dismal result for Labor at the 2004 election was easy to predict. The electorate was not about to swap the steady hand of an experienced leader for the volatile fist of a recent arrival. They did not even have to engage the issues, but if they had, they may have preferred the underlying theme of the Coalition—allowing people to find their own way, with back-up from government—to Labor's Big Brother approach.

Now that the dust has settled, and Mark Latham has walked, what is Labor thinking? Judging from the Left's think-tanks—The Evatt Foundation, The Whitlam Institute, The Chifley Centre, The Hawke Centre (incorporating The Hawke Research Institute for Sustainable Societies), and The Australia Institute—one is tempted to conclude, 'not a lot'. The ACTU has its hands full with the impending wave of IR legislation, so there is no need at present to read its tea leaves.

There is, fortunately, some uncommon common sense coming out of The Fabian Society. For example, Bill Shorten, AWU national secretary, made the telling point at the post-election Fabian conference:

> economic credibility is a gateway through which Labor must pass before it can bring its policy strengths in health and education to bear.

Further,

Labor's support has been increasingly confined to the Left intelligentsia with its post-Whitlam emphasis on progressive policies on the environment, refugees and multiculturalism. The policy priorities of the Left are not wrong, but they have acquired a prominence that is now a barrier to Labor reconnecting with both its blue-collar base and middle Australia.

Although I cannot agree that the Left's priorities are correct, Shorten is certainly on the ball when it comes to the 'intelligentsia's' preoccupations. It was a view shared by Mark Latham before he became leader.

LEFT THINK TANKS

The Hawke Centre (or Institute—it is difficult to distinguish) is a place for a traditional whinge from public sector employees. Dr Rob Hattam from the School of Education, University of South Australia, for example, argues that 'the present schools policy focuses on parental choice … not on how to ensure that schools work for all children'. He immediately contradicts this statement with a question, 'Why can't we have a policy that aims to make schools work for the least advantaged families?' The policy debate apparently ignores 'the urgent problems of youth alienation, teachers' heavy workload, and the need for curriculum reform and quality professional development for teachers'. IPA colleague Kevin Donnelly is well placed to answer these questions, and his recent outing of the NSW English curriculum writer-as-left-politician (see Education Agenda in this issue) suggests that curriculum reform and inequality should never be mentioned in the one sentence. The distinct impression is that if only the educationally disadvantaged were taught more about 'power relations', they too could spend a life of bitterness as a teachers' union official.

In a similar vein, Dr Kay Price, Senior Lecturer in the School of Nursing and Midwifery, was surprised about the silence in the election campaign on how to meet 'the diverse and changing health care needs of our population'. Dr Price pointed out that 'social and health-related care for older people faces increasing problems due to the greater demands of an ageing population, nursing shortages and decreasing resources. How much [can] government fund, to meet the needs of all people?' Of need, there is no shortage! The Left really are 'glass half-empty people'. If there is a difference among Australians in standard of living, the Left will 'problematize' it, then blame the rich. At no point can the individual be given the dignity of making provision for himself or herself.

The Hawke Research Institute for Sustainable Societies (as if anyone would run one for an unsustainable society) is at the remote end of the spectrum. It specializes in Peace and conflict management studies, Social justice studies, Gender studies, and Reconciliation studies. These studies in how-to-be-resentful are a regular at the non-sandstone universities, mostly former teachers’ colleges. They are the best argument for placing a far greater...
emphasis on TAFE, a much larger constituency for Labor, but one that Labor has not spoken to, or of, since Whitlam became PM. If John Howard’s entry into direct Commonwealth funding for new TAFE colleges takes off, it will just about seal Labor’s fate as a mainstream political party.

Keep the post-material studies mentioned above for the mature-age students whose interests are not related to employment. The nonsense they learn should be confined to the dining table, not the workforce. They generally produce the sort of things recently overheard in a conversation between two ‘well’-educated, well-off, Australian women. The teacher remarks to the psychiatrist, ‘Australia is the worst country in the world in which to be poor’. The psychiatrist agrees wholeheartedly! There are two groups that would know the falsity of that proposition: the Australian poor and anyone other than the Left.

The Evatt Foundation is mainly controlled by the old Left in NSW (former Senator Bruce Childs and Hawke government minister Jeanette McHugh are still active). Among the output is the mandatory nod at the Kyoto Protocol, and joint projects with the Human Rights Council of Australia. These can be forgiven as a frolic, but the real worry is the lauding of a book by Edward Fullbrook, A Guide to What’s Wrong with Economics. Featured on the Evatt Website, the book concludes, ‘bad economics probably kills more people and causes more suffering than armsments’. It is argued that centrally planned economies have been bad news, but of course, Fullbrook is not referring to those sorts of economists. No, he refers to ‘many worldly and logical gaps in neo-classical economics, and also its hidden ideological agendas, its disregard for the environment and inability to consider economic issues in an ecological context, its habitual misuse of mathematics and statistics, its inability to address the major issues of globalization, its ethical cynicism concerning poverty, racism and sexism, and its misrepresentation of economic history’. I trust the shadow Treasurer is listening!

There is, by the way, a revolt by French economics students against their economics teachers for teaching what they regard as ‘autistic’ economics! They are attacking economists who ‘misunderstand’ the real world. This from the people who gave us Michel Foucault’s post-modern madness! As William Coleman (of Exasperating Calculators fame) described it, the attack on economics is so much ‘ideology chasing’.

There is also Peace and Conflict Studies and Peace in West Papua, in other words, support for separatists using the apparently benign ‘discourse’ of peace dialogue, as if real interests and control over resources do not matter! Oxfam’s view that poverty is more important than security is lauded, as is its solution: more aid and ‘sustainable rural development’—that is, anti-development! Old colleague John Langmore, former MHR and now ILO liaison in New York, wades in with, ‘poverty is a greater threat than terrorism’.

The Chifley Research Centre, chaired by Jenny Macklin MHR (the Deputy leader of the Labor Party), like the Whitlam Institute is, with great respect and judging from the output, pretty well defunct.

**COMMON SENSE FROM THE FABIANS?**

The white knight comes in the form of that old faithful, The Fabian Society. It assembled some steadier and more seasoned hands in a discussion entitled ‘After the Deluge’, to advise Labor at this time of despair in the ranks. John Button asks, ‘Why the reluctance to have a forceful and well-articulated view on the future of the economy?’ He argues that, ‘While nearly all the economic commentators … and even the Government, believe the Hawke Government’s economic restructuring laid the foundations for Australia’s current prosperity, the Parliamentary Labor Party is not quite sure.’

Evan Thornley, proprietor of Pluto Press and research director for the Fabian Society was similarly inclined. ‘Before we start worrying about whether our Intelligentsia is frightening the punters away with constant rattles about Iraq, asylum seekers, gay rights or forests, can we please make sure we can win the economic debate?’

Guy Rundle, co-editor of Arena, argued that the defeat(s) mark(s) a final rejection of the ‘suburban’–left coalition that has animated progressive politics for four decades … When figures such as Whitlam welded these coalitions together, they managed to convince each side that their cultural differences could be subordinated to a common social–economic project. These … differences are now felt sufficiently deeply by each group to make their dissolution difficult. Part of the reason for this is that both progressive parties have abandoned the sort of large-scale visionary project into which differences could be sunk.

Unfortunately Guy, the large-scale visionary projects are all on the other side!

Guy does understand, however, that ‘the legalisation of gay marriage would displace the reproducing family as the core cultural institution’ and that ‘the legalisation of drug injecting rooms can win the economic debate?’ He understands that these concerns are real and that unless Labor leaves them alone and re-enters the economic debate, it is doomed to be in Opposition forever.

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A Constitution That Deserves Better Mates

Greg Craven

If constitutions had emotions, ours could be forgiven for feeling just a little frustrated. What exactly is it expected to do to get a decent press? Around the world, constitutions go down like South American currencies, producing mayhem and revolution, yet no-one lifts an eyebrow. The Australian Constitution produces a century of outstandingly stable democracy, and has scarcely a friend.

In reality, our Constitution is one of the beige wonders of the governmental world. In terms of outcomes, it has outlasted the Kaiser, the Depression, the Cold War and world communism to produce one of the oldest continuous constitutional democracies in the world.

In terms of process, it is no less remarkable. For all its drab Victorian draperies, the Australian Constitution is the only true People’s constitution of the Anglo-Saxon world. What other constitution was drafted by delegates elected for the purpose, adopted by popular vote, and remains amendable only by referendum? Certainly not the constitutional documents of the United Kingdom, the United States, Canada, South Africa or New Zealand.

Yet at almost any given point in its history, the demolition of the Constitution has been the chosen work of a major portion of Australia’s political elites. Historically, it has been the Australian Left that has reviled the Constitution. Most recently, the Left has found the Constitution’s dogged refusal to invest unelected judges with absolute power over human rights deeply trying, and it has hurled its anathemas accordingly.

But long before this, Labor and its allies loathed the Constitution on a quite different score. They longed to dismantle its clanking federalism, and replace it with an efficient centralizing apparatus that would usher in all forms of marvels, from wage control to price-fixing. From Hughes to Whitlam, Labor did battle with Australian constitutional federalism. Casualties were heavy on both sides, but if Labor gave the States as good as they got, it never quite managed to get the States.

Throughout these battles—and making due allowance for opportunism and Canberran hubris—the Australian political Right stood with the Constitution and its inherent federalism. It did so not only out of a desire to frustrate Labor’s agenda for social and economic control, but from a deep if vague understanding of the link between ‘federalism’ on the one hand, and notions like ‘liberalism’, ‘conservatism’ and even ‘democracy’ on the other.

Liberals such as Sir Robert Menzies, harking back to the great constitutional founders such as Deakin and Barton, comprehended that federalism was not just a regrettable historical reality of Australian government. Quite beyond that, it was an organizing principle of government designed to protect just those qualities of freedom, balance, community and difference dear to liberals and conservatives.

To take two of the most obvious illustrations, federalism first promotes freedom by balancing the powers of two spheres of government against the other, so ensuring that in Australia there is, by definition, no totality of power. Moreover, the existence of these two spheres guarantees competing public dialogues of power, ensuring that few policy balls go through to the keeper unremarked in Australia.

Consequently, from education to health, and from industrial relations to the environment, there is no sphere of government in Australia that is all-powerful, and none whose proposals cannot be subjected to an organized critique from a fellow government.

Second, federalism ensures, or aims to ensure, that the policy issues closest to regional communities are determined substantially by those communities themselves, by committing those issues to local State governments and not the remote bureaucracy of Canberra. In so doing, it not only magnifies local democracy, but promotes decisions practically adapted to local conditions and difference.

Balanced power, contained government, local control of local affairs and respect for regional difference: there could hardly be a governmental creed more palatable to conservative tastes. Yet today, all this goes to underline just how truly remarkable it is that the Howard Government is spitting out Australian federalism like so much constitutional gristle.

In its casual abandonment of its federalist conservative heritage, the administration of John Howard now appears to be embarked upon the greatest centralization of power in Australia since the Second World War. Then, at least, inroads upon Australia’s federal character could be justified as a response...
to the demands of total war.

Consider the fronts upon which Howard’s troops are moving. Health Minister Tony Abbott would like to control hospitals. Howard himself, and Employment and Workplace Relations Minister, Kevin Andrews, wish to dismantle State industrial relations sub-systems. Attorney-General Phillip Ruddock seems determined to impose uniform defamation laws. Education Minister, Brendan Nelson, easily the most enthusiastic of the power accumulators, wants Commonwealth control of universities, a national education certificate and Commonwealth technical colleges.

In their undorned determination to exploit power while the going and the Senate is good, many of Howard’s ministers display no parallels with a Deakin or a Menzies, who reluctantly understood that constitutional restraints upon the untrammeled exercise of power are a given good, even if and—perhaps especially—when they most irritatingly restrain you.

Rather, they closely resemble the old leftist social engineers they profess so to despise who, having briefly stormed the citadels of power, will brook no inhibition or argument against the full implementation of their programme of the hour. They are, in short, neither liberals nor conservatives with a respect for balance and restraint, but merely politicians in the usual self-important hurry towards eventual, inevitable replacement by their opponents.

Take just one example of the utter lack of conservative thought that has gone into this programme of regulatory hubris. Almost nobody would deny that Australian universities are a vital cog in the criticism of governments, and play a major part in the functioning of our democracy. Presently, our universities are regulated partly by the States, and partly by the Commonwealth, the latter largely by financial means.

The outcome has its messy moments, but those with genuinely conservative or liberal instincts hardly could fail to realize that the inability of either sphere of government to comprehensively control the chief repositories of our national intellectual capital is a profoundly healthy position, in accordance with all the best precepts of federalism.

As Australian universities play their part in the vital intellectual debates of this country over such matters as labour market reform, trade, reconciliation, ageing, constitutional change and science policy, would it really be a matter of satisfaction for us that they were, in terms of accreditation, regulation, strategic direction and accountability, wholly-owned subsidiaries of the Commonwealth Government?

Yet to suggest that such thoughts might even occur to some members of the present government would be implausible as their adherence to it. It is not so much that they have no commitment to the real constitutional values of liberalism, as that they would not even recognize a constitutional liberal if they met one.

The irony, of course, is that the Howard policycrats eventually will go the way of their Labor forerunners. After their little span in power, the immense national machines they have worked so hard to create will fall cyclically into the hands of their enemies, and from industrial relations to universities, they will be turned against them. The Nelsons and the Howards will moan aloud, and talk of ‘balance’ and ‘federalism’.

In the meantime, where is anyone who really does believe in such arcane concepts to look? Apparently, not to the sullied heirs of Deakin. Perhaps Labor could take some new partners for the new millennium?

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Your Aid Dollars At Work

As Donald Rumsfeld recently said, you go to war with the army you have. And it turns out that Oxfam has a gender advisor. So, rather than fritter away this vital expertise teaching a class of cultural studies majors, the gender advisor has been speedily airlifted into the tsunami-affected Meulaboh, in Indonesia.

While it may seem that the IPA is treating this important service lightly, the advisor has a great deal of work to do. As Oxfam’s International Weekly Tsunami Bulletin No.19 proudly states, Oxfam teams are being given training in the ‘meaning of gender’—a service that could be readily provided by a dictionary. A great deal of emphasis is placed on ‘the differences between men and women’.

To be fair, this is more likely to be of the Men are from Mars, Women are from Venus style than slides from My First Anatomy Book, but if the service is so essential, one wonders what the teams were like before the training.
What’s A Job?

Ken Phillips

Let’s jail an executive!

Everyone seems to want to throw company executives in jail these days.

It started with corporate manslaughter and occupational health and safety legislation that aimed to jail executives in the event of the death of a worker. Victoria tried it in 2002, but withdrew. The Australian Capital Territory government passed laws in 2003 leaning in this direction. New South Wales has had these laws since 2000 and wants to introduce more.

The trend continues with the Federal Government now announcing laws to jail executives who collude with competitors to fix prices and control markets.

It seems that the job of a corporate executive has become pretty dangerous. They are being targeted by powerful regulators, unions, and non-government organizations. But to understand the issues, it is necessary to understand the dilemma of the corporation.

At their core, corporations exist to make money for their shareholders. Managers run firms to make the money. Because managers don’t own the firms, they are protected from financial liability if they go broke. But under the well-known agent–principal problem, managers have the opportunity to manipulate operations of the firm for personal benefit. Groups of managers can collude to rig the rules of the firm to maximize personal benefit or to engage in fraud.

In cases of fraud, the criminal law comes into play and executives can find themselves in jail. This has happened with the collapses of Enron and WorldCom in the USA. Even the USA home-maker queen, Martha Stewart, has recently done time. Australia has its own numerous examples. Importantly, the criminal law acts to protect shareholders, consumers and other traders.

But in threatening executives with jail, the criminal law applies important protections: there is a presumption of innocence; people are held responsible for their own actions; individuals, not the collective, are charged; the prosecution must prove its case beyond reasonable doubt; there is trial before jury; rights to appeal are extensive; and so on.

The foregoing is very different to civil prosecution, where lower levels of proof apply and trial can be before a judge alone. Fines apply; not jail terms. The company as a collective can be sued and will normally suffer the financial penalty for the actions of its managers.

If justice is to be served, executives, indeed anyone, should only face jail if the principles of criminal law apply. This is where corporate manslaughter and some safety laws have gone astray.

The new defunct corporate manslaughter attempts in Victoria sought to hold the corporation as a collective criminally liable. The process of jailing would have amounted to the discovery of executive ‘fall guys’. The NSW occupational safety laws breach the principles of criminal justice by presuming guilt and applying levels of proof so high as to make effective defence improbable. Trial is in a non-criminal court (the industrial relations court) and the law prevents full rights of appeal. The NSW laws are scandalous and governments who support this approach clearly reject a proper notion of justice.

Given the trend, how do the Federal Government’s proposed laws rate on grounds of justice?

Quite recently, the cardboard box manufacturer Amcor discovered that several of its executives had been involved in collusive price-fixing with executives from other cardboard manufacturers. Amcor sacked the executives, disclosed the activity and took the wrath of the corporate regulator on the chin.

Companies in this situation become victims of the agent–principal problem. If executive price-fixing is undiscovered, a company and its competitors share in higher profits through higher prices than if they were competing in an unmanipulated market. Presumably, executives benefit through enhanced careers and incomes. As the law stands, however, discovery of price manipulation causes pain for corporations. They are prosecuted and fined and share prices normally drop. Executives, however, lose their jobs but little else.

The new federal laws will shift the focus. Executives who contemplate price-fixing and market-manipulating collusion must also contemplate the risk of jail. Such laws may help address the agent–principal problem. But executives deserve justice as well. The federal laws will only have credibility if the full principles of criminal justice apply. Any replication of the NSW approach deserves to be rejected.

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From as early as I can remember, my mother and father instilled in me and my eight brothers and sisters the conviction that opportunity and freedom would come through education, personal responsibility and self-belief; that our destiny was largely in our own hands—how hard we studied and worked, the opportunities we took, and how we dealt with people. I grew to believe that I was responsible for charting my own course—that I was free to follow my dreams, make my own mistakes, and take the consequences of my decisions.

Importantly, my parents never seemed to convey any resentment or jealousy that others might have more than we had. There was no chip on the shoulder; rather, there was a notion of ‘blue sky’, a sense that if we really wanted what others had—whatever that might be—then the opportunity was there to achieve it. Ambition was presented as a good thing, something to be nurtured and applauded, and not only in sport. I embraced these simple truths as a philosophy.

Many other life experiences have served to further entrench, but also add to, these principles.

I have worked in the public sector, the private sector and the very private sector—the political machine. In the early to mid-1980s, I was the chief executive of the Cattle Council of Australia and then the National Farmers Federation. During those years I was involved in negotiating Federal land rights legislation pertaining to the Northern Territory.

As it turned out, the land rights legislation was a totally inadequate response to the real issue—namely, the collapse of personal dignity and self-esteem among many Aborigines, particularly the young. In seeking to come to grips with indigenous issues, I spent many, many weeks over a period of years in the Northern Territory, the Kimberley and North Queensland talking to cattlemen, to business people, to officials and to other locals. I visited Aboriginal settlements and outback towns.

On many occasions, I would be taken to a bend in a river on a cattle station and shown where 100, 200 or 300 Aborigines had lived for decades, with the men employed on the stations as stockmen and drovers, the older men as gardeners, and the women in the homestead. In many cases, schools were provided for the children. Aboriginal people were disadvantaged, but they had work and self-esteem, a reasonable quality of life, strong mentoring from their elders, schooling and strict controls on alcohol.

Of course, all that ceased in the early 1970s following the understandable granting of equal wages in the pastoral industry, along with the misplaced provision of unfettered and generous welfare handouts. The related exodus of these people from their ancestral lands saw them living in settlements and on the fringes of towns. The highly disturbing result in many Aboriginal communities today is that we have basically poisoned recent generations; poisoned their bodies with alcohol and other substances and poisoned their spirit and self-belief with handouts and welfare dependency. In many places, we are seeing a total breakdown in the social order.

As I was driven around vast cattle stations, I witnessed cattlemen come across an Aboriginal elder known to them. The mutual respect was palpable. On the same day, I saw the same cattlemen come across young Aboriginal men seriously affected by years of alcohol and aimlessness, young men stripped of any personal dignity or self-esteem. The cattlemen’s contempt was palpable. The chilling fact is that the very fabric of a proud and fascinating culture, many thousands of years in the making, has been brought to its knees in less than 30 years by well-intentioned but seriously misguided policy.

For me, the lesson is clear. People are very, very responsive to incentives, for good or bad. The wrong incentives, no matter how well-meaning, can deteriorate a community in no time. In this case, unconditional handouts have provided the seeds of destruction in a breathtakingly short period of time. It is why every piece of public policy in this place is important. It is why every piece of public policy must be measured against a set of principles. It is why philosophy matters.

Clearly, restoring personal dignity and self-esteem is the bedrock of any solution for our Aboriginal communities. In many places this means replacing the grog, the petrol and the paint with work. To this end, I commend the direction outlined by the Governor-General in his speech to the opening of the 41st Parliament.

During my years at the National Farmers Federation I was involved with two major industrial disputes: the Mudginberri abattoir dispute and the wide combs dispute. These two disputes proved that success is never easy, regardless of the merits of any particular cause. Importantly, they also proved the underlying strength of the employer–employee relationship in Australia. Mudginberri sought —
to establish a right for employer and employees to negotiate terms and conditions which best met the particular nature of that abattoir’s operation. The wide combs dispute sought to establish the right of employers and employees to agree to adopt new technology—in this case, a wider shearing comb—on a workplace-by-workplace basis.

Nearly 20 years later, it is now difficult to conceive that these rights were in dispute. Yet Mudginberri took 27 court cases, two years of litigation and a $10 million farmers’ fighting fund to win. The wide combs dispute had to contend with bullets flying, shearing sheds being torched and paid thugs intimidating communities. These two disputes were only won, despite the belligerent stance of the unions, because there existed—and, I believe, still exists—a fundamentally healthy and mature relationship between employer and employee in Australia, with a mutual trust that the benefits of change can and will be shared.

The disputes also highlighted the fact that no two workplaces among the millions of workplaces in Australia are the same. The more the Liberal Government does to free up employers and their employees to settle on terms and conditions which maximize the unique opportunities in each workplace, the more jobs and the more prosperity we will see. From my experience, many employers have come to realize that, if they give their team the right incentives, they can move mountains.

I have also observed that this power of negotiating one to one has parallels in the international trade arena. My experience on the international scene includes expanding a commercial business into the New Zealand market in the late 1990s; advising major New Zealand companies on their move into Australia; facilitating large commercial projects in Asia, particularly in Thailand; employing trade lobbyists in Washington in the 1980s and negotiating with the European Union, the United States and Japan on agricultural trade matters over a decade. These experiences have long convinced me that the growing emphasis on trade agreements negotiated bilaterally is not only in Australia’s best interests, but also a harbinger of real progress on trade liberalization on a global basis.

While multi-country World Trade Organisation negotiations obviously hold out the prospect of more comprehensive liberalization, they proceed at a snail’s pace, if at all, whereas bilateral trade agreements are delivering major benefits in our lifetime. The Closer Economic Relations agreement with New Zealand is a wonderful case in point. Successful bilateral agreements, rather than stymieing progress on multi-country agreements, are in fact creating a competitive imperative for non-participating countries to be involved, leading the way incrementally to a more comprehensive removal of trade barriers.

Over the last 33 years in my roles as an animal health officer working in abattoirs and saleyards and on farms; as a tutor in macro-economics working with highly motivated, mature-age university students; as an agricultural economist and farm organization and political party executive setting up and running an Australia-wide direct marketing IT company and, in recent years, as an adviser on business strategy to global companies and large organizations, I have been regularly to all corners of Australia. Working with people and communities from Albany to Cairns and from Hobart to the North West Shelf has left me a committed federalist. I have a great distrust of any central power, by itself, understanding and effectively meeting the needs of far-flung communities and businesses.

While I see the Federal Government having a critical leadership role to play, I agree strongly with the sentiment expressed by Sir Robert Menzies in 1960 when he said:

There is a deep instinct in the Australian mind for a system of Government which, by a division of legislative and administrative powers, limits centralisation (or ‘control from Canberra’) and protects a measure of individual freedom by not giving us one set of rules—even elected rulers—who have absolute power. In a great island continent with widely scattered communities, this is a healthy sentiment.

No matter how much it might irk members of parliament from time to time—and, I suspect, me in the future—I believe that our great history of stability and resourcefulness owes much to the decisions about local issues being taken locally. It owes much to the balance between our three tiers of government, including the sovereignty and authority of the States and the role played by local government in Australia. This balance has served Australia well.

The federalist imperative was further reflected in the intent of our founding fathers that the Senate be a States’ house of review, a chamber designed to ensure that the interests of communities in each State, large and small, were taken into account by the government of the day. In recent decades, this intent has been progressively eroded, especially with minor parties in some cases being far more concerned about propagating an extreme Left, international agenda than considering the impact of national policies on local communities in their State. This is one key reason why I favour consideration being given by a simple act of parliament to dividing each State into six regions with two Senators selected from each...
region—one at each election.

Drawing Senators from a smaller area within a State and being accountable to that area would go some way to restoring the original intent of the founding fathers for a strong State perspective to be present in the Federal Parliament without requiring any change to our proven institutions. This imperative to preserve our proven institutions underscored my support for an Australian head of state involving only minimal change to our Constitution. I still see, some time in the future, an Australian head of state providing a powerful and stabilizing symbol without detracting from our proud history and the stability of our institutions.

My last seven years working with the top end of town suggest to me that our capacity for risk-taking is fading. Our great entrepreneurial spirit is residing in fewer and fewer people. Perhaps our self-belief is being eroded. The clamour for endless reporting, misplaced accountability and draconian regulations are choking the boldness of business and need a serious rethink. In my view, you cannot legislate for ethical behaviour. The values of a society and its institutions dictate acceptable ethical behaviour.

From the perspective of personal responsibility within the national and international context, I do expect that two types of security issues will dominate in the years ahead. The first is our national security. The world has changed dramatically since 9/11. Terrorists have declared war on us for ideological reasons of their own, and there is no easy way out of this conflict, which is not of our making. Appeasement is not an option. It will be a long fight, and we will need our traditional friends.

The second security issue is one of personal security. My years of political observation have led me to understand very clearly that what the majority of Australians aspire to most is a secure life—put simply, food on the table, a job, a manageable mortgage, a holiday, a movie with the kids, an ability to exercise some choices. To this end, maintaining a strong economy is paramount. In particular, I would like to convey, especially to our young people, that true happiness and true freedom come from achievement—using whatever God-given talents we have to chart our own course, to take the consequences of our decisions, to have a go. If we do this, success and security will follow.

Andrew Robb is the Federal Liberal member for Goldstein, Victoria.

Failing to Indoctrinate

Kevin Donnelly

Is education too politically correct and are students in danger of being indoctrinated? Judged by the actions of Professor Wayne Sawyer, President of the NSW English Teachers Association and editor of *English in Australia*, the answer is ‘yes’.

In the current issue of the journal, Sawyer bemoans the fact that students voted to re-elect the Howard Government and argues that this is evidence that English teachers have failed in their job.

Sawyer states: ‘We knew the truth about Iraq before the election. Did our former students just not care? We knew before the election that ‘children overboard’ was a crock, but, as it was yesterday’s news, did they not care about that either? Has English failed not only to create critical generations, but also failed to create humane ones?’

Such is the current state of English teaching that it is possible for a senior representative of the subject’s professional association, the AATE, to openly argue that it is the role of the English teacher to teach students, as future voters, the correct way to think and the correct way to decide controversial political matters.

In Sawyer’s defence, he does make it clear that the editorial is only his opinion and that teachers in the classroom are balanced in their approach. Whether teachers, as a profession, are politically biased, is difficult to prove either way, but what is in no doubt is that professional associations, teacher unions and curriculum guidelines consistently adopt a left-wing, New Age approach to education.

One obvious example of political activism in the classroom is the call to arms made by the Australian Education Union and the NSW Teachers Federation in response to Australia’s involvement in the war in Iraq. When the conflict began, teachers were told to protest against the war and to support those students who wanted to demonstrate publicly.

The AEU curriculum policy also argues that such is the capitalist nature of Australian society that our community is inherently inequitable and socially unjust. As the education system reinforces this inequality, it is the role of teachers to oppose competitive assessment, the academic curriculum and a belief in meritocracy and equality of opportunity.

The English Teachers Association has for some years now championed what is termed social-critical literacy. Based on the writings of the Brazilian Marxist, Paulo Freire, the argument is that students must be ‘empowered to deconstruct texts’ in terms
of power relationships.

Or, in the words of the Tasmanian Education Department, social-critical literacy: ‘…provides us with ways of thinking that uncover social inequalities and injustices. It enables us to address disadvantage and to become agents of social change’.

If social literacy were taught in a balanced and objective way, there would be no concern, but the reality is that it is used to promote a left-wing, New Age view of issues, especially those related to multiculturalism, gender, peace studies, feminism and the class war.

As noted by the Monash-based teacher educator, Georgina Tsolidis, in her summary of teacher training during the 1980s and 1990s, the prevailing orthodoxy is essentially a political process where students are taught to be ‘socially critical’ and ‘empowered’ in order to enable them to ‘challenge the status quo’. She argues:

Many of us cut our teaching teeth in a climate of advocacy related to student-centred pedagogy, curriculum and assessment. Freirian notions of empowerment have been the ‘bread and butter’ for those of us concerned with teaching, particularly teaching involving the ‘Other’…

Our job was to produce young adults who would challenge the status quo through skills of critical inquiry. Within the classroom of the self-styled liberatory pedagogy there existed clear distinctions between the marginal and the mainstream.

English is not the only subject area targeted by the Left. When it was released in 2000, such was the public concern about the bias in the Queensland Study of Society and the Environment (SOSE) syllabus that the government was forced to initiate an inquiry.

Whereas education was once based on the assumption that there are some absolutes (objectivity and the disinterested pursuit of truth), in the brave new world of the Queensland curriculum, students are told that everything is ‘tentative’ and ‘shifting’ and that the purpose of education is to criticise mainstream society in terms of what has become the new trinity of gender, ethnicity and class.

Thus, students are told that they must ‘develop the ability to critically analyse social structures that unjustly disadvantage some individuals or groups’. Forget that Australian championed such egalitarian measures as the eight-hour day, the conciliation and arbitration system and votes for women.

Thankfully, there are many teachers who teach in a professional and balanced way. Unfortunately, their standing in the community is often undermined by professional associations and teacher academics more attuned to the elites than to those at the chalkface.

The chilling fact is that the very fabric of a proud and fascinating culture, many thousands of years in the making, has been brought to its knees in less than 30 years by well-intentioned but seriously misguided policy.
It was said during the 1920s that Prohibition was terrible - but it was better than no alcohol at all.

There is much we can learn from that observation. I was once asked by a trade union official, ‘Do you want a no-strike clause, or do you want no strikes?’ Again, reality trumps perception. The perception in Australia is that we are free. The reality, as we all know, is rather different.

In the two words independent contractor, independent is synonymous with freedom, with the capacity to choose, whether right or wrong, and is indicative of the very high place the individual has in the culture we have inherited.

A contractor is someone who contracts. The sanctity of contract is one of the three pillars of our common-law system. The principle that people who sign contracts are then expected to keep their word and honour their undertakings, is one of the foundations of our civilisation.

In the context of a complex legal, economic and regulatory framework surrounding independent contracting, I wish to argue that workers shouldn't have to jump through a myriad of hoops just because they choose to work differently from others, and that in fact we would all be a whole lot better off if we removed the regulatory framework altogether.

An individual who is able freely to enter into a relationship with another person in order to achieve an ambition which neither party could achieve acting alone is a situation which we accept as an everyday occurrence. It is an event, nonetheless, of profound moral significance in addition to its having highly beneficial economic consequences.

Where individual freedom is restricted, where private property is insecure, and where economic life is centrally controlled, we find that the gap between rich and poor is wider than in societies that have independent rule of law, security of property and the sanctity of contract.

Every major thinker who has written about the foundations of a free society—amongst them, David Hume, Adam Smith and Edmund Burke—understood the fundamental nexus between the freedom of the individual, freedom of contract, and the type of society which supports those freedoms.

So the words ‘independent contractor’ are truly inspirational. When it is finally accepted that the individual is capable of making a conscientious judgement as to his or her best interests and is capable of entering into an exchange of promises with another, not only are the parties to the

In this special IPA feature, we look at the long and evolving emergence, but seemingly sudden recognition, of the entrepreneurial class in Australia. They seem not to have, nor want, any organized political voice, but appear to have been a key factor in the last Federal election. They make up 28 per cent of the private-sector workforce and are most easily identified as independent contractors.

Who they are, where they are, what they want and how they are regulated, are the issues looked at in this feature.

**The Workforce of the Future**

**Bob Day**

*This is an edited version of the opening address given to the first Independent Contractors Of Australia National Summit in Canberra on 24th August, 2004.*
contract both better off, but society as a whole is enhanced.

What I wish to emphasize is more than just efficiency, though its contribution to efficiency and productivity is beyond dispute. My concern is about the very nature of our society.

In my view, independent contractors—and I am one myself—represent the very best traditions and aspirations of our society. We are proud of who we are and what we do. But centuries of experience show that we must be vigilant in protecting those traditions.

Although there has been a reasonable degree of bipartisan support for most of the great changes that have done much to free up the Australian economy over the past two decades, our labour market remains highly regulated and is a serious burden on our economic life. In phasing out protectionism, and abandoning the White Australia Policy, we have interred the ghost of Alfred Deakin. But we have not yet interred the ghost of Henry Bournes Higgins, the father and champion of labour regulation.

Although protectionism today has few serious defenders and while open financial markets are no longer controversial, freedom of contract has been diminished in Australia in recent decades. When Francis Fukuyama predicted that the end of history had occurred, with a complete vindication of the liberal market economy over state planning, he underestimated the implacable resistance of many in the West to the ideas that had delivered that triumph.

Let us not kid ourselves: our standing and status as independent contractors remains under threat. There are people who do not like us and they will use any arguments that come to hand as ammunition against us; for example, that we are merely engaged in an elaborate scheme to avoid tax. That argument has no legs and has proven to be baseless, but it is endlessly repeated.

Contractors are paid for performance—not for time. Arrangements like these—based on personal values rather than the values of the collective—are a threat to many.

Writing in The Adelaide Advertiser at the time of the Ralph Report/Trade Contractor debate, Professor Cliff Walsh, Director of the SA Centre for Economic Studies, wrote that the outcome of the HIA’s fight to protect the independent status of trade contractors was ‘A victory for the industry … and particularly important to its customers because the subcontract system contributes strongly to efficiency, adaptability and cost-competitiveness.’

I’d like to extend that even more and argue that the outcome we saw in that case represented a victory not just for the subbies and their customers, but for the economy generally and, like ripples in a pond, extending out to every Australian.

After eight years of Coalition Government, our labour market is anything but free. We still have a system of wage regulation that condemns many young people to unemployment—particularly entry-level apprenticeships. We impose conditions on dismissal that inflict unemployment on the unskilled and the disabled. We shackle both employers and employees, particularly employees, with regulations which impose significant financial burdens on both parties.

There is still a huge amount of reform that has to be put in place if the Australian labour market is to provide the jobs, the opportunities and the prosperity which it could provide if we took the word freedom seriously.

Better than anyone else, we know, the social, economic, and personal benefits of independent contracting and we need to be championing our cause unceasingly.

The important point I want to make in all this is that independent contracting does not break through the existing Industrial Relations system—it breaks with it. It is a world of work with a culture based on freedom, respect and mutual benefits. Although it draws some support from statutes,
it relies for its support on the common law.

Mutually agreeable contracts allow the parties to jettison the old compulsion entitlements in favour of all-inclusive remuneration arrangements. Independent contracting recognizes that people have a God-given right to work as hard as they like, for as long as they like, in order to achieve the things they want in life.

We know that this can be arduous and sometimes risky. But we prefer the rewards that this demanding way of life offers. Why should anyone have the right to deny us this freedom?

There are now more independent contractors than there are trade union members in the Australian workforce. The tide is turning. We are the workforce of the future.

It has been calculated that the regulations and restrictions in our labour market cost Australia over $60 billion per annum. That is the economic cost of our unemployment and under-employment problem. Of course, the true social cost is incalculable. Lives are wasted, talent is destroyed and opportunities are lost every day because people are not permitted to act in their own interests.

What possible basis can there be to render unlawful a common-law contract—entered into by willing parties—to achieve a lawful and productive outcome that is in the self-determined interest of each of the parties other than some paternalistic belief that the parties themselves aren’t capable of knowing what is in their best interest? No individual can possess either the knowledge or the selflessness to make these kinds of decisions for somebody else. Independent contractors absolutely reject the idea that they are unable to determine for themselves what is in their best interests.

So, where do we go from here? First, I believe the Federal Government must actively promote independent contracting as an alternative to traditional employment. Public advertising campaigns, targeted information to employers about the legal and commercial basis upon which independent contracting is based, and its flexibility as an option available to very many Australian workers, should be the first consideration.

Promotional campaigns should emphasize the simplicity and flexibility of independent contracting and provide sample contract templates and checklists to ensure compliance with the legal requirements of this new paradigm.

With the active commitment of a Federal Government to such a campaign, a new growth industry would emerge offering aggregated services to independent contractors—accounting, insurance, BAS returns, contract management and other advisory services—allaying concerns that many of today’s unemployed may not be up to the requirements of running their own business.

Second, the Federal Government should set an example in its own employment practices and look to independent contracting wherever possible. The United States set such a pattern in the 1970s when it adopted a ‘non-dependency on direct employment’ strategy, which proved to be a turning point in American labour relations. Unemployment levels since then have been consistently lower than in Australia, despite America’s much higher levels of illiteracy.

If Australia had the same proportion of its working-age population employed as the US does, we would have another 600,000 people in employment. In other words, we could bring our unemployment levels down to the 2 per cent mark.

Recent events in other nations, however, have reminded us of a powerful truth, namely, that ‘Freedom is never free.’

This Summit is a start. Independent contractors are the most innovative and resourceful of Australia’s workers. They bear more risk and show more courage than just about any other sector of the workforce. We must apply those same great virtues to agitating for labour market reform and protection of our own precious liberties.

Bob Day is President of Independent Contractors of Australia (ICA).

All presentations to the Summit and ICA’s extensive coverage of independent contractor issues can be found at http://www.contractworld.com.au
Independent Contractors and Tax: The Facts

Ken Phillips

Some people claim that independent contractors and their clients use non-employment to avoid tax and other statutory obligations. It’s a claim that doesn’t match the facts.

INCOME TAX

The big ticket item is income tax. Do independent contractors rip off the tax system?

Under the old PAYE tax system, there was a problem. The tax office only had statutory power to require tax instalments to be sent to them regularly if a worker was a common-law employee. This ‘withholding’ system ran into trouble during the 1990s because of the big increases in the number of independent contractors for whom witholding could not be enforced. This created cash-flow issues for the government. The tax office responded by trying to force everyone to be an employee—a nonsense task.

The issue was resolved with the scrapping of PAYE and its replacement with PAYG, an improved legislative and administrative structure for securing withholding payments. The PAYG system has three legs: it requires withholding for employees and company directors; it has separate requirements for independent contractors engaged directly and administratively uses the Australian Business Number for this; and it has a provision for independent contractors using labour hire where no ABN is required and the labour hire company must remit withholding tax to the tax office. It’s pretty simple really—and a world first.

The second tax issue is whether independent contractors access lower rates of tax than they should and higher tax deductions than they should. The assumptions, still claimed that there was a problem. The issue became highly politicised and had a strong industrial relations element to it.

The core problem is that tax officials have difficulty conceiving of an individual as a business. ‘How can an individual have goodwill?’ they ask. But the problem they face is that this is precisely what is occurring in modern economies. It is a massive social movement where individuals don’t want to work ‘in’ businesses where they are controlled by bureaucratic and class-based structures. People want to ‘be’ a business; their own business. This is what independent contractors are. They are the ultimate small business, a business of ‘me’. Tax officials and tax systems worldwide will have to come to terms with this social movement.

The Australian solution is, however, mostly workable under the Personal Services Income Tax legislation of 2001. The tax office now has three administrative definitions of a business. There can be a ‘Business’, a ‘Personal Services Business’, or a Personal Services Income Earner. Confused? Well isn’t tax supposed to be confusing?

A Business can access all tax deductions but can be in a grey area on splitting income and retaining profits—the tax office is running legal test cases in an effort to resolve the grey. A Personal Services Income Earner can access tax deductions but not split income or retain profits. No-one in any of these categories is seen as an employee. The Website www.contractworld.com.au has a good explanation.

STATE PAYROLL TAX

State payroll tax legislation varies significantly and tends to be impossibly complex to understand. Independent contractors working directly for a client probably need to be included in the clients’ payroll tax declarations, or maybe not. A leading test case on the Victorian provisions in the early 1990s saw the High Court declare that it was unsure and felt that the legislative provisions could mean almost anything the payroll tax officials wanted them to mean. With independent contractors using labour hire, however, it is clear that tax obligations apply.

WORKERS’ COMPENSATION

This is a legislative mess which requires a complete rethink and an overhaul comparable to that applied to the income tax system. Aus-
Australians’ workers’ compensation schemes are a contorted form of insurance. Under normal insurance, the person that is covered takes out the policy and pays the premiums. Workers’ compensation covers lots of people (workers) but gets other people (businesses) to pay the premiums.

All States’ workers’ compensation schemes have a firm policy that independent contractors are not to be covered. Presumably this is because they accept that independent contractors are businesses and are therefore not allowed to pay premiums.

But oddly, the workers’ compensation schemes in each State have a vast array of ‘deeming’ provisions which describe a whole range of independent contractors who must be in the schemes but who would not ordinarily be in the schemes. These ‘deeming’ laws vary between States and have no consistency. The consequence is that people who are not allowed to register for workers’ compensation might have to be declared, or might not have to. Confused again? Well, so are lots of people.

In New South Wales, for example, over the last twelve months, the workers’ compensation authority has been busily issuing back-dated bills to businesses who believed that workers’ compensation coverage of the independent contractors they used was prohibited. This is occurring in an environment where the NSW scheme is several billions of dollars in the red and the workers’ compensation authority has issued a discussion paper stating that the laws are unclear. A potential political backlash is brewing. South Australia faces a similar situation—also emanating from desperate attempts to fix a debt exceeding half a billion dollars.

Unions often claim that independent contractors dodge workers’ compensation. But the problem seems to be that the schemes are flawed in their core structure and that it cannot be decided who is ‘in’ and who is ‘out’.

**OCCUPATIONAL SAFETY**

All independent contractors are in the occupational health and safety net in every State and Territory. The legislative structures vary from State to State, with some better than others, but the essential elements are the same. Every independent contractor has responsibilities to work safely. Every business has responsibilities to provide safe work environments for independent contractors.

About the only area where there is an issue is in ideas of ‘contracting out.’ When businesses contract-out commercial activities to other businesses, commercial obligations transfer with them. As independent contractors are businesses themselves, these same commercial principles apply. Many in the business community have fallen into the trap of believing that transfer of commercial obligations also involves transfer of OHS obligations. This is a dangerous error.

OHS obligations are never eliminated or transferred but will involve shifting, changing and partnering of OHS obligations. Under any contracting-out, parties need to pay special attention to their contractual relationships to ensure that appropriate safety systems are integrated into a whole. To do otherwise exposes workers to risk and exposes companies and their managers to potential litigation.

**EQUAL OPPORTUNITY AND ANTI-DISCRIMINATION**

All independent contractors are within this net. The legislation is quite clear. Independent contractors cannot discriminate nor be discriminated against. There is one difference, however.

The principles of vicarious liability under employment law hold that employers are responsible for their employees’ actions. If an employee commits an act of discrimination, then the employer is charged and held responsible. No vicarious liability applies to independent contractors—they are held responsible for their own actions.

**COMMERCIAL LAW**

Independent contractors fall squarely under the obligations and protections of commercial law. They can sue and be sued. They can access trade-to-trade small claims processes under State fair trading laws. They have obligations to behave within the free market rules of the Trade Practices Act, but also have free market protections under the Act. They are, in every sense, treated at law as mature adults, running their own business. This is what it means to be an independent contractor.

**INDUSTRIAL RELATIONS AND EMPLOYMENT LAW**

Unions allege that independent contractors escape industrial relations regulations. They are correct. But their howls of anger do not serve independent contractors’ interests.

Independent contractors are not employees who allegedly need the power of the collective to run their lives. Independent contractors do not begrudge employers, employees and unions having their own processes. But independent contractors deny others the attempt to have them pulled into employer-union warfare.

Independent contractors want and need to get on with business—that’s their business … getting on with business. A business does not succeed by having war with clients. Business is made by working with clients to provide a service and secure sound financial outcomes all round.

The Federal Government’s proposed Independent Contractors Act will make the common-law facts clear that independent contractors and their clients are not within industrial relations and employment law jurisdiction.

Ken Phillips is director of the IPA’s Work Reform Unit. He has specialist knowledge of independent contractor issues.

IPA
The ABC’s Paralysis on Bias

Christian Kerr

When the Titanic hit the iceberg, the directors of the White Star Line no doubt had some thinking to do.

What is Australian Broadcasting Corporation management doing now that their flagship television current affairs program, *Four Corners*, has been holed below the waterline—twice? Ticky Fullerton’s examination of the Tasmanian forest industry, ‘Lords of the Forest’, screened on 16 February last year, has been the subject of negative findings by both the Australian Broadcasting Authority and the ABC’s own Independent Complaints Review Panel.

The day after the broadcast, ABC Local Radio Tasmania’s morning host Tim Cox told his listeners that there had never been a bigger response to a *Four Corners* story—and that the majority of callers believed that the program was biased in favour of the Green movement. The ‘Lords of the Forest’ was just one of three controversial reports by Fullerton on environmental subjects.

‘Sold Down the River’, a look at the winners and losers from a radical experiment in trading precious water rights, according to the Four Corners Website, and ‘The Waste Club’, an examination of ‘how one of the country’s most powerful lobbies has ruthlessly repelled moves to solve Australia’s growing waste crisis’, had already generated heated debate when they were broadcast the previous year.

*Four Corners* describes itself as ‘Investigative TV journalism at its best’.

In the days following ‘Lords of the Forest’, many groups and individuals had a different view. These did not just include the obvious logging interests. Dissident Liberal turned Australian Democrat, Greg Barns, a one-time adviser to the Tasmanian State government who knows the forest issue, described Fullerton’s work as ‘self-indulgent polemic and nothing more’. The Timber Communities Australia organisation announced it would lodge a formal complaint with the ABC.

**Within the ABC, there are staff acutely aware of their role as part of a ‘national broadcaster’—literally, a broadcaster devoted to serving the entire nation.**

Before TCA could act, however, the ABC’s judgement was already under question. The *Crikey.com* Website reported on February 23:

> Already there are reports that ABC watchers are pouring [sic] back over programs to see just how many stories were obviously sourced from green groups … Allegations are flying that the broadcaster is building an unhealthy reliance on getting ‘investigative stories’ from shrub-huggers—or, in other words, are being spoon-fed. It doesn’t just smack of laziness. The ABC must surely realise that with friends like that they don’t need enemies.

That, perhaps, is the most astounding part of the whole story, given the criticism of Fullerton’s two earlier stories and the constantly raging ‘ABC bias’ debate. The ABC, like all large organisations, is not a monolith—despite the appearances it may give to outsiders. Within the ABC, there are staff acutely aware of their role as part of a ‘national broadcaster’—literally, a broadcaster devoted to serving the entire nation, particularly the audiences that Australia’s geography have made it financially unviable for commercial media to reach until the advent of mass-market satellite and other new technology.

There is a true sense of public service broadcasting that is ignored or simply unknown to people outside the ABC, particularly media watchers who, naturally enough, concentrate on the main media markets in the capital cities. Regional ABC radio stations, for example, play vital roles in the communities they serve and enjoy close ties with what are, in many cases, audiences with virtually no other media options. Programme makers who strive to maintain this public service broadcasting ethos worry about the concentration of power and resources at ABC headquarters in Ultimo and its growing satellite on Melbourne’s Southbank—and a management bureaucracy that always seems to be expanding and always ready to swallow dollars that could go on broadcasting.

This phenomenon and the culture it creates are at the centre of the debate over ‘Lords of the Forest’. We should be asking to just whom is the ABC accountable rather than pointing the finger at individual journalists. It is a matter for the ABC Board. In December, the ABC’s Independent Complaints Review Panel [ICRP] upheld three complaints made by Forestry Tasmania and TCA against ‘Lords of the Forest’. The ICRP, according to the ABC, is ‘an independent body established by the ABC Board to investigate allegations of “serious cases of bias, lack of balance or unfair treatment arising from an ABC broadcast”’.

The complaints claimed that ‘Lords of the Forest’ was inaccurate, showed bias and lacked balance and fairness in examining forest issues. The ABC’s own media release on the
The Panel acknowledged in its report that the ABC had already apologised for the two factual inaccuracies contained within the program. The ICRP also noted that the ABC had satisfactorily answered many of the complainant’s objections. The ICRP Report stated, in part:

‘There were inaccuracies and some misrepresentation of facts in ‘Lords of the Forest’. The program often, though not invariably, presents only the ‘anti-Lords’ (anti-logging) version on disputed issues of fact. It frequently casts doubt on the credibility of the ‘Lords’ (logging industry) and their supporters, but scarcely ever subjects their opponents to the same treatment.

Accordingly, the Panel partly upheld the complaints. The specific elements upheld as serious breaches are:

1. Inaccurate map of Tasmania: The map misrepresents logged, logging and reserved forestry areas of Tasmania. Accepting the map as accurate leaves a reason for viewer misinformed as to forestry management in the State. (Previously acknowledged by the ABC).

2. Unsourced vision: In no less than four instances the program uses vision either out of context or unattributed as to its source, misleading to the reasonable or average viewer.

3. Emotive language: The emotive language of the program invalidates the claim that every effort was made to bring balance to the production. Perhaps justified as isolated individual and contextual descriptive phrases, the frequent use of pejoratives leaves the reasonable viewer with the impression that the program is anti-logging i.e. seriously lacking in balance and fairness.’

That, however, is it. There is no mention of sanction or further apology.

The ‘factual errors’ have been dealt with by a link on the Four Corners website for ‘Lords of the Forest’ that appears almost as a footnote, headed ‘Update’, rather than as a correction. The link takes the browser to a page that is, at least, headed ‘Errata’.

On The Lords of the Forest, broadcast on 16 February 2004, it was stated that Van Diemen discovered Tasmania. In fact, Van Diemen commissioned the voyage in which Abel Tasman became the first European to sight the island. Huon pine was also included in a list of hardwoods. It is actually a softwood.

In addition, a map showing the proportion of Tasmania that has been protected from logging was simplified during the production process. Although the accompanying narration was accurate, Four Corners accepts that the map was oversimplified and apologises if it misled any viewers. A more detailed map is available below.

No apology is made for the errors, while the nature of the correction only emphasises their egregious nature. The question of language is not dealt with.

In February this year, the Australian Broadcasting Authority found the ABC guilty of failing to present factual content accurately. Complaints can only be made to the ABA if viewers first raise their concerns with the original broadcaster of the material under question and are dissatisfied with the response they receive. On this matter, the broadcasting regulatory authority has shown itself, again, for the toothless tiger it is.

Its media release states that, despite the negative findings, ‘In light of the ABC’s actions in correcting the inaccuracy, the ABA does not propose to take any enforcement action in relation to the breach on this occasion.’ On the basis of the ABC’s Website, the broadcaster appears to have offered no formal response to the ABA finding.

The ABC’s approach is best demonstrated by its decision to enter ‘The Lords of the Forest’, along with Fullerton’s two other contentious environmental stories, for the Australian Government Peter Hunt Eureka Prize for Environmental Journalism, held under the auspices of the Australian Museum, while the complaint procedure was underway. (They won, but that—and what will now happen to the $10,000 prize—is another story). As early as 8 April last year, Geoffrey Crawford, the ABC’s Director of Corporate Affairs, wrote to Barry Chipman of Timber Communities Australia stating, ‘While I note your concerns, the ABC cannot agree with your view that this program was unfair and partial. A wide range of opinions, including your own, were featured by Four Corners, and the ABC is satisfied that the report was an informative and fair investigation of a public controversy.’

Chipman wrote to the ABA about the Independent Complaints Review Panel finding on 11 January this year. He referred to the ICRP ruling, then said: ‘The Managing Director of the ABC has advised that he is to take no further action other than the issued media release of 10th December 2004 that stated in brief some of those findings…’

Forget questions of bias. This raises one much simpler matter. Where is the public service broadcaster’s sense of public service? Perhaps the ABC Board can tell us.

Christian Kerr is a political commentator and postgraduate politics student. He undertakes paid commentary for the ABC.
When Julia Gillard dipped her toe in the water to see if there was support for her to become leader of the federal ALP, the story quickly became personal. What was at issue was not her apprenticeship as an ALP member or performance as a shadow minister, but the fact that Gillard is single and has no children.

Some observers reacted to this angle with surprise. Clearly, women have come a long way in politics; they have become State Premiers, they are routinely ministers in State and Federal governments, and their sheer number in Australian parliaments continues to increase, albeit too slowly. Why was it that a female politician’s marital and parental status was suddenly the most relevant issue?

Once upon a time, it was generally childless women or those who had adult children who became active in politics. Edith Cowan was accused of neglecting her husband and children when she became Australia’s first female MP in 1921. The fact that her youngest child was 30 went some way to countering this. Cowan was, however, unusual: many of Australia’s early female MPs were childless, including Millicent Preston Stanley and Irene Longman (the next two women elected to parliament after Cowan), Senator Ivy Wedgwood, and Senator Annabel Rankin. The rule also seemed to apply to early activists, such as Dame Elizabeth Couchman and Lady (Margaret) Forrest.

As women entered Australian parliaments in greater numbers in the 1970s, many routinely faced questioning during preselection about who would look after their children once ‘Mum’ was in parliament. Others avoided this scrutiny by delaying their parliamentary career until their children were grown. There is ample evidence of female MPs being asked to pose for photos that supported their mothering role, or being routinely described as a ‘mother of three’ as well as an MP. Admittedly, many of them assisted or even exploited this kind of coverage. Others went out of their way to avoid it.

Today, most Australian parliaments show a more diverse range of women in terms of their marital and parental status. There are single, divorced, married and partnered women, and they have children of all ages. From the 1990s, many elected women followed the lead of women such as former Queensland parliamentarian Rosemary Kyburz and former federal minister Ros Kelly and gave birth to children while parliamentarians.

What this shows is incremental change. There is now broad, but by no means universal, acceptance that a woman can be pregnant, and then a mother, without her neglecting either her family or parliamentary responsibilities. Yet on occasion, the major political parties still show distinct unease about the interaction between the arguably traditional roles for women—as a wife and mother—and her role as a parliamentarian. Nowadays, the time when this is most likely to emerge is when a woman seeks a role in politics that is viewed as a prize: a safe seat, or a leadership role.

Julia Gillard’s recent experience is a prize example. When her name was touted as a possible leadership contender, a media whispering campaign began. With little other ammunition, Gillard’s anonymous detractors suggested it was not they who had a problem with a single woman leading the ALP, but that everyday voters might. Gillard would have every reason to feel aggrieved by this shoddy treatment—especially as Kevin Rudd, another leadership aspirant, paraded his wife and children for the media as he staked his claim.

Rudd’s approach shows another tradition of politics: the public image of a wife and children, united behind their husband and father. For male politicians, a family is a plus. It softens their image. It shows they understand the pressures that all families face. At no time are a wife and family more valuable than during an election or a political crisis. Their physical presence is a very visible sign of support. Few other professions use their family in this way.

The idea that the issue of family gains in importance when a woman aspires to a very powerful role in politics is not the general impression. Many female MPs, who do not occupy senior political roles, have complained of a greater media emphasis on their family and marital status, than that given to men. In 2004, Joan Kirner referred to:

[The heavy media emphasis on women’s housewife, marital or sexual characteristics.]

Once upon a time, it was generally childless women who became active in politics, or those who had adult children.
There were minimal differences in the reporting of Kemp and Vanstone. In particular, there were no references to Kemp’s marital status in the sample articles, and Vanstone’s was mentioned in only two. The Daily Telegraph reported that she is ‘married to Adelaide lawyer Tony Vanstone’. A personal profile of Vanstone referred to ‘…Tony Vanstone, an Adelaide commercial lawyer and her husband of 18 years’, and described how he helped to launch her political career by urging her to run for office.

Vanstone and Kemp were chosen for the comparative study because they had achieved significant power as federal ministers, and because they were comparable political actors. But the analysis of their media coverage suggests that their power was not significant enough to warrant the more intensely personal coverage of those seeking leadership roles.

Vanstone was not in a party leadership role, nor aspiring to one. As a Senator she could never be party leader or Prime Minister. In this regard, she is significantly different from the case studies in Julia Baird’s Media Tart (2004): women such as Natasha Stott-Despoja, Cheryl Kernot and Carmen Lawrence. As Anne Henderson once remarked, women who seek ‘real power’ will experience the ‘blowtorch of publicity’.

Once, the handful of women entering politics was no great cause for attention except as a curiosity. Unless a woman MP made it to a position of real power, she was mainly featured for the colour she added to a drab male environment. But such media chivalry is dead.

A look to the future of American politics indicates that sex and a woman’s role with her family could well become a key issue in the next presidential election year. Ironically, Hillary Clinton’s public approval ratings were significantly increased by the perception that she had stood by her husband and her marriage despite obvious threats. Hillary’s family, including her daughter, Chelsea, provide a softening counterpoint to what has otherwise been an often confronting and hard public image. Should Hillary seek to leave the Senate for higher office in 2008, her family image will help her in a way that is more commonly associated with male candidates.

If Condoleezza Rice seeks elected office, as many are beginning to predict she will, then she will face the age-old question: why is this smart, attractive woman unmarried and childless, and as such, how can she represent Americans in a key electoral role? I would say, ‘look to her professional record’, but I have a feeling that this will not be the approach of the American media.

Margaret Fitzherbert is the author of Liberal Women: Federation to 1949, which was short listed for a NSW Premier’s History Award in 2004.”
I’ve just read N.A.M. Rodger’s excellent *The Command of the Ocean*, a naval history of Britain covering the period from 1649 to 1815, from the execution of Charles I through the Commonwealth, the Restoration and the many wars of the Eighteenth Century, to the final defeat of Napoleon.

It’s not just a book for Patrick O’Brian fans. One theme is the relationship between naval power and the state’s administrative and fiscal competence. Victory at Trafalgar depended not only on brave hearts and wooden walls, but also on the infrastructure of dockyards, food processing plants, and the banking system. Another is that the demands of year-round fleet operations (the Navy was by far the largest single purchaser of agricultural produce, timber and much more) played a major part in the eighteenth-century development of a truly national British economy and financial system, which in turn made the Industrial Revolution possible.

But the book brought something else home to me: how the state has lost the idea of liberty.

Just before Christmas, the House of Lords—our highest court—ruled that the Government’s practice of imprisoning foreign terrorist suspects without charge is unlawful. I’m not sure this was the right decision, but what matters is the Government’s response: it proposed a new way of detaining people—citizen or foreign—without charge and without imprisonment. So-called ‘control orders’, signed by the Home Secretary, could at the limit forbid a suspect ever to leave his or her home, to consort with others, or to use the telephone or Internet. Similar restrictions could be imposed on members of their households.

This is just like the ‘banning orders’ of the apartheid regime, or the measures used with dissidents in the Soviet Union, or in Burma now. It is the most extreme example yet of what has become a pattern from the Blair Government of measures which, in the wrong hands, would facilitate tyranny. Other examples include:

**ID cards** (in reality, a comprehensive national biometric/genetic database to which most government agencies will have access).

**ASBOs**, or anti-social behaviour orders against named individuals. These started as a neat way of dealing with ‘neighbours from hell’: if a court issues an order banning someone from playing loud music after 11 pm, breach of the order is a criminal offence even though the music itself wasn’t. But they have already been used much more repressively, including orders that impose curfews or ban individuals from visiting certain places.

**CCTV coverage**, now ubiquitous in town centres and freeways. Some cameras are linked to computers that can read the license plates of passing cars, and there have been experiments using facial recognition technology to identify or track individuals.

**Money laundering rules** that treat all significant cash transactions as suspicious.

These measures and others give the state huge powers over the individual. The government says ‘Only criminals have anything to fear’ and ‘Trust us, we’re British’.

But we can’t trust them, as the growth of ASBOs has already shown. And that’s what’s changed since Nelson’s day. Terrorism is officially ‘a serious threat to the national life’ (otherwise the UK would have had to repudiate the European Convention on Human Rights in order to detain the foreign terrorist suspects), but the low priority the Government has given to civil defence contradicts this. Anyway, Al-Qaeda is nothing compared to the threats to the national life posed by Napoleon in 1803–05, or Hitler in 1940–41. British governments adopted Draconian measures in both crises—but there was always a feeling that there were limits, that at some point ministers would say ‘Dammit, we can’t do that: we’re British’.

Two hundred years later, that feeling has vanished from the corridors of power. Labour and Conservative parties support ID cards, ASBOs and CCTV. The Conservatives oppose banning orders—but conditionally, not absolutely. The libertarians in each party are too few to matter. In the House of Commons, that leaves just the Liberal Democrats—what John Hyde calls the hand-knitted muesli brigade—standing up for liberty. That is a very depressing thought—except that there are a few economic rationalists among the muesli eaters. Maybe I should join them.

*Letter From London*  

John Nurick is a management consultant based in the South of England.
One would think that participants in the sporting world would be even more competitive than the average person, yet it seems to be constituted by an unduly high number of mendicants upon the taxpayer.

Ever since at least the 1936 Berlin Olympic Games, international sportting competition has been hijacked time and time again by the State for the purposes of national—and in Berlin’s case, racial—prestige.

In 1972, the Munich Olympic Games made a suitable stage upon which Palestinian terrorists could perform another of their perpetual exaltations of death. In 1980, the US punished the Soviet Union, by boycotting the Moscow Olympics, for invading Afghanistan. Australia’s Prime Minister Malcolm Fraser tried to follow suit, but was foiled by the heartening independence of Australia’s athletes. That was only shortly before the opening of the Australian Institute of Sport. In 1984, the Soviet Union and its clients boycotted the Los Angeles Olympics to punish the US for having, four years previously, punished the Soviet Union.

And all through at least the ’70s and ’80s, the Communist Bloc (especially the ‘Democratic’ Republic of Germany) abused its young, pumping them with drugs in order to secure victory.

One of the interesting side-effects of the demolition of the Berlin Wall was that a two-decade trend of women’s records narrowing the gap with men’s records abruptly stopped. Women, having lower natural levels of testosterone than men, were able to achieve a proportionately higher performance boost from steroids. When the Wall fell, the druggings slowed, then stopped. And the performance gap began to widen again. Go to: www.isteve.com/gendrgap.htm

It was inevitable that, with national pride on the line, the Australian government would start pumping in the money. Especially given the insane insistence, until recent years, that the premier world sports event, the Olympics, had to be amateur. That meant that the athletes could only be funded by wealthy patrons, including the wealthiest one of all, the government.

Following Australia’s meagre medal tally in Montreal in 1976 (just five medals, none gold), Fraser established the Australian Institute of Sport. This provided training to extract the best from talented athletes. More importantly, it offered funding for young athletes, allowing competition with both the communist states and the United States (which funded its athletes through college sporting ‘scholarships’). www.ais.org.au

And it worked … slowly. At the Moscow Olympics the year before the AIS started, Australia scored nine medals (two gold). Subsequently there were 24 (four gold), artificially boosted by the boycott by the Soviet bloc of the LA Games; 14 (3), with politics back to normal (Seoul); 27 (7) (Barcelona); 41 (9) (Atlanta); 58 (16) (Sydney); and 49 (17) (Athens). But has it been worth it? Governments all over the world pour money into sports. Governments believe that they have a legitimate interest in boosting the health of their people and fighting such bugaboos as obesity. Since actually doing effective proactive health promotion is usually foiled by an uncooperative populace, pouring money into ‘role models’ is commonly the result. Role models, and places in which they can model their roles.

And that’s where the big money comes in. Subsidies for stadiums and sporting facilities.

Despite the Sydney Olympics (SOCOG’s total budget: $AUS2.597 billion), the big player in all this is the United States. We don’t hear as much here of its corporate welfare on the sporting field as we do in the crop fields. But the figures are truly breathtaking.

LEAGUE OF FANS

I’m squirming. Until today, I thought that the great ‘friend’ of the US consumer, Ralph Nader, had made just one valuable contribution in his public life. That was, of course, running for President of the US in 2000. He diverted just enough of the Left’s vote to deliver the Presidency to Bush, rather than Gore.

And then I found the League of Fans. This organization has a whole host of objectives, plenty of them quite irritating: ‘Resist the Over-Commercialization of Sports’; ‘Fight for Inclusion, Equal Opportunity and Respect for Diversity in Sports’—does this one mean that professional basketball in the US should have a quota for underrepresented majorities? But here’s one that both Left and Right can agree on:
FIELD OF SCHEMES

Go to the greatest single resource on the Internet for popular culture, the Internet Movie Database, at:

www.imdb.com

Go to the search field in the top left hand corner, and type in 'Field of Dreams'. Press Enter. Wait. After a few seconds you will be presented with a list of possible matches. Select the one at the top of the list, the movie of that name from 1989. Click on it, and that movie's details will appear. Look now at the Genre given for this movie, 'Fantasy/Drama' it states.

How utterly appropriate to this subject. Field of Dreams is, of course, a baseball movie starring Kevin Costner, back in the days before he fell out of favour with the movie critics. The central point of the movie was the need to build a baseball field.

A Blog devoted to runaway sporting subsidies plays on this movie’s name. What ‘Field of Schemes’ covers changes daily, but the focus remains on the ripping-off of taxpayers for corporate benefit. Go to:

www.fieldofschemes.com

One of the conventions of Blogging is to have a blogroll: a list of other recommended Blogs down the side of your own one. At Field of Schemes, check out those linked under ‘Stadium Activist Groups’.

AND OTHERS

It would be unimaginable for the wonderful magazine Reason to miss this issue. And it hasn’t. Matt Welch essentially assassinates all arguments in favour of stadium subsidies here:

www.reason.com/0401/co.mw.if.shtml

While Reason and Welch approach these matters from a sensible libertarian viewpoint, and Ralph Nader from the Left, Blogger and conservative commentator Michelle Malkin hits the issue from the hard Right (so much so, she blames subsidies on 'liberal politicians', when it is clear that pollies of all persuasions like to abuse this one).

www.michellemalkin.com/archives/001518.htm

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.
Those of us who had already read Michael Crichton’s Caltech Michelin Lecture in January 2003, ‘Aliens Cause Global Warming’, and his ‘Remarks to the Commonwealth Club’ in San Francisco in September 2003, would not have been surprised when his new thriller *State of Fear* was published last December.

Nevertheless, the delight was palpable, just as was the predictable fury from various Green activists. Readers of the IPA Review, the Lavoisier Group, sceptical environmentalists and leading atmospheric scientists from around the world will be satisfied. Many of us have been trying hard to expose the Chicken Little scare of a runaway greenhouse effect and the ineffectual and economically damaging Kyoto Protocols. We find at long last a big box office star providing a serious antidote to *The Day after Tomorrow*, and the biases of the media.

But unlike that film, and unlike the deliberate misinformation of Michael Moore’s film, *Fahrenheit 9/11*, this book is a deadly serious attempt to straighten the record on these issues by an author who not only understands the scientific evidence but who, in his own words at the Commonwealth Club, considers the greatest challenge facing mankind, but in the information age (or as I think of it, the disinformation age) it takes on a special urgency and importance.

These are strong words. Even though the book’s implausible Hollywood grab-all, frenetic, action-packed story definitely distracts from the significance of the new book, it is just this genre of thriller that is perhaps necessary to get his important message across to a fatigued public.

To understand the depth of what Crichton has achieved, one must look at the long road he took in becoming a best-selling Hollywood storyteller. After graduating from Harvard University in anthropology and studying further as a visiting lecturer at Cambridge, he began a medical degree back at the Harvard School of Medicine. To help fund his studies, he started writing thrillers. This led to *The Andromeda Strain*, and after several others, the well known book, *Jurassic Park*. His novels have always been characterized by a profound knowledge and understanding of science and of all the latest research, even though couched in fictional plots. He has always shown a keen interest in the political and ethical issues of the day and is considered the undisputed ‘father of the techno-thriller’.

*State of Fear* differs from his previous novels in that Crichton packs the story not only with ‘real’ science, but copiously footnoted research from peer reviewed published work! The book includes a message from the author, two appendices—‘Why Politicized Science is Dangerous’, and ‘Sources of Data for Graphs’—and no fewer than 21 pages of Bibliography and explanatory notes!

Very briefly, the story itself is about an environmental group with a fanatical leader—some think a Ralph Nader foil—who schemes to criminally engineer several weather-related catastrophes. A mysterious millionaire philanthropist supports the group with oodles of money to gain moral redemption and acceptance in the eyes of California’s wealthy environmentally-conscious elites. In the meantime, a slightly idealistic lawyer representing the millionaire, learns—through the twists of the plot and through some lecturing by a mysterious, all-knowing and powerful undercover agent who seems to hold all the keys to the unravelling mystery—that he is dealing with an eco-terrorist web,
and that nothing is at it seems; especially the integrity of the scientific claims of an impending catastrophe. These little lectures have been criticized by several reviewers as being somewhat wooden and didactic—and they do slow down the action—but for those of us who know the arguments, and Crichton is at pains to give us all the salient details, it provides a satisfying exchange. In these passages, one can only dream that Green fundamentalists reading the book will be forced to ‘wake up and smell the coffee’, as it were. There is certainly a sense of schadenfreude for this reader at seeing Green organizations being, just for once, depicted as evil and criminal and self-interested.

Of course, we should know better. As with most ideas, those who understand the science will be chuffed: a Michael Moore working for us. Those who are dyed-in-the-wool fundamentalist believers in Greenhouse will be outraged, as indeed they have been.

Some comments from the Net at random are indicative:

I think Michael Crichton is a great writer in style. His books are enjoyable. It sounds like he is about to get back in my good graces with this global warming honesty, BUT... He is a luddite. Not a Marxist exactly, but a luddite in the same way that Marx was.

Apart from the scientific summaries of the issues, which are outstanding—and I recommend the book to anyone who wants to read a bit about the science and the actual data and enjoy a compelling story; it would be an ideal book for Year 12 English—there is another dimension to it that will infuriate activists but ring a clarion bell to those of us who understand the nature of the beast.

Through the story, Crichton reveals the fanatical side to fundamentalist environmentalism. He explains philanthropic motivation, how NGOs funnel money through to activist fronts, how government largesse is taken advantage of, and how these essentially self-serving unrepresentative groups use very sophisticated public relations teams to get the ear of the media and capitalize on fear and misinformation in the public. It is truly an instruction manual of how Left activist groups work.

It is hard to know at this stage how the book will go, and whether timid and politically correct Hollywood will have the courage to make a film of it. The book is still on amazon.com’s 20 top-seller list after two months. If it does make it to the cinema, it may just provide the turning point for public opinion and, subsequently, for politicians.

Unlike the agitprop PC films mentioned above, it has several things going for it: common sense, political grains of truth, scientific facts and integrity.

Andrew McIntyre is a Melbourne writer and an assistant editor of the IPA Review.

Strange Times

Bush Babies

Missing from the analyses of the two Bush elections is an obscure demographic factor that correlated uncannily with states’ partisan splits in both 2000 and 2004. It seems that, instead of the political issues raised to fever pitch by the anti-Bush media, voters are making their choice based on a more fundamental and important human activity: having babies.

According to a report in the American Conservative, the white people in Republican-voting regions consistently have more children than the white people in Democratic-voting regions. The more kids whites have, the more pro-Bush they get.

Among the 50 states plus Washington, D.C., white total fertility correlates at a remarkably strong 0.86 level with Bush’s percentage of the 2004 vote. (In 2000, the correlation was 0.85.) You could predict 74 percent of the variation in Bush’s shares just from knowing each state’s white fertility rate. When the average fertility goes up by a tenth of a child, Bush’s share normally goes up by 4.5 points.

While the Christian Right in Kansas doesn’t much hold with Darwin, they are doing well at the basic Darwinian task of reproducing themselves.
Israel Not So Bad

Gary Johns reviews
The Case For Israel
Alan Dershowitz
(John Wiley and Son, 2003, 272 pages $21.95)

‘Israel is the prime example of human rights violators in the world.’ So said a representative for Students Allied for Freedom and Equality at the University of Michigan in 2002. The student spoke at an Israeli ‘divestment’ conference, a type that was sweeping the US at the time. Harvard, MIT and other major universities, and the Noam Chomskys and Pat Buchanans led the charge to end university investment in Israel and to boycott Israeli speakers and academics. Harvard Law Professor Alan Dershowitz wrote this book as a counter to the divestment campaign and toured campuses to tell his side of the story.

The divestment campaign makes the Sydney Peace Prize (organized by the Centre for Peace and Conflict Studies at Sydney University) look very tame, but its ignorance is as profound. It creates a moral equivalence between the rights of a democratic state to protect its people, and in so doing causes the unintended deaths of innocents, and promotes the rights of a people to destroy a state and purposefully attack innocents: the Peace Brigade is so casual about deliberate killings. Disturbing, too, in Australia, is the recent remark to Barry Cohen, former Labor Minister, by a very senior member of the NSW ALP Right, ‘amongst the people I mix with, I’m the only one who supports Israel’.

Dershowitz’s book was written for campaign purposes and, in particular, for a student audience. It consists of 32 short chapters and a conclusion. Each chapter is arranged in the following manner. First, ‘The Accusation’, for example, ‘Is Israel a colonial, imperialist state?’ Second, ‘The Accuser(s)’, for example, ‘A Jewish state in Palestine could only emerge as the bastard child of imperialist powers … (M. Shahid Alam).’ Third, ‘The Reality’, for example, ‘Israel is a state comprising primarily refugees and their descendants exercising their right of self-determination …’ And fourth, ‘The Proof’, for example, ‘Those who absurdly claim that the Jewish ref-

I had not realized that every year for 30 years they have spent more time on Israel than on any other country, and that Israel has been the only state subject to an entire agenda item every year. No resolution in the history of the Commission has ever been passed on Syria, China, Saudi Arabia or Zimbabwe.

Some of the material is familiar, for example, we are well acquainted with the UN-sponsored World Conference Against Racism in Durban, which descended into a ‘racist conference against Jews’. The ignorance of the delegates to the UN Commission on Human Rights is almost commonplace, but I had not realized that every year for 30 years they have spent more time on Israel than on any other country, and that Israel has been the only state subject to an entire agenda item every year. No resolution in the history of the Commission has ever been passed on Syria, China, Saudi Arabia or Zimbabwe.

We are aware that until the recent elections in Iraq, and the vote for the Palestinian leader after Arafat’s death, that there was no semblance of democracy in the Middle East, nor any government that operated under the rule of law. Less well known is the strength of the Israeli Supreme Court in controlling the Israeli military, and the ability of individuals, including Palestinians, to petition the Court. The attempts by Europeans to subvert the Israeli processes by using the International Court of Justice to have Israel dismantle its wall on the West Bank is no proof of a greater love by these others of the rule of law. It is more likely a device to weaken Israel by making it less easy to defend itself and, incidentally, in a less violent manner than has often been resorted to.

In these and many other ways, Dershowitz answers all of the questions fed to students by Israel’s detractors. No doubt, there will be rejoinders, but there is a propensity among Jews to debate these matters openly and vigorously. This is presumably what occurs on Australian campuses, though one has one’s doubts. Dershowitz’s book is an excellent primer, the pity is that he had to write it. Perhaps the latest round of negotiations will succeed in the establishment of a Palestinian state, and he will not have to publish an update.

Gary Johns is a senior Fellow and head of the Governance Unit for the IPA.
**THE BIG PICTURE ON GDP GROWTH**
by Tim Kane, Ph.D.

How sure are you that the new economy was a mirage? With the release of fourth quarter US GDP data for 2004 today, there may be a lot of commentary that the economy is not doing as well as expected. A lot of radio ga-ga about trade deficits and falling dollars. Don’t believe it. Using annual figures, real GDP increased 4.4 percent in 2004—the fastest since a 4.5 percent increase in 1999. Measuring from 4th quarter to 4th quarter, U.S. GDP has increased for 22 straight years. The have been only three years of contraction since 1973.

However, the real lesson over the long-view is that America’s economy has been growing relentlessly for decades, even going back to 1940. Trade deficits have not slowed the American juggernaut, and arguably have helped boost aggregate supply. The U.S. growth dynamo is real, and government has very little to do with the phenomenon, aside from its beneficial role in staying out of the way.

**LEADING AMERICAN EDUCATION INTO THE 21ST CENTURY**
by The Honorable Rod Paige
[http://www.heritage.org/Research/Education/bl863.cfm](http://www.heritage.org/Research/Education/bl863.cfm)

US Education Secretary Rod Paige knows that every child deserves a quality education, that every child deserves to be treated with respect and dignity, and that no child deserves to be pushed aside or ignored—and he did something about it. He ushered in the No Child Left Behind Act, the most significant change in federal education law since 1965. For the first time, in federal law, children in poor performing schools are able to transfer to better public schools or receive tutoring at public expense. For the first time, parents can choose to help their struggling students gain access to opportunity.

**THE SOCIOLOGICAL ORIGINS OF “WHITE-COLLAR CRIME”**
by John S. Baker, Jr.

Are millions of middle-class Americans really white-collar criminals? The unauthorized importation of prescription drugs from a foreign country is a federal crime. So is “sharing” copyrighted material without permission. Assisting someone in the commission of a federal crime is also a federal crime. Countless American seniors purchase prescription drugs from Mexican and Canadian pharmacies. Millions of Americans, including teens using family computers, share copyrighted music without paying for it.

Despite the rhetoric, the decision to prosecute is unavoidably discretionary. How do prosecutors determine whom to prosecute? All too often, the choice reflects contemporary politics—and today’s criminal du jour is the “white-collar” crook. Yet when most people talk about vigorously prosecuting white-collar crime, they don’t mean locking up those who purchase medicine from neighboring countries or pirate music over the Internet, despite the fact that such crimes defraud pharmaceutical and music corporations (and thus their shareholders) of billions of dollars.

**WHY LIMIT GOVERNMENT?**
by Lawrence W. Reed
[http://www.heritage.org/Research/PoliticalPhilosophy/bl843.cfm](http://www.heritage.org/Research/PoliticalPhilosophy/bl843.cfm)

Why limit Government? Why not?! Such a flippant comment would persuade no one of anything and win no battles for liberty. Indeed, our movement may be overdue for a refresher on this very important question. As men and women who want to ‘limit’ government, we sometimes come across to others as naysayers. As someone once said, we do a better job describing Hell than Heaven. Whenever we make the case for limiting government, we ought to use the opportunity to remind others that we are opposed to excessive government because we are in favor of some very positive, important things. We want to limit government—ultimately—because we support freedom and the free society.

We want to limit government because we want to maximize opportunity, enterprise and creativity. We want to limit government because we want to permit individuals to go as far as their talents, ambitions, and industry can take them. We want to limit government because we want people to dream and to have the room to bring those dreams to fruition—for themselves and their families. We want to limit government because we want to strengthen the institutions of civil society.

**PRINCIPLES COUNT**
by The Honorable Tom Feeney
[http://www.heritage.org/Research/PoliticalPhilosophy/pc14.cfm](http://www.heritage.org/Research/PoliticalPhilosophy/pc14.cfm)
It seems to me that one of the ways we ought to judge our elected officials is by how they treat us as electors. How do they approach us? Do they think that we are foolish? Do they pander to us? Or do they look us in the eye, tell us the truth, and sometimes say ‘no’? Citizens are often treated, however, as if they are gullible—that they will believe anything they are told by an elected official. Yet as a principled representative, whether left or right, it is important to be candid with people. That means saying “no” to things that are sometimes very tempting.

**TAX INCIDENCE, TAX BURDEN, AND TAX SHIFTING: WHO REALLY PAYS THE TAX?**
by Stephen J. Entin
http://www.heritage.org/Research/Taxes/cda04-12.cfm

Who pays the income tax, the payroll tax, the estate and gift taxes? Who bears the burden of the gasoline and tobacco taxes? If Congress were to raise this tax rate, or lower that tax deduction, who would gain and who would lose? The outcomes of the political battles over changes in the tax system often hinge on the answers to such questions. This paper discusses the economic consequences of taxation and the factors that influence where the burden of various taxes really falls. It will review some of the discussions in the economic literature. Finally, it will suggest that a shift to a markedly different type of tax system would benefit all players in the economy.

**THE POSITIVE EFFECTS OF MARRIAGE: A BOOK OF CHARTS**
by Patrick F. Fagan, Robert E. Rector, Kirk A. Johnson, Ph.D. and America Peterson
http://www.heritage.org/research/features/marriage/index.cfm

As social science research data and government surveys increasingly show, the decline in marriage since the 1960s has been accompanied by a rise in a number of serious social problems. Children born out of wedlock or whose parents divorce are much more likely to experience poverty, abuse, and behavioral and emotional problems, have lower academic achievement, and use drugs more often. With the rise in these problems comes high program costs to deal with the effects of the breakdown of marriage.

**TOWARDS A LIBERAL UTOPIA**
Edited by Philip Booth
Available for purchase at http://www.iea.org.uk/record.jsp?type=release&ID=83

Towards a Liberal Utopia? is a free-market manifesto for the next fifty years covering a diverse range of policy areas, including health, education, social security, pensions, labour markets, tax policy, Europe and the environment. Contributors to the book envisage a radically reduced role for the state in all aspects of economic life. Hitherto unimagined private solutions to economic problems will ensure that greater freedom leads to greater well-being.

For example, in education, Professor James Tooley envisages a world where formal schools no longer exist and educational opportunities are enmeshed with normal adult life and places of work. In the chapter on climate change Dr. Roger Bate and Dr. David Montgomery highlight the correlation between low greenhouse gas emissions and economic freedom, suggesting that less not more regulation is the key to reducing carbon emissions.

**AROUND THE TANKS**
http://www.coxandforkum.com

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