'I don't apologise for being a conservative. I remember when the word "conservative" and the word "mother" were nice words'.

—Barry Goldwater, 1963

What help is conservatism in an era of 1980s’ retro clothing? The conservative movement has to deal with a popular culture that produces T-shirts with the slogan ‘impeach Reagan’ printed upon them—worn with no political intention but with only irony in mind.

Despite its rich body of intellectual tradition and despite the success of conservative-aligned governments around the world, the word ‘conservative’ remains an outsider. Few of those engaged in public debate would willingly describe themselves as such, let alone the general public. In a world of unfathomable technological progress and even more unfathomable changes in trends and styles, to hark back to an earlier era is deeply unfashionable. Indeed, the word conservative is often used as code for somebody who just can't quite keep up.

But that is not to say that ‘conservative’ should be lumped in with ‘telegraph’ and ‘horseless carriage’. Perhaps paradoxically, a conservative viewpoint of the world gives us a guide about how to change it. Rather than looking backward, it helps us look forward with greater certainty and confidence in our decisions. As Greg Melleuish argues in this issue, conservatism ‘is about preserving values that have worked and ensuring that humans do not throw out the baby with the bath-water when they engage in change’. (page 11) Conservatism is about understanding how institutions developed rather than abandoning them on a whim.

On this reading of conservatism, it is not incompatible with reform; it is the only sure way of approaching it with conviction.

Much of this issue of the *IPA Review* approaches that question – what works? What doesn’t work? Mike Nahan has grave doubts about the wisdom of maintaining federalist opposition to the proposed industrial relations reforms. (page 32) Jason Briant argues that the conservative framework has much to teach us about social and cultural issues. (page 8) And Ben Hourigan notes that conservative sentiment isn’t limited to political commentators—much popular culture, including, surprisingly, videogames, reinforces conservative sentiment.

But if reform is universally recognized as A Good Thing, then why is actually carrying it out so hard to do? Christian Kerr argues that the best thing the Prime Minister could do at the moment is ‘let it rip’. (page 28) Economic reform, guided by a careful conservative deliberation, needs a sustained, principled approach.

The formation of good policy is only possible in an environment that understands the context of existing policies. What works? Alan Moran looks at the housing market and the future of planning laws. (page 24) Gary Johns looks at what works for developing communities and economies, and applies it to Aboriginal policy. (page 17) Jennifer Marohasy looks at the January 2003 bushfires and how outdated approaches to the environment contributed to unnecessary and avoidable destruction. (page 6) And Ken Phillips looks at our industrial relations system—which clearly doesn’t work. (page 20)

A conservative approach has much to offer politics and public policy. To adhere to this approach is not to adopt a slavish defence of the status quo, but a principled analysis of what works and, most importantly, what doesn’t. Conservatism in this context is a vital component of political action.
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BOOK REVIEWS

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Where have all the conservatives gone?

John Roskam

The two great political traditions of liberalism and conservatism have underpinned the expansion of human freedom.

With its emphasis on individual rights, personal choice and limited government, liberalism is rightly regarded as the philosophy which provided the framework for the acceptance of political and economic liberty. Economic liberalisation has improved the living conditions for hundreds of millions of individuals around the globe, and the free market still remains the best hope for overcoming the poverty in which so much of the world remains mired.

Conservatism, on the other hand, hasn’t had such a good press. Some of the problem is with terminology. When the words ‘social’ and ‘conservative’ are put together, the usual image conjured up is of Big Brother censoring choice and casting moral judgement. Often, those in academia or in the media who are neither liberal nor conservative, but who are simply left-wing, attempt to portray every social policy question as one between ‘social conservatives’ and ‘social liberals’. Certainly there are many differences in the community over ‘social’ issues, but to frame social policy debate as having only two sides is wrong, just as it is to label those sides as either conservative or liberal.

In its true sense, and as expressed by its most significant theorist Edmund Burke, conservatism is actually a political philosophy. Political conservatives are not resistant to change but they are opposed to change for the sake of change. If change is undertaken, the case for change must be clearly articulated. Changing political arrangements is particularly perilous. Systems of government affect every single person in a society, and the consequences of change in those systems are unpredictable and potentially irreversible.

But at its core, conservatism is not really a philosophy about change. Despite what their opponents might argue, conservatives are not obsessed with maintaining the status quo. Opponents of conservatism use similar tactics to those employed by critics of economic liberalisation when they claim that economic liberals are only concerned about money.

The basis of political conservatism is the recognition that the best way to make decisions is to allow individuals to make decisions for themselves. Individuals will act according to their own biases, preferences, traditions, and their collective and personal histories. The knowledge gained from the accumulation of those individual experiences will be a far better guide to future conduct than anything that could be provided by an external authority. Political conservatism is profoundly democratic because it embraces the idea that in the masses there is wisdom.

Individuals themselves not only know what is in their best interest, they also understand their own situation better than anyone else and, perhaps most importantly, they know what they don’t know. Such information might be imperfect, but it will still be better than anything that could be collected by government. For these reasons, central planning, of any sort, will always fail in the long-run.

The principles of political conservatism are precisely those of economic liberalism. The question that arises, therefore, is why doesn’t political conservatism have the same sort of influence in politics as is enjoyed by economic liberalism in economics?

Some of the explanation is that because of the connotations associated with social conservatism, political conservatives have been reluctant to espouse their position openly. Another reason is that, in Australia, there is no intellectual heritage of conservatism as exists in Britain and the United States. Also, it shouldn’t be forgotten that economic liberalisation of Australia in the 1980s was forced upon the country as a result of an acute financial crisis, and perhaps fortunately no such crisis has yet occurred to our political system. (1975 was a product of one political institution—the Federal Parliament—it was not the outcome of our political system as a whole.)

The consequences of Australian political conservatives’ having gone missing are profound. Increasing regulation that hands decision-making powers from individuals to government means that company directors can’t run their businesses, farmers can’t manage their land, and consumers can’t make choices. The gains of two decades of economic reform are being undone by regulation. The community simply cannot afford to have political conservatives missing from the public debate.

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John Roskam is the Executive Director of the IPA.
As part of the IPA’s ongoing exploration of Self Reliance, we are continuing to uncover surprising trends in and out of the workplace, both at home and abroad.

People are taking control of their lives like never before. And it touches all parts of their lives from one end of the spectrum (the more sedate employment revolution) to the other (a death-defying belief in themselves leading to increased risk-taking and little regard for authority).

WHAT IS YOUR BASE NUMBER?
If you have leapt, unattached, from a Building, Antenna, Span (for example, a bridge) and Earth (for example, a cliff) with nothing but a parachute (and possibly some toilet paper handy) then surely you have one. Sound crazy? In March this year, the 1,000th person actually registered for theirs. In a ‘sport’ that’s only become popular in the last 30 years, it’s not a bad effort. BASE-1 was awarded in 1981, which means that there has been an average of 42 registrations per year since then. Being an unregulated, in fact mostly illegal, hobby, it’s hard to gauge participation rates, but it’s estimated that there are over 3,000 people currently willing to see the road come towards them or watch a jagged cliff face fly by so badly that they will break the laws set in place to preserve their own lives to do so.

There are instances, however, where this kind of behaviour is permitted. Bridge Day 2004, held at the New River Gorge Bridge in West Virginia, where BASE jumps from the bridge are legal once a year, saw an increase in jumpers from the previous year by 13 per cent to about 450 in the one place. Perhaps these Einstein-inspired thrill-seekers are merely seeking to slow the ageing process by a good tenth of a picosecond or two (~0.000000000001 seconds)? This might be a nice advertisement for this year’s International Year of Physics, but with modern life expectancy already soaring past 80 years, it does seem unlikely.

Passing the BASE jumpers on the way down are a different kind of adventurers on the way up. Everest summit numbers have climbed markedly over the last ten years. Without the special relativistic benefit of extending life for the frost-bitten daredevil, why then do we see the following in Figure 1?
Surely this is simply explained by increased safety almost guaranteeing survival. While it is true that the odds of making it to the summit of Everest and back again are increasing, there were still 61 deaths in the period 1994–2004, a not insignificant 4 per cent, even more significant when we consider that fatal skydives occur at a rate of about one-thousandth of a per cent.

CONCLUSION
Is there, then, something special about being the 2,300th person to set foot on the highest point on Earth or, for that matter, being awarded BASE-1001? People are increasingly challenging themselves with activities which place their lives totally in their own hands and moving away from safer, more regulated activities. A less extreme display of this is shown by younger kids’ increasing participation in extreme sports. These sports have less of a competitive feel about them, in many cases the only benefits come from the warm, fuzzy feeling one gets by beating one’s previous best or just by improving one’s skills. Another drawcard for younger people is that their authority figures have little or no knowledge of what they’re doing—they therefore feel completely independent. Such a feeling may lead some to even more gratifying anti-authority stunts in the future, or perhaps may simply lead others to choose different self-control led ventures such as self-employment.

![Everest Summits, 1994-2004](Source: IPA)
Driving a star picket through conservation

Jim Hoggett

Last week I had a call from our local supplier of fencing material. Did we want to buy ironbark fence posts, because they were going out of production immediately, owing to the imminent closure of forests?

It set me thinking. Ironbark fence posts are 35 by 40 mm posts, which are ideal for electric fencing. They are attractive, non-obtrusive and easy to install. They were harvested sustainably in the Pilliga region of NSW along with much greater volumes of cypress pine, a naturally termite-resistant native softwood.

The Pilliga has just been added to the long list of NSW National Parks, which cover almost one-twelfth of NSW. This was despite there already being a large National Park in the Pilliga. The Pilliga forest was one of NSW’s first dedicated State forests. It has been sustainably managed for multiple uses for nearly 90 years—that is, nearly as long as the Royal National, Australia’s oldest park.

The Pilliga forest is and has been home to a large population of koalas and other endangered species for all that time. The area was already owned and managed by the State, so did not need to be ‘saved’. Later, when sufficient unchecked growth of pine and understorey has accumulated, there will be major wildfires which will destroy, then dramatically change, the ecology that the government sought to preserve.

This park was created by political momentum not ecological need.

The small but viable traditional timber industry of the area will go out of business. It offered permanent employment to a number of local people, including the Aboriginal population, but it is too small to count in the electoral calculus.

Recently we issued an IPA Background registering our concern at the rate of Park creation and the apparent lack of care for the National Parks. We questioned strongly the need for further Park declarations and proposed a more creative and flexible approach to existing Park operations. This would make them more user friendly and potentially better managed. It would reduce the risk of the uncontrollable wildfires that destroyed (and effectively cleared) three million hectares of pristine native forest and woodland two years ago—one-quarter of NSW National Parks.

A more creative approach would involve a range of sustainable uses, including limited sustainable native forestry. None of this is revolutionary. Overseas, the multiple use of national parks is commonplace and has been shown to be both practicable and consistent with environmental conservation.

Coincidentally, the NSW Environment Department issued its latest ‘State of the Parks’ report. This identified numerous, urgent problems indicating a large gap between actual and desired park quality. On the evidence of its own staff, the National Parks and Wildlife Service is clearly struggling with widespread weed infestation, overwhelming numbers of feral animals (foxes, dogs, cats, rabbits, rats, pigs, deer, horses, goats, cattle, donkeys, camels), destructive fires and lack of infrastructure and staff to cope. At the same time, there are serious gaps in information required for Park planning.

Clearly, government has over-promised and under-resourced in a big way. The current ratio of one park ranger to 23,000 hectares is clearly inadequate. Given the focus of attention on the more popular areas such as Kosciusko and the Blue Mountains, it is apparent that there are vast areas of neglected park. In the light of all this, the report concluded rather curiously with proposals for further massive expansion of National Parks. The triumph of hope over experience.

Back to our fence posts. The practicable alternatives to ironbark fence posts are star pickets made of steel or split posts from local timber. Star pickets are less attractive than ironbark, involve significant, environmentally unfriendly processes in their production (mining, energy and greenhouse gases) and are less easy to use. Split posts use ten times the native timber. They are expensive to install and repair, and require barbed wire, which is less effective than electric fencing and can injure domestic and native animals.

So there we have it. Government forces me to substitute an inferior product—operationally and environmentally—for an environmentally friendly item. This is because our Green movement, politicians and bureaucrats have neither the wit nor the will to devise a policy that marries sustainability to conservation. Rather they parrot the old ‘lock it up and ask questions later’ philosophy, except that we now know this means, ‘lock it up and burn later’.

I ordered the ironbark as a last tribute to sustainable native forestry (RIP).
The ACT Government recently spent $1.8 million in an unsuccessful attempt to disqualify its own coroner from overseeing an inquiry into the January 2003 bushfires. Issues of alleged bias were cited by Jon Stanhope, ACT’s Chief Minister and Attorney-General. But the real point of contention is the nature of Nature and whether wilderness should be managed.

Coroner Maria Doogan began the inquiry believing that it would be a fairly straightforward investigation. She wrote in a Macquarie University Alumni magazine that

I was on duty when the disastrous ACT fires erupted last January, so I’m the coroner presiding over the inquest into the loss of life and property that resulted. A coronial inquiry is inquisitorial not adversarial—the job is to find out and report what happened and make recommendations.

It was never going to be this straightforward.

The Federal Government had already undertaken a seven-month national inquiry into the 2003 bushfires that burnt over three million hectares across Australia, including three-quarters of Kosciusko National Park. This inquiry received more than 500 public submissions, but the ACT, New South Wales and Victoria governments had refused to participate.

By law, the ACT Government was required to hold its own coronial inquiry into the fires that took four lives and destroyed 500 homes in Canberra.

In August the ACT Supreme Court dismissed the issue of any supposed bias and explained that if the evidence given by Mr Cheney had favoured the ACT Government, a finding of apprehended bias may well have been inescapable. This, however, was not the case—Cheney’s evidence was critical of government. The Court judgment noted that the views of Cheney were at odds with the views of the ACT Government, including its Emergency Services Bureau, and that Cheney’s views on ‘wilderness’ were controversial.

What precisely is so controversial about Cheney’s views? In his draft report for the ACT’s bushfire inquiry Cheney describes ‘wilderness’ as ‘an outdated 70s concept’ that is ‘dangerous’ because, in its pure form, it prohibits active management of the environment. For centuries ‘the environment’ has been managed by humans, but it is only relatively recently that it has come to be accepted that ‘the environment’ must be pristine and untouched.

CSIRO bushfire expert Phil Cheney was appointed by the ACT Government as an ‘independent witness’. However after a lawyer assisting the inquiry referred to Cheney not as an ‘independent witness’ but as ‘the Coroner’s witness’ the ACT Attorney-General claimed that Cheney could be seen to be biased.

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Thirty years ago fuel reduction through controlled burning was written into forest management plans. The purpose of the plans was not to prevent bushfires, but rather to mitigate the potential of their threat to life, property and the environment. By reducing fuel loads the intensity and rate of spread of fires can be controlled.

The Romantic poets of 200 years ago wrote longingly of wilderness—of areas of special beauty unspoilt by man. US President Theodore Roosevelt commented in 1903: ‘Leave it as it is. The ages have been at work on

For centuries ‘the environment’ has been managed by humans, but it is only relatively recently that it has come to be accepted that ‘the environment’ must be pristine and untouched.

Jennifer Marohasy
it and man can only mar it’. But it was perhaps the counter-culture move-
ment of the 1970s that really gave rise to the modern environment move-
ment which is underpinned by the romantic notion of Nature.

After 10 years of campaigning, the NSW Wilderness Act became law in
1987. This Act defined wilderness as areas that are in a state that has not
been substantially modified by hu-
mans and their works, or is capable
of being restored to such a state. Since
this time, there has been a doubling in
the area of National Parks in NSW on
the basis that, by removing grazing,
logging and other forms of human
disturbance, areas can be returned to
their natural and wild state.

At stake in the ACT bushfire in-
quiry are two irreconcilable views of
the environment. On the one hand
there is the view that the price we pay
for pristine wilderness is occasional
horrific bushfires. On the other hand
there is the position that through
controlled burning wilderness can be
managed to prevent such devastation.

On the second view the governments
that do not engage in controlling
burning are guilty of negligence.

Writing for Orion Magazine—a
US publication that wants to reshape
the relationship between Man and
Nature—Rebecca Solnit commented:

One thing is certain: A century of
management based on fantasies of
a static, separate nature has taken
its toll. Since Yellowstone (Nation-
al Park) burned fifteen years ago,
the nation has had a long lesson in
fire ecology. What’s amazing is
that we seem to have learned that
lesson in principle, if not in prac-
tice.

When I was poking around
Yosemite at the beginning of the
1990s, people still seemed to be-
lieve Smokey Bear: fire is bad, end
of story. Only ethnobotanists,
ecological historians, and Native
Americans themselves seemed to
talk about the native practice of
setting fires to manage landscapes.

Somehow since then this
notion has become common-
place—the kind of knowledge
newspaper editorialists reference
offhand when talking about for-
estry policies and the catastrophic
fires of recent years. This modified
mindset might seem minor, but it
required reimagining some huge
subjects: the nature of nature and
the role and pervasive presence of
Native Americans.

A Western Australian ecologist, David
Ward, recently e-mailed me:

... frequent burning is the only
(repeat only), way to maintain a
reasonably fine grained fire mosaic,
with small, mild, and controllable
fires; a rich diversity of habitat for
plants and animals; and protec-
tion of small fire refuges for that
minority of plants and animals
which are not adapted to frequent
fire. Aborigines clearly knew, and
still, in some parts, know this.
Anyone who does not understand
should go and talk to an Aborigi-
nal Elder.

It can be demonstrated, with
geometric certainty, that any de-
liberate long fire exclusion over
large areas, such as a National
Park, will lead inevitably (repeat
invariably) to large fierce fires,
and a coarser mosaic, with little
diversity of food and shelter for
animals. Small refuges, important
for some rare plants and animals,
will be destroyed by the ferocity of
the fires.’

But how do we reconcile the idea of
wilderness with the idea of active man-
agement—including management by
deliberately lit fires?

It all depends on the mindset.
According to Deborah Bird Rose,
writing on Australian Aborigines’
views of wilderness:

A definition of wilderness which
excludes the active presence of
humanity may suit contempo-
rary people’s longing for places of
peace, natural beauty, and spir-
ital presence, uncontaminated by
their own culture. But definitions
which claim that these landscapes
are ‘natural’ miss the whole point.
Here on this continent, there is
no place where the feet of Aboriginal
humanity have not preceded those
of the settler. Nor is there any place
where the country was not once
fashioned and kept productive by
Aboriginal people’s land manage-
ment practices.

Foresters and farmers followed Ab-
origines with active land management
practices. These practices were gener-
ally supported by government policy
until the 1970s. The consequence of
adopting a ‘hands off approach’ since
the 1970s emerged as a key issue in
the ACT Inquiry.

The IPA held a conference about
the lessons to be learnt from the bush-
fires in March 2003. Graham White
summarized this meeting (IPA Review,
Vol. 55, No. 1) with the comment:

The overwhelming view of del-
egates at the IPA Forum … was
that only a Federal Inquiry is like-
ly to achieve an adequate result.
This is because State and Terri-
tory Governments, in their role as
land managers, must share direct
responsibility for any lack of pre-
scribed burning and other forms
of hazard reduction that might
have contributed to the fires. This
means that they could potentially
face hugely expensive legal claims
and that, as a result, there could
be pressure on them to manipulate
terms of reference and other crite-
rria to diminish scrutiny of these
important issues.

It may be that as a result of the ACT
bushfires governments will now recon-
sider their approach to ‘wilderness’.
The state of Australian conservatism is, in a number of respects, probably the healthiest it has been for many decades. We have a conservative federal government closing in on its tenth year in power. Union membership is in decline and, for the first time in history, there exist in Australia more independent contractors than union members. Political correctness is on the back foot in a number of areas, particularly with reference to Aboriginal issues or the extreme multicultural ideology promulgated in the 1980s and early 1990s. Numerous other examples abound where conservatism is on the forward march.

I want to argue, however, that in spite of the progress being made on a range of public policy fronts, there are no grounds for smug complacency by conservatives. Much work remains to be done and, in some cases, the conservative cause is actually going backwards.

Business continues to be strangled by ever greater levels of unnecessary red tape and regulation. Welfare expenditure continues to grow during buoyant economic conditions when it should be falling. Unemployment rates, while improving, are still too high. Much of our previously healthy civil society has been crowded out by the encroachment of government at all levels. Important social institutions, such as marriage and the family, appear to be in a state of slow but steady decline and a range of various social ills are rapidly on the rise. All this paints a somewhat more pessimistic picture of the current state of conservatism in Australia.

With this in mind, perhaps the main intellectual and political task facing Australian conservatives is the need to make the case for smaller, less intrusive government and to restore the pre-eminence of such notions as personal responsibility and self-reliance in Australian society.

The Liberal Party, in particular, as the main political representative of conservatism in Australia, has a major role to play in this regard. It needs to focus more heavily on trying to win the battle for ideas by giving more emphasis to the moral arguments for its policies, and less emphasis to its spending decisions. In making the case for smaller government and increased personal responsibility, there is also a major role for think-tanks, business groups and sympathetic academics to help explain the rationale for the re-

Jason Briant

Jason Briant is a research fellow with the Institute of Public Affairs and a former executive director of the Menzies Research Centre.
forms this country so badly needs.

Making the case for this philosophy of smaller government and increased self-reliance will not necessarily be easy—the Australian electorate has historically been averse to change that appears even remotely to threaten the existing order. Furthermore, governments in Australia that take on a tinge of being excessively ideological have a tendency to be thrown out at elections. Hence, there is a common and understandable desire on all sides of politics to concentrate on implementing reforms that won't excessively ‘rock the boat’. That is why more effort needs to be expended on finding a way to package the changes which Australia needs that will be attractive to the voting populace.

Another major challenge for Australian conservatism is to bring about a renewed focus on social and cultural issues. Conservative governments in Australia have had a long tradition of being overly preoccupied with economic issues to the detriment of some other important concerns. Why this has been the case is something of a mystery, although one suspects that whereas most people on the conservative side of politics have generally been able to find agreement on economic matters, there have been stronger divergences of opinion on social and cultural matters, which have led to them being downplayed in the interests of maintaining unity.

However, given the nature of many of the social problems now becoming all too apparent in Australian society in spite of many years of buoyant economic growth, there is a major need to move away from the mindset which claims that if you get the economy right, everything else will fall into place. Economic growth, while helpful, is not going to be enough to overcome the problems of communities such as Macquarie Fields, parts of which are suffering from cultural breakdown.

The starting point in coming to grips with social and cultural issues lies with the current state of the universities, particularly the social science and humanities faculties. Arts faculties in Australia and across most of the Western world have mostly abandoned their traditional role as the guardians and promoters of the Judeo-Christian Western tradition. They have instead become dominated by the countercultural radical Left, which has shown little mercy in the academic persecution of those remaining few conservatives (or even centrists) in the academy.

There has often been a common assumption that while the take-over of universities by left-wing radicals is annoying, it is of little real long-term consequence. The assumption here is that most students, upon joining the real world of work, will leave the infantile preoccupations of university behind them, resulting in little long-term damage. Although there is a strong element of truth in this assumption, a great deal of damage is nonetheless still being done to our culture by ideas coming out of the universities.

Since their take-over by the Left, universities have used their unique position to try to indoctrinate future generations of societal elites against the very values upon which our civilization is built—which constitutes a total reversal of their original mission. There is an urgent need to think of means that would restore balance to the universities and return them to their original role as the guardians of our civilization and culture, as opposed to being their destroyer. This is something with which conservative thinkers and policy makers have not adequately come to grips.

Perhaps the most obvious example of the negative implications of the left-wing take-over of universities is the impact it has had on schooling. As the Federal Education Minister Brendan Nelson has pointed out, many university education departments have now become little more than quasi-sociology departments. These departments teach their education graduates to see their mission as one of using education as a subversive vehicle to bring about radical social change, rather than to provide a traditional education for their students. The result is a generation of schoolchildren that have been fed with all manner of politically correct beliefs (such as black-armband history), but who are all too often functionally illiterate and innumerate and hence rendered incapable of playing a full role in society. Now there is at least a strong awareness that there is an urgent need for the reform of Australia’s schools, although much work remains to be done.

Similarly, there are numerous examples of prominent Australian cultural institutions which have fallen prey to the left-wing ideology espoused by the universities. The ABC remains captive to left-wing activists, despite several attempts to try to improve its balance. It is rare for a day to pass without SBS showing some ideologically motivated French documentary criticizing George W. Bush. The National Museum of Australia still remains a near-perfect tribute to postmodernism and political correctness. And vast amounts of public arts funding continue to be spent on projects that can only be described as weird, bizarre or downright perverted. Given
that all of these organisations are subsidised by the taxpayer, governments have a legitimate role in trying to restore some semblance of balance and objectivity to these institutions; and more of an effort needs to be made to do just that.

The damage wrought to our culture by the Left is also becoming increasingly prominent in the growing number of badly dysfunctional communities in Australia, perhaps best typified by Macquarie Fields, which is, however, only one of many. It seems reasonable to suggest that, in these communities, there has been a terrible cultural breakdown and a perversion of the important social values and civility that most Australians are thankfully still able to take for granted.

The challenge for Australian conservatives is to mount a sustained critique of the intellectual forces and government policies that have unleashed this chaos on our most poor and vulnerable communities. This is a project that has been undertaken to great effect by conservatives in the US, but strangely, similar progress in Australia has not as yet occurred.

Most thinking about the problems of our most poor and least fortunate communities has instead by large been left to social academics and the social welfare lobby. Leaving this task to the intellectual Left, which has long been capable of little more than continually chanting the vapid slogans of social justice, has been nothing less than a total disaster for these communities. The conservative critique of poverty and dysfunctional communities has much more to offer than that of the political and intellectual Left in this regard. But Australian conservatives are not taking enough of an interest in these issues at present, perhaps finding the parts of society they personally inhabit to be more interesting and important than its other parts further out in the western suburbs. This is a great shame, and something that urgently needs to be remedied.

The final challenge facing Australian conservatism is to become better organized. At present, there is no doubt that conservatism is in poor organizational shape for a number of reasons, two of which I will elaborate upon below.

First, there remains a great gulf between the intellectual forces of conservatism operating in think-tanks, business groups and isolated pockets of academia on the one hand, and the political forces of conservatism sitting in the various Australian parliaments on the other. In a nutshell, there is a need for better communication and coordination between the intellectual wings and the political wings of conservatism in this country. Too often, conservative members of parliament and their staff are not aware of the often excellent research being conducted by think-tanks and academics just down the road that might help them with policy development and the selling of their message.

Second, but related to the first point, the intellectual side of the conservative movement in Australia can only be described as being in an institutional mess. There are too many small, isolated organisations in existence trying to do much the same thing, and in an uncoordinated way. Most of these organisations are badly underfunded and far too small to be viable as credible sources of advice to potentially sympathetic policy makers and elected political representatives.

Given that there is a limited supply of money around to finance this kind of activity, it is not beyond the realms of possibility that a rationalisation of some of these organisations, which would allow for a smaller number of larger bodies, might be beneficial. With economies of scale comes the potential for greater professionalism, more credibility, higher funding, and a louder voice that makes it harder for policy makers, members of parliament or the media to ignore.

Closer attention also needs to be given to how conservative academics working in the universities, who are frequently isolated from each other, let alone the broader conservative movement, can also be brought into the fold and better utilised than they often are at present.

In conclusion, there is a pressing need for the intellectual side of conservatism in Australia to transform itself into a much more coherent force like that which now exists in the US. There, the conservative movement has proven indispensable to the current political and intellectual dominance of US conservatism. It remains for Australian conservatives to take on board the lessons that can be learned from the US example and to apply them appropriately in the Australian context.
What does conservatism mean in Australia, a country often portrayed as not possessing much to conserve and running madly along the tracks of progress? And yet settler societies, such as Australia, are often decidedly conservative as their members wish to conserve those traditions that they have brought with them from the original homeland.

The real issue is the form that conservatism takes in Australia and how Australian conservatism fits with what is generally understood as the conservative disposition.

Conservatism, I believe, rests on two major pillars. The first emphasizes human fallibility and the capacity for individuals to make mistakes and behave badly. The second is that there is a wisdom that inheres in institutions and communities simply by virtue of their extended existence.

Conservatism is about human beings and their values; it is about preserving values that have worked and ensuring that humans do not throw out the baby with the bathwater when they engage in change.

The Anglo-Irish politician Edmund Burke is the model conservative, particularly for Australia. He wanted to conserve what was valuable and make moderate reforms when they were in line with existing values and institutions. He opposed radical change in the shape of the French Revolution, where the intention was to destroy the existing order and to start again from scratch.

Burke can pass as either a liberal or a conservative depending on what facet of his thought and activities one cares to shine light. This is true of all real conservatives; they are not reactionaries but people willing to accommodate the new so long as it is in accord with the best established traditions of humankind.

In Australia, there have been three broad expressions of conservatism. The first is what can be called a Burkan political conservatism. It has attempted to preserve what is best in the British political tradition that Australia has inherited.

The second is a tradition of cultural conservatism that found a home, at least initially, in the churches and the universities. It has sought to preserve the universal values embodied by Western civilization.

The third is a form of populist conservatism that has celebrated the capacity of ordinary people to conserve their traditional values in the face of the excesses of the contemporary world.

**BURKEAN CONSERVATISM**

This form of conservatism has sought to preserve the best of the British inheritance without slavishly and unthinkingly following the British political model. In the nineteenth century, this meant meeting the challenge of those advocating progressive liberalism and democracy. Conservatives questioned the often excessive optimism, ultimately derived from Rousseau, that democrats and progressives...
had regarding human nature. Acknowledging the fact that 'good' human beings could often bring about bad and selfish laws, colonial conservatives (who really thought of themselves as liberals) sought to provide checks and balances on the unlimited power of the Lower House of Parliament. Some, such as William Forster, saw the solution in the form of a powerful Upper House capable of checking the excesses of the lower house. Another solution advocated by John West was the creation of a federal system that would provide a consistent system of check and balances.

Conservatives also advocated the trustee system of Parliamentary representation derived from Burke. Members of Parliament were not to be considered as delegates of their electorates, but representatives of the country as a whole who would legislate on behalf of the whole. The member was meant to be someone who stood above the community, able to legislate on behalf of the community because of his superior education and character. Sir Henry Parkes, sometimes thought of as a radical democrat, openly advocated that electors should avoid the parvenu and seek the local equivalent of the English gentleman.

These conservatives did not slavishly follow the British system. For example, John West was willing to appeal to federalism, even though it was American in origin, because he saw it as a way of adapting the principles of the British constitution to Australian circumstances.

This capacity to graft new principles on to established traditions so as to improve those traditions can be seen in the creation of the Australian Constitution. The Framers of the Australian Constitution very successfully grafted both the American federal principle and the Swiss referendum on to the British Westminster system.

In the twentieth century, this Burkean conservative tradition continued to be represented by the Constitution and the principles that it embodies. It acted as a bulwark against radical change without remaining fossilized in a rigid outdated form. The same can be said, by and large, of the legal profession in its interpretation of the constitution. Finally, the Australian people have demonstrated Burkean 'prejudice' in their judicious evaluation of the need for change when asked to vote in referenda, including and especially the 1999 republican referendum, on changing the constitution.

CULTURAL CONSERVATISM Cultural conservatism derives its strength from its appeal to values that transcend the here and now and are worth treasuring for what they reveal about the human condition. In the nineteenth century, the major sources of cultural conservatism in Australia were the churches and the universities. In an open and fluid society, in which getting and spending could too easily overwhelm an individual, both the churches and the universities sought to keep alive the permanent and the spiritual aspects of human nature.

This can be seen in the definition of culture used by Charles Badham in 1882:

When we see the same feelings, aims, affections, anxious doubts, and topics of consolation in the literature of bygone times, the thought of our permanent humanity and of the ineffaceable identity between the soul of the past and the soul of the present, makes us thoughtful, reverent, social, patriotic.

This quotation presents the central elements of cultural conservatism, with its emphasis on 'our permanent humanity' and the relationship that links together the past and the present.

In the years since Badham wrote those words, it is true that progressivism has eaten away at the vision of permanent humanity in both our universities and our churches. Nevertheless, there has been a tradition that has followed Badham. It has continued to be faithful to the idea of a permanent humanity and to the imperative that we be refreshed and inspired by the great works of literature and art.

In the twentieth century, the major defenders of this tradition of cultural conservatism tended to come from two overlapping sources. The first were those writers and academics who opposed what they saw as the nihilistic tendencies of Romanticism, and later its bastard offspring, postmodernism, in the name of Classicism.
Such writers argued that the restless, hyperactive individual postulated by Romanticism, who believed in his capacity to consume the universe, would eventually discover that the only goal he or she would attain would be that of the void.

In opposition to Romanticism, they advocated the clear, calm and objective world of classical forms that are eternal and are capable of being known by human beings. This classical tradition has been handed down to us from the Graeco-Roman world. With its emphasis on balance and moderation, it stands in stark contrast to the tortured individual of both Romanticism and postmodernism who seeks but never can find.

This classical theme was expressed most profoundly in the works of AR Chisholm and James McAuley. It can also be found in a different form in the work of John Anderson. Other cultural conservatives have also condemned the nihilism of the modern world without necessarily embracing the classical alternative. These include Ronald Conway and John Carroll. Carroll has condemned the nihilistic dimensions of what he calls Humanism, but his alternative is not Classicism but an appeal to eternal values that he believes are inherent in all people.

In the nineteenth century, Catholicism in Australia was often a regular critic of modern progressivism. During large parts of the twentieth century, as the secular intelligentsia and liberal Protestantism succumbed to progressive fads of the day, the Catholic church by and large stood firm in support of its traditions. Catholicism was often associated with classical values, so that supporters of classicism were often attracted to Catholicism and, sometimes, as in the case of McAuley, converted.

And out of the Catholic conservative tradition came BA Santamaria, possibly the most influential Australian cultural conservative of the twentieth century. Santamaria opposed the nihilism of the progressive modern world and saw that its only true hope was to revert to the traditional values of Church and family. I think that it is possible to see his influence on the current government in such areas as the family.

We cannot pursue reform unless we take account of both human frailty and the remarkable edifice that our ancestors have built for us.

**POPOPULIST CONSERVATISM**

Santamaria leads on naturally to the populist form of conservatism. He argued that the Church had been delivered up into the hands of the progressives and that the only hope was to appeal to the traditionalism of ordinary lay Catholics. The secular equivalent of this populist conservatism contrasts the decadent and nihilistic values of the educated cultural elites with the sober, realistic and traditional values of ordinary Australians.

John Carroll went down a similar path in his praise of the lower middle class and its instinctive sense of right and wrong. Populist conservatism draws on the contrast, made also by American writer Christopher Lasch, between the rootless cosmopolitan elites owing allegiance to no-one and the traditional middle class that has a strong sense of both its place in the world and the values required to sustain that place.

Populist conservatism is strongly linked to nationalism and is an outgrowth of Australian nationalism. It is sustained, for example, by the values of ANZAC such as heroism, loyalty and the capacity to hang on in the face of adversity. It is this type of conservatism that largely sustains John Howard and provides the key to understanding his popularity in the wider community outside the nihilistic and decadent world of the inner city cultural elites. Nevertheless, the traditions of Burkean political conservatism and cultural conservatism, largely through the influence of Santamaria, are also important for an understanding of the Howard Government.

**CONCLUSION**

The three strands of conservatism that I have discussed have all been important in moulding Australian culture. In Australia, there has been the continuing temptation to jettison the past and to rush headlong into an uncertain future. Conservatives have warned their fellow Australians of the perils of moving forward without taking sufficient account of the traditional values that have sustained Western civilization over the last two millennia. These values are permanent values that sustain us as human beings; we need them to flourish both in times of plenty and of dearth.

Both Burke and Badham remain highly relevant for the twenty-first century. We cannot pursue reform unless we take account of both human frailty and the remarkable edifice that our ancestors have built for us. There is a bond that links past generations, ourselves and our descendants. That bond is, as Badham rightly put it, those permanent values of our humanity which create that ‘ineffaceable identity between the soul of the past and the soul of the present’.
Are video games conservative?

Ben Hourigan

Through July and early August 2005, controversy has dominated the world of videogame journalism. In the United States, discovery of a hidden sex scene in this year’s *Grand Theft Auto: San Andreas* brought Senator Hillary Clinton, among others, to reiterate the old idea that videogames were exposing children to sexual and violent content that would harm them in some way.

Journalists have been raising concerns about videogame content since 1976, when the arcade game *Death Race* let players drive a car over running humanoid zombies, and lawmakers have seldom passed up an opportunity to jump on the bandwagon. Concern about videogames’ alleged potential to corrupt youth reached a peak in 1999, when journalists reported on a home video in which Eric Harris talked with his friend Dylan Klebold about how the massacre they later committed at Columbine High School in Colorado would be like the videogame *Doom*. Since then, negative coverage of videogame violence has been steady, and governments’ usual reaction to specific controversies is censorship. Once news of *San Andreas*’ hidden sex scene broke, Australia’s Office of Film and Literature Classification quickly revoked the game’s classification, effectively banning it from sale.

When I tell people about my doctoral research, they often ask if I’m trying to prove that videogames really do turn players into killers before I manage to explain that I investigate videogames’ political aspects. Parents usually inquire if playing videogames will harm their child or teenager. For the generation of parents, journalists and legislators that grew up before videogames became a part of popular culture, the new medium seems to be the bearer of a strange newness that threatens to corrupt youth and destroy the foundations of society. But really, videogames are packed with themes which suggest to players that it is good to be a guardian of one’s societies’ traditions and institutions. These themes, in turn, are part of aesthetic traditions that videogame developers constantly turn to as a basis for new creations. The medium is, in fact, dominated by conservative sentiment.

Roger Scruton captured the essence of conservatism when he wrote, in *The Meaning of Conservatism*, that it ‘involves an attempt to perpetuate a social organism, through times of unprecedented change’. English parliamentarian and intellectual Edmund Burke crystallized this conservative attitude in his *Reflections on the Revolution in France*, which championed British constitutional monarchy against the threat posed by an enthusiasm for radical change sparked by the French Revolution of 1789. Just as Burke sought to preserve his society, in videogames the protagonists very often defend living people and existing institutions from traitors, usurpers or invaders who threaten the most radical change a society could ever face: its own destruction.

We see the conservative impulse to preserve even in such early games as 1978’s *Space Invaders*, where the player controls a mobile gun turret as it mounts a defence against an infinite onslaught of alien attackers. The defence motif, on which videogames’ conservatism is built, persists in videogames right up to the present. Even *Doom*, the game talked about by the Columbine killers, has its hero defending a human outpost on Mars from demons teleporting in from Hell: the massacre certainly was not a replay of the game’s heroic premise.

The games that most arouse the ire of politicians, judges, journalists and parents in Australia and overseas

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Dragon Quest (2005)
Image courtesy Square Enix
are, in fact, uncommonly rebellious and transgressive. Rockstar's *Grand Theft Auto* series, which began in 1997 and to which the controversial *San Andreas* belongs, has players guiding the games' protagonists as they rob, assault, murder, car-jack, and trade in illegal drugs. Yet such games, which put the player in the villain's shoes for the sake of novelty, are atypical of videogames in general, and they revel in rebellion not out of any political radicalism or desire to corrupt, but rather because playing the bad guy is a novel and welcome change for players more frequently involved in world-saving heroics.

In my research, I focus on role-playing games (RPGs), a genre where the defence motif is almost universally present. According to the Entertainment Software Association, RPGs were the fourth-largest selling videogame genre in the United States in 2004, accounting for ten per cent of all games sold. RPG players have to guide characters on quests to save imaginary worlds from destruction or conquest. As they explore the world of the game, advancing toward the final battle with their enemy which will decide the course of history, RPG players tend their characters as they grow in strength by gaining experience in battle with monsters that roam the land. By fighting, finding treasure, learning new skills, and equipping themselves with better weapons and armour, RPG heroes come to attain supernatural power that gives them a chance at winning against seemingly unstoppable foes. This element of careful shepherding is just one example of the tendency of RPGs to encourage the nurture of what already exists.

RPGs’ stories, visual aesthetics, and gameplay are conservative even by videogame standards. Like many videogame genres, RPGs’ history extends back to the medium’s infancy. The first commercial RPG, *Ultima*, released in 1981, already drew on a long heritage of conventions from outside videogaming. Its programmer, Richard Garriott, was a Texan teenager who had worked towards his first commercial product by writing games that adapted the rules and settings of *Dungeons & Dragons*. This earlier, non-computerised role-playing game had sprung to life alongside commercial videogames in the late 1970s. *Dungeons & Dragons* was, in its turn, inspired by literary fantasy, a genre exemplified by traditionalist J.R.R. Tolkien’s *Lord of the Rings* trilogy.

Today, videogame RPGs are notable for the degree to which each new game adheres to the conventions set out by its predecessors. In Japan, where the genre is massively popular, the largest selling RPG series is *Dragon Quest* which, like *Ultima*, features epic adventure in a fantasy setting. The latest instalment, *Dragon Quest VIII*, has already sold over three million copies, and the series’ main draw-card is that, though technology has advanced markedly in the intervening years, *Dragon Quest* has changed little since the first game was published in 1986. While other games tout their ever-flashier audio-visual displays, the series trades on people’s reliable and conservative tendency to wonder if the new, in art and in life, might fail to be as functional or as charming as that which they have tested in the past and known to be good.

RPGs’ respect for aesthetic traditions is mirrored by the way they tell stories that evoke reverence for existing institutions threatened with destruction or radical change. A particularly clear example of this pattern is 1988’s *Ultima V: Warriors of Destiny*. In the game, Lord British, the absolute ruler of a country called Britannia, has been trapped underground in a magic mirror by three demons called the Shadowlords. With Lord British gone, the Shadowlords corrupt the mind of the regent left in charge, Lord Blackthorn. Where Britannian society was previously bound together by people’s voluntary adherence to a unique code of ethics, Blackthorn institutes a code of laws that force people to perform specific good acts, including giving 40 per cent of their income to charity. Under this impossibly exacting code, numerous Britannians become criminals and outlaws. The game’s hero, the Avatar, must gather his friends together, defeat the Shadowlords, and restore Lord British and his more liberal style of rule to their proper place at the head of Britannian society. Victory sees players complicit in the destruction of an over-interventionist government, and the continuation of a moral and legal tradition that left most moral decision-making in the private, rather than the political, realm.

RPGs and real-world counter-revolutionaries share their goals: to avoid a fast and massive shift in modes of governance that throws society into turmoil and causes masses of ordinary people to suffer and even to die, as they did in the Terror that followed the French Revolution, in Stalinist purges, and in Mao’s Great Leap Forward. For videogame protagonists, the goal is to keep themselves and the people they love alive and free. They struggle to defend or restore existing political regimes that have served people well in the past.

Because they are so concerned with defence of the existing, at the expense
of visions of the new, videogames seem to fall victim to liberal economist Friedrich von Hayek’s criticisms of conservatism. In his essay ‘Why I am Not a Conservative’, Hayek wrote that conservatism, ‘by its very nature … cannot offer an alternative to the direction in which we are moving’. But in situations that threaten radical change and the destruction of a society, the virtue of conservatism is that since ‘the direction in which we are moving’ is undesirable, maintaining the status quo is a sure way to avoid whatever the future seems to threaten.

What has made videogames so conservative? It may be that the conflict, threat and combat that are so common in the medium reflect much of the world’s political situations during the times in which videogames grew up. Rocketing to commercial success in the late 1970s, videogames have straddled two major phases of conflict in the history of the democratic world: the ‘Cold War’ and the ‘War on Terror’. They have existed during just one short period of comparative peace, spanning the years from the fall of the Berlin Wall in 1989 to the attacks on New York and Washington on 11 September 2001.

It was towards the end of the Cold War that videogames turned into a major part of popular culture in the rich capitalist countries where consumers could afford the technology. Companies such as Atari, Nintendo, Electronic Arts and Sega first brought videogames into people’s homes against a historical background peppered with revolutionary terrorist incidents and dominated by the constant threat of catastrophic nuclear war between the USA and the USSR. The prevalence of defence motifs in videogames may have reflected a constant feeling of threat in the major videogame-producing nations: the USA, the UK and Japan.

Once the USSR fell, the nations that had led the way in producing and consuming videogames enjoyed a period of relative peace and security during the 1990s. Free of the siege mentality of the Cold War, one might have expected that videogames would begin to leave the safety of the defence motif to think about new ways of organizing societies, and about other problems that the Cold War era did not offer the luxury of considering. And so they did.

As an example, we have the Japanese 1997 RPG Final Fantasy VII, notable for its political radicalism. In the game, a global company that has taken on the powers of government rules the world, and its relentless pursuit of profits has led it to consume too much energy, posing an environmental threat to all life on the planet. Final Fantasy VII’s heroes begin as members of an eco-terrorist organization, and the game begins by throwing the player directly into a mission to bomb a power station. While the heroes eventually come face to face with even larger threats that distract them from their battle with capitalism, the game never decries the group’s initial involvement in terrorism. It seems impossible that any commercial soft-

ware developer would consider making another Final Fantasy VII today: its promotion of terrorism would raise too much of the wrong kind of attention. A slew of nostalgic Final Fantasy VII spin-offs are due to be published over the next year, but none of them revives the terrorism motif.

The 1990s were not entirely trouble-free for the democratic world, punctuated by incidents such as the sarin gas attack on the Tokyo subway in 1995 and the bombings of the US embassies in Tanzania and Kenya in 1998. Yet it was not until September 2001 that the democratic world again began to see itself under siege, this time from Islamic extremist terrorism. Today, we have returned from that peace in which videogames such as Final Fantasy VII had the luxury of exploring radicalism, to a position where a common political preoccupation is the threat posed to the democratic world by international terrorism, a manifestation of political radicalism. As they were in the Cold War era in which they were born, the videogames of the democratic world again shy away from radicalism and participate in our closing ranks against that which we fear may destroy us.

The conservative impulse seen in so many videogames may not be good at inspiring us to choose the future direction our societies will take. But today it is, perhaps, a valuable prophylactic against the self-flagellating belief that we ought to allow ourselves to be bombed and hijacked into cowering fear because such are our just desserts for the Western colonial enterprise that brought wealth, democracy and science to many underdeveloped parts of the world. At a time when many in the democratic world again see their security and their time-worn freedoms under threat, we should give videogames the praise they deserve for encouraging people to defend the ways of life they know and love.
Standing at ‘The Burrup’, the island off Dampier, Western Australia, looking out to sea, it is impossible to escape the fact that much of Australia’s future is wedded to its resources. Gas is piped in, processed and piped or shipped out, iron ore is dug up and shipped out, salt is scooped up and shipped out. Investment, wages and royalties flood in. The only thing in short supply is skilled labour.

In Karratha, which is the major population centre in the region, a couple of kilometres south of Dampier, the youngest Aboriginal child suffering from a sexually transmitted disease is three years old. Young Aboriginal girls carry babies that suffer from foetal alcohol syndrome. The monies recently paid as settlement to a native title claim in the nearby Roebourne region have been squandered. Men wander from the pub at 10 a.m. on a Wednesday with a bag full of grog, ready to start another binge session. Aboriginal youths hang around the petrol station.

Sixty per cent of Aboriginal inductees to training courses for a major resource company in the Pilbara fail the drug test. Marijuana is the drug of choice, but it remains in the blood a long time. Of those 60 per cent who reapply, 100 per cent fail again. For some who are employed, Aboriginal managers report that managing people who do not readily accept the work ethic or the material rewards of modern existence is a tough job. Opportunity abounds for Aboriginal people in the Pilbara, so why are they not taking advantage?

**STRIFE AMID PLENTY**
The juxtaposition of strife in Aboriginal society among plenty is not new—it has been this way for a long time. Strife in resource towns is common to people of all races, but most can move on. What is new is that resource companies, quite properly, have to deal with the traditional owners of the land who have legal standing and political support from land councils. Traditional owners also have access to royalties, government benefits, and government and philanthropic support programmes. Do all of these policies and resources help?

The answer appears to lie in two contrary beliefs. Aborigines are unable to take advantage of opportunities, either because they are ‘culturally’ very different or because they are ‘materially’ very disadvantaged. If the first belief is true, then Australia has a problem. It has in its midst a people, original inhabitants, who can no longer live here, but who have rights to be supported. If it is the second, then the question is what interventions can overcome material disadvantage. Most frustrating is that Aboriginal policy seems to be guided by both beliefs, and by a confusion in policy goals between preserving culture and delivering equity. For example, it is clearly wrong that Aborigines are so different that they cannot participate in the wider society. After all, 70 per cent marry a non-indigenous partner. On the other hand, the kinship and obligation system in more traditional
community or an individual to adjust is what a realistic timeframe is for a better question for the CRC to study. What is ‘living well’ in the desert? A knowledge of living well in the desert’. edge Australia, sells itself as ‘the unique partner organization, Desert Knowl aims to improve desert livelihoods. The erative Research Centre, for example, where none exist or, where they do ex- tenuate amongst plenty. Supporting communities in the desert, indeed allowing new ones to establish, not only encourages insurmountable ‘cultural’ differences, and places people further from the opportunities that exist in the region, it wastes the resources designed to overcome material dis advantage. The one aspect of culture that may be overcome by material programmes is that which stems from two or three generations of welfare de- pendence.

**FAILURE TO ADJUST IS DEADLY**

Those who believe that a land-based solution to Aboriginal strife is appropri- ate will see all programmes through the ‘difference’ prism. Adjustments will be principally on the part of the dominant society to accommodate the minority culture. Payments and serv- ices will be arranged as and where people choose to live, jobs will be sought where none exist or, where they do ex- ist, pressure will be brought to bear on employers to accommodate cultural difference.

The Desert Knowledge Cooperative Research Centre, for example, aims to improve desert livelihoods. The partner organization, Desert Knowl- edge Australia, sells itself as ‘the unique knowledge of living well in the desert’. What is ‘living well’ in the desert? A better question for the CRC to study is what a realistic timeframe is for a community or an individual to adjust to the fact that unless a major resource company comes to the community, there will probably never be a viable economy. The programme is trying to invent an economic base where none exists. In doing so, it slows the prepa- ration of Aborigines for jobs sitting on their doorstep in the Pilbara.

There are around 1,000 discrete remote Aboriginal communities throughout northern Australia. There are, for example, now 180 excisions in the Kimberley—that is 180 differ- ent communities or townsships that house just a handful of people, and the number is growing. Governments, or occasionally a land council, fund them. They are the price for buying peace between families and groups that fight over land and royalties and public funds. Interventions that rely on land generally consist of three pay-offs—money, jobs and new set- tlements. Unless there is a trust estab- lished, the money does not last long. Only some gain and retain the few jobs that wait. As for new settlements, the situation is perverse. The settlement involves housing, water reticulation, sewerage, electricity generation, tele- communications and so on. This infra- structure is very expensive to build and maintain. The organizations that know this best are emergency services, police, Telstra, medical services and all of the other organizations that have to provide services.

Where is this renewed in-migra- tion leading? What is the purpose of the land rights movement when Ab- origines cannot live, indeed do not wish to live, off the land? What is the balance of government obligations to provide services and to provide choic- es? Perversely, providing services to tiny remote communities denies the inhabitants the opportunity to engage in a world that one day they or their children will demand.

The re-possession of land or, in some cases, the de jure recognition of de facto possession, does not provide a solution to Aboriginal despair. It is more likely that the strife derives from the inability to bridge an over- whelming gap between two worlds, the closed and heavily kinship-obligated Aboriginal world and the open and transaction-based modern world. So- lutions that ignore this fundamental problem are doomed to fail. Indeed, land rights and equal service provision may make adjustment more difficult. Mutual obligations may help, but may raise the price of adjustment. As Abo- rigines seek to re-establish a connec- tion with their country by living on their country, sometimes abandoning existing digs for new ones, sometimes moving from regional centres where the experience has not been good, the cost can be huge. Not just in financial terms, but in the complete disjunction between the requirements of surviving in the dominant society and the re- generation of the old society. The cost is an even more alienated culture built on welfare dependence.

It is important in this regard to distinguish between isolation and in- sularity. Insularity, which can arise from the desire for solidarity, can of course be experienced in the middle of the city—Redfern, for example. Isola- tion may create problems of service provision, but providing services to someone or some group, which is inte-grated into the society, is not overly difficult. The combination of insularity and isolation is deadly.
Despair stems from an inability to settle on a future. Aboriginal children see aspects of the modern world all around them: petrol stations and cars, television, videos and computers, clothes and soft drinks. The essential missing element is to understand how these things came to be. The problem is the cargo cult—goods, which the ‘white man’ supplies endlessly, become expected. They become incorporated into the kinship relationship between Aborigine and non-Aborigine (wonderfully described by Ralph F olds in Crossed Purposes). When the whites stop the supply, the recipients are grossly insulted. This difficulty is at the heart of the new mutual obligation and shared responsibility agreements. These are meant to change the behaviour of Aboriginal recipients and communities. Whether shared agreements will be a sufficiently powerful tool to break the cargo cult is uncertain. They could be just another endless round of gifts.

**ADJUSTMENT IS INEVITABLE**

On the other hand, those who believe that Aboriginal people are already adjusting to the dominant culture, albeit in some cases poorly, realize that it is impossible to deny adjustment. What follows from this view is that payments and services should be delivered on the same basis as other citizens. Unemployment benefits should be delivered to people who look for work, children must attend school until the leaving age, illegal activities should be punished and so on. Programmes based on adjustment have a chance of succeeding. For example, of the 100 Aboriginal children at Karratha high school, 30 are chosen to enter an after-school programme. In essence, this programme supports their study each day at a safe and quiet place, away from home. State and federal government, and local resource companies support it. The programme is meeting with some success. Boarding schools, where Aboriginal children can escape their ruinous home lives, also provide a chance of adjustment.

What is the purpose of the land rights movement when Aborigines cannot live, indeed do not wish to live, off the land?

Adjustment (or integration) means the use of state power to protect women and children without fear or favour. It means educating children in a way that makes them competitive for jobs in the real economy. It means being autonomous, free of dependence on political leaders for handouts. It means the freedom to leave one’s country and see the rest of the world, and free to return. In August, the Minister for Multicultural Affairs signed the first Regional Partnership Agreement in Australia, with the Ngaanyatjarra communities around Warburton in WA. He argued that ‘this is much more about people doing things for themselves’. It is to be hoped that this is so but, in the end, it is still government funding, and it begets dependency. Coincidentally, Shared Responsibility Agreements were also signed to improve essential and municipal services ‘in exchange for commitments from residents to pay power bills, settle outstanding debts and reduce power wastage’. The second element is more hopeful, but it will need to be strongly buttressed with welfare payment intervention and school intervention if it is to change behaviour. The fear is that, if this year the price of cutting school absenteeism is a swimming pool, what will it be next year? CDEP is being reformed to ensure that people work for their money. The difficulty is that no government department can hope to enforce rules of mutual obligation or breach people for lack of proof of job-search in the desert. These places are a long way from a CentreLink office.

**A MODEL FOR PROGRESS?**

The adjustment path, criticized as assimilation, is for the present generation of young Aborigines in rural and remote Australia made more costly because of the flight to remote locations and the provision of services to such locations, and the cargo cult which places a net under non-viable communities.

Yet, previous ways brought reconciliation between adjustment to the modern world and a chance to walk in the other world. For example, take the 55-year-old WA Aboriginal teacher who has had a successful career. He was taken from his mother, his father was alleged to be alcoholic, and lived at a mission boarding school north of Perth. This form of intervention is not now favoured, even when a child is in danger, but it gave this man a life he would not have had. After 25 years in a successful career, he has left the employ of the Education Department. He has chosen to return to his country and to make money by explaining Aboriginal culture to resource companies, and to assist these companies in managing their indigenous workforce.

If government has led people down a path that suggested to them that it was possible to escape adjusting to the rules of a modern economy, a modern legal system, and a modern welfare state, they have consigned them to the dustbin of history. It creates strife amid plenty.
Industrial relations is not what it appears to be on the surface, where most people think it's about unions and bosses having the occasional spat over wages and conditions. That is an obvious aspect of the game—but it's not what it's really about.

Industrial relations is, in fact, a complex process in which surprising amalgamations of players seek to control the way in which (mainly) big business is done in Australia. Industrial relations commissions are simply the masking institutions which hide the faces of the well-placed players who don't want their game of subterfuge known.

The truth is that industrial relations is like a continuous process of medieval, masquerade balls conducted at the courts of princes. The real game of deals and counter-deals is done by Machiavellian maestros with whispers and winks and graceful nods. When deals are struck, they are taken to a princely industrial commissioner with a flourish and fanfare requesting, with great humbleness, formal sanction.

In each princely court, however, the players, cultures and games vary and, of late, great change is afoot!

The key players are a raft of senior industrial relations and human resource professionals, consultants, solicitors, employer association officials and union officers who all know the real game, how to network and how to seal deals.

If a business, whether private or public, wants to secure a major deal, say, to build and operate a factory or develop a gas field, the business development and operations managers hand the industrial relations deal-making across to the deal-makers who undertake a dance routine. A final deal will be struck and returned to the business managers on the basis of 'this was the best deal that could be done'.

In Sydney, the deal-making has traditionally operated with sophistication and effectiveness. Deals stick and operate like this. There is an intimate, almost seamless, connection between Sydney unions, the Australian Labor Party and major businesses. Sydney unions and the ALP operate almost as one, where deals and trade-offs are made inside and between the organizations—and then held tight.

This affects not only commercial business, but also every area of public undertaking—sometimes positively and sometimes negatively. For example, necessary reform to the crumbling Sydney rail system has long been stymied because rail unions control certain factions and block reform. But when it came to running the transport system for the Sydney Olympics, the Labor faction system worked superbly to deliver results.

How things operate in Sydney (and, in particular, what new projects can occur) is always determined by internal Labor deals. The deal-making is a mystery to an outsider but has clear shapes and forms to the inside players. Industrial relations is central to the process—'smart' Sydney businesses know this and deals are formalized through the NSW industrial relations system.

There is nothing sinister about this. It's just a reality of politics. But for any large business to operate in Sydney it must connect closely with the Labor deal-making processes. This is why some Sydney-based industry associations cultivate close ties with unions and why Sydney business doates much more generously to the ALP than it does to the Liberals.

One thing that can be said for this...
Sydney deal-making system is that once a deal is struck, businesses can have great confidence that, for the period of any project, the deal will normally stick.

The same cannot be said of Melbourne. The relationship between Melbourne unions and any State government is always fractured and precarious. The internal Labor factional disciplines that are common in Sydney are thin at best in Melbourne and frequently crack. This can make doing business in Melbourne awkward.

Take the deal to build the Mitcham–Frankston tollway. When the tender winner was announced, a union enterprise agreement was barely in place. The Australian Workers Union moved quickly to secure an agreement favourable to the construction project. However, a rival union—the CFMEU—bristled, alleging that it had been screwed, and demanded entry to the deal. The industrial agreement was renegotiated to involve both the AWU and the CFMEU, but on worse terms for the builder than the AWU agreement.

Further, the CFMEU is currently active in the worker recruitment process to place its operatives in key positions during construction. It’s inevitable that the builder will need constantly to placate the CFMEU during construction on hundreds of small items. Melbourne deals are like this. They appear to be settled, but keep changing during the life of a project.

In Sydney, such an agreement would normally have been sealed behind the scenes at the time of the tender decision and could be expected to stick. This is not to say that Victorian governments are incompetent, it’s just that they don’t have the intimate and solid deal-making relationship with unions of the type that exists in Sydney.

The Sydney deal-making environment can, however, also work against business. NSW suffers unjust work safety laws under which managers hold high personal levels of liability for work injuries and death—liabilities which can result in heavy personal fines and even jail. Employees face none of these liabilities. In this respect, justice has been defiled in NSW. Moreover, it is directly a result of policy trade-offs involving unions, the government and some industry associations. Justice was subverted to the political deal.

By comparison, Victoria has introduced new work safety laws that impose liabilities upon managers, employees and everyone in an equitable manner. The looser Victorian deal-making environment meant that good public and business policy was not ruptured by factional deals.

Tasmania provides a surprising twist to this expected deals environment, where the ALP government is run by ex-union officials from the (normally perceived) radical union, the CFMEU. But Tasmania has become a special case outside the mainland norm.

From about the 1980s, the success of the Tasmanian Green movement had ensured a stifling of Tasmanian economic activity which turned the State into a haven for quiet retirees and despondent, unemployed welfare recipients. Tasmanian CFMEU and other union officials grabbed power in the local ALP and secured government. They turned the industrial relations deals process into a business-friendly and economic development-friendly one and created a new coalition of government, unions and business against the Greens’ anti-economic growth campaigning.

As a result, Tasmania has overcome its once defunct economic malaise and is now driving to renewed prosperity. The only significant industrial relations threat to Tasmania is that, for future major projects, the control-obsessed unions in Victoria will seek to export their influence to the island. Victorian unions did this with the Tasmania–Victoria underwater power-cable link, causing great problems for the project. The recently proposed paper pulp mill is likely to experience similar Victorian-induced problems.

The lesson from all these examples, the normal message for all big projects, is that Machiavellian, masquerade play is how serious business has been done in Australia for a long time. Nothing is ever what it seems, but business pays the players if required and moves on!

But now someone has gatecrashed the ball—the Prince of princes, the federal government, is proposing to stop the masquerade. All State industrial relations commissions face irrelevancy and probable closure over the next two years. The encouragement of individual work arrangements, both through individual employment contracts and through independent contracting, combined with simple sanctioning processes for collective agreements, threatens the existing and well-known game.

It’s why the federal government has had difficulty achieving real support for their reforms from many industry associations, major businesses and the legal community. The players fear a different game, one they may not control!

It’s why unions are committing such massive resources to opposing the reforms. They know they will have reduced game control!

And it’s why State governments publicly oppose the changes, but privately hope they’ll go through, not only to push economic growth but also to help them in the management of their own workforces.

What is clear is that the industrial relations masquerade that has been in play for such a long time in Australia is not yet over, but is about to undergo core change. If the known dance is to die, most current Machiavellian industrial relations players are pondering which new steps to learn.
Police in Warwick, Rhode Island, earlier this year reported that a driver, fed up with being stuck behind another driver who was chatting away on his mobile phone, got out of his car, called the other driver a punk, and promptly punched him in the face.

It’s now undeniably a cliché to proclaim that you can’t stand people using their mobile phones on public transport, or, for that matter, in any public place previously reserved for awkward silence. Mobile phones have inherited the same social baggage that smoking once held—perfectly legal and many people do it, but accompanied with disapproving looks from passers-by. As with smoking, it is greeted with the heavy-handed social regulation and legislation which is increasingly definitive of our relationships with government and each other.

Bans on mobile phone use in cars are the most obvious example—the assumption being that making a phone call while driving is more dangerous than Mr Bean getting dressed on the way to work.

IS COMMUNICATION ANTI-SOCIAL?
This is how most people approach the vexed question of mobile phone use on aircraft. It is easy to bristle at the possibility of having to sit through a nine-hour flight listening to a one-sided conversation in what seems to be Portuguese. For that matter, any electronic device can be potentially maddening—in the rare moments I take my iPod buds out of my ears, I’m sometimes shocked at how loudly I was listening to the music, and wonder how audible it was to people around me.

But there is a clear demand to use these devices. The flight between Melbourne and Sydney would be a decidedly different experience if the regular commuters were permitted to continue their business, rather than having that 51-minute quiet time. And as flying entails the diminution of a number of personal freedoms—food, sleep, even bathroom breaks are regulated—being able to communicate with family, friends or colleagues would be a reassertion of personal liberty.

And why shouldn’t they be allowed to?
Just as there are more dangerous activities to do while driving, there are more annoying things on airplane travel than a fellow traveller phoning home. If you don’t believe this, then you can’t remember John Candy in Trains, Planes and Automobiles, or Brad Pitt explaining to a bemused Edward Norton how to turn soap into explosives in Fight Club. But the quickest way to put the lie to the argument that mobile phones cause ‘air-rage’ (road-rage for the jet-lagged class), and should therefore be banned, is the mere existence of the expensive, back-of-seat telephones.

WOULD PLANES FALL OUT OF THE SKY?
Contrary to the impression created by the regular and hyperbolic instructions to turn off anything more powerful than a clockwork Happy Meal toy, it is not clear that electronic devices and mobile phones do interfere with aircraft electronics.

The history of regulation of personal electronic devices (PEDs) on aircraft, whether 2-way (‘intentional transmitters’) such as mobile phones, pagers and radios, or ‘non-intentional’ such as iPods, laptops and Game-Boys, has been one of apprehension. The initial ban on electronic devices on aircraft came after a 1963 study by the American Radio Technical Commission for Aeronautics (RTCA), which looked at reports that PEDs had possibly interfered with aircrafts’ onboard electronic equipment. Further studies by the RTCA, one in the mid-1980s, and another ten years later, found that such a risk was extremely low, but was highest at critical phases during the flight, particularly take-off and landing. In addition to these three studies, the British Civil Aviation Authority (CAA) looked specifically at mobile phone devices which showed that, theoretically, they could interfere with avionics, in particular with systems which had been certified to pre-1984 standards. Following these findings,
the CAA recommended that the ban be upheld.

NASA keeps a record of nearly 70,000 anonymously reported aviation incidents and flight problems. But in only 52 of these— in other words, 0.08 per cent—did the crew suspect that the interference was caused by any personal electronic device. (As a side-note, 23 cases of ‘air rage’ were listed as caused by the use of PEDs.)

As shown above, the only examples of interference have been anecdotal— no firm link has been established between PED use and disruption to avionic systems. No incident has been able to be replicated. In one case, Boeing, struggling with the PED question, purchased a passenger’s laptop that a pilot claimed had triggered an autopilot error. Flying the same route, with the same laptop in the same seat, Boeing was unable to duplicate the incident.

In the absence of any corroborating examples, it is highly possible that in many of the 52 cases in the NASA database, the existence of a PED onboard was used as a convenient explanation for an otherwise undiagnosed incident. And how likely is it that only 52 illicit PEDs have been used on aircraft since the NASA reporting system began?

Regardless of the uncertain effects of PEDs on avionics, aviation regulators around the world have resolutely banned mobile telephones on aircraft, and placed heavy restrictions on non-intentional transmitters. These regulations are backed up by airline-specific rules about what can be used when.

But as well as being illustrative of the natural timidity of government regulators on safety issues, these regulations help airlines restrict any onboard communications to the expensive back-of-seat phones. If the regulation were lifted—the lack of replicable evidence suggests it could be— airlines may well err on the side of caution and retain their restrictions. But if one airline then decided that the safety regulations had been historically over-cautious, it could offer its customers the comfort of their own personal communications devices.

The decision about what PEDs to allow in the cabin could be firmly left in the care of the markets— there is no firm reason to require extra government regulation.

Airlines have recognized that communication can be a selling point. Late last year, progress was made by the FCC towards allocating spectrum for wireless broadband in aircraft. Lufthansa has already started offering unlimited Internet access on international flights for just under US$30. All that is needed is a laptop with a standard wireless card common to newly purchased machines.

Debate over the validity of regulations restricting PED use in aircraft have to face these developments. There is a growing demand for communications in the air, and with the upsurge in voice-over-IP services (even Google is getting into the market) wireless broadband will allow passengers to make calls online.

Not only this, but it is also likely that within the next twelve to eighteen months combination mobile phones, which use both the traditional GSM or CDMA network and the wi-fi 802.11 standard will come on the market. Will a wi-fi enabled mobile phone be used on aircraft while the regulations stand (assuming that the GSM or CDMA connection can be disabled)?

If wi-fi voice communication is allowed, be it on a laptop or off a standalone phone, the argument that mobile phones cause unnecessary ‘air rage’ will be irrelevant. As is the norm in the communications and technology field, innovation threatens the already fragile justification for government regulation of personal electronic devices.
House prices vary according to:
- The pressure of demand on the existing stock, which at any one time is unlikely to be able to be expanded by more than a few per cent.
- The cost of expanding supply, which in turn depends on:
  - the efficiency of the supply industry;
  - regulatory arrangements that might increase its costs; and
  - the ability of the existing housing stock to be adapted and traded, itself a function of regulatory and taxation considerations.

In terms of efficiency of supply, Australia has the benefit of a house building industry that is low cost and which readily adapts to provide consumers with the product they want. Entry into the industry has been relatively easy and therefore competition is fierce. The industry’s most marked organizational feature is independent businessmen—sparkies, brickies, plumbers, chippies—freely contracting with each other. The Australian house building industry, with efficiency levels that are inferior to none in the world, operates in stark contrast to the union-controlled construction sector which is pregnant with outdated and inflexible work practices.

The Demographia International Housing Affordability Ratings for houses examines about 80 different locations in North America, Australia and New Zealand. It arranges an affordability index based on the average price costs as a multiple of average household earnings. All seven of Australia’s major capital cities are placed in the top dozen of unaffordability. Hence Australian home ownership levels, which have long been among the highest in the world, are likely to come under pressure.

As Table 1 illustrates, the ratio of home prices to household income topped 10 in Los Angeles, which was closely followed by Sydney. The final column refers to whether or not there are ‘smart’ growth urban consolidation policies limiting access to housing land. Most cities in this group had such policies.

Table 2 is of the most affordable

<table>
<thead>
<tr>
<th>Country</th>
<th>Least Affordable Cities</th>
<th>House Price ($)</th>
<th>Ratio to Average Household Earnings</th>
<th>Smart Growth Policies</th>
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<table>
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<th>House Price ($)</th>
<th>Ratio to Average Household Earnings</th>
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<td>USA</td>
<td>Fort Wayne</td>
<td>99,150</td>
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cities. These have new house prices that are effectively half and, in some cases, one quarter of the least affordable group.

This affordability spectrum is not purely a matter of income levels. In the US, Miami, where houses are unaffordable, is not a particularly high-income city. On the other hand, Dallas and St Louis are two relatively high-income cities with highly affordable house prices.

Nor is it a matter solely of pressure on resources. Although cyclical price rises and falls occur in the industry, two of America’s most affordable cities—Little Rock and Dallas—are also seeing high rates of urban growth.

We saw a variation of that ourselves in South East Queensland during the mid-1990s. A rapid increase in the demand for housing due to interstate migration was accompanied by a supply response made possible due to the availability of land. The net result was a major jump in new housing activity with little pressure on prices either in the new or established housing markets, especially on the urban fringe.

The distinguishing feature of all the most affordable cities is that they have none of the major planning restraints that are characteristic of the unaffordable group.

Clearly, Australia is in a situation of high-cost housing when measured against the US and Canada. How did this come about and has it always been with us?

Productivity Commission evidence of costs increases is best encapsulated in the following chart which was included in the First Home Ownership Inquiry Report.

As Figure 1 shows, house prices have outpaced inflation. In fact, real house/land package prices have doubled over the period, with all of this increase due to the higher costs of land, taxes and development requirements.

The HIA has assembled as good a source of statistics as is available. It shows the land component has doubled in Sydney to 62 per cent over the past 30 years.

From a lower base, the increase is even greater in Adelaide. This is illustrated in Table 3.

When we examine these data against real wage trends, the overall deterioration in affordability is not quite as serious, at least outside of Sydney. In gross wage terms, an average new house in Melbourne requires seven years’ income, which is a little higher than in 1976–77 and 1992. In the case of Sydney, a strong increase in prices is clear—house prices have risen from five-and-a-half times annual earnings to 11-and-a-half times. (The numbers differ from those estimated by Demographia largely because the latter uses household income.)

In the case of Sydney, had land prices and associated land development charges been kept to the real level that they were in 1976–77, instead of a house/land package of $565,000, we would now be seeing prices of under $400,000. Had prices for land and its development increased along the lines of the consumer price index, as they did in the lower cost US cities, both Melbourne and Sydney would now be far more affordable.

Table 3: Typical New House and Land Prices by Capital City, 1976 to 2005

<table>
<thead>
<tr>
<th></th>
<th>1976-77</th>
<th>1992</th>
<th>2005</th>
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</thead>
<tbody>
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<td>Sydney</td>
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<tr>
<td>House</td>
<td>$49,010</td>
<td>$189,800</td>
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<tr>
<td>Land</td>
<td>32%</td>
<td>44%</td>
<td>62%</td>
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<tr>
<td>Melbourne</td>
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<td></td>
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<tr>
<td>House</td>
<td>$63,200</td>
<td>$169,000</td>
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<tr>
<td>Land</td>
<td>24%</td>
<td>24%</td>
<td>38%</td>
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<tr>
<td>Brisbane</td>
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<td></td>
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<tr>
<td>House</td>
<td>$46,280</td>
<td>$164,690</td>
<td>$362,000</td>
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<tr>
<td>Land</td>
<td>21%</td>
<td>39%</td>
<td>41%</td>
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<tr>
<td>Adelaide</td>
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<tr>
<td>House</td>
<td>$46,280</td>
<td>$125,970</td>
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</tr>
<tr>
<td>Land</td>
<td>21%</td>
<td>26%</td>
<td>44%</td>
</tr>
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</table>
Put in simple terms, the key aspects of the increased costs are the scarcity value created by urban planning and the imposts heaped on developers by government regulations. The pure house price has moved in line with the Consumer Price Index. The basic house itself has increased in size and in its features. Material input prices have fallen slightly, but it is the labour arrangements within the industry that have kept down costs and prices.

The urban planning system is the chief spur to higher prices. For Melbourne, the 2030 Strategy has essentially replaced zoning as the determinant of costs. Soon after the Urban Growth Boundary was introduced, land brought inside it, say, around Whittlesea, was selling at some $600,000 per hectare where previously before the Boundary de facto rezoned it as housing it cost $150,000–200,000 per hectare. And the value outside of the residentially zoned area already had a premium because of speculation that the area would eventually be zoned residential. Indeed, the value of the land without such an expectation would be likely to be of the order of $4,000 per hectare. So, a regulatory stroke of the pen increases costs tenfold. It may be some small comfort to hear that other governments are even more merciless towards the new aspiring home owner—in the UK, planning can increase land costs 500-fold!

37 per cent of new houses in Victoria sought to overcome the higher costs of using registered builders by becoming ‘owner builders’.

On top of this are mandatory charges for development. Many of these would be required in any event, but some are clearly extortionate.

One builder provided evidence that the increased documentation required for new house building in NSW cost an additional $9,958 per dwelling over the past few years. The HIA estimated that the regulatory ‘tax’ on new subdivisions in western Sydney was $60,000. Though some of this is arguably for infrastructure directly contributing to the value of the subdivision, much of it is for social infrastructure such as ‘affordable housing contributions’, local community facilities, public transport contributions and the employment of community liaison officers.

In addition to lower new home-building activity per se, one outcome of the increased cost impositions must be a reduction in levels of home ownership. As well as distorting consumer choice, this might have a wider adverse community impact in so far as home ownership is a great force for social stability and the creation of an aspirational society that has done much to transform living standards over recent times.

THE FUTURE OF PLANNING LAWS

Developer-builders are in an intensely competitive system and they need no prodding by socially active regulators to press them in directions that their customers want.

Some means is urgently required to sharply curtail the discretionary powers held by local officials and councillors over new developments. It is odd that there is not a massive protest about the escalation of land and associated development prices on the part of the perpetually indignant. After all, we are talking about some of the bêtes noires of the agitational classes—speculators, local government corruption, and extortionate rental profits being amassed by the ‘passive’ landowner! Unfortunately, it is the very people who profess to be ‘concerned’ who have created the political environment for supply constraint. In this, they are aided and abetted by prosperous individuals living in areas that are relatively close to major urban centres but which have features of remoteness and exclusivity that would be disturbed by influxes of riff-raff!

Unfortunately, the administration of planning regulations has become infested by elected busybodies and ap-
pointed experts who are determined to tell consumers what is good for them and to prevent them from doing anything else. Sadly, urban controls represent perhaps the last great redoubt controlled by Stalinist planners. They seek to impose on the public their own preferences for open space, green belts, house/land area and so on. They have little conception of the implications these measures bring for house costs. Indeed, at the recent Housing Industry Association conference in Melbourne, the doyen of the planners, Lindsay Nielson, the Victorian Secretary of the Department of Sustainability and Environment displayed all the hallmarks of an adviser captured by the myths that others had sown.

He argued that it was not planning, but access to water, that had resulted in relatively high house prices in Melbourne compared with comparable cities such as Houston and Dallas.

Although the worst regulatory trends have not yet escalated the costs of house building itself, they are poised to do so. We have cost impositions arising from water storage, heating measures, room layouts and even the growth of credentialism which is stopping entry into the industry. One outcome of the growth in credentialism was that, last year, buyers of fully 37 per cent of new houses in Victoria sought to overcome the higher costs of using registered builders by becoming ‘owner builders’. The restraints on supply together with the imposts placed on developers have clearly been the major, if not the only, factors in pushing up the prices of housing.

All this is at the expense of the weakest and poorest members of society—the mainly young first-home buyer.

The restoration of low costs for the home building industry requires measures such as:

- Relaxation of restraints on where homes may be built, even if this means growth in the urban sprawl so dreaded by the chattering classes. This might entail restricting area restraints only to areas of great natural beauty, for example, national parks and so on.
- Considerably curtailing requirements on builders to set aside land for public use.
- Restraining the demands that can be placed on developers for expenditures on infrastructure by redefining infrastructure to mean such essential features as water and sanitation, and local roads, and by recognizing that much of the expenditure for these services is already funded out of general State and local charges.

Some means is urgently required to sharply curtail the discretionary powers held by local officials and councillors over new developments.
Why is reform such a challenge?

**Christian Kerr**

Everybody agrees that economic reform is A Good Thing.

‘Standing still is always riskier for Australia than going the extra mile on economic reform’, the Prime Minister said last month in a major speech explaining his industrial relations proposals.

‘Economic reform is central to the primary mission of the Labor Party and the people who benefit are the people we represent’, new shadow finance minister Lindsay Tanner says.

And Access Economics has produced a paper for the Business Council of Australia entitled ‘Locking in or losing prosperity – 2005 and beyond’ which says that we could have the third-highest per capita gross domestic product in the world if further structural changes were made to the economy.

The fresh focus on reform, of course, has coincided with the sitting of the new Senate.

The federal government has a majority in both the Senate and the House of Representative for the first time since 1981. This, however, doesn’t necessarily translate into control.

Not only are the ways and means towards a new wave of economic reform vague, but, signs of the political will to carry it out—let alone the actual form that any agenda would take—are hard to discern.

Interestingly, the BCA says that ‘the gap between a low growth (2.4 per cent a year) and a strong growth (4 per cent a year) future can be achieved by building on existing reforms, rather than radical policy solutions’. Its report nominates increasing productivity, workforce participation, better infrastructure planning, increased investment in education and training, and higher immigration as areas for action.

Yet mention the word ‘reform’ at the moment, and most people will immediately think of the Government workplace relations proposals that are proving contentious on so many different levels. They’ll think of risks. Downsides.

In one of his first major interviews in his new job, Tanner told The Australian’s Paul Kelly: ‘The economic reforms of the 1980s and early 90s substantially improved the living standards of working people’. No-one would argue with him.

His leader, Kim Beazley, gave a spirited defence of those reforms to the ‘Sustaining Prosperity’ conference in Melbourne earlier in the year.

He also made these admissions about what inspired them:

‘We didn’t pretend that we were building a new Jerusalem. We just did the job that needed to be done.’

‘And we weren’t perfect. We made our mistakes.’

He was pretty blunt about their consequences, too:

‘These measures weren’t vote winners, either. We were opposed by many of our supporters, who thought those reforms were a betrayal of our principles. Some of our supporters still think that way.’

In 2005, Labor is a double victim of its economic reforms. The prosperity they created has pushed some voters to the Coalition. They have driven old leftists into the arms of the Greens. At the same time, they have created a yardstick for markets and commentators which Labor has found it very hard to measure up to in the years since they were implemented.

The Government is well aware of the impact of the first two issues. More importantly, it knows that the challenge of building upon and furthering the reforms of the 1980s applies as much to it as to the ALP. It also faces a high bar—particularly given the way it has portrayed the years of Senate control under Malcolm Fraser as wasted time.

At the moment, there is no real spirit of reform. The word has become shorthand for changes to industrial relations laws and the sale of the rest of Telstra.

The Government first needs to make it abundantly clear that economic reform is not ideological caprice, that it is a constantly growing and evolving process that affects us all. It can do this by invoking our current prosperity—how it has come from policies adopted with varying degrees of reluctance by Labor out of necessity more than anything else.

It can do this with minimal political risk, as it stands in John Howard’s favour that, through the 1980s, either as leader or a key opposition figure, he chose to support reform rather than make easy political capital by opposing it. Indeed, this puts pressure on Labor in opposition to respond to reform in a responsible, rather than a begrudging manner.

Politicians are normally not shy about invoking mandates. Much has been made of the Coalition winning the balance of power in the Senate. Just before the Government formally took control, John Howard spelt it out in typically cautious terms to the Liberal Party Federal Council.

When much was being made of the dawning of the brave new world, the Prime Minister played down the changes.

He said: ‘What’s going to happen on the 1st of July is that we’re going to see the final consequence of the deci-
tion of the Australian people on the 9th of October last year, that’s all.’

He explained the authority granted by that decision: ‘We’re going to actually see in a sense the final votes in the election counted’.

He then spelt out the importance of using that authority:

In giving us that majority the Australian people were not only trusting our past stewardship, but they were also placing confidence in our future administration. And what that means is that they expect us to legislate for things that we believe in. They expect us to do the things we said we were going to do. It’s not a complicated proposition, you enter into a covenant with the electorate of the time of the election, that if they support you, you will do certain things.

Indeed, the best thing the Prime Minister could do at the moment is let it rip. Rather than putting one or two issues on the table that one or two Senators will make very public ambit claims about, he should lay a much broader reform agenda on the table. As Howard himself has said, economic reform is not about ideology. It is about unleashing the energies of our people and our nation.

The old excuse of Senate obstructionism—of not showing your hand due to the risk of wearing political heat on proposals that will only be rejected by an opportunistic upper house—is gone. It is very hard to argue against the unprecedented growth and prosperity we have enjoyed since the 1980s on anything other than the narrowest of sectional interests. Economic reform is a positive, and it is time for a broad, positive agenda.

Astoundingly, the Government is in a controlling position, yet seems short on ideas.

The Howard Government is now in its fourth term. There has been a significant turnover in its members. Fewer of them—fewer frontbenchers, even—are men and women who entered politics because they wanted to do something, because of anger at the bad decisions of the Hawke or Keating governments, because they wanted to create. Fewer of them have been involved in the battle of ideas. Fewer have had ideas. More are careerists. Careerists aren’t noted for vision.

More and more of the Howard Government’s staffers are now professional public servants. More and more senior ministerial advisers are career public servants, with protected places to return to in the bureaucracy. Indeed, even chiefs of staff with this type of background are now appearing.

There have always been professional public servants in every ministerial office, the DLOs, Departmental Liaison Officers, but they are there to serve the almighty public sector god of procedure and to ensure clear communications between ministers and their departments. But just as changes have swept over the parliamentary party in the third and fourth Howard Governments, so a new type of staff adviser has emerged. As the Coalition’s years in government lengthen, there is not only fresh blood amongst its advisers, but blood from different stock—the public sector—that is changing the character of the government.

These staff lack political skills. They don’t know how to damage Labor. Nor do they necessarily want to. They don’t have a reform agenda. They are more interested in administration.

Policy comes from three directions. Backbenchers agitate. Ministers refer ideas to their departments, who determine how they can be developed and implemented as practical programmes. Bureaucrats put proposals to ministers and their offices, who add a political edge to their schemes. This process gets negated with public servants at both ends.

The stream of men and women and their staff who have led the Howard Government since 1996, combined with the wear of nine long years in government, have produced a change of culture. The agenda is driven by departmental rather than ideological or political priorities. There is less awe, for want of a better word, of ministers. Less effort is made to anticipate what they want. This is not an atmosphere that lends itself to the politics of reform.

The Government is run by managers or careerists, not reformers. Would-be MPs on ministers’ staffs are not going to disrupt their own chances of election.

Bureaucrats who have joined ministerial offices are even more risk-averse. They lack a national focus. They are Canberra-centric. They do not understand the different priorities and needs of different States. They have no experience of branch and internal party politics. And the department, not the punters, commands their respect.

These people are not going to be stirred by Crispin Crispian speeches. Appeals to death or glory are meaningless when you have a protected place in the public sector to which you can return.

The Howard Government is free to take the country in new directions, yet a stay-at-home mentality risks defeating pioneering spirit.

It is impossible to dispute the positives of economic reform. Restoring them for voters—and the politicians who seek their support—is the first great reform challenge.
Industrial relations and the failure of federalism

Which is more important: States’ rights or individual rights? Can the Australian Labor Party act in the public interest on industrial relations? Can reform of the labour market be locked in so that the potential for future policy regression is minimized?

These are the pivotal issues by which the Howard Government’s latest industrial relations reforms must be judged.

While debate in the media about the Howard Government’s IR reforms has been dominated by the unions’ ‘Howard plans to steal your holidays’ campaign, there is a more serious debate going on among people who support reform but who also support the maintenance of our federal system.

The board of the HR Nicholls Society, for instance, is split on the Howard proposals. Although all the members of the Society’s board are keenly interested in IR reform, many are also strong federalists and constitutionalists. They are very concerned about Howard’s plan to use the corporations power to centralize IR powers in Canberra. Many State Liberal and National Party members who are keen on IR reform have also expressed concerns about the nationalization of IR powers.

Federalism is an area where tradition and liberty can collide. And when they do, one is often forced to make a choice.

Both tradition and liberty have impeccable pedigrees within the broad sweep of ‘classical liberal’ thought. Richard A Epstein, in Understanding America, argues that the differences between the two, while not insurmountable, are significant.

As Epstein argues, Friedrich Hayek was a traditionalist who ‘believed there was a gradual, spontaneous evolution whereby people managed to migrate to a set of efficient norms even though they did not know how those norms were created or why they seemed to work’.

John Stuart Mill, by contrast, was arguably the most illustrious liberal. In On Liberty Mill asserts that it is the right of every individual to do as they please in matters that merely concern themselves Only harm to other individuals justifies using state power to restrain private behaviour.

On IR, both strands of thought agree. Far from evolving in a spontaneous manner to embody an efficient set of norms (as classical liberals would argue), the Australian industrial relations system has been imposed and maintained solely through the powers of the state. As a result, it imposes unnecessary control over people even where their actions have no impact on others.

But on federalism, traditionalist and liberal values conflict. Most traditionalists see the Australian constitutional settlement as having evolved from the sound ideal of framing a government of limited and enumerated powers. By dispersing power across levels of government, the federal structure limited the power of any one government and therefore of all levels of government. The Constitution also specified the powers of government and allocated these across levels of government. Traditionalists see the centralization of powers, particularly since World War II (but also including current attempts to pull more powers into Canberra) as undermining a constitutional tradition which has worked well and which could, if it were allowed to, work much better.

The traditionalist solution to federalism and industrial relations is to get the Commonwealth out of the area, shear the power solely to the States, and allow competitive federalism to drive best outcomes.

On the other hand liberals, although appreciating a federal system’s potential to limit government, are much more concerned about governments’—state or federal—systematic and traditional tendency wrongly to restrict the rights of individuals. They are, therefore, more interested in changes—even to traditional institutions and norms—that reduce the heavy hand of government in the workplace.

The question for the traditionalist is: can the States do the right thing on industrial relations? That is, will the States allow institutions to develop over time, based on the rights of people freely to contract their labour?

Of course, this comes down to the question of whether State ALP Government are prepared to respect individual people’s rights as opposed to union rights.

I think not. The interdependence...
between the union movement and the ALP in financial, political, cultural, and ‘people’ terms is simply too great, and unions are too dependent on the power of ALP Governments for such governments to act in anything other than the unions’ interests.

For example, in 2002, the newly elected Labor Premier of Western Australia, Geoff Gallop, who is a smart, decent and ethical person, introduced a new IR Bill. The central purpose of this Bill was to give lost monopoly powers back to the union movement. The previous Court Government had, in 1993, introduced a dual-track IR system which allowed employers and employees to opt out of the existing regulated system through the use of individual or collective Workplace Agreements. It also made the role of the unions within the regulated system more contestable.

The Court Government’s reforms were controversial, but the controversy was predictably generated by the union movement. The reforms were on all counts widely successful. The individual agreement route was quickly and extensively adopted, particularly by the mining sector, with over 300,000 individual agreements registered by 2001. Strikes and industrial disputation declined from already low levels. Labour productivity, in particular, boomed and wages rose.

An independent survey undertaken in 1999 and 2001 found strong support for the availability of individual agreements and for the Court Government’s reforms. Indeed, over 70 per cent of respondents thought that the system was still too regulated even then.

In short, there was no reason or community support for change. Yet the Gallop Government went ahead. In 2001, it introduced a new IR act which:

- eliminated State individual agreements;
- gave unions unlimited rights of entry, even for non-unionised work-sites;
- made it easier for unions to force occupations into the award system and thus brought under their influence;
- gave unions special rights under unfair dismissal claims;
- made safety an industrial issue; and encouraged pattern bargaining and collective bargaining.

Why would an otherwise sensible Labor Government impose such restrictions on basic rights and give monopoly power to a now small and declining group? In short, because it had to.

Between 1992 and 2000, under the Court IR Act, union membership in the State declined by just under 50 per cent to 19 per cent of the total workforce and 12 per cent of the private-sector workforce. Furthermore, that membership was lost from the high income and fee-paying mining sector. As a result, WA unions were losing money and losing community influence and support.

This directly affected the ALP’s funding and its ability to gain and hold power. The union movement is the major financier of the ALP. Over the ten years to 2003–04, unions provided donations of over $47 million to the ALP nationwide. The unions also regularly fund political campaign during and between elections in support of the ALP. They also contribute to the many slush funds established for the ALP. The unions supply a majority of delegates to ALP Conferences and make up an organized, majority voting bloc in the party. If the unions’ revenues decline, so do those of the ALP. If union influence and funding are threatened, union delegates at ALP Conferences will ensure that the ALP acts in their interests.

The Gallop Government is not alone in this. All the State Labor Governments have gone to great lengths to protect the union movement’s privilege in the face of declining membership. They have tolerated corruption in the building industry. Indeed, they actively worked to impede the work of the Cole Royal Commission. They have put in place a raft of laws whose sole function is to give unions more power.

The ALP is no different at the federal level. Its IR policy at the last federal election was effectively written by the union movement and designed to give unions more power.

What is needed is a major shift in legislation across the nation which gives individuals the right to choose their own work arrangements and their own method of negotiation. This needs to be done in a manner that restricts the ability of the ALP/unions to wind back these changes at a later date.

While Howard’s way is not perfect, it is a major step towards giving people more rights. It will provide people with a multitude of options, including union collective agreements, non-union collective agreements, individual agreements, common law agreements and individual contracts. It limits the role of third parties, such as unions and industrial commissions, to interfere in the bargaining process. And it limits the extent of compulsion and widens the range of issues over which people can bargain. In short, it gives people far more choice and power over their lives.

Yes, it will further centralize power in Canberra, but to the betterment of liberty. It will augment the risk of catastrophic policy failure. It will put all our eggs in the Canberra basket. It will eliminate the ability of some people to escape an exploitative federal law by going to State jurisdictions. However, the freedom provided by the States has often been short lived. The best, last outcome has been Victoria, where IR power was ceded to Canberra. Moreover, given the politics of the new Senate, ALP control is unlikely in the medium term, which will provide time for a tradition of freedom to evolve in Australian workplaces.

In short, it is not States’ rights, but individual rights that are more important. Traditions that are flawed are not worth keeping.
What’s a job?

Ken Phillips

REMARKETING POLITICS

Quite recently, many of Australia’s major daily newspapers extended their battle for readership by beefing up their business sections. Most newspapers have added or expanded small business and business opinion sections and have repositioned business issues within the papers, thus giving business a fresh focus and importance.

Media outlets don’t initiate this sort of activity without having undertaken detailed market surveys and profiling of their readers or potential readers. The newspapers must believe that more people want to know what is happening in business and what it means to run a business. The newspapers seek to capture these readers.

This newspaper marketing shift is, in part, more evidence of some significant changes under way in society. The newspapers have identified changes that the Howard Government has also detected.

Put simply, there is a developing social environment in which people no longer see themselves as combatants in a class war when they are at work. The idea of being either a worker or a boss is receding. More and more, people now see themselves as all manner of things: a worker, the boss of themselves, an entrepreneur and an investor, all at the same time. They manage themselves, their own careers and their own work choices. Other people or systems don’t do this for them. And this shift in people’s approaches to work is happening at every income and demographic level.

Consequently, people have heightened interest in business issues. And it’s not just gossip about big business that they want to know, but rather issues about running a business of all levels, sizes and types. This is what the newspapers are reacting to and hoping to capture. For newspapers, business issues are ceasing to have exclusive appeal to ‘elite’ managers and investors, and are developing a wider appeal approaching that of the sports pages.

John Howard’s political take on this was explained in a speech he gave on 11 July 2005 to the Sydney Institute. The speech received only marginal media coverage but in fact explains a great deal about the repositioning of the Howard Government. In his speech, Howard claimed that there is ‘no more important economic development in Australia in the last two decades than the rise of the enterprise worker’.

Significantly, he did not restrict his comment to claims that this is occurring simply with professionals or with the emerging independent contractor community. Rather, he said that the change is a state of mind which is also prevalent within the blue-collar sector and with traditional employees. This is the same, broad cultural shift to which the newspapers are reacting.

If the newspapers and John Howard are correct, this cultural change blasts holes in the ideas and structures of labour law, labour regulation, management philosophy and the prevailing political ethos developed and seemingly set in stone over the last 150 years or so.

The change flips on end the ideas of human resource management developed since the Second World War. It challenges industry associations which thought they were representing ‘employers’ against ‘workers’ but which now find that ‘workers’ and ‘bosses’ can be one and the same.

The change makes life difficult for the trade union movement, whose life blood is the maintenance of class consciousness and class warfare in the workplace. It also presents a conundrum for the Australian Labor Party, whose policies have historically targeted ‘protection’ of ‘exploited employees’. Now these easy symbols of ‘exploited classes’ are being deconstructed by social change.

The most important question, however, is how does this change affect public policy which has long operated on the assumption that there is a controlling class of managers and a controlled class of employees?

What it suggests is that public policy cannot be constructed on the assumption that people neatly fit into classes of employers and employees or any other neat class idea. Regulation cannot assume that the legal and/or academic placing of people into classes reflects how people behave. Consequently, such classification should not determine how people should be regulated.

What it says is that, for regulation to be relevant, it must be class conscious neutral.

This is the big challenge for the Howard Government in its new workplace relations laws, because labour law is the remaining key point at which class-based regulation confronts the cultural shift away from class.

Like newspapers, politics is undergoing a marketing shift underpinned by policy repositioning.

Ken Phillips is Director of the Work Reform Unit of the Institute of Public Affairs. He is also the author of Independence and the Death of Employment.
Surely it doesn't get any better than this? Inflation at 2.5 per cent in the June quarter was firmly in the middle of the Reserve Bank's target range, rocketing export prices are making Australia wealthier, equity markets are booming, housing markets are still rising fast in the resource States and may be recovering elsewhere, bond yields have remained low, the currency hasn't collapsed and a new era of economic reform has arrived with the Coalition majority in the Senate. The Reserve Bank Governor has spoken of Australia as experiencing an economic 'nirvana'.

The debate on economic reform is running hot and strong. The government is focusing on selling the rest of Telstra and reforming industrial relations. Its coalition partner, the Nationals, seem set on getting the best outcome for the bush rather than supporting the entirely sensible view that running a telco is not a task for government. IR reform is being opposed more vigorously by the unions—those great Australian conservatives—than by the Australian Labor Party.

The Business Council has its own well-articulated reform agenda, and recently the Victorian Government issued a paper focusing on health and education reform as well as competition policy. I venture judgement that if all the reform packages were laid out systematically, there would be a 70 per cent overlap. Is there no way to get on with the 70 per cent while debating the rest?

The global economy has performed much better than expected. A systematic reason for this is the continuing reaction to the flood of liquidity that enormous US budget deficits and super-low US interest rates unleashed from 2002. The size of the liquidity flood explains stronger-than-expected global growth, high, strongly rising, commodity prices and generalized asset inflation in many places. But, as my colleague Henry Thornton pointed out recently in The Australian, this flood has peaked—the pace of increase in global holdings of international reserves has been declining for a year now. We are almost certainly past the time of maximum global growth.

The long-awaited Chinese revaluation began with only minor impact on financial markets, with an initial 2 per cent appreciation against the $US. China will eventually be better able to manage its economy with a more flexible currency regime, which, over time, will further restrain the growth in global liquidity.

The US is showing firm growth with low inflation. China is still booming. India's long delayed recovery is sputtering into life again. Russia, Brazil, even Argentina are growing strongly. To be sure, Europe is growing only slowly and spasmodically, but we are used to that.

What could go wrong? One cannot rule out a major terror attack, environmental catastrophe or global pandemic, in which case many bets would be off. The large US ‘twin deficits’ and associated external deficits provide a source of serious international tension, and if the US became protectionist, global growth would be hit. Global interest rates almost certainly have to rise substantially from current levels and this might well produce hard landings in many asset markets. The price of oil keeps setting new records in nominal terms and may soon reach levels in ‘real’ (inflation-adjusted) terms that limit prospects for growth. So far, at least, financial markets seem to have decided that the high price of oil is mainly a response to strong global growth.

Domestically, productivity growth has slowed, and on some measures is negative. Australia's current account deficit remains far too large and this will worry international investors if there are other signs of weakness or serious political discord. Wages are beginning to stir, with the unions beginning to pick off their political brethren at the State levels. The shake-up to the industrial relations landscape is likely to have a surprising outcome as employers scramble to retain skilled workers. I disagree with the Reserve Bank's recently stated view that the next move in interest rates is as equally likely to be down as up.

Whether or not Australia can remain in a situation of 'nirvana’ as inflation builds and with a monster current account deficit is the big question—only time will tell. Resource booms like the one we are now enjoying almost always end in tears.

Peter Jonson has been writing on monetary policy for 30 years. He is the founder and editor of Henrythornton.com, which presents regular comment on economic, politics and investments.

Is there no way to get on with the 70 per cent while debating the rest?
Friedman at 93

Tim Wilson

At 93, most would be well into their retirement. Not Milton Friedman. He remains as active as he has been throughout the Twentieth Century, regularly contributing to television documentaries on the benefits of a tight monetary policy and fundraising to campaign for a school voucher programme.

In June this year IPA member, and consultant to the APEC study centre at Monash University, Tim Wilson met with Friedman in San Francisco to discuss his school vouchers campaign, trade liberalization and the future of Europe.

Among the high-rise apartment blocks of the Bay Area in San Francisco, across from Alcatraz and the Golden Gate Bridge, Friedman lives with his wife, Rose. His living room is adorned with the bust that once sat in the corridors of the University of Chicago in recognition of his Nobel Prize; Friedman is able to enjoy the benefits of a lifetime of success. He has lost none of his enthusiasm and zeal for the work to which he has dedicated his life. When asked about his current activities, his answer is modest considering his activity: ‘what I have always been up to, keeping on top of the literature’. Friedman’s contemporary academic activity is not the only evidence that he remains on top of the developments of the Twenty-first Century.

Friedman is well versed in the latest technology, enjoying his iPod and corresponding by e-mail to arrange appointments with enthusiastic IPA members visiting the United States. He has a significant online presence through the Friedman Foundation (http://www.friedmanfoundation.org) and the Free to Choose website (http://www.freetochoose.com).

Still a professor at Stanford University at the age of 93, Friedman has led an extraordinary life. A Nobel Prize-winning economist, recipient of the Presidential Medal of Freedom from President Reagan and member of Reagan’s Economic Policy Advisory Board, Friedman is internationally recognized as one of the leaders of the Chicago School of Economics. With Hayek, he revolutionized attitudes to monetary policy and economic liberalization in the 1970s.

Friedman is concerned about the lack of success in achieving reform of America’s education system. A clear policy priority for him, the Friedman Foundation’s activities are squarely focused on campaigning for a voucher system. But at the same time, he recognizes the strong opposition to reform from teachers’ unions. To him, a school voucher system marries the benefits of competition and markets with the egalitarian notion that all children deserve an education. Regardless of the ‘terrible trouble’ Friedman has faced in establishing a school voucher programme, he can take satisfaction in the fact that, in his lifetime, he has taken the idea from the political and education policy fringe to the mainstream, where ‘choice’ in education became a cornerstone of George W. Bush’s 2000 ‘compassionate conservatism’ election campaign.

Friedman’s criticism of the opponents of reform does not focus solely on teachers’ unions. At the time of my meeting with Friedman, one of the most controversial bills facing the US Congress was the ratification of the Central American Free Trade Agreement (CAFTA). The heavily subsidized US sugar industry lobbied hard against the Agreement and, in the end, it only narrowly passed the US Congress. The story of CAFTA is central to Friedman’s argument that special interests continue to dominate the economies of the industrial West, even after a decades-long process of supposed liberalization.

Australians are all too aware of the capacity for the US sugar lobby to distort trade after the lobby successfully fought off attempts to increase the quota of sugar imported into the US. Friedman is eager to point out that most of the beneficiaries of quotas and agricultural subsidies generally are not small family farmers but large corporations. To Friedman, the US sugar industry is one of the greatest impediments to liberalizing the American agricultural sector.

CAFTA’s ratification occurred because of George Bush’s arm-twisting on Republicans who voted as a bloc after Democrats vowed to oppose it. Friedman was asked to endorse the Bill but chose not to do so, noting that, if it were a free trade agreement, it would be short because there would be little...
to say. Instead, there were 1,000 pages of exemptions. While remaining a committed and passionate free trader, Friedman prefers neither of the tools of current international efforts to further trade liberalization. Like CAFTA, Friedman saw that multilateralism and bilateralism were not achieving the desired outcomes of trade liberalization. Despite the signals of doom that a failed CAFTA would send to the WTO, Friedman took the position that unilateral efforts remain the only viable mechanism to ensure successful liberalization. He cites the unilateral liberalization of trade by Hong Kong which ensured its prosperity despite its lack of natural endowments.

Friedman is concerned about Europe. (In particular, he is worried about attempts to secure what are essentially political goals by way of economic measures.) And his concerns about multilateralism are not restricted to trade matters. Friedman is deeply pessimistic about the long-term survival of the Euro and European integration.

In the light of the ‘NO’ vote of the French and Dutch for the EU Constitution and calls by Italian MPs for a return to the Lira, Friedman believes that both the Euro and European integration are doomed. To him, the European economic experiment will fail because it ignores the specialization of the individual economies of the European Union. Centralized monetary policy and common exchange and interest rates simply can’t be sensitive enough to the needs of each economy. Further, countries have no incentive to pursue sensible economic policies.

Although the days of his influence over day-to-day policy have probably passed, Friedman’s legacy remains enormous. In 2002, George Bush hosted a reception in his honour. He can take quiet satisfaction that his genius has moved squarely into the American and international political mainstream and that the policies he has pursued for a lifetime will continue.

Recommended Milton Friedman books

**Capitalism and Freedom**

University of Chicago Press, 2002. 230 pages
First published 1962

How can we benefit from the promise of government while avoiding the threat it poses to individual freedom? In this classic book, Milton Friedman provides the definitive statement of his immensely influential economic philosophy—one in which competitive capitalism serves as both a device for achieving economic freedom and a necessary condition for political freedom. The result is an accessible text that has sold well over half a million copies in English, has been translated into eighteen languages, and shows every sign of becoming more and more influential as time goes on.

**Free to Choose: A Personal Statement**

University of Chicago Press, 1990. 338 pages

In this classic discussion about economics, freedom, and the relationship between the two, Milton and Rose Friedman explain how our freedom has been eroded and our affluence undermined through the explosion of laws, regulations, agencies and spending by government. The Friedmans also provide remedies for these economic ills—energetically informing us about what we should do in order to expand our freedom and promote prosperity.
of all the exciting things that are happening in science, nanotechnology is perhaps the hardest to get a handle on, mostly because it has, as yet, yielded very little in the way of practical products.

Nanotechnology is concerned with the creation of very small devices and materials, or the use of very small devices to create regular-sized objects. The ‘nano’ part of the name comes from nanometre—one billionth of a metre. The very small devices are envisaged to be of the order of ten to a hundred nanometres in size.

What use would these be?

The term was coined, after a fashion, by K Eric Drexler, an American engineer, in 1986, who was influenced by a 1959 talk by Nobel Prize-winning physicist Richard Feynman in which some of the basic ideas of nanotechnology were outlined. (Incidentally, Norio Taniguchi’s use of the word in 1974 is not relevant, since it was related to high precision manufacture of moderate sized objects.)

As developed by Drexler, the idea is that instead of making things by bending large objects to shape, or chiselling away the bits you don’t want, you could build up an object, molecule by molecule, using tiny machines. Lots of tiny machines. The first stage of the process would be to build tiny machines that could make copies of themselves, then they would network with each other and co-operate in building whatever it is that you want built.

This would potentially be far more efficient than our present way of building objects, lend itself better to automation, permit levels of construction detail presently impossible, and open the way to universal manufacturing devices.

Consider: if the manufacturing process becomes merely a set of instructions, akin to a computer program, and all the necessary raw materials are piped in gas or liquid form to the nanotechnology assembler, then the same unit could make plastic dinner plates and glass vases and electronic components. All that would need to change would be the instructions.

The economy would shift even further from a manufacturing to an information technology base. The industrial engineers of manufacturing would be replaced by the software engineers of product design.

PRACTICAL NANOTECHNOLOGY

Although originally concerned with sub-microscopic machines—complete with tiny cogs and motors—the word nanotechnology has been adopted in a range of more practical applications. Thus new materials for clothing with special properties of stain rejection are labelled by their manufacturers as nanotechnology. The purist may object, but in light of the obstacles likely to be put in the way of nanotechnology, any positive associations with the word in the public mind are to be welcomed.

Another development in the field also concerns materials. There is a peculiarly important element in chemistry: carbon. Its ubiquity and its four valence bonds allow it to form many different structural patterns. Thus the hard diamond is pure carbon with the carbon atoms formed in the shape of a tetrahedron. But slippery graphite is also pure carbon, with the atoms forming planes which can slide easily over each other.

In recent decades, other forms have been discovered, including the oddly named buckminsterfullerene, named after the chap who promoted geodesic domes. Each of these molecules is made of 60 carbon atoms shaped in the form of a hollow soccer ball (count them, there are 60 vertices between the pentagonal and hexagonal panels sewn together to form its surface). They are more popularly known as buckyballs.

This led to attempts to engineer carbon molecules in more useful shapes (recent studies suggest that buckyballs might...
be incredibly harmful to health), of which the most promising is the carbon nanotube. As the name implies, the carbon atoms are arranged in the form of an open-ended cylinder.

Times are early for these—the longest nanotube made so far is just 40 mm in length, yet only one nanometre in width—but their promise is enormous. They can conduct electricity, and already animal experiments have been conducted in which the tubes have been run through even the finest capillaries without damage, suggesting possible future treatments to bypass nerve damage.

And they are strong, immensely so. A single nanotube is, after all, a single molecule, albeit a large-scale one (like a diamond). The molecular bonds provide huge strength. Some nanotubes have been developed with 50 times the tensile strength of high tensile steel (for a given weight), 20 times that of Kevlar, four times that of spider silk (the previous record holder).

In 2003, the price of nanotubes was upwards of $US20 per gram, but last year a Japanese firm started building a production facility which is expected to produce nanotubes for $US1 per gram.

As nanotubes get longer and cheaper, we can expect extraordinary new materials to be developed that incorporate them. Clothing materials that resist wear indefinitely, advanced non-metallic shells for making car and airplane bodies that are far lighter, yet stronger.

And there are potential applications in space travel, since materials are now approaching the strength required for the ‘space elevator’, a cable reaching from the surface of the earth to beyond geostationary orbit, along which an elevator can climb all the way into orbit. This would allow people and materials to be moved into space without the fire and fury of current practices, and allow much of the energy used on the ‘up’ trip to be recovered during the ‘down’ trip.

**GREY GOO**

Drexler’s 1986 book, *The Engines of Creation*, also introduced the term ‘grey goo’ (of which he said in 2004, ‘I wish I had never used the term’). The danger is straightforward: if you have tiny machines building copies of themselves, what’s to stop them from going on indefinitely, eventually covering the surface of the earth with a writhing mass of themselves, and destroying all life in the process?

Lots of things, as it happens. Mechanisms that can be designed to self-replicate can equally be designed to self-destruct. They can also be designed to thrive only in specified environments (for example, in the presence of the ‘nutrient’ feed containing the materials required for their work). And recent work suggests that such machines would have difficulty spreading themselves, and would have to use a large proportion of their energy output merely to synthesise the construction materials for replication.

Unfortunately, how nanotechnology works, how it might go haywire and how such misbehaviour could be controlled are all highly technical subjects with which only a few thousand people across the world are competent to grapple. And that immediately puts it into the same league as nuclear engineering, genetic engineering and much environmental science.

In other words, the dangers are easy to state—and to exaggerate—and the protections less comprehensible. Some of its applications are inherently scary: little hunter-killer robots whooshing through your bloodstream zapping cancer cells. What if they make a mistake, or ‘mutate’ and start killing off healthy cells?

And surely molecular manufacturing will upset our current industrial/social arrangements in unpredictable and possibly harmful ways. That cable for the space elevator would be some 40,000 kilometres long. What if it fell and wrapped all the way around the earth, destroying all in its path?

Even nanotubes, if they became ‘free’, might float through the air like asbestos fibres and induce cancers.

If ever there were a technology that cries out for application of the ‘Precautionary Principle’, nanotechnology is surely it. At least that is the way it is certain to be presented by Green groups, by ‘caring’ individuals and by the media, for which the story of danger is often more compelling than the story of success.

For example, Prince Charles, upon whom one can usually rely to make conservative utterances of the most foolish kind, has of course expressed his concern about the dangers of nanotechnology which prompted a report from the UK Royal Society and UK Royal Academy of Engineers. This, naturally, recommends government regulation of nanotechnology and its products.

Expect to see nanotechnology, over the coming decade, offer great promise, yet be faced with great hurdles.
For someone untutored in economics, it is easy to be perplexed by the question: how did Australia manage to enjoy uninterrupted economic growth for a period of 14 years?

It is the same question that John Kay attempts to answer on a grand scale in his much-acclaimed book, *The Truth about Markets: Why some nations are rich but most remain poor*.

The explanation for Australia has been given in its most elegant form by Gary Banks, the Chairman of the Productivity Commission. The relaxation of constraints on our economy—such as floating the dollar, reducing tariffs, forcing competition, privatizing government business and freeing up the labour market—has stimulated action. But what did we actually do? These explanations always seem to be the equivalent of giving the patient plenty of fresh air or some really nasty medicine to treat the symptoms. Thus it was a delight to discover *The Truth about Markets* and to be carried to a fuller explanation of economics in its broadest context.

Successful economies are very complex. It is not merely the availability of capital, labour and technology that creates success, but rather social, political and cultural institutions interacting in an economic environment. The book is a mix of example and explanation with a few scattered statistics. Starting with a list of 19 rich countries, it is striking to see that only six are outside Europe—Australia, Canada, the United States, Japan, Singapore and Hong Kong.

New Zealand is not on the list and is described as on the way down. ‘If ever a country has been run by economists, it was New Zealand. From 1984 to 1999 New Zealand followed policies of privatization and deregulation…. During this period the country experienced the worst economic performance of any rich state’.

Various fundamental issues are discussed, sometimes with delicious illustrations. The UK Whitehall mandarins are not spared as Kay describes the nuclear planning disaster of Advanced Gas Cooled Reactors. Nor, for that matter, are idiosyncratic tycoons treated any better. Kay eloquently illustrates how the scale of economic and business decisions determines big success and big failure. But, on the other hand, he contrasts this with the Hayekian tenets of diverse, independent decision-making and spontaneous order in the Information Age.

It is distressingly easy to find Australian examples of centralized planning of the sort Kay criticizes. From railways and dams to ethanol and windmills, our politicians continue to pick winners.

But the prize would probably go to those who have sought to regulate communications and media. They have an almost perfect record of getting things wrong—starting with early radio regulations of one receiver set to a radio station through to the introduction of high definition digital television.

Perhaps the most interesting chapters cover the attempted development of the poor states, as Kay’s analysis helps illuminate the economic forces that created the established rich states. The discussion of early theories of development and whether countries can be lifted to the wealth and standards of the richest states shows how the complications of economic growth frequently confound the best and brightest of planners. This does not bode well in the medium term for our nearest neighbours. His conclusion says it all.

Rich states are the product of—literally—centuries of coevolution of civil society, politics and economic institutions, a coevolution that we only partially understand and cannot transplant. In the only successful examples of transplantation—the Western offshoots—entire populations and their institutions were settled in almost empty countries.

Kay’s conclusions are controversial—any explanation of institutional economics is bound to be—but it is a stimulating and fascinating book with clear explanations helped by some of the best examples drawn from the way we live now.

Tom Quirk is a member of the board of the IPA.
The strange allure of cruel dictatorships

Andrew McIntyre reviews
*Mao: The Unknown Story*
By Jung Chang and Jon Halliday.
(Jonathan Cape, 2005, 814 pages)

To much fanfare and international recognition, Jung Chang, author of the all-time best selling non-fiction work *Wild Swans*, and her British husband Jon Halliday have co-authored a definitive history of Mao Tse-tung. The book has already been flagged as the best political history published this century. This is not mere historical revisionism; it indeed could claim to be the definitive corrective of just exactly how monstrous a tyrant Mao was. Relentless in its depiction of the biggest mass murderer of the twentieth century—more than 70 million deaths in peacetime—it focuses very much on Mao the man.

Although just over 800 pages and with copious notes and documentation, this book is for the general public. It reads as a compelling narrative and is told in the accessible style of *Wild Swans*. One of the strengths of the book is that there is no facile moralizing. The authors simply describe a man according to the lights of the people who knew him, or who met him. This has not stopped the inevitable apologists claiming that it is a calculated demolition job. After all, Chang’s own family were victims, so this must be her ‘revenge’. In response, Chang is at pains to point out that the book overwhelmingly rests on documented facts and primary sources. She explained in one Melbourne interview that ‘the book is not a polemic. It is a straightforward story with facts. Readers can draw their own conclusions’.

Between them, the authors travelled through China and interviewed over 150 family relatives of Mao, his friends, colleagues, personal staff and members of the top echelon of the Party. These people had never before talked about Mao on the record. Although the authors give the reader little alternative explanation or a wider historical context for Mao’s actions, it is hard to resist the picture put before us.

The compelling conclusion is simply worse than most of us could imagine: Mao was totally cynical and unscrupulous. He survived precisely because he was more ruthless than anyone else he encountered, including Stalin. Mao, from these direct accounts, had a seamless life of cruelty waged against friend, foe and family alike. To make the assessment worse, it turns out that there was not even a vestige of ideological belief—Marxist or communist—nor idealism of any sort.

The most chilling assessment of Mao was given in detail by the man himself. In 1918, at the age of 24, Mao wrote in his diary:

> People like me only have a duty to ourselves; we have no duty to other people ... Of course there are people and objects in the world, but they are all there only for me ... Some say one has a responsibility for history. I don’t believe it. I am only concerned about developing myself ...

On death and killing others:

> Human beings are endowed with the sense of curiosity, why should we treat death differently. Don’t we want to experience strange things? I think this is the most wonderful thing...

Right from his earliest years, the story traces Mao’s psychopathology and his cruelty to others. It starts with him as a child with his immediate family, then moves to his professional colleagues and allies as they were systematically betrayed for Mao’s personal hunger for power, money and domination. He was totally pragmatic. Very early in his long life, he had found an easy way to obtain money and do no real work.

Mao’s treachery is illustrated during the course of the Long March, where he made his troops march for months through fruitless detours—thus sacrificing thousands of scarce fighting men—to serve no other purpose than to advance his bid for leadership. In another episode near Ban-you in 1935, Mao connived, lied and menaced to force Kuo-tao, then military supremo of the main communist force at the time, to take his troops through marshes where there was neither food nor villages. Mao even urged him ‘to bring all the wounded and sick who can manage to walk’ in a deliberate desire to inflict maximum suffering. Mao’s aim was simply to stall him and consolidate his own position.

In the Great Leap Forward, many of the disasters and hare-brained ideas could have been avoided altogether if
it were not for Mao. He simply did not listen to expert advice. Rules and commonsense were cast aside when steel mills were required to double production. As Chang writes, ‘Mao set the tone for discrediting rationality by saying the “bourgeois professor’s knowledge should be treated as dogs’ fart, worth nothing, deserving only disdain, scorn, contempt”…’ As a result, so many of the efforts, at the cost of hundreds of thousands of lives and the suffering of millions, came to nothing. Backyard furnaces produced steel that was unusable. Canals and irrigation schemes, often dug with bare hands, were abandoned as useless because of a lack of planning and analysis. The famous drive to eliminate sparrows caused ecological disaster; pleas from scientists were ignored. Over four years from 1958, about 100 million peasants were coerced into such projects, moving a quantity of earth and masonry equivalent to excavating 950 Suez Canals, mostly using their own hammers, picks and shovels, and providing their own food and shelter. Mao knew precisely and proudly just how many deaths went with each billion cubic metres of soil. When senior officials in the Gansu province appealed against ‘destroying human lives’ in these projects, Mao had them condemned and punished as a ‘Rightist anti-Party clique’.

The great purges that typified Mao’s rule are described in brutal detail. His distinctive form of terror was to get people to use it against each other. He perfected this method in Yenan, where everyone was coerced into the exercise of criticism and self-criticism by confessing and implicating each other in terrible ‘wrongs’. This method, with associated horrendous torture and slow and terrifying death, was extended from Mao’s closest colleagues to the whole of China.

Mao’s megalomania, his mind-boggling use of resources for his own comfort—massive and expensive houses built throughout China that he barely used, entire factories set up to ensure him of his own supply of a particular rice, or elaborate printing works constructed to print exclusive editions of just five copies for himself—are truly stupefying.

One surprising anecdote for this reviewer was the extent to which Mao succeeded in manipulating Richard Nixon through the famous ‘ping pong’ diplomacy and subsequent first trip to Beijing, and just how shoddy was the humiliating treatment Nixon endured in private meetings with him in front of Kissinger. The book also shows just how much this meeting and the subsequent seduction of the United States played in projecting a benign image of Mao so much at odds with what we now know.

What is left today of this legacy? Three decades after his death, Mao Tse-tung is still officially endorsed by the present Chinese government, with his bland face hanging in Tiananmen Square and adorning every banknote. Although it is certainly true that China has changed from the bad old days, the recent defection of a Chinese diplomat in Australia is a contemporary reminder of the nature of the Chinese Communist Party and the way it deals with minorities such as the Falun Gong. Moreover, the recent demand for independent Chinese bloggers to register with the government—together with Microsoft’s recent admission that its Chinese blog site would block titles such as ‘freedom’ and ‘democracy’ in the country’s efforts to control the Internet—are signs that there is still a long way to go.

Andrew McIntyre is a regular contributor to the IPA Review.

Mao, from these direct accounts, had a seamless life of cruelty waged against friend, foe and family alike.
There is never a convenient time to have a baby, the young mother said to me, ‘and once you get over that, it’s fine’.

According to Leslie Cannold, it’s far from fine. The hurdles that Australian society places before women of child-bearing age mean that many will never have children. The problem is not a lack of desire to reproduce, but circumstances that stifle the birth rate. What, no baby?

is well researched and scholarly, and written with humour and flair. It includes a thorough but non-obtrusive literature review and engaging personal interviews. Cannold considers recent media commentary on women’s childlessness. This includes a well-deserved bucketing of journalist Virginia Haussegger who, in 2003, wrote in The Age that it was feminism’s fault that she was not a mother, and that no-one told her she would run out of time to get pregnant.

Australia’s birth rate has declined for decades, and Cannold considers the women behind the statistics. This includes a well-deserved bucketing of journalist Virginia Haussegger who, in 2003, wrote in The Age that it was feminism’s fault that she was not a mother, and that no-one told her she would run out of time to get pregnant.

Australia’s birth rate has declined for decades, and Cannold considers the women behind the statistics. Few have made a genuine choice, she says, that is, ‘a decision a person makes when she has a full range of possible options from which to select, and is equally free to choose any one of them’.

Her assumption is that most women want to work and mother, or must do so. Little consideration is given to women who want to opt out of the workforce after starting a family. In fact, Cannold makes the provocative statement: ‘When women do nothing but nurture, they miss out on the sense of mastery that comes from meaningful and valued involvement in the work of society’.

The most family friendly nations—where women have comparatively generous paid maternity leave; access to low-cost childcare; support to maintain paid work; and male partners who significantly contribute to domestic chores—are those with the highest birth rates. Cannold seems to believe that the societal conditions mean that women, knowing of the support structures available to them, are confident to become mothers. I wonder if this could be too simple an assumption. Leaving aside the reinforcement effect of the policies, did they cause the behaviour, or did they follow it?

Australia’s now-rising birth rates also offer a practical challenge to Cannold’s thesis that a significantly more family friendly society is the answer. In the twelve months to September 2004, 255,000 births were recorded in Australia—the highest number of annual births in almost a decade. This rise preceded the Federal Government’s $3,000 baby bonus, which commenced in July 2004, and it is expected that annual birth figures will continue to rise.

In fairness to Cannold, it’s unclear whether Australia’s recently increasing birth rate is a true reversal of the trend. It may represent a catch-up for women of my generation, who have delayed rather than discounted having children, but will probably still have fewer children than our mothers’ generation. The current rise in births may yet taper out.

For Cannold, there are two groups of ‘circumstantially childless’ women: thwarted mothers and those who wait and watch.

A thwarted mother wants a child, but is stopped by practical barriers. This may be the breakdown of a long-term relationship, just as children were planned, as the thwarted mother-to-be approaches her late thirties. For waiters and watchers, the circumstances are never quite right. ‘They neither pursue [motherhood] nor actively avoid it; they simply wait to see how their feelings and their circumstances develop.’

It’s not clear how changes to government policy, or more supportive partners, could really make this group get on with it. Is the answer really that many don’t want to be mothers, but don’t feel comfortable admitting it? There are practical problems with assessing this, and Cannold rightly criticizes a post-feminist tendency to label almost all childless women as having chosen this outcome. Nonetheless, surely it is not the role of governments actively to push women to have children when, frankly, they seem very half-hearted about the prospect of being mothers.

Aside from this reservation, What, no baby? is a strong and considered contribution to the debate.

Margaret Fitzherbert is the author of Liberal Women: Federation to 1949.
Chris Berg reviews
*Independence and the Death of Employment*  
*By Ken Phillips.*  
(Volcan, 2005, 207 pages)

William is a 24-year-old shearer from Queensland.

I’ve worked on shearing teams which are staunch in their observance of the [industrial] Award. They have the 3 minute bell which is a warning to all the shearsers that the end of the run will happen in 3 minutes and they have to finish up their last sheep... They do not do any weekend work or extra hours during the week or any hours outside the exact allocated hours in the Award...

However, this is too restricted for me. I would rather have the choice whether I wanted to work weekends. I believe it is up to the individual... I believe that if I want to work weekends then that should be okay.

This attitude is repeated in dozens of industries all around the country. Independent contractor status is, as Ken Phillips’s new book *Independence and the Death of Employment* makes clear, increasingly seen as a more flexible alternative to traditional, heavily regulated employment structures.

And independent contracting status, while the most obvious manifestation of this new attitude to work, is by no means the only one. Phillips notes the existence of ‘independent employees’—workers who work in firms, and are nominally under the command-and-control contract and structures of employment, but in their ‘actions, desires, thoughts and ambitions’ are independent none the less. These workers can be a firm’s greatest asset but also its greatest weakness: endlessly creative and innovative if the incentives are right, but resistant and often resentful at having their actions controlled.

Phillips’s book is a comprehensive, paradigm-shifting overview of these and a countless range of other issues, essentially trying to answer the basic question, ‘what is employment?’

Most economists tend to think of employment as a work-for-pay relationship. But Phillips suggests that this is incorrect. He alleges that employment is a relationship of legal and behavioural control—precisely the argument that the labour Left have been pounding away at for centuries. The evolution of legal precedent and the formalization of industrial relations in dedicated bodies has rigidly defined employment in this way.

Employment law distorts many of the objectives of work regulation. In the context of the law, employees are considered witless and lacking in control. The employer is supposed to be responsible for their witless employees. *Independence and the Death of Employment* controversially argues that employment degrades human beings and removes responsibility.

Employers take the blame for employees’ actions – discrimination or for breaking work safety instructions. But this is merely the framework with which the legal system approaches employment. Phillips’s argument is that the experience of employment is quite the opposite. Independent contractors and the phenomenon of ‘independent employees’ belie the fact that a job is more than mere servitude.

Career desires, power urges, ego trips and personal self-interest are the dominant motivations in the firm. Individuals in the firm will be ambivalent toward the firm’s making losses if the individual is unaffected.

Economists have long recognized this as an agency problem—managers, for example, don’t always operate in the interests of shareholders. But the solution is not more highly regulated employees but allowing greater independence, which workers are already striving for, to create the appropriate incentives for mutual benefit.

And the legal framework and regulatory impulses of government which surround employment must catch up. These are changes that are being made already—sometimes against great resistance. The Queensland shearsers’ desire to practise as independent contractors formed the backdrop to an eighteen-month legal case between the Australian Workers Union and the State of Queensland.

*Independence and the Death of Employment* is a combination of manifesto, self-help book, and rigorous analysis. It represents a massive shift in thought on labour regulation and employment, and will be heavily scrutinized and criticized by analysts from across the political spectrum. But whatever change it represents in intellectual thought, it is dwarfed by the massive change in how Australians work today.

Seven hundred and fifty actors and actresses have ever been nominated for an Academy Award—those who won an Oscar lived, on average, four years longer than those who had been nominated but didn’t win.

How happy you are in the your twenties is a good predictor of how long you will live.

The Himalayan country of Bhutan had banned television and public advertising until 1999. When the ban was lifted, the crime rate rose and drug-taking increased.

According to Richard Layard, an economist at the London School of Economics, former adviser to the Blair Government in the UK, and now a member of the House of Lords, ‘happiness’ can be scientifically determined by measuring electrical activity in the brain. We might not know exactly what happiness is, but we know it when we’ve found it.

It is with information such as this that Layard constructs his argument that the goal of government should be happiness for all. Money doesn’t buy happiness, therefore governments should abandon their concentration on economic growth and instead focus on generating happiness. The way to do this is for governments to create the concept of ‘the common good’ whereby individuals stop competing with each other and instead learn to co-operate.

Layard suggests, presumably in all seriousness, that a solution to the problem of competition for status and money is ‘a collective agreement to limit the race of all against all—but he says that, sadly, such an agreement would never work because ‘there are just too many people to make such an agreement possible’. Layard doesn’t seem too bothered by the fact that such an agreement would involve interference with individual rights on an almost unprecedented scale.

He freely acknowledges that his greatest happiness for all principle is utilitarian in the extreme, and utilitarianism has always had problems accommodating personal liberty. Layard discusses the legacy of the first great utilitarian, Jeremy Bentham, who claimed that the best society was one in which the citizens were the happiest—the ‘greatest happiness for the greatest number’. Such a philosophy was profoundly egalitarian because the happiness of the richest person had the same weight as the happiness of the poorest, but the problem with utilitarianism—and the reason why Bentham’s disciple John Stuart Mill rejected it—was because it was fundamentally illiberal.

On a strict application of utilitarianism, if society were comprised of three people, and two people gained happiness through the infliction of pain on a third, there would be nothing objectionable in such an outcome. There is no scope in utilitarianism for individual rights. Similarly, in Layard’s preferred society, individuals shouldn’t be allowed to work to earn money to buy a red Ferrari, because he believes, first, that red Ferraris don’t make people happy anyway, and second, that those of us who don’t have red Ferraris are jealous of those who do. What Layard would like to do is not necessarily prohibit us from buying red Ferraris (although one suspects he wouldn’t be averse to such a ban). He suggests that taxes should be increased so that individuals are discouraged from working too hard, and he says that taxes are good because ‘they are holding us back from an even more fevered way of life’.

Layard cites various studies which show that, while in recent times we have got wealthier, we haven’t got any happier—and that people may actually be less happy than they were in previous decades. For example, the incidence of clinical depression has increased since the Second World War. From this he concludes that increased wealth is the cause of many of our problems. But even though events may correlate, that obviously doesn’t mean that they are casually related. It could just as easily be said that the creation of the modern welfare state has resulted in a higher rate of depression.

For those who believe that the fall of the Berlin Wall signalled the triumph of liberal political ideas and free-market economics—think again. In a feature about him on ABC Radio earlier this year, Layard announced that civil servants in Britain were ‘taking some interest’ in his ideas.

John Roskam is Executive Director of the IPA.

John Roskam reviews
Happiness: Lessons from a New Science
By Richard Layard.
(Alan Lane, 2005, 310 pages)
The Dutch Masters Exhibition at the National Gallery of Victoria is the most comprehensive display of seventeenth-century Dutch art ever seen in Australia. An extraordinary naturalism and an almost obsessive observation of ordinary daily life radiate from these pictures.

Rarely has a school of art emerged which so effectively captures a crucial moment of social, economic and artistic change. But this exhibition pushes us to go further and ponder just what it was that happened in Europe at the time that makes these works so strikingly exceptional and also strangely contemporary.

Overwhelming in the genre paintings—landscapes, interiors, markets and still life—is the unassuming ordinariness of life. Jacob van Ruisdael’s View of Haarlem from the north-west, with the bleaching fields in the foreground conveys a dampness in the earth that one can almost smell. One can almost hear the wind across the forlorn plain, with the dapples of cold sunlight moving across the fields. Hendrick Avercamp’s Diversion on the ice, Aert van der Neer’s River view in the winter and Jan van de Cappelle’s Winter Scene all conjure up daily life as it is lived, with a strong sense of the chill air in the nose. The ordinary sights of skaters, golfers on the ice, women washing in freezing water, and the distant buildings in the pale light have an immediacy that contrasts with the artificial and embellished Italianate landscapes of the same period.

Much has been made of the economic conditions, the openness and liberalism of the wealthy middle class in the Dutch Republic at the time to explain this change in sensibilities. To meet the demand for works of art for this new middle class, an extraordinary number of artists flourished, producing an equally extraordinary number of paintings—estimated to be between five and ten million works during the century. The number of artists belonging to the official painters guild, the Guild of St Luke, was estimated at around 650–700, or about one painter for every 2,000–3,000 inhabitants, a ratio which far exceeded that of Italy.

Importantly, the fashion for painting spread even to the lower socio-economic classes, who also had significant access to the art market. Accounts of seventeenth-century travellers such as John Evelyn attest to this. He wrote, ‘pictures are very common here [in the Netherlands], there being scarce an ordinary tradesman whose house is not decorated with them’.

Changed economic conditions, in conjunction with the Reformation, meant that there had been a seismic shift not experienced in Southern Europe; the Church and the aristocracy, which traditionally had funded the arts and commissioned works—reflecting religious themes and the hierarchical structure of the society—were largely replaced with the tastes of a new middle class. Particularly impor-
tant was the attitude of the Calvinists of the mid-sixteenth century who rejected religious iconography, statues and other paraphernalia in churches as idolatrous. As a result, commissions with explicit religious themes dramatically reduced in number. Religious paintings made in the Netherlands after that date tended to be didactic, oral stories based on domestic life, instead of objects of veneration or meditation. One painting, *The Trampt of the Mariakert in Utrecht, seen from the north-east* by Pieter Jansz. Saenredam, is a stark reminder of this new reality. It epitomises the aesthetic difference and attitude to religion between the Protestant North and the Catholic South.

With such a remarkable divide in sensibility between the North and the South of Europe, it is fair to ask the question: were the ingredients that permitted this emergent middle class and the new market for art the sole cause? Is it just the economic success of individuals that can lead a society to turn to portraying the world as it is? In Nicolaes Maes’ *Old woman in prayer*, we see an elderly woman saying grace for herself at a small table in her modest home with an informal detail of fish, bread and cheese that she is about to eat. Banal details of peeling paint and stains on the wall, along with other trappings of daily life—a kitten claws its way up the table cloth—contribute to a rich view of ordinary life. This is objective reporting in the best journalistic sense. Indeed, what is it about the Dutch sensibility that led a Dutch painter at the time to say, ‘We paint with our hands, the Italians paint with their heads’?

If we go back in time, we can see many precedents for this introspection and domestic imagery. At the beginning of the sixteenth century, Albrecht Dürer had already displayed an astonishing self-awareness in his *Melancholia*. He was a friend of Luther and favoured the doctrines of the Reformation. In his depiction of *St Jerome in his study*, the ‘domestic’ detail, the fascination with external light filtering through the window, is a contemplative simplicity we are to recognize in the Dutch Masters a century later. It was already in place. Similarly, Hans Holbein portrayed this interest in realism. In his *The Ambassadors* of 1533, with its minutely portrayed contemporary navigational, astronomical and musical instruments, there is an obvious interest in practical and material things; the down-to-earth attitude of the Anglo-Saxons and northern Protestants.

It would seem that this ‘northern’ temperament of sobriety, self-awareness and democratic social consciousness was instrumental in the impetus for the Reformation. The tendency of the Church in the Middle Ages had been to reduce the role of the laity to something like that of a passive consumer, unable to achieve salvation except through participation in rituals controlled, or monopolized, by the central authority of the Church. By the fifteenth century, this was beginning to rub with the wealthier and more educated elements of society. These feelings of resentment were crystallized by Martin Luther. He directly attacked the authority and hierarchy of the Church. He believed, in a profoundly democratic way, that priests should not stand between men and the Bible; in short, that the Pope should not be the sole authority on the scriptures. His was a call for individuals to take responsibility for themselves unmediated by priests, authority or the dogmatic scholasticism taught rigorously in the seminaries of the Catholic Church.

The ‘hand’ versus the ‘head’ of the Dutch artist was the essence of this difference between an individual’s unmediated perception of the world and the dogmatic interpretation of this world through a mediated religious vision. It was the utilitarian pragmatism of the Protestant world that spawned Bacon, Ockam, Locke and Mill, as against the continental intellectualistic rationalism that spawned Descartes, Leibniz, Schopenhauer and Marx. Max Weber claims that this Protestant impulse was one of the fundamental elements of the spirit of modern capitalism, and also of all modern culture. That is, it was based on individual conduct and severe self-regulation in the world. The Calvinistic Protestant believed his
lot was to add to the glory of God on Earth by consistent achievement in the course of his daily life.

William James expressed it thus: These two systems are what you have to choose between ... [I]f you are the lovers of facts I have supposed you to be, you find the trail of the serpent of rationalism, of intellectuality, over everything that lies on that side of the line. You escape indeed the materialism that goes with the reigning empiricism; but you pay for your escape by losing contact with the concrete parts of life.

It is hard for us to realize just how people thought about the physical world 400 years ago, and just how hard the struggle for a pragmatic, empirical understanding of the world was, and consequently, how revolutionary the Dutch paintings were.

William James explains that the actual universe is a thing wide open, but that a rationalist approach likes systems, and systems must be closed. This is suggestive of the perfection or idealized landscapes that the Italians loved so much, with conceits of all persuasions finding freedom denied in their own countries. Amsterdam had a population of 100,000, of which no less than 30 per cent were immigrants. It had more newspapers than the rest of Europe put together, its universities were centres of excellence and, of course, painting and literature flourished.

This allowed progressive political thinking. In 1625, Hugo Grotius wrote a treatise on the freedom of the seas, De Jure Belli ac Pacis. He argued that each nation was a sovereign power, subject to no higher authority. If a nation saw its vital interests threatened, it had a right to go to war. He also published a plea for toleration in religious matters. By 1630, the magistrates of Leyden were able to write to a group of English dissenters, ‘We refuse no honest persons impress to come and have their residence in this city, provided that such persons behave themselves honestly and submit to all the laws’. Was this the first truly modern, open multi-cultural society?

Contrast this mood with Rome in 1633, where the Church set upon the sick and ageing Galileo on a point of astronomical fact. It was for the Church a matter of not believing your eyes but believing your dogma. This philosophical inheritance from Plato through Thomas Aquinas in mediaeval times—a philosophy which maintained that the world of appearance is illusory and that ideas, forms or universals are the only true realities, belonging to the world of God or mind—was what conditioned the Italian artists who painted with their ‘head’.

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This centrally imposed ideological position, reflected in the difference in painting of the time, is at the core of that difference. It is hard to realize that, in this progressive northern European context, the French Revolution was still 150 years away! And when it came, it came with continental rationalist thought; the Cartesian ‘I think, therefore I am’. How dangerous that was compared with the pragmatic; ‘I am, therefore I look, then tentatively try things out and then I think’. The European Union, the Euro, the Kyoto Protocol, the French 35-hour working week are all products of this Cartesian thinking.

A striking reflection on this thoroughly modern and open society is captured in Jan Steen’s The Leiden Baker. The subject has the relaxed confidence of a self-made man with a freedom of spirit which is a commentary on freedom and the potential of the individual that is so modern that it reaches directly through to us in the twenty-first century.
SEPTMBER 2005

AROUND THE TANKS

WATER FOR SALE: HOW BUSINESS AND THE MARKET CAN RESOLVE THE WORLD’S WATER CRISIS

Edited by Fredrik Segerfeldt

More than a billion people worldwide lack access to clean, safe water. Some 12 million people die annually as a result, and millions more are struck by diseases associated with the lack of sanitary water. In recent years, a small number of developing country governments have turned to the private sector for help.

http://www.catostore.org

COWBOY CAPITALISM: EUROPEAN MYTHS, AMERICAN REALITY

By Olaf Gersemann

German reporter Olaf Gersemann revisits common misperceptions about the American economy and demonstrates how misleading they are. He exposes the nonsensical myths that too many Europeans believe about the American economy and provides a solid rebuttal to the likes of Paul Krugman and Michael Moore, who would have us believe that the US economy is in dire straits.

http://www.catostore.org

OFFSHORING AND PUBLIC FEAR: ASSESSING THE REAL THREAT TO JOBS

By Ted Balaker and Adrian T. Moore

The offshore outsourcing monster that workers fear, and which politicians are drafting legislation to defend against, has been greatly exaggerated: between 1996 and 2003, offshore outsourcing was responsible for just 0.9 per cent of the jobs lost in mass layoffs in the United States. A more imminent threat to jobs is ‘off-forcing’—poor policies coupled with high tax rates that force companies to seek out friendlier business climates.

http://www.rppi.org/051905.shtml

THE BOTTOMLESS WELL: THE TWILIGHT OF FUEL, THE VIRTUE OF WASTE, AND WHY WE WILL NEVER RUN OUT OF ENERGY

By Peter Huber and Mark P. Mills

The sheer volume of talk about energy, energy prices, and energy policy on both sides of the political aisle suggests that we must know something about these subjects. But according to Peter Huber and Mark Mills, the things we ‘know’ are mostly myths.

http://www.manhattan-institute.org/bottomlesswell/

CRIME: ECONOMIC INCENTIVES AND SOCIAL NETWORKS

By Paul Ormerod

In recent years, the economic analysis of crime has helped increase our understanding of different influences on crime levels. Although economic factors may not cause crime, different economic circumstances can increase or decrease the likelihood that an individual who may feel inclined towards criminal behaviour will commit a crime in practice. And incentives, including punishments, do affect crime rates.

http://www.iea.org.uk

RICH IS BEAUTIFUL

By Richard D. North

In the last ten years, there has been a torrent of writing which deplores the Western economic model and the ‘consumer society’. Will Hutton, George Monbiot, Joseph Stiglitz and many others have made their names accusing the neo-liberal world of brutalizing the well-off and poor alike. In Rich is Beautiful, Richard D North takes on this assault and, drawing on a huge range of material, defends Western life.

http://www.iea.org.uk

PARENTAL CHOICE AS AN EDUCATION REFORM CATALYST: GLOBAL LESSONS

By John Merrifield

Most existing school choice programmes around the world are only ‘policy adjustments’—what is needed is ‘institutional transformation’ if systemic education problems are to be solved.

http://www.educationforum.org.nz

MORE AID, LESS GROWTH

By Tomi Ovaska

For every 1 per cent increase in development aid received by a developing country, there is a 3.65 per cent drop in real GDP growth per capita. Contrary to the conventional wisdom of the World Bank and others in the development community, the study finds that even where recipients have good governance, the effect is also negative.


GROUNDs FOR Complaint?

By Brink Lindsey

The fall in coffee prices has been caused by a 15 per cent oversupply in coffee production. It is a market response to excessive production, rather than evidence of corporate wickedness. More efficient techniques and improved technology may cause prices to fall further. Those who advocate prop-up pricing schemes such as ‘fair trade’ may have the best of intentions, but they will probably encourage the less efficient producers to keep at it, maintaining the over-supply. Instead of a token gesture such as paying a few pence extra for a cup of coffee, we should be opening our markets to efficient producers and cease selling subsidized crops in competition with theirs on world markets.


REVIEW
WATER CRISIS
Victorian Deputy Premier and Minister for Water, John Thwaites, has it all figured out. Dams don’t create any new water for Melbourne, he says. They take water from the environment. Hmm. Does he mean the sky? Thwaites was shocked to hear the grim scientific prediction that Victoria was likely to have 20 per cent less water by 2050 and this was a real wake-up call. This quickly became—from the mouth of CSIRO Water Services Association Chief—’a scientific fact’. Well, no. It’s a prediction. But in any case, doesn’t this suggest that we should build more dams? Imagine how little water Melbourne would have if we had never built dams in the first place!

A VOTE FOR UNINTENDED CONSEQUENCES
Have three decades of electoral reforms had any effect on the proportion of less-advantaged Americans who vote on Election Day? Yes, but not in the way that the advocates of reform envisioned, says Adam J. Berinsky of MIT, writing in the latest issue of *American Politics Research*. Instead of luring the young, the poor and those with less interest in politics to the ballot box, new initiatives, such as Oregon’s vote-by-mail law, have provoked greater participation by older, wealthier and white voters. In a classic case of unintended consequences, Berinsky found that ‘reforms designed to make it easier for registered voters to cast their ballots actually increase, rather than reduce, socioeconomic biases in the composition of the voting public’.

HE DIED WITH A FELAFEL IN HIS HAND
In August, the Culinary Institute of America denounced the participation of military nutritionists in the torture of Guantanamo detainees. According to the International Committee of the Red Cross, nutritionists on the Cuban naval base assisted in the preparation of Halal meals for detainees, which were sometimes served after stressful interrogation sessions. ‘A deep-fried falafel burger, when a detainee’s blood pressure is elevated, may be the difference between a mere violation of the Geneva Conventions and a war crime’, said Roy Facino, spokesperson for the Culinary Institute.

BOMBS HELP PLANTS
Military exercises are boosting biodiversity, according to a study of land used for US training manoeuvres in Germany. Such land has more endangered species than nearby national parks. The land is uncultivated, but also churned up by tank tracks and explosions. This creates habitat both for species that prefer pristine lands and those that require disturbed ground, explains ecologist Steven Warren of Colorado State University in Fort Collins.

Warren hopes that conservationists could learn from the military, and provide disturbances to help endangered species. One trial project at Tennenlohe, near Nuremberg in Germany, involves cutting up land using an agricultural tool called a ripper in a bid to mimic tank tracks.

DEPARTURE TERMINALS DAMAGE THE ECONOMY
Friends of the Earth, an environmental group not well-known for its economic expertise, argues that more airports will result in a dangerous economic imbalance. Airport expansion could result in the loss of billions of pounds from the economy as UK travellers spend money abroad. The group said that visitors flying in spent £11bn in the UK in 2004, while UK residents flying out spent £26bn abroad—a £15bn deficit. It said that if airport expansion proceeded as the government plans, the deficit would grow to £30bn annually by 2020.

It is clear that the solution is not to ban airport expansion, but merely to restrict the construction of departure terminals—allowing tourists to come in, but stopping the English from becoming tourists.

AND MORE ON FLYING
The Guardian reported in May that more and more environmentally conscious people are shunning international trips, fearful of the environmental damage that aviation fuel can cause. Even though international tourism can provide much needed boosts to third world economies, the environmental price is simply too great. Alex, an environmentally conscious barrister, says, “the only thing you can do is to take individual action”. His girlfriend Rowan disagrees, “Flights are now unrealistically cheap. It makes it so difficult for people to say no to them. The government should take that decision away from people.”