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REVIEW

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Inside cartoons by Peter Foster [(03) 9813 3160]

Unsolicited manuscripts welcomed. However, potential contributors are advised to discuss proposals for articles with the Editor.

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From the Editor

MIKE NAHAN

MR Stuart Littlemore has put beyond doubt the question of bias, staff capture and poor standards within the ABC.

His entire programme of Monday 9 April 2001 on ABC-TV was devoted to an attack on the IPA and its recent conference, *Their ABC or Our ABC?* Littlemore's report stands as a classic example of jackboot journalism designed to silence critics.

The Conference brought together people from a wide range of political and professional perspectives, including people with a great deal of knowledge of, and commitment to, the ABC. It took a constructive approach, providing detailed evidence of the lack of balance in the ABC and what might sensibly be done about it.

One of the speakers was Keith Mackriell, whose talk at the conference is reproduced on pages 10–12 of this issue. Keith is a strong supporter of the ABC, having spent most of his working life with the organization—including ten years as Head of ABC Radio. Indeed, six of the ten speakers were, or are, currently employed by, or contracted to, the ABC and have collectively clocked up over 90 years with the organization. Yet, Littlemore dismissed them as the 'usual coterie of harmless duffers'.

Not surprisingly, the Conference received extensive press coverage—with the exception of the ABC—as the issues raised and the calibre of the speakers were clearly newsworthy.

What was Littlemore's response? Lies, distortion, libel and character assassination designed to inflict maximum damage to the IPA's credibility, reputation and funding.

He lied about our support base; he lied about our purpose and approach; and he lied about our position on key issues. He accused us of being money-eyed, right-wing propagandists. He related us to Hitler. [The transcript of



the Littlemore programme together with our detailed critique are available at www.ipa.org.au]

What was the ABC's response? It stuck by its man. The IPA made a formal complaint to Jonathan Shier, the Managing Director of the ABC. The ABC replied that it is '...satisfied that the program presented appropriate comment within the context of its brief'.

Littlemore's approach to us is not unique, indeed it is his standard fare. The week after he did a number on us, because we dared question 'his' ABC, he did a number on the Australian Democrats' new leader Senator Stott-Despoja. His actions were again aggressive, abusive, and self-serving. His apparent motivation was that he did not like the leadership transition in the party from left-wing baby-boomers (like him) to the generation-X (like her).

The fact that the ABC even allows Littlemore and Co. on the air with a programme of this format brings into question its ethical and journalistic standards. That ABC management gives them unquestioned support—even when confronted with clear evidence of gross misconduct—proves that the organization is seriously flawed.

We have made a complaint to the ABC's Independent Complaints Review Panel. We wait to see whether it warrants its name.

On a more positive note, the ABC has announced that it will shortly introduce a 'right of reply' programme on which the IPA will have an opportunity to appear. It is also worth noting that Gail Jarvis, Director of Television, who was responsible for commissioning the Littlemore programme, and who defended it against our complaints, has resigned, in part, over this incident.

Now to another depressing topic—the slouch from freedom and reason.

In the early 1980s, Australia began to adopt a new national vision, one based on the belief that the best path to prosperity lay with a free and open economy.

Of course, Australia was not alone. Indeed, most countries have at least flirted with economic freedom and many have embraced it.

As I outline in 'Prospering from Freedom's Riches' (page 3–4), the pursuit of economic freedom has not only resulted in higher incomes and faster growth, but also in less corruption and a higher quality of life. The benefits of a free economy are also discussed by John Hyde in his review of a new booklet from the Chamber of Commerce of Western Australia entitled *In Support of Free Enterprise*. And as a recent study by the Commonwealth Treasury shows (see Jim Hoggett's 'Global Poverty and Inequality', on page 5) the benefits have not come at the cost of higher poverty or greater disparity of incomes.

The political pendulum is now clearly moving away from freedom both here and abroad (see Tom Switzer 'Economic Nationalism: It's Back to the Future', pages 6–7; and Alan Moran 'The Pendulum Swings', pages 8–9). The swing is being driven by a number of forces, including a strong yearning for the 'good old days', the fragmentation of politics, and a return of old foes in new battle-dress and with new strategies.

IPA

REVIEW

Prospering From Freedom's Riches

MIKE NAHAN

OVER the last two decades, Australia slowly but steadily adopted a new national 'vision'. One based on economic freedom—open markets, freer trade, less regulation, limited government and sound money.

We were not alone; indeed many nations of the world have, to varying degrees, adopted this 'vision'.

The rationale was simple: economic freedom is seen as the key to prosperity. When people have freedom—to go into business and occupations of their own choosing, to reap profit and suffer losses from their activities, to save and invest, to enjoy the use of their property, and to join in voluntary exchange with each other—they produce more. With time, these more productive societies will become prosperous.

As argued elsewhere (Switzer, page 5; Moran pages 6–7), this vision is now under sustained attack in Australia and around the world. Many dispute its central premise—that freedom leads to prosperity. Others agree that it has led to growth in developed countries such as Australia, but believe that these gains have not been widely shared within and across countries.

What is the evidence?

Thanks to a project—the Economic Freedom Project¹—initiated more than a decade ago by the Fraser Institute of Vancouver, Canada, we have the data to begin to answer some of these questions.

And the findings are very positive—at least from the perspective of economic freedom.

The Fraser Institute, together with 53 think-tanks (including the IPA), have developed a composite set of indices using published data covering 123

countries. The indices are based on 21 data sets covering seven areas: size of government, economic structure and use of markets; price stability; exchange of currency; legal structure and property rights; trade in goods and services; and financial and capital markets.

Among other things, the data provide an overall economic freedom index by country over time which in turn provides a statistical base for examining relationships between economic freedom and other factors such as growth, income, human development, poverty, and corruption.

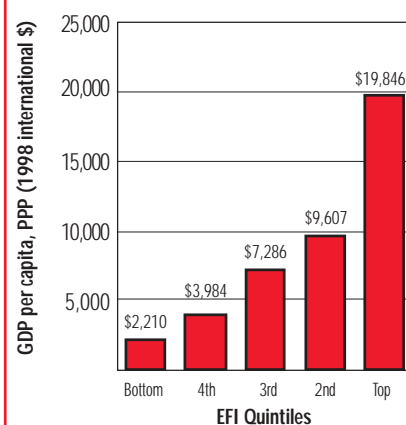
THE FINDINGS

First, the report confirms that Australia has significantly freed up its economy over the last 25 years and, as a result, has become one of the most open economies in the world. In 1975, Australia had an economic freedom rating of 6.5 out of a maximum of 10, which ranked it 17th out of 123 nations. By 1999, Australia's economic rating had improved significantly to 8.5, pushing up its overall ranking to sixth.

Although Australia ranks below Hong Kong, Singapore, New Zealand, the UK and the US, the gap is getting smaller and in many areas is small-to-negligible. Indeed, Australia lags the top nations significantly in only three areas: labour markets, tax, and welfare transfers.

Australia is not alone in its recent pursuit of economic freedom. During the same period, New Zealand went from a ranking of 35th to third, the UK went from 18th to fourth, and Ireland went from a ranking of 27th to sixth—or equal with Australia. In fact, Ireland's adoption of economic freedom and its contribution to its incredible

Chart 1: Economic Freedom and Income

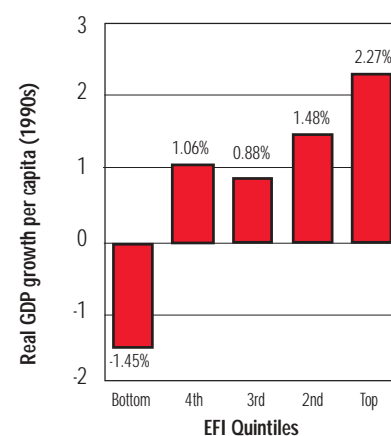


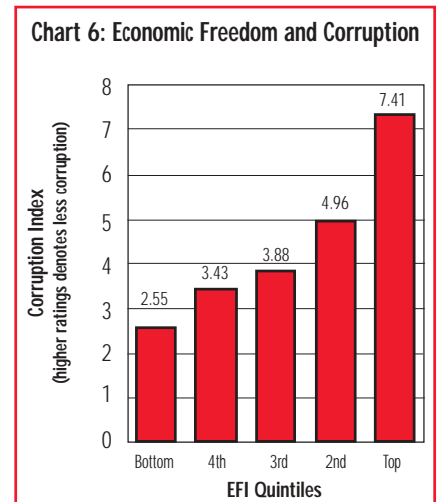
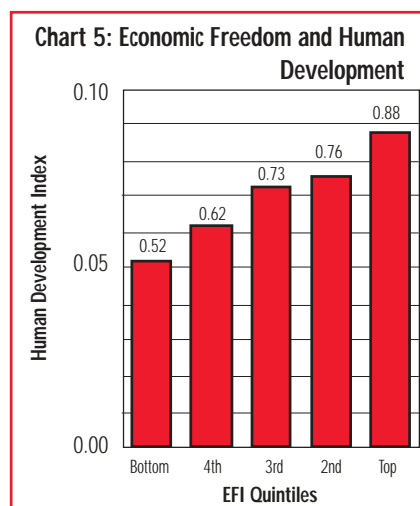
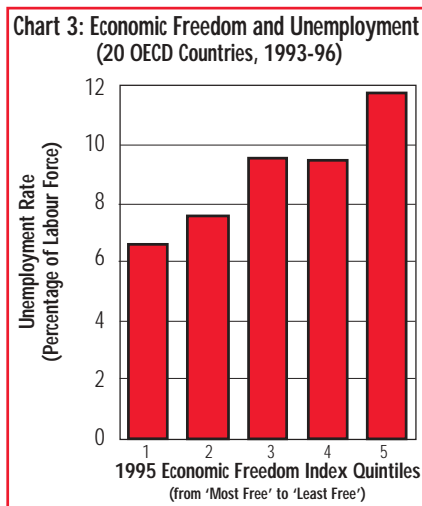
economic turnaround is one of the big, overlooked stories of the last decade.

Second, the report finds strong and positive relationships between economic freedom on the one hand and wealth and economic growth on the other.

As shown in Chart 1, countries in the top quintile (20 per cent) of the 'most economically free' countries have an average per capita GDP of \$US19,846—over twice the income level of the next quintile of countries—while countries in the bottom 20 per cent of countries had an aver-

Chart 2: Economic Freedom and Growth





age per capita GDP of just \$US2,210.

Economically-free countries also tend to grow faster. As shown in Chart 2, over the 1990s, the higher the level of economic freedom, the higher the average rate of growth, with the most-free nations recording an average growth rate in real GDP per capita of 2.27 per cent and the least-free nations experiencing an average growth rate of -1.45 per cent.

This result is not quarantined to wealthy countries. Although wealthy countries, of course, dominate the ranks of the most free, the largest gains in terms of wealth and economic growth have been made by those formerly poor countries—such as Singapore and Hong Kong—which most strongly adopted economic freedom.

Third, economic freedom tends towards a more inclusive society.

The most important indicator of inclusiveness is the unemployment

rate. One cannot share in freedom and wealth over the long term without access to work. As shown in Chart 3 (using data only for the OECD countries during the 1993–96 period), except for countries in the third quintile, greater economic freedom is associated with lower unemployment rates.²

Another indicator of inclusiveness is the rate of poverty. Poor people can face huge barriers not only to gaining jobs but also to education and health services. As shown in Chart 4, using data from the UN's Human Poverty Index, there is a negative relationship between economic freedom and poverty. That is, the proportion of the population afflicted by poverty is generally greater the less free is the economy.

The message is also positive using a broader measure of well-being, such as the UN's Human Development Index which 'measures a country's achievements in three aspects of human development: longevity, knowledge and a decent standard of living'. As shown in Chart 5, the higher the level of economic freedom, the greater the level of human development index—that is, the higher the level of economic freedom, the higher the quality of life.

Another fundamental indicator of inclusiveness is the level of corruption. Corruption limits access to opportunities and services. It, more than anything else, is the cause of policy failure and poverty within nations. As shown in Chart 6, higher levels of economic

freedom correlates with less corruption. This is no surprise, as economic freedom—free trade, open markets, limited government, etc.—act directly against the base of corruption—that is, the ability of government officials to restrict access to markets and resources.

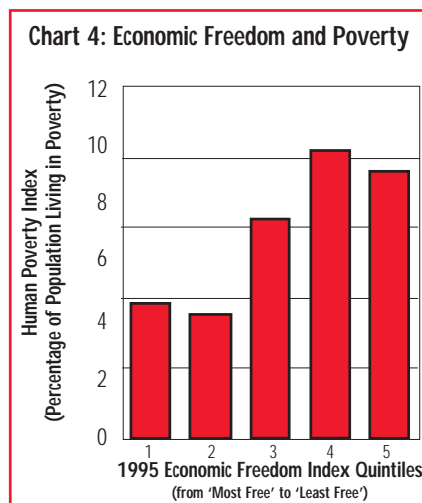
SUMMARY

The evidence shows that economic freedom has lived up to expectations. It has tended to lead to prosperity, in wealthy as well as in poor nations. It has also tended to enhance the ability of people and nations to share in wealth and opportunity.

Some nations have not fared well in relative and absolute terms over the last two decades and their decline has, in part, been caused by the worldwide trend to free economies, or rather to their *failure* to join this trend. The nations which have fared worse have been those with the lowest levels of economic freedom. The nations that have gained the most are those poor ones that changed their policies to adopt more free and open markets.

NOTES

1. The latest annual report, *Economic Freedom of the World Report 2001*, is available at www.freetheworld.com.
2. Charts 3 and 4 from Grubel, Herbert G. (1998), 'Economic Freedom and Human Welfare: Some Empirical Findings', *Cato Journal*, 18 (2), (Fall): 287–304. The data set for Chart 4 included only 55 countries.



Global Poverty and Inequality

JIM HOGGETT

VIOLENT street demonstrations against 'globalism' have made world headlines. The protesters are diverse but, in short, they blame the existing world trading and financial system for creating and perpetuating global inequalities.

WHERE IS THE TRUTH?

It is difficult for the general public to comprehend what is at stake here. The subject is complex and there are many conflicting and emotional statements.

Sound statistics would help. But what we have been getting are estimates that have propaganda rather than analytical value.

In its latest *Economic Roundup*, the Federal Treasury cuts through the debate. It examines the available statistics to find out:

- what the figures actually tell us; and
- what makes the difference between those countries that stay poor and those that progress and get rich.

NEARLY EVERYONE IS BETTER OFF

The last century has seen *per capita* income growth in all four quartiles of countries graded by income (see Chart).

Even the poorest quartile at the end of the century was significantly better off than the second richest at the start.

Broader measures confirm the trend. In 1870, Australian life expectancy was 48 years—the second highest in the world. By the mid-1990s the average life expectancy in developing countries was 65 years.

On the UN Human Development Index, an even broader measure of well-being, Australia led the world in 1870. Its index number then would now rank 127th.

AND THE RELATIVE GAP IS NARROWING

Also, from the late 1960's, the relative gap between the rich and poor seems to have been narrowing.

Global inequality appears to have peaked about the year 1968. Between 1968 and 1998, the ratio of the income of the richest to the poorest group of countries decreased from 15:1 to 13:1. The income of the poorest more than doubled while that of the richest grew by three-quarters.

Moreover, 25 years ago, almost half of the world's population were in the poorest 20 countries. The poorest 20 now contain only 7.3 per cent of the world's population.

LIES, DAMN LIES AND STATISTICS

Why the assertions of growing inequality which fuel the protests?

Treasury notes that one reason is that consistent statistics are not used. Simplistic exchange-rate comparisons are made, and these significantly underestimate true purchasing power in developing countries.

Again, even while poorer countries grow faster than the rich, the absolute gap will continue to widen for a while because rich countries also grow, and they grow from a higher income base.

Finally, there continue to be very poor countries, mainly in Africa, that are making little progress and a substantial number of people, therefore, remain in extreme poverty.

WHY DO COUNTRIES DO BETTER OR WORSE?

Many developed countries are better-off because they had a 150-year start on the industrial growth path.

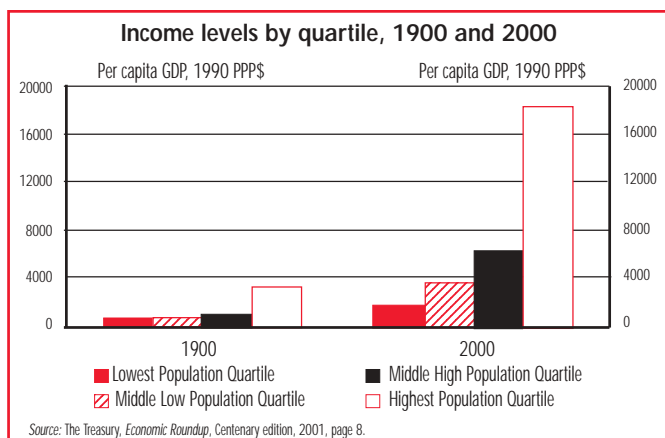
But more important now is the fact that the countries that are wealthy or that are catching up quickly share a few simple characteristics. They have stable, honest institutions and governments. They have open economies and clear property rights. They are not centrally planned. And they have peace. It is a sad fact that most of the seriously poor nations are at war within their own borders.

THE WRONG SUSPECT IS ON TRIAL

The Treasury paper tries to remove some of the major statistical misconceptions which are held even by such exalted bodies as the UN and the World Bank. In this, it makes a first step, at least, to see history as it happened and the future challenge as it is.

Blaming globalism for inequality is a tragic mistake and could have tragic consequences. There *is* serious poverty in many nations but there is also great progress. Dismantling the multilateral trading system will damage all countries—but most of all the poorest.

Jim Hoggett is Director, Economic Policy, at the IPA.



Economic Nationalism: It's Back to the Future

TOM SWITZER

THERE'S a simple explanation for the rebirth of Pauline Hanson's One Nation Party, the recent stunning electoral defeats of conservatives, the less than reform-minded cast of politicians in both Labor and Coalition ranks, the bipartisan campaign to portray big business as a villain in public life, the sliding \$A against the greenback, and the rising backlash against globalization, culminating in the Howard Government's decision in April to reject Shell's takeover of Woodside Petroleum.

The explanation? Australians are ditching their 15-year-old honeymoon with a free-market reform agenda. No, they have not lurched dramatically to the Left, but the political mood has grown perceptibly more nationalist and interventionist in economic matters. The spectre of big government has once again returned to haunt Australia.

Of course, one could argue that Shell merely got the answer it deserved when Treasurer Peter Costello blocked its \$10 billion bid for Woodside. After all, the Dutch-owned multinational should have recognized that its campaign to take over Australia's twelfth biggest company in an election year would strike a political raw nerve. Still, whatever misfortune Shell brought on itself, Australia deserved better than Canberra's decision to reject.

No matter how the Howard Government attempted to justify its decision—Mr Costello cited 'national interest,' signalling concerns over the implications of a Shell takeover for the future development of the North-West Shelf project—the truth is that it buckled under growing populist pressures.

Protectionist sentiments have run deep in Australian political and economic life for most of the twentieth century. And they have resurfaced with a vengeance in recent months.

The devastating electoral setbacks for conservatives in Western Australia and Queensland have sparked immediate recriminations against Mr Howard's Coalition Government. Both State and Federal legislators have blamed the Prime Minister's free-market policies for the carnage, despite the

***The danger exists
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fact that the defeats had more to do with voters bristling at a series of bureaucratic gaffes.

Still, maverick National Party MP Bob Katter reflected deepening conservative anxiety over the electoral routs when he complained: 'If they [the Howard Government] want to continue with these policies, like the sale of Telstra, deregulation of the milk industry and GST [goods and services tax] then they'll be as popular as a brown snake in a sleeping bag'. And as one senior Liberal Party official said, 'Economic rationalism is dead, dead, dead'.

Nor are these conservatives alone. A disparate coalition of centre-left, far-left and far right-wing opponents of capitalism have recently crawled out of the woodwork to support increasing levels of protection and government intervention in the economy. The growing strength of this group lies in their extraordinary diversity. Not since the early 1980s, before economic reforms were implemented, have so many groups of different ideological stripes—from the Greens and Democrats on the Left to One Nation on the Right—been galvanized at any one time. Opposition to deregulation, competition, privatization, free trade, and foreign investment and ownership is the source of their unity.

Indeed, such words are so dirty in Australia today that anyone who dares preach them risks being demonized as an 'extremist' and 'elitist' who's supposedly out of touch with the Aussie mainstream. As Brian Costar, a professor of political science at Monash University, wrote in *The Age* in February: 'Economic rationalism is as popular in parts of regional Australia as communism was in the 1950s'.

The rebirth of One Nation—much like its birth in 1996—is due not so much to Ms Hanson's racist attitudes or conspiracy theories about the United Nations planning to take over Australia. Her party's popularity has more to do with the widespread perception that free markets wreak havoc. As Mr Howard has consistently argued for the past five years, Ms Hanson may be merely riding waves of protest in the rural heartland, a traditional hotbed of anti-competitive, agrarian socialist principles.

REVIEW

If anything, One Nation can rightly be seen as a reactionary, isolationist backlash against Australia's inevitable integration with the Asia-Pacific region and the global economy. Comparable movements have developed in Europe and North America, and there is nothing really surprising about its emergence in Australia.

Nevertheless, the danger exists that One Nation's agenda overlaps too neatly with that of the protectionist Left—including the Greens, the Australian Democrats and the left of the Labor Party. If these parties shared the balance of power in the Senate—and this is not inconceivable—they could find common cause on certain economic policies.

Of course, there has long been a statist culture in Australia. Since Federation in 1901, big government has manifested itself in various ways—in a White Australia Policy to keep out competition from cheap Asian labour, import protection to guarantee domestic profits, and an arbitration system to stand between capital and labour by guaranteeing a share of the protected pie for workers. Not surprisingly, these stifled Australia's development throughout most of the twentieth century.

Fortunately, these also had a limited shelf-life; the White Australia Policy was dismantled in the 1960s, as was import protection in the mid-1980s. Between 1983 and 1996, the Hawke-Keating Labor Governments floated the dollar, reduced tariffs and deregulated the financial system and government-controlled industries such as aviation and telecommunications.

Since 1996, the Howard Government has, in fits and starts and with some reversals, merely continued in this direction. It corrected Labor's budget, finished off the job of slaying inflation, pursued labour-market flexibility, improved waterfront productivity, privatized government businesses and implemented income and business tax reforms.

Still, economic nationalism haunts Australia, despite the fact that

the unwinding of the deadening hand of the 'Nanny State' has delivered significant and enduring benefits. These include a less inflation-prone economy, lower interest rates and a wider choice of goods and services at lower (real) prices.

As a result, the Australian economy is much better equipped to generate wealth and to weather external shocks than before the mid-1980s currency crisis. Indeed, it's no fluke that Australia weathered the economic turbulence out of Asia in 1997–98. Just think how the old Australia—the over-regulated, over-protected, fiscally weak and inflation-prone Australia—would have coped with the Asian financial crisis.

True, there has been painful adjustment for some rural residents, and traditional forms of regional employment have declined. But many of the problems in the bush are hardly the fault of private enterprise and globalization. They are often simply a result of technological and structural changes such as the decline in world commodity prices and technological advances in farming.

It would be misleading, however, to argue that the opponents of economic reform and globalization are limited to the extreme political Right and Left. Kim Beazley's Labor Party, for example, is significantly watering down proposals to reform the economy.

Indeed, with a few honourable exceptions, the Labor Opposition has thrown away its 1980s' claim to be leading the charge for policies that confront the reality of today's globalized economy. Mr Beazley and his deputy, Mr Simon Crean, are leading Labor backwards into the 1950s and '60s rather than into the twenty-first century.

While Mr Howard sought to get rid of our national shame and modernize our waterfront in April–May 1998, Mr Beazley supported the MUA dinosaur and spoke class-warfare language more suited to the classic labour–capital conflicts at the turn of the twentieth century. Indeed, it's fair

to say that Mr Beazley's Labor has turned backwards to seek to win back its traditional blue-collar constituency by resorting to pre-rationalist economics.

The Liberals paint Kim Beazley's Labor as a 'policy-free zone'. In fact, the policy framework for a Beazley Government is already in place. For example, the Beazley model is a step back to Australia's old IR Club, with its legal protections of union monopolies, prescription of pay and working conditions by awards, and interference by quasi-judicial tribunals. It is a false political promise to deliver 'income security' to an electorate that inevitably feels uneasy about the unavoidable realities of the global marketplace.

Rather than embrace the opportunities of a globalized, information-age economy, the Beazley agenda simply sets out to satisfy the ideological preferences of Labor comrades and to pick up alienated Howard voters by pretending that there is a free lunch on offer. Such a platform only adds uncertainty to already wary financial markets.

To be sure, Mr Howard and the Coalition are hardly true believers in the economic reform agenda these days. In pandering to the forces of economic nationalism, for example, the government's decision to reject Shell's takeover bid could be the harbinger of more policy reversals in an election year.

Our political leaders should recognize that while change and adjustment are not easy, it's a dangerous fantasy to suggest that Australia can insulate itself from global market forces. If Canberra thumbs its nose at free markets and resuscitates Big Government, then the world would rightly figure that Australians have lost the plot.

Tom Switzer is assistant editorial and opinion-page editor of the Sydney-based Australian Financial Review. A shorter version of this article appeared in The Asian Wall Street Journal on 25 April.

I P A

The Pendulum Swings

Robbing the Rich Pays Electoral Dividends

ALAN MORAN

AN article in *The Age* (16 April 2001) by Kenneth Davidson was titled 'How big business captured Premier Bracks'. The article contended that the Bracks Government has adopted many of the policy approaches of its Liberal predecessor. Davidson sought a reversal. He argued that the Bracks Government should distribute the \$200 million windfall from the GST to teachers and nurses rather than use it to attract business activity and private-sector jobs.

The article's conventional *Age* anti-business line is an important pointer to wider phenomena. The Bracks Government, like that of Carr in NSW and Beattie in Queensland, sees the road to longevity in promoting the form rather than the substance of policies that push more funds to social services. People have to be paid off for providing support—and, notwithstanding Davidson's views, nurses and teachers have been generously rewarded. But securing a new dynasty means making changes at the edges rather than radical restructuring. And although, in Victoria's case, many would like to dismantle the Kennett privatizations, the Labor Administration knows that this is both impossible and undesirable, except in marginal cases such as the ambulance service.

If the Victorian Labor Government can maintain this approach, it will avoid the excesses of its predecessors which have, in the past, invariably swept ALP governments from power.

Achieving and maintaining government requires tapping the huge

voter potential of opposition to the way things are. That opposition is founded on a feeling by many people that they are battling against the odds and that they merit some form of government support.

Philosophically, Labor succours that support more readily than the Liberals. Although the Liberals might spend and regulate excessively, the average Liberal politician started her or his career by objecting to the size of government and its intrusiveness. Some of this sticks—even after a life of deal-making and compromise.

The evidence of the electoral advantage which the Labor parties have can be seen in recent elections in Australia. WA's steadily performing Court Government was recently kicked out, and over the next year the Howard and the South Australian Olson Governments may be heading for the same fate. Even being an outstanding performer, as was the case with the Kennett Government, has not stopped the electoral demise of Liberal Governments once their Labor Opposition has provided evidence that they will be more 'caring' and will implement interventionary measures without this calling on the voters' pockets.

In contrast to their Liberal counterparts, incumbent Labor governments have fared well. The ALP in Canberra had 13 years, winning its last election despite solid evidence of poor management, and only narrowly failing to regain office in 1998, in spite of facing an apparently successful government. The steady-as-you-go Carr Government was returned effortlessly, while the Queens-

land Beattie Government won a sweeping victory despite the overwhelming stench of branch-stacking fraud. And let's not forget, Western Australian voters returned Peter Dowding although his predecessor, Brian Burke, was clearly guilty of scandalous fiscal mismanagement.

For many Labor politicians, manipulating markets, redistributing income and regulating behaviour provide their political definitions. But this is also the glass jaw that must be exposed sparingly if a knock-out is to be avoided.

Although Labor can comfortably appeal to the electorate's masses by diverting income from the better-off, such diversions can all too readily result in disincentives to work and to invest that backfire into economic underperformance. Labor has, in fact, only lost office when its actions were clearly shifting the economy backwards. In the case of the Keating Government, it was in having no backbone in the Finance Ministry so that a spendthrift administration resulted in budget problems. Other ALP Governments in Western Australia, South Australia, and Victoria lost office because they tried highly creative means of obtaining the finances for the sort of developments they wished to see, in some cases causing bankruptcy of State financial institutions.

Australia is not alone in this position of moderate leftish parties being voted into Government and remaining there as long as their policies are not disruptive. Blair looks secure in Britain, initially winning office against a well-performing government. The Tories' highly publicized

sex scandals in the John Major years have been matched by those of the Labour Party in government, but they have left Labour unscathed. In the US, Clinton's notorious philandering made no dent in his popularity.

Schroeder beat Helmut Kohl, who had united the two Germanies and was steward over a sound if lacklustre economy, although he had been involved in election-funding scandals. In France, a left-wing government has been voted into office against a solid, if unspectacular, conservative administration; that present government is sailing close to the wind, implementing policies which will shorten the working week and make it difficult for businesses to lay off employees.

All of this comes back to the head-start in public image that leftist governments enjoy. Although the militants at Seattle, and under the S11 and M1 banners, represent a minority, there is an audible echo of their voices from a huge mass of the population. The truth is that voters prefer a party that will offer them government support. Politics has shifted away from the objective of having the government in power 'hold the ring' while people transact their business and conduct their daily lives without disturbance.

Most political leaders understand that an economy not linked into that of the rest of the world is one doomed to the Burmese option of stagnation. Many voters are, however, under the impression that they can move much further in that direction and sacrifice nothing in terms of prosperity.

This public predilection for the Left may have increased in recent years. However, as *The Spectator* (28 April 2001) pointed out, even the outstandingly successful Thatcher government was only made possible by a hopeless Labour leadership (Michael Foot, Neil Kinnock) and a divided non-Labour opposition (David Owen, David Steel).

If the Left parties are now more electable and more endurable, then ironically, globalization is one reason

for this. Globalization puts all governments' policies under the microscope of world finance markets. As *New York Times* journalist Thomas Friedman illustrates in his book *The Lexus and the Olive Tree*, the actions of individual governments are now more circumscribed by financial markets than ever before. Whenever a government undertakes policy changes, Standard & Poor and other ratings houses scrutinize these. If they downgrade the country's debt rating, considerable cost-penalties will accompany this—hence, political action is constrained.

And this is a process that owes nothing to a global conspiracy. The discipline on governments results

***The actions of
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than ever before***

from ordinary people using ratings agencies they have never heard of. They use these agencies through their 'agents', that is, savings and pensions funds. This takes place because people want the best returns for their money and pick super funds and other savings vehicles with this in mind.

The General Agreement in Trade in Services will augment this impersonal process. It will place a panel of experts, in principle the equivalent of an impartial legal judge, as the ultimate determiner of whether a country has laws in place that are 'more burdensome than necessary'. Now those people hostile to capitalism will see this as another nail in the coffin of local control or even of democracy. But all it comprises is an agreement

that countries will play fair with the citizens of their own and other countries. In this respect it is little different from Merchant Law, a voluntary acceptance of fair treatment for all, which was the crucible of West European trade and development.

All this said, M1 and Seattle activity gives vent to political sentiments around the world that seem to be set against 'economic rationalism'. People are willing to grant the same high credibility they normally reserve for *The X-Files* to scare stories about global warming, genetically modified food, species extinction and deforestation.

Leftish parties can better play to this gallery. In Australia, Labor is mightily assisted by the preferential voting system where votes for the Greens and the Democrats are canalized to the ALP. One Nation represents a kindred brand of knee-jerk voter, albeit one that would naturally gravitate to the conservative parties. The Liberals have, however, been persuaded by some of their voters (aided and abetted by the ALP) to reject One Nation's preferences. This is a pity for them. They already face a major, perhaps insuperable, task in retaining power where they are presently in office and an almost impossible task of displacing reasonably-performing ALP Governments.

Do the liberal parties have an antidote? The preceding paragraph suggests that, in Australia at least, wooing rebel conservatives is a tactical change that could pay off. But this carries its own risk—it may shift the liberals from liberalism and free markets. In Italy, Berlusconi cobbled together a coalition based on law and order, tax reductions *and* major project spending. Even then, he won by only a hair's breadth. It seems that traditional liberalism remains as remote from electoral attraction as does socialistic intervention from a sound economy.

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I P A

Promise Deferred

KEITH MACKRIELL

IN 1941, after the fall of France, the Francophile British writer Charles Morgan gave a lecture in London about Anglo-French relations. The Brits, he said, should get rid of the almost universal belief that 'you can never trust a Froggy'. He urged the French to abandon 'Perfide Albion'—their translation of the British belief. Making his case, Morgan used an image that has resonated across the years—'France,' he said, 'is an idea necessary to civilisation'.

ABC Radio is the same. For all my remembered life it has been there—as informer, entertainer and comforter, mentor and stimulator. Bringer of news, good and bad. Of insights never before imagined. And the sublime sounds of Mozart, Callas and the FA Cup.

Where else, in a six-day period, is there an informed half-hour of talk about contemporary issues in Health, the Law, Religion, the Media, Sport and—however belatedly—Business? And all before nine in the morning. Where else are life matters—the whole gamut—given a run before 10? And it's only on ABC Radio National that you can spend an hour a day listening to talk about the arts.

That's the good news. There is, sadly, some not so good news—that overshadows much that is admirable about ABC Radio and serves to weaken the foundations of tax-funded broadcasting.

THREE PRINCIPLES— IN THEORY ...

Before examining the bad news, there are three elements that should be clear:

First: Broadcasting paid for *by all taxpayers* should deal impartially and fairly *with us all*.

Second: The precept of '*due impartiality*' should be defined, be definitive, be in the Code of Practice and be *put* into practice.

Third: All program-making decisions should be based on '*integrity of intent*' by each of the people making and taking those decisions. This means that they should be based on the professional assessment of program values and standards, with personal preferences, prejudices and predilections pushed into the background.

The ABC's latest Annual Report refers to a Performance Study claiming that, among those who used the ABC (television, radio or online) as a source of news and current affairs

Broadcasting paid for by all taxpayers should deal impartially and fairly with us all

on most days, *90 per cent of respondents* thought that the ABC was 'doing a good job of being balanced and even-handed when reporting news and current affairs'.

The difficulty with that figure is not just that it seems counter-intuitive, but that readers are not told who asked what, of whom—when, where, and in what context—nor who carried out the study, or who paid for it.

What does it mean to argue that 'due impartiality' should be at the heart of program-makers' decisions? There are three key points:

First—that public service broadcasters aren't being properly professional if only one view is reflected in their programs. They must include the widest reasonable range of views. Plurality should be the guide.

Second—due impartiality should mean that, while program makers take account of a range of views on an issue, they should also consider the number and weight of opinion holding minority views.

Third—while it is entirely *proper* that accepted orthodoxies should be challenged, it is entirely *improper not* to do justice to the established view, fully and clearly, and also *not* to discuss the *downside implications* of the alternatives to those orthodoxies.

Now for '*integrity of intent*'—that other element that seems so important for public service broadcasters.

The following story, told from real life, by an ABC radio supervisor, illustrates what integrity of intent is *not*.

A program-maker in the Religious Department made a program. Asked to comment, the supervisor said—'That's good stuff you have there—interesting clerics, views about social matters, and political matters as well. I'm happy with all that. But, they are all speakers from left-of-centre, aren't they? We need to include some from the right, or conservative, or whatever you like to call them.'

To which the program-maker said—'there aren't any'.

'Um', said the supervisor, 'but I'm quite sure there are.'

'I mean,' said the program-maker, in a kindly way, 'none worth listening to!'

What this shows is that the program-maker's opposition to people with views for which he had no time was used as a reason for denying his audience access to alternative views.

The listening public has the right to know—and professional, publicly-funded broadcasters have the responsibility to present—not just the views that match those of the program makers, but those that don't. Oliver Wendell Holmes talked about the principle of free thought—not free thought for those who agree with us, but freedom for the thought we hate.

There is a special need for news and current affairs people to apply integrity to their intent because they act as 'gatekeepers'. They have the power to select and present the material that comes to them from multiple sources. Their values and assumptions define the nature of news itself. They make choices, based on their assessments of news values. These values are not clear-cut—except at times such as the Princess of Wales' death and other news events of over-arching significance. On days like that, news may well be fully dictated by the event.

But who can doubt that, on most days, journalists and current affairs people *do* make choices about *which* stories are to be covered, *who* will be asked to comment—and *how* the events will be presented?

In the process of deciding, they will, of course, be influenced by their own viewpoints, by their professional experience and by the assumptions of their profession. Perhaps, most of all, they'll be influenced by the 'culture' of their organization.

Within that culture, people often have to work hard to retain their integrity of intention. It's not easy. But the public is entitled to expect that it should be applied, as part of the integrity/independence couplet—a linkage which means that, where

impartiality and integrity are accepted and applied, independence, both financial and editorial, should be guaranteed.

...AND IN PRACTICE

And there the story might end.

It doesn't, because due impartiality is not always reflected in Radio National broadcasts. And because there seems a lack of integrity of intent in some of the network's output.

The listening public has the right to know ... not just the views that match those of the program makers, but those that don't

What's the evidence?

Well, regrettably, it's got to start with Phillip Adams.

Regrettably, because the problem lies as much with those who are nominally in charge, and who seem to accept the lack of due impartiality, as with Phillip Adams himself.

The Weekend Australian of 10-11 March 2001 published Phillip Adams' own defence of his position in relation to Radio National, making it possible to examine the perspective of a high-profile contributor to the network.

The first and fair thing to note is that he claims to have urged Radio National's management 'over the years, to offer the likes of Gerard Henderson or Paddy McGuinness their own programs'—though he's not so keen about Imre Salusinsky, who would, he says, 'over-balance me'.

But at least his support for Dr Henderson and Mr McGuinness points to his recognition that the public's right to know extends beyond their right to know only what Phillip Adams wants them to know.

He went on to say that, had his critics asked him, he 'could have identified any number of ABC presenters whose political, social or cultural views are not merely conservative but energetically reactionary'. Disappointingly, he doesn't name those people, contenting himself with the assertion that, in Melbourne, there's a broadcaster whose views on many issues would accord with Alan Jones', while in Newcastle there's a presenter who treated Pauline Hanson with 'a mixture of giggles, gush and grovelling'.

Phillip Adams went on to claim that, 'of the four hours of wireless I present each week for Radio National, only 15 minutes is devoted to Federal politics—the "Canberra Babylon" spot being traditionally presented by a distinguished member of the press gallery. Currently this task falls to Margo Kingston—who is,' he says, 'as likely to excoriate the Labs as she is the Libs'.

Three points should be made here:

First—it is not the case that Phillip Adams is heard for just four hours a week. In fact, he is currently allocated eight hours of Radio National air time a week, not four. He has the 4.00pm to 5.00pm slot on Tuesday, Wednesday, Thursday and Friday and the 10.00pm to 11.00pm slot Monday, Tuesday, Wednesday and Thursday. The afternoon sessions—to be sure—are recorded versions of the previous night's program, but he has this double whammy, giving him a total time not matched by any other ABC public affairs commentator.

Next—it is more than just a little disingenuous to say, as he does, that only 15 minutes each four hours is devoted to Federal politics. Anyone listening regularly is

soon aware that it isn't just in segments about Federal politics that his political position comes through. Tone, taste, inference, implication—they're all there to pump up the left and flatten the others, in a range of items.

As to the assertion that in Margo Kingston's 'Canberra Babylon' slot she is as likely to excoriate the Labs as the Libs—if that's so, she doesn't seem to do it very often. And not even her detractors would accuse Margo Kingston of setting out to disguise her general antipathy towards the present Federal Government.

Phillip Adams goes on to say that 'we've a regular in Bea Campbell, who spends much of her allotted time expressing contempt for Tony Blair and his New Labour henchmen'. So, sometimes, she may. But don't run away with the idea that she fills in the rest of her time boosting the Conservatives. Not even *her* nearest enemies would say that Bea Campbell has a thing going for William Hague. Tony may get the sharp edge of her tongue occasionally, but it's the full rolling-pin job for poor William.

Phillip Adams admits that 'we've given air time to Noam Chomsky' but says that this is balanced by 'respectful hearings to the likes of Henry Kissinger'. And, says Phillip, Noam 'gets very shirty if you call him left-wing'.

Well, if Chomsky hadn't written *Detering Democracy, Chronicles of Dissent* and a number of other books reflecting politically radical positions, over many years, he could have avoided the 'left-wing' tag that Mr Adams says causes him to become shirty. *Finally*—in his defence of his place on Radio National, Phillip Adams examines the 'so-called ABC culture'. It is, he says, 'a fantasy'. 'A furphy.'

Curious point, this. He seems to be saying that because ABC Radio has different staff working on different

programs, on different networks, there isn't an ABC Culture—it's an argument that flies in the face of evidence from literally hundreds of organizations, of all kinds.

PROMISE DEFERRED

In one sense, Phillip Adams has acknowledged the wide concern that his eight hours of air time, broadly devoted to left-wing perspectives, skews the network.

As he first wrote in *The Australian* and then told Mick O'Regan on Radio National's Media Report on the first day of March 2001, 'On this very day I've applied for membership of the Young Libs, Old Libs, the Nats, One Nation, the Shooters Party and, the most extreme of all, the right-wing faction of the New South Wales ALP. I am,' he said, 'a new person, and everyone can now relax, now that the extremist Adams is like the thylacine—extinct, and

Concerns about Radio National's commitment to due impartiality and integrity of intent don't begin and end with Phillip Adams

the ABC has clearly established its ecological equilibrium'.

You might have thought, having been told this, that everything was going to be all right. But then, a few days afterwards, Phillip was talking to John Pilger on *Late Night Live*. And it was soon clear that all his applications for membership must have been blackballed. All that bright promise of change has been deferred. Nothing much is different.

Of course, concerns about Radio National's commitment to due impartiality and integrity of intent don't begin and end with Phillip Adams, nor are they a recent development.

As long ago as December 1996, Eva Cox, who has had regular access to the network, said, 'There's a perception that left-wing people like me get too much airtime. I can tell you they don't. The place is full of what I'd call right-wing commentators. And we have got 50 million right-wing commentators everywhere else in the media'.

Notice that she uses the same approach as Phillip Adams—claiming that there are right-wing commentators on the ABC, but then avoids naming them. And they both justify a left-wing stance, by asserting, to use Phillip Adams' elegant phrase, that 'it's a fart in a windstorm compared to the overwhelming bombast and bigotry that's pouring out of commercial radio'. The implication that 'our' ABC exists as a left-wing bastion against commercial bombast and bigotry is not easy to find in the Corporation's Charter, Mission Statement, Code of Practice or any other guideline document.

Some commentators argue that listing examples of the absence of impartiality is an unnecessary waste of time. Frank Devine, in *The Australian* of 12 August 1996, said that 'unfairness is endemic—why bother making lists of instances, when bias permeates the national broadcaster, and the evidence is there for everybody to see and hear every day?'

Perhaps he's right. But if the perception of a lack of impartiality is allowed to continue, then the antipathy this causes between the ABC, the present Government and sections of the audience, will fester.

OBSTACLES TO REFORM

This conflict does little good to anyone—and it is surely against the public interest that there should be longstanding antipathy between a national broadcaster and any govern-

ment, Federal or State, Coalition or Labor.

Which prompts consideration of what stands in the way of improvement from the ABC side.

There seem to be two principal possibilities:

The *first* is that the ABC's Board, management and senior Radio executives simply don't see the problem. If this is so, and they are not to be shifted from that view, then redress will be a long time coming.

The *second* possibility is that the Board, management, and senior Radio executives decide that they *can't* take action, despite the conviction that action is justified.

This possibility is based on the opinion, articulated by the former Senator Graham Richardson, that the ABC news and current affairs staffs 'simply won't cop' certain changes they don't like.

Recent months have illustrated how effectively a campaign through the media can be mounted against a Managing Director, who now joins other chief executive officers, including Geoffrey Whitehead and David Hill, whose policies have run foul of the prevailing opinions of those staff who see themselves as holding the flame for the ABC.

If, indeed, the influence of staff opinion leads to reluctance to intervene, then the views of Russell Bate, the last Labor appointee to the current Board, become clearer.

Earlier this year he spoke about staff attitudes and the resistance to management directions. Mr Bate's view, after five years on the Board, is that there is an unrealistic expectation by many staff of involvement in management. A half-billion dollar operation, he said, can't be run like a collective farm.

Well, Russell Bate has articulated what many people have long suspected—that a core of influential staff, while not actually managing the ABC, has for long had the nega-

tive power to block certain decisions and policies and people.

Last year, when there were rumours that Phillip Adams' contract was not to be renewed, provides a case study.

Aided by media mates and the strident Friends of the ABC, Phillip Adams became a symbol of staff influence. There was a significant public furore, and denials from Radio management.

A core of influential staff, while not actually managing the ABC, has for long had the negative power to block certain decisions and policies and people

The issue, at least in public, was killed off, with a *Sydney Morning Herald* report quoting Mr Adams as saying 'I run a good program. I'm not going to take the execution'.

A CLEAR-CUT EXAMPLE

A final point. The Breakfast session on Radio National on Friday 30 March 2001 ran commentary about the decision by President Bush to withdraw American support for the Kyoto environmental agreement.

The broadcast segment had two people commenting on that decision—a British professor and a former member of the Clinton administration. Both took the same position, opposing the Bush decision.

This failed the many listeners who want to be able to make informed judgments—either informed assent or informed dissent—on a wide range of current issues.

What we got were two people taking essentially the same position. There is not the slightest objection to presenting views in opposition to those taken by any government. But listeners have the right to know—and the ABC has the responsibility to provide—information and comment from people who represent the principal differing views—on the Kyoto decision or any other comparable issue.

The program segment provided no reason or background for the Bush decision. Radio National apparently thought it was right, with time in the slot for two opinions, to have both commentators taking the same anti-Bush position.

It was later claimed by a Radio National spokeswoman—as reported in *The Australian* of Monday 2 April 2001—that 'the program's producer tried to contact pro-Bush commentators but none was available for the broadcast'. It was also said that 'Breakfast will continue covering that story this week, and all points of view will be presented'.

It is left to readers and listeners to decide whether the claim that no pro-Bush commentators were available is credible. In making up their minds, they should note that, in her breakfast show on ABC Radio 702, in Sydney, Sally Loane interviewed two commentators—one, a US Government greenhouse adviser, who was wholly in agreement with Bush's decision. This was broadcast only minutes after the Radio National producer couldn't find a single commentator in the English-speaking world available to put the pro-Bush view.

Did Radio National treat this major story with due impartiality—and was there integrity of intent?

Keith Mackriell was the Federal Head of ABC Radio from 1974 to 1984. This is an edited version of a paper he delivered to the IPA's ABC Conference in Sydney on 31 March 2001. A full list of Conference speakers and their papers are available on the IPA Website: www.ipa.org.au

IPA

Letter from London

JOHN NURICK

Is the Public Service too 'Efficient'?

Last time I wrote, I knew—along with everyone else from Prime Minister Tony Blair down—that there would be a general election on 3 May. But none of us had bargained for foot and mouth disease, and it was postponed until 7 June.

The election campaign is too depressing to write about. Mr Blair set the tone by the way he announced it, in front of a captive audience of schoolgirls, few if any of whom were old enough to vote. That didn't matter, because he spoke—literally—over their heads to the television cameras. The girls, with their pretty faces and shiny hair and happy hymn-singing, were just scenery. The worst thing is that I'm sure Mr Blair believes, perfectly sincerely, that he abhors the exploitation of children.

The campaign then settled down to the usual half-truths about taxation, education, healthcare, immigration, and the 'European superstate', enlivened by the occasional scuffle when a voter found a politician.

Something that should be an issue, but isn't, is administrative competence. In the good old days, people thought that Britain had a 'Rolls-Royce' of a public service: silent, powerful, and dependable. That was always myth—but nowadays you really have to doubt whether our government and public service could raffle a chook in a pub.

There are too many examples to present here. The railways; everything to do with MAFF (BSE, food safety, foot and mouth disease, farm policy); the passport agency; the immigration service; the prison service; public service computerization; and so on. We seem to be especially bad at large



projects such as the Millennium Dome or the Crossrail project for an east-west link under London. The latest example is the new National Stadium at Wembley, where no-one can agree on what the stadium should have or who should pay for it. Meanwhile, English soccer finals have to be played in Wales (which is rather like having the National Rugby League finals in Tasmania).

This isn't a complaint against the Labour Government; many of the examples began while the Conservatives were in power. Administrative competence is an issue that should cut across ideological lines: big government or small, what it does should presumably be done well.

An obvious objection is that there's nothing special about Britain, that other countries are just as bad if not worse. There's certainly something in this, but I do get the feeling that administrative competence here has declined over the last generation or so. It's certainly very hard to imagine the UK matching Australia's performance with the 2000 Olympics.

If there has been a decline, what are the likely causes? Here are my suspects:

First, public servants aren't as good as they used to be—or rather, the public service has a lower proportion of

first-class minds where it matters. Certainly, changes in society and the economy mean that a career in the public service attracts fewer of the brightest graduates than it used to.

Second—and paradoxically—the public service has been trying hard, and not without success, to become more efficient: privatization; hiving off administrative functions such as issuing passports and driving licences to specialist 'executive agencies'; cutting staff; and so on. Every agency and department has performance targets to meet. The result—also seen in lean-and-mean private-sector organizations—tends to be organizations where everyone is so busy with day-to-day work that there's not enough elasticity to cope with a sudden change in the environment.

Most people assume that flexibility is something that private-sector organizations need more than the public sector. If anything, it's the reverse. Private-sector organizations face continuously-changing conditions, and they either adapt or are replaced by competitors. Public-sector organizations have to put up with frequent and often drastic changes in structure or tasks as government policy changes or emergencies arise—and there are no competitors to take over if they fail.

Perhaps the Thatcherite reforms (continued by Messrs Major and Blair) have gone too far, and we need a bit more slack in the public sector. It may all be a great conspiracy—give people incompetent government in the hope it will make them want minimal government—but somehow I doubt it.

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

I P A

REVIEW

What's A Job?

KEN PHILLIPS

Equality Dreamings

At an April 2001 industrial relations seminar, the Secretary of the ACTU, the Victorian Industrial Relations Minister, the National Secretary of the AMWU and a diverse collection of leading labour academics facilitated by the respected Professor Ron McCallum agreed on one key point: underpinning all industrial relations law is the fact that employers and employees are not and cannot be equal and can never have shared, common interests. They stated that the proponents of industrial relations 'deregulation' believed the opposite—that equality does exist and common interest is achievable.

Which view is right? Both, actually! But both are also wrong! The Australian industrial relations debate is gridlocked by a classic case of opposing paradigms, neither able to comprehend the legitimacy of the other, yet with the truth being a combination of the two. And to a large extent, one side offers a strict legal perspective while the other is economic.

The hard truth is that industrial relations is about the regulation of inequality, because the very legal essence of employment is that one party has rights to control the other. The IR system allegedly arbitrates to prevent the worst excesses of inequality.

The alternative economic view holds that real-life behaviours do not fit this simple legal paradigm and that the interference of the IR system frustrates productive economic behaviours. What the economic analysis misses is the truth that the IR system is an exclusively legal construct. To argue for deregulation is always to argue for transference of legal power to the employer. This legal fact cannot be ignored. Legal systems of individual employment agreements may seek to cre-

ate proximity to contract equality, but they don't change the fundamental legal inequality of employment.

Over the last 10 years, however, while the media and political focus has been on the industrial relations soap-opera, fundamental community change has occurred that challenges the industrial relations norm. This has taken two forms.

The first is the dramatic increase in the number of people who work but are 'not employed'. They work for themselves and are self-controlled. The elements of legal employment do not exist and the IR system is not their

The Australian industrial relations debate is gridlocked by a classic case of opposing paradigms, neither able to comprehend the legitimacy of the other...

legal regulator. They exist in a legal paradigm of equality and constitute 20 per cent of the workforce.

The second (and conceivably larger) group are those who could be classified as independent employees. They are forced into the legalities of employment but have the desires and mental attitudes of independence and self-control.

Combined, these two groups have no stake in the industrial relations system, find it all an irrelevant bore, but have no organized voice, lobby or political representation. Quite oddly, the industrial relations debate continues almost as if this constituency does not exist—yet they are the single most

important, identifiable force for change in the Australian workforce.

The labour movement cannot believe that this constituency wants to escape the environment of employment inequality. The movement's only policy response is to demonize and seek to prevent non-employment work arrangements. In pursuing this agenda it has entered the realm of the politically macabre. Long proud of its utterances in defence of equality, the labour movement has turned itself into a most powerful instrument for the maintenance of employment inequality.

On the other side of the debate, the 'employer' advocates continue to argue from their same restrictive paradigm of accepting the employers' supremacy, vaguely aware that some sort of change has happened but not yet even thinking about how to think about it!

At some point in the evolutionary process, however, there will be a recognition that we are already living within a new paradigm that requires a sensible response. Inevitably this will mean the acceptance of the fact that people want a free choice when working, between the option of the inequality of employment and option of self-controlling engagement.

Ultimately two alternative workplace regulatory systems will emerge—one geared for the legal inequality of employment, the other utilizing frameworks for engagements of equality. This development won't stop the industrial relations soap-opera or the accompanying games of industrial and commercial mafiosi. But clarity in the two legal choices available will focus minds on the comparative economic outcomes possible under each.

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

I P A

Confessions of a Privatizer: The Privatization of CSL Ltd*

GARY JOHNS

THE wholly government-owned Commonwealth Serum Laboratories (CSL) was sold in 1994 for nearly \$300 million. I was responsible for CSL at the time the government took the decision to sell.¹ In their book, *Privatisation: Sell Off or Sell Out?*, Bob and Betty Walker gave the 'Wooden Spoon Award' for Australia's worst privatization to CSL Ltd.²

Was the Commonwealth wrong to sell CSL, or was the sale the realization of a public asset and a chance for an Australian manufacturer to develop and contribute to the national economy as never before?

Walker and Walker, and Hamilton and Quiggin,³ regarded the sale of CSL as consisting of only one form of risk: the risk that the taxpayer would receive insufficient return on its investment. They did not consider the risks involved in the continued ownership of CSL by the Commonwealth. Their focus was zero-sum: a gain to the purchaser must mean a loss to the seller.

They did not consider the dynamics of the situation. CSL was not an institution, it was a company. Among other things, it operated in the highly competitive pharmaceutical industry. It had to invest in research and development, it had to seek alliances with other companies in order to develop sophisticated drugs. It had to be alert to competition. CSL produced vaccines and sera for treating a variety of illnesses, including diphtheria, tetanus, cholera, plague, pertussis (whooping cough), smallpox and influenza. Any of these products could conceivably,

at some point, have been manufactured by a competitor for a lower price. The Commonwealth was also a purchaser of most of the products. It would have been entitled to seek the best price. As both producer and buyer, the conflict for the Commonwealth was obvious.

CSL's largest single manufacturing activity was (and is) blood fractionation. Plasma is sourced from blood donors to the Australian Red Cross Blood Transfusion Services and the Commonwealth had a clear

The question the critics ... must answer is: would CSL have made such a contribution to Australia had it remained in Commonwealth hands?

public health obligation in this part of the business. While it was unlikely that the Commonwealth would source its fractionation elsewhere, or that a competitor was going to arise, there may have been advantages in splitting the company, separating fractionation from vaccines and sera. Other divisions, such as Biosciences

and Veterinary, could similarly have had a life of their own, or indeed may have been better placed in another institution such as CSIRO.

A whole range of options, from total sale, to partial sale, to dismemberment of the company were all seriously considered over a number of years. CSL was not a body to be nursed, it was an array of productive assets to be maximized.

The decision to sell CSL whole may or may not have been the best one. Who knows what further options would have proved even better? What we do know, however, is this. CSL paid \$4 million income tax in 1994; in 2000, it paid \$27 million. CSL employed just over 1,300 people in 1994; in 2000, it employed over 1,400 people in Australia, and a number overseas. In 1993, sales revenue was around \$170 million and assets were \$230 million. In 2000, sales revenue was over \$500 million and assets were nearly \$1 billion. The question the critics of the sale must answer is: would CSL have made such a contribution to Australia had it remained in Commonwealth hands?

DID THE COMMONWEALTH RECEIVE AN ADEQUATE RETURN?

Returning to the critics' narrow focus, the most difficult part of identifying the losses and gains of a sale is estimating the 'sale' or 'retention' value of an asset. This estimate is considerably influenced by the view taken on whether there is a differential cost of capital faced by government and the private sector. The

critics argue⁴ that the cost of capital is always higher to the private sector than to government. The argument follows, that the only way a government can induce a buyer in the private sector is to sell the asset at less than it is worth. This is nonsense. As Hathaway suggests, 'the mere fact of government (as opposed to private) ownership does not alter the value of an asset'.⁵ The cost-of-capital argument is based on the observation that the government sector need not pay company tax, and that the government sector can borrow at lower rates than the private sector. These observations are correct, but it does not follow that the government cost of capital is lower than the private sector cost. Ultimately, the case for the privatization of government enterprises does not turn on the cost of capital for government business enterprises. It is based entirely on the efficiency gains it makes possible.

The study of the privatization of CSL by Hamilton and Quiggin (relied on by the Walkers) made the false assumptions of the kind Hathaway describes. When the authors applied their measure to the CSL sale, in the first instance they concluded that the sale price was right!⁶ Indeed, the Australian National Audit Office (ANAO) audited the sale of CSL and concluded that the Commonwealth's return on the sale of CSL was acceptable given the modest size of the initial after-market share premium and that it approached reported shareholder funds.⁷

THE NEW PLANT AND THE NEW AGREEMENT

To sustain their criticism that the Commonwealth sold CSL too cheaply, however, Hamilton and Quiggin relied on two other elements of the sale—the new fractionation plant at Broadmeadows and the 1993–2004 Plasma Fractionation Agreement (PFA).⁸ The CSL acquired a new blood fractionation facility, substantially funded by the Commonwealth, which was to gen-

erate higher future profits. The sale of blood-products was controlled by a contract with the Commonwealth, which, before sale, substantially increased the price for product, thus underwriting future profits. The critics' argument is that the Commonwealth will be paying out \$45 million per year more for the life of the

CSL was not an institution, it was a company. Among other things, it operated in the highly competitive pharmaceutical industry

ten-year agreement than it would have, had CSL remained in Commonwealth ownership.⁹ Is this accusation sustained by the facts?

The profitability of CSL did and does, to some extent, depend on its PFA contract with the Commonwealth. Commonwealth payments to CSL before the PFA were a non-commercial pricing arrangement. They did not include any allowance for capital upgrades to enable continuing manufacture of blood products. Presently, the payments are a commercial arrangement, and as such represent a real return to CSL. Such a return meant a considerable increase in the price of the products.

Akin to the differential cost-of-capital argument, Hamilton and Quiggin argued that the real cost of producing blood products could be less in the hands of a government-owned CSL. In fact, with the same efficiency of operation, the cost would be the same. The things that varied were the reassignment of risk

between the Commonwealth and the CSL, an agreement to share any future gains in productivity over the lifetime of the agreement, and for the first time, the government and the CSL would have to negotiate a real price.

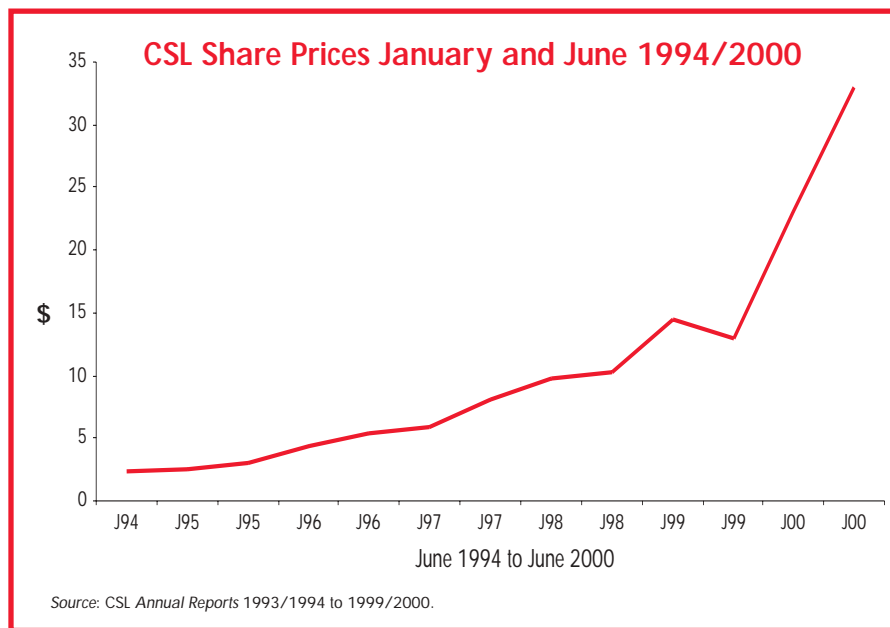
Because there is a single buyer and a single seller in blood fractionation in Australia, risk can only be assessed through negotiation and review. That does not mean that risk is not apparent, or that it should be set at zero. Fortunately, the PFA incorporated adjustments for efficiency gains, which were to be split 50:50 between the Commonwealth and the CSL, and there was an agreement to review pricing arrangements during the course of the contract.¹⁰

A major impact on the review of pricing was a disagreement about the depreciation of the Broadmeadows facility. The ANAO argued: 'Some \$35 million, which CSL had received in respect of depreciation on its assets was added back into the total asset base value'.¹¹ The Department of Health countered that 'projections indicate that \$219 million will be recovered over the period of the contract compared to \$221 million [of the target amount]. This means there has been no double-counting'.¹²

The disagreement on the rate of depreciation for the Broadmeadows plant does not suggest the dogmatic conclusions of Hamilton and Quiggin and the Walkers on the price received by the Commonwealth for the sale of CSL. Moreover, the agreement to share any variation in the adjustment to the price of blood product considerably reduces the magnitude of any supposed loss, especially as the matter is to be renegotiated in 2004.

HAS THE NATION LOST AN ASSET OR HAS IT GAINED ONE?

The price of CSL shares has soared in the years since the float. The critics argue that any improvement in the share price implies a loss to the taxpayer. They include profits five ►



years after privatization as belonging to the Commonwealth, assuming CSL would have generated those profits in government ownership. The only way that could happen was for the government to have captured the improvement in value by having purchased CSL shares at its sale!

What specific activities led to the extraordinary rise in value of CSL shares? Since the float in 1994, other than the Managing Director, almost every single other management role in the organization has changed. CSL's acquisitions of JRH Biosciences USA in 1994 and Biocor Animal Health USA in 1998 have made some difference, although the acquisition of ZLB Switzerland in September 2000 was, in the opinion of a senior CSL executive,¹³ seen by the share market as adding considerable value.

Further, the market has seen CSL's R&D activities as adding value to the company, specifically its collaboration with Merck on an HPV vaccine (human papilloma virus) as well as its collaboration with AstraZeneca (Sweden) on the development of a therapeutic pylori vaccine. Another jump in the share price occurred in 1999 when CSL entered into collaboration with the American Red Cross for the development of a fibrin bandage. Overall, the new

investments in R&D and in purchases, and the new 10-year blood fractionation agreement with the Commonwealth appear to account for the confidence that shareholders have in CSL.

CONCLUSION

The criticism that CSL was Australia's worst privatization is based on the view that government assets should only pass into private hands if the taxpayer receives a return equal to that which would be received by a private operator, when that operator had promoted a more efficient use of capital. A government which was unwilling and unable to run CSL as a private company could not expect to recoup a present value from assets that were improved after they were sold. Of course, the basis for much of that improvement rested in the preparation of CSL for sale, in particular the new fractionation plant and the corporatization process. It may also be true that the Commonwealth could have struck a better bargain with CSL on the price of plasma products and the assignment of depreciation at the Broadmeadows plant.

Nevertheless, the Commonwealth was able to realize an asset in such a way that the nation has continued to benefit from the growth of

CSL through taxation, employment, capital accumulation, foreign acquisitions, exports, and investment in new technology. The future of CSL may be subject to much greater risk as it breaks into new markets and confronts greater competition¹⁴—the sort of risk and competition that a government-owned operation could not handle, indeed, would not dare handle.

NOTES

- * The full version of this paper is available at the IPA website: www.ipa.org.au
- 1 As Parliamentary Secretary to the Minister for Health, Housing and Community Services.
- 2 Walker B. and B. Walker, 2000. *Privatisation: Sell Off or Sell Out?* Sydney: ABC Books, 224.
- 3 Hamilton, C. and J. Quiggin, 1995. *The Privatisation of CSL*. The Australia Institute, Discussion Paper Number 5.
- 4 Walker and Walker, 2000, Chs 4, 5 and Appendix to ch 5. Quiggin, J. 1997. 'The Equity Premium and the Government Cost of Capital: A Response to Neville Hathaway'. *Agenda* 4(4): 475–488.
- 5 Hathaway, N. 1997. 'The Equity Premium and the Government Cost of Capital: A Rejoinder'. *Agenda* 4(4): 486. Also, Hathaway, N. 1997. 'Privatisation and the Government Cost of Capital'. *Agenda* 4(2): 155.
- 6 Hamilton and Quiggin, 1995, 4.
- 7 Australian National Audit Office, 1995. *The Sale of CSL*. The Auditor General. Audit Report No. 14. 1995–96. AGPS, Canberra, 5.
- 8 Hamilton and Quiggin, 1995, 4.
- 9 Hamilton and Quiggin, 1995, 6.
- 10 The average minimum price in the PFA was around 65 per cent of world prices for fractionated plasma products. Department of Finance. ANAO, 1995, 43.
- 11 ANAO, 2000. *Commonwealth Management and Regulation of Plasma Fractionation*. Audit Report No. 24. 1999–2000 Performance Audit, 59.
- 12 ANAO, 2000, 61.
- 13 Personal correspondence with author, April 2001.
- 14 Macquarie Research Equities, February 2001. *CSL*, 8.

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IP A

REVIEW

Workers' Compensation: Time to Rethink the Options

NICK RENTON

THE workers' compensation schemes in the various States and Territories differ in their detail, but they all seem to attract criticism from both sides of the industrial fence.

Employers regard the current schemes as far too expensive and as a significant disincentive to job creation. Trade unions feel that the level of benefits is often inadequate and that this can create hardship for some severely injured employees.

In Victoria, common-law claims under that State's scheme were largely abolished by the former Coalition Government. They were recently restored by the current Labor Government—although, to the disappointment of the unions and of claimant workers, this was not done retrospectively.

As the quality of the debate on that matter left a lot to be desired, it is worthwhile looking at the subject from first principles, analysing the problem before looking at a possible solution.

THE MORAL ASPECTS

The concept that, in a civilized society, persons who cause injury to other persons should, as a matter of morality, compensate their victims is well established.

This principle, long enshrined in the common law of England (and Australia), now covers all manner of situations and is not confined to the workplace. Naturally, compensation needs to have regard both to pain and suffering and to economic loss.

One difficulty which can arise in practice is that a party found liable in such circumstances might lack the wherewithal to meet the damages

awarded by a court (or agreed in an out-of-court settlement).

THE START OF STATUTORY INTERVENTION

Many years ago a remedy for this was arrived at by the authorities, at least in two common situations. This remedy was to require compulsory insurance for employers, regarding injuries to their own employees; and for motor car drivers in regard to vehicle accidents on the roads.

Other injuries which might be equally harmful to the victims—for example, when a brick falls off a

Any system which denies common-law rights to some injured workers really amounts to a cross-subsidization from accident victims to their employers

house onto a passer-by or even when a motorist drives into a tree—were left out of these arrangements. So this legislative approach, with its obvious anomalies, was really flawed right from the start.

As time passed, a number of so-called improvements were built into the workers' compensation system—for example, benefits were extended

to cover injuries on the way to and from work; and the definition of 'employee' was widened. The line between such schemes and social security started to get blurred.

THE DEBATE

When discussing such issues, the public invariably mixes up two quite separate aspects:

- the overall costs of compensation to the community, and
- the best ways of meeting such costs.

The aggregate costs are a function of the dollars actually flowing to victims, to health professionals, to lawyers and to various administrative personnel. They are not a function of book-keeping—a factor which also applies to another frequent hot potato, health insurance.

The basic costs are going to be the same in total regardless of whether these are funded out of:

- direct payments by the persons causing (or deemed to cause) injury, or
- insurance premiums, or
- consolidated revenue.

However, the associated costs for lawyers and the like will, of course, differ considerably according to the way the community chooses to handle these issues.

One possible advantage of an insurance scheme is its ability to impose a discipline on employers, encouraging them to set up safe work practices. This can happen where premium rates are aligned to the perceived risks. Such a discipline, however, could also be imposed in other ways—for example, through the criminal law.

EMPLOYER COSTS

If compulsory insurance is to be used in the workplace, then naturally the premiums become a cost to employers. But this applies equally to all the other expenses of running a business—wages, rent, electricity, telephones, and so on.

Employers do not expect to get their raw materials at less than cost, so why should they expect to pay less than the true worth of work-related injuries—which, after all, are just another part of the total costs of production?

Any system which denies common-law rights to some injured workers really amounts to a cross-subsidization from accident victims to their employers, which is hardly an ethical principle.

Naturally, any premium increases from making a scheme more generous have to come from somewhere. In practice, they are no doubt passed on by employers in the form of higher prices to their many customers, but if the present approach is to continue, then it seems more appropriate that customers themselves should pay a few extra cents for something in the supermarket than that a seriously injured employee should be deprived of thousands of dollars due by way of equitable compensation.

FAULT

Another aspect of the debate which shows evidence of confusion concerns fault. Quite clearly, any system of no-fault compensation can save the community much money because it eliminates the costs of establishing through the legal system just who is to blame for any particular injury.

However, it merely shifts the dividing line between what is covered and what is not—after all, an injury incurred while playing sport will have exactly the same effect on the unfortunate victim as an identical injury while working for a boss.

No-fault cover can take two forms. It can preserve the common-law ap-

proach to damages in regard to the amount of damages awarded—so that the quantum but not the liability is still litigated. Naturally, this is the approach least favoured by those wanting to reduce the cost of claims.

Alternatively, no-fault cover can use a ‘table of maims’, a statutory schedule prescribing the number of dollars compensation for various types of injury. Although such a basis avoids the flow of

Administrative expenses should be kept as low as possible and ... lawyers should be kept out of the process as far as possible

money to lawyers, it is really a far less satisfactory approach in the case of serious injuries—as will be obvious by considering the effect of an injury to the hands of, say, a concert pianist.

True insurance is voluntary and involves premiums set in the marketplace by competitive forces having regard to individual risks. In contrast, social security involves universal coverage funded compulsorily out of taxation. Australians seem to favour a sort of middle course which is really only a form of ‘pretend insurance’. They are then getting the worst of both worlds.

REFORM

The time has come to rethink the problem afresh and to face reality while making some compromises:

- The primary objective should be to compensate fairly (and, where

feasible, to rehabilitate) workers injured in the course of their employment.

- The secondary objective should be to do this at the lowest possible cost to employers, to customers, and to the wider community.

It follows that administrative expenses should be kept as low as possible and that lawyers should be kept out of the process as far as possible.

This could be achieved by treating industrial injuries as a community responsibility, and by extending the current social security system to embrace what have traditionally been regarded as workers’ compensation claims.

This would have a number of distinct advantages:

- Benefits could be integrated with the existing disability support pensions and with payments to carers.
- Benefits would become uniform throughout Australia.
- All genuine claims lodged by injured workers would be handled speedily and sympathetically with a ‘social welfare’ attitude rather than as part of an adversarial culture.
- The concepts of fault and deemed fault would become irrelevant.
- The relatively inexpensive existing Centrelink appeal mechanisms would become available—the Social Security Appeals Tribunal (SSAT) and the Administrative Appeals Tribunal (AAT).
- There would be recourse to the Commonwealth Ombudsman and the ability to use the *Freedom of Information Act*.
- The long delays involved in the present court system would be avoided. (Incidentally, keeping such cases out of the congested courts would also help to reduce the delays for other litigants.)
- Money would not be wasted on the administrative effort currently required to collect and process employer premium payments and to prosecute employers who fail to pay the correct amounts.

Cultural Wars

RON BRUNTON

- Benefits other than reimbursements of actual expenses would be paid in the form of ongoing pensions rather than as lump sum awards.
- Pensions would be automatically adjusted for inflation.

A new two-step approach to fund the above arrangements is also needed:

- While employers would be relieved of the need to pay insurance premiums as such, they should pick up the first \$2000 (say) of each claim—a sort of ‘excess’ in insurance terminology. Apart from leading to savings on the overall claims budget, this would act as a useful financial incentive for all employers to put in place safe working conditions for their staffs. It would also automatically reward sound occupational health and safety practices. Such an excess would also reduce handling costs by keeping very small claims out of the system.
- The balance of the cost would be met out of taxation revenue—which, of course, already includes large sums paid by employers by way of payroll tax and by their customers in the form of the GST. As these two taxes both flow to State Governments, whereas social security is a Commonwealth responsibility, some financial adjustments between the State and Federal Governments would probably be necessary.

One final point. The above approach would provide better protection for employees than the present legislation, because all large claims would be capable of being met even in the event of insolvency on the part of an employer or an insurance company.

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IPA

GaitaManne

In a 1997 *Quadrant* essay on ‘Genocide: the Holocaust and Aborigines’, Raimond Gaita made a strange admission. Stating that ‘many Australians are now obliged to examine their consciences for reasons similar to those which obliged Germans to do it after the war’, he offered an anecdote designed to show that this was not just hyperbole.

During the late 1960s he had attended a meeting of the Melbourne University Labor Club, then a club of the radical Left, at which a visiting speaker said that Right-wing émigrés, from the southern states of the USA, ‘had moved to Queensland, where they sometimes went on hunting parties in their four-wheel-drives to shoot Aborigines’. Acknowledging that this story was ‘almost certainly false’, Gaita excoriated himself and the others at the meeting, claiming ‘that although we found the story credible, I am sure that not one of us did anything to find out whether it was true’.

One does not expect a moral philosopher to trouble himself with empirical evidence. But I suspect that he is being too harsh on his comrades, in the narcissistic expectation that they were all like him. Perhaps many of them understood only too well that this was just another example of the outrageous humbug which saturated those times. But in any case, how can he be so sure that no-one attempted to check the story?

Nevertheless, I recently had occasion to recall Gaita’s anecdote after hearing another Queensland tale from Chris Mitchell, the editor of the Brisbane *Courier-Mail*. If Gaita was really serious in his 1997 essay, he could now be expected to ask his protégé and comrade-in-virtue,

Robert Manne, to examine his conscience as well.

Two years ago, Mitchell offered to send Manne on a trip to learn about genuine cases where Queensland Aborigines are being destroyed. Manne would travel with Noel Pearson and the *Courier-Mail*’s veteran reporter Tony Koch, who for some time has been writing searing accounts of the appalling violence, sexual abuse and other forms of social breakdown in Aboriginal settlements in the state. Manne would then be in a position to use his considerable influence to inform the denizens of the leafy suburbs of Sydney and Melbourne that circumstances were not quite as their fantasies would incline them to believe. Mitchell was dismayed to find that Robert Manne showed no interest in the proposal, even though all expenses would have been met by the *Courier-Mail*.

This seeming indifference to the contemporary suffering of Aborigines is in marked contrast to Manne’s very public identification with the suffering of the ‘stolen generations’. In his most recent writing on the Aboriginal victims of past child-removal policies, in the first issue of *Quarterly Essay*, he condemns ‘the Right’, who are supposedly ‘in denial’ about what really occurred. Those who do not ‘hunt in packs’ are mostly too ‘mean-spirited’, too lacking in ‘empathy’, to appreciate the ‘depth of grief and bitterness and powerlessness’ that Aborigines suffered. So they have become willing parties to a supposed conspiracy directed against the ‘stolen generations’ that has been orchestrated by his successor at *Quadrant*, Paddy McGuinness, and strongly supported by the Howard Government.

Perhaps Manne feared that his own abundant capacity for empathy ▶

would overwhelm him were he to face up to the reality of contemporary life on some Aboriginal settlements. That would be an understandable justification for his apparent unwillingness to take up Mitchell's offer. A less favourable interpretation would be that Manne has become totally committed to a view in which Aborigines can only be the innocent victims of 'Right-wing' iniquity, and never the perpetrators of injustice themselves, so he is unwilling to confront any evidence that might force him to reconsider this emotionally and politically satisfying position. Like the Aboriginal communities whom even *The Age* has finally accused of refusing to acknowledge the widespread child sexual abuse in their midst (in an article called 'Who cares for Matilda?', published on 9 May), Manne may be 'in denial'.

The plausibility of such an interpretation is strengthened by the wanton disregard of facts in Manne's *Quarterly Essay*, which at times degenerates into the fabrication of evidence. Of course, these are serious charges, and they are not made lightly. I have demonstrated that they are warranted in a lengthy document titled 'The False Scholarship Syndrome', available on the IPA Website (www.ipa.org.au). This carefully details the very large number of falsehoods and other major failings in an essay intended to launch a quarterly series, which the editor, Peter Craven, risibly promises will bring its readership 'the widest range of political and cultural opinion which is compatible with truth telling'. The document on the IPA Website deals solely with Manne's treatment of my work, which covers only around 10 per cent of his whole essay. The re-

maining 90 per cent is similarly replete with tendentious errors and omissions that have no place in the writings of someone who presents himself as a scholar, as others who Manne has slandered are also pointing out.

Manne is no fool. Nor, one assumes, is he engaged in some kind of kamikaze mission against his own interests. The only reasonable explanation of the utterly cavalier approach that he has taken towards fac-

It is likely that many of his academic colleagues and media admirers would think less of Manne were he to make a public apology for his falsehoods and omissions

tual evidence is that he is confident that he can get away with it. The members of the pack with whom he hunts, such as Raimond Gaita and Peter Craven and other 'public intellectuals', will always defend him. What happened to poor Michael Warby—for unintentional sins, for which he quickly apologized—will never happen to Robert Manne. No-one is going to ask him to resign from his position as a columnist for *The Age*, or as an Associate Professor at La Trobe University, just because he has made a wilfully misleading attack on 'the Right'. After all, 'the Right' is the enemy of all proper-thinking intellectuals, and who better to attack it than someone who was once so strongly identified with 'the Right' himself. Look at the favourable attention they now give Malcolm Fraser, the man whose surname they once spelt with a swastika in place of the 's'. Indeed, it is likely that many of his academic colleagues and media admirers would think less of Manne were he to make a public apology for his falsehoods and omissions. They might take it as evidence of backsliding.

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I P A

Musing...

Funding and Bias

by **MIKE NAHAN**

To Mr Littlemore, the IPA is a 'money-eyed propaganda machine'. Why? Because we are funded by businesses. To him, business funding leads to bias whereas public funding is pure and objective.

But wait a minute. Is public funding necessarily unbiased?

When was the last time you came across a government-funded report which argued for less government spending or for no new government programmes? To be fair, there are a few—but only a few.

Is it only coincidence that the government-funded ABC is uniformly supportive of more government spending and sceptical of privatization?

Have you ever heard of research generated by the welfare lobby—itself largely government-funded—which finds that poverty is on the decline (which it is) or which expresses concern about welfare dependency (despite seeing evidence of it every day)?

Have you ever come across research funded by the Australian Greenhouse Office that questions the Kyoto Agreement (despite it being fundamentally flawed) or research funded by the QUIT campaign people that does not see a firm link between passive smoking and death?

Now clearly bias can, and indeed does, creep into work funded by business; not only by design and selection but also out of conviction. But just as clearly, government funding suffers from the same tendencies.

The solution lies with the old fashioned way—publish results, make use of peer review and debate, and make sure that there is funding for research from a range of views.

Family and Work

ANDREW McINTYRE

Not All Things Are Equal in Relationships

There has been sporadic reporting in the media about disgruntlement with the Victorian Statute Law Amendment (Relationships) Bill. The Bracks Government's declared reason for the Bill is to extend to same-sex relationships equal rights under the law, specifically those enjoyed by married and *de facto* couples. It also claims that the reform in no way encroaches on the institution of marriage.

The first draft of the Bill gave almost anyone in any kind of *ad hoc* domestic arrangement complete parity with marriage. Hasty redrafting has since explicitly redefined the new operative term 'domestic relationship'—which supersedes the old *de facto* notion—to include a range of factors that must be taken into account, including duration, nature, financial arrangements, commitment, and care and support of children.

Although Dr Robert Dean, the shadow Attorney-General, recognizes the need 'to protect the family at all costs and to promote long-term relationships', he is largely happy with the revamped Bill. It is, however, still totally unacceptable to the National Party, to its leader Peter Ryan and to two independents, Craig Ingram and Russell Savage. They believe that the notion of marriage is so important that the other options contemplated in the legislation cannot match it, and are therefore inappropriate and not acceptable.

The central accusation is that the Bill undermines marriage. Mr Ryan believes that reducing all relationships to those of married couples is in fact discriminatory against marriage. 'The one pivotal act of Parliament that has not been the subject of any direct dis-

cussion in the course of the debate is the 1961 *Commonwealth Marriage Act*. Its many provisions are important in the context of the debate because they set out a process that in practical terms requires people to go to a lot of trouble and not inconsiderable expense to either get married or exit a marriage.'

It is salutary to look briefly at just what these troubles involve. Under this Act a couple is obliged to lodge an advance notice of intent, must show official proof of age and official proof that they are free to marry. There are many restrictions on documentation, consanguinity and affinity, parental consent, solemnization and authoriza-

The fact is that marriage ... does produce measurably beneficial outcomes for participants, children and government budgets

tion. The Act contains 120 sections, all provisions of which attract financial penalties for breaches.

The fact is that marriage, when compared to all other types of domestic arrangements, does produce measurably beneficial outcomes for participants, children and government budgets. Although it is true that the new Bill tightens up the expectations in existing *de facto* relationships—still a poor second in outcomes when compared with marriage—the new Bill is being passed essentially to extend marriage rights to same-sex partners. Troubling evidence suggests that these couples provide even less stability, and thus benefits to children and society, than do traditional *de factos*. Ameri-

can researcher Thomas Schmidt has found that 'life-long faithfulness is almost nonexistent in the homosexual experience.... Under 8 per cent of both men and women have a so-called 'long-term' relationship, defined as more than four years.' [*Straight & Narrow: Compassion & Clarity in the Homosexual Debate*, 1995].

It would seem that the Victorian Government and Opposition have both got the argument back to front. They have now achieved a new discrimination and uninvited government interference against those individuals who choose to move in and out of uncommitted relationships at will. Inadvertently, these people, who for very good reasons of their own choose not to make any commitments, will have the long arm of the 'Granny State' interfering with their liberties. For the seemingly unfair cases of those who believe they should be protected from predators, there are other solutions. There is nothing to stop heterosexuals, at least, from marrying. For the rest, other mechanisms already exist through the writing of wills, joint ownership of property and investments, and the designation of power of attorney in medical and other matters.

From all of this, it would seem that those pushing for the new domestic relationships want to have their cake and eat it too.

In the light of the just-released American 2000 census which shows that barely 52 per cent of US households were living as married couples, and declining, whilst there are huge increases in unmarried couples, it is also difficult not to agree with pro-marriage groups that marriage as an institution is indeed being weakened.

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I P A



There were two watershed points in the development of the Internet as we now know it. The first came very early: e-mail was invented in the early 1970s. This was, in computer speak, the 'killer app' that made the whole Internet worthwhile.

But it required something else to make the Internet attractive to a broad population. That came about in 1991: the World Wide Web. And this was thanks almost entirely to just one man and his employer, the European Particle Physics Laboratory in Geneva.

The immediate problem was how to share information between the different researchers in the particle physics community in a way that would not be burdensome either to those seeking the information or those providing it. But Tim Berners-Lee wanted to go beyond that and provide a system that would work internationally, and without regard to scientific discipline. He produced his proposal in 1989, developed the model in 1990 and released the first primitive web browser in 1991. Of course, it wasn't primitive then, but revolutionary.

It is hard to believe that just a decade has since passed. As the US prepares to celebrate (<http://www.centennialofflight.gov/>) the passage of a century since the first heavier-than-air flight, something achieved without government help by a couple of bicycle-makers in December 1903, I have to wonder what air travel would be like now if it had developed as fast as the World Wide Web. Unfortunately, unlike the Web, flight has been heavily regulated almost since its inception.

Berners-Lee's development was radical in structure, based on hypertext. It represents an extreme of in-

dividual empowerment because the language of the Web (HTML for Hyper Text Markup Language) is so simple that anyone can learn the basics in an hour, because to create a Web page requires very little computer software (everything you need is in a current Windows installation or Mac), and because every creator of content makes his or her own decisions about how to structure it and how, or indeed whether, to link to other Web sites.

As Berners-Lee said in 1999 when describing the genesis of the Web (<http://www.w3.org/1999/04/13-tbl.html>), 'there was a certain fear that the Web would break structures... [A] lot of people I spoke to initially wanted the Web to be hierarchical because they wanted the hierarchical feeling of control.' What he developed was an open, free-wheeling system that allowed people to build a hierarchical structure within it if they chose, but was itself unconstrained.

These days, the Web is a place where you can read about, or discuss, political views of Left, Right or other persuasion, buy computer software, download pornography, sign petitions, engage in networked processing undertakings to solve scientific problems, or even read the output of pro-market think-tanks.

THE INSTITUTE OF PUBLIC AFFAIRS

I have been unforgivably tardy in making mention in these pages of these pages. But here it is at last, the Website for the publisher of the very periodical you are now reading.

Naturally, there are back issues of the *Review*, at least to 1998. Since you are already reading the *Review* but may, like me, find yourself un-



able to attend IPA conferences, you could well be more interested in the speeches delivered at these. A recent example is the March 2001 session: 'Their ABC or Our ABC?'. I shan't detail the rest of the site, but be assured that if you derive pleasure and knowledge from this journal, there is much, much more at:

<http://www.ipa.org.au/>

Note, this is *not* www.ipa.com.au. The latter, a worthy enterprise I feel certain, is a personnel recruitment company, not a think-tank.

LIBERTARIANZ

Advocacy of libertarianism is not the business of the Institute of Public Affairs. Advocacy of intelligent, effective and useful public policy is. Regular readers may well have sensed, though, that I consider libertarian policy (or, in many cases, anti-policy) to be just that: intelligent, effective and useful. Just as importantly, libertarians in their various guises are amongst the most vigorous advocates of the virtues of the untrammelled market.

Yet libertarianism as a movement is almost invisible in Australia. Not so across the Tasman, it seems. There is even an active political party seeking to promote it: Libertarianz. I suspect that it will not be conducting that nation's govern-





ance in the near future, but the mere fact that it exists at all is quite extraordinary. Go to:

<http://www.libertarianz.org.nz/index.htm>

FREE RADICAL

One of the main people behind Libertarianz, and a former leader of the party, is broadcaster Lindsay Perigo who publishes *The Free Radical*, which is also explicitly libertarian. It does have a couple of oddities. For one thing Perigo is, unaccountably, an unabashed fan of Mario Lanza (only kidding here!) For another, Perigo tends to view the world through an Objectivist moral structure and thus rejects Hayek's *The Fatal Conceit* as being morally flawed. This is unfortunate because, in my view, Perigo misunderstands Hayek's approach.



On the positive side, libertarians, Objectivists and free market liberals share a large overlapping body of views which Perigo puts forth in an entertaining, sometimes unique way. And he has attracted as contributors such worthy people as Chris Matthew Sciabarra of New York University, a leading Ayn Rand and Hayek scholar, who provides a thoughtful analysis of the newest controversy in modern music:

Marshall Mathers aka Eminem aka Slim Shady. Go to:

<http://www.freeradical.co.nz/index.html>

THE AUSTRALIAN LIBERTARIAN SOCIETY

Even Australia is not entirely devoid of libertarians. I know nothing of the Australian Libertarian Society beyond what it says on its limited Website. It was founded as recently as 1999 and has issued a number of sensible press releases on matters of public policy. This could well be one to watch.

http://www.geocities.com/libertarian_society

MANNKAL ECONOMIC EDUCATION FOUNDATION

Before leaving these shores, I must mention another Australian site that I've previously mentioned. But it is well worth another look. That is Ron Manners' Mannkal Economic Education Foundation. The organization is loosely modelled on the influential Foundation For Economic Education and is still in its early days, but the site has changed significantly since I last mentioned it. Go there for a free membership and the resulting wider access. While you're at it, click on the calculator to determine what your personal 'Tax Freedom Day' is—the day on which your annual income taxes are paid and the (small) remainder of your income remains your own. Go to:

<http://www.mannkal.org/>

BUREAUCRASH

Let's face it, the words 'Think Tank' encapsulate it all. Free-market advocacy seems so staid, so intellectual so, well, lifeless. In my more pes-

simistic moments, I think that giving up on trying to convince today's adults (if you can call certain policymakers adults) would be the most sensible option, and instead talk to kids. But it seems that they've been doing their own work.



No silly rallies against capitalism, globalization, Nike, energy use or any of that overwhelming trendy nonsense from these young people, BureauCrash proclaims that it 'is a network of guerilla activists who oppose the growing disease of the bureaucratic state.' And, nicely, it has a style about it reminiscent of the Leftist radicals of my youth. Go to:

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

NIKE

And on the subject of global capitalism, just remember that information is power. That Nike is an obnoxious example of the West's exploitation of the world's poor and underprivileged is now a cultural given. Take this opportunity, though, to learn the facts:

<http://www.nikebiz.com/labor/index.shtml>

FEEDBACK

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

Education Agenda

KEVIN DONNELLY

Spitting the Dummy on Childcare

Is the traditional two-parent, one-income family the best way to ensure educational success for children?

Judged by many in the baby-boomer generation, the answer is 'no'. Forget about mum staying at home or about giving children the benefit of two parents. It is all about lifestyle choice and 'quality time'.

Put the kids in childcare? Fine. Want to separate and do your own thing? That's OK too. After all, kids are resilient and it's better to be open and honest if things aren't working out. You can always spoil them by taking them for that holiday in Noosa.

Unfortunately, the evidence is proving the opposite. Over the last year, research, both here and overseas, is showing that children have the best chance of success if they are raised in a stable, loving and supportive home environment where both parents are present.

For many years, the argument has been that taking young children out of the home and putting them in childcare is good for them. After all, kids need a stimulating environment and they learn how to socialize!

Recently-released findings demonstrate, however, that the more time spent in childcare, the more chance that children will have of being violent and aggressive. It is no accident that some teachers, however unfairly, label students with behavioural problems as 'crèche kids'.

An American longitudinal study carried out over the last ten years by the National Institute of Child Health and Human Development (NICHD) shows a clear relationship between the amount of time spent

in childcare and the incidence of anti-social behaviour.

To quote from one of the NICHD investigators, Jay Belsky (as reported in *The Washington Post*, 19 April 2001), children who spend more than 30 hours a week in child care:

scored higher on items like 'gets in lots of fights', 'cruelty', 'explosive behaviour', as well as 'talking too much', 'argues a lot' and 'demands a lot of attention'.

During their early years, children are at their most vulnerable, both emotionally and intellectually. Instead of being placed in a foreign, sometimes hostile, environment, removed from their loved ones, chil-

Recently-released findings demonstrate that the more time spent in childcare, the more chance that children will have of being violent and aggressive

dren respond more positively when they are raised in the home; as common sense would suggest.

Divorced and single-parent families represent another baby-boomer shibboleth that needs dispelling. The argument that the boomers often give is that it is better for children, if a marriage is not working, for the parents to separate.

Even worse, some feminists argue that children do not need a father and that any woman is entitled to be a mother in her own right.

Once again, recent research proves the opposite. Last year, the Sydney-based Centre for Independent Studies released a meta-analysis of the relationship between sole-parent families and educational disadvantage (Issue Analysis No.11).

Its conclusion is that students from single-parent families are less likely to complete their school education and, when compared with students from two-parent families, are more likely to achieve at a lower level. As an ex-teacher myself, I can attest that such students are often more disruptive in the classroom; a serious problem in itself.

Even more alarming is the fact that, as quoted in the CIS publication, the incidence of sole-parent families has risen dramatically over the last ten-or-so years. In 1989, sole-parent families represented 14 per cent of all Australian families; by 1998 this figure had jumped to 21.5 per cent.

It has become customary to blame teachers and schools for those students who under-perform or who are anti-social.

The reality is that teachers, and the education system, can only do so much. Instead of expecting teachers to be social workers and child psychologists, and to have to deal with the end result of what, after all, is the responsibility of parents, it is time to focus on the home.

Dr Kevin Donnelly is Director of Education Strategies, a Melbourne-based consulting group. His experience includes teaching for 14 years in Victorian secondary schools and being the father of two teenage children.

IPA

REVIEW

The Role of Judges in the 1998 Waterfront Dispute

MURRAY CRANSTON

A view has emerged in recent years, particularly in certain political and employer circles, regarding a tendency within the Federal Court to shelter unions from the realities of workplace reform by handing them favourable rulings. Unease with this pro-union inclination came to a head in February last year when *The Australian Financial Review* ran an editorial expressing its concern with 'the growing tendency for the Federal Court to interpret the *Workplace Relations Act* in ways that help unions.' The newspaper's action was prompted by a significant ruling from Justice Gray, a Hawke appointee, which had prevented BHP from offering non-union agreements to its iron ore workers in the Pilbara.

While the extent of the Federal Court's sympathies towards the union movement has now become difficult to measure, it is worth examining more closely whether a correlation has existed between the political complexion of the government making an appointment to the Federal Court and the rulings which that judge subsequently makes—particularly in cases of conflict between employers and organized labour. A useful case study in which to explore the possibility of such a link is the waterfront dispute of 1998—the most significant conflict in workplace relations this country has experienced in many decades. While other analyses of this dispute have examined the court rulings delivered (see Glasbeek, 1998; Dabscheck, 1998) it is worthwhile to consider the judges themselves and the role they played in determining the outcome.

The waterfront dispute began on the night of 7 April 1998 as a consequence of Patrick Stevedores locking out its entire workforce of 1,400. The years of frustration with the lethargic pace of reform had finally bubbled over and by the end of that night the only workers at Patrick's wharves were a large contingent of hired security guards. The Maritime Union of Australia (MUA), having already suspected Patrick's intentions, went to the Federal Court the day before seeking an injunction to prevent the company from terminating its workforce. The

The waterfront dispute may well be an isolated example, however the perception of bias in the Federal Court remains

judge selected to hear this crucial application was Justice Tony North. Justice North had been appointed to the Court in 1995 by the former Keating Government and had considerable experience in representing unions as an industrial barrister. He granted the MUA a stay on Patrick's action the following day, ruling that the company could not terminate the employment of its workforce until he had heard the union's injunction.

A fortnight later, on 21 April, Justice North handed the MUA its first significant victory in the dispute by ordering Patrick to reinstate its entire workforce. In his ruling, the Labor-appointed judge found, amongst other things, that there was an arguable case that Patrick had dismissed its workforce simply because its employees were members of a union. The judge came to the conclusion that, as this was part of a grander plan by the company to de-unionize its workplace, Patrick had engaged in an unlawful conspiracy.

Meanwhile, the wharves from which Patrick had been operating had been effectively cut off by large numbers of picketers and demonstrators, many of whom saw violence as an integral part of their campaign. In Victoria, on 16 April, the Melbourne Ports Corporation sought an injunction stopping the protest action of the MUA at its docks, claiming that it was an innocent third party in the dispute. The judge hearing this particular case against the maritime union was Justice Rosemary Balmford, appointed to the Victorian Supreme Court in 1996 by the former Kennett Government. She granted the Corporation an interim injunction against the MUA and eleven other individuals restraining them all from 'occupying or remaining upon the Corporation's land, preventing or interfering with access to and egress from the land, threatening or intimidating any person entering or leaving the land' until 21 April.

An application was then brought before the Victorian Supreme Court seeking a continuation of the injunction against the MUA. It was then

amended so that it would become much broader in its effect. It sought to ban from the picket lines former Premier Joan Kirner, and prominent union officials Bill Kelty, Greg Combet, Leigh Hubbard and Dean Mighell. The judge hearing the application was Justice Barry Beach, appointed to the court by the former Liberal government of Premier Sir Rupert Hamer in 1978. On 20 April, Justice Beach granted Patrick a very broad injunction to clear the picketers. In fact, it was so broad that it banned from the picket lines not only the MUA's members and officials but anyone who had participated in the first picket on 8 April and anyone who had been part of the picket line since that date. The Liberal-appointed judge had given Patrick its first significant victory in the dispute.

Justice Mary Gaudron was appointed to the High Court by the former Hawke Government in 1987. On 21 April she presided over an appeal by Patrick and PCS Stevedores challenging the Federal Court's jurisdiction to hear the MUA's allegations of unlawful action. Justice Gaudron rejected the stevedores' application for special leave. She stated that

there is nothing in this case to suggest that the jurisdictional questions which arise ... should not be determined, in the first instance, by the Federal Court ... there is much to suggest that it would be inappropriate for them to be determined without the benefit of relevant factual findings by that Court ... there is little, if anything, to commend any of the applications for removal, applications which, if granted, have the potential to delay or disrupt the proceedings presently before the Federal Court.

By dismissing this application for special leave and preserving the jurisdiction of the Federal Court in this dispute, Justice Gaudron gave the MUA an important victory.

On 23 April, another injunction was granted against the MUA, this time by Western Australian Supreme

Court judge, Justice Kevin Parker. Justice Parker, appointed by the former Government of Richard Court, held that the MUA's picket at the Fremantle port raised a serious question to be tried against the MUA in relation to public nuisance, intimidation, unlawful interference with trade and business and interference with contractual relations. In His Honour's view, there was

***It would be naïve
to expect judges
... not to harbour
from time to
time a certain
philosophical bias in
their considerations***

a clear prospect that Patrick would succeed at trial, at least against the MUA and its State Secretary. Justice Parker granted Patrick an injunction, although not as wide-ranging as the company had wanted.

Already three weeks into the waterfront dispute a clear trend had been established. The MUA was gaining favourable rulings from judges appointed by Labor governments, and Patrick Stevedores was gaining favourable rulings from judges appointed by Liberal governments. As the conflict between the company and the union wound its way through the appeals system, this trend remained significant.

Back at the Federal Court, Patrick appealed Justice North's decision to a Full Bench of the Federal Court. On 23 of April 1998, the Full Bench, comprising a majority of Labor-appointed judges (the Hawke-appointed Wilcox and Von Doussa) and an early Howard Government appointee, Justice Ray Finkelstein, upheld Justice North's ruling. The justices stated that 'it is

appropriate to say we have read, and carefully considered, the whole of North J's reasons for judgement but we find them free from appellable error.' Justice Finkelstein's concurrence in this ruling proved to be the only occasion throughout the entire dispute where a Liberal-appointed judge had handed a completely favourable ruling to the MUA. Patrick's lawyers immediately appealed for a stay but the Labor-appointed majority, once again joined by Justice Finkelstein, refused to grant it. Before the union movement could be given the opportunity to celebrate this victory, Patrick went directly to the High Court.

Justice Kenneth Hayne was appointed to the High Court by the Howard Government in 1997. On the evening of 23 April, he had the task of deciding whether to grant Patrick a stay on the Full Court's ruling. In *Waterfront* by Helen Trinca and Anne Davies, Counsel for the MUA, Mr Julian Burnside QC, is quoted as arguing before Justice Hayne:

even if it is only for symbolic effect, it would be, to say the least, unkind and at worst extreme, potentially unsettling at the waterfront, if the symbolic victory were taken away from them [the MUA], when there is no apparent need to take it away from them.

Justice Hayne was not convinced and granted Patrick the stay. The following day, Justice Hayne extended the stay and told the parties that the High Court would hear Patrick's special leave to appeal. Just when it appeared that the Federal Court would hand the MUA victory in the dispute, the Liberal-appointed Justice Hayne threw Patrick a desperately needed lifeline.

The wide-ranging injunction granted to Patrick by Justice Beach was appealed in Victoria's Court of Appeal by the MUA and other parties, including Mrs Kirner. The Court of Appeal was established in 1995 by the Kennett Government with all ten of its current members having been appointed by that Government. On 28 April, Justices Winneke, Brooking and

Charles upheld Justice Beach's injunction against the MUA and its officials. The Full Court stated that 'the behaviour of many of the MUA members and picketers was extremely violent and dangerous and we think fully justified the terms of His Honour's order, which, as now amended, will remain in effect against the MUA and the other defendants'. The three Liberal-appointed judges, noting the 'persistent lawlessness by both members of the MUA and numerous others' stated that 'the learned judge in his reasons described the situation as alarming and said that the material before the Court demonstrated that many of the persons picketing East Swanson Dock and Webb Dock had been guilty of serious criminal behaviour. His Honour's statement was wholly justified.' Concerning Mrs Kirner and the other appellants, the Full Court upheld their appeal stating that Justice Beach's injunction 'cannot be granted against the world at large.'

Neither the MUA nor Patrick could claim victory when the full High Court handed down its decision of 4 May. The ruling comprised three separate decisions. One of those decisions, by the Labor-appointed Justice Gaudron, let Justice North's original ruling stand, which would have permitted the maritime union to claim victory. The decision by the Liberal-appointed Justice Callinan upheld Patrick's appeal and would have given the stevedores victory. The remaining justices, a mix of Liberal and Labor appointees, came down in the middle. Essentially, they altered Justice North's order so as to give the administrators the responsibility to decide the fate of the workforce. The majority decision found that 'it is one thing to restrain Patrick Operations from giving effect to the termination of labour supply contracts and restraining those companies.... But it is a very different thing to fetter the discretion of the Administrators (and of the creditors) in the exercise of the powers they possess under the Corporations Law.' The majority stated that 'It is for the Administrators and the creditors (includ-

ing the majority creditors, the employees) to take the decisions about continued trading.' By placing the final decision with the Administrators the majority concluded 'In the orders which follow, priority is given to the powers of the Administrators of the employer companies but, subject to those powers, the orders seek to restore the position that existed prior to 7 April 1998.' And with that, one of Australia's largest industrial conflicts had finally come to an end.

With the exception of Justice Finkelstein, there was a relatively strong correlation in this dispute between the political background to a judge's appointment and the type of ruling which either the company or the union received. It is clear that judges play a vital political role in our society. The very fact that all appointments to the Federal Court must be approved at the highest echelon of the political sphere in the Commonwealth, the Cabinet, means that short-listed candidates must endure a formal

In the end, not even the Courts could contain the pressing need for waterfront reform

and informal vetting campaign. Judicial appointments have always been an intrinsically political process. In fact, it would be naïve to expect judges, especially those overseeing cases involving workplace relations, not to harbour from time to time a certain philosophical bias in their considerations. Whether or not such a bias explicitly manifests itself in a ruling is another matter, but to assume that judges are entirely insulated from political influence is unrealistic. In the

case of the waterfront dispute, the evidence reveals that the philosophical expectations of the appointor were transmitted in the rulings of each of his respective appointees. This is a natural product of carefully screening judicial appointments, and there is little one can do to prevent certain members of the judiciary from time to time following the line pursued by those responsible for raising them to the Bench.

The waterfront dispute may well be an isolated example, but the supposition of bias in the Federal Court remains. This is despite the fact that employers have recently gained some significant victories in the Federal Court from Labor-appointed judges (see *BHP Iron vs AWU and others*, where a Full Court of Labor appointees permitted non-union contracts; and *Stellar Call Centres vs CEPU*, where a Full Court of Labor appointees handed employers a key victory regarding outsourcing).

In the end, not even the Courts could contain the pressing need for waterfront reform. Today, the shares of Patrick's parent company, Lang Corporation, have increased fivefold since the dispute; crane lifts on the waterfront recently reached the supposedly unattainable level of 25 containers per hour; the MUA's membership has been devastated and it is now contemplating a merger with the CFMEU; and the level of casual labour on the docks has increased dramatically.

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Murray Cranston is a Research Officer for Senator Jeannie Ferris.

I P A

Letter on America

NIGEL ASHFORD

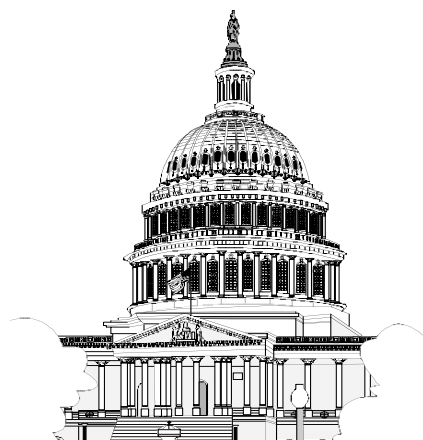
Bush Tells It Like It Is

'A gaffe is a politician telling the truth.' The media constantly berate politicians for being 'economical with the truth,' duplicitous and lying. Yet when a politician tells it straight, he is accused of being undiplomatic and aggressive, and having made a grave error.

A classic case of this arose when President George W. Bush stated that he would not be sending the Kyoto Treaty for ratification to the Senate for two reasons: it would not pass; and it would severely damage America's economic interests. These are two factually accurate statements. The international reaction was a ferocious outburst of criticism, outrage and bombast.

The Kyoto agreement of 1997 called for industrialized nations to cut the emissions of greenhouse gases below 1990 levels through a series of targets and timetables. At the negotiations on implementation of the treaty in The Hague in November 2000, Vice-President Gore was unable to agree on the Clinton Administration's behalf to the rigid proposals insisted upon by the Europeans.

The critics are guilty of hypocrisy. Only one of the signatories of the treaty (Romania) has ratified it; not one of the USA's most vociferous European critics has done so. They know that they are unable to meet the standards commanded in the treaty. Only two European countries are likely to meet the goals: the UK (because of a dramatic dash for gas which contributed to the collapse of the coal industry), and Germany (due to the closure of much of industry in the former East Germany). The EU's other members would fail. They were hoping that someone else would take the blame before they had to act. There is no obstacle to them ratifying the treaty.



Bush was correct in his assessment of the political prospects of passing the treaty. Article I of the US Constitution requires treaties to be ratified by the Senate. In a resolution in 1997 (S.R.98), the Senate voted by 95 to 0 that it would not ratify any treaty that excluded most of the world and would damage the US economy. This is why the Clinton Administration never presented it to the Senate.

Bush was also right that the treaty would do immense damage to the US economy. It would require the US to reduce its current emissions by more than 40 per cent by 2010. Economists calculate that annual household income would decline by \$2,700 per annum and 2.4 million jobs would be lost. Gasoline prices would have to rise by more than 50 cents a gallon. The growth of GDP would be cut by more than half as businesses moved elsewhere in the world, most of which is not covered by the same rules. GDP could be 4 per cent lower, costing about \$397 billion, according to the US Department of Energy.

Political opposition to Kyoto has centred on a strong feeling that it was written in a way that was unjust to the USA. 80 per cent of the world is excluded from compliance. China alone, at current levels of economic growth, would emit more within just a few years than would be saved by Kyoto. One of

the US requests was that more flexible mechanisms for reducing emissions should be considered. For example, the free trading of emissions, in which A might pay B to reduce their emissions instead of their own, would lead to the same reduction but at less cost. The US also wanted to be credited for 'sinks' such as forests that absorb the most important greenhouse gas, carbon dioxide. The US has many more 'sinks' than Europe. (*Science*, 1998). If the goal was genuinely to reduce emissions, these proposals would have been eagerly accepted at The Hague. The failure to do so was seen by many Americans as evidence that the real goal was to undermine US competitiveness. (Bruce Yandle, *Independent Review*, Summer 1999, at www.independent.org).

There also remain severe doubts about the existence, degree and consequences of possible global warming.

The evidence is almost totally based on computer models, not empirical studies. Over 1,000 scientists, led by Professor Richard Lindzen of MIT, signed a petition challenging the junk science behind much of the case about global warming. (www.junkscience.org) Some scientists, such as Sir Fred Hoyle, the physicist, claim that warming is desirable to avert another ice age. The severe economic costs of Kyoto could only be justified if it was clear that profound and irreversible damage to the environment would result from global warming, which could be prevented by adopting its policies. The evidence is not there. (www.esef.org).

George W. Bush told the truth about Kyoto. For that, other politicians cannot forgive him.

Dr Nigel Ashford is Senior Lecturer in Politics at Staffordshire University, England, and co-author of US Politics Today (Manchester University Press).

TIP A

REVIEW

Book Review

And Freedom for All ...

John Hyde reviews

In Support of Free Enterprise

by *The Chamber of Commerce
and Industry of Western Australia*

2001, 35 pages, free (while stocks last)

In 1776, Adam Smith observed that 'people of the same trade seldom meet together, even for merriment or diversion, but the conversation ends in conspiracy against the public or in some contrivance to raise prices'. Since then, the Guilds have become Chambers of This and That, where people of the same trade meet to conspire in contrivances to raise prices—most often and most simply by suborning the legislators. Otherwise, little has changed. Therefore, I can but wonder what Smith would have made of the WA Chamber of Commerce and Industry publication, *In Support of Free Enterprise*, that advocates a genuinely free market, without a hint that I can detect of special pleading.

The Chamber sets out to demonstrate the link between 'a free market economy underpinned by law and respect for property rights' and 'a high quality of life in all senses of the term'. Industry lobbies that advocate 'private enterprise' are two-pence a dozen but those that really support 'free enterprise' are more difficult to find. Although every trade depends for its existence on a market economy, each would like to enjoy the advantage of higher prices at everyone else's cost. Those who will defend the system, like volunteer soldiers who in war-time choose not to leave the task to the other fellow, deserve some respect.

If Australia should get these issues wrong, we stand to pay a very big price—maybe even lose the next war. This document is therefore worth the couple of hours it takes to read it. The risk that the reader faces is, of course, the old one that he might be inspired to do something noble such as admitting publicly that his own privileges are not strictly justified. On the up side, unless he is unusually well informed, he will be relieved of some misconceptions that have been thrust upon him by other vested interests.

During the last quarter of the twentieth century, governments relaxed their control over what their citizens produced, consumed and

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exchanged. As competition replaced command in the several economies, the flow of goods, capital, people and ideas between them increased several fold. The trend became known as 'globalization' and living standards and life expectancies—especially in Asia—increased enormously.

Since the mid-1980s, Australia participated in this trend more energetically and more consistently than most nations but, since we came off a higher base, the proportionate improvement in our living standards was less than in many poorer nations. Nevertheless, during the '90s our living standards ceased to decline relative to other developed nations, unemployment rates fell by one third, we enjoyed 37 successive quarters of growth and we shrugged off the so-called 'Asian crisis'. At the end of the century, a dispassionate observer might have expected us to be rather happy little Vegemites, but dispassionate observers are almost as rare as industry lobbies that eschew special pleading. Instead, we are complaining noisily about the processes that had got us as near to a material Utopia as we had ever been and we are voting in droves for minor parties.

The phenomenon is not peculiar to Australia. Noise may be a poor reflection of numbers; nevertheless it is enough to worry those who believe that globalization, economic rationalism, competition policy, free trade and privatization are not only the way to prosperity but also the best hope of avoiding war. It is not just that we want the capacity to maintain a strong defence force for Australia: we want the international exchange and absence of xenophobic fear and misconception that will allow it never to be used. The policy trend has slowed—in Australia's case to a trickle—but has as yet suffered only a few reversals. The rhetoric has, however, changed markedly. The backlash has not been an accident of nature. While its shock troops have been Anarchists, Trotskyites and their like, and its line regiments the NGOs, churches and their like, its planning, organization and motivation have come from those who lost

their privileges, mainly the unions and protected industries. (See Jarol B. Manheim in the March edition of *IPA Review*.)

The counter-thrust for the hearts and minds of voters has not been accidental either. It is the considered response of people such as those in the Western Australian Chamber of Commerce and Industry. Since the time of the anti-conscription and anti-apartheid protests, economic liberals have left the streets to the other side. Instead they fight with words. *In Support of Free Enterprise* is one of the very best forays in this counter-counter-attack of which I know. It would not have been sufficient to demonstrate that free enterprise is good at producing wealth if it could not also have been shown that it produced wealth for those who had least. The Chamber is signally careful to judge free enterprise by criteria from which its opponents dare not dissociate themselves. The level of real GDP in the advanced countries has risen at an increasing rate since 1970 to be 2.5 times greater today. That is impressive but it is modest compared with the 4.4 fold increase in the developing economies. Having improved at a faster rate than the developed countries since World War II, these economies sharply improved their rate of improvement around 1990. In 1969–71, a third of the world's population was undernourished; today the proportion is still a horrible 6 per cent but let us not deny the fact of improvement, lest we overlook the cause. Such data, and others such as improvements in literacy, life expectancy and even travel opportunity, are difficult to refute.

Opponents of globalization and economic rationalism have therefore tended to concentrate on the unknown future. Here The Chamber admits as much uncertainty as this quote implies:

We cannot absolutely prove that those are in error who tell us that society has reached a turning point, that we have seen our best days. But so said all who came

before us, and with just as much apparent reason... On what principle is it that when we see nothing but improvement behind us, we are to expect nothing but deterioration before us?

The words are those of Thomas Macaulay, the Whig politician, essayist and historian in 1830. Fortunately, Britain at that point still had over half a century of relatively free markets and very satisfactory (on the comparison with all history to that point) economic growth ahead. May we be as fortunate!

The Chamber is signally careful to judge free enterprise by criteria from which its opponents dare not dissociate themselves

Whether to reassure us or to frighten us, *In Support of Free Enterprise* includes a little table prepared by the Club of Rome in 1972 that predicted the years in which the world's supplies of selected minerals would be exhausted. Copper, gold, lead, mercury, natural gas, petroleum, silver and tin were all to run out between 1981 and 1994. They will never run out and will run short only if we regulate the price!

The document addresses some popular misconceptions. An extraordinary (to me) 83 per cent of News-poll respondents believed that 'the rich are getting richer while the poor are getting poorer'. In fact, the rich, poor and middle are all getting richer and both extremes are getting richer faster than the middle. Jobs have not become less secure since globaliza-

tion. In fact, job mobility has declined very slightly.

Non-economists find the fact that trade benefits both parties so counter-intuitive that they don't accept either theory or inter-country comparisons. The document's authors found a new twist to this old argument.

If an embargo is indeed an effective punishment, which denies the embargoed country the benefits of free trade, why should we deny those same benefits to countries we wish to help?

They go on to question the morality of banning the import of products made in poor countries. Quoting UNICEF:

Child workers, mostly girls, were summarily dismissed from garment factories. A study sponsored by international organisations took the unusual step of tracing some of these children to see what happened to them after dismissal. Some were found working in more hazardous situations, in unsafe workshops where they were paid less, or in prostitution.

The WA Chamber of Commerce and Industry traces the link between economic and political freedom and between both and life expectancy. People live 20 years longer in the 20 per cent of the most free nations than in the 20 per cent of the least free. The size of the disparity may surprise, but not its tendency, surely. It shows the link between government regulation and corruption—the 'permit raj' of India, crony capitalism in Indonesia and WA Inc in Australia. The last word to The Chamber:

A free market system founded on individual choice ensures that we alone suffer the consequences of our follies and that we do not suffer the consequences of others. It is a damage limitation system which recognises human imperfection.

Amen.

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