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## REVIEW

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# From the Editor

MICHAEL WARBY

**A**s the customary duty of an incoming editor, let me thank my predecessors in this post—particularly Tony Rutherford and Ken Baker—for all their work in keeping alive a much needed independent voice in Australian letters and opinion.

Clement Attlee once defined democracy as ‘government by discussion’. It seems an elementary point that persuasion, particularly rhetoric, in its proper sense as ‘the art of persuasion or impressive speaking or writing’, must be a staple of democratic governance. Ultimately, if you cannot persuade, you cannot govern. The failure of Keating PM was the patent failure to persuade.

Yet we have a Commonwealth Government which seems remarkably poor at grasping this elementary point. It is surely a remarkable achievement to have squandered the political capital of a 40-seat victory in the House of Representatives in such a way that, less than three years later, it is a reasonable question whether it will be re-elected. Particularly as it is hard to point to any great stirring reform which this political capital has been expended to achieve.

Which is not to claim that it is a do-nothing government. Merely that what it has done has been unpersuasive—in both action and rhetoric.

To have allowed the reform of the waterfront to turn into a question of the right to belong to a union shows an amazing lack of strategic understanding of what is persuasive—and what is not. Neither Ronald Reagan nor Margaret Thatcher ever made that mistake: the Coalition does not even have the excuse of being pioneers.



Again and again, the Government’s problem has been a failure to work out what ought to be done, and why. The role of leadership is to bridge the gap between enduring sentiments and current needs through action and rhetoric. The Government’s frequent strategy of ‘pre-emptive compromise’—of not realizing that, as the political process rarely, if ever, gives all you ask for, the less you ask for, the less you get—has too often given it no clear place to stand. Without clarity of purpose, there can be no clarity of rhetoric. Without clear messages, persuasion must fail. The attention of most voters to politics is, quite rationally, marginal. Unless politicians can distil what they are doing—in a way that matches words to action—to lines that can be repeated in pubs, they are nothing more than fumbling politicians.

The travail of Peter Reith has been richly ironic. Having claimed that his 555-page *Workplace Relations Act* was a major achievement in labour market reform, he is now shown to have created a legislative monster which no-one—certainly not himself, Patricks or their advising lawyers—fully understands. It is an Act full of legislative traps for the

unwary. An alleged legislative monument which trips up its own creator in the midst of a totemic struggle is not exactly persuasive. It is not a sign of a government that knows what it is about and why.

Many ‘practical people of affairs’ clearly do not have time for ‘that ideas stuff’. More fool them. If you do not know where you stand and why, how can you expect to persuade others? If you cannot persuade others—and even the most blatant self-interest needs fig leaves of public interest respectability—how can you expect to achieve your goals? There are plenty of people out there who do know where they stand, and why, and use rhetoric very effectively to advance their causes. If you cannot persuade, there are plenty of others who will.

Which is why the Institute of Public Affairs, now into its second half-century of existence, remains such a necessary part of the Australian political and intellectual landscape. With Australian universities increasingly ‘islands of oppression’ (or at least drab intellectual conformity) ‘in a sea of freedom’, and with a national media with its own tendencies to intellectual conformity, dissident voices are very necessary. The case for freedom, for reasoned policies based on real—not junk—science, policies based on an understanding of the nature of a free society—not the pretensions of coercive utopians—remains as necessary as ever. This is the case that the IPA continues to put; in the pages of this *Review*, in its other publications and in the media. It is a pleasure and a privilege to be part of that.

IPA

# From the Executive Director

MIKE NAHAN

## One Cheer for a GST

The time has come for the IPA to take a stand on tax reform, including a GST.

The IPA supports both tax reform and the introduction of a GST—and the more extensive a GST, the better.

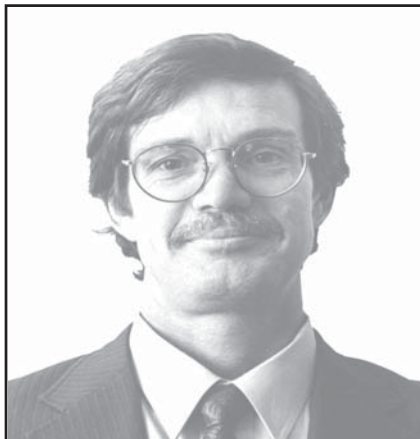
True, tax reform is not a first-order problem. The first-order issue is how to check the growth of government, particularly spending on health and welfare. Unless government spending is restrained, the gains from tax reform will, at best, be temporary. Even the most efficient tax system does immense damage when used to raise too much money. More importantly, unless the growth of government is checked, tax reform quickly turns into an exercise in “how to pluck the goose more quickly”.

This is, however, hardly a sound reason for not pursuing reform of the tax system.

The existing tax system is a mess and is costing jobs and investment. Nor can it be said to act as a drag on the growth of government given that tax receipts have grown by 43 per cent over the last five years to 36.1 per cent of GDP—the highest level in Australian history.

This should not continue. The two issues—the size of government and the shape of the tax system—can be approached simultaneously. We can design a tax system that is efficient, fair and simple and has built-in limits.

There are real risks that reform may backfire producing an even more decrepit system with even greater power to fleece taxpayers. In reality, however, the do-nothing option is not available. Future governments will, in the absence of reform, tinker with the system. Tinkering with a bad system is almost guaranteed to make matters worse.



A GST is an essential ingredient to the reform of both the indirect and income tax systems.

The existing indirect tax system is a dog's breakfast and by any rational assessment should be scrapped.

Governments currently force taxpayers to run a gauntlet of 33 different indirect taxes. These taxes fail against all established criteria. Importantly, they are in the main levied on businesses, and as such are hidden from the view of taxpayers—thereby promoting the ‘cargo cult’ view of government.

The worst taxes are, without doubt, stamp duties and financial transactions taxes. In a world of instantly mobile capital, and in a nation in dire need of investment, it is the height of stupidity to impose taxes on capital movements.

The replacement of existing indirect taxes with a GST could only make the system more efficient, fairer and simpler. Since a GST would—hopefully—be listed on each and every receipt, it would also help reduce the belief in a ‘free lunch’.

The income tax system is also badly in need of repair.

The Australian income tax code is absurdly complex. This forces over 70 per cent of Australians—the highest proportion in the OECD—to pay professionals to fill out their tax forms. Businesses of all types and

structures are forced to maintain a small army of tax advisers. This not only wastes scarce resources, it needlessly diverts the attention of entrepreneurs away from the vital business of investing and creating jobs. The army of tax advisers—who are some of the nation's brightest and most entrepreneurial people—represents another massive misuse of talent.

Tax rates are far too high. Unless changes are made, the average wage earner will be paying 43 cents in tax of each additional dollar earned. As a result, there is little incentive for people to earn extra money. The rates are particularly invidious for both low-income earners and investors. When contemplating the move from welfare to work, people frequently confront effective tax rates in excess of 80 cents in the dollar. Investors on average personal tax rates confront an effective tax rate of 52.4 per cent—and this is on top of the 34 per cent average tax rate already paid on the income when first earned and before the investment took place. By contrast, the corresponding average effective tax rate in Asia is just 1.1 per cent.

The worst aspect of the income tax system is that it promotes the politics of envy. Income tax gives the illusion that ‘others should pay’—the rich, particularly the super rich. When this does not happen, envy comes to dominate policy.

Although the ideal replacement for the income tax may well be a type of expenditure tax, much more work needs to be done on this tax before it can be put forward as a viable option. The GST, however, provides a tried and tested alternative.

The logical solution is to introduce a GST, preferably as high as possible, to replace most indirect taxes and, at the same time, reduce income tax rates dramatically.

This is clearly a tough political task, but one that would bring great benefits to present and future Australians.

IPA

REVIEW

# Playing the Man: The Modern Inquisition of 'Concerned' Science

ANDREW McINTYRE

Modern advocacy science appears to have enthusiastically adopted the *ad hominem* principle. And the weaker the science, the stronger the abuse seems to be. A report from the smoking wars.

**I**T is no coincidence that at the very time post-modernist attacks on the objectivity of science have invaded—and are indeed dominating—the humanities faculties in our most prestigious universities, political activists are increasingly misusing science as a tool of advocacy with little or no regard for objectivity or truth. The perverted use of science by the academic and political left in its service to the power elite is precisely that danger the post-modern critique wishes to address, but to which, by its own misunderstanding of science, it contributes.

There is a general expectation that to engage in the political process one also engages in compromise, consensus and the art of the possible. One could even accept that competing for research funding might involve some of the imperfections associated with that political process. But with scientific inquiry, most of us cling to the notion of rational inquiry and objectivity, of passionately disinterested research. It is perhaps symptomatic of our time that the very word 'disinterested' is now most often incorrectly used, so that the notion itself is disappearing.

The media supports the perception that science is done by press release, consensus and, increasingly, by *ad hominem* attacks on those who hold dissenting views. Although one can understand the need to deny scientific evidence in the time of Galileo, where one of the leading advocates of rational scientific thinking opposed a dominant ideology of belief, superstition and supposition, it is difficult to accept the need for the same inquisitorial process in the latter part of the twentieth century. From greenhouse and AIDS through to leaded petrol and child sexual abuse we now see the active perversion of scientific evidence through personal attack as a common feature of public debate. This



is no less true in the highly politicized area of health and tobacco, and recently on the epidemiology of environmental tobacco smoke and its relation to disease. Dr Julian Lee, a distinguished NSW thoracic physician, and a tireless worker in this field, found out the hard way.

Dr Lee took a classical, and distinguished, path in his professional life. He has worked 40 years as a thoracic surgeon, starting at a time when specializing was in its infancy. He played the professional game—undertaking research, teaching at public hospitals, being elected as NSW President of the AMA—and has acted in various professional roles both nationally and internationally. He considers himself first and foremost to be a clinician, not a scientist, although he fervently believes that public health and epidemiology are central to our concerns about the way in which we use science to improve the quality of life for everybody.

These underlying principles of epidemiology were important in his work in asbestos-related disease. He became

involved in litigation on behalf of workers who would bring actions against their former employers. Lee quickly became aware of the way scientific information was necessarily corrupted in court, due to an adversarial system under which supporting a case and giving satisfaction to claimants were more important than any notion of disinterested objectivity.

Through two decades of work as a member of the Dust Disease Board, his observations of the cost-benefit analysis of the US *Asbestos Abatement Act* and similar Acts in Australia, background incidence of the disease, calculations of the 'strength of association', confounding factors, and the patients' behavioural characteristics, made him realize that the process of coming to a conclusion about cause and effect relationships was complicated. His concern for the critically important idea that scientific evidence must be judged on its merits, and should be completely independent from what hangs on it, became more urgent.

As a thoracic physician with an interest in smoking issues, he was invited to give evidence at a highly publicized

case from Western Australia involving the Burswood Casino and the issue of 'passive smoking'. Soon after, he made an independent submission to the National Health and Medical Research Council inquiry into 'passive smoking'. It was from this point on that things became a bit rough. Covert pressure was applied to squeeze Lee out of the AMA. First, Dr Keith Woollard, President of the Federal AMA and then Chairman of its Policy and Ethics Committee, produced a new policy document on the disclosure of sponsorship by tobacco companies. It states:

'If a doctor has accepted funding from a tobacco company, then it is mandatory that both the amount and the precise source of the funding are detailed in the preamble to any presentation of material developed as a result of the funding.'

Then Woollard attempted to have Lee disciplined by the Ethics Committee and to oppose his nomination to the Roll of Fellows. The following year, a well-briefed visiting American professor of medicine, Stan Glantz, brought out for the National Heart Foundation, was interviewed on ABC radio. Glantz attacked Lee with defamatory statements, and called for his resignation as State President of the AMA. He said Lee had 'no business' heading a health organization, and was 'appalled' at his work on passive smoking. He accused him of 'aiding and abetting ... efforts to kill people'. After the attack, the Federal AMA received written complaints from large and prominent health organizations—including the National Heart Foundation—which directly or indirectly called for Lee's resignation. Woollard added publicly that the AMA was uncomfortable with Lee's work for the tobacco industry.

Efforts were made to push Lee out of the Thoracic Society. A deliberately planned confrontation took place in a scientific meeting of that society in October 1995. Simon Chapman, Associate Professor in the Department of Community Medicine at the University of Sydney, and self-styled publicist for the NH&MRC Working Party on this inquiry, and others attacked him at the meeting.

The paper delivered by Chapman could have been a page out of the Inquisition held in Rome in 1616 attacking Galileo. The entire diatribe was concerned with discrediting Lee and those involved in his report. At no point did Chapman address the merits of the scientific evidence. He found it 'unconven-

tional—to say the least—that people inexperienced in a field of research should be asked to review that field, particularly when the field is a subject of controversy'. The AMA, however, saw fit to find them 'a very eminent group of authors, including two Associate Professors of Medicine and two Professors of Statistics'. But what if the statisticians were year nine high school students, and they *still* got the figures correct? Chapman would apparently not understand this implication. Nor would he understand a warning given in the science journal *Nature*: 'The voice of skeptics may grow tiresome, but the mainstream is in trouble if it cannot win a public debate with them'.

Not content with avoiding the issues, Chapman obfuscated with a detailed tally of each of the group member's publications in *Medline*, in *Epidemiology*, and in smoking research generally, and compared this list with that of the NH&MRC committee, presumably as a way of assessing the scientific worth of the arguments. While his own published work appears as a part of that expertise, he neglected to explain that he himself had no medical or scientific academic background, but rather was a specialist in advocacy, marketing and the media.

Chapman's attack then turned on funding from the tobacco industry in an attempt to discredit Lee's work, but the rhetoric was confused, and appeared in the end, to endorse it. While he admits it would be surprising that the tobacco industry did not 'conduct research to anticipate and refute claims about the health effects of passive smoking' (Chapman's emphasis) and while he agrees it is true that 'overseas, tobacco-funded scientists have been prominent in their criticism of health agency reports on passive smoking', he endorses the view expressed by the *Journal of the American Medical Association*, that 'research into health effects



Professor Simon Chapman

of tobacco conducted by the tobacco industry has often been more sophisticated and advanced than studies by the medical community'. In the guise of a scientific debate, Chapman's attack must be considered a low point in the Thoracic Society's history.

Just as one can imagine that Pope Paul V and those conducting the Inquisition of 1616 would certainly have understood the evidence in Galileo's book *Dialogue Concerning the Two Chief World Systems*—in which he shows that the motion of the stars and planets are inconsistent with a stationary, pivotal Earth—so Chapman realized with alarm that the research findings in the NH&MRC Report were inconsistent with his own suppositions about passive smoking. The panic of the ecclesiastical authorities must have been similar to that of Chapman when he sent an urgent fax in June 1995 to the members of the working party:

'I am DEEPLY concerned about the implications for the credibility of our whole report arising from the calculations.... If we look at Table 7 in the way any journalist would ... a reasonable conclusion will be that the idea that there is ANY lung cancer caused by ETS (environmental tobacco smoke) in Australia will be seen as a huge joke. Journalists ... will be hard pressed to write anything other than 'Official: passive smoking cleared—no lung cancer' ... our estimate of 93 deaths should be 4,247.

'I think we had better get out a thesaurus and find a lot of words to express the words 'conservative estimate' in hundreds of different ways.... We are looking down the barrel of a MAJOR public relations problem ... I STRONGLY recommend that we convene another face-to-face meeting to discuss what to do about this.' (emphasis in the original)



Dr Julian Lee



On the evidence, one would think that the science had won the day, but in the case of Galileo, his opponents were infuriated by his alleged impiety, and his success in communicating widely his novel ideas. They did denounce him to the Inquisition, and he was forced to recant. In the case of the NH&MRC, when it released its draft report *The Health Effects of Passive Smoking*, important scientific evidence had simply been suppressed, and not even considered, notably the results in Table 7 mentioned above. Fortunately for us in Australia, and for Lee, we have an effective temporal authority that sits above those who cry 'apostate'. In a widely-reported case where the NH&MRC was taken to court by the tobacco industry for deliberately suppressing scientific evidence, Justice Finn's findings were eloquent:

'It is clear that the NH&MRC has fallen well short of meeting ... the obligation to have regard to submissions received ... to take them into account and to give positive consideration to their contents as a fundamental element in its decision making....

The community is not to be excluded from that participation simply because, for whatever reason, the NH&MRC does not wish to give consideration to some part of the contents of submissions.... It had unilaterally excluded from consideration material which it previously had determined to be relevant by virtue of the Terms of Reference it had approved....

What was objectionable in what the Working Party did was to adopt this exclusionary discriminator without bringing to the notice of the public that this was what they were going to do. They misled the public.'

Justice Finn made subsequent orders that the recommendations contained in the draft report on the estimated costs to the community of passive smoking, and for the elimination of environmental tobacco smoke in public places be taken out, as those recommendations could not be inferred from the evidence contained in the report.

The dangers posed to scientific objectivity by health bodies becoming captive to these modern day ecclesiastics is clear in the case of the NH&MRC but it is also an international problem. The *British Medical Journal*, in an editorial, has questioned the wisdom of a recent decision by the American Thoracic Society, the scientific arm of the American Lung Association, for not publishing scientific research financed by the tobacco industry. The editorial went to the heart of the issue of funding in relation to conflicts of interest. It asked, 'What does taking government money imply if acquired through unjust taxation policies? Will smokers be banned from the pages of the journals?' Conflicts of interest do not have to be monetary. They can be personal, political, academic and religious.

The greatest irony in the vilification of Lee is that he himself is a non-smoker (like the author of this article), and has helped patients over his entire professional life with their smoking induced lung disease. His conviction on the obvious links between smoking and cancer has had him appear in an anti-smoking promotion sponsored and organized by the NSW Anti Cancer Council. To be completely clear about Lee's personal interest, he has stated publicly that he supports the introduction of smoke-free work-places and smoking bans in public places. 'I am totally opposed to tobacco products whether they're in the ground, the mouth, the environment or the ash-tray'. He is unequivocal in saying that the tobacco industry has been 'demonstrably devious, deceptive and totally reprehensible in its behaviour.' His concern is about the abuse of science. 'To achieve that goal of a smoke-free society, it isn't necessary to invoke junk science. It's social science, it's science in a good cause, but it's not good science'.

*The Economist* recently questioned the World Health Organization, where critics have accused it of bowing to po-

litical pressures rather than publishing unpalatable research findings. The WHO commissioned one of the biggest single pieces of research conducted into the issue of lung cancer and passive smoking, which found that non-smokers married to, working with or growing up with smokers were not at significantly more risk from lung cancer than anyone else. Instead of being released with a barrage of publicity, it was quietly filed away in a few paragraphs of a bulky WHO internal document. *The Economist* concluded, 'It is dangerous to become involved in campaigns that are not solidly based on scientific evidence.... The organization ought rather to concentrate on where its research, rather than politics, leads it.' The problem for WHO, and for national health authorities like the NH&MRC, is that they are not exempt from being captured by zealots or lobby groups, just because their funding is from the public sector. The risk of capture, judging from the Australian experience, it would seem, is greater.

Scientific inquiry rests on investigation that is presented to other scientists for their review and judgment. For this to happen effectively, all scientific evidence, regardless of source, must be considered on its merits. To attack the individual because of the findings or the source of funding of that research is an *argumentum ad hominem*. The approach may work in advocacy, but has no role to play in science. Clearly Lee is motivated by this concern—'It is axiomatic that good public health be based on good science and that, therefore, bad science leads to bad public policy'. If public institutions like the NH&MRC are to remain credible, they should heed this advice.



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# The Dreamtime Politics of Uranium

DAVID BARNETT

At Hindmarsh Island, false claims about the local Aboriginal culture were advanced in a last-ditch attempt to stop development. At Jabiluka, who really speaks for local Aborigines is again at issue.

**T**HERE has never been a good reason why the mining of 19.5 million tonnes of ore containing 90,400 tonnes of uranium should not have begun within two or three years of its discovery at Jabiluka in the Alligator River region of the Northern Territory.

But, 27 years later, there is still no mine. There have been two environmental studies and endless negotiations with the Northern Land Council and local Aboriginal clans.

Above all, there has been a sorry record of government obstruction and vacillation. Only the present Coalition Government, and its Minister for Resources and Energy, Warwick Parer, can claim to have done their best. A go-ahead seems close, but, so far, that still hasn't happened.

The first hurdle was the Fox inquiry, commissioned by the Whitlam Government back in 1975, and received two years later by the Fraser Government. The Ranger Uranium Environmental Inquiry found mining and milling could be developed in the Northern Territory's uranium province if properly regulated.

So Malcolm Fraser went ahead with the establishment of the Kakadu National Park as part of the management plan for the uranium province. Pancontinental, which then held the Jabiluka lease, commissioned an Environmental Impact Study that finally reported in 1979. Mining commenced at Ranger in 1980, where it has continued for 18 years as one of the world's most heavily regulated mining operations, but Jabiluka has been kept waiting.

Pancontinental was ready in 1982. A mineral lease was granted, to enable mining to proceed. Pancontinental reached agreement with the Northern Land Council, and with local Aborigines—always described as 'traditional owners', as the result of a process which

seems, at least in part, to be mystical. (No other landowners in Australia have rights over minerals.)

Malcolm Fraser, bent on an early election, put off a decision to grant Pancontinental the export licence—the means by which the Commonwealth exercised control over mining—out of calculations of political strategy.

When Fraser lost in 1983, Jabiluka went into cold storage. The Hawke Government knew there was no justification for what they were doing, which was to allow Ranger and Nabarlek in the Territory to continue, and to allow the development of a new mine at Roxby Downs in South Australia—so John Bannon could win an election—but to prevent all other uranium mining.

Mining uranium is either wrong or not wrong. How permitting a mine to proceed at one end of the Stuart Highway could be morally correct and politically advantageous, while refusing to allow a mine to go ahead at the other end could also be morally correct and politically advantageous, is one of those political mysteries for which there is a simple explanation.

It is that the ALP and the various groups which kick up fusses over issues like uranium, Aboriginal privileges, dams, forests and so on—it does not matter much whether they are called conservationists, or whether their ostensible cause is Aboriginal welfare—have a common interest in keeping the Coalition parties out of office.

It is that common interest that counts.

So, looked at in the basest and most inexcusable of terms, Fraser had good reason to put off a decision he should have made. Looked at in the same light, so was his successor Bob Hawke, to develop his hypocritical three mines policy.

We are not talking about the national interest here, but the contain-

ment—in the case of the Coalition—and the manipulation—in the case of the ALP—of the special interest groups who have grown to be so powerful with public funds and under the patronage of the ALP, and of the ABC; the latter is always more than ready to provide air-time for Aboriginal or green causes.

As a result—two years after a change of government—there is still no mine.

A year after the implementation of the three mines policy, the Hawke Government began the expansion of Kakadu National Park. It was no longer a part of the management plan of the world's second largest uranium province. It now had a life of its own. It was our national heritage. It was of great international significance. Aborigines lived there, with, they tell us, deep spiritual bonds to the land.

In fact, Kakadu is no more than an exclusive hunting preserve for people who have stripped it of all the most elusive animals. If a creature can't swim or fly, then it can't be seen, and seems no longer to survive. It is, moreover, a park large parts from which all other Australians are barred.

Energy Resources of Australia (ERA) bought Jabiluka from Pancontinental in 1991 for \$125 million, giving Pancontinental a profit of \$68 million. Pancontinental had paid a figure believed to be \$2 million to local Aborigines when the lease was signed in 1982 and an annual rent thereafter of \$70,000, which ERA continued.

ERA calculated that the Coalition would win the 1993 elections, and remove the three mines policy. They had to wait another three years, until Senator Parer acted after John Howard led the Coalition to victory in March 1996. The decision was simple. The policy was imposed administratively, through export licence controls. Parer lifted the lot.

This was the signal for a flurry of activity. ERA commissioned another

environmental study that found, in October 1996, that all environmental issues could be dealt with satisfactorily. It has signed another agreement with the Northern Land Council. ERA paid half the costs of a social impact study.

Jayne Weepers of the Northern Territory Environment Council and Dave Sweeney of the Australian Conservation Foundation focused on Jabiluka. The Gundjehmi Association, formed to represent a clan of 24 people living around Jabiluka under the leadership of Yvonne Margarula, because they felt they were not receiving the deference due to them, acquired a chief executive—Jacqui Katona, a New South Wales activist who had spent some time in Tasmania, and who now arrived in the Territory.

ERA suddenly lost contact with Margarula. Under the legislation, ERA and any other miner must conduct negotiations through the Northern Land Council, although two Associations have come along since development of the province began. Nevertheless, you would expect there to be some contact, given a modicum of goodwill.

The Gagadju Association was formed in 1980 by Yvonne Margarula's father, Toby Gangale. The Gundjehmi Association was formed after his death. Until the change of Commonwealth Government, local Aborigines had favoured uranium mining. After all, hefty sums of money were being channelled to comparatively few people. The Northern Land Council (NLC) agreed to mining in 1982, and then, in 1991, when the lease changed hands, agreed that the arrangements with Pancontinental could be assigned to ERA.

The NLC also agreed to set up a committee to consider whether the 1982 agreement could be varied. As a result of this committee, and of the social impact study, minor variations were approved earlier this month.

ERA has now agreed that 20 per cent of the work force shall be Aboriginal, that it will build 65 houses for Aborigines, subsidize Aboriginal businesses, fund a women's resource centre, fund a 'bridging education unit' for Aborigines and provide traineeships, university scholarships and funds for adult education.

The variation not approved was that, instead of a mill being set up at the site to treat Jabiluka ore, it should be trucked to the Ranger mill. Ranger has had a near impeccable record since it began operations, and milling the ore

makes both environmental and economic sense. Why pay for financing two mills, when one will do? And why monitor two milling operations, when the machinery exists to monitor one?

The overall record, since 1980, of the environmental impact of uranium mining in the Territory, on the basis of successive reports from the Office of the Supervising Scientist, is just about perfect. The recurring phrase is that 'a high standard of environmental protection has been achieved'.

The greatest environmental danger to Kakadu comes, not from mining, but from burning carried out by Aborigines, which modifies habitat drastically, changing the appearance of the landscape and species composition. That escapes criticism because it is perpetrated by Aborigines, as a means of hunting—you catch your goanna freshly cooked and only have to put salt on its tail.

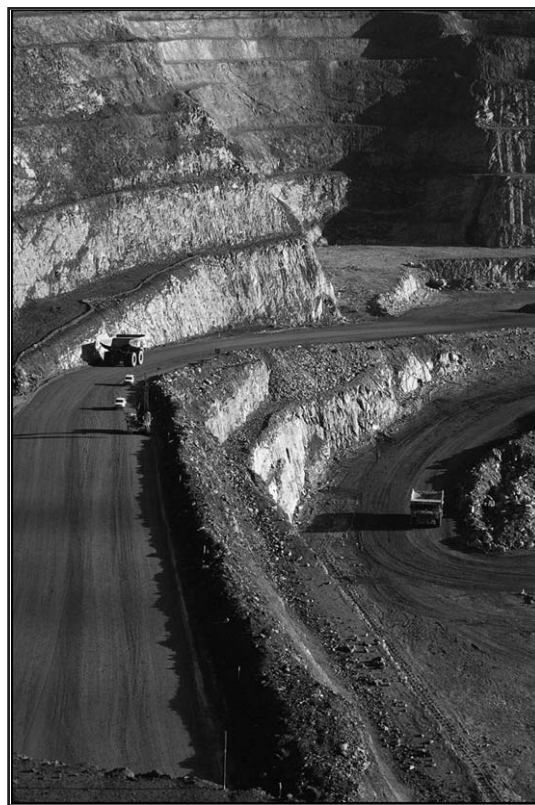
Australia has 27.8 per cent of the world's known reserves of uranium—well ahead of Canada with 16.7 per cent—but exports only 4,500 tonnes of uranium oxide—as against 12,150 tonnes by Canada and a further 9,000 tonnes by Russia and associated countries.

This is a result of the Hawke Government's ban on all development except that which was politically convenient and of vacillation by the Fraser and Whitlam Governments, compounded now by the power which successive governments, from Whitlam through to Keating, have given to Aboriginal organizations over land and national development.

The social impact study was part of that process of Aboriginal and conservationist obstruction. The study, initiated by the Federal and Northern Territory Governments and the Northern Land Council, and with ERA paying half the cost, produced a community action plan. ERA has done a lot of paying, in its time.

It has, for instance, since 1980, paid out more than \$132 million in royalties, plus \$5.1 million in up-front fees and lease costs, to the Northern Land Council and to local Aborigines. It expects to pay out another \$210 million over the next 28 years.

The Northern Land Council shares 40 per cent of these royalties among the



Tony McDonough/The Age

Territory's four Land Councils, taking 57 per cent of that share for itself. Another 30 per cent goes as 'grants'—running costs for the Aboriginal Benefits Trust Account, which is the body set up to receive the royalties after ERA pays them to the Commonwealth—and 'Land Council top-ups'. Up until 1995, the Gagadju Association got the remaining 30 per cent.

There has been a rediscovery of spiritual connections to the land. Since Kakadu was set up, and since the uranium royalties began to flow, the Aboriginal population has risen from 100 to 300.

The Gagadju Association has grown from 80 members when it was set up in 1980 to receive royalties from Ranger, to 230; with another 80 children due to become members when they turn 18.

The Association has invested in the Coinda Lodge at Yellow Water, one of Kakadu's tourist attractions where 235,000 visitors a year can actually see living things—birds, crocodiles and, occasionally, goannas, at the water's edge. The Association also operates the Crocodile Hotel (which is rather more luxurious than the trade will bear), Yellow Waters Cruises, the Jabiru Service Station, a construction company, a screen printing company and the Border Story, near the East Alligator River crossing.

The Gundjehmi Association which, at the direction of the Northern Land

Council, has been receiving the uranium royalties which formerly went to the Gagadju Association, has 24 members, from two families, who are also members of the Gadadju and Djabulkukgu Associations.

There are flaws in this Eden, flaws that afflict Aboriginal Australians more generally. It would seem from various somewhat guarded reports, that there has been no improvement in either health or education. The schools have failed to provide adequate levels of literacy, so that there are training and education problems. Along with the flow of uranium royalties there has been an increase in alcoholism and crime.

Although ERA discriminates in favour of Aboriginals when distributing jobs, it has not been possible to place many of them in work. From 1982 to 1991, when ERA employed more than 300 people, Aboriginal employees varied from nine to 23. Since 1991, with a workforce of less than 200, Aboriginal employees have ranged from eight to 19—some of them Aborigines from outside Kakadu.

It is a serious problem, but it does not exist because of any lack of effort either by ERA or the Territory, or because of any lack of Commonwealth funding. One-third of the 300 children at the Jabiru school are Aborigines. There is a TAFE at Jabiru, a medical centre with a doctor working full-time to provide treatment for Aborigines, and a dental centre.

The social impact statement, and the commitments to more spending, were in response to those concerns. Nevertheless, the fact is that the Kakadu problems of alcoholism, disease and poor health are not inflicted on Aborigines, but occur throughout the Territory, in Western Australia and elsewhere, because of Aboriginal neglect of themselves and their children.

Clamping down on development in Arnhem Land uranium province because of Aboriginal drunkenness makes about as much sense as closing the Hunter Valley coal mines because a coalminer gets a skinful in a pub and has a fatal accident driving home on Saturday night.

The Jabiluka orebody is one of the largest undeveloped lodes in the world. Production is planned to begin at the rate of 100,000 tonnes a year, rising to 300,000 tonnes within three to five years, and then in sequences from seven to 14 years, reaching 600,000 tonnes per year. At full production, the mine will be producing 900,000 tonnes of ore annually. The tailings will be stored in the mined out Ranger No. 1 open cut pit, and then later

in the No. 3 pit.

The mine is expected to have a life of 28 years, generating a total revenue of \$12 billion—of which 87 per cent will be spent in Australia—and to add \$3.8 billion to national wealth. The stimulation it will provide to the economy is calculated to add \$6.8 billion a year to GDP.

ERA's workforce will rise to 380, of whom 110 will be at the mine, 20 in Darwin and 20 in Sydney.

The growth in nuclear power generating capacity has tailed off in the US and Europe, but it is still growing in Asia. The opportunity to increase sales comes not so much from this projected growth of between 1.5 and 2.5 per cent a year for the next 20 years as from the current shortfall in supply.

There are 438 nuclear power stations attached to grids in 32 countries, generating 353 gigawatts per year—17 per cent of the world's electricity production.

The nuclear power plants have an annual requirement of 70,100 tonnes of uranium oxide, against world production of 43,100 tonnes. World demand for uranium currently exceeds world supply, by a wide margin. The shortfall is being made up by running down stockpiles that were built up in the West during the 1970s—due to miscalculations about growth in demand—and by an increase in exports from former Soviet bloc countries.

As the West's uranium inventories run down, some of the shortfall is expected to be made up from surplus Russian and US weapons grade uranium, which will be blended down from highly-enriched to low-enriched uranium.

The crunch point is expected to be reached around 2000, when there will be a demand for a substantial increase in production. That should come from Australia—if the Rainbow Alliance which is Bob Hawke's political legacy to this country permits it. Failing that, it will certainly come from Canada.

Most uranium is traded under long-term contracts between producers and electricity generating companies. The spot market is thin and somewhat volatile. The spot price rose by 70 per cent between 1995 and 1996 to US\$16 a pound of uranium oxide, and then dropped back to US\$11. The average price for Australian contracts is around US\$16 a pound.

Only the Northern Territory, Queensland, Western Australia and South Australia can benefit directly from uranium mining. In separate fits of political correctness, New South Wales legislated to ban prospecting for, and the development

of, uranium mining in 1983. Victoria followed suit in 1986.

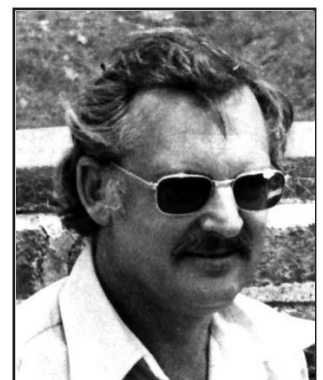
Even without exploration in these two States, Australia's resources are estimated at 622,000 tonnes of uranium, representing 30 per cent of the world's known resources of low-cost recoverable uranium. The Australian reserves are the largest in the world.

The Jabiluka mine will be underground, enabling ERA to extract the ore within a mine site occupying only 19 hectares. Another 44 hectares would be needed for a 22 kilometre road to transport ore to Ranger to be milled into yellowcake. At Aboriginal insistence, the road will be private.

ERA is awaiting approval from the Northern Territory Government, which is a formality, but is facing obstruction over its plans to mill the Jabiluka ore at the Ranger mill. Apparently, the small group of activists now calling the shots believe that, by forcing ERA to set up an unnecessary mill at Jabiluka, they will render the operation uneconomic.

They won't. The mine will still pay. There would, however, be considerable addition to capital costs, capital costs currently estimated at \$200 million. ERA does not put an estimate on this additional cost, but expanding the mill at Ranger to increase its capacity from 1.4 million tonnes of ore to two million tonnes of ore cost \$53 million.

But what a sorry saga of political expediency, of failed and misguided leadership, of the unscrupulous manipulation of political opinion. And what a tribute to a handful of zealots, that they can so toy with a \$12 billion national asset, and force the expenditure of such huge sums of other people's money, for nobody's benefit, and for no good reason.



David Barnett is a senior member of the Canberra Press Gallery.

Courtesy of The Age

I P A

# The Case of the Disappearing Property (Rights)

JOHN HYDE

*Property being an inviolable and sacred right, no one may be deprived of it except as required by evident and legally ascertained public necessity, and on condition of previous just compensation.*

The Declaration of the Rights of Man by the French National Assembly of August 1789.

*No one shall be arbitrarily deprived of his property.*

The United Nations Universal Declaration of Human Rights.

## PROPERTY

Unlike *terra nullius*, and I suggest native title also, property was not invented but evolved over a long time by trial and error. Man is no more capable of successfully redesigning such a major feature of his social environment than he is of reinventing his physical environment.

Property is best understood as a limited bundle of rights. A farmer, for instance, may hold rights to cultivate, treat with herbicide, graze, build homes upon, mortgage, sell etc. a defined area of land. He may not, however, subdivide, lay claim to the minerals, or build a nuclear power plant.

These rights are a store of private wealth. When an owner buys or leases his property, he places his savings in the rights that he believes his land title guarantees. He could, instead, choose a superannuation policy. If one of the key rights, such as the right to cultivate, were subsequently to be expropriated, then his savings might be worth little and a serious injustice done.

## WHAT IS THE WESTERN AUSTRALIAN GOVERNMENT DOING?

These principles are well recognized and were reiterated by Ministers of the Western Australian Government who perceived that the *Wik* decision of the High Court removed, or at least seriously impaired, property rights that pastoralists and miners had reasonably believed to be secure. Nevertheless, the Western Australian, and probably other State governments—in the names of planning, environmental amenity and industry regulation—routinely expropriate private property rights. The contrast between what they do and say is the more remarkable because:

- the High Court ruling in *Wik* was that the relevant rights had, in fact, *never* rested with the pastoralists and miners—that is, that the pastoralists' and miners' belief in the security and extent of their rights was an unfortunate error; and because
- the assets which planners and regulators prejudice include freehold titles and are, therefore, more numerous and of greater total value than those affected by native title.

Further evidence that State Ministers accept that property rights ought to be respected is to be found in the fact that many State laws do provide for compensation when they are removed. Even so, despite some cases of extreme injustice, I believe it is more fair to accuse the Ministers of carelessness than cynicism in their infringement of property rights. Examples of their carelessness, however, abound.

For instance, no compensation is contemplated where farmers are denied the right to clear their land. Clearing bans are most often imposed to prevent salt encroachment or to protect species of flora or fauna and cases where the justification is dubious are common. That, however, is not the essential point; which is, that if a public benefit is envisaged, it should be gained at public cost, not that of an individual unlucky landholder. The practice, of course, most punishes those who have preserved most native vegetation.

Other WA farmers have been denied the right to graze river frontages and to erect buildings. The existence of even draft land-use proposals (which in some cases have had currencies of several years) has caused bankers to reduce their mortgageable values.

Around the city, there is a procedure by which compensation can be paid but it is often slow in coming and inadequate to recompense owners for lost opportunities or the cost of re-establishing their businesses or their lifestyles in new surroundings.

Owners of rural-residential properties who have had these rezoned for parks and recreation find themselves paying rates on valuations that exceed those that can be established for compensation. There exist metropolitan landowners who have been denied the right to renovate their homes

because the existing use does not fit a regional scheme. Other procedures allow the Crown to prevent owners from developing their properties for long periods and to treat them as willing sellers in markets blighted by development restrictions.

It is improbable that Parliament intended that a Government should use the relevant Acts to expropriate private rights cheaply but that is what is happening.

Not all of the property rights expropriated by the Crown without adequate compensation have been associated with land. Fishing rights, milk delivery rights, and mining and petroleum rights have also been unfairly taken. A fisherman was initially not offered compensation when he was denied the right to fish the area he had developed with shore-based facilities. (It is worth noting that in this case the Government, faced with the well-organized and articulate fishermen's lobby, did eventually back down.) The owner of a milk vendor's licence reallocated to a factory seems to have been less fortunate. Without compensation, miners' exploration and mining titles have been reduced in value by environmental orders to conserve species, improve visual amenity or reduce waste emissions.

## THE CASE AGAINST CURRENT PRACTICE

There are at least three objections to what the State Government is doing:

- The most simple is that it is unjust. People are entitled to expect that their savings will not be expropriated except by taxes that apply with equal force to everybody. The Crown may compel owners of private property rights to part with them—but not without paying full and prompt compensation.
- The free enterprise system depends utterly on security of tenure. Faced with the risk that a government will adversely change the rules, investors demand higher returns to compensate for that possibility. Thus projects that are investor-worthy in countries where owners' rights are secure are not viable where they are not.
- Property rights are human rights—as both the authors of *The Declaration of* ▶

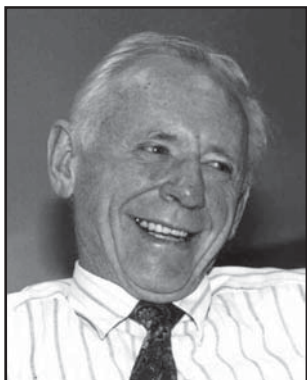
the *Rights of Man* and the *Universal Declaration of Human Rights* understood. They mark a private domain—an area from which the state is excluded. At least since *Magna Carta*, rulers have resented them because it is from within that domain that resistance to the state—in the courts and ballot boxes or by revolution—can most easily be organized and financed. To a significant degree, private property stands between the people and the overweening state.

#### WHAT IS TO BE DONE?

Property owners' problems no doubt have underlying causes in the darker side of human nature. Regulation attracts people who enjoy wielding power over other people. Regulators tend to be afflicted with what Hayek called the 'fatal conceit'—namely, the belief that they can possess the information, insight and immunity from corruption to regulate millions of outcomes for hundreds of thousands of people's own good. The cowardly tendency to obfuscate when things go wrong also intrudes.

Nevertheless, since the death of socialism, I am sure that the Ministers of most Western governments of either stripe are influenced less by resentment than by ignorance of the fundamental liberal principles they offend. They are, therefore, ill-equipped to resist the ubiquitous quest of bureaucrats for ever-increasing authority.

I do not get the impression, however, that, when taken as a whole, the people in authority are particularly ill-disposed to property owners. Rather they operate in a culture that is remarkably uninformed by those liberal values that protect individuals from the state. No conversation that I have had with them encourages the opinion that they have given the nature of property and its roles in civil society and the economy much thought. It is this ignorance, and that of voters, that must be remedied.



John Hyde is a Senior Fellow of the IPA.

IP A

# Sauce for the Goose

ANTHONY ADAIR

Non-government organizations typically have far less outside oversight than the listed companies they often criticize. A look at why this needs to change and some moves to do so.

**L**ARGE companies have, for years, been subject to various codes of conduct, often as a result of public campaigns and political pressure by a wide variety of non-governmental organizations (NGOs)—including churches, aid organizations, and welfare, environmental, social and political pressure groups. Such codes of conduct, which are in response to alleged or perceived shortcomings in the ethical standards and behaviour of business, are on top of national laws and international treaties which have themselves become increasingly onerous in recent years.

These codes of conduct can be either general in application or specific to particular industries. They include inter-governmentally negotiated ones, such as the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles. There are also self-regulatory codes, such as those of the International Chamber of Commerce dealing with international investment and the environment, as well as industry codes covering chemicals, pesticides and infant food formula.

In the last few years, however, the focus has shifted, with an increasing public concern about the behaviour and ethical standards of NGOs. For example, there have been some questionable financial practices in the aid organization CARE Australia while, in a different vein, Greenpeace's manipulation of both the scientific evidence and the media in the case of the Brent Spar oil storage facility has been the subject of much-deserved censure.

NGOs have been quick to point the finger at other people's shortcomings, and to adopt a high moral posture on issues of public interest,

but have been very loath to hold their own activities and proceedings up to the light of public scrutiny.

Yet NGOs have insinuated themselves into the political process to such an extent that they are more often than not formal participants in public policy-making forums—and usually at taxpayers' expense.

At the same time, governments are turning increasingly to NGOs to deliver services previously provided by the public sector, such as finding jobs for the unemployed and running social welfare programmes. This means that large amounts of public money are being channelled through organizations that vary from the well-established and reputable, such as the Salvation Army and the Red Cross, to smaller groups or organizations that are virtually unknown and with no record of financial and administrative skills to do the job required.

These trends raise important questions about how governments and the public can be assured of the fitness of NGOs to undertake the roles they seek to play, and about the standards of governance which apply in NGOs.

There is a strong argument, therefore, that if codes of conduct are necessary for business then they are just as necessary, if not more so, for NGOs which are not subject to the same degree of control and public scrutiny.

Some NGOs have administrative structures and decision-making processes that are far from transparent, and some operate under constitutions which effectively disenfranchise their members and supporters. Their methods are often undemocratic.

Furthermore, the behaviour of

some of them often verges on the illegal. For too long some of these bodies have been able to act with careless, even reckless, disregard for truth and for the reputation of their opponents in politics, business or the trade unions. The use of scaremongering tactics, often allied to a distortion of scientific fact or in some cases a fabrication of evidence, has been all too common, especially in matters to do with the environment, safety and public health.

### A PARTIAL RESPONSE

Some reputable international NGOs, such as the International Red Cross, have had their own code of conduct for some time. More recently, the Australian Council for Overseas Aid (ACFOA) has drawn up a code of conduct for its 77 members and 10 affiliates, a group of non-government development organizations (NGDOs).

The code is now a requirement for any NGO seeking funding from the Australian Agency for International Development (AusAID). It has two key objectives: to define standards of governance, management, financial control and reporting; and to maintain and enhance standards "thereby ensuring that public confidence in the integrity of individuals and organizations comprising the NGDO community and in the quality and effectiveness of NGDO programs is well founded."

Does the code meet these objectives? The answer would have to be a qualified "yes" on the first but a "no" on the second.

The code has some sensible and unexceptionable things to say on standards of financial reporting and disclosure. It fails conspicuously, however, to impose an obligation to tell the truth. It talks about not being a willing party to "wrongdoing, corruption, bribery or other financial impropriety", but the context is restricted to financial matters. Does non-financial wrongdoing such as lying or other personal misbehaviour not matter?

The code prohibits misleading or false statements about other agencies. Why restrict this to other agencies? Surely organizational integrity demands that employees not make misleading or false statements about other people as well—people such as politicians, public servants, religious or business leaders or leaders

of organizations that have a different stance on public policy questions? Is it all right to impugn the motivations of those who, for example, might argue that most foreign aid is wasted, that it encourages dependency and aids corruption in the recipient countries?

The code is glaringly silent on the question of political activities by aid organizations that are frequently the recipients of public funds. The code does not say whether it is acceptable for NGDOs to use public monies for the advocacy of public policies that are opposed by the government of the day or for direct involvement in domestic political activities and campaigns. Nor does it say anything about the question of involvement in the domestic politics of the recipient countries, an accusation that is often levelled, rightly or wrongly, at some aid organizations.

NGOs are now on the defensive as never before. The ACFOA code is a recognition of the need for NGOs to clean up their act, and to accept the same degree of public scrutiny that they demand of business. There is now at least a public commitment to a specified standard of behaviour, limited though that might be, and consequently some accountability to the Federal Government to the extent that ACFOA members seek government funding.

As such it is a step in the right direction, although its narrow focus on governance and financial accountability, important though these undoubtedly are, means that it does not tackle the two areas where some NGOs are most vulnerable to criticism—their political activities and their tendency to carelessness with the truth.

It also remains to be seen whether the self-regulation enshrined in the code of conduct will be effective. In the past, whenever business organizations are given self-regulatory powers, there is usually strong and predictable opposition from various NGOs on the grounds that business can't be trusted to regulate itself.

### QUESTIONS FOR GOVERNMENTS

Governments also have to face up to some questioning. If NGOs are to have a greater role in determining public policy, and in delivering a range of services and programmes to people throughout the nation, then

governments have a responsibility to make sure that they are dealing with bodies whose behaviour and standards are beyond reproach. They must also make sure that such NGOs have the skills and the experience to deliver what is required.

If a code of conduct for NGOs involved in delivering private and public aid to Third World countries is now deemed necessary and desirable, then there is an equally pressing need for a code of conduct to be developed and applied to all NGOs that seek to influence public policy and political activity in Australia. Adherence to such a code should be mandatory for those private organizations seeking for themselves a formal role in decision-making in our political process, especially if they seek public funding to carry on their activities.

In the lead up to the world environmental conference in Rio in 1992, an international group of NGOs attempted to draw up such a code but nothing came of their efforts. The Federal Government could take a lead by seeking support from other national governments for action at the United Nations. At the same time, it should begin consultations with interested parties over a domestic code of conduct. One way to begin the process would be to establish a parliamentary committee of inquiry to report within six months. All political parties have an interest in the integrity of the public policy process and should give the proposal their full support.



*Anthony Adair is Senior Associate with the Centre for Independent Studies*

**I P A**

# What Really Happened in the Northern Territory?

COLIN MacLEOD

In spite of much publicity given to Aboriginal matters, I find there is considerable ignorance abroad concerning the law, administration and culture of the postwar years. This lack of knowledge has, in my view, led to some unfair criticism, even denigration, of public servants in the Northern Territory in the 1950s. My book, *Patrol in the Dreamtime*, has, I hope, dispelled many of the inaccuracies that have crept into the contemporary debate. To help further flesh out knowledge of those times, I provide the following reprise of the policies and practices that I witnessed while working in the Territory from 1955 to 1958.

**E**ARLY in 1955, I had just been discharged from my national service in the Navy. At 21, I was restless and unhappy about returning to clerical work in Williamstown, Victoria, and had the great good fortune to get a job as a cadet patrol officer in the Northern Territory. Within one month of my arrival in Darwin, I was viewing the torn back of an Aboriginal man who had been brutally flogged with hobble chains for being lazy. My life was forever changed.

It is hard for us today to understand that in the 1950s, and well before the 1967 referendum, things were very different for Aborigines. The States had exclusive power in Aboriginal affairs. It is now seemingly forgotten that the only areas over which the Commonwealth had jurisdiction concerning Aborigines were the Northern Territory, Papua and New Guinea, the ACT and Norfolk Island. What the States did within their boundaries was not within the control of the Commonwealth.

Society in Northern Territory itself was very stratified, not unlike in the British colonies. At the top of the tree were the senior public service mandarins; at the bottom the full-blood tribal Aborigines with little or no contact with the European way of life. The 'boy-boss' mentality was entrenched.

Aborigines were often employed for no wages in conditions that on some cattle stations were nothing much short of serfdom. Floggings were not unknown; shocking food, poor clothing, and an absence of medical and educational facilities quite obviously resulted in poor health, and a lack of morale of a subjected race. The names

Aborigines were given—Maggie Dogface, Pegleg Bill, Dancer, Nosepeg—ensured the continuance of an attitude that these people were seen by many as something akin to sub-human.

Full-blood Aborigines could not vote and were not allowed to drink alcohol. Segregation in picture theatres, hospitals, schools and most public places was both marked and accepted as the norm. In an environment with few white women, 'lubras' were daily traded for 'grog' to all comers by Aboriginal males desperate for alcohol. Young Aboriginal women from puberty onwards were commonly used as stakes in card games, as sexual and as domestic unpaid servants, and almost as a currency by which favours from Europeans could be obtained.

Clearly, the Aborigines were victimized in many instances, and there was an increasingly urgent need for them to be in some way protected.

We must remember that the Northern Territory still had the feeling and character of a frontier. Most roads were unmade and ungraded. The pedal radio was just in the process of being superseded by those operated by car batteries. Out-back telephones did not exist. Light aircraft were beginning to appear as a useful means of transport. Tribal Aborigines leading their traditional lives could often be seen with spear and woomera, speaking their own languages, and perhaps

even with their recently caught prey over their shoulders.

A 'true Territorian' attitude to Southern interference was summed up in the words, 'Do-gooders should mind their own business and let us look after our own bloody blacks'. The Cattlemen's lobby was still very real, and had influence in Canberra—so the Darwin Mandarins trod softly in fear of them.

Thus, with Paul Hasluck as Minister for Territories in the Menzies Government, the policy dictated by Canberra for the welfare of Aboriginal people was much influenced by this environment. The stratified society that militated against the advancement and welfare of Aborigines had to be addressed. Paternalism had been tried and was going out of fashion. Clearly apartheid could not be tolerated. The abuse of Aborigines had been getting worse since the war with many Aborigines drifting from their traditional 'country' and way of life into the web of abuse and alcohol around the towns. Very



Children at Haasts Bluff ration depot, 1957

REVIEW



Ration day, Haasts Bluff ration depot, 1957

importantly, the victims of Europeanization, often part-coloured girls, had to be given special care and protection.

Gradual, not abrupt or rapid, 'assimilation' was seen as the answer. Perhaps what was meant by slow and caring assimilation was really, as practised in the Territory, a form of integration. Certainly there was to be no expunging of traditional customs and ways of life, at least in so far as they did not conflict with European ways. Language, dances, ceremonies and culture were not to be discouraged.

In 1949, Ted Evans (then a patrol officer but by 1954 the Chief Welfare Officer) had been ordered by the Director of Native Affairs to take away a number of part-coloured children by air from Wave Hill Station. He was much upset by his experience and adversely reported on the practice of forced and abrupt removal of children. As the result of Ted's report, the Administrator, Mick Driver, ordered that this practice cease. Thereafter it was not part of the Hasluck policy of assimilation that children be so removed.

Clearly, from what has come out of Sir Ronald Wilson's report, it did remain the practice in the several States, but as I saw the workings of the Northern Territory Welfare Branch, I know it didn't go on under Commonwealth Government auspices in the 1950s there. I believe the opposite was, in fact, the case.

The centrepiece of Hasluck's assimilation policy was the passing of the Welfare Ordinance in 1953, proclaimed in 1957. The philosophy behind this policy was that there was to be no use of the word 'Aboriginal'. Introduced instead was what became a quite unworkable concept of 'Wards of State'. Aboriginals were now not Aboriginals; they were to become 'Wards'.

All full-bloods in the Territory were to be registered in a 'Register of Wards'. From the outset it was seen by those in the field, even some as green as myself, as being quite bizarre. Further, by this Ordinance, the Director of Native Affairs and his supporting legislation and Department were to be abolished and replaced with a 'Director of Welfare'. This officer was to have powers akin to someone who

stood 'in loco parentis'.

It was within this structure that I was appointed a cadet patrol officer in mid-1955 until December 1958. There were about eight other patrol officers and cadets, with more to be appointed. We had the following duties:

- To patrol stock routes and visit cattle stations and file reports on the living and employment conditions of 'Wards' employed in the cattle industry. In those days, floggings still sometimes occurred and work for no pay was not at all uncommon.
- To investigate various abuses of Wards, particularly young girls. Some part-coloured girls existing on camp fringes with no male protector had been pregnant two, or even three, times by the age of fifteen or sixteen.
- To find work for those willing to do so in the towns. In many ways a town patrol officer was the 'union rep' for the town Wards. Jobs as drivers, cleaners, gardeners and domestics were most common. The town patrol officer haggled to get the best terms and conditions for his Wards, and made regular visits to their workplace to see that all was well.
- To sort out troubles between the Wards themselves. If the trouble arose out of traditional Aboriginal custom, then insofar as it conflicted with European law, we would do our best to sort it out or even appear in court to give evidence to help reduce a sentence. Wards could be sentenced to a few months for murder, if that murder had been committed by a Ward having to follow traditional Aboriginal law.
- To keep the dreaded Register of Wards up to date. A very big part

of the job was to update the register and to correct erroneous entries. With difficulty in matching names, places and people, it was an almost impossible document to use in court.

- To look for and find sick Wards and bring them to hospital. TB, leprosy and acute malnutrition were not unusual. I once had a young man die in my arms as I carried him into the Darwin hospital.
- To arrange transport to and from the towns to a Ward's home 'country' where necessary.
- To organize functions and encourage Wards to play sport.

As I saw the scene in which I worked, Chief Welfare Officer Ted Evans was very much the heart and soul of the Welfare Branch. He and his staff fostered a very caring, yet not too paternalistic, approach to Aboriginal Welfare. Whilst I believe the Welfare Ordinance was based on the bizarre concept of Wardship, and legislatively gave the Director draconian powers, I also believe, given the culture in the Territory at that time, that the attitude of my fellow workers was as good as one could have possibly expected. I firmly believe that Ted Evans and the other senior officers, as opposed to those in State administrations, were at the forefront of bringing to an end the terrible policy of forcibly removing children purely for the purposes of assimilation.

A lot is still to be said about the dedication and caring procedures that were associated with removal of children from real danger, abuse and hardship in the Northern Territory of the 1950s.



Colin MacLeod was a patrol officer in the Northern Territory from 1955 to 1958 and is author of *Patrol in the Dreamtime* (Random House and Reed Books, 1997)

I P A

# Media Propagandists for Social Justice

PIERS AKERMAN

Journalists act as the eyes and ears of a wider society. But what if their views show systematic differences from that wider society? Will they perform their proper function, or does reportage give way to advocacy?

**N**OWHERE in Australian journalism is the endemic lack of intellectual rigour more obvious than in the day-to-day material produced by members of the federal press gallery. Apart from conspicuously wearing history's black armband, a disproportionate number of reporters, notably from the staff of the *Sydney Morning Herald* and the Australian Broadcasting Corporation's various television and radio programmes, also cloak themselves in the ever-fashionable mantle of 'social justice'.

Warming as it may be to its wearers, however, the term 'social justice' has now been applied so broadly that it covers every cause to the left of centre and is used to excuse the most egregious biases in reportage. When the press gallery stood to cheer the passage of Labor Prime Minister Paul Keating's *Native Title Act*, it did so not to show its ingrained support for Labor policy, nor because it understood what the Act was all about, but rather to show that its heart was firmly on the side of social justice.

Social justice has become the fig leaf for left-wing bias in the media, the camouflage from behind which the Left attempts to pursue its agenda. It is not then surprising that Prime Minister John Howard occasionally reminds the ABC, the principal purveyor of material under the social justice banner, that the range of views it presents is too narrow. Any casual listener would be forced to agree.

The ABC is apparently happy with its role as the de facto Opposition, confident that if its reporters express their own views during interviews, those views will, in the overwhelming majority of cases, challenge or denigrate a Federal Coalition position. Social justice demands that such views dominate the public broadcaster.

Examples of such behaviour are not hard to find. In early September, when the Government announced a list of delegates for the 1997 Constitutional Con-

vention, the 'AM' programme, which Mr Howard sees as reduced in relevance, interviewed a number of self-identified committed republicans who had been selected among the government nominees. Not unsurprisingly, they and the ABC interviewer challenged the right of the Government to nominate a sprinkling of young people who had expressed support for either the monarchist position or concerns about the various republican cases posited.

There was, however, no question of any hostile response to the committed young republicans named as part of the government delegation. Clearly, the ABC has decided that bias in favour of republicanism is its policy and above question.

Such attitudes are now being promulgated across the whole of the ABC's programming. Even self-nominated media critic Stuart Littlemore eschewed his usual flailings at the *Gulargambone Gazette* when the Federal Government rejected funding for the ACT's ill-contemplated heroin trial and launched into a polemic in support of that approach to the drug problem. Littlemore did of course describe in his personal memoir his commitment to Labor<sup>1</sup> and his attempts to colour ABC broadcasts decades ago when he was a full-time employee,<sup>2</sup> so such a lack of objectivity is not unexpected but perhaps his programme, and others, should be renamed to identify the biased social commentaries they are in fact.

In 1997, a Canberra consultant conducted an interesting review of three ABC programmes, 'AM', 'PM' and 'The World Today', throughout the month of May. Each of the daily broadcasts was analysed for content and pro- or anti-Government viewpoint.

On 1 May, for example, 'AM' broadcast four items, three of which were judged political stories. The first was about cuts to the ABC budget (no prize for guessing the point of view), the sec-

ond was about alleged divisions in the Coalition over Wik, and the third about a car accident involving Aviation Minister John Sharp. That morning's broadcasts were rated as three negative for the government.

Throughout the month, 'AM' broadcast 94 different items, some 68 of which were counted by the authors of the survey as political. Not unexpectedly, those rated as negative to the Government totalled 47 while just five items were rated as positive.

Labor's score was quite different. They received one negative from four stories aired.

A similar rating for the 'PM' programme awarded 84 items as negative to the Government and 16 as positive from 128 political stories. Labor was rated as receiving two positives and one negative. 'The World Today' for the same month ran 101 political stories, according to the study, with 71 rated as negative to the Government and six as positive.

No-one could possibly be surprised by the results of such a study, though by any criterion such a scorecard makes a nonsense of any concept of balance.

The only sound study conducted specifically on Australian journalists' beliefs was conducted by Professor John Henningham of Queensland University in 1994. It remains the yardstick, though one could reasonably expect that, on most issues, the views of those in the media have if anything drifted further to the left. Professor Henningham matched the views of 173 journalists interviewed by telephone with those of 262 other Australians selected at random. A series of topics ranging from welfare issues to environmental questions were put before the groups and the results compared.

Here is a complete list with the percentage of the general public in agreement, arranged in order of increasing divergence between the attitudes of the general public and those of journalists:

Issue	% General Public in agreement	% Journalists in agreement
Private schools	83	83
Competition	96	95
Public spending cuts	35	36
Business profit	90	91
Church authority	20	21
Privatisation	48	46
Nuclear power	24	27
Defence spending	68	64
Socialism	29	34
Death duties	12	18
Free enterprise	86	92
Wealth tax	40	46
Caning young criminals	40	46
Test-tube babies	56	62
Voluntary euthanasia	71	77
Housing Commission housing	83	90
Patriotism	77	70
Multiculturalism	78	85
Minimum wage	79	87
Work for the dole	85	74
Legalized abortion	71	82
Conservationists	84	95
Working mothers	80	92
Women priests	75	87
Government welfare	76	89
Condom vending machines	83	97
Picketing	33	53
Bible truth	41	21
Royalty	46	25
Premarital virginity	29	8
Sabbath observance	52	30
Legalized prostitution	65	87
Gay rights	57	79
Unemployment benefits	67	91
Strikes	19	45
Decriminalized marijuana	36	63
Australia as a republic	49	78
Castrating sex offenders	50	20
Asian immigration	51	83
Stiffer jail terms	80	46
Mabo	44	78
Trade unions	47	84
Death penalty	60	21

The attitudes of those employed to report from the federal press gallery are probably further to the left than those of the general journalist population because it seems to me that continued exposure to the political process induces a polarization and breeds a curious culture. That culture manifests itself in a bizarre belief by gallery members that they are not only superior in intellect and insight to other Australians but have also been mysteriously elevated to a state far superior to the politicians they are paid to cover.

News selection at the ABC and John Fairfax publications, except the *Financial Review*, reflects the general attitudes shown in the Henningham study. Topics favoured by the organizations are those in tune with the politically-correct social justice agenda. Thus we find that approving stories about anti-smoking activists, pro-Aboriginal extremists and the pro-homosexual lobby are given a disproportionate amount of space and airtime.

One of the most striking apparent attitudinal features to emerge in listening to the many social justice proponents in the press gallery has been the palpable air of ani-

mosity towards the Coalition displayed since the 1996 election. The ABC's Kerry O'Brien appears at times to have to exert extraordinary self-discipline in a bid to restrain himself from flinging himself bodily at the Prime Minister and other senior Coalition figures he is interviewing. The head of the Office of the Status of Women, Pru Goward, has weathered similar extraordinary attacks from members of the gallery who appear to deny the very legitimacy of the Government and its appointees.

The views of the Australian media closely follow a pattern long established in the United States, where the overwhelming majority of newspaper journalists have long identified their political leanings as Democrat/liberal. The latest figures from a 1996 survey of journalists conducted by the American Society of Newspaper Editors showed just 15 per cent indicating they supported Republican/conservative views, 61 per cent identifying as Democrat/liberal and 24 per cent as independent. The greatest change since a similar survey conducted eight years earlier is a seven per cent shift from the Republican/conservative bloc to the independent bloc.

As has happened in Australia, voters supporting conservative issues have been subjected to an ongoing media campaign of denigration, including charges of rampant extremism.

In both countries, the principal bodies prosecuting the social justice campaigns so avidly supported by the bulk of the media are non-government organizations (NGOs). These bodies are the primary source of media material used in such areas as women's issues, environmental campaigns and indigenous rights programmes.

But the greatest promulgator of such material globally is without doubt the United Nations and its myriad committees, which happily accept skewed data from NGOs and re-issue it in the form of UN reports which frequently ignore government research or, in some cases, the hard facts. As any researcher who actually looks into the UN's regular social justice reports will be aware, they can be safely predicted to present a hand-wringing view, guaranteeing treatment akin to the Ten Commandments when they are received by the cringing acolytes of political rectitude awaiting them.

It's easy to dismiss the bleeding heart approach of so many within the media, but unfortunately it does distort the vision many

Australians have of themselves and their culture. Indeed, the major purveyors of social justice would have it that Australian culture, outside that represented by Aboriginal artworks, music and dance, does not exist.

The ABC's Radio National now approaches Australian culture outside that of the Aboriginal with the same fundamentalist fervour as greenies approach exotic plantings. It's a view somewhat at odds with those who persist in pushing multiculturalism upon a reluctant nation.

Yet, just as society has become tired of the persistent whining of the politically correct, perhaps it is now seeing through the social justice blanket. The sombre vision presented through the social justice lens—the vision of homeless young Australians desperately in need of free heroin to combat the prospect of work-for-the-dole legislation or possible tuition fees—seems to cut no ice with the young and impressionable. Despite the propaganda barrage, young Australians are much more optimistic than their parents. This good news, revealed in a survey conducted by Newspoll in late August 1997, will cause headaches for those whose preference is to pour vinegar on youthful enthusiasms.

There is just no social justice when teenagers say that the future is not necessarily overshadowed by threats of unemployment, dependency and illiteracy.

## NOTES

- 1 '...I was one of the volunteers putting together television material for the ALP.' Stuart Littlemore, *The Media and Me*, Sydney, ABC Books, 1996: 24.
- 2 'The ABC had a slavish belief in "balance".... In one of my bulletins as chief sub, I "balanced" twenty lines of a Whitlam speech on the defects in Australian foreign policy with twenty lines about Billy McMahon being pelted with flour bombs at the Adelaide Town Hall. Perfectly satisfactory.' Littlemore, *The Media and Me*: 108, 109.



Piers Akerman is a columnist with the Sydney Telegraph-Mirror and the Sunday Telegraph. This is an edited version of a contribution to Social Justice: Fraud or Fair Go? published by the Menzies Research Centre.

**I P A**

# Misleading Figures: Some Tales from Statistical Wonderland

JOHN COOCHEY

Official figures are not necessarily truthful ones. Too often, accuracy is sacrificed for effect. A look at misleading statements from those supposed to be servants of the public.

**I**N some halcyon bygone age, both bureaucrats and advisory bodies to government gave fearless and impartial advice. Whether this ever existed is a moot point but it cannot be true today with even the federal bureaucracy making statements that are demonstrably false. This is not only on a personal level. Egregious recent examples include the Australian Electoral Commission telling voters that they must number every square on their ballot paper to register a valid vote. Or the ABS telling you that you must not post back the Census form when you have every legal right to do so (in fact there is not even an obligation to fill it in until you receive a formal notice of direction, which can only be given if you were silly enough to give the collector your name, which is not required under the *Census Act*).

Likewise, a couple of years ago, the Environmental Protection Agency put out a warning that we were approaching a bad time of year for the hole in the ozone layer. When the Bureau of Meteorology, which advises the EPA on such matters, pointed out that there was no hole in the ozone layer that year, the EPA replied that it is not wise to confuse people.

What is far more serious is when a department or advisory body lies to both Government and the public. To give one example, on 1 February last year Pru Goward, the head of the Office of the Status of Women (OSW), had a letter published in the *Australian Financial Review* criticizing the Women's Electoral Lobby (WEL) for writing to the United Nations and claiming that domestic violence accounted for 70 per cent of police work in NSW. 'Wrong wrong wrong. It paints a picture of domestic mayhem in NSW or else a very small police force.' What she forgot to mention

was that figure was from a statement from Carmen Lawrence, the then Minister for Health, based on advice from OSW, on 26 April 1995! In fact, every other assertion of alleged fact in that statement was also totally false:

- 'We also know that domestic violence comprises one of the largest areas of police work—some 70 per cent according to NSW Police figures';
- 'Victorian police report that they received more than 14,000 calls involving domestic violence in 1992';
- 'There are no national statistics on the nature and extent of violence against women but we do know that on any night in Australia, approximately 5,000 women and children seek accommodation in refuges—most of whom are escaping violence';
- 'And in Queensland a 1992 study showed that one in five women admitted to the Royal Brisbane Hospital's emergency department was a victim of domestic violence'.

In reality, the source document of police call outs showed that they accounted for 0.7 per cent of police time, not seventy per cent. Of 14,000 Victorian police calls, only 13.7 % definitely involved violence, and a quarter of these involved parent-child rather than interspousal violence. The National Census, supported by other data, showed that in 1991 there were 6,607 people in shelters for the homeless; 1617 children, 1271 women and 3722 men—that is, men outnumbered women and children put together. The Queensland hospital survey actually showed that only 1.1 per cent

of attendees were there as a result of domestic violence, and there was no evidence that any of them required admission.

Sometimes 'truth, justice and the American way', or at least common-sense, can triumph over the political propaganda of special interest groups. In early 1997, the National Health and Medical Research Council published *An Information Paper on Termination of Pregnancy in Australia*. This had been originally published in late 1996, but had been withdrawn and pulped only to be republished as an unendorsed information paper. At the time, it was accused of lacking objectivity and being the product of the 'abortion industry' (many of the authors being directly involved with the termination of pregnancy). The authors had been specifically asked to examine ways to reduce the number of abortions in Australia. They refused to address this question but stated that the number of abortions had declined since the 1930s and had remained static in South Australia since 1968. The 1930s figure was supposedly based on 'expert testimony' which even cursory research showed did not exist. One witness had said that one in five pregnancies ended in



Pru Goward, current head of OSW

Andrew Meares /The Sydney Morning Herald

REVIEW

abortion, but this specifically included spontaneous miscarriages—which still account for one in five pregnancies. In other words, deliberate abortions in the 1930s would have been negligible. When I approached Judith Dwyer, who was the Chair of the working group which wrote the paper, she said that these errors were unimportant as the South Australian experience showed that abortions per capita had not increased since the 1960s.

In fact, the data for the 1960s misrepresented testimony by Woodrow Cox, then Professor of Obstetrics at the University of Adelaide. He estimated that there were 4,000 abortions per year in South Australia before the official liberalization of the laws in 1969. The authors of the NH&MRC paper concluded that, as there are now 5,000 deliberate abortions per year in SA, the rate has not increased. An examination of Cox's testimony clearly shows that between 61 and 97 per cent of the '4,000' were spontaneous miscarriages. Thus, in reality, there has been a major increase in the number of abortions since the 1960s, and an enormous increase since the 1930s. I wrote to the Minister for Health and later received a letter saying that the report was fatally flawed and would be withdrawn. The letter also expressed regret that, as the NH&MRC paper had had two public drafts and 200 submissions, no one had picked up the errors. The paper had been commissioned in 1992 and it is strange that five years' work can be shot down by two hours of investigation in the National Library.

I subsequently applied for one of the contracts that the NH&MRC was letting to vet papers. I was unsuccessful, allegedly because I did not have sufficient scientific background. Interestingly, Professor Leeder who is the new Chairman of the Health Advisory Committee, which was responsible for the abortion paper, is also the head of the Public Health Association, which claims to be Australia's leading advocate for developments in public health policy. The PHA is rewriting its information package on abortion because it had been based on the NH&MRC paper. One key table, which was not from the NH&MRC, allegedly gave figures for deaths related to induced abortion since 1931, based on 'various ABS publications'. When I asked a representative of the PHA how the ABS

could possibly possess that information when a university professor could not even be sure how many induced abortions were treated in one hospital, she said that she would 'look into it'. As a result of a subsequent phone conversation with myself, sections of the report are, I understand, currently being redrafted.

It is perhaps in the ACT where the lack of intellectual rigour, a polite way of saying stupidity, has reached its height. In March 1996, the ACT Department of Health released a report entitled *Review of ACT Sexual Assault Services*. Without any evidence whatsoever, the report asserted that one in four women had been the victims of sexual assault. The report was largely based on an earlier paper, *Many Paths for Healing*, prepared by the Canberra Women's Health Centre which is funded by the ACT and Federal Governments. The earlier paper had found that 20 per cent of their respondents were victims of organized sadistic abuse, formerly known as satanic ritual abuse—black masses, torture, etc.—which means that the ACT must have more covens complete with torture chambers than it has Catholic grammar schools. In fact, a British Government study over a four-year period found only three such cases and, in the US, only one out of 12,264 cases was sustained. The origin of this insanity can perhaps be found in the Women's Health Centre report, page 7:

*Feminist research methodology*

- *The distinction between subjective and objective research is rejected. All research occurs in a social context and reflects the researchers way of seeing the world.*
- *The production of emancipatory knowledge and empowerment of those who are being researched is a central focus.*
- *The research process should contribute positively to consciousness raising and transformative social action.*

With such methodology, it is not surprising that stupidity occurs. But how on earth does it get included in government policy?

Unfortunately this is not an isolated incident.

In early 1996, the Community Law Reform Committee of the ACT published a report on domestic violence which stated (para 840) that during a three-month period there

were '347 police callouts to verified domestic violence incidents'. This supposedly came from an Australian Institute of Criminology report which was published in 1993. What the AIC report had found was that, of 347 callouts to 'domestic incidents', only 19 per cent were classified as assaults and only nine resulted in successful convictions. Thus the total number of verified domestic violence was nine, not 347! When this falsification was revealed, Justice Terry Higgins, the Chairman of the report, far from withdrawing the report, or at least apologizing, defended it in the *Canberra Times*. In a letter published on 3 February 1996, he stated that the statistics were the most comprehensive and authoritative available and furthermore that the use of the term 'victim' in the report in place of 'complainant' and 'perpetrator' instead of 'defendant' (thus reversing the onus of proof under Australian law) had been deliberate but this was justified because it was not gender specific. Gary Humphries, the ACT Attorney-General, also publicly supported the report. When I challenged him at a public meeting as to why he supported a report that falsified data, he said that he had read my research but 'could not see my figures'. I have always been sceptical about the numeracy of politicians but it is not often that one of them admits it publicly.

What is patently clear is that both the 'apolitical bureaucracy' and 'independent experts' often have their own political objectives and are prepared to obtain them at public expense; often with highly misleading, or even false, statistics.



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**ALL ABOUT AMERICA**

Australia and the United States have markedly different roots and attitudes to issues of individual freedom (of which economic freedom is a part).

The United States was forged by a war of liberation, and notwithstanding its gradual conformance with the twentieth-century *zeitgeist* that governments can solve every problem, still retains a significant proportion of its population adhering to its eighteenth-century founders' ideals of maximum individual freedom.

Australia's independence was achieved by gradual, democratic means. Today, public debate centres not on what is appropriately the role of government, but merely the best means by which it can do whatever it wants to.

So not only is the Internet essentially dominated by the United States, modern thinking on liberty is also largely based in that land. In this issue, we will focus mostly on American Web sites, with one Australian site I just couldn't let slip by.

**OBJECTIVISM**

One of the most influential liberty-oriented Americans of this century was, oddly, a Russian. Her name was originally Alicia Rosenbaum, but deciding on a new image on entry into the United States in 1926, she selected the names of a Finnish movie star and a typewriter brand to call herself Ayn Rand.

Her influence was not so much in academia, but with the common Americans. Not so much directly through her philosophy of Objectivism,

but through her romantic and powerful novels, *The Fountainhead* and *Atlas Shrugged*.

The latter develops Objectivism into a coherent whole, supplemented by a great number of essays she later penned. *Atlas Shrugged* stands out as a unique and persuasive attempt to justify capitalism not on empirical grounds, but on the basis of morality.

Rand died in 1982 and left her considerable fortune—derived mostly from the sale of those two novels, both of which have been in print continuously since their respective publications in 1943 and 1957 and both of which were rejected by publishers before finding a home—to furthering her philosophy.

Unfortunately Objectivism has undergone a schism—somewhat in the manner of the many faces of Marxism—with the differences between its adherents apparently being of more concern to them than their 98% agreement.

Official Objectivism, the Ayn Rand Institute, can be found at:

<http://www.aynrand.org/ARI/>

while the major 'deviationist group', the Institute of Objectivist Studies, is at:

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

**PULPLESS.COM**

There is a book entitled *It Usually Begins with Ayn Rand*, showing her influence on the liberty-oriented. A more surprising influence was a science fiction writer: Robert A. Heinlein. You may have seen the dreadful film of his award-winning novel, *Starship Troopers*. Don't judge the writer, please, from the director!

In his novel *The Moon Is a Harsh Mistress*, Heinlein presents a vision of a society utterly without government. Reading this helped prompt David Friedman, the author of *The Machinery of Freedom*, to develop a coherent small-to-nil model for government. Heinlein inspired a whole generation of libertarian writers, particularly in the science fiction genre.

One of them is J. Neil Schulman (*Alongside Night* and *The Rainbow Ca-*

*denza*) who has been involved for several years with electronic publication. Schulman maintains a Web site at

<http://www.pulpless.com>

in which several novels of a radically free-market bent are available for sale. Among them are Schulman's own, plus his non-fiction work, as well as *The Kings of the High Frontier* by Victor Koman, a novel on a massive scale that takes on NASA and the way it has impeded the private development of space.

The novels only cost around \$US3. *Kings* is set to inspire a new generation of freedom-minded people.

Schulman, Koman and Heinlein have all received the Prometheus Award for their novels. This is given annually by the Libertarian Futurist Society, the site of which is at:

<http://www.libertarian.com/LFS/>

**REASON MAGAZINE**

One of the most prestigious periodicals in the individualist press is *Reason* magazine. I say this despite its recent failure to take the opportunity of printing some words by yours truly—or perhaps it is by eschewing the likes of me that it remains prestigious!

**AYN RAND INSTITUTE**

"The present state of the world is not the proof of philosophy's impotence, but the proof of philosophy's power. It is philosophy that has brought men to this state—it is only philosophy that can lead them out."

—For the New Intellectual, 1961 essay

THE AYN RAND INSTITUTE is the center for the advancement of Objectivism, Ayn Rand's philosophy of reason, egoism, individualism, and laissez-faire capitalism.

ARI was founded in 1983 by Ayn Rand's 30-year associate and heir, philosopher Leonard Peikoff. Based in Marina del Rey, California, ARI has spent over \$8.5 million to spread Objectivism. ARI's annual budget now exceeds \$1.5 million.

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Recent Additions (last updated 04/29/98)  
Reason News (last updated 04/24/98)

Amongst the *Reason* articles available on-line are a discussion of whether cloning should be banned, with a multitude of links to related discussions on the issue, and the full text of the editorials and book reviews from the now current May 1998 issue. If that's not enough, there are full feature articles from previous issues going back to 1994.



Indeed, there is enough here to justify taking out a hundred-hour-a-month contract with your Internet Service Provider. Have a look at:

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

### PRETTY GOOD PRIVACY

An area that even hard-line free-market people usually grant to government control is defence. But what is defence, and to what extent can governmental power grow in the name of defence?

In the early 1990s, an American called Phil Zimmerman wrote a computer program by the name of Pretty Good Privacy, now universally referred to as PGP. This program provides electronic encryption so that people can communicate to each other via e-mail without fear of 'eavesdropping'.

Of course, such a program can only be used if others also use it, otherwise there would be no-one to whom to send encrypted e-mail. So Zimmerman made the program available, free of charge, on the computers of the MIT and encouraged public use by Americans.

In due course, the program found its way overseas, commencing a somewhat Kafkaesque experience for Zimmerman as he spent three years under investigation for allegedly breaching the United States' munitions export laws—the laws designed to stop people from shipping nuclear weapons and fighter planes to Russia.

Eventually the US Government realized that Zimmerman was innocent, but the law remains in place ... sort of.

Zimmerman went commercial in 1996, starting up a company to market the program. Recognizing that an encryption program can only succeed if used by many, the company PGP Inc. still provides a free version of the program, but only within the United States.

American law prohibits the export of strong encryption programs on the grounds that bad people might communicate in a way that can't be broken by the National Security Agency—ignoring the fact that there are plenty of strong encryption programs outside the

United States anyway. That's why the security features of American Web browsing programs available in Australia are very much weaker than for the same programs available in the United States.

As to the 'sort of' I mentioned, in 1996 a US court held that the source code of a computer program, so long as it is printed out, is protected by the free speech amendment of the US Constitution. PGP Inc. published the free version of computer program in print, in several enormous volumes.


A group of volunteers in Norway subsequently optically scanned the thousands of pages and have made legal versions of the program available for several different kinds of computer, at no charge, at:

<http://www.ifi.uio.no/pgp/>

### A MISCELLANY

Need information about the current population of Guatemala? Or the land area and principal industries of Lesotho? Why employ your own intelligence service when the CIA is at hand! Look at the CIA's annual publication of

**CIA Publications and Handbooks**



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- **The World Factbook, 1997**  
The 1997 World Factbook is a comprehensive view of each country in the world through facts and statistics on such topics as population, economy and government. The book also includes maps and flags for each country.
- **1997 Factbook on Intelligence**
- **Chiefs of State and Cabinet Members of Foreign Governments** Updated: April 6, 1998
- **Handbook of International Economic Statistics, 1997** Updated: January 12, 1998

thumbnail sketches of every nation in the world at:

<http://www.odci.gov/cia/publications/pubs.html>

Enjoy reading *The American Spectator* but finding it hard to get since Australian distribution arrangements changed? Have a look at:

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

**The American Spectator**  
online

The American Spectator, a monthly review edited by R. Emmett Tyrrell, Jr., is one of the country's fastest growing magazines of investigative reporting and commentary.

**The Federalist Digest**  
Reducing Social, Political, and Media Liberalism.

**Today's Feature**  
**R. EMMETT TYRRELL, JR.** A couple of years back a federal prosecutor tipped me off to a useful site for observing Whitewater. When the Clintons and their servitors raise the decibel level of their attacks on perceived enemies, something momentous is about to happen in the office of the Independent Counsel.

**MOVIE TAKES** New this week are reviews of this year's Academy Award winner for best foreign film, *Character*, Jennifer Aniston in *The Object of My Affection*, the unfathomably praised *The Barber's Boy* and Woody Allen exposed in *Wild Man Blues*. (updated 5/1)

**ENEMY OF THE WEEK** takes on the White House Correspondents' Association dinner and all the howlers who attended. Plus, more late mail. (updated 4/29)



**AMERICAN SPECTATOR**  
CURRENT ISSUE: May

Want to know more about the United States? Why not go to a library ... one of the biggest in the world. The Library of Congress has an enormous amount of material on-line, including its catalogues and Civil War photograph collection, but not, of course, the contents of the millions of books it houses.

<http://lcweb.loc.gov/>

Finally, let us come home again to a debate that we have been forced to endure for far too many decades. It concerns uranium. On the industry side we have the Uranium Information Centre at:

<http://www.uic.com.au/>

For the other side, well, feel free to pick any of the conservation groups.

### A SHORTCUT

All these sites may be accessed from links on my own Web page at:

<http://www.ozemail.com.au/~scdawson>

I continue to welcome advice from readers on Internet sites that they believe would be of interest to readers of the *IPA Review*. E-mail me at [scdawson@iname.com](mailto:scdawson@iname.com).

**Declaration of interest:** In the last issue I mentioned R.J. Stove's on-line publication, *Codex*. I am now performing the Web page work for *Codex* on a paid basis. This work was offered *after* I had prepared that column, and had not been previously mentioned by Mr Stove, nor contemplated by me.

# The Taxation of Family Trusts

NICK RENTON

The impression is often given that trusts exist merely to evade taxes. They have far more important reasons to exist than that. And their tax advantages are very limited or even non-existent.

**T**HE social welfare lobby and the Commissioner of Taxation are both calling for changes to the income tax treatment of family trusts and their beneficiaries. Trusts are being portrayed as the rich person's tax dodge. Is this correct?

*Inter vivos* (that is, living) and testamentary trusts have been around in England for hundreds of years and in Australia since colonization. They pre-date income tax and were not, as is sometimes suggested, invented in order to minimize tax.

Family trusts in particular have many non-tax uses—for example, the passing of assets from generation to generation, the making of provision for young children, the pooling of family wealth to enable larger and more efficient investments to be made and the ability to make gifts with strings attached. Such trusts are often used to run small family businesses—this helps to protect personal assets against business creditors and business assets against personal creditors.

Unlike many artificial tax minimization schemes in current use, the employment of a trust structure does not ever reduce the *total amount of income* which is subject to tax. The most that it can ever do is lower the *rate of tax* which applies to that income and even that does not always occur.

Furthermore, in most cases a trust structure reflects the real-life position—namely, that the total income flowing into a family is actually intended to be for the benefit of the whole family and not just for the benefit of a single so-called breadwinner. Thus, spreading family income around for income tax purposes is no more immoral than spreading it around for spending purposes. In the current era, looking after one's family is usually considered a good thing in Australia.

In practice, most family trusts do socially useful things. They invest only in genuine, conventional investments of exactly the same type as those normally selected by highly conservative personal investors for their own portfolios. Some stimulate the economy by financing small businesses. Such trusts should certainly not be discriminated against.

It is, of course, true that—because of the sliding scale of income tax in current use—splitting income among a number of different beneficiaries with low marginal tax rates can produce a smaller total tax bill than if all the income were left to be taxed at a higher rate. The same phenomenon, however, can apply to income channelled through partnerships or companies.

This approach is indeed unfair to ordinary wage earners who lack the ability to split PAYE income in a similar fashion. The remedy for this, however, would be to allow notional splitting of such incomes—not to do away with trusts.

One proposal mooted from time to time is to tax trusts as though they were companies. This would undoubtedly bring in more revenue, at the expense of trust beneficiaries.

The reasoning seems to be that some items which can be distributed tax-free through trusts would attract tax if channelled through companies as unfranked dividends—for example, capital gains within the indexation component, building allowances or amounts arising from the revaluation of assets. This is indeed an anomaly in the legislation—but the proper way to correct it is to change the way companies are taxed so that transactions which Parliament intends to be tax-free stay that way.

The authorities could no doubt find additional ways to raise more revenue from trusts—for example, by imposing special taxes on:

- trust assets;
- trust incomes;
- funds being settled; or
- trust distributions.

Increasing taxes on family trusts would, however, appear to be against the philosophy of the present Coalition Government, principally because:

- it would penalize saving and thus run counter to the Government's measure to reward savers, as evidenced by the 15 per cent tax rebate announced in the May 1997 Federal Budget;
- it would hurt small business, which is a major user of trusts and the prosperity of which is important in the context of boosting employment opportunities; and
- it would impact harshly on families, a section of the community which the Government is keen to support.

Changing the rules would not produce nearly as much additional revenue as is sometimes thought, because behaviour patterns would change. Greater use would be made of companies and partnerships. Splitting of income could still be achieved by using joint names or putting assets into the name of a low-income spouse.

Furthermore, some alleged tax leakages through trusts have nothing to do with the trust structure. They arise because items such as establishment expenses, accelerated depreciation, interest payments and the like are deductible under various provisions of the legislation.

Penalizing trusts would encourage taxpayers to use tax minimization measures which are less healthy for the economy. In conjunction with other tax initiatives in the pipeline, this would probably induce persons with entrepreneurial skills to locate themselves offshore, thus reducing rather than boosting total Australian tax revenue collections.

The Government has already clamped down on one aspect of trusts—the so-called trading in tax losses. Again, the propriety of the official action seems rather dubious. If a trust loses \$100 and an individual earns \$100 then the combined income of both is nil. What is wrong with two taxpayers getting together and paying nil tax on nil income?

While critics choose to ignore the point, interposing a trust can sometimes lead to *more* rather than *less* tax being paid—for example, because:

- trusts unlike partnerships cannot distribute losses;
- capital losses in a trust cannot be offset against capital gains realized by beneficiaries personally or through other trusts;
- child beneficiaries can be subject to a special 66 per cent tax rate;
- rebates which cannot be utilized are lost permanently; and
- capital amounts distributed as annuities are taxed as income.

Depending on the precise form of any legislation, one consequence of taxing trusts as though they were companies could be to make the use of family companies rather than family trusts more attractive. This would still achieve the advantages described earlier, but without the limitations imposed on trusts—such as the rule against perpetuities and the penal tax rate on undistributed income.

Despite perceptions that trusts allow the super-rich to manipulate the system, the existence of nearly 400,000 trusts shows that they are being used by many ordinary Australian families. Any tax reform measures based on logic and equity should not single out family trusts for harsh treatment.



Nick Renton is the author of *Family Trusts (Wrightbooks)* and *Taxation and the Small Investor (Information Australia)*.

I P A

# The Labour Legacy of Kaiser Bill

GRAEME HAYCROFT

The regulated working week was a 'big idea' that Kaiser Wilhelm II liked a lot. Unfortunately, so did the Australian union movement. But the benefits of escaping from authoritarian labour controls are now available to those interested.

**O**N 28 March, the *Courier Mail* ran the lead story 'Employees Win Penalty Rates Battle', reminding us yet again of the crying need for labour market reform. The story was reported in the traditional adversarial form—'debosses versus dewoikers'.

'Debosses'—in this case the Australian Hoteliers Association (AHA)—wanted an end to penalty rates because they hinder productivity and efficiency. 'Dewoikers'—as represented by the Liquor, Hospitality and Miscellaneous Workers Union—argued that penalty rates were part of the compensation package, and therefore deserved.

Both arguments, whatever their merits, are irrelevant: either for determining the decision of the Industry Commission or for what can now be achieved in the market place using sub-contracting mechanisms.

For instance, John Reddy's labour hire agency in Caloundra has demonstrated for years that hospitality and tourism businesses can be set up and run entirely by contractors, without penalty rates. These mechanisms are simple and uncomplicated.

The new 'Kernot-Reith' *Workplace Relations Act* has not changed the basic reality that most workplace arrangements remain under the 'master-servant' assumptions of the traditional system. This system largely ignores the fact that the parties actually affected are ordinary Australians who want to enter into simple contractual trading arrangements for a profit. Labour markets are just a matter of simple exchanges between people seeking to sell their labour services for a reasonable fee and business proprietors seeking to purchase these labour services at a price that enables them to make a

profit. You can add all the 'bells and whistles' you like but, in essence, a job is simply the consequence of the successful negotiation of the above.

Such fundamental and simple commonsense has almost no part in our formal industrial relations system, which is run almost entirely for the benefit of the people and institutions within the system, not those they purport to represent. If you are in the business of being paid to wade through arcane complications, the last thing you need are simple propositions. The penalty rates fracas illustrates this point.

At the core of our IR system is the concept of the regulated—now 38-hour—week. We even celebrate a public holiday—Labour Day—to this 'big' idea first developed by Kaiser Wilhelm II in 1889 to rid himself of a political foe. (Kaiser Bill being the guy who thought the 'big idea' of World War I was also a great idea.) Most 'big ideas' (Leninism, *lebensraum*, soldier-settlement, Canberra) are dumb ideas—hence the expression 'What's the big idea?'. It speaks volumes for the Australian union movement that they would adopt the Kaiser's regulated working week 'big idea' as a good idea.

Along with home ownership, a secure job is the Aussie dream. But this secure job is rarely defined in terms of what it really is but nearly always in terms of this almost mystical, permanent, regulated (38-hour) week allocation as though it was an end in itself. Penalty rates were introduced long ago to defend this concept. It enabled the state to penalize employers who weren't prepared to abide by what, at best, was simply an exercise in social engineering—'You shouldn't work on Sunday, you should be in church, etc'. There was no suggestion



when penalty rates were first introduced that they would be widely used; that is why they were not called 'reward rates'.

When you consider that the whole 'Award' system rests on the foundation of the regulated working week—and this foundation is supported by the concept of a 'penalty' on anyone who varies from it—then you start to understand why any application to remove one of the foundation planks is bound to fail. Take away penalty rates and the concept of a regulated working week is largely meaningless. What that would do to the 'Award' system—and those who are paid handsomely to work this complicated system—doesn't bear thinking about. (Unless, of course, you are paying for that complicated system in higher prices and fewer jobs.) This is why the AHA application failed and why every other similar application will fail.

But you don't have to comply with the system unless you are silly enough to want to. In spite of an idiotic State payroll tax aberration in Queensland—but not in NSW—on the small business subcontractors who do the actual work,\* Reddy's labour hire agency in Caloundra now has four major tourist and hospitality sites where all the workers are subcontractors working under contracts for services for flat hourly rates—that is, no penalty rates or overtime. They have numerous other sites in other industries under similar conditions. The demeaning 'master-servant' relationship has been dispensed with.

It is salutary to observe what actually happens under these circumstances, rather than listen to the stylized posturing of the industry spokespeople rabbiting on in terms of

some mythical, adversarial class war.

First, under the present complicated 'Award' system, few employers in fact pay penalty rates. To a significant degree, penalty rates achieve their goal of preventing employers from employing people at times when penalties apply. Where such employment does occur, it is of-

ten because the penalty rates are not actually paid—usually by the old expedient of a little undeclared 'cash' or the threat that you will be sacked if you complain. In practice, the workers have gained or retained nothing from this latest decision.

The present complicated system makes a hotel or restaurant work roster, unsurprisingly, a seriously complicated affair, with about 25 per cent more people being required than would be needed if commonsense prevailed. While, in times of high unemployment, that might seem like a good idea, in reality it isn't. In one hotel John Reddy worked on, before the change to subcontracting, they had a roster of 80 employees of whom about 75 per cent were on some form of Social Security. After about three months on the subcontracting system, the workforce reduced to about 50, most of whom had the dignity of enough work to constitute full employment and were off the Social Security teat. In the other three sites, and in the innumerable service stations handled by the agency, a similar phenomenon occurred—that is, fewer workers earning more. In summary, reform and dignity did not come from complicated protective mechanisms, but the removal of them. No, it is not Nirvana, and the small businesses, or, more correctly, their workers, who choose to go that way have to pay the idiot payroll tax mentioned above. But, yes, in spite of that deduction from their pays, the workers are still better off under a system where they can work longer and work on a weekend as well.

The rejection of the penalty rate application by the AHA was not a victory for employees, it was a victory for

a cynical IR system with a vested interest in complication. The AHA, in spite of their predictable failure, look like they are doing something for their members; the union looked like it was doing something for its members. Industry spokespeople who rely for the continuation of their employer associations, and their own jobs of course, on the cash flow from the complicated fee paying industrial services provided to their members, are able to breathe a sigh of relief that regulatory complication has survived. Their jobs are OK for a while longer. In reality, their cynicism knows no bounds because they were able to be reported as saying how disappointed they were about the decision, and how tourism will suffer and how there will be fewer jobs, and so on.

However, the parties really involved—the hoteliers—will be forced to continue their present unsatisfactory, and often illegal, practices while the workers still can't get a decent week's work. It is a dreadful waste of time and energy. Far easier to circumvent this nonsense system entirely, by contacting your local labour hire agency and let them fix the problem the uncomplicated, easy way using sub-contractors.

#### NOTE

\*Reddy actually shows it on the payslips as the 'Green' tax, after the Labor Government appointee in the Queensland Office of State Revenue who thought it was a good idea.



*Graeme Haycroft is the managing consultant with Labour Hire Australia.*

**I P A**

**REVIEW**

# Letter from London

JOHN NURICK

## Labour's Constitutional Changes

### Half good intentions, half-baked plans

**T**HE Blair Government came to power last year committed to far-reaching constitutional change to what it called a 'centralised, inefficient and bureaucratic' system of government. Its manifesto commitments included:

- Ending the right of hereditary peers to sit and vote in the House of Lords, as 'the first stage in a process of reform to make the House of Lords more democratic and representative'.
- For Scotland, 'a parliament with law-making powers'.
- For Wales, an assembly to 'provide democratic control of the existing Welsh Office functions'.
- For London, an 'elected city government' consisting of a 'strategic authority and a mayor, each directly elected'.
- An independent commission on voting systems 'to recommend a proportional alternative to the first-past-the-post system', to be submitted to the people in a referendum.
- A Freedom of Information Act.
- Stronger human rights for UK citizens. UK courts are not allowed to enforce the European Convention on Human Rights; this can only be done, slowly and expensively, by referring the case to the European Court of Human Rights, where British governments are regularly found to be in the wrong. Labour promises to 'incorporate the [Convention] into UK law to bring these rights home and allow our people access to them in their national courts'.

At first sight, these add up to a coherent and sensible programme to make British government more democratic and more accountable, and in some ways Mr Blair really wants to do just this. But when we look at the small print and read between the lines things aren't so good.



For instance, House of Lords reform. Labour wants to eject the hereditary peers and continue with only 'life peers', who are appointed by the Government and remain members of the House of Lords for life. Maybe it is obsolete, anachronistic and indefensible that the upper house should largely be composed of men (and one or two women) who are there because one of their *ancestors* found favour with a monarch or prime minister—but is it really an improvement to have a chamber composed entirely of men and women who have *themselves* found favour?

The Government hints at further steps towards a 'democratic and representative' upper house, but does not know what shape this should take. The Conservatives and many independent peers will fight hard against plans for a purely appointed chamber—but the House of Commons will not accept a properly elected one because its legitimacy would make it a rival.

As for the Scottish Parliament, it's not even allowed to decide where it will meet and the shape of its debating chamber. The site in Edinburgh—a former brewery, well away from the glories of the Athens of the North—was chosen by the Secretary of State for Scotland and his officials; so too, after a competition, will be the architects and the design. It's not as if there were any urgency: the Parliament will meet long before the new building can be ready, so temporary quarters have to be provided as well.

After that, it should be no surprise that the powers of the Scottish Parliament will be *devolved* by the sovereign Parliament at Westminster, not *transferred*. The basic

scheme for the division of powers between Edinburgh and Westminster is to list 'reserved matters' which are the exclusive province of Westminster, with 'exceptions from reservation' where Edinburgh is allowed to make laws for Scotland.

For example, Westminster reserves control of 'equal opportunities, including the subject-matter of (a) the Equal Pay Act 1970, (b) the Sex Discrimination Act 1975, (c) the Race Relations Act 1976, and (d) the Disability Discrimination Act 1995', while Edinburgh legislation is only allowed to encourage people in Scotland to adhere to the equal opportunities legislation and ensure that Scottish public bodies do so. Just the reserved matters take 20 or 30 pages of dense legalese.

Almost all the Scottish Parliament's budget will consist of a block grant from Westminster, although it will have the power to vary the basic rate of income tax by up to three percentage points either side of what is charged south of the border (but only, for some reason, in increments of 0.5 percentage points).

The Government has not bothered to answer the 'West Lothian Question' raised by Labour MP Tam Dalyell when devolution was last debated, in the 1970s. After devolution, Mr Dalyell asked, why should Scottish MPs such as him continue to vote at Westminster on domestic English matters, when the same matters in Scotland would be the province of the Scottish Parliament and English MPs would have no say. At present, too, Scotland has many more MPs at Westminster than its proportion of the UK's population would entitle it to. No one expects the Government to change that: too many senior Labour MPs are Scots.

The Welsh assembly and London's mayor and strategic assembly will have even less power and autonomy. The same will be true of any English regional assemblies that may be created (there is very little demand for such things outside, perhaps, the North-East).

The Scottish and Welsh bodies are both being elected on a two-vote proportional system. One vote is for a constituency member elected on the first-past-the-post system, and the second is for a member from a regional list. The counting system in effect tops up the constituency elec- ▶

tions to achieve proportionality. The commission on voting systems for Westminster is considering this 'additional member' system, but is likely to decide it's not suitable for the Westminster system; probably it will recommend the 'alternative vote' system used in most Australian elections, which is not really proportional but is much better than first-past-the-post—and is Mr Blair's favourite.

The *Human Rights Bill* to incorporate the European Convention on Human Rights into UK law is before Parliament. It doesn't give courts the power to ignore or strike down legislation that is incompatible with the Convention. Instead, they will have to try to interpret the law in a way that does not breach the Convention; if that is not possible they must say so and hope that the Government will remedy the situation.

In short, the Labour proposals are almost literally half-baked. In government, the Conservatives opposed all of them, even those that properly implemented would restrain the state and protect liberty. Since the election, they have had little to say, although at one stage there were talks about an agreed Lords reform, which broke down over the question of an elected upper house. Meanwhile, the debate—such as it is—continues without them; in February, *The Economist* described a speech on the constitution by opposition leader William Hague as 'an exercise in the higher vacuity'.

Mr Hague is not entirely to blame. British politicians and commentators simply aren't used to thinking in constitutional terms. A little-appreciated feature of the famously unwritten constitution is that no one really knows what it says. There is no real distinction between what is 'constitutional' and what is not: something of which governments of both parties have taken advantage, notably when the Thatcher and Major governments transferred power from Westminster to Brussels and from local government to central government while pretending nothing important was happening. It has been well said that the British Constitution is 'what the Government can get away with'.

*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 he later edited newsletters reporting on the UK parliament and the European Union institutions.*

I P A

# Black and White

RON BRUNTON

## Tribal Doubts

**D**ESPITE the new-found respect for cultural diversity in Western countries, some old habits persist. Many people still get carried away by the dazzling aspects of cultural difference. The more exotic the appearance, practices and beliefs of members of another society, the more they are likely to be seen in collective terms, and their individuality ignored. All the redemptive yearnings of the contemporary world are projected onto unsuspecting indigenous traditionalists, who are thus transformed into deep environmentalists steeped in spiritual certainty, homogeneity in their beliefs, secure in their identity and luxuriating in the warm bonds of community.

My early anthropological research was on the Vanuatu island of Tanna, among people who regularly have their humanity reduced by such clichés. In fact, the Tannese have had very intensive contact with Westerners for well over a century—many thousands worked in Australia in the days of the South Sea labour trade during the last century. (A little-known but very positive consequence was that Australians first learnt how to body surf from a Tannese youth at Manly beach in Sydney.) Nevertheless, many Tannese still profess pagan religious beliefs and perform traditional ceremonies, and the island has a long history of participating in what are sometimes misleadingly called 'cargo cults'.

Tanna is the home of the John Frum movement, one of the best known of these 'cargo cults', which were once common throughout the south-west Pacific. This movement began just before World War II, and its adherents spoke of a spirit who was claimed to have strong links with America. In fact there have been a number of somewhat different movements focused on the same figure in different parts of the island, but a frequent theme was the belief that John Frum would bring wealth and power to the Tannese through the American connection, and drive out the Presbyterian missionaries and the other whites who treated them with contempt. But the motives of those involved in the movements were neither simple nor uniform.

Many Tannese were genuinely excited



by the prospect of material riches and power to rival the Europeans. Some of the older men wanted to restore certain pagan customs which had been forbidden by missionaries and which required mass participation in order to be effective, and they used the supposed authority of John Frum to achieve this. Some people were disappointed that Christianity had failed in its believed promise to create a society free of jealousy and conflict, and were keen to try something new. A number of John Frum's supporters were true believers. Others were far more sceptical.

During one research trip to the island in the late 1970s, I brought along a book I had found called *John Frum, He Come*. This had been written by Edward Rice, an American who had visited the island some years earlier, and it was the kind of book that did not resile from the 'sacred places', 'ancient cultures' and 'wicked Europeans' stereotypes. However, it also contained a number of photos of Tannese that I knew.

As it turned out, the photos did not excite much interest. Instead, my friends were fascinated by another photo in the book, that of a World War II American boatswain called Thomas Beatty, but whom they called Tom Navy. He had been responsible for recruiting and looking after the thousand or so Tannese men who had gone to labour at the American base near Port Vila during the war. Recruiting had been easy, because the Tannese were delighted with the opportunity to work for a country to which they believed they had such strong links. I began to hear fabulous stories about Tom Navy, his generosity, and his magical powers, including the ability to be in two very different places at once.

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As news of the book spread, I received a request to visit one of the oldest and most respected men in the area, Jake Yahoi. He was a man of great dignity, who was also very ambivalent about Europeans. He remembered the murderous times before colonial authorities took control of the island early this century, and he certainly welcomed their imposed peace and feared that strife would follow their departure. But he was bitter about the colonial appropriation of Tannese land, and he was the only elderly man I knew who had never experimented with Christianity, which he despised.

Yahoi led my wife and me to a seating mat placed under one of the magnificent banyan trees that adorn every Tannese village. He spent a long time looking at Tom Navy's photo in silence. Then his questions began.

'Is there a volcano in America?'

I told him about Mount St Helen's, which had begun erupting some time previously.

'Do they grow yams in America?'

I said that although Americans call their sweet potato 'yam', it was not the same as what he understood by the word. Then he asked whether coconuts grew in America. There were further questions, equally puzzling. Finally I interrupted, and asked him the purpose of this interrogation.

He willingly explained. One day Tom Navy had given the Tannese workers yams in a basket plaited from coconut palm fronds. The basket was of a type commonly made on Tanna, and it also contained some volcanic ash, familiar to the Tannese because of the active volcano on their island. Tom had said, 'This is from your home'.

When the men later returned to Tanna, they made inquiries. No-one had sent a basket of yams to Vila. Had Tom, despite his seeming decency, deceived them, as so many whites had done in the

past? Perhaps. But some of the John Frum supporters offered another possibility. The yams had actually come from America. Tom's statement that they were 'from your home' was his cryptic way of telling them they were related to the Americans in some way, just as the Frumites claimed. Therefore if the Tannese could discover the appropriate way of making the request, the Americans might bring them the wealth they desired and help them to transform their society.

Yahoi said he couldn't decide the matter, although he had often pondered it. I told him that the Tannese had no known historical or cultural connection with America. But there were other possibilities. Maybe the yams had come from another island, and Tom Navy had simply got things wrong. Yahoi responded that he had already considered this, and he soon brought the session to a close.

Other Europeans who have worked in the south-west Pacific have had similar experiences, in which Melanesians ask them a series of questions designed to explain the secrets of European power. Indeed, Jared Diamond begins his recent book, *Guns, Germs and Steel*, with a question that was put to him twenty-five years ago by Yali, a famed politician and cargo cult leader from the Rai Coast of Northern New Guinea—'Why is it that you white people developed so much cargo and brought it to New Guinea, but we black people had little cargo of our own?' Diamond's book attempts an environmentally-based answer to Yali's question. But what he doesn't seem to realise is that Yali, who had known many Europeans very well over the years, had almost certainly asked the same question many times before.

Perhaps this was also true of Yahoi, although he had had far fewer friendships with Europeans. Like Yali, Yahoi came from a culture in which knowledge had always been seen as power. But it was also a culture pervaded by suspicion, a high degree of social fragmentation, and poorly-developed notions of any collective good. There were no neutral knowledge-creating institutions that people could trust. There were few in-



Photograph by Ron Brunton

Yam and taro garden, Iragak, Tanna, Vanuatu

centives to share freely any information that was valuable. Indeed, I had been ridiculed for my earlier attempts to promote adult English classes in villages, which would be taught by the few local people with a good knowledge of English who would charge a small amount for their services. Why would those who derived the benefits that came from mastery of the language be prepared to share them with others, thus reducing their own power? Any amounts that villagers would be willing or able to pay for such classes could not compensate for the loss that the teachers would suffer.

So why should Yahoi believe me? I would have my own interests, which he could not necessarily fathom, but which might be jeopardized by speaking the truth.

Indeed, who could Yahoi believe? No-one could be trusted. Everyone who might have the relevant knowledge also had their own particular interests—John Frum activists, the Christians who opposed them, the government officials, people from other islands. There were no traditional notions that might allow for an independent judiciary, or media, or research institute, whose members were obligated to speak the truth, and shamed—or worse—if they were found to be lying.

It is probable that all societies have people who reflect on life's big questions. But it is a fallacy to think that their cultures can necessarily provide them with satisfying answers in which they feel strong confidence. The uncertainties which many in our own society find so disturbing can also be found in many traditionalist societies, no matter how integrated and uniform they may appear to outsiders. Those lost souls who seek a bedrock of truth in indigenous cultures should look elsewhere.

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**I P A**



Yasur volcano, Tanna, Vanuatu

Photograph by Ron Brunton

# The Pyrrhonist

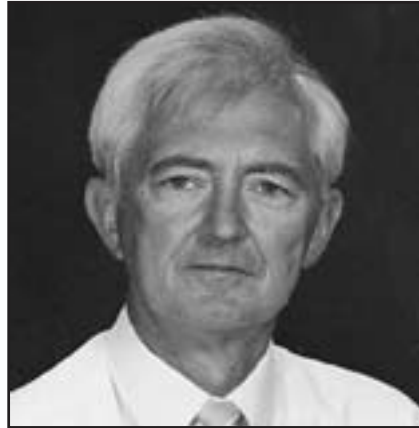
BRIAN TUCKER

## Fall-out from Kyoto

**W**HAT was really achieved at the latest Conference of Parties to the Framework Convention on Climate Change (FCCC)—that is, the international treaty on 'global warming'—held at Kyoto, Japan, in December 1997, and what does it mean?

At most difficult meetings from which some sort of agreement emerges, an immediate reaction of impulsive self-congratulation among delegates might be expected. This is particularly true of bureaucrats, for whom the process is perhaps as important as the substance. Kyoto was no exception. Nevertheless, it is clear that the Australian delegation performed well. All three components of the Australian Government's position were eventually accepted by the Conference: (1) general 'differentiation' of commitments based on a consideration of national social, economic and trade circumstances; (2) recognition of Australia's unique vulnerability to an imposed uniform emission-reduction requirement; and (3) account to be taken of 'sinks', that is, activities such as the planting of trees, that can absorb carbon dioxide, as offsets against emission 'sources'.

The Kyoto protocol was opened for signature in March 1998. For it to enter into force it must be ratified by at least 55 countries and account for at least 50 per cent of the total 1990 emissions from Annex I countries. The United States was responsible for some 30 per cent of these 1990 emissions. Theoretically, therefore, provided most other countries ratify, it is not necessary for the US to ratify the Kyoto agreement for it to become valid. But clearly the credibility of the protocol would suffer if it did not. Such ratification will require the advice and consent of the US Senate, but currently major doubts are being expressed about the likelihood of this happening. At the 'Countdown to Kyoto' conference held in Canberra in August 1997, US Senator Chuck Hagel drew attention to the Byrd-Hagel Resolution, which was passed by the United States Senate a few months previously with a vote of 95-0.<sup>1</sup> This resolution states clearly that the Senate would not ratify any treaty committing the US to legally binding greenhouse gas emission reductions 'without requiring



any new or binding commitments from the 130 developing nations such as China, Mexico, Indonesia and South Korea ... and (the Senate) would reject any treaty or other agreement that would cause serious economic harm to the United States'. No such commitments from developing countries were obtained at Kyoto, and Clinton Administration officials say they won't seek Senate ratification until key developing countries *do* agree to emission limits.<sup>2</sup> Their stated reason for this is that the protocol 'is a framework for action, a work in progress, not a finished product ready for Senate consideration'; but the real reason is clearly because there was significant resistance by some developing countries to meaningful participation. It is unclear how long the Administration can delay seeking Senate consent.

Accordingly, there appears to be as much uncertainty in the political scene as there is in the scientific.<sup>3</sup> What is more, the US commitment—to 93 per cent of 1990 emissions by 2010—requires a 37 per cent reduction on where they would otherwise be by that year. Currently, power generation accounts for 36 per cent of US annual emissions, with cars and transport accounting for another third, and industry and domestic consumption most of the remainder. Power generation is probably the most reachable by government policy. But the Administration's newly released plan to restructure the electric power industry will, by its own estimate, bring emissions down by only 2 per cent from where they would otherwise be in 2010—far short of the promised 37 per cent.<sup>4</sup> For these reasons the United States' Kyoto commitment is likely to be illusory.

In Australia, immediate reactions to Kyoto included the euphoric, the caution-

ary or sceptical, and the petulant—the latter being displayed by several 'I am ashamed to be Australian' declarations aired on the ABC and elsewhere by members of groups many of which had publicly attempted to frustrate the Government's defence of the national interest at Kyoto.

In February 1998, the business columnist Robert Gottliessen published a transcendental article in *Business Review Weekly* entitled 'The next industrial revolution'.<sup>5</sup> His vision appears to be based on an environmental fantasy which, he believes, for the world in general and Australia in particular will be a natural devolution from the Kyoto agreement. In conceiving this, he acknowledges the advice of Paul Gilding, a former head of Greenpeace Australia. Gottliessen envisages an environment with no net fossil fuel emissions and no nuclear power generation proliferation, but with more trees and plastic replacements for steel. Unfortunately, he seems not to be aware of the size of the problem. For example, to absorb current world CO<sub>2</sub> emissions for just one year would take a new area of actively-growing forest half the size of Australia. There simply isn't the land available for new forests to have more than a marginal effect on a global scale. He appears oblivious, too, to the enormous social pressures within and between nations that would be involved in the gestation period of his brave new green and plastic world. This notion of our industrial future gives some insight into how the ecologists' dreamworld can seduce a hard-boiled financial commentator.

A short time later, a different perception of the future was raised by N.R. Evans in a paper entitled 'Trade restrictions and CO<sub>2</sub> emission controls' presented at the 'Consequences of Kyoto' conference held in Melbourne in February 1998.<sup>6</sup> He uses the endorsement of trade sanctions by prominent environmentalists to draw attention to the encroachment on national sovereignty if this device were to be employed to enforce national compliance to international protocols. Evans focuses, in particular, on the possible dangerous schism between, on the one hand, the General Agreement on Tariffs and Trade (GATT) and the World Trade Organisation, and on the other, the FCCC and the United Nations. His preferred scenario is for the United States to walk away from the FCCC because, he argues, if it compromises and

All countries that are signatories to the FCCC are required to implement national programmes aimed at reducing greenhouse gas emissions. At a previous conference at Berlin in 1995, countries listed in Annex I of the Convention agreed to an implied uniform target to return their national emissions to 1990 levels by the year 2000. This list, which includes Australia, comprises mostly OECD countries and the East European economies in transition, but does not include well-developed Asian countries such as Korea, Taiwan, Hong Kong and Singapore. Countries not listed in Annex I have general commitments to abate emissions, but do not have a target and enjoy softer reporting requirements.

The following emission limitation or reduction commitments were agreed at Kyoto by representatives of Annex I countries but have not yet been ratified by individual governments. The figures are a percentage of a base year:

Australia	108	Hungary	94	Poland	94
Austria	92	Iceland	110	Portugal	92
Belgium	92	Ireland	92	Romania	92
Bulgaria	92	Italy	92	Russian Federation	100
Canada	94	Japan	94	Slovakia	92
Croatia	92	Latvia	92	Slovenia	92
Czech Republic	92	Liechtenstein	92	Spain	92
Denmark	92	Lithuania	92	Sweden	92
Estonia	92	Luxembourg	92	Switzerland	92
European Union	92	Monaco	92	Ukraine	100
Finland	92	Netherlands	92	United Kingdom	92
France	92	New Zealand	92	USA	93
Germany	92	Norway	100		
Greece	92				

There were no commitments from non-Annex I countries

begins to allow trade sanctions to enforce emission constraints, then national sovereignty will be challenged and the quarrelsome nationalism of the 1930s will re-emerge.

My own regrets about Kyoto are two-fold. First, the politics of fearfulness have now pre-empted scientific justification, and we seem to be embarking on an emissions-reduction policy without carefully estimating its effectiveness for climate change or its consequence to world society. Second, the sources of greenhouse gas emissions are associated with such scientific uncertainty that any compliance mechanism will be easy to confound. We need to be realistic too and appreciate that, even if Annex I countries achieve an average 7–8 per cent reduction by the agreed assessment period (2008–2012), and this is by no means certain, during this time a reasonable estimate of emission increases in developing countries is 2 per cent per annum. The net result will be a worldwide increase in emissions of magnitude 10 per cent or greater, associated with a world population increase of approximately 15 per cent—from 6 billion to 7 billion.

It appears that some influential officials don't understand that the Kyoto protocol will not prevent a continuing increase in greenhouse gas concentrations. For example,

in the US, Jim Steinberg, deputy assistant to the President for national security affairs, said on 11 December at a White House briefing 'if there isn't a structure that also ensures that developing countries are going to participate, then within 20 or 30 years, we'll find that rather than stabilizing concentrations of greenhouse gases, *once again* we'll be seeing greenhouse gas concentrations going up'. He seems to believe that Kyoto will initially prevent them from 'going up'. But stabilization of emissions does not mean stabilization of concentrations. For the record, emissions are what enter the atmosphere, concentrations are what accumulate there. Even in the unlikely event that worldwide emissions can be held at a constant level in the foreseeable future, atmospheric concentrations will continue to increase. It is incredible that this confusion between emissions and concentrations still occurs at senior policy levels.

When considerations begin for the next (post-2012) stage, we should not be surprised if the European Union's enthusiasm for reducing emissions has waned, particularly if the US has to renege. By that time the political-economic cycle will have entered a new phase and the inevitability of failure to meet unrealistic further emission reduction goals will surely have induced a greater sense

of realism. Therefore, if indeed higher levels of greenhouse gases do cause a climate change, such a change will occur and, since we are unable to stop it, we will need to adapt to it. Unfortunately, adaptation received little mention at Kyoto.

While agreement on 'realistic targets and timetables' was a central achievement at Kyoto, progress was also made on several international market mechanisms aimed at giving flexibility to the way some high-technology countries can realize their targets. Such arrangements include international emissions trading, joint implementation of special projects and 'clean development mechanisms'. But these depend upon ratification of the Kyoto protocol and the involvement of developing countries. The detail remains to be formulated in preparatory meetings for the next Conference of Parties, at Buenos Aires in November 1998. Thus, over the next few months, policymakers all over the world will be weaving their tangled web. But what relevance all this has to climate change or even to retarding the continuing accumulation of greenhouse gases

in the atmosphere remains to be seen, for that's what it's supposed to be about!

## NOTES

1. Chuck Hagel, 'Remarks by United States Senator Chuck Hagel', APEC Study Centre 'Countdown to Kyoto' Conference, Canberra, 19–21 August 1997.
2. Stuart Eizenstat, Statement by Under Secretary of State for Economic, Business and Agricultural Affairs before the Senate Foreign Relations Committee, Washington, DC, 11 February 1998.
3. Brian Tucker, 'The Greenhouse Panic', *IPA Review*, Vol. 48, No. 1, 1996, pages 50–54.
4. *Washington Post* Editorial, 'Hot Air and Climate Change', 26 March 1998, page A22.
5. R. Gottlieb, 'The next industrial revolution', *Comment: Business Review Weekly*, 9 February 1998, pages 6–7.
6. N.R. Evans, 'Trade restrictions and CO<sub>2</sub> emission controls', Conference Paper, APEC Study Centre, 'Consequences of Kyoto' Conference, Melbourne, 12–13 February 1998.

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Compiled by Andrew McIntyre

## BOYAR LECTURE

Eva Cox is at it again with civil society, this time in *The Australian* on 3 April, which means it wasn't an April fool's joke. Not shy about coming forward, she claims responsibility for the Australian debut of the term 'social capital' in her ABC Boyer lectures. Ms Cox is obviously well qualified to identify 'social capital'. She is the woman who once claimed that mothers who stayed at home having babies were as selfish as those who stayed home and made jam. She reassuringly observes that 'A civilized democracy must retain and advance its capacity to make decisions that work for the common good rather than special interest groups. The majority should not necessarily rule because its demands may not be in the best interests of all'—a sentiment with which the boyar aristocrats of medieval Russia would have happily agreed.

## HOT AIR

The IBC Group is hosting an event in Sydney called 'Emissions Trading'. It is the first international industry briefing on business opportunities for sustained profitability and growth in a changing energy and commodity market. According to the blurb, the 'landmark event' features top executives and decision makers in the field. It is not surprising that Paul Gilding, former head of the multi-million-dollar corporation Greenpeace, should be there, along with the chief decision-maker Ros Kelly, who made a very big decision on behalf of Australia when she signed the Rio protocols in 1992. Good of them to ask business to pay them to help business negotiate itself out of the mess they helped create in the first place.

## SURGICAL DRESSING

Turkey recently provided a reality check on how little problem with ethnic tolerance we have in multicultural Australia. No-one here would dare challenge the wearing of head scarves by young Muslim students in our schools and universities. In Turkey, a bright-eyed medical student, Ms Erdogan, aged 23, was turned away from the Istanbul University, the country's largest and oldest institution of higher learning, for wearing an Islamic head scarf to a surgery examination.

In a country that has struggled against Islamic theocracy since the time of Ataturk, it is perhaps understandable. Ms Erdogan, being a good Muslim, refused to shake hands

with a male reporter to avoid physical contact with the opposite sex. Were a medical student in Australia to express the same scruples, the job market could be expected to exact its own penalty. And then there would be the little matters of sexual discrimination legislation, a physician's duty of care....

## GOOD AS GOLD

US fiscal affairs consultant Scott A. Hodge took a look at the proposed US\$200 billion highway bill going through the US Congress and wondered what that sort of money really meant. He came up with a far less expensive notion—gold-plating the US national highway system. Taking expert advice that it would cost about US\$30 per foot for heavy gold electroplate, Mr Hodge went to work with his calculator.

A typical lane in the Interstate Highway system being 12 feet wide, with 5,280 feet in a mile, those 63,360 square feet could be gold-plated at a cost of \$US1.9 million for the mile. The 46,000 miles of the system would therefore cost roughly \$87 billion to gold-plate. To equal the figure Congress proposed to spend, Mr Hodge had to throw in the 27,000 miles of the urban National Highway System and just under half of the 84,700 miles of Rural National Highway System. Makes one look at asphalt and concrete quite differently, doesn't it? Or is it just government procurement....?

## MAGIC PUDDING

Labor Opposition spokesman for industrial relations Bob McMullan is complaining about the privatization of Telstra. He seems to have forgotten he belonged to a government that itself privatized Qantas, the Commonwealth Bank, CSL, the Veterans' hospitals, Defence personnel houses, and our capital city airports, among other things. According to a recent report, Telstra's profits have increased by 15 per cent per year for the last four years. McMullan claims 'at that rate of growth Telstra dividends would reach the crossover point, where they are greater than the interest saved on public debt, in 2004'. McMullan appears to assume that Telstra's profits would increase forever. Applying his Magic Pudding Principle, we calculate that in just 25 years Telstra's dividend would grow enough to replace personal income tax. Now, that's a missed opportunity.

## THANKS, BUT NO THANKS

T.J. Rodgers, President and CEO of Cypress Semiconductor, has been joined by 78 other Silicon Valley CEOs in asking Washington to stop spending hundreds of millions of dollars on subsidies to hi-tech Silicon Valley firms. The CEOs argue that corporate income tax creates a downward economic spiral, as firms waste resources lobbying for kickbacks to remain competitive, that projects with high risk but ordinary return get foisted off on government, and that the US should not repeat other countries' mistakes. Rodgers argues that spending taxpayer funds on 'needy' firms like Intel, Motorola, Digital Equipment, Texas Instruments and AT&T is bad public policy.

The sight of any interest group asking for money not to be spent on them is certainly refreshing. Besides, if Silicon Valley can't stand on its own two feet—who can?

## GENDER SAFETY

A troubling safety report on the evacuation of burning passenger jets has emerged from Britain. A fire on a holiday charter jet at Britain's Manchester airport in 1985 prompted research on why one in three of the 150 passengers died, even though three emergency exits were operational for more than two minutes. The aviation industry requires that an airliner can be evacuated in 90 seconds.

Professor Helen Muir, of aerospace technology at Cranfield University, conducted a study which, to induce the panic experienced by passengers on a blazing aircraft, offered five pounds to the first half of a test group successful in getting out of a plane, and the rest nothing. The test was run four times, with arms and legs jamming up doorways in the rush. The curious finding was that eight per cent managed to win the money every time whilst twelve per cent failed every time, regardless of where they sat. Some survivors ran almost the whole length of the aircraft to escape, while others perished in seats within feet of an exit.

The conclusions? 'In these situations people don't think rationally. Young fit males are the most likely to escape alive'. One can just see a university thesis emerging on the role of gender socialization in the formation of survival instinct in the individual. Or a redesign of seat belt fastenings to ensure an equitable balance of dead white males.

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# Caught with Thinking Cap On

GARY JOHNS

Former Labor Minister Gary Johns reviews Mark Latham's *Civilising Global Capital: new thinking for Australian Labor* and finds it a refreshing cause for optimism.

**'F**ORMIDABLE' is the adjective that comes to mind when confronted with Latham's tome. It is neither textbook nor essay, but a working politician's compilation of what he believes is happening to the world and how Labor needs to respond.

Its greatest strength is that it has been published. Its greatest weakness is that much of it will remain unread. The electorate is the better for knowing that there are real thinkers in Parliament, but Latham's thoughts will need to be distilled if they are to generate the renewal he seeks on the Left of the political divide.

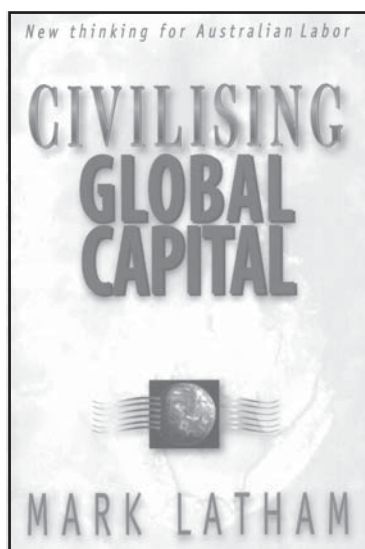
The strength outweighs the weakness, because the fact is that the book does signal the intellectual renewal of Labor, much like the one that swept through the Party in the late 1960s, led by Whitlam, Dunstan and Hawke.

What is Latham's message? Essentially, that social democrat political parties interested in a fairer society have fewer tools to work with than previously. The Labor Party cannot even aspire to control the means of production, distribution and exchange, and the great ameliorator, the welfare state, has whiskers on it.

What is to be done? Accept the reality of the global market, and prepare citizens to cope with it! This is essentially Jack Stanton's—read Bill Clinton's—appeal to the unemployed shipyard workers in the film *Primary Colors*. An appeal to help people develop muscle 'between their ears'.

Latham wants to prepare people for this life's work, not through the coddling of the Left's nanny state, or the brutality of the individualism of the Right. He seeks a 'radical' Centre, where public provision of assistance must be reciprocated by personal responsibility, including a heightened sense of responsibility towards each other and not just through the intermediary of the state.

This is a desire for collective action using non-state solutions, and



could be a big swerve away from the social justice or welfare rights brigade, who assert the right of one class of person to the resources of another in the name of fairness or equality, or even choice. The problem with welfare rights is that they are resource rights, and require the consent of the payer. They are anti-democratic. This is the Eva Cox view of the world—give us what we want so we can make everybody happy. Trouble is, it makes some people profoundly unhappy if you tax them, and deny them the ability to even question what the money is being used for.

The assertion that people need a 'social capability' to make their own way leads Latham to suggest that the welfare state 'one size fits all' assumption should be abandoned. He argues that 'the role of the state ... is to ensure that people have a platform of citizenship on which to stand'. The question is, does this mean a designer-label welfare state, where everyone's tastes can be catered for? I can see more categories of provision, and more public servants to service them. What about black, Muslim, disabled, lesbian, vegetarian, young women's legal centres?

Fortunately, in the battle of the new communitarian socialists, I think Latham comes down on the side of

the democratic Left. He certainly ditches the Cox view of the endless demands on the taxpayer, as of right, and in that lies his potential for broad appeal.

On the tax side of the equation, Latham again seeks the democratic solution—to restore public confidence in the integrity of the tax regime. If you can raise people's confidence in the purposes to which taxes are applied, and in the manner in which you raise them, you are a long way towards obtaining office. Latham's pet scheme is precisely that, a progressive expenditure tax (PET). It aims to shift the incidence of tax from earning to spending, and apply a highly progressive tax to consumption. This overcomes a principal Labor objection to the consumption tax—its flat rate. Under PET, those taxpayers with the highest level of consumption would pay the highest proportion of tax—a slug to the idle rich.

I don't know enough about tax to argue the point and, as it has never been effectively implemented anywhere in the world, it is certain not to appear in Labor's policy speech later this year. Nevertheless, Labor had better get its thinking cap on if it is to be in the tax debate; you cannot win by being idle. And that is Latham's other major message. Labor has to know what it wants to do in office if it wins.

The real test, and the real measure of the book, occurs at its middle: the chapters on income inequality, economic exclusion and employment creation. The solutions—a dual wages system and spatially-defined job creation through public sector spending, the creation of economic co-operatives and the imposition of corporate responsibility—need careful scrutiny. In my student days, I had the pleasure of discussing the role of trade unions and wages policy with Colin Clark (the only Australian economist quoted in Keynes' *General Theory*). Basically, his view was that the wages

of Australian workers would have risen at about the same rate in the absence of unions as with them. In other words, at least in the long run, economic, not political, factors determine wages.

This is the question for Labor: just how much can political intervention achieve in the absence of economic reform? Apart from the need to be seen to be doing something, maybe not much. This is not to say that the market place is about to deliver a fair share of national income for all participants—it almost certainly will not. The trick is to ensure a gain-sharing model that does not lower the total amount of earnings available for distribution. The various schemes applying to declining regions, for instance, smack of resisting regional adjustment to the economy. It is more sensible to have workers move to where the jobs are than to subsidize jobs in the areas where the workers live. Part of that logic also is that wage rates will have to vary between regions.

Latham has set out on the journey of a lifetime. In the words of Robert Michel 'democracy is a treasure which no one will ever know by deliberate search. But in continuing our search...we shall perform a work which will have fertile results'.

I wish Mark Latham a rich harvest.

Mark Latham's *Civilising Global Capital: new thinking for Australian Labor* is published by Allen and Unwin. RRP: \$24.95



The Hon. Gary Johns is a Senior Fellow with the IPA, attached to the Indigenous Issues Unit and is a former Labor Federal Minister.

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# The 'R' Files

ALAN MORAN

## Low-cost Renewable Energy: An Ever-receding Prospect

### GOVERNMENT POLICY ON RENEWABLE ENERGY

In his post-Kyoto response to climate change,<sup>1</sup> the Prime Minister announced a requirement that 2 per cent of energy from electricity over and above present levels is to come from renewable or specified waste-product energy sources by 2010.

The PM's policy announcement is part of a battery of measures designed to reduce emissions of greenhouse gases. Yet, as Robert Bradley has pointed out in a recent *Cato Policy Analysis*,<sup>2</sup> renewable energy is costly and many forms are no less greenhouse-friendly than conventional energy. Moreover, Brian Tucker in this journal and elsewhere demonstrates that any moves to shift from the more carbon-intensive fuels, even if orchestrated among all nations, will have only a trivial effect on concentrations of greenhouse gases in the atmosphere.

The Prime Minister's quixotic gesture will not come cheap. At present costs, exotic renewable energy sources (wind, solar, photovoltaics) are more than double the price of electricity supplied from conventional sources like coal, gas and hydro. Two per cent of additional electricity means some 4,000 GWh of electricity, which is about four-fifths the size of the Snowy hydro output. If the premium on this output is only 5 cents per kWh, this entails additional costs of some \$200 million per annum.

There is a possible escape clause in the PM's statement, *viz.*, the notion of 'waste-product energy'. If this is extended to include co-generation, or energy that is the by-product of other industrial activities such as oil refining and chemical plants, the cost premium may well be less



than 5 cents and may even be zero.

In the wash-up of Kyoto, the US Administration has cloaked its own aspirations for renewables in a Comprehensive Electricity Competition Plan.<sup>3</sup> This calls for a federal Renewable Portfolio Standard which will require 5.5 per cent of electricity to be generated from 'non-hydro-electric renewable technologies such as wind, solar, biomass or geothermal generation'. The US Administration, under the Svengali gaze of Vice President Al Gore, allows itself no possible escape clause in terms of co-generation that might readily prove commercial. Though the US Senate voted 95-0 against greenhouse gas reduction targets unless the impossible happens and developing countries also adopt the targets, the Administration may be by-passing Congress by mandating measures like this.

### RENEWABLE ENERGY COSTS AND PERFORMANCE

Some would argue that renewable energy costs are coming down and that the imposition will be less onerous in the future. However, this is little more than a broken record that has been playing for 20 years. The fact is that all energy costs are being reduced and saddling ourselves with high-cost fuels will be a burden on taxpayers, consumers and industry competitiveness.

Cost-competitive non-hydro renewables have long been the electricity industry regulators' mirage.

REVIEW



The US—and California in particular—has been the trailblazer and accounts for over 30 per cent of the world's capacity. US governments have spent some \$US2 billion in tax subsidies for renewable projects with a further \$U900 million direct government expenditure.

Back in 1976, the US Department of Energy study estimated that wind could supply nearly 20 per cent of all US electric power by 1995. The outcome, at 0.1 per cent, was one two-hundredth of the Department's estimate. This was despite a subsidy amounting to about half of the current price of electricity from conventional sources and obligations on power suppliers to use these sources. Even the wind power share dwarfed that of solar which, in 1995, was 0.03 per cent.

More cautious than the Department of Energy was a Shell International prediction that renewables will be the primary source of energy 50–100 years from now.<sup>4</sup> None of us will be around to test the accuracy of this, but it seems to be highly unlikely to be brought about other than by regulatory foolishness.

The world's largest wind-farm at Altamont Pass is 625 megawatts, the size of a middle-ranking coal-based power station. It has become a notorious bird killing field and, to most tastes, a land-intensive scenic nightmare. So much so that wind power is losing its appeal for environmental agitators.

Solar power is the other great hope, but as a centrally-generated source is even more expensive than wind power.

Not only is solar or wind power

far more expensive than thermally-generated electricity, it is also less usable. As it is only available when the wind blows or the sun shines, it cannot take advantage of the vast variability in price, and therefore value, which is a characteristic of the electricity market. As the electricity supply industry in Australia, and throughout the world, is being converted from a regulated utility to a market-based system, its extreme fluctuations in value are becoming plain. In Australia, the electricity price is presently capped at a maximum of \$5,000 per megawatt hour and has occasionally come close to that level (it has in fact surpassed it in Queensland due to supply aberrations). Often, though, the price of electricity is down to \$5–6 per megawatt hour and is even sometimes at zero.

If a large share of power supply had to be sourced from 'must-run' solar, this would place a greater burden on the more flexible coal, gas and hydro sources to meet the peaks and to supply when the weather conditions are less than accommodating. Hence the true costs of a forced shift to renewables are even greater than the 50 per cent premium that appears on the surface.

### SUBSIDIZING RENEWABLES AS A 'WINNER-PICKING' POLICY

The PM's statement also cloaks the policy with a veneer of government wisdom. He maintains that the force-feeding of renewables will bring its own reward in a viable new export industry. The PM says that the proposal will stimulate a new industry that will export its technology to the world.

Ho hum! Rarely in the past have the prospects from such capital-seeding lived up to potential. Dividends from solar technology have long been promised and have failed to materialize. And it is unlikely that the relatively puny Australian effort will find the breakthroughs that have eluded the lavishly funded Americans.

The fact is that, as Dixie Lee Ray has pointed out, using solar power to do the same work as thermal sources is like trying to employ millions of ants to do the same work as an elephant. Though the power may be similar, organizing the ants, designing and maintaining the har-

nesses and communicating with them all detract from the usable effort. Fossil fuels and hydro represent concentrations of solar energy rather than the thinly spread effect of the sun's rays that constantly bombard the earth's surface. Nuclear energy represents the genuine creation of electricity in much the same way as the sun itself creates it. While exotic renewables have their place as subsidiary sources and in some remote locations, they will not—except at great expense—displace more conventional sources even to the tune of two per cent of the growth in energy supply.

### NOTES

- 1 *Safeguarding the Future: Australia's Response to Climate Change*, Statement by the Prime Minister of Australia, The Hon John Howard, MP, 20 November 1997.
- 2 *Renewable Energy*, by Robert L Bradley Jr., *Cato Policy Analysis*, 280, August 1997.
- 3 US Department of Energy, February 1998.
- 4 *The Evolution of the World's Energy System: 1860–2060*, Shell International, December 1995.

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The IPA is looking for a volunteer to catalogue the last five years of the *IPA Review*.

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# Book Review

## Locally Grown, Not Centrally Engineered

Kevin Donnelly reviews

### *Social Capital: The Individual, Civil Society and the State*

by Andrew Norton, Mark Latham, Gary Sturgess, Martin Stewart-Weeks

Centre for Independent Studies, 1997, 413 pages, \$14.95

What do democratic societies need if they are to survive and prosper?

One common answer emphasizes the economy: high rates of growth, being internationally competitive and full employment are all seen as important indicators of a healthy and robust society.

Since the late 1970s, governments around the world have measured their success in this way. Reducing debt, stimulating economic growth and adjusting to the imperatives of a global financial market have been the priorities for national leaders, both Left and Right.

Increasingly, though, many have come to realize that man does not live by bread alone. Equally as important as the economic debate is the question of the social bonds that hold communities together.

US President Clinton, in his 1995 State of the Union address, talked about 'a new social compact' and the need for Americans to stop relying on government to solve their problems. Instead of being dependent on top-down authority, Clinton stressed the need for community action.

UK Prime Minister Blair, in his address to the Labour Party annual conference last year, also asked citizens to rediscover such civic virtues as responsibility and obligation. New Labour was not about centralized control, it was about empowering the community and giving individuals the opportunity to act together for the common good.

In Australia, Prime Minister Howard is also talking the language of mutual obligation and trust. In a recent speech to

the Australian Institute of Company Directors, the Prime Minister argued that a strong economy was dependent on such habits as 'honesty, trust, self-reliance, co-operation [and] civility'.

In fact, the Prime Minister's statement that 'economic policy is central, but it is not an end in itself, only a means to an end' clearly signals that debates about national policy will increasingly focus on the health of civil society as well as the state of the economy.

The recent launch of *Social Capital* by the Sydney-based Centre for Independent Studies (CIS) is further evidence that policy debates will increasingly focus on social imperatives as well as economic. The book contains a number of essays exploring the nature and significance of social capital and its relevance to Australia.

The term 'social capital', made popular by the American academic Robert Putnam, refers to those stocks of social trust, norms and networks which people draw upon to solve common problems. Such networks occupy the space between the individual and government and, according to the CIS publication, are an important indicator of the health of democratic societies.

Whether it be the local bowling club, the Country Women's Association or a community self-help group, by working in such groups individuals develop the ability to work collaboratively for the good of all. Qualities like trust, co-operation and reciprocity are also developed; the very values on which democracy depends.

As noted by one of the contributors to the CIS book, Martin Stewart-Weeks, social capital is also vitally important for the successful operation of free-market economies. Markets operate best where there is a high degree of trust, openness and honesty and where individuals work on the assumption that agreements entered into will be honoured.

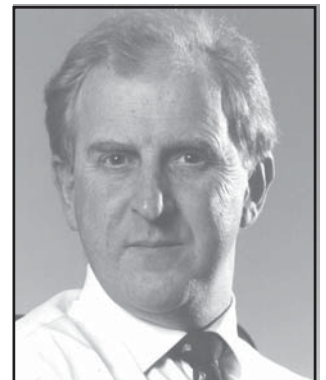
Ironically, at the very times that there is widespread agreement about the benefits of social capital, research suggests that it is on the decline. Whether because of television, the growth of government and the welfare state or the breakdown of the family, the conclusion is that fewer people are involved in community groups and voluntary organizations.

The adverse consequences of declining social capital are many. The American academic Francis Fukuyama, in his book *Trust: The Social Virtues and the Creation of Prosperity*, refers to high rates of crime and juvenile delinquency. Robert Putnam also refers to a lack of trust and argues that young people, in particular, are adversely affected.

As outlined in Mark Latham's essay in the CIS publication, ways to bolster social capital are difficult to find. Contrary to the arguments normally accepted by the old guard of the Labor Party, the Federal Member for Werriwa argues that governments cannot create social capital by 'top-down' action.

In the same way that the Right's belief in the invisible hand of the market is misplaced, Latham argues that the Left's commitment to government intervention is also wrong. In areas like welfare, increased government assistance promotes a dependency mentality where individuals and communities lose the ability to take control of their own lives.

Ever since Paul Keating's remark about the 'banana republic', much of the policy debate in Australia has centred on matters economic. More recently, the debate has included the questions of the health of the society at large and what sort of civic community we want after the year 2000. The CIS publication provides a valuable introduction to this debate and, as such, should be widely read.



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REVIEW