

# Culture, Capitalism and Collectivism

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## **Third Sector: The Contribution of Nonprofit and Cooperative Enterprises in Australia**

By Mark Lyons

Allen & Unwin, 2001, 248 pp, \$29.95, ISBN 1 86448 742 9

At a recent seminar in Canberra organised by the National Institute for Governance of the University of Canberra, a visiting UK academic remarked on how extraordinarily unaccountable Australian non-profit organisations were compared with their counterparts in the UK and the USA. Mark Lyons, Professor of Social Economy at the University of Technology, Sydney, is therefore almost a Dr Livingstone charting a course through virtually unexplored territory, in describing what he calls the 'Third Sector'.

What is the 'Third Sector'? Lyons defines it as consisting of private organisations 'that are formed and sustained by groups of people (members) acting voluntarily and without seeking personal profit to provide benefits for themselves or others; that are democratically controlled; and where any material benefit gained by a member is proportionate to the use of the organisation.'

Lyons's third sector in Australia is therefore very big—700,000 organisations, employing 600,000 staff, and with expenditure of \$52 billion. It also comprises a wide range of different types of organisation—community and

health services, education, religion, arts and culture, sport and recreation, special interest organisations, economic interest groups such as friendly and building societies and cooperatives, and philanthropic intermediaries.

Despite an Industry Commission inquiry into charitable organisations which reported in 1995 there has been surprisingly little pressure to require more transparency. Indeed, in a *BRW* survey of charities in September 1999, only four of the top ten published their fundraising costs. Referring to the actions of certain mutual organisations to disenfranchise their members, Lyons remarks that 'it reflects what appears to be an Australian characteristic, a dislike of organisational democracy'. And despite the fact that many non-profits enjoy major tax concessions, they are not, unlike American non-profits, required to make publicly available annual reports to the Australian Tax Office. Another shortcoming is that there is no Australian accounting standard specific to charities.

This lack of accountability in the third sector is not surprising when seen in the context of microeconomic reform in Australia generally. In 1967 I participated in the first McKinsey study of the National Bank, still then structured on 19th century lines. Australian business has come a long way since then. In 1982 on my appointment as Federal Health Minister I found that the Health Department, then a four billion dollar enterprise, had no spinal

management information system, no regular financial reporting to the Director General or minister, and only lateral financial controls exercised by the Department of Finance. Modern management methods did not invade much of the Australian business community until the mid-1960s, and they did not invade government until the mid-1980s.

Late in 1993 the National Executive of Australian Red Cross asked me to begin a thorough modernisation of that organisation. In common with most large charities (it had a turnover of \$250 million and employed 3,000 staff) the volunteer office-bearers realised that the post-colonial structures and systems could no longer meet contemporary demands. Thus the microeconomic reforms of the business sector beginning in the 1960s and extending to government in the 1980s did not reach most charities until the 1990s.

Against this background Lyons's painstaking and thorough mapping of third sector territory is an essential step in moving it to a higher level of effectiveness in using the massive resources it commands to better serve its clients. The difficult challenge the sector faces is to bring about the necessary modernisation without losing its values. This requires sensitive and subtle design of organisational structures and management systems that do not conflict with the positive and fundamental elements of culture in each organisation.

Of course not all elements of their existing culture are worthy of preservation. Most of these organisations harbour, within their volunteer membership and staff, pockets of self-seeking behaviour and resistance to beneficial change that are wholly at odds with the usually high minded purposes for which the organisations were established. Insensitive change management or attempts to impose inappropriate management models on these organisations serve to entrench such resistance and give the change process a bad name.

Echoes of this problem are observed in the conflicts between health professionals and managers in hospitals, and between academics and administrators in universities. In both cases there are numerous examples of insensitive change management or the imposition of ill-fitting organisational models derived from the government or business sectors. The professionals then deride 'managerialism', failing to understand that sound and sensitive management is essential for good professional outcomes.

One might think that a thorough examination of non-profits would make for a dry read, but even those familiar with the sector will find all sorts of fascinating bits of history or behaviour in Lyons's book. The influence of religion in the development of the third sector in a number of fields is particularly interesting, intruding into education, health, community services, and of course, politics.

Although the work concludes with a section on challenges, it is primarily a book of description, and that is its great strength. Anyone working in the third sector either as a volunteer or manager, or anyone having to deal with the sector, will find this an invaluable reference tool. We might perhaps ask Professor Lyons to provide a separate volume to probe more deeply into the challenges faced by the sector, and by those who interact with it.

Reviewed by Jim Carlton

### **Friedrich Hayek: A Biography**

Alan Ebenstein

New York: Palgrave, 2001, 403pp,  
\$US 29.95, ISBN 0-312-23344-2

Alan Ebenstein has written an interesting and accessible biography of Hayek. He has drawn on a wide range of sources, notably on Hayek's published work and (usefully) on unpublished writings, including archives and materials held by Hayek's former secretary, Charlotte Cubitt. Ebenstein provides a lot of useful information about Hayek's background and intellectual interests. This is a must for institutional libraries and for specialists. But it will also be of real interest to the non-specialist reader who would like to know more about Hayek and his work.

One of the strengths of Ebenstein's biography is that he makes use of Hayek's own words, and that he also quotes extensively from other writers. He has drawn assiduously upon, and has reproduced, a wide range of useful material (for example, accounts of Hayek at the LSE written by former students).



But this, at the same time, is also a weakness of the book. For Ebenstein frequently quotes Hayek, rather than himself explaining what was going on. Sometimes we gain by being given Hayek's own accounts. Sometimes, however, they are simply the comments of an elderly man, made in passing when discussing other things, and may not be very illuminating. What we lose is the kind of detailed analysis and exercise of critical judgement that we might hope for from a biographer. Sometimes—especially on the Viennese background—it would have been useful if Ebenstein had been able to do more primary research.

All told, while this book is useful, and it is especially interesting when it draws upon inaccessible material, it has too much the air of what R. G. Collingwood called 'scissors and paste' history. It might be contrasted with what Hacothen has done for Karl Popper in his remarkable *Karl Popper—The Formative Years*, where all

kinds of questions are raised which go beyond Popper's own work, and in which Popper's own accounts are sometimes questioned.

Ebenstein's biography is divided into numerous short chapters, 42 in all, which often combine brief accounts by Ebenstein of Hayek's work, quotations from Hayek and other writers, and biographical detail. The treatment is chronological, although occasionally, material from one period (e.g. about Hayek's time in Chicago) also turns up in a later chapter. Ebenstein's comments about Hayek's work are useful enough, but workmanlike rather than inspired, and in some cases—for example, on Hayek's difficult *Sensory Order*—they are not very illuminating.

Ebenstein does, sometimes, offer more by way of interpretation and commentary. Let me comment on two examples.

First, Ebenstein discusses Hayek's view of the more usual approaches to capital as being 'studied under the assumptions of a stationary state' (*Pure Theory of Capital*, p. 14). Ebenstein goes on to explain this in terms of J. S. Mill's ideas about a stationary state—that is, a situation in which there is no further economic growth. But this is a misunderstanding: Hayek was not, here, concerned with Mill's notion of a stationary state, but, rather, was contrasting his own approach with the more usual assumptions of equilibrium analysis.

Second, Ebenstein makes a point that seems to me very interesting; namely, that Hayek, a specialist in the study of J. S. Mill, attributes views to him, in *Law, Legislation and Liberty*, which are not only incorrect, but which he had explicitly warned against in *The Constitution of Liberty*. This, I suggest, is significant, for it may put us on our guard when reading the work of Hayek's later years. While Hayek was amazingly productive into his old age, there was, understandably enough, also a falling off in certain of his abilities. Ebenstein also confirms the idea that Bill Bartley must have put a very great deal of work into getting Hayek's final work, *The Fatal Conceit*, into a publishable form.

There are also some other real strengths to this volume. Some discussions—for