

POLICY

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ENLIGHTENMENT UNDER SIEGE

ARE THE OBITUARIES PREMATURE?

Suri Ratnapala
on Steven Pinker's *Enlightenment Now*

Matt O'Donnell
on the limits of democracy

David Gadiel
on Mugabe's economic legacy

Charles Jacobs
on closing the gap

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Policy Through the Decades: 1985-2018

Plus reviews of **Stephen Bell** and **Michael Keating's** *Fair Share*, **Vito Tanzi's** *Termites of the State*, **Max Corden's** *Lucky Boy in the Lucky Country* and **Hugh Mackay's** *Australia Reimagined*

The Real Gender Pay Gap
ROSS GUEST

A Chain of Low-Cost
Private Schools for England
JAMES TOOLEY

The Audacity of Xi Jinping
ROWAN CALLICK

Big Australia:
The Case For and Against
GLENN WITHERS and **ADAM CREIGHTON** (for)
JUDITH SLOAN and **MARK LATHAM** (against)



JEREMY SHEARMUR REVIEWS PATRICK DENEEN'S *WHY LIBERALISM FAILED*

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EDITORIAL

Policy has long been concerned with the values and institutions that underpin a free and open society, so it seems only fitting that the cover story for this bumper Winter issue—the final quarterly print edition—should be a review essay on resurgent challenges to the Enlightenment principles of reason, science and humanism that are the focus of Steven Pinker's latest book *Enlightenment Now*.

Reviewer and longtime friend of CIS **Suri Ratnapala** notes that 'resistance to the central ideas of the Enlightenment is as old as the Age of Enlightenment itself', but argues that the wealth of facts, evidence and reasoning that Pinker draws on to defend the Enlightenment legacy and to support his optimistic thesis about the human condition makes this one of the 'most important works of the 21st century'. He warns, however, that Pinker may be too sanguine about the challenges liberal democracies face from the revival of fascism and revisionist powers like Russia and China.

The nature and extent of the latter challenge to Australia's liberal democratic institutions has been hotly debated since the publication of Clive Hamilton's book on Chinese influence in this country. In our lead book review, lawyer **Dan Ryan** argues that while Hamilton's core claims rely largely on circumstantial evidence, the book contains much useful information about potential threats. Meanwhile leading China-watcher **Rowan Callick's** piece on the centralisation and personalisation of rule under China's new president-for-life, Xi Jinping, should leave readers with few doubts about where Xi's China is headed.

Also in this issue, economics professor **Ross Guest** surveys the evidence on explanations for the (real) gender pay gap and concludes that the case for government intervention is flawed. CIS policy analyst **Charles Jacobs** examines the ten-year record on closing the gap between Indigenous and non-Indigenous outcomes and suggests some ways forward that learn from past failings. UK education professor and entrepreneur **James Tooley** discusses his vision for a chain of low-cost private schools in England, inspired by the success of similar schools serving some of the poorest people in developing countries around the world.

In other articles, **Glenn Withers** and **Adam Creighton** defend our high rate of immigration while **Judith Sloan** and **Mark Latham** advocate slashing it. CIS economist **Matt O'Donnell** argues that liberal democracy is often automatically associated with individual freedom, but this can blind us to its flaws—which is why democratic government must be limited. Another CIS economist, **David Gadiel**, revisits the disastrous land and other reforms in Zimbabwe under the ruinous reign of Robert Mugabe, a sobering reminder of the importance of property rights.

Last but not least, this issue of *Policy* features a potted compilation of quotes from articles spanning the decades from April 1985 to the present. With *Policy* now in its 34th year in print, selection was an unenviable task. Book reviews and interviews were excluded, but it must be noted that the review section in particular has always been a core strength of *Policy* and a highlight for many readers.

It is clear from this mini-retrospective that *Policy* has made a major contribution to the world of ideas. While it has not been an academic journal in the true formal sense, successive editors have tried to maintain a scholarly but accessible tone. As a quarterly journal with a classical liberal bent it has occupied a unique niche in the small magazine market, especially since securing a newsstand distribution deal some 15 years ago. But the market has changed dramatically since then with the advent of digital devices and myriad online forums and platforms. *Policy's* successor, the unbound series *Policy Papers*, aims to capitalise on these new opportunities to reach audiences in a more timely manner.

Policy has depended heavily on unpaid contributors for content and I am grateful for the time and effort they have put into writing in a volunteer capacity. CIS researchers have been regular contributors—and referees—and I am likewise grateful to them. Specific thanks are in order for our unflappable graphic designer, **Ryan Acosta**, who has overseen layout, **Kerri Evans** as a second pair of eyes at the final proofing stage, and **Karla Pincott** as a sounding board for article ideas. Further thanks are due to editor-in-chief for all but the last two 2018 issues, **Greg Lindsay**, who helped select articles for the compilation 'Policy Through the Decades'; former editor **Andrew Norton**, an unofficial editorial adviser and prolific contributor over the years; and **Wolfgang Kasper**, another prolific contributor and energetic source of guidance and feedback. Finally to *Policy's* loyal readers and subscribers, farewell and thanks.

Sue Windybank
Editor (2000-2004 and 2016-2018)

THE REAL GENDER PAY GAP

Neither discrimination nor market failure explain the true gap so the case for government intervention is flawed, argues **Ross Guest**

The gender pay gap is never far from the spotlight in Australia and internationally, with the media and sport industries featuring prominently in the debate. In January this year the British BBC Director General was invited by the British Parliament to give evidence on the gender pay gap.¹ When asked, Australia's ABC managing director Michelle Guthrie claimed late last year that there is no pay gap unfavourable to women at any level in the ABC.² Morning television presenter Lisa Wilkinson quit Channel 9 partly because she was being paid less than her male co-host Karl Stephanovic. In sport, a 2016 report by the Australian organisation, Women on Boards, found that there remained a huge gap in the pay of women relative to men in virtually all sports.³

This article argues that attempts to correct any such pay gaps through 'equal pay for equal work' are flawed and would only end in tears, as do most attempts to fix prices that would otherwise be determined by markets. Men and women earn different pay for 'equal work' for reasons that render invalid the case for regulatory intervention through the Workplace Gender Equality Agency (WGEA) for example.

Evidence suggests that women and men have different preferences for the intensity of paid work and other behavioural differences, and they respond differently to changes in wages, which implies differences in their market wage rates. From the employers' perspective, women and men are seen as complementary rather than perfect

substitutes in terms of the skills and attributes that they bring to their work. This implies that if, for example, women's labour force participation increases relative to men then their market wage should fall relative to men—it would have nothing to do with discrimination and there would be no market failure.

Explanations for the gap

First we need to define the gender pay gap. It is certainly true that women in the labour force are paid less on average than men. In Australia the average female weekly earnings in November 2017 was \$960 and for men was \$1428—33% less for women⁴. However, this partly reflects the fewer hours worked by women than by men in a working week. If we adjust for this by taking full-time workers, excluding overtime—which is the preferred measure adopted by the WGEA—the gender gap is 15.3%.⁵

The gap has fluctuated between 14% and 19% over the past two decades, and has fallen several per cent over the past three years. It is 8.5% larger in the private sector than the public sector; several per cent higher for workers over age 50 than under 30; at least 5% higher for managers than non-managers; and the gap varies



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considerably by industry—9% in retail, 21.9% in health care and social assistance, and 29.6% in financial and insurance services.

The pay gap may be due to many factors, as listed by the WGEA:⁶

- discrimination and bias in hiring and pay decisions
- women and men working in different industries and different jobs, with female-dominated industries and jobs attracting lower wages
- women's disproportionate share of unpaid caring and domestic work
- lack of workplace flexibility to accommodate caring and other responsibilities, especially in senior roles
- women's greater time out of the workforce impacting career progression and opportunities

Taking this evidence together it does seem that the available data is unable to explain a wage gap of between 4% and 8%.

The next question is which of the above factors would warrant a government regulatory response. The first one—discrimination in hiring and pay decisions—is already regulated under Australia's anti-discrimination law.⁷ Pure sex discrimination is objectionable as a breach of human rights and as a market failure, both of which may justify government intervention. This article is concerned more with the market failure issue. Sex discrimination is a type of market failure in the sense that a failure to pay women what they are worth in certain roles means we get less than the optimal supply of women in those roles—hence the case for regulation.

Market failure in the other cases is much less clear cut as they are matters that to some extent involve choices made by families and by businesses (in the case of workplace flexibility). A potential source of market failure in labour markets is lack of information held by either the employee in terms of the nature of the job, or the employer in terms of the characteristics of the employee. Either

of these information deficiencies can result in a sub-optimal allocation of workers to jobs. However, it is hard to see significant information problems in any of the other pay gap explanations listed earlier. Hence the case for regulation in these areas is also much less clear, which is not to say that cultural change in these matters may not be desirable.

On the first of the listed pay gap explanations, what evidence is there for systemic discrimination and bias (against women) in hiring and pay decisions? There is relatively little data available to establish clearly the extent to which this is the case.⁸ According to the 2016-17 Australian Human Rights Complaints statistics, there were 385 sex discrimination complaints in 2016-17, but it is not clear how many related to pay. Many discrimination complaints are resolved without proceeding to a hearing.

Econometric studies for Australia find that there is indeed an unexplained gender pay gap after controlling for a range of factors: work interruptions (due to childbirth for example), the types of industries and occupations in which women work in higher proportions than men and which tend to be lower paid, work experience, and part-time employment. In a 2016 study KPMG found that of the total gender pay gap of 16.2%, a little over one third or 6.2% remained unexplained.⁹ They attribute this to sex discrimination, which they define as lower pay of women than men where they have equal skill, experience, and are in a job with the same characteristics. Graduate Careers Australia found an unexplained gap of 4.4% in the labour market for graduates in 2013.¹⁰ An earlier study by the National Centre for Social and Economic Modelling (NATSEM) found an unexplained gap of 8%.¹¹

Taking this evidence together it does seem that the available data is unable to explain a wage gap of between 4% and 8%. So, for example, if a man is being paid \$100 for a day's work a woman on average would be paid between \$92 and \$96 after accounting for all of the above factors for which we have data.

Preferences matter

This is puzzling in one sense: why should women accept lower pay for the same work? Melbourne

University professor Michelle Brown argues that it is partly due to bias (unconscious or conscious) in performance reviews, citing data that women tend to receive lower performance ratings than men, often based on personality traits rather than productivity, and that this affects their pay.¹² Again, if bias on the grounds of sex exists in performance reviews, it leads to economic inefficiency which is obviously against the interests of employers. It would be in their interests to identify it and remedy it.

Brown also argues that women are less successful negotiators, citing research that says they are not socialised to negotiate and that their style is more accommodating and less competitive than men.¹³ If so, the next questions are: why are they less successful negotiators and does this warrant public policy intervention? There is considerable psychology literature on this question,¹⁴ suggesting a number of possible reasons including sociological conditioning, women's concept of self, moral values and innate competitiveness. None of these necessarily amount to a market failure in terms of information problems or discrimination. Rather they would be, if true, behavioural characteristics of women. They are more akin to 'preferences'.

It seems quite possible that women have different innate preferences for the use of their time outside of work and for the trade-off between work effort and pay, and such innate preferences do not imply any market failure. A January 2018 study of male and female Uber drivers is instructive here.¹⁵ The authors examined the work choices and earnings of more than one million Uber drivers in the United States. They found a gender pay gap of 7%, which could be entirely explained by three factors: their experience defined as number of trips completed as an Uber driver (which affects their knowledge of where and when to work in order to find the more lucrative trips) and their driving speeds. Because men drive more intensively than women—more trips per week—they accumulate experience faster and therefore find more lucrative trips than women for any given number of weeks worked. They also found that men drive slightly faster than women which increases men's returns relative to women. None of this has anything to do with discrimination—it is about preferences for driving speed and for work hours per week.

The point about the intensity of work is echoed by another US study¹⁶ in which Harvard economist Claudia Goldin argues that although the gender pay gap is shrinking (although it isn't much in Australia) due mainly to better education of women and family-friendly workplaces including child care which allow work participation—as well as technology that allows work flexibility—a gap remains nonetheless. The reason is that more senior roles in the corporate, financial and legal occupations pay a premium for an inflexible work schedule, for the willingness to work extremely long hours at unpredictable times. The preference of women to avoid such inflexible work schedules is costly.

More senior roles in the corporate, financial and legal occupations pay a premium for an inflexible work schedule, for the willingness to work extremely long hours at unpredictable times. The preference of women to avoid such inflexible work schedules is costly.

Economists capture these preferences relating to work through labour supply data. Reliable data exists on the responsiveness (or 'elasticity') of the labour supply of women and men to changes in their (after-tax) wages. An Australian Treasury study¹⁷ reviewed the literature and found that the elasticity of labour supply of both married and single women was significantly (in the statistical sense) higher than for men, meaning that women adjust their labour supply more than men in response to wage changes. This implies that even if the labour demand for women and men is identical, implying they have the same productivity and are regarded as perfectly substitutable by employers, they can be expected to have different wages and the wages of women will fluctuate less than for men in response to fluctuations in labour demand. It would have nothing to do with discrimination.

The difficult question, however—not addressed in the U.S. studies cited—is how much of these 'preferences' could be eliminated by changes in technology and domestic arrangements that remove the necessity for inflexible work schedules in some jobs, and how much is due to deeper innate

preferences for time allocation to professional work versus family/household time. If there are innate preference differences among women and men, then we should expect the gender pay gap to continue and it would be entirely consistent with an efficient labour allocation of male and female workers in the economy, assuming no direct discrimination against women since that would be a type of market failure. If women are prepared to work for less pay due to preferences, their labour supply at any given wage would be lower than for men, resulting in a lower market wage for women even where the productivity of both women and men is the same.

History is littered with examples of failed government attempts to regulate prices in markets. It usually brings unintended consequences that hurt the people who are meant to be helped.

On the other hand, the opposite could be true—women could generally require a higher wage than men in order to take a given job. In that case their efficient market wage would be higher than for men. It is, however, very difficult to get reliable data on ‘preferences’ and therefore to test empirically either of the above propositions. The point is nevertheless that different preferences would imply different market wages that are consistent with efficient labour allocation.

On the labour demand side, the assumption that women and men are perfectly substitutable and therefore face identical labour demand is highly questionable and can further explain different market wages of women and men doing equivalent work. Women and men are more likely to have complementary rather than identical skills. If so, a mixed gender workforce is likely to be more productive overall than a single gender workforce—this applies even if men and women are equally good at their job, but just good in different ways, and even if they have the same elasticity of labour supply. In that case if women’s labour force participation increases then their market wage will fall relative to men, which makes sense for businesses and is good for national productivity.

Unintended consequences

To sum up, we should expect the market wages for men and women to differ even for the same work and even without any discrimination for the following reasons: (i) women and men have either different preferences for work, and these preferences respond differently to (after-tax) wages; (ii) women and men have complementary job capabilities. The equal pay for equal work mantra is therefore flawed as a general principle. It would be a mistake to coerce employers to increase pay of women relative to men—the outcome would be fewer women employed relative to men and a loss of productivity for individual businesses and the economy.

Yet this is exactly what the WGEA sets out to do—put pressure on employers with over 100 employees to ensure equal pay of women relative to men for work ‘in the same or similar roles’, as well as ensuring compliance with several other ‘gender equality indicators’. Relevant businesses must comply with the Workplace Gender Equality Act 2012 by reporting to the WGEA each year explaining what strategies and measures they have to meet the ‘minimum standards’ for achieving the gender equality indicators. Pressure is brought to bear through the consequences of non-compliance. The WGEA may name a non-compliant employer in a report to the Minister. Non-compliant employers may not be eligible to tender for government contracts and may not be eligible for government grants. A total of 51 businesses were listed on the website as non-compliant at 31 Dec 2017.

Coercion or pressure of this type amounts to a soft form of price fixing in the labour market. History is littered with examples of failed government attempts to regulate prices in markets. It usually brings unintended consequences that hurt the people who are meant to be helped. Examples include bank home loan interest rate caps in the 1980s that drove poorer households out of the housing market or into the hands of higher cost lenders; the floor price for wool which collapsed in 1991 leaving a debt and wool stockpile that the wool industry had to carry; the housing rent controls that exist in some large cities such as New York and London that generally reduce

overall supply of rental housing and force out those with poorer work and credit histories.

It should be no different when it comes to interfering with women's wages. Fewer jobs would be available to women at the new higher pay levels, which may discourage women from seeking such jobs in the first place. In one sense we should be pleased that the WGEA Director told a Senate estimates hearing last year that Australia is 50 years away from closing the gender pay gap. On the other hand, 50 years of the red-tape costs of complying with WGEA legislation would be a burden, along with the expenditure by the agency of \$6 million in 2016-17,¹⁸ not justified by any benefits.

A better approach would be to ensure employers are aware of the benefits of complementary capabilities of women and men for their own business success, and let them make judgements about the optimal mix of men and women employees—and at the most make gender balance disclosure voluntary. This is put well by Adam Schwab, the founder and CEO of the AussieCommerce Group which employs a majority of women through its retail brands: 'Any business which needs to be told by the government not to discriminate is running a business that will almost certainly not be around in the decades to come.'¹⁹

Endnotes

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- 13 There is a considerable literature on this topic, which is beyond the scope of this short piece and somewhat outside the expertise of this author. However, it is a finding at odds with this author's personal experience, in higher education, that women are very successful negotiators, probably more skilled than men.
- 14 Laura J. Kray and Leigh Thompson, 'Gender Stereotypes and Negotiation Performance: An Examination of Theory and Research', *Research in Organisational Behaviour*, vol. 26 (2004), 103-182
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A FRESH APPROACH TO CLOSING THE GAP

We must learn from the failings of the decade-old strategy to improve Indigenous outcomes, argues **Charles Jacobs**

In 2008 the Federal government introduced a range of key national targets addressing Indigenous health, education and employment. The targets, part of the Closing the Gap strategy, were a response to growing calls to address the severe disparity between the outcomes of Indigenous and non-Indigenous Australians. They marked a watershed moment in Indigenous affairs, and gave genuine hope that this seemingly perpetual issue might finally have an endpoint by setting expiry dates for the targets to be reached.

Ten years on, however, it appears that the Closing the Gap strategy is itself facing an important turning point. Four of the seven targets have a 2018 expiry date yet, as Table 1 opposite shows, only one of these—halving the gap in child mortality rates—is set to be met. Overall, only three targets are reported to be on track.

While frustrating, the lack of improvement is not unexpected. Annual Prime Ministers' Closing the Gap speeches have repeatedly highlighted the ongoing failings of the strategy. In 2014 Tony Abbott acknowledged that 'while progress has been made in some objectives, it is clear that we are still failing in too many'.¹ Similarly, in 2017 Malcolm Turnbull re-enforced the 'stark reality that we are not seeing sufficient national progress on the Closing the Gap targets'.² The tenth anniversary in 2018 has thus served as cause for a 'refresh' of the Closing the Gap objectives. Public consultations on a reworking of the strategy have been held, and the Commonwealth has already dedicated a raft of new funding measures to the project.

It is therefore important to look at the functioning of the strategy from a policy perspective. Why hasn't it worked? What could be improved? What strengths can be built on?

Evaluation before spending

The Closing the Gap strategy is based on the measurement of key indicators such as life expectancy, high school completion and employment rates. While these overall indicators are the bottom line, the programs and services dedicated to achieving these targets are at the forefront of the approach. Consequently, ensuring that they are effectively achieving desired outcomes is essential to closing the gap.

Unfortunately, CIS research has revealed that the impacts of an overwhelming number of Indigenous programs are not being evaluated.³ Of 1082 programs surveyed, only 88 (8%) of these had been evaluated. Evaluations are essential to the ongoing success of any policy or program⁴ and provide evidence that a particular intervention works.⁵ They can reveal inefficiencies that must be addressed, and provide accountability to program managers and providers.⁶ Without evaluation, a program may suffer



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Table 1

Target:	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
Halving the gap in child mortality by 2018									✓
95% of Indigenous 4 years olds enrolled in early childhood education by 2025	✓	✓	✓	✓	✓	✓	✗	✓	✓
Closing the gap in school attendance by 2018	✗	✗	✗	✗	✗	✗	✗	✗	✗
Halve the gap in reading, writing and literacy for Indigenous children by 2018	✗	✗	✗	✗	✗	✓	✗	✓	✗
Halve the gap in year 12 attainment by 2020	✗	✗	✗	✓	✓	✗	✓	✓	✓
Halve the gap in employment outcomes by 2018	✓	✗	✗	✗	✗	✗	✗	✗	✗
Close the gap in life expectancy by 2031	✗		✗	✗			✗		✗

Note: Blank cells denote no data

from one or both of these issues, limiting its effectiveness. For example, a 2017 Queensland Productivity Commission report identified a lack of evaluation and weak lines of accountability as a key cause of the limited success of service delivery to remote Indigenous communities in that state.⁷

Moreover, a lack of evaluation and assessment of need can lead to duplication and waste. Programs applied on the basis of Indigeneity rather than local need will have little impact if they do not address the specific problems experienced by a community. For example, in 2009 CIS identified the provision of suicide prevention training to a Northern Territory community which had no experience of suicide and had already undergone previous training.⁸ Similar examples could be found across the Indigenous program ecosystem.

The federal government recently committed to improving its evaluation of Indigenous programs, although this process is in the early stages of development. Meanwhile, in February, the Prime Minister announced billions of dollars in increased funding for a range of issues where targets are not on track to be met. This includes \$184 million to reduce Indigenous smoking rates, a \$4.4 billion education loading increase for Indigenous students, and a 30% increase in funding for program providers under the Indigenous Advancement Strategy.

Funding effective programs undoubtedly plays a role in closing the gap. However, it seems premature to be pledging more money to a strategy that the government has publicly acknowledged needs to be refreshed. Before any additional funding is committed, some key questions need to be answered. Why are some targets succeeding and can this success be replicated in other areas? Why are other areas failing and what pitfalls can be avoided in future programs?

Including effective evaluation of program outcomes in a refreshed Closing the Gap strategy will allow for better tracking and understanding of targets at a grassroots level. Meanwhile, evaluating the past decade will also serve as an important reflection process that should stop money being thrown at problems and see funding directed in a more strategic manner.

Reassessing the nature of the 'gap'

The intention of the Closing the Gap strategy is a noble one. Bringing Indigenous Australians on par with the rest of the population is, and should be, the ultimate objective of the policy. However, the fluid nature of the gap metric means that targets are often difficult to achieve and may not reflect genuine progress on the ground.

The indicators of the wider population may change concurrently with those of Aboriginal and

Torres Strait Islanders. A similar improvement in outcomes by both groups would mean that little progress had been made on reducing the gap, but this could mask the fact that tangible progress may still have been made on Indigenous outcomes. For instance, between 2005 and 2012 Indigenous life expectancy at birth increased 1.6 years for males and 0.6 years for females.⁹ However, due to increases in the life expectancy for non-Indigenous Australians, the gap only narrowed by 0.8 years for Indigenous males and 0.1 years for females. Despite achieving only a minor reduction in the gap, this is still a notable improvement. Yet the fluctuating nature of the gap can see it framed as a relative failure.

Rather than aiming to close the gap in life expectancy by 2031, a hard target of increasing Indigenous expectancy to 80 years would bring clarity and not leave program delivery subject to the inconsistency caused by using the metric of the gap.

The fluid nature of the gap can also make it difficult to set and achieve incremental targets in given areas. If the standard a program provider measures itself against is constantly changing it can be difficult to strategise and budget over a certain period. Providers need certainty in the outcomes they are trying to meet.

Whilst they are not as idealistically desirable, hard targets would bring clarity and consistency to program and service providers seeking to improve outcomes. For example, rather than aiming to close the gap in life expectancy by 2031, a hard target of increasing Indigenous expectancy to 80 years would bring clarity and not leave program delivery subject to the inconsistency caused by using the metric of the gap.

Reconsidering targets: economic development

Only one of the seven current Closing the Gap indicators is directly related to economic development. This target, to halve the gap in employment outcomes by 2018, is not on track to

succeed. Between the introduction of the Closing the Gap strategy in 2008 and 2015, the Indigenous employment rate declined by 5.4%.¹⁰ The overall Australian employment rate also declined by 2.4% during this period. However, the larger drop in Indigenous employment means that the gap actually increased by 3% to 24.2%. Given that over 80% of non-Indigenous Australians and 91% of Aboriginal and Torres Strait Islander workers are employees,¹¹ employment remains an essential element of the strategy. However, it is important for a refreshed strategy to integrate a focus on wider principles of wealth creation and economic development.

Business and self-employment targets

In 2015 the Commonwealth government introduced the Indigenous Procurement Policy (IPP). The IPP has 'changed the conversation' about Indigenous economic development.¹² While the wider footprint of government procurement will always be limited, the policy has created a greater awareness of the potential benefits that business ownership has for Indigenous people.¹³ Decades of exclusion from the economy, low levels of education and stigmas surrounding capability may all affect Indigenous people from accessing employment.

Entrepreneurship and business ownership can empower Aboriginal and Torres Strait Islander Australians to overcome these difficulties and actively participate in the economy.¹⁴ However, only 6.6% of Indigenous people are currently self-employed, a third of the rate of the remainder of the population (16-17%).¹⁵ There are an estimated 12,000-16,000 Indigenous businesses.¹⁶ If the gap between Indigenous and non-Indigenous self-employment was closed that figure could be in excess of 40,000 businesses. By embracing business ownership the government and Indigenous people could build on the progress of the IPP and ensure a variety of means are pursued to enhance Indigenous economic participation.

The opportunities of culture

Culture can undoubtedly provide a competitive advantage for Indigenous communities and businesses. It is a resource that should be leveraged

to increase the participation of Aboriginal and Torres Strait Islander people in the mainstream economy, and it can benefit remote communities where economic exclusion is most acute.

There are multiple elements of Indigenous cultural capital that can be utilised in promoting economic development. Tourism is the most obvious sector. Research in Western Australia has shown significant demand from tourists for genuine Indigenous cultural experiences, but the market is underdeveloped.¹⁷ The Australian tourism sector has experienced substantial growth in recent years, with a record 8.26 million international visitors arriving in 2016. Indigenous art and cultural products form a key component of this market. Aboriginal art is world famous and the demand for Indigenous products, such as traditional recipes, is growing.

Indigenous Australians should capitalise on the unique brand offered by their culture and meet the market demand for genuine Indigenous experiences. The primary vehicle for this should be Indigenous-owned cultural enterprises. This would bring a range of social and economic benefits to Indigenous communities,¹⁸ contributing to an improvement in outcomes that will help close the gap. Such enterprises could be particularly effective by building business and employment opportunities in remote communities. The global export of hand-painted crosses by Indigenous women in the Ltyentye Apurte Community (Santa Teresa, Northern Territory) is a good example of this.¹⁹

Ensuring the intellectual property rights of Indigenous products and experiences is an important element of building this market. The misappropriation of Indigenous intellectual property has been an issue for decades. Numerous examples of fake Indigenous art can be found in tourist shops and airports across the country.²⁰ While initiatives such as the Indigenous Art Code have encouraged respect for products and artists, there is no specific legal protection for Indigenous intellectual property. Enshrining the property rights of Indigenous people over their intellectual capital will enable them to fully exploit the economic opportunities offered by their unique cultural brand.

Other target markets

Indigenous culture and knowledge can be used to exploit a range of economic opportunities outside of the tourism industry. The Indigenous estate represents one of the most important assets of remote communities, and local populations must be encouraged to utilise this resource for financial gain. In many locations the structure for achieving this already exists. Over 100 Indigenous ranger programs are currently running across Australia. They are primarily undertaking land management and environmental conservation projects. While most of these programs rely on government funding, there is the potential to target certain market opportunities and leverage them for economic gain.²¹

Enshrining the property rights of Indigenous people over their intellectual capital will enable them to fully exploit the economic opportunities offered by their unique cultural brand.

Back burning of bush and grasslands is one of the most common practices of Indigenous ranger groups. However, only a limited number of communities have sought to utilise the business potential of this practice through carbon farming. As the carbon market evolves, companies across the world are looking to offset emissions in order to meet government or corporate social responsibility targets. Some ranger groups are already selling carbon units to companies such as Qantas and Allens.²² With the Australian carbon farming industry expected to be worth up to \$24 billion by 2030,²³ Indigenous communities should be encouraged to target such business opportunities.

In the Northern Territory the economic potential of rampant feral buffalo populations offers another opportunity. There are up to 100,000 buffalo in Arnhem Land alone.²⁴ Indigenous rangers are already working to control buffalo and reduce their impact on the native vegetation. However, culling and population control should be harnessed for greater financial gain. Ranger-led buffalo hunting safaris could generate income and act as a disincentive to

illegal killings and trespassing on Indigenous land. Similar ventures could be run with wild pigs in Queensland and northern New South Wales.

Conclusion

The importance of the Closing the Gap strategy cannot be overstated. Improving Indigenous outcomes will serve not only to bring Indigenous Australians level with the rest of the population, it will ultimately lead to a vast reduction in the billions of dollars currently dedicated annually to solving the problem. As the next phase of a refreshed Closing the Gap strategy comes into being it is essential that policymakers assess the nature of this

The last ten years have demonstrated that closing the gap is a task far greater than ticking the boxes of glossy Prime Ministers' reports.

approach in order to prevent a recurrence of the past decade's failings. Integrating evaluation and targeting the strengths of Indigenous people provide a starting point for building a new strategy. Concurrently, re-assessing the design of targets to ensure they are realistic and provide a consistent environment for program providers will bring stability and clarity. The last ten years have demonstrated that closing the gap is a task far greater than ticking the boxes of glossy Prime Ministers' reports. However, with a few key adjustments there can be hope that genuine progress will be made.

Endnotes

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A CHAIN OF LOW-COST PRIVATE SCHOOLS FOR ENGLAND

Low-cost private schools can show how genuine educational markets work, argues **James Tooley**

Private schooling in the United Kingdom is extraordinarily expensive, affordable only to those in the highest income bracket. But in developing countries a surprising phenomenon has emerged—low-cost private schools affordable even to those on the poverty line. Now chains of low-cost private schools are being created, consolidating the market, raising investment for educational improvements, and capitalising on economies of scale. I believe there is an opportunity for something similar in England. Perhaps there could be implications for Australia too—someone would need to sketch out similarities and differences between both countries in order to reach a judgement.

The inspiration

Across the developing world, low-cost private schools have become ubiquitous. I've been engaged in research in this area for nearly two decades now,¹ and the picture that has emerged is unequivocally positive: In urban areas, often 70% of children use private education, including in the poorest slums. In poor rural areas, the figure is 30%. Testing random samples of children and controlling for background variables, research shows how children in low-cost private schools significantly outperform those in government schools. Moreover, private schools are affordable even to those on the poverty line.²

As well as doing research, I've helped create a small number of chains of low-cost private schools and, through my writing and contacts, inspired

the creation of others. The largest chain is Bridge International Academies,³ which opened its first schools in 2009 and is now the biggest in the world with 100,000 children in schools across Kenya, Uganda, Nigeria, Liberia and India. Investors include Bill Gates and Mark Zuckerberg. A more modest chain I co-founded, Omega Schools, now backed by Pearson's Affordable Learning Fund, has 60 schools in Ghana and Liberia. These chains are inspiring competition: hardly a week goes by without some entrepreneur contacting me to ask for advice on setting up similar chains in Africa, Asia or Latin America.

I believe the opportunity exists to create a chain of low-cost private schools in England and other parts of the UK, catering for aspirational middle and working class families who can't afford the high fees demanded by existing private education.

Market demand

Would there be market demand? If one is interested, one can find data showing how government schools are not good enough for those in the lower quintiles of income, and this could suggest there would be market demand from aspirational families. For instance,



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international tests show poorer students are ‘less likely to succeed than their more advantaged peers’, while after years of compulsory state schooling 16% of adults in England are functionally illiterate.⁴ Such data is interesting, but I’m aware that parents might want to choose private schools for a wide range of reasons, including simply wanting control and accountability over their children’s education. So market demand for a chain of low-cost private schools could come about almost irrespective of the quality of government schools.

We believe that with fees of £52 per week—that is, £2,700 per year—we can create a viable education business. The key is to create a ‘no-frills’ model of schooling. ‘No-frills’ does not mean low quality.

Moving forward with this idea, I conducted some small-scale research in England (and in America too) to see if there was any demand for low-cost private schooling. My team at Newcastle University opportunistically interviewed parents on street corners, in marketplaces and the like in Newcastle in the northeast of England. The clear response from the majority of parents was that, yes, they would like to send their children to private schools, but of course they didn’t because they couldn’t afford to. But what if the schools were less expensive than normal private schools? Very much they’d want to apply. Parents indicated they’d be willing to pay for ‘quality of learning’ (82%) and ‘quality of teachers’ (65%). We prompted them to see how much they thought they could afford. Around one-fifth thought they could afford a school costing around £50 per week.

I had suggested this figure to them because I’d created an outline business model which had this figure as its goal. With a sympathetic private school principal in the northeast of England and a fellow academic from the university, we further developed this model. We believe that with fees of £52 per week—that is, £2,700 per year—we can create a viable education business. The key is to create a ‘no-frills’ model of schooling.

‘No-frills’ does not mean low quality. The model brings down costs by renting premises rather than

tying up scarce capital; rents for suitable buildings are lower than we expected. We’ll cut costs too by renting sports facilities. There’ll be none of the fripperies that seem to come with the territory of normal, high-cost private education. So there’ll be no Olympic-sized swimming pools, no cricket grounds, no planetariums, no magnificent (but expensive to maintain) old buildings.

Our teachers sometimes may be lower-paid than in the posh schools, but will be trained and mentored well to deliver a sound, academically-rigorous education. And they’ll be energetic and committed; perhaps some will come from those who are no longer enthused about working in the public sector but who may be willing to work for less if greater job satisfaction was guaranteed. We’ll teach English using phonics to ensure that all children learn to read. We’ll teach mathematics to mastery, not being afraid of teaching through rote learning where this helps mastery, and using software where appropriate to ensure all children advance. And we’ll emphasise good discipline, as demanded by all the parents we interviewed.

As a standalone school, it could be a somewhat attractive investment proposition, but it’s very attractive indeed if you think of a chain of, say, 10, 20 or even 50 of these schools. This would require an efficient head office for teacher recruitment, training and mentoring, quality control and curriculum development as well as strategic development.

From idea to reality

We’ve moved from the idea to begin grappling with the reality. We found a building that would be suitable with some adaptation to be the home of our first school in the city of Durham, just down the road from Newcastle. We created all the school policies and showed how we would adapt the building as required by private school regulations, and we’ve had our pre-opening school inspection. As this article goes to press, we’re awaiting the decision of the Department for Education on registration of our school, but we’re very hopeful that we’ll be able to open in September.

Meanwhile, we’ve had well over 100 expressions of interest from parents who’ve perused our website, without any marketing at all. Parents are from a wide range of nationalities and ethnicities, but all

are united by the common theme that they want private education for their children because they want the control and accountability that comes with that. Until we came along, however, nothing had been available to suit their pockets. And assuming our first school opens, we'll be looking for our second and third to open, and then slowly roll out the model to scale.

How affordable is it?

How affordable is £52 per week? Currently, private schools are unaffordable except to the richest income quintile in the UK. School fees are reportedly an average of £15,500 per annum;⁵ that is around £298 per week (dividing £15,500 by 52). Data on UK family *discretionary* income⁶ shows that this is only affordable to the richest quintile (Table 1, third column). (Discretionary income takes gross family income, subtracts (or adds) taxes (or tax credits), and further subtracts the amount required for necessities such as food, clothing and housing as well as costs such as school uniforms and books).

The richest quintile has on average £688 per week—so if two children are in school, even these families will use up *all* their discretionary income on fees. (Regional data doesn't give a better outcome: for example, average school fees in the northeast of the UK are 69% of fees in London but average discretionary income is only 49%, so school fees are *more* unaffordable in the northeast than in London⁷).

But see how affordable our fees of £52 per week become. Table 1 again (fourth column) shows that

£52 per week is affordable even for parents in the second poorest quintile—for one child at least (their discretionary income is £56 per week). Parents in the third quintile can now afford to send two children to private school (discretionary income £111 per week). With fees as low as we are offering, private education need no longer be the preserve of only the richest.

Progress towards Friedman's universal educational voucher has been almost non-existent in America and beyond.

Just do it

Many people, when they think of improving educational opportunities, tend to think in terms of reforms like the introduction of educational vouchers, where the state funds places in the parents' choice of school, public or private. I'm not optimistic that this is a viable way forward.

It is often inferred that the United States is the home of vouchers, so it comes as a surprise to realise that only 0.2% of America's children are using them.⁸ The person who inspired the idea of vouchers, the late Milton Friedman, expressed how he had been 'repeatedly frustrated' over 50 years of advocating vouchers by the 'adamant and effective opposition of trade union leaders and educational administrators to change that would reduce their control of the educational system.'⁹ Progress towards Friedman's universal educational voucher has been almost non-existent in America and beyond.¹⁰

Table 1: UK family income, gross and discretionary, and school fees (average and low cost)

Quintile	Discretionary income (per week)	How many children in private school can they afford? (average fees)	How many children in private school can they afford? (Low cost)
Poorest income quintile	-£23	-0.1	-0.4
2nd quintile	£56	0.2	1.1
3rd quintile	£111	0.4	2.1
4th quintile	£264	0.9	5.1
Richest income quintile	£688	2.3	13.2

Source: Data on discretionary income from Centre for Economics and Business Research (2017), 5-7.

In the UK, we too have had an unsuccessful brush with school vouchers from the 1970s onwards. The Institute of Economic Affairs' 'impressive academic studies'¹¹ convinced Rhodes Boyson, who was to become education minister in Thatcher's government, of the need for 'an extension of fee-paying private education'. This required 'either a cutback in taxation and generous scholarships for poorer families, *or* a state-sponsored voucher system for all.' While Boyson preferred the first approach, the universal voucher was more politically feasible; in any case, it would be a 'stepping stone' to private education for all.

For those who believe in free markets, it's an anomaly that education—so important for societies to function and for individuals to flourish—is usually firmly under state control, finance and provision.

With the Conservatives in power from 1979, Education Secretary of State, Sir Keith Joseph, wrote that he was 'intellectually attracted'¹² to educational vouchers. A national petition demanding vouchers strengthened the case. Yet at the 1983 Party Conference, Sir Keith announced the voucher was 'dead'.

State education's vested interests—the Department of Education, local education authorities and teacher unions—saw only risk. Moreover, they had little understanding of how educational markets work: they argued that the 'ebb-and-flow of pupils' would 'create difficult management and organisational problems for schools', ignoring that this 'ebb-and-flow' of customers is the reality for businesses every day. They could not envisage how private school supply could expand, given that starting new schools 'is a slow, expensive and risky business'.¹³

So the market solution to education floundered in the UK. Education thus remains a key area where the economic free market revolution has had zero impact. Our proposed solution will change that. We will ignore the political roadblocks and create a chain of low-cost private schools to demonstrate what a free market in education can do.

By creating a chain of low-cost, high quality private schools within reach of aspirational working and middle class families, we hope to accomplish three things. First, we will provide a demonstration model to show how demand for private schools is widespread, if the price can be low enough, and that the private sector is able and willing to respond to demand. Second, we hope to attract some philanthropy to provide scholarships so that even those on the lowest income quintile can have access to our low-cost private schools. Finally, the private school chain itself is likely to inspire competitors to enter the market, which in itself could bring down costs, so making educational opportunities even more affordable; private educational opportunities can therefore expand of their own accord and bring innovation and competition into the education sector for the benefit of all.

Towards free-market education

For those who believe in free markets, it's an anomaly that education—so important for societies to function and for individuals to flourish—is usually firmly under state control, finance and provision. Creating a chain of low-cost, high quality private schools, affordable to those on all but the lowest income quintile, that will stimulate competition in the sector, is a compelling route to challenging the government monopoly over education in the UK.

The proposed solution does not require any political change, it doesn't require anyone to get reforms through parliament. Politicians, constrained as they are by the tyranny of the thinkable, do not have to be persuaded of any arguments here. When there is a critical mass of people ready for change, then politicians can act in complete safety.

Let the politicians huff and puff about their essential role in education; they'll be huffing and puffing to catch up with us when they realise the world has moved on to a private future.

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THE LIMITS OF DEMOCRACY

Democracy is often automatically associated with individual freedom but this can blind us to its flaws, argues **Matt O'Donnell**

Over much of the last two decades Australia's Senate has frustrated the legislative program of successive federal governments, which has led to calls for the Senate to be reformed. Most of the reform lobby would like the upper house to become less obstructionist and more pliant to the whims of the government of the day.

Leading figures in both the Liberal and Labor parties resent the powers of the Senate. Paul Keating famously called the Senate 'unrepresentative swill'.¹ Tony Abbott has complained that 'the minority has assumed a permanent and absolute veto over the majority' and has called for a referendum to limit the Senate's powers.² Both parties recently worked together to introduce election voting reforms in an attempt to make it more difficult for minority parties to win seats in the Senate.³

Reducing the powers of the Senate to block legislation would be a mistake because its very existence is a recognition of the limits of Australia's representative democracy. Under this system citizens elect officials to represent their interests in the Parliament, the governing body that determines the appropriate use of state power. Australia's constitution was specifically designed to have a number of checks and balances to limit the ability of Parliament to perniciously wield this state power against ill-favoured groups and individuals. Most particularly, these checks and balances are there to limit the 'tyranny of the majority', protecting minorities and individuals from predation by the majority.

Democracy, like most modern political systems, is ultimately about defining who has access to the state's monopoly on physical force and how that monopoly can be used to reach collective goals.

The use of, or threat to use, aggressive violence is an anathema to individual freedom. In a truly free society, violence may be employed only defensively against the aggressive violence of another.

Democracy therefore is not—as is commonly assumed—automatically associated with individual freedom. In fact, by its very nature it is a check on individual freedom. Modern democratic states regularly use aggressive coercion against their citizens to achieve collective ends. For example, the Australian government applies coercive income, company and consumption taxes on its citizens so that it can provide a set of government services which the democratic process has decided are useful to achieve largely opaque objectives. Yet just because people in a democracy have the right to vote on who coerces them doesn't make such coercion benign.

Given its strong connection to coercion and the use of force, it is puzzling that the value of the democratic political system is barely questioned in the modern world. It is just assumed that democracy is the best and only legitimate form of government, as Francis Fukuyama argued in his 1989 'end of history' thesis. But democracy has significant flaws and those flaws matter. To illustrate the need for our political system to have significant checks on state power, I intend to focus on two of the many flaws in Australia's democratic system—the legitimacy of the government of the day and the fallibility of the electorate.



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Legitimacy

One of the longest running debates in political philosophy has revolved around whether or not any form of government is ever truly legitimate. In simple terms how can it be argued that all of the governed have actually agreed to the set of rules that they are being governed by? Have all Australian citizens signed a formal 'social contract' to follow the rules of our constitution?

The short answer is that all forms of state coercion are largely illegitimate because citizens have little to no power to secede from Australia and leaving Australia to live in another country is impractical for most people due to high relocation costs and immigration restrictions. The practical inability to secede from a modern Western democracy means that no citizen really has true private property rights, meaning the will of those who hold state power supercedes the desires of individual citizens.

This first order legitimacy issue has taxed the minds of many scholars. The debates around the creation of the US constitution highlight the difficulty of creating a legitimate democratic social contract. For example, Thomas Jefferson proposed that the US Constitution should expire every 19 years to ensure that each generation of US citizens had the opportunity to vote and provide some legitimacy for the rules that governed them. Contemporary James Madison countered that:

- The costs and benefits of immediate government action would affect future generations and the actions of future generations could adversely impact the interests of the current generation. For example, the government may borrow money to build a new road but the next generation could change the constitution and default on that loan. This risk would mean that banks would be reticent to lend money to the government as the threat of default was increased. The public would also be reticent to support any government programs with long-term consequences such as the aged pension, compulsory superannuation or education spending because each new generation could change the rules and hurt the interests of citizens who had contributed

taxes and savings to benefit from these schemes in the future.

- New generations are not discrete entities. People born between each 19 year constitutional election, or who were too young to vote at the previous election, haven't had the opportunity to formally agree to the current constitution.
- Getting an agreement on a constitution is extremely difficult. Introducing a new constitution with each generation could cause significant and constant social upheaval for little practical improvement in the political process.
- Even if you did re-vote every 19 years, in the absence of the ability to secede, the will of the majority binds the minority to a constitution it rejected, thereby not really solving the illegitimacy dilemma.

The problems with getting approval for a guiding constitution are just the thin edge of the wedge when considering the legitimacy of modern Australian representative democracy. An issue that affects the practical operation of Australian government is whether the majority party in Parliament has a popular mandate to introduce their legislative program.

A broad view of a ruling party's mandate suggests that just getting elected with a majority provides a government with the popular and moral right to implement its policy preferences as it sees fit. A narrow view would constrain an elected government to whatever was in its election platform and may even attribute a separate mandate to the Senate to monitor whether the government of the day actually lives up to its election promises. How broad a mandate a government should have largely rests on opinions about the importance of the following imperfections in the democratic system:

- Citizens vote for individuals to represent them in Parliament, they do not vote on individual pieces of legislation. Therefore many individual laws do not have the support of the majority of voters.
- Parliamentarians do not always act in the best interests of their constituents and often lie

about their voting intentions to prospective voters. How legitimate is any legislation passed because members of parliament changed their voting intention after being elected?

- Australia's major parties rarely get a majority of first preference votes and even once all preferences are included, the winning party generally only has the consent of a small majority of voters. Is it legitimate for a party which won say 40% of the primary vote to be able to impose their legislative program on a majority of citizens who initially opposed that program?
- Australian citizens only get to vote for a representative once every three years so how legitimate is government action in the intervening period between elections? This is a particularly significant problem when the ruling party's policy program has become more unpopular over time and/or the elements of that program have materially changed since the last election.

Fallibility

Another flaw with our democratic system is the idealisation of the 'will of the people'. Once you scrape the surface it is difficult to believe that a majority of the population actually understand exactly what they are voting for at each election—and even more difficult to believe that the average citizen understands the consequences of any individual piece of legislation.

Most voters seem to exhibit what might be described as rational ignorance when it comes to politics. They understand that each of their votes is largely immaterial to the outcome of elections so don't really spend much time understanding the intricacies of each party's platform.

This rational ignorance would not be a significant problem if, in aggregate, voters were shown to choose parties and policies that worked in their best interests. Unfortunately, findings in economist Bryan Caplan's 2007 book *The Myth of the Rational Voter* indicate that voter ignorance results in support for policies which are harmful to the voter and largely cannot achieve the policy's stated goals anyway.

Caplan argues that people make more and larger mistakes when the stakes of a decision are small. Since the benefit each person receives from voting is so small, they are predisposed to make mistakes in the government policies they support.

Professor Caplan uses US survey data to demonstrate that voters are not only uninformed on policy matters but also that they actually warmly embrace economic policies that the majority of professional economists regard as demonstrably false. Minimum wage laws, trade tariffs, buy Australia campaigns and high company taxes are all examples of policies that most economists would consider harmful to the economy as a whole but are popular with voters.

According to Caplan's research, voters seem to have a number of significant biases which result in them consistently supporting poor government policies. These biases include:

Make-work bias: voters malign economic activity that saves labour. Voters generally fear unemployment so react strongly against economic activity that might reduce jobs in one sector of the economy, even though the improvements in economic growth would more than offset the cost of those jobs losses.

Anti-foreign bias: voters underestimate the economic benefits of interaction with foreigners and therefore are generally anti-free trade and immigration.

Pessimistic bias: voters overestimate the severity of current problems and underestimate the amount of economic and political progress that has been made and will be made in the future.

Anti-market bias: voters distrust market mechanisms and are much more willing to embrace state power even though the evidence of the efficacy of markets over central planning is overwhelmingly compelling.

Australian voters seem to exhibit some of the same biases as their US cousins with large swathes of the population supporting trade protection, electric car subsidies, uneconomic 'nation building' infrastructure projects, minimum wage laws, bank levies, sugar taxes and other restrictive, ineffective regulations.

Democracy must be limited

Just surveying the issues of government legitimacy and voter fallibility highlights that representative democracy is a flawed political system. But to quote Winston Churchill in 1947:

Many forms of government have been tried and will be tried in this world of sin and woe. No-one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except for all the others that have been tried from time to time.

In the West, democracy has generally been a mechanism for peaceful change and this achievement should not be undersold. While many of the outcomes from the democratic process may be unsatisfying, there is little to be gained from throwing away a time-tested but flawed process in search of an unattainable perfect system.

There are also many cogent, defensible arguments for the use of state action to benefit society as a whole. For example, most classical liberals would support state action to provide collective defence, a police force, and a legal system based on private property. Many would also accept democracy should be a system based on common agreement on issues that must be agreed upon, but that in most other matters collective rule is inherently inferior to self-rule.

Therefore, a strictly limited democratic political system seems to best balance the desire for coercive action to achieve popular collective goals while also allowing individuals to act largely in their best interests. That is why both the Australian and US constitutions contain elements designed to create checks and balances not only against a potentially autocratic executive but also against unrestrained tyrannical majority rule. Australia's Senate by itself looks undemocratic, because it was meant to be undemocratic.

The current problems faced by the major parties in getting legislation through the Federal Senate is simply a manifestation of the tensions between keeping the majority in check, protecting individual rights, upholding State rights and a realisation of the fact that a more diverse and multicultural

Australian population has led to an electorate with a greater plurality of values and interests.

Senate obstructionism has successfully stopped certain taxation, regulation and government expenditure proposals, thus placing a check on the inevitable rise in the use of state power. But it has also meant other tax and expenditure cuts have failed to be enacted. Moreover, via negotiations to win the votes of the Senate's minority parties, a litany of special pork barrel deals have driven up government expenditures. On balance, however, it seems hard to prove that reducing Senate obstructionism would necessarily be beneficial to the average citizen.

In an era of ever-growing government intervention, classical liberals and libertarians should be calling for more checks on the power of the state rather than unwinding existing ones. Any changes to Australia's constitution need to be justified by more than the frustrations of the current ruling party over their inability to pass their legislative agenda. Ruling elites always have an incentive to reduce the checks on state power so are unlikely to have the best interests of the average citizen at heart when calling for change. As James Madison proclaimed:

If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.

Endnotes

- 1 For a discussion of this see Geoffrey Brennan, 'The "Unrepresentative Swill" "Feel Their Oats": The Rise of Senate Activism in Australia', *Policy* (Summer 1998-99), 3-9.
- 2 Paul Kelly, 'Tony Abbott Calls for Senate Referendum, Warns "We Are Turning Into Italy"', *The Australian* (28 January 2017).
- 3 See Rosie Lewis, 'Minor Parties to Hang Around in Senate', *The Australian* (30 January 2018); see also Damon Muller, 'Senate Voting Reform and the 2016 Senate Election', *Parliamentary Library Briefing Book—45th Parliament* (August 2016), https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/SenateVotingReform.

BIG AUSTRALIA

THE CASE FOR AND AGAINST

Glenn Withers and **Adam Creighton** argue for maintaining our current rate of immigration while **Judith Sloan** and **Mark Latham** advocate cutting it.*

Glenn Withers:

Adam and I have the advantage, in a CIS context, of being the champions of a freer market in the way in which humans organise their affairs. In this case, it's our opponents who are the command and control folk, concerned about market failure, spillovers and the like, while we are on the side of commonly expressed business views. I note that both Mark and Judith have expressed views earlier that I would say are much more like green environmentalists and union officials on immigration matters.

Let me start for our side with a proposition. There's a range of studies in this area that look at population in a global sense. They find that global population is actually levelling out in terms of growth and will probably peak by about 2050 at that global level. The studies also find that if you allowed free movement of those peoples who wish to relocate around the globe, you would at least double global GDP and hence, when talking about the given population then, you'd have double GDP per capita. So, in fact, following the globalisation logic from free trade and free investment movements into people movements would—if there was nothing inhibiting those movements—be a significant benefit for humankind in terms of material prosperity.

This is an interesting and strong intellectual point to start with because it ties in with the global battle at the moment over protectionism versus

globalisation, with the ironies attached to that of the American president being the champion of protectionism and the Chinese president being the champion of globalisation. So, these are confusing times, but in our case we want to look at how this works itself out in the area of Australian immigration matters.

This debate that's been opened up—including in particular by people like Mark and Judith along with others such as Dick Smith and Tony Abbott—has brought these matters to some prominence lately. So it's a good time to look at some of the issues. I'm also an economic historian and I've noted that in the postwar era we've had a period of stable government under Menzies and his predecessor Chifley producing a long boom. Then we had about a decade of political confusion after this quarter-of-a-century boom where we went through Holt, McEwan, McMahon, Whitlam, Fraser etc. That confusion was resolved by the Hawke-Keating and Howard eras, which gave us another long period of boom. But at the end of that period too there's been a new decade of confusion, which is the period of Rudd-Gillard-Rudd-Abbott-Turnbull.



Glenn Withers is Professor of Economics at The Australian National University in Canberra. The editor notes that 30 years ago he made the case for a moderate expansion of immigration in the predecessor to *Policy*, *CIS Policy Report* (August-September 1988).

* This is an edited version of remarks made at a debate on immigration at The Centre for Independent Studies on March 21.

It looks like we in Australia have a pattern of being able to work well together and live together well as a prospering society—and we are one of the more successful societies—for a quarter of a century but then our adaptation to that starts to have us interrogate ourselves and rethink what we are doing as a society. We're doing that right now. We've clearly been through that period so we're at a crossroads—which we often say—but genuinely I think from that historical construction, we're at a crossroads.

Part of that is a reconstruction and re-examination of what it means for us to have the immigration foundation for our country that we've had—literally 30,000 years ago but most recently in the last couple of hundred years, one of the higher immigration countries in the world. We've got 25% of the population overseas-born as a sort of factoid and about 40% plus are either a migrant or the child of at least one migrant parent.

So we're talking today about something pretty fundamental to the nature of Australia: immigration. Overseas there's a lot of recognition of Australia's achievement in this domain, so why are we worrying about it? Why the angst? The Brexit debate and the US presidential election held up Australian immigration as worthy of admiration and emulation, and yet we're agonising. But the fact is there are genuine issues that are worth agonising over. It's important to get the policy settings right, especially at this point in our historical evolution because getting the settings right helps define the nature of Australia for the future and we want that policy landscape to be the most appropriate for this purpose.

One way to do that is to impose a clear framework on this. It seems to me from some long involvement in this area that there are about five separate things that are really looked at on the claims for immigration being a major force for our advance as a society. These define the relevant framework.

There's a claim for economic vigour, there's a claim for social savings and there's a claim for global positioning. But on the opposite side—on the pain rather than pleasure side of the calculus—there's a lot of concern about what it means for cities and the environment, and what it means for social cohesion and culture. And in examining each of these items,

if you're not going to be an absolutist and simply say that only one of those claims matters and that's the end of the story, if you want to be more like a middle-of-the road economist like I am, I want to add those things up and see how they balance out. In that sense, I'm a sort of utilitarian much of the time—the greatest happiness for the greatest number: so what will the balance of immigration policy produce for these issues?

I think going through it like that really helps. I was once at a debate that Steve Bracks organised starring Tim Flannery and Malcolm Fraser. Tim started by saying that Australia's population should be 12 to 15 million for environmental reasons. Malcolm came along and said it needs to be 50 million plus for national security reasons. By the end of the debate, they were arguing over whether it should be 25, 30 or 35. That is, they went through all the elements and were obliged to converge substantially.

The Brexit debate and the US presidential election held up Australian immigration as worthy of admiration and emulation, and yet we're agonising.

So it seems to me that we do need—as we're going to do in this debate—to go through the evidence on whether immigration produces economic vigour, and I think the evidence from economists confirms this. Indeed it has underpinned growth of GDP and employment. It does not create greater unemployment as it creates as many jobs as it takes. And it has helped Australia weather economic crises much more than is appreciated. In some ways the Immigration Minister is more important than the Governor of the Reserve Bank and Secretary of the Treasury. And its skill composition actually increases GDP per capita more than is recognised, and moderates inequality because the greater pressure is on higher skill incomes.

Immigration does produce savings from the reduced ageing of the population, that is it reduces the pace of ageing. And a percentage migration target rather than a fixed level extends this out for many years, so the glib dismissal of that logic on the grounds that migrants themselves age is to trivialise

a serious discussion about population structure. Migration does enhance our global positioning too if we sustain a higher level of migration. Sharing the costs and providing more resources for defence is also not a small benefit.

Against this, there are the negatives. Immigration does put more pressure on national infrastructure and the national environment (while reducing that pressure in source countries). A key consideration though is that there are ways of dealing with the cities and environmental issues, including greater regional migration. Immigration contributes more to the public purse than it takes out. The key is political good sense and will to plan and manage this process well, utilising the fiscal dividend provided by young skilled migrants, including the capital assets many bring from their homeland.

The trick in this is to get the balance right and gung-ho expansionism may, equally, be its own worst enemy. The same applies as regards the challenges to social cohesion and the associated cultural issues that come in inevitably as an elephant in the room in debate about immigration.

The survey evidence is that Australian public opinion is easily led on these issues. The upside of this observation is that if the voices of our better angels are immediate and strong and ring across the nation—from business, education, religion, state government, charities and more—negative populism is quickly muted. Only if the good hold back, will darker more unworthy views gain a real foothold.

Further reassurance here can come if we also make clear where immigration fits into, and even helps drive, the wider strategy for the re-invigoration of Australia. This involves substantial further economic reform to sustain and enhance the commercial side and, parallel to this, investment in infrastructure, education and innovation. With these, social advance and environmental benefit too can follow. Immigration is integral to all of these and helps advance Australia's future.

Judith Sloan:

One of the things we need to sort out is what are the objectives that governments should be pursuing when it comes to immigration and population—although I'm a little lukewarm about the idea of

a population policy because it sounds like central planning to me.

It seems to me that the objectives should be to maximise the well-being of the incumbent population. Some of you might have seen Peter Martin's extraordinary article in the *Sydney Morning Herald* recently saying that, in fact, the objective of the Australian government should be to somehow maximise the welfare of the world and that Australia has been granted a social license to populate the country with people from all over the place.

I fiercely reject that proposition. And I think it's quite important in thinking about this topic that maximising the well-being of the incumbent population—including new migrants, probably new *permanent* migrants, as well as everyone else—is probably what most people would agree with. We can have some secondary objectives such as a relatively modest but well-targeted humanitarian program, which I think most people would go along with too.

Another point—and this is not a factoid, it's an actual fact: Australia has one of the highest rates of population growth in the world. I'm not talking about the developing world and the developed world. I'm talking about the whole world. In fact, the world population is growing by 1.1% and Australia's population is growing by 1.6%. The only place that has higher population growth rate is Papua New Guinea. The UK is at around 0.7, the US 0.6, and a lot of European countries have extremely low rates of population growth. So we have to ask ourselves: why would it be such a sensible idea to be so out-of-whack with the population growth of other countries?

Of course, it's not just an issue about the numbers, it's also about spatial location. Nearly two-thirds to three-quarters of population growth is being driven by immigration and the rest is being driven by natural increase or births



Judith Sloan is an economist, company board director, and former Commissioner with the Productivity Commission.

over deaths. Most of that population is going to New South Wales and Victoria—by which I really mean to Sydney and Melbourne. So about two-thirds of the growth is going to those two cities. It's all very well to be sanguine about saying we can fix up the infrastructure problems, the loss of urban amenity, and the environmental pressures. I'm not nearly so sanguine. Do we really trust state governments to be able to do it in a practical sense and certainly in a timely sense?

Let me also talk about the economics of migration. What it tells us is that there is probably a very small positive impact of immigration on per capita GDP or per capita income. Everyone here would agree that there's no point in talking about absolute growth. Of course, if you grow immigration, you grow the absolute size of the economy. But we must be concerned with per capita growth.

It takes a long time to get that positive economic impact—probably 25 to 30 years—and in the short term, we actually have a decline because the capital to labour ratio goes down, there's a dilution of capital, and productivity goes down. So the idea that immigration is some sort of boost to the economy is not true.

This is very important, and I think it has been undercooked. There are clearly distributional impacts of immigration. So who are the winners? The winners are largely the immigrants themselves and businesses (businesses can't get enough of immigrants—they're growing their businesses for them, they're providing them with workers they might otherwise have to train). So businesses are also the beneficiaries, and so too are complementary workers who have skills that complement the immigrants. Workers who have substitutable skills are clearly the losers. I refer in particular to the work of George Borjas, a Cuban immigrant and professor of economics at Princeton, who has done some very interesting work about the distributional implications of immigration.

These economic studies—remember the very small long-run per capita economic gain—don't take account of the loss of urban amenity, congestion costs, environmental pressures and the like—possibly house prices. I'm an empiricist too, and if you added all those things up, there's no

doubt in my mind that the economic impact would be significantly negative.

Another issue is cultural integration. I refer here to Wolfgang Kasper's work, published by The Centre for Independent Studies, on the importance of cultural integration by the immigrants themselves in order to secure those economic benefits. This becomes much more difficult if you have a mass immigration program because migrants can form groups where integration is actually not a practical alternative.

If you grow immigration, you grow the absolute size of the economy. But we must be concerned with per capita growth.

Let me also refer to the important work that Bob Birrell has done because it is often argued that the Americans and the British admire Australia's program because it's focused on skills. But if you look at Bob Birrell's work what he's saying is that the skilled aren't really that skilled. An example is the proportion of overseas graduates from non-English speaking backgrounds who hold professional jobs in Australia compared with local graduates or graduates from English-speaking immigrants who hold degrees. It's almost double—that is, about 75% for locals and English speakers and about 39% for immigrants with degrees who have graduated here and have stayed on as immigrants.

The final point I would like to make in terms of the global studies of people movement and GDP gains for the world that Glenn Withers refers to is that this raises a sort of morality issue for Australia and our skilled migration program. We're saying it's really good for us that we can suck the skilled workforce out of poorer countries. I've always thought that that was a rather strange attitude. I know there have been instances where, I think, there were a lot of nurses who were taken out of Africa to populate the National Health Service in the UK and that morality argument was taken up. So it seems to me that this is also an interesting angle: We claim to have a skilled program, which we probably don't as much as we think, and we argue that it's fine to sap those skills from countries that might actually benefit from them.

Adam Creighton:

Judith says that we are out of whack with the rest of the world, and it's true that our rate of population growth is 1.6%—which is the second highest in the OECD after New Zealand until recently. It's also important to remember that our population base level is not especially high and so any kind of raw figure is obviously going to be a large percentage of the existing population.

If you go back historically to the 1850s in Australia, our population tripled in just that one decade. The increase was from a very small base, but the point is that we have experienced very fast growth in the past and survived. In the 1950s and 1960s we also had a faster rate of population growth for nearly 20 years than we do now roughly.

I'd also point out that the current immigration quota of 190,000 a year has actually been fixed at that level for about the past four years, so it's already the case that it's shrinking slowly. And that's what we on the pro side are advocating—that we hold the current absolute level. Of course if you do hold it at the absolute level, the growth rate will also shrink over time. It's simple mathematics.

It's a vote of confidence that we have such a high population growth rate.

The second point I'd like to make by way of opening is to deny that a high rate of immigration growth has become so unpopular all of a sudden. Bob Carr recently talked about how around 74% of Australians are massively against higher immigration, but he's basing that on a very loaded survey. If you refer to the Scanlan Foundation or various surveys from the Australian National University and the Lowy Institute, you'll find that the proportion of Australians who are in favour of lower immigration has been static at around a third. That's not small but it's not 74% and it's been static for quite some time.

So I wanted to make those first two points because they alone deny that this is an issue that we should be so concerned about. One reason that some people think it is such a big issue is because they believe that immigration is dragging down wages. Yet wage growth has been slow in pretty much every

country in the world. It's not unique to Australia; it's a universal phenomenon at the moment. I think it's got little to do with our immigration rate.

The second reason is house prices—the perennial Australian issue. But once again, asset prices have soared around the world. It's has nothing to do with the rate of immigration except maybe slightly at the margin. Instead the huge fall in interest rates around the world—which it can be argued is artificial and induced by government—has seen house prices and stock prices soar. That's created all sorts of problems, but we can't blame the rate of immigration.

This is not to deny that a bigger population does not lead to greater congestion. I think that is what's driving a lot of the debate. Sydney and Melbourne in particular are getting bigger and this is increasing commute times and so forth, which makes people angry. So it's become a political issue. However, I would say, let's rather focus on the problems and deal with those. And they're not trivial problems. Judith Sloan's right. We are bad at this. For instance, one major issue is how our state governments plan and build. But I think it's better as a country that we focus on fixing the problems rather than halving the rate of immigration growth.

Which, I might add, would be a big shock to the economy. The last time we had an immigration growth rate—or rather a population growth rate—about half the rate it currently is was in the 1930s during the Depression. When an economy and a country are going well, its population is going to grow rapidly. It's a vote of confidence that we have such a high population growth rate: People want to live here because it's such a great place to live. We've been a capital importing country for a long time, and if you're going to import capital you're going to import people too. You can't just keep having the capital and choke off the people. That doesn't work.

The solution to this simmering angst is better planning and



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better density. For instance, a factoid I have used in my columns is that in the past 12 months until November last year there were 44 new dwellings approved—that is, homes and apartments—in Woollahra in the Eastern suburbs of Sydney. That's all. There is a population of some 60,000 and only 44 new dwellings were allowed by zoning. In Parramatta, it was 4,500. That is remarkable on many levels. If you go to any other major city in the world, even the poshest parts—such as Chelsea and Kensington in London—will have four and five storey buildings, not just freestanding houses. So if we have more sensible zoning policies, and if we increase the number of storeys that are allowed in some of the inner-ring suburbs, including some of the posh ones, we can have higher and stable population. It also brings down the cost of infrastructure because you don't need to have so many train stations and the like. You can run the trains more frequently.

A study of the density of Australian cities and 50 of the biggest cities in Canada, New Zealand and Europe found that the bottom three are Adelaide, Perth and Brisbane. That's extraordinary. We shouldn't be at the very bottom of that list. Are we really saying that those other cities—for instance, Madrid and Barcelona—are terrible places? Of course they're not. People want to visit them and people lead satisfying lives there.

Economics is not going to answer this question. The answer to the question of what our population growth rate should be is about our vision for the country. I'm willing to concede that I like big cities. That's my bias. I think they're exciting. And I think Australia needs big powerful first-tier cities if it's going to be of any relevance in the 21st century. I worry that what's happened to Adelaide is going to happen to Melbourne and Sydney on a larger scale if we close off people and try to shrink their relative size. They are not going to be relevant, especially in a region like we're in. What kind of message does that send to the rest of the world, especially at this rather precarious time, if we shrink our population growth rate?

One final thing: Julia Gillard wrote in *The Australian* in 2010 that we don't want a Big Australia, we want a Sustainable Australia—which was code for slowing population growth. She won

an election. But what happened? In 2010, the norm was 172,000 net overseas migration. Then it was 205,000 and then it was 225,000. The point is that it doesn't really matter what our politicians say. The reality is that we're really going to struggle to control our population growth.

The elites pushing for Big Australia are way out-of-touch with the realities of suburban life.

Mark Latham:

It's a brave move to be hosting a debate about immigration and questions of ethnic diversity on International Harmony Day. There's an international day for everything, but I wonder whether we'll get through the whole debate without Tim Soutphommasane and his 18C storm-troopers bursting through the door to close us down for the thought crime of speaking freely about Australia's immigration intake. Let's hope we can go the distance.

My starting point is to argue that economic rationalists should support big cuts to Australia's immigration program for the sake of wages growth, housing affordability, productivity and urban efficiency.

I used to have a little rule, having lived in Western Sydney for 50 years and heard the eternal promise of better planning, that I called the 'scream rule'. I've now moved onto the 'garrotte rule'—I always remember the way Gareth Evans said he wanted to garrotte Bronwyn Bishop one night in the Senate. The garrotte rule is for people who say Western Sydney's problems can be solved by 'better planning'. For 50 years we have heard how better services and better planning will end the congestion, and overcome the paucity of infrastructure and services. But it never happens. It never happens for the basic reason the elites pushing for Big Australia are way out-of-touch with the realities of suburban life.



Mark Latham is a former federal Labor leader and political commentator.

Speaking of elitism, I should start with the most elite of the elites, Malcolm Turnbull, our Prime Minister, and his policy-making offside, Lucy Turnbull. On ABC radio in March 2016 Mr Turnbull said in relation to his Big Australia immigration policy: 'This is the simple concept. Most people in their day-to-day work, education, shopping, recreational activities, should be located within 30 minutes of walking, cycling or public transport from their home'.

I failed the 30-minute test today—I left home at 9.45am on the outskirts of southwest Sydney and got here at 11.45. I don't live in the 30-minute city that Malcolm Turnbull advocates. I live in the 120-minute city, and there's large numbers of people in the same circumstances because of Sydney's gross urban inefficiency. We need a helicopter to help us comply with Malcolm's 30-minute rule. In fact, his helicopter would be nice.

A fortnight after Mr Turnbull said this, Lucy Turnbull echoed his views in an article in *The*

Australia's immigration program is so big and our settlement programs are so flawed, we haven't got effective ethnic integration.

Weekend Australian in her position as the Chief of the Greater Sydney Commission. She too believes in the fantasy of a 30-minute city. Unfortunately, in terms of urban efficiency and Big Australia, Malcolm and Lucy Turnbull have become to this policy area what Joh and Flo were to good governance in Queensland. On the urban fringe, we are all feeling the adverse impacts.

The Greater Sydney Commission has projected Sydney will need to accommodate another 1.8 million people over the next 18 years; that is, 100,000 per annum. In April 2017, the Federal Cities Minister Angus Taylor said that already two million people call Western Sydney home and this number will increase by another million in the next 20 years.

These numbers have given rise to what I call the Upside-Down City. In the 1970s we had the centre-and-radial spoke system in Sydney and other Australian cities, where everyone assumed that the most congested spot was in the centre of the city.

Well, these days you can put down a picnic blanket and have morning tea in the Cross City Tunnel under Sydney's CBD. Meanwhile, the congestion has moved to the urban fringe. It's upside down now. Congestion has become a way of life on the urban fringe, while the centre of the city flows much more efficiently.

Outer-ring inefficiency has a massive economic cost. No sooner have roads like Narellan Road and Camden Valley Way in southwest Sydney been widened and improved, and new car parking areas have been built at Leppington and Edmondson Park railway stations, than the congestion starts again, just six months later. Whenever the state government builds new facilities, the rate of immigration and population growth ensures they are overcrowded again shortly thereafter.

I invite anyone who talks about 'better planning' to go to the new Oran Park Public School where, with the wonders of better planning from the state education bureaucracy, they have 24 demountable classrooms—three rows of eight lined up. It looks like Manus Island. All those lefties in Glebe and Paddington who complain about Manus Island should go and have a look at the one that exists under the banner of better planning at Oran Park. There are huge liveability and urban efficiency costs to this crazy policy of extra population growth fuelled by Big Australia migration.

On top of this, our ethnic integration and settlement policies are atrocious. I always look at the promise of the New South Wales Baird Government when we took a special intake of 7000 Syrian refugees in this state. They went to the trouble of appointing Peter Shergold, formerly head of the Prime Minister's Department, to be the Coordinator-General for Refugee Settlement. He said the new arrivals would live in Coffs Harbour, Albury and Wagga, yet 6000 of the 7000 settling in New South Wales went to one local government area: Fairfield in Western Sydney, with all the problems of integration and service delivery. Fairfield has the highest unemployment rate in Sydney.

I did a couple of surveys recently in the town centre of Fairfield and 90 per cent of people there don't speak English. I support multiculturalism but on the basis that people can speak to each other in the national language of English, so we

can communicate and build the bonds of support, trust and social capital. That's the only way in which multiculturalism can work. But Australia's immigration program is so big and our settlement programs are so flawed, we haven't got effective ethnic integration. We've got the development of ethnic enclaves.

Former Prime Minister Tony Abbott has blown the whistle on the economic impact of Big Australia. He has said the Federal Treasury uses it as an easy, artificial way of boosting Australia's headline GDP numbers. Over the past decade, two-thirds of Australia's annual growth figure has come from funnelling more people into the country.

This does nothing to improve GDP per capita—the best measure of Australia's true economic strength. The Turnbull/Morrison strategy is to boost headline GDP with more people. Yet what the Australian economy actually needs is more incentive and more productivity. Big Australia migration allows Treasury and the Federal government to avoid this reality. It gets them off the hook—a soft, complacent, self-defeating outcome.

Numerous studies have shown how high immigration levels are causing urban congestion, unaffordable housing and sluggish wages growth in Australia. Governments have flooded the housing market with new arrivals in our major cities, driving up prices. New migrant workers have also flooded the labour market, suppressing wages growth.

In recent decades, Australia has produced a huge number of university graduates. Forty per cent of the 25-35-age bracket has tertiary qualifications, a high level by international standards. Logically, 'skilled migration' is no longer needed in vast numbers. Why are we spending billions of dollars on our education system each year to then rely on migrants for workforce skills?

The Australian Population Research Centre at Monash University has found that between 2011 and 2016, 84% of new arrivals to Australia aged 25-34 who held degree-or-above-level qualifications came from non-English speaking countries. Among this group, less than one-quarter found work as professionals. We are bringing in engineers to work as taxi drivers.

Migrants are filling low- and semi-skilled jobs in large numbers. In a recent research paper, even the

Federal Treasury admitted to the job-taking impact of Big Australia policies. It chronicled how: 'Recent migrants accounted for two-thirds (64.5%) of the approximately 850,000 net jobs created in the past five years. For full-time employment, the impact is even more pronounced, with recent migrants accounting for 72.4% of new jobs created.'

These are stunning numbers. New arrivals are taking nearly three-quarters of new full-time jobs in the Australian economy. The Turnbull government has boasted of strong employment growth since 2013 but overall (for full- and part-time work), only 300,000 new jobs have gone to existing Australian residents, an average of 60,000 per annum.

The difference between the current program of around 200,000 a year and the 20th century average of 70,000 involves tens of millions of extra people coming into Australia over the next 30 years.

As a result, we've got the worst of both worlds. We've got a flooded labour market holding down wages and we've got a political system relying on immigration as an artificial way of boosting economic growth. Meanwhile, in terms of job opportunities, existing Australian residents are only getting the crumbs from the table.

The scale of immigration in Australia is massive. The difference between the current program of around 200,000 a year and the 20th century average of 70,000 involves tens of millions of extra people coming into Australia over the next 30 years. It's reshaping our country in a way that's bad for our cities, bad for wages growth, bad for housing affordability and bad for economic efficiency.

The purpose of our immigration policy must be to do what is right for the people who live here now, rather than the fantasy that we owe the rest of the world something. In fact, here's what we owe: we owe it to our cities and the people who live in them to reduce the annual immigration intake back to the 20th century average of 70,000 per annum. That would be the smart thing to do, and it's something that every single economic rationalist should support.

THE AUDACITY OF XI XINPING

Xi is now seeking to further entrench his legitimacy as unchallengeable ruler of China through international prestige, reports **Rowan Callick**

We have all watched agog these last 18 months the shaking up of America by President Donald Trump. But closer to home, a far more significant, radical and enduring transformation has been underway. The nature and scale of Chinese President Xi Jinping's ambition, and the extent of his success in implementing it at home and increasingly internationally, are breathtaking.

China has in recent months written into both its Communist Party and national constitutions 'Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era'. How to parse this Xi Thought? His three-hour speech at last October's five-yearly Party conference provides the key text. Those who seek to engage with China today need to read it closely if they are to be taken seriously.

When Xi emerged as general secretary in 2012, he was viewed as a consensus kind of guy like his immediate predecessors. This proved wrong. Instead, Xi has destroyed individual rivals, rival families, power blocs, cliques and factions. He is now called by state media 'helmsman of the nation'. Songs praising him have been performed—with choreography—on television. The new ubiquitous documentary feature film 'Amazing China' is really about Amazing Xi.

Politics professor at Oxford Stein Ringen wrote recently¹ that under Xi's leadership, the People's Republic is coming into its own. Xi is promoting its 'model' in the world as superior in delivery and problem-solving to what is seen as dithering democracy. Xi believes in the red aristocracy's right

and duty to rule, in the Leninist state as the right instrument of governance. He believes in the mission of Chinese greatness in the world. The world looks to China and sees an economic giant. But the China they ought to see is a *political* giant. Xi's political project is audacious.

Ringen calls Xi's rule a 'controlocracy'. Most people go about their daily lives as they please—provided they are able to accommodate to limitations on liberty. There is no single institution in China that is not led by the Party.

The 'New Era' at home

China today is of course no longer the poor cloistered society of the 1970s. But nor is it the country it was pre-Xi. Xi's China is supremely purposeful. In this New Era, Xi wants China's economic heft to be reflected in international influence and respect, and in a capacity to transform global institutions to better suit its own ambitions. Its



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population is travelling, studying and investing globally; Xi is assuring that population that Beijing will promote and protect them and their interests in full.

This New Era and its socialism are remarkably predictable, which is of great value for those doing business with China. It is economically robust and increasingly sophisticated. Xi's new economic team is orthodox and experienced. No sudden shift is to be expected, fiscally or monetarily. Indeed, as one of the best economic analysts of China, Arthur Kroeber, says China has entered a post-reform era. Kroeber also stresses that 'the management of China's economy is entirely subordinate to politics' in this New Era. For instance, the salaries of executives at the largest state companies—which are being merged rapidly to create National Champions—are now linked to their efforts in 'party building'. Liu He, China's new vice premier for economic policy, said recently that 'strengthening the party's overall leadership is the core issue'.

The greatest economic concern remains corporate debt, still growing against GDP, with overall debt reaching towards three times GDP. The IMF says 75% of the increase in world debt since the Global Financial Crisis has come from China. Some economists believe this is unsustainable. The Chinese government acknowledges it is an issue, but whether it succeeds in wrestling it down remains to be seen. GDP growth above 6.5% is being sustained by stimulus in order to reach Xi's ten-year target of doubling the size of the economy in the decade to 2020. An unknowable amount will inevitably be misallocated. But even if the warnings of the global ratings agencies are not sufficiently addressed and China does suffer a serious correction—perhaps in four years or so—it's important to stress that this does not mean that engaging substantially with China has been some kind of mistake, that it's time to move on to some new sector or other country, say, India. No one said 'abandon America' because of the Global Financial Crisis a decade ago. China is in the same position—its economy is massive and will remain massive; it is, simply, essential.

Xi is not as wedded as old-school communists to ownership of the means of production. What matters more is loyalty to the Party. Thus almost all private companies in China, locally- or foreign-

owned, now contain Party branches, which expect to be consulted on strategic business decisions.

Xi's personal distance from the private sector—in contrast with Deng Xiaoping, who loved tycoons—has three clear exceptions: Robin Li, Jack Ma and Pony Ma, the founders of BAT, Baidu, Alibaba and Tencent, China's online giants, which have been assisted to see off all foreign competitors such as Uber. Other competitors such as YouTube, Google, Facebook, Twitter have simply been banned. BAT has helped the shift towards consumption-led growth by taking over retail payment systems from the big state-owned banks. Most people in China now pay for everything by swiping a QR code with their mobiles. The massive media coverage of Mark Zuckerberg's defence of Facebook's record on privacy was viewed with puzzlement in China, where all online providers, the first line of censorship, must be responsive to the authorities.

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Urbanisation still drives growth but in a new way. Under changed land-lease laws, farms are being consolidated, pushing more farmers into cities while making agriculture more efficient. One can already see signs, when travelling by high speed rail, of a changing landscape. Xi seeks to direct exiting farmers towards China's 'second tier' and 'third tier' cities. He is personally supervising the creation southwest of Beijing of Xiong'an as a huge new green/clean/high-tech city. He also wants to restrain the growth of the biggest municipalities, shaking out from them hundreds of thousands, maybe millions, of 'di-duan', lower-class people who lack permanent registration documents for those cities. Large numbers were driven out from Beijing last December; they were only allowed to take what they could carry and their homes were bulldozed.

Xi is also taking strong steps to reverse China's massive degradation of air, soil and waterways. Beijing's clearer air last winter won him much applause.

China's New Era will remain globally economically engaged—it is, for instance, in November hosting its first great Import Expo in Shanghai. The Made in China 2025 project is at the same time developing domestic capacity in all key tech sectors—while Xi has vowed that foreign investors will no longer be required to share their intellectual property. China spends more every year on importing semi-conductors than on oil, and is trying to build its own autonomous high tech sector. The risk is that this will break the Asian value chain that has reinforced economic interdependence and peace in the region.

Yet for all the pressure to adhere to party verities, diversity survives in this New Era. That's inevitable. I would describe Chinese people as the most individualistic in the world, alongside Americans.

Xi's New Era is one of centralisation of decision-making, restructured around party commissions such as on security and on the Internet, six of which Xi personally chairs. There is no separation of powers in China. Xi has just dragged a lot of important areas from government to direct party control. He is installing a National Supervisory Commission to extend to every government official the purge within the party of rivals and of 'disloyalty'—under the formal goal of 'anti-corruption'—that has delivered him even greater authority than Mao Zedong. As an unintended consequence, though, this campaign has broken up many networks of trust that had driven business activities for decades.

Xi is sincere. He is not a pragmatist or 'realist'. He has a relentless work ethic and has taken over day-to-day direction of every important policy area. In the short-term, he has identified as China's 'three tough battles' preventing financial risks, reducing poverty and tackling pollution. These are popular goals.

Xi has transformed the Internet in the name of 'cyber sovereignty' into a tool of surveillance. In the 'real world' each 200 Chinese households are to be monitored closely by a security manager

via the 'grid management' system. This is being paralleled in the 'virtual world' by the new 'social credit' system whereby people who jaywalk, smoke on trains, sign petitions, post critical items online and so on will be tagged by CCTV and by facial recognition software, and may be banned from travelling, forbidden state jobs, denied promotion, etc. Those who act worthily will gain advantaged 'green channel' access to jobs, travel and leisure.

China's intellectual direction is clearly determined in this New Era. Many universities have recently opened Xi Jinping Thought Centres. Marxism is back on every course. Cameras are being installed in universities to view and record lectures as well as each student's responses and questions. Touring Peking University recently, Xi called for universities to nurture people to join the socialist cause. A law has just come into effect banning the defamation of those deemed party or national heroes and martyrs.

China led the recent global celebrations of the bicentenary of Karl Marx's birth. Speaking in the Great Hall of the People, Xi described Marx as 'the greatest thinker in human history', and vowed that Marxism, in which he has a doctorate, would always be the guiding theory of China and the Communist Party. It's a 'powerful ideological weapon for us to understand the world, grasp the law, seek the truth, and change the world.' But class has been effectively abandoned as a marker of probity or otherwise, replaced by party and family.

Xi has placed the State Administration of Religion directly under the party's United Front Work Department, which is also responsible for ensuring the loyalty to Beijing of overseas Chinese. He has said that the practice of all religions must be 'sinocised', defined in a new White Paper as 'conforming to the reality in China'. Online sale of Bibles has just been banned.

Yet for all the pressure to adhere to party verities, diversity survives in this New Era. That's inevitable. I would describe Chinese people as the most individualistic in the world, alongside Americans. Today, more people worship in the approved churches in China—let alone those involved in underground groups—every Sunday than in all the churches in Europe.

But Xi has smashed domestic dissent, in part through the example of the grim fate of China's

leading independent thinker and Nobel Peace Prize winner Liu Xiaobo who died in prison, but chiefly through a single masterstroke three years ago with the nationwide overnight arrest of hundreds of lawyers and their staff whose practices had focused on rights cases. They are now barred from practice, and most are in jail or under house arrest. The marginalised have lost their intermediaries, while China's once lively civil society is cowed and in retreat. Half a million Uighurs have been detained in new re-education camps opened in Xinjiang just in the past year. A further former source of vulnerability for the party, the middle class, has instead become particularly loyal as it has received crucial economic rewards, especially through access to state assets—although the stock market bubble burst of 2015 still rankles for some. While the younger generation is less willing to ascribe their prosperity to the party, this is unlikely to lead to any political change.

The 'New Era' abroad

As prosperity becomes more routine within China, Xi has needed to identify a fresh channel of legitimacy for party rule—China's international authority and prestige, which can be audited readily by the hundreds of millions of Chinese who travel internationally. This involves effectively weaponising the economic interdependence through which China has become the number one partner in trading goods of most of the world. It also means reshaping the global hierarchy and building ideational influence consonant with its power.

Evidence of the higher priority given by Xi to international affairs was the election by the National People's Congress in March of Wang Qishan—there were no other candidates—as vice president. Wang is Xi's closest political ally. The vice presidency, like the national presidency, is a meaningless position domestically but potentially important internationally. One might surmise that Wang is taking on such a role because foreign affairs is climbing to the top of Xi's priorities, as happened five years ago when Xi made Wang chief of the central commission for discipline inspection, signalling that the corruption purge would be his main aim.

Last year a patriotic Chinese Rambo-style movie, *Wolf Warrior 2*, smashed box-office records.

The film's slogan is: 'Whoever offends China will be punished, no matter how far they are.'

Xi has modernised the People's Liberation Army—restructuring its command to reflect capabilities not geographical areas, cutting its size by 300,000 to two million while it establishes overseas bases in Djibouti, the first, and patrols distant oceans such as the Baltic Sea, as China's dependency on Middle East oil grows. China's fleet is now bigger than America's in sheer numbers. Under Xi's 'Chairman Responsibility System' he has the power of a true commander-in-chief.

Xi is also boosting massively China's diplomatic resources. Since 2013, its foreign affairs spending has almost doubled—while last year, the White House cut such US spending by 30%. Xi recently established China's first aid agency tasked 'to better serve China's diplomacy and the Belt and Road Initiative' (BRI). In September this year, African leaders will fly to Beijing for the second Africa-China Summit, underlining whose power wields most influence in that continent.

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Xi was applauded wildly by the international elite at Davos 16 months ago as the new champion of economic globalisation, the acceptable alternative to Trump. China has recently persuaded the UN's 47-member Human Rights Council to accept as its new template Xi's formula of 'a community of shared future for human beings', supplanting the former adherence to universal values and instead affirming each government's interpretation of rights in its own country. The co-sponsors of China's motion included Syria, Cambodia, Venezuela and Pakistan, while only the US voted against. Xi has also presented himself as the global champion in areas from climate change and global health to international peacekeeping and anti-piracy.

Xi's BRI is a geopolitical masterstroke, acting as a great magnet for countries short of capital and infrastructure. The process of badging projects as

BRI, and of constructing the consortia to fund and implement them, remains challenging for foreign firms to access—though as always with China, you have to knock on the doors in Beijing if you are to stand a chance of participating. In certain strategic cases, as massive loans prove unsupportable, and as China's dependence on Middle Eastern oil increases, Beijing has begun to forgive the debt but assume the assets such as ports in key locations including Sri Lanka and the Maldives. A recent paper pointed to 16 countries that are particularly vulnerable to Chinese demands. The BRI ensures that not only all roads but also all rail, air and sea routes, all compliance arrangements and technical standards, all telecommunications carriers, all leading Internet platforms, lead not to Rome as of old but to Beijing, as Eurasia's connectivity hub.

I'd add that in this new era China has become so complex and so changed that despite the controlocracy, unintended consequences proliferate. Thus the BRI is also becoming a silk road along which Chinese churches are sending Christian missionaries to evangelise central Asia, the Middle East and Africa.

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The emperor risk

Xi's power elite has little space for women, or for people from China's ethnic minorities. His party resembles a religion more than a Western political party. Mao's former secretary Li Rui has expressed surprise at the 'low level' of Xi's own education, his high schooling lost to the Cultural Revolution. But Xi is personally popular, powerful and effective. By

announcing his New Era, he stressed the break from the Deng Xiaoping era.

Xi rules a vast and complex empire—the only country of size that is not federally governed—with only a tiny group of trusted advisors. The party constantly polls the public, but such a closed system always risks losing touch. It was Deng who, after Mao had almost destroyed China in his senility, fixed retirement ages for party and state officials, and set a personal example by refusing to serve as head of either party or state. Such changes constrained the accumulation of personal power and rejuvenated the party-state with younger officials. The recent abolition of those term limits marked Xi's first explicit repudiation of that orderly system of succession. And although Xi is a healthy looking 64, and may well wish to continue ruling for a further 15 years—look at Mahathir!—he is not grooming a successor.

Chinese people are naturally proud of what China has achieved. So long as Xi continues to score successes, they will be grateful. But sinologist Andrew Nathan warns that 'if he stumbles, they will turn on him.' I must stress there is no hint of that so far, but the centralisation and personalisation of power in Xi does create risks.

China's history has been one of dynastic imperial rule. There's been a sense of continuity in what the Party has been doing, with no change in its ambition to retain the right to be pervasive. This makes today's China and the Chinese Community Party different to any other political party in the world. But the Party elites have unknowingly bet the Party's future on Xi and this changes the game, everything now depending on Xi's continued personal success.

Endnotes

- 1 See 'The Maozedongism of Chinese Politics and the Xi Factor' (AlJazeera Centre for Studies, 26 April 2018), <http://studies.aljazeera.net/en/reports/2018/04/maozedongism-chinese-politics-xi-factor-180426093144055.html>

THE ECONOMIC LEGACY OF COMRADE MUGABE

The decline of Zimbabwe is a classic case of how bad government can ruin a country, argues **David Gadiel***

Violence experienced by commercial farmers in South Africa has been reported widely in Australia and has called attention to the plight of white minorities in Southern Africa. White minorities have cause for apprehension after what occurred in Zimbabwe both before and after the Lancaster House Conference of 1979 that preceded recognition of Zimbabwe's independence and coerced their capitulation—at the behest of Britain's new Conservative government amongst others—to a government led by Robert Mugabe.

Hundreds were murdered on farms; many of all races were slaughtered and maimed during the Rhodesian Bush War (in which between 1964 and 1979 the Soviet Union and China competed to arm rival black factions)—as well as in the aftermath associated with Mugabe's ZANU-PF brutal and paranoid misrule and fraudulent mismanagement of elections.

Thousands of black and white refugees fled Zimbabwe with little to their name, including many who settled in Australia. It is a sad story often neglected, partly because 'optimists' in the West, who had enthusiastically greeted the birth of Zimbabwe and the incumbency of Mugabe, became reluctant to accept their error. It became expedient too to leave Zimbabwe to its own devices, especially after Southern Africa lost strategic importance when the Soviet Union collapsed in December

1991. Greater priority shifted to issues such as the war on terrorism.

The history of Zimbabwe is a portrait of decay and mismanagement that ruined a once-thriving economy. With its sophisticated institutions, a stable banking system, a manufacturing base and a highly-capitalised farming industry, Zimbabwe inherited the richest, most developed land in Africa after South Africa. An economic history of Zimbabwe thereafter provides a classic example of how populism can trump reason; how readily world leaders who should have known better became so easily beguiled; and how a false god became a liberation icon to fellow African leaders.

False dawn

Mugabe triumphed at first with conciliatory overtones both at the conclusion of the Lancaster House conference and after the election stitched up in 1980. And even in the next decade, during which Mugabe reluctantly kept an undertaking to Britain to place a moratorium on land reform (a major obstacle at Lancaster House), some perceived an atmosphere of racial cooperation and fair-mindedness.



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* The author has benefited from helpful discussions with Clive Puzey, a former Movement for Democratic Change (MDC) senior official and Zimbabwean businessman.

The Independence Constitution effectively reserved 20% of seats in Parliament for whites, although with fateful support of four white opposition parliamentarians in 1987 this provision was abolished. Former Prime Minister Ian Smith remained in Parliament until then and spoke his mind freely. Mugabe personally encouraged moderates such as David Coltart (later a founding member of the opposition Movement for Democratic Change) to return from exile.

In the interests of reconciliation, as provided under the Lancaster House Agreement¹ and with £50 million in British assistance, about 2,000 farms (2.7 million hectares or 16% of commercial farmland) changed hands during the 1980s from white to black owners on a 'willing buyer, willing seller' basis. By 1996 this had created some 71,000 smallholdings similar to communal holdings in Tribal Trust Areas.² The new government saw this resettlement as necessary to 'neutralise a looming crisis of expectation on the part of a land hungry population'.³

Partly because of their small size and partly because the new owners never gained proper title, this land soon lapsed into an unproductive state.⁴ Food production was never in jeopardy because commercial farming thankfully remained resilient and between 1982 and 1996 showed considerable growth.⁵ During these early years real growth in GDP averaged 4.3%.⁶ The economy seemed attractive to private investment and it became the beneficiary of assistance programs from international agencies.

While Mugabe was acclaimed and applauded as a liberation hero by African nations, he had to be mindful—at least until May 1994—of the potential destabilising influence of South Africa, where the National Party prevailed, and on which Zimbabwe remained economically dependent. During the Cold War the West still furtively regarded blemished South Africa as a bulwark against communism and Zimbabwe had to coexist with this. The change of mood in South Africa with Mandela after 1994 emboldened Mugabe to show his true colours, which became evident especially under Mandela's successors whom Mugabe skilfully manipulated.

In the meantime Zimbabwe's honeymoon was marred by a massacre of Ndebele between 1983 and 1987—known as the *Gukurahundi* (a cleansing

flood). This was instigated by Mugabe to secure domination of his Shona ZANU-PF faction and orchestrated by Emmerson Mnangagwa, at that time Minister of State Security and now President.

World opinion paid little heed to murder in Matabeleland (unlike the odium attracted by Rhodesian authorities). Mugabe was perceived bizarrely as a defender of human rights. Universities competed to confer honorary degrees upon him. As the clouded vision of one citation in 1986 remarked: 'Your gentle firmness in the face of anger, and your intellectual approach to matters which inflame the emotions of others, are hallmarks of your quiet integrity . . . We salute you for your enduring and effective translation of a moral ethic into a strong, popular voice for freedom.'⁷

Britain's Conservative governments seemed reluctant to interfere in Zimbabwe's affairs: they had rid themselves of a festering problem that bedevilled Harold Wilson during the 1960s and Thatcher was preoccupied elsewhere.

Pathway to perdition

By the mid-1990s Zimbabwe's economic condition deteriorated. During 1991-92 the most severe drought in living memory ravaged agriculture; livestock losses destroyed the legendary 600 sq km Devuli ranch. Inflation was developing as expenditure expanded on the army, the bureaucracy and patronage for Mugabe's cronies. International lenders were wary of funding more political adventures such as bonuses for war veterans and buying out a further 4,500 commercial farmers. By 1999 Mugabe was also waging a ruinous military campaign in the Congo by printing money.

Although Zimbabwe is rich in minerals, agriculture was the backbone of its economy. It accounted for some 20% of GDP, employed about 70% of the population and contributed about half its export earnings.⁸ Correct economic settings for agriculture were critical.

Zimbabwe's Land Acquisition Act of 1996 sought the compulsory purchase of remaining commercial farms. In 1997 Tony Blair resisted Mugabe's request to finance further land acquisition to which Mugabe laid claim under the Lancaster House Agreement. A conference with donors in September 1998, however, elicited offers of

support from Britain and others to fund land reform contingent upon its fair and transparent redistribution. Mugabe rejected this and accused Britain of repudiating the Lancaster House terms. In reality the conditions did not satisfy Mugabe's political objectives, in particular buying political favours from Chenjerai Hunzvi, leader of the Bush War veterans. Hunzvi demanded immediate access to land for war veterans.

In 2000 ZANU-PF lost a crucial referendum that sought to entrench executive power. The referendum also included a clause obliging Britain, as former colonial power, to pay compensation for compulsory land acquisition. Despite this apparent setback, war veterans spearheaded occupations of commercial farms. Occupations were represented as restitution of ancestral land. Violence proceeded as a backdrop to a dubious electoral win for ZANU-PF in 2000 and Mugabe's 2002 presidential campaign—assisted too by verbal stoushes with British Labour ministers that Mugabe skilfully exploited to electoral advantage.⁹

Chaos and poverty

Police ignored the violence, giving invaders confidence of government support. They closed farm roads, felled trees, stole and mutilated cattle, commandeered meat and maize from farmers, and ordered attendance at political rallies. Signposts proclaimed 'No go area—war veterans inside'.¹⁰

Between 2000 and 2007 the expropriation of almost all of Zimbabwe's remaining 4,500 efficient farms decimated its agricultural economy.¹¹ Not only did this folly transform Zimbabwe from being a maize/grain exporter to a maize importer; it caused chronic food insecurity for between 5.2 million and 7.2 million people. Per capita maize consumption declined sharply from 110 kg/person/year in 2001 to 92 kg/person/year in 2002. Crop production including tobacco, the main source of export income, declined as much after land changed hands in the 1980s but now afflicted the whole agricultural economy.

Econometric estimates indicate that the independent effect of the land reforms after controlling for rainfall, foreign aid, capital and labour productivity led to an annual 12.5% decline in real GDP growth between 2000 and 2003.¹²

The pity of this recklessness lay in its failure to achieve any pretention of contributing to equity or eradicating poverty. Farms looted were occupied by the ZANU-PF hierarchy and well-placed members of the Politburo. They understood nothing of farming. The more educated amongst these neophytes wanted farms as rural retreats. Many lands fell into disuse. New owners sold off farming equipment and excavated irrigation pipes for scrap. In other cases buildings were wantonly burnt and looted. Dispossessed white and black farm workers lost their livelihoods and homes.

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High quality commercial farmland transformed into dusty, unproductive tracts characteristic of communal land where farmers lacked property rights. Deterioration of common property occurred as pastures eroded and became desert to an extent greater than could be explained by soil quality or climate differences.¹³ The 'tragedy of the commons' associated with the land reform policy's failure to uphold property rights broke the structural link between communal and commercial farming, which had symbiotically benefited communal farmers (and some smallholder commercial farmers) by way of subsidised fertilisers, agronomic assistance, etc.

Farm invasions also disrupted Zimbabwe's commercial livestock industry. Loss of pasture control caused excessive stocking and degradation of carrying capacity. Fencing that had previously been a buffer to unmanageable and unhealthy wildlife as well as communal cattle with rampant foot and mouth disease (FMD) now fell into disrepair. Valuable export markets for Zimbabwe's boneless beef were lost as scrub stock suddenly intermingled with finely-bred herds in disease-free zones. Beef exports to the EU, contingent upon stringent FMD-control, were a case in point. A beef cattle herd so painstakingly bred over the previous 60 years to suit Zimbabwe's testing environment vanished overnight.¹⁴

Land tenure and farming

Another misfortune of farm invasions was the transformation of land tenure.¹⁵ There was no title to land sequestered in 2000. New owners simply occupied their seizures. Informal ownership, characteristic of Tribal Trust lands, later became the recognised tenure by constitutional change in 2005—often leading to argument amongst those claiming new bounty. Uncertainties developed as disputes leading to arbitrary seizures of land by those with greatest influence became commonplace. Amongst notorious examples were farms occupied by comrades that Senior Minister Didymus Mutasa (whose portfolio at the time included Land Reform and Resettlement) confiscated for the benefit of his three wives.¹⁶ Some development economists and anthropologists even applauded arrangements that gave rise to such appalling processes.¹⁷

Informal ownership, characteristic of Tribal Trust lands, later became the recognised tenure by constitutional change in 2005—often leading to argument amongst those claiming new bounty.

Land without documented title and without an effective rule of law applying equally to everyone independently of other branches of government cannot confer incontestable rights of exclusive access to its purported owners. To be sure there are functioning courts in Zimbabwe but it is also recognised that the executive branch of government, with the Justice portfolio variously held by Emmerson Mnangagwa and Patrick Chinamasa, is susceptible to flouting any principles and laws to achieve its own ends. Reports are legion of judgements arbitrarily overturned as well as Mugabe's intimidation, arrest and imprisonment of judges whose verdicts have displeased him.¹⁸ Title to anything in Zimbabwe was thus as good as a claimant's capacity to defend a right of possession.

Ill-defined property rights constitute a barrier to efficient markets and resource allocation in an economy where corruption is rife because of high transaction costs: for example, protection money and other payoffs that are commonplace in

Zimbabwe. This makes it impossible for potential buyers to acquire land or to improve it because it cannot offer adequate security to be mortgaged to a prudent lender. Because banks cannot charge land to a mortgage for which there is no safe title, efficient farmers are unlikely to buy out those who are inefficient.

Since 2000, land tenure in Zimbabwe (and its associated disruptive effects on the financial system) has thus constituted a natural barrier to improvement in productivity not only because it destroys the market for land but also its efficient allocation.

After Mnangagwa gained power on 23 November 2017 he made early announcements that sought to allay investor fears. He declared that Zimbabwe would now be 'open for business'.¹⁹ He sought to encourage farmers who had emigrated elsewhere to return by announcing that he would legislate to give greater security of title by introducing 99-year leases. In most cases there is little to return to. Many farms are now populated by squatters. The atmosphere for investment remains uncertain.

Whilst 99-year leases superficially might offer security superior to former arrangements, it remains uncertain how the new arrangements will work under Zimbabwe's fragile legal system. Loss of confidence is pervasive and fears of sovereign risk linger after the damage perpetrated over the previous 17 years in which Mnangagwa played a major role and became a prominent beneficiary. The Chinese are now the main source of investment in agriculture.²⁰

Mining and other enterprises

Property rights to other types of assets in Zimbabwe are also at risk. In March 2008 Zimbabwe introduced its Indigenisation and Economic Empowerment Act, whereby foreign companies must sell 51% of their shares to local entities or individuals—effectively intended to prevent whites or foreigners from owning more than half any business. The mechanism for indigenisation was to be a fund created from the proceeds of a company levy. So businesses were supposed to pay for their own sequestration! In the wake of the farm calamities, this was the last thing for which business in Zimbabwe could have wished.

The legislation seemed to offer a new avenue for assets to become a quarry for politically-connected persons, much the same as farms. The threat to sovereign risk of uninvited ZAPU-PF trustees inserting themselves onto boards and share registers of the likes of Barclays and Standard Chartered and institutions such as Old Mutual had an immediate effect on the business climate. Several international companies such as Heinz immediately divested their operations in Zimbabwe.

The saving grace of this legislation was that it was drafted so badly it proved difficult to interpret and implement. In December 2017, the new President, Emmerson Mnangagwa tried to clarify: the Act would be amended so that the 51/49% rule would apply only to 'natural resource-based' investments.²¹ The main target now appears to be the mining industry.

Zimbabwe's Great Dyke geological formation is host to vast mineral potential including gold, silver, platinum group metals, chrome, nickel and cobalt. The Marange diamond fields are one of the world's richest.

Since the demise of agriculture, mining has become Zimbabwe's main source of export income. This substantially derives from the operations of foreign companies such as Anglo American, Impala Platinum and Zimplats. Members of the elite sit on the boards of these companies and have been beneficiaries of shares issued to them gratis.

Ownership of the Marange diamond fields has been volatile. After expropriation of a UK mining house's interest, they came under the control of several small entities effectively operated by the military. One of these was a joint venture between the Chinese and the Zimbabwe National Army in which Mnangagwa had an important stake.²² In 2016, following a ZANU-PF internal power struggle between the Mugabe and Mnangagwa factions,²³ the government revoked these arrangements and assumed direct control under the Zimbabwe Consolidated Diamond Company.

Operations at Marange provide an egregious case of worker mistreatment, with reports of slave labour camps run by the military²⁴ and private plunder and illicit sale of 'blood diamonds'. Diamond exports masquerade in official statistics as 'postage stamps'. In 2010 mint postage stamps amounting to \$US500

million became Zimbabwe's largest source of export income.²⁵

The cumulative diversion of the revenue accruing from diamonds lost to Treasury is estimated to be at least \$US2 billion.²⁶ The Marange fields have effectively operated as 'a state within a state' without pretence at accountability. Since 2016, they have primarily assisted Mugabe in maintaining power by paying off the military and his own (G40) faction within the Politburo against another led by Mnangagwa.

Precisely why, if the new administration claims to be 'open for business' it should seek to perpetrate uncertainty about property rights in a sector that remains of such critical importance as mining is quite unclear. Mnangagwa has revealed little, moreover, about the destiny of Marange and his own stake in its plunder.

Expropriation of farms destroyed the solvency of the financial system. As farms descended into chaos, it effectively devalued the assets of banks, decimating their capital base.

Economics and finance

A seldom acknowledged consequence of the dislocation of agriculture was its effect on banking. Before 2000 the assets of Zimbabwe's banks mostly consisted of loans to farms. Expropriation of farms destroyed the solvency of the financial system. As farms descended into chaos, it effectively devalued the assets of banks, decimating their capital base. Even though banks' financial statements may have failed to properly reflect such impairments, the public lost faith in the banking system's capacity to meet its liabilities. This caused deposits to diminish as customers preferred cash.

Nonperforming loans to farmers whose land had become worthless caused the Reserve Bank to close down at least three trading banks that failed depositors—meanwhile the government was encouraging banks to provide unsecured, unserviceable loans to wasted land reform.²⁷ As fast as the government issued treasury bills to accommodate the demand for cash, there were lengthening queues of people seeking to withdraw.

Other inflationary drivers were also at play. The government depended on the Reserve Bank to replenish tax collection losses from the farmers who had lost everything and other business that suffered consequentially.²⁸ Mugabe's gratuitous participation in the Congo war had cost about \$US10 million a day to no public good—all of which augmented growth in public debt.

The Zimbabwean dollar plummeted and domestic prices soared, mirroring the local currency depreciation, as households holding cash immediately sought to convert its dwindling value into essential consumption goods (whenever empty supermarket shelves were replenished)—or anything that could provide a store of value.

As a currency hedge, securities could be purchased on the Harare Stock Exchange that also traded in London.²⁹ For example, each share of Old Mutual (a FTSE 100 financial services group) commanded the same claim on the company's earnings and assets, whether it traded in London or Harare.

Inflation was gathering momentum after 2000 to an extent that was beyond the capacity of the Reserve Bank to meaningfully report it. By the mid-2000s it had manifested as a hyperinflation of several hundred thousand per cent; by the time of the 2008 election it had become one of the worst inflation episodes in modern history.

Hyperinflation was halted on 20 November 2008 when the Reserve Bank declared that the entire economy was 'being priced via the Old Mutual rate whose share price movements had no relationship with economic fundamentals, let alone actual corporate performance of Old Mutual itself'.³⁰

The stock exchange closed and the economy was 'dollarised'.

The fraught and violent 2008 election eventually delivered another presidential term to Mugabe but with ZANU-PF forced into a National Unity Coalition with the MDC.³¹ In post-election horse trading the critical finance portfolio went to the talented MDC Secretary General, Tendai Biti. In exchange, ZANU-PF retained the mining portfolio, securing its control over diamond operations.

Between 2009 and 2013, assisted by a rise in base metal prices, Biti did much to stabilise the economy during the National Unity interregnum. There was re-engagement with the IMF and other agencies; inflation was controlled and merchandise reappeared on supermarket shelves.

After the 2013 election ZANU-PF regained government in its own right and gave the finance portfolio to the disingenuous Patrick Chinamasa, whom Mnangagwa reconfirmed in this role in November 2017. Since 2013, economic indicators have not been encouraging. Real GDP growth has monotonically declined from a promising start. The government's share of GDP increased from 26.7% to 30.8%, causing swelling deficits with a progressive deterioration in debt sustainability (Public and Publicly Guaranteed debt to GDP).

The government again financed its spending by borrowing from the banking system to the extent that commercial bank holdings of treasury bills again exceeded their own capital. During the previous crisis the defunct Zimbabwean dollar took the strain. With a fixed US dollar standard this is not possible.

Zimbabwe: Selected macroeconomic indicators

	2013	2014	2015	2016*
Real GDP growth (annual percentage change)	5.3	2.8	1.4	0.7
Nominal GDP (US\$ million)	15,224	15,834	16,072	16,124
Consumer price index (annual average % change)	1.6	-0.2	-2.4	-1.6
Govt spending and net lending, % GDP	26.7	25.4	25.9	30.8
Govt cash balance, % GDP	-1.9	-0.9	-2.4	-8.8
Broad money (M3) supply, (US\$ million)	3,888	4,377	4,736	5,638
Public and publicly guaranteed debt, % GDP	35.4	40.5	41.1	44.8

* Estimate

Source: IMF Country Report 17/196 (July 2017) Washington, DC

Price deflation has manifest, with households hoarding every US dollar they can lay their hands on. To counter the drain on liquidity the government issued so-called 'bond notes' pegged to the US dollar.³² They now trade at a discount of 30%-70% against the Old Mutual rate. Depositors again queue at the banks to access their cash.³³ Most day-to-day payments are by card, denominated in US dollars, with a large part of the banking system's assets held in electronic form.³⁴ This is a harbinger of another monetary crisis.

Exodus

Dispossession of 4,500 commercial farmers of their farms was intrinsic to the collapse of Zimbabwe's economy but it also came to symbolise a broader disengagement that plagued it before and after 2000.

White emigration preceded 2000, beginning with the emergence of black affirmation and identity politics in the military, the civil service and the judiciary. Apprehension registered amongst elites with skills easily transferable elsewhere. Zimbabwe lost a wealth of human capital in areas like engineering, medicine, the arts and finance that could so readily have contributed to the nascent Zimbabwe. Failure in the quality of Zimbabwe's public policy speaks eloquently to changes in the civil service and institutions such as the Reserve Bank since the 1980s. Some adroit white businessmen who remained, on the other hand, have thrived by becoming close to the government.

For different reasons, there was a parallel but larger emigration of black Zimbabweans, starting with the Ndebele pogrom of 1983-1987 and gaining impetus from unemployment in the formal sector as well as drought-stressed communal farming. 'Operation Cleanup' (*Murambatsvina*) in 2005, which victimised 1.5 million urban poor, also played a part, leaving 200,000 homeless and 30,000 street sellers without livelihoods.³⁵ Farm occupations caused an estimated one million black farm workers and their families to lose their livelihoods and homes.³⁶ The upshot was a significant, mostly undocumented emigration mainly to South Africa, where black Zimbabwean refugees by 2017 reached about three million.³⁷ Remittances of approximately four million Zimbabwean expatriates from all over

the world have now become the largest single source of hard currency.

Zimbabwe's government saw a benefit in this exodus. Didymus Mutasa, who devised Operation Cleanup, claimed amid the farm turmoil in 2002 that Zimbabwe would gain from halving its population.³⁸

Australia has become a host to the Zimbabwean diaspora. An estimated 20,000 ex-Zimbabweans of all races and many more former South Africans now live here, settling through conventional immigration channels. Western Australia has become a destination of choice for emigrants from Africa.

Farm occupations caused an estimated one million black farm workers and their families to lose their livelihoods and homes.

South Africa and Zimbabwe

There are parallels between the false dawn of the newly-independent Zimbabwe and the golden age of truth and reconciliation in South Africa under Mandela. Decay followed thereafter in both.

South Africa passively observed the unfolding tragedy in Zimbabwe. President Thabo Mbeki was indulgent of Mugabe when he could have exerted moral pressure on him. His mediation between Mugabe and Morgan Tsvangirai (the late MDC leader) during the second round of the 2008 election process proved lamentable.

South Africa had much to gain from a peaceful and stable Zimbabwe. Instead it became the focal destination for black Zimbabwean refugees where many squatted in overcrowded areas of Johannesburg, like Hillbrow. Xenophobic instincts led to their scapegoating as a cause of Johannesburg's crime and became justification, between 2000 and 2013, for deportation of about one million Zimbabwean refugees whom South Africa classified as 'economic migrants'.³⁹

White commercial farmers have also become objects of South African xenophobia—inspired by advocates of violence and farm seizure such as Julius Malema, parliamentary leader of South Africa's far-left radical Economic Freedom Party. Uncertainty, violence and murder now confront South African

farmers much as in Zimbabwe but on a larger scale.⁴⁰ Since 2000, commercial farmers in South Africa have diminished from about 100,000⁴¹ to 30,000. Farms have become impossible to sell. Zimbabwe had more to lose from farm invasions than South Africa. The backbone of the South African economy is mining whereas Zimbabwe's had been agriculture. However, as for Zimbabwe, farming is critical to South Africa's food security.

Malema admires Mugabe's 'economic model' and channels war veterans' leader Chenjerai Hunzvi's agenda of farm seizures as a blueprint for South Africa's economic transformation. His populism had been sympathetically entertained by Jacob Zuma and as well as Cyril Ramaphosa. In his maiden speech as African National Congress president in December 2017, Ramaphosa declared support for a Constitutional amendment to permit converting all land in South Africa, including commercial farmland, to leasehold without compensation.

An exodus of commercial farmers from South Africa has the same associations as Zimbabwe's. Their emigration to Australia has not met criteria for humanitarian refugee intake but there are calls for a change as their plight becomes critical. Where their votes are concentrated, Southern African émigrés are becoming a political constituency in some Coalition electorates, especially in Western Australia.

The way forward

Two events have introduced changes in Southern Africa in the closing months of 2017: first, the accession to power of Cyril Ramaphosa in South Africa and his apparent endorsement of farm expropriation but under terms that dilute Malema's agenda; and second, the accession of Mnangagwa in Zimbabwe who has proclaimed Zimbabwe 'open for business', disavowed farm seizures and declared an intention to compensate and encourage the farmers to return, also as leaseholders.

In the case of Zimbabwe, it remains to be seen whether Mnangagwa's sentiments have substance. The dilemma is that both Mnangagwa and his ZANU-PF faction have so fervently indulged themselves as beneficiaries in the spoliation of farms and mineral assets. It will be difficult to lend credibility to his declared intentions if some

divestment of unjust enrichment does not proceed from the highest levels and if the next general election, promised this July,⁴² fails to materialise in a timely and transparent manner.

Ministers who retain prominent roles in the new Politburo include slow learner Chinamasa in the key finance portfolio and General Chiwenga as Vice President as well as Minister of Defence. Chiwenga's appointment secures the power of the military⁴³ and the power behind the military is the Chinese. Subject to the outcome of the next election China will be the main source of funding for future reconstruction of Zimbabwe's infrastructure, its agricultural rehabilitation and continuing investment in mining.⁴⁴ Mnangagwa is a client of China and its patronage could complicate any election.

Sound public policy has been lacking in Zimbabwe since the 1980s after subversion of its civil service with appointees incapable of dispassionate advice. If Zimbabwe's experience of the past 40 years teaches anything, it is that bad public policy, sustained by incompetent bureaucracy and ineffective rule of law, is the most powerful explanation of poverty.

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POLICY THROUGH THE DECADES 1985–2018



1980s

Taxes and Incentives— Some Basic Dilemmas

Michael Porter

CIS Policy Report 1:1

(February 1985), 1-4

[T]he major constraint on any tax reform is the size of government and its underlying commitments to various interest groups within the community. No amount of reshuffling of the tax deck or debt structure can alter the fact that a community that expects a lot of its government must expect to pay a lot of tax. And some of the consequences of high taxes are disincentives to work, to invest, and to employ people.

. . . The underlying tax policy constraints are on the expenditure side and can be altered only by decisions to change expenditure commitments.



Capital Gains Taxation: Some Overlooked Aspects in the Current Debate

Robert Officer

CIS Policy Report 1:2

(April 1985), 1-4

Governments with budgetary problems will be sorely tempted not to adequately index gains subject to taxation. This is administratively a very easy way to increase taxes once a capital gains tax is in place. There is plenty of evidence of 'inflation' creep in taxation through improperly indexed tax rates or taxable income levels, and we saw how short a time indexation lasted when it was introduced by a previous Fraser Government.

I believe the debate about a restructuring of our tax system is misplaced unless the real problem of government expenditure and the increasing direct control of resources by government is addressed.



The Flight from Justice

Lauchlan Chipman

CIS Policy Report 1:2

(April 1985), 6-9

It is important for people to realise that bodies like the Human Rights Commission cannot be dismissed



as collections of well-meaning, concerned, responsible citizens. Perhaps they are; that is not the point. The record of the Commission has been quite appalling when it comes to the protection of fundamental individual rights and the Commission itself has been party to the most serious violations of such rights. . . .

We are talking about the erosion of standards of justice. The growth of commissions and boards with quasi-judicial powers is a most serious regression in the public commitment to justice in Australian society. The flight from justice must be reversed.

Australia Post: What's the Message?

Robert Albon

CIS Policy Report 1:4

(August 1985), 8-12

All is not well with postal services in Australia. This is evident from even a cursory observation of what is happening. Australia Post's reluctance to reveal details of its operations is, in itself, evidence that something is wrong. A more tangible indicator is the spectacular success of competitive operators in the context of widespread criticism of the costliness and unreliability of Australia Post's operations.

Australia Post is not totally to blame for the problems. Successive Governments have been responsible for placing pressure on the postal service to base its prices on political considerations rather than on the cost of providing the service.



Political Interference in the Rental Market

Ray Ball

CIS Policy Report 2:3

(June 1986), 7-12

[W]e have seen rent control, rent 'review' (the modern term for control by state government), skyrocketing land taxes, punitive taxes levied by water authorities, ambitious social policies pursued by local councils and financed by taxes on property, state government duties, federal capital gains taxes, limitations on interest deductibility, restrictions on foreign investment in residential housing, federal social and economic policies that result in high interest rates in



both real and nominal terms, government expropriation of interest on rental bonds through the Rental Bond Board (security deposits), and so on. Who could be surprised that the rental market is tight and is widely expected to remain tight in the foreseeable future?

With so many friends in government, tenants surely need no enemies.

The Simple Lessons of Economics for Hi-Tech Medicine

John Logan

CIS Policy Report 2:4
(August 1986), 12-15

Hi-tech medicine is no different from other industries with similar cost conditions—except for the zealous regulation it attracts. . . . When government subsidises hi-tech procedures, it introduces a significant wedge between what buyers pay and what producers receive. Market signals are not transmitted in full, and the result is an excessive, price-induced growth in demand for such services. Some receive welfare benefits, but there is a net welfare loss. Medicare has the same consequences for hundreds of similarly subsidised health services.

One solution to the ‘problems’ that are supposed to be inherent in hi-tech medicine — a solution rarely put forward as a serious proposal — is to remove the factor that caused the problems in the first place. This means, in plain words, that the government should get out of the medical market place.

Industrial Policy and the New Corporatism: Picking Winners?

Ralph Harris

CIS Policy Report 2:5
(October 1986) 6-9

[P]oliticians and bureaucrats have no expertise in ‘picking winners’. In the real world of ceaseless change and pervasive uncertainty, there is no good substitute for the dispersed judgement of entrepreneurs with the twin incentives of making money and avoiding bankruptcy. Indeed, it is the absence of the threat of bankruptcy that enables government to persist with failing projects long after they would have been wound up in the competitive market place. Unlike entrepreneurs, politicians are reluctant to acknowledge failure and cut their losses.

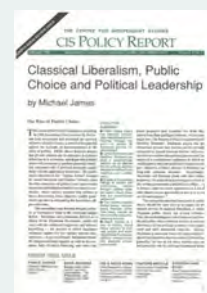


Classical Liberalism, Public Choice and Political Leadership

Michael James

CIS Policy Report 4:1
(February 1988), 1-5

[D]espite the public choice emphasis on interests rather than ideas in explaining political outcomes, there is still a vital role for intellectual activism in promoting liberal reform. Ideas are among the crucial tools of political entrepreneurship: successful reformist leaders know how to process ideas into rhetoric that indicates new ways of promoting interests and builds up constituencies favouring new policy directions. Abstract liberal ideas about private property and freedom of choice may excite few people other than intellectuals. But skilful rhetoric can make these ideas relevant to, say, tenants in housing estates run by bossy and unimaginative municipal authorities and to parents whose children are getting an inferior education from the state system: people who can see the immediate gains from home ownership and parental choice in education.



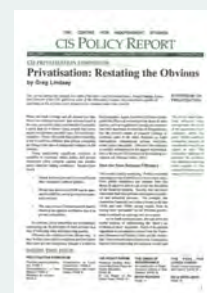
Privatisation: Restating the Obvious

Greg Lindsay

CIS Policy Report 4:2
(April 1988), 1-2

The politicians promoting the privatisation debate are usually keen to let us know they are being ‘pragmatic’ (assessing the virtues of privatisation on a case-by-case basis) rather than ‘ideological’ (believing in privatisation in principle). But this stance merely invites the opponents of privatisation to filibuster the debate into the ground by endlessly quibbling over the details and the evidence. To make real progress and to get public opinion on side, politicians need to inject into the debate some clear idea of what kinds of activity they think it appropriate for the state to be involved in.

The need for this approach was made as clear as it possibly could be in the row over Telecom’s proposal to time-charge phone calls. . . . What this did was to show the lunacy of politicising what are essentially commercial decisions . . . [P]oliticians thought it was their job to decide how phone charges should be set, just because Telecom is state-owned.



Taken for a Ride on the VFT: Why the VFT Project Won't Work

John Nestor

CIS Policy Report 4:6
(December 1988-January 1989), 12-15



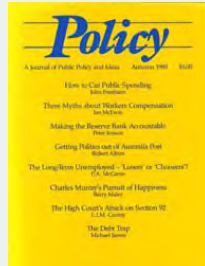
High-speed railways thus rely on very large populations and large travelling markets. They also rely on relatively short high-speed railways, normally connected to the general system (for example the Paris Sud East TGV line is about 400km long). In contrast, the proposed VFT [Very Fast Train] line connects to two large cities 900km apart. With the exception of Canberra — a very small city by world standards — there is not much in between.

Given the costs and total market estimates of the VFT consortium, the railway could not possibly cover its costs . . . If the consortium goes ahead it must be on the understanding that no government money or concessions will bail it out.

How the Welfare State Undermines Constitutionalism

Suri Ratnapala

Policy 5:1
(Autumn 1989), 50-52



[S]tudies have shown that governments in modern democracies are often elected by 'distributional coalitions'. . . which represent collective choice only in the crude sense of producing legislative majorities.

. . . These investigations have seriously undermined the claim that the interventionist activities of government in pursuit of welfare objectives are mandated by genuine majority opinion. Hence they challenge a major basis of the legitimacy of the welfare state. If the welfare state cannot be justified by reference to a meaningful form of democracy, it also follows that the welfare state has been constructed at the expense of one of the central features of the Australian Constitution, namely, the establishment of a democratic and accountable government. Yet public law theorists continue to insist that the welfare state including its coercive aspects are the consequences of public choice.

1990s

The Politics of Successful Structural Reform

Roger Douglas

Policy 6:1 (Autumn 1990), 2-6



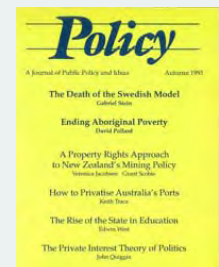
People cannot cooperate with the reform process unless they know where you are heading. Go as fast as you can, but, where practicable, give them notice by spelling out your objectives and intentions in advance. Where programs can or will be implemented in stages, publish the timetable upfront. These strategies show that you know where you are going, commit the government to action, let people know how fast they have to adjust, and reinforce the credibility of the total program.

. . . In 1987, after the most radical structural reforms in 50 years, New Zealand Labour fought the election on the platform that the job was only half-done: we alone had the guts and know-how to finish it. The government was returned with all the seats it won in the 1984 landslide election, and took two more seats away from the opposition. Voters wanted the job completed, and done right.

Ending Aboriginal Poverty

David Pollard

Policy 7:1 (Autumn 1991), 6-10



Although some Aborigines are now working for the first time, those unaffected by current employment and training programs remain a large proportion of the Aboriginal workforce . . . The fact that only a minority of Aborigines have benefited from existing government programs parallels the black American experience . . .

So long as policies target Aborigines as a group, rather than the most disadvantaged of them, or indeed, the most disadvantaged of the community as a whole (who will in fact be very largely Aborigines) those policies will further advantage already employed members of the Aboriginal sub-group and leave unaffected the long-term unemployed and welfare-dependent. Government policies for preferential treatment of Aborigines as a group, in other words, may contribute nothing to the alleviation of the economic conditions among the lowest cohorts of Aborigines.

The Tax File Number Scheme: Political Assurances versus Function Creep

Roger Clarke

Policy 7:4 (Summer 1991-92), 2-6



The scheme to enhance the Tax File Number (TFN) emerged from the ruins of the Australia Card proposal, which was eventually withdrawn in September 1987 in the face of an unprecedented public outcry against the invasion of privacy that it represented . . . The initial scope of the TFN was wider than had been commonly understood, and additional functions have accumulated through 'function creep'. The express limitation of the scheme to taxation uses has been progressively circumvented, so that the scheme now applies to virtually every benefit and pension paid by any Commonwealth government agency, and production of the TFN is mandatory. It is becoming the general purpose identification scheme that the Australia Card was intended to be. The government's assurances of mid-1988 are shown to have been worthless, and the information technology imperative rampant.

For Compulsory Voting

Ross Parish

Policy 8:1 (Autumn 1992), 15-18



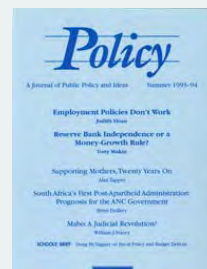
[E]ven in a minimal state, political activity is a regrettable necessity. As with jury service and military service, there are arguments against leaving politics to professionals and volunteers. It is imprudent to allow the outcomes of elections to depend on voluntary voters, the motives of many of whom are less than worthy. The ill effects of voluntary voting are evident in the election for office in voluntary organisations and trades unions, where well-organised cohesive minorities often win control.

By making all citizens, including the apathetic and the apolitical, perform their civic duty of voting, compulsory voting affects political culture in a conservative way, and helps preserve us from the depredations of the ideologues and powerful interest groups. To my mind, this is a distinct advantage . . . I suspect that the situation I have described—in which an institution that seems objectionable on philosophical or ideological grounds nevertheless has desirable consequences—is not uncommon.

Employment Policies Don't Work

Judith Sloan

Policy 9:4 (Summer 1993-1994), 3-7



The argument often runs that unemployment is much more prevalent among the low skilled (which is factually true). Hence improving the skill profile of the low-skilled should improve their chances of gaining employment. Training schemes can take a variety of forms including job-search training, preparatory/bridging training, vocational skills training, and skills upgrading

. . . It is generally agreed that providing training courses to the unemployed will not, of itself, lead to job creation, and indeed participants may experience a high level of frustration if a related job cannot be secured on completion of a training program. There needs to be an expansion of demand in order for the newly trained to find employment.

. . . The type of training scheme offered needs to be carefully considered. There is a question mark over the value of very short courses . . . more broadly-based training leading to widely-accepted credentials may be preferable.

Buy Australian?

Terry Black

Policy 10:1 (Autumn 1994), 7-12



The Buy Australian policy is likely to gain public approval as it appears to favour Australian employment at the expense of foreigners. In fact, it favours Australians employed by firms that supply the domestic market over Australians employed by importing firms and Australians employed by firms which export. . . [But f]or its supporters, the Buy Australian policy appears to be a must win, or at least no lose, situation.

While the Buy Australian advocates have identified unemployment as the main issue, this is not in fact the case. The real issue is consumption . . . The Buy Australian policy, by substituting inefficient Australian production for efficient overseas production, results in a decrease in the total number of goods and services available to Australians and thereby lowers Australian living standards.

High on the Reform Agenda: Competitive Federalism

Wolfgang Kasper

Policy 10:3 (Spring 1994), 10-14

The Australian Federation is now highly reliant on centralised revenue raising. State and local governments are rather dependent on directives and transfers from above. To an unusual degree for a federation, we are told by Canberra bureaucrats, politicians and centralised single issue lobby groups who have influence in Canberra what is good for us.

Would it not be so much better to hand the states their sovereignty to shape their own destinies? And to let the Australian citizen choose freely between, say, a Green stagnant Tasmania, a highly-taxed intensively-governed South Australia, and a low tax, lightly governed and buoyant Queensland? Local government should be freed up too. . . We could vote with our feet, and show those who govern us what we, the sovereign people, really want.

A switch to competitive federalism, as I would call this concept, would greatly revive our old, rigid democracy.

Protecting Nature—Privately

Jeff Bennett

Policy 11:3 (Spring 1995), 1-5

The private sector can play a role in the provision and management of protected natural areas but that role is currently limited by a number of institutional structures ensuring public sector dominance. The public sector crowds out private sector initiatives by encouraging free rider behaviour. Neither politicians nor conservation bureaucrats are likely to seek out a reduction in this dominance, given that it would involve a diminution of their power and sphere of influence. It also seems unlikely that conservation lobby groups will support a move toward private sector conservation. That would involve a shift in emphasis from 'lobbying'—where great leverage has been achieved on members' inputs—to 'doing'. In addition, some conservationists, and hence their groups, appear to be ideologically opposed to the private sector caring for the environment.

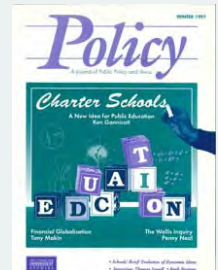


Charter Schools: A New Paradigm for Education

Ken Gannicott

Policy 13:2 (Winter 1997), 3-9

At present, many public education departments function as operators of a highly regulated monopoly. Producer capture ensures that the system is no longer run predominantly in the interests of parents and the community. It is possible to envisage a different system in which government no longer directly runs schools. All, or nearly all, public schools would instead be operated under charter by independent groups of parents, teachers or other profit or non-profit organisations. Even the teachers unions may want to test their claims in the open market. These charters—explicitly and legally enforceable contracts—would define the school's mission, specify the terms of public funding, and stipulate the grounds for accountability.



The New Populism

Gregory Melleuish

Policy 13:4 (Summer 1997-1998), 17-23

For the opponents of cultural transformation—what we may dub the 'new populists'—the elite/democracy dichotomy is crucial.

Democracy is important because it represents the solid values of everyman and everywoman seeking to preserve their traditional way of life against the corrupting influence of not only the new elitist bureaucracy but also the international forces of business and commerce.



The 'Unrepresentative Swill' 'Feel their Oats': The Rise of Senate Activism in Australia

Geoffrey Brennan

Policy 14:4 (Summer 1998-1999), 3-9

If instead one takes the view of Parliament as a prize, then Senate activism—specifically, the practice of negotiating legislation across the bicameral divide—is to be seen as a shift from majority party government, in which electoral constraints are everything, towards consensus government, in which



electoral constraints increasingly play a background role. Whether one thinks this is a good thing or not should depend more on matters of institutional principle and less on particular party loyalties or the fate of particular policies (like the GST).

Society and the Crisis of Liberalism

Vaclav Klaus

Policy 14:4 (Summer 1998-1999), 16-18



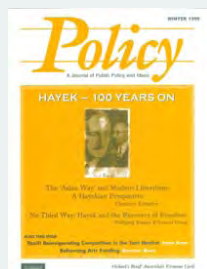
Communism is over, but the old anti-liberal ideas are still with us. They can be seen in continuous attempts to find third ways, to integrate markets with non-markets, to construct capitalism with a human face, to attack individualism (by caricaturing it), to mix genuine, spontaneously-evolving associations of individuals with organisations based on compulsory membership, to disregard the crucial role of private property etc.

Communitarianism – as I see it – represents a new version of an old anti-liberal approach to society, a shift from traditional liberal democracy to new forms of collectivism. . . . Because of ambitions to change human beings, communitarianism is a form of elitism. Its advocates have the feeling that they have been chosen to advise, to moralise, to know better than the ‘normal’ people what is right or wrong, what will be good for them. . . . I start with the assumption that liberty is an individual quality and therefore we should not collectivise it.

The ‘Asian Way’ and Modern Liberalism: A Hayekian Perspective

Chandran Kukathas

Policy 15:2 (Winter 1999), 3-9



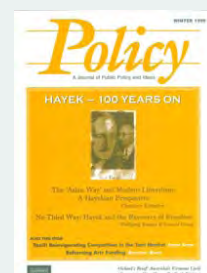
[D]espite their claims to be defending Asian values, or the rights of Asian societies to develop their own models, these politicians and their intellectual defenders really have very little appreciation of the importance of the local. While they might assert an allegiance to regional cultural traditions and mores, in reality they are simply western ‘high-modernists’. Authoritarian control is asserted in the name of Asian values. But a real respect for such values would be better evident by recognising that values are diverse and local.

. . . The more genuine commitment to Asian values would be more readily found in a Hayekian regime, in which social institutions upheld the freedom of Asians to use their knowledge to pursue their own purposes, and to shape or live by their traditions as they understand them. Indeed, if Hayek has anything to teach, it is that this is something that is more important than many advocates of Asian values, or Asian development, have realised.

Reforming Public Funding of the Performing Arts

Anthony Adair

Policy 15:2 (Winter 1999), 20-24



The major political problem with public funding of the performing arts is that the present system divorces the right to spend large amounts of public money from the level of political accountability which should attach itself to such spending. This is illustrated by the system of ‘peer group assessment and review’ under which a group of arts practitioners recommends to the funding bodies how public money should be allocated to their friends or enemies involved in that same art form.

If the Federal government restricts itself to funding national cultural institutions only, and if it comes to a sensible division of tasks with State and Territory governments, then responsibility for this public expenditure could return to where it rightfully belongs—to the elected politicians. We could then do away with the Australia Council at some savings to the public purse.

2000s

Australia’s Universities: Last of the Great Socialist Enterprises

Steven Schwartz

Policy 16:1 (Autumn 2000), 37-41



A few months ago, I checked into the Park Hyatt Hotel. When I arrived, a concierge met my car and greeted me at the door. She escorted me to a comfortable chair, and offered me a welcome drink. She already had my details

on computer, so she had pre-printed the necessary documents and key card. All I had to do was sign the credit card slip. I was then escorted to my room where I found my bags waiting for me. The elapsed time was about five minutes and the stress level was less than zero.

Let's compare the hotel . . . with the ordeal faced by students who wish to enrol at a typical Australian university.

The Elite Gatekeepers: How the Media Captures Public Policy

Barry Maley

Policy 16:2 (Winter 2000),
33-38



The search for oppressed groups is essentially a search for victims. And there is no shortage of them, whether they be women, the homeless, Aborigines, farmers, trade unionists, refugees, drug addicts, university students, homosexuals, sole parents, ethnic groups, or textile workers. . . Victims, by definition, are always innocent. And group victimhood is much more interesting than mere individual misfortune or injustice because it points to a *systemic* failure—something necessarily generated by the malevolent workings of Western institutions.

Above all, group victimhood plays well in the media . . . For those interested in the destabilisation of existing institutions and extending the power of government, the tactic is invaluable. In accommodating an endless cavalcade of victims, the state extends its grip more and more into the details of daily civil life.

Renewing the Social Fabric: Mutual Obligation and Work for the Dole

Tony Abbott

Policy 16:2 (Spring 2000),
38-42



Work for the Dole (as well as the wider Job Network) is an organisational application of Edmund Burke's 'little platoons' principle, or what the Catholic Church has called 'subsidiarity'. In his encyclical *Centesimus Annus*, Pope John Paul II said that 'by intervening directly and depriving society of its responsibility, (the welfare state) leads to a loss of human energies and an inordinate increase in public agencies . . . accompanied by an enormous increase in spending'.

Work for the Dole is organised in the local community, by the local community, for the local community. It does not set up institutions over people but is designed to create connections between them. Its objective is to strengthen individuals-in-community rather than extend the reach of central government.

The Rights Trap: How a Bill of Rights Could Undermine Freedom

Bob Carr

Policy 17:2 (Winter 2001),
19-21



Parliaments are elected to make laws. In doing so, they make judgements about how the rights and interests of the public should be balanced. Views will differ in any given case about whether the judgement is correct. However, if the decision is incorrect, the community can make its views known at regular elections. This is our tradition.

A bill of rights would pose a fundamental shift in that tradition, with the Parliament abdicating important policy making functions to the judiciary. I do not accept that we should make such a fundamental change just because other countries have bills of rights. The culture of litigation and the abdication of responsibility is something that Australia should try to avoid at all costs.

The Roots of Muslim Rage

Bernard Lewis

Policy 17:4 (Summer 2001-02), 17-26



For a long time now there has been a rising tide of rebellion against this Western paramountcy, and a desire to reassert Muslim values and restore Muslim greatness. The Muslim has suffered successive stages of defeat. The first was his loss of domination in the world, to the advancing power of Russia and the West. The second was the undermining of his authority in his own country, through an invasion of foreign ideas and laws and ways of life and sometimes even foreign rulers or settlers, and the enfranchisement of native non-Muslim elements. The third—the last straw—was the challenge to his mastery in his own house, from emancipated women and rebellious children. It was too much to endure, and the outbreak of rage against these alien, infidel, and incomprehensible forces that had subverted his dominance, disrupted his society, and

finally violated the sanctuary of his home was inevitable. It was also natural that this rage should be directed primarily against the millennial enemy and should draw its strength from ancient beliefs and loyalties.

Why Civility Matters

Nicole Billante and Peter Saunders

Policy 18:3 (Spring 2002), 32-36

[Another] reason why liberals in particular should take civility seriously is that the self-regulation that it demands of people is all that stands between us and increasing coercion by the state.

John Rawls argues that if 'liberties are left unrestricted, they collide with one another'. This is true by definition, for different individuals will always want and desire different and incompatible things, and their unfettered pursuit of their own objectives will inevitably bring them into conflict. The question then is how (and how far) individual liberties are to be restricted or restrained. In the end, this will either be done by external political agencies of the state, or it will be achieved through enlightened self-regulation.



Storm Warning: Can the Solomon Islands Be Rescued?

Helen Hughes

Policy 19:2 (Winter 2003), 3-7

Too often aid has not been spent on development, but on recurrent central government salaries and 'goods and services' subject to kickbacks by politicians and their cronies. 'Capacity building' and 'good governance' aid has thus not improved the working of government, but has accompanied the Solomons' descent into chaos. Placing expatriates in government offices has sometimes enabled revenues to be raised more efficiently but, without improving controls over expenditures, it has also served to strengthen the depredations of the elite. The air-conditioned 4WD brigades of consultants who have supplied this 'boomerang aid' have been the principal beneficiaries.



Canberra: An Over-Mighty Territory

John Stone

Policy 19:4 (Summer 2003-2004), 3-11

From the federalist perspective, it is not acceptable that the ACT should become a State, on all fours either with the Original States of the Federation or with such a new State (in due course) as the Northern Territory. Such an outcome would be akin to half a dozen federalist finches not merely rearing a centralist cuckoo in some kind of communal COAG nest but then also devolving full finch status on the overgrown intruder.

What can be done to prevent it?



Out of the Tax Wilderness

Geoffrey de Q. Walker

Policy 20:2 (Winter 2004), 21-28

The Australian tax system displays a range of symptoms suggesting a virtual collapse of the rule of law.

There is a flourishing cash economy which, as Mark Latham points out, at an estimated 15% of GDP is one of the developed world's largest and equivalent to New Zealand's entire economy. An underground economy of that magnitude requires the involvement not only of many businesses, but also of millions of consumers, who apparently believe that the greater spending power they can achieve through cash discounts is worth more than the duty to comply with a law they obviously consider unworthy of respect.

Another symptom is the growing irrelevance of the law and its institutions. Tax advisers struggle to cope with a body of law that the Federal Court's Justice Hill, then a leading tax barrister, in 1987 described as 'unintelligible'.

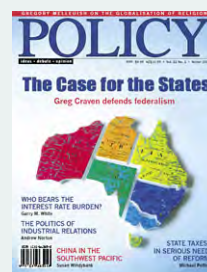


The China Syndrome

Susan Windybank

Policy 21:2 (Winter 2005), 28-33

Rising Chinese activity . . . should be seen as part of a longer-term political and strategic investment aimed at challenging the leadership of the United States in the greater Asia Pacific region.



What this underscores is that the strategic significance of a region depends ultimately on the extent to which it gets caught up in the interactions of great powers. This explains why the Southwest Pacific was catapulted from geopolitical obscurity in the 1930s into the strategic limelight between 1941 and 1945 . . . While the region may seem unimportant now, we cannot be sure it will always remain so.

Roads to Serfdom

Theodore Dalrymple

Policy 21:4 (Summer 2005-2006), 3-9

[A]t no time could it remotely be said that Britain was slipping down the totalitarian path. The real danger was far more insidious, and Hayek incompletely understood it. The destruction of the British character did not come from Nazi- or Soviet-style nationalisation or central planning, as Hayek believed it would. For collectivism proved to be not nearly as incompatible with, or diametrically opposed to, a free or free-ish market, as he had supposed.

. . . The state action that was supposed to lead to the elimination of Beveridge's five giants of Want, Disease, Ignorance, Squalor and Idleness has left many people in contemporary Britain with very little of importance to decide for themselves, even in their own private spheres.

The Rise of Big Government Conservatism

Andrew Norton

Policy 22:4 (Summer 2006-2007), 15-22

Though people identifying with the Coalition parties still prefer lower taxes to more social spending, the record shows that the smaller government movement of the 1980s and 1990s did not win out. Perhaps its supporters did not realise that their most formidable opponents were conservatives and not the Labor Party. The 'modern conservatism' of John Howard, by forgoing the now-controversial conservative social policy of earlier eras, uses costly spending programmes to support families and social cohesion. It is inconsistent with shrinking the size of government.

A strong case can be made that the Coalition received little direct credit for outspending Labor on education, health and welfare. . . The bigger, and more complicated debate, will be whether the added spending for 'modern conservatism' can be justified even on its own terms.



Why Capitalism is Good for the Soul

Peter Saunders

Policy 23:4 (Summer 2007-2008), 3-9

Capitalism lacks romantic appeal. It does not set the pulse racing in the way that opposing ideologies like socialism, fascism or environmentalism can. It does not stir the blood, for it identifies no dragons to slay. It offers no grand vision for the future, for in an open market system the future is shaped not by the imposition of utopian blueprints, but by billions of individuals pursuing their own preferences. Capitalism can justifiably boast that it is excellent at delivering the goods, but this fails to impress in countries like Australia that have come to take affluence for granted.

It is quite the opposite with socialism. Where capitalism delivers but cannot inspire, socialism inspires despite never having delivered. Socialism's history is littered with repeated failures and with human misery on a massive scale, yet it still attracts smiles rather than curses from people who never had to live under it.



Suffer the Intellectuals

Owen Harries

Policy 24:1 (Autumn 2008), 44-47

[Orwell] is surely right in identifying, and condemning, the tendency to assume that whoever, or whatever, is winning at the moment is going to prevail in the long term. Intellectuals do this regularly, if not compulsively. Their record with respect to the prospects of democracy over the last thirty years provides a striking case in point.

By the mid-1970s, Western liberal democracy had experienced a decade's worth of battering from a variety of sources: anti-war protesters, members of the 'counterculture', student protest movements, civil disobedience, domestic terrorists and assassins, corruption in high places and, in the case of the United States, defeat in war. The immediate reaction to all this on the part of many intellectuals, including some very eminent ones, was that it signalled the end of democracy. . . [But t]he predictions of Moynihan and Revel turned out to be unfortunately timed. For, even as they wrote, democracy's bad decade was ending and a spectacular reversal soon ensued.



Why Would an Economic Liberal Set the Minimum Wage?

Ian Harper

Policy 25:4 (Summer 2009-2010), 3-7



I was equally determined to oblige people with strong views about minimum wages—either for or against—to confront the evidence. My experience of economic policymaking throughout my career is that there are very few, if any, issues that are clear cut. . . . Over the life of the [Australian Fair Pay] Commission, the quality of submissions steadily improved. As people were confronted with ambiguous data, the stridency of their submissions diminished, at least to some extent, and they began to grapple with the delicate balancing act that lay at the heart of the AFPC's remit.

. . . To ground a new economic institution on the principles of openness, transparency and accountability to evidence and logic was a rare privilege and an opportunity too good for this economic liberal to pass up.

2010s

Liberating Australia's Cities

Alan Anderson

Policy 25:1 (Autumn 2010), 13-18



The right of the landholder to build what he will and do what he pleases on his own land is now so circumscribed by regulation as to be undeserving of that name. Before erecting a new structure, or even extending an existing one, the landholder must entreat the council for permission via a cumbersome bureaucratic process. A similar process is required before he presumes to operate the most humble of businesses from his own home.

. . . While property rights cannot and should not be absolute, the sovereignty of landowners should be substantially restored, not only for their benefit but for that of the broader community. The culture of uncertainty and bureaucratic permission must be replaced with a system of predictability and strictly limited prohibitions.

Free and Fair: How Australia's Low-Tax Egalitarianism Confounds the World

David Alexander

Policy 25:4 (Summer 2010-2011), 3-15



A more useful and apt description of the Australian model is that of small government egalitarianism, a unique combination of economic liberalism and egalitarian policy structures that contrasts with both European models of welfarism and the American model of inequality acceptance. Northern hemisphere thinking on the left and the right equates egalitarianism with higher levels of welfare and higher taxes; the Australian model wrong-foots this analysis by producing egalitarianism through lower taxes on lower income earners and reduced government spending on higher income earners.

The emergence of this Australian model—this platypus model—may confound the old northern hemisphere thinking that small government and egalitarianism are mutually incompatible. But it presents a sustainable model for successfully addressing the two eternal challenges of statecraft—maintaining internal harmony while possessing external strength.

Living in Two Worlds: Reconciling Tradition and Modernity in Aboriginal Life

Sara Hudson

Policy 25:4 (Summer 2010-2011), 25-30



Many Aboriginal people are living successful lives. However, as they battle to participate in the wider world while still retaining their unique cultural identity, there are things that Aboriginal people can learn from the Jewish experience. In particular, the importance of education, attitudes and social controls over the use of alcohol, and how to reconcile communal loyalties with individual interests.

. . . Most Jewish day schools start earlier and finish later than public schools so that children are not short-changed in their secular education due to their Hebrew and Jewish studies classes. In the same way, Aboriginal cultural and languages must be taught alongside a rigorous secular education, not instead of, as some of the 'culturally appropriate' and tragically 'dumbed-down' Aboriginal curricula have tended to do.

On Tolerance

Frank Furedi

Policy 28:2 (Winter 2012),
30-37

[T]olerance constitutes one of the most precious contributions of the Enlightenment movement to modern life. . . [I]t is important to recall that the call for tolerance by early liberals like Locke, and later by Mill, was not motivated by the objective of challenging relations of power but by the goal of restraining the state from regulating people's views and opinions. This outlook was motivated by the impulse of upholding the freedom of belief, conscience and speech because liberals took the view that it was preferable for people to find their own path to the truth than that truth should be imposed from above.

Critics of [this] so-called negative tolerance not only overlook its liberating potential but by failing to take this ideal seriously, they often become accomplices to projects of intolerance. [O]nce tolerance is regarded as an instrumental act of indifference to views and opinions, the upholding of the freedom of belief and speech ceases to have any intrinsic virtue.

The State of Australian Federalism: First Principles

Robert Carling

Policy 28:2 (Winter 2012),
8-13

The reform most cited in any discussion of the future of federalism is abolishing state and local government in their current form, and replacing them with as many as 50 regional governments. Despite having a degree of policy and revenue autonomy from Canberra, these governments would for the most part be service delivery agents of the central government. This would be the ultimate death-knell for federalism.

. . . It is safe to say that replacement of the states will remain a centralist's pipedream and the three-tier system is here to stay, with sovereignty of the states preserved by the constitution. The question is whether this system in operation (the 'working constitution') continues to drift towards greater centralisation of policy and finance, or steps are taken to halt and reverse this process.



Crony Capitalism

Adam Creighton

Policy 29:1 (Autumn 2013),
34-38

Capitalism is not about corporations being able to transfer their losses to taxpayers, as financial institutions and even car manufacturers and insurers have done in Europe and the United States. It is not about allowing senior employees to scrape off the profits of capital simply because they can—capital that has been supplied by others. Nor is it about armies of bureaucrats, corporate welfare, implicit guarantees for banks, or welfare states so pervasive and meddling they have dulled citizens' appetite for individual responsibility—all of which characterise Western economic systems.

In fact, it is laughable that so many people still believe we live in an unbridled capitalist economic system, yet the belief is widespread. Whatever measures one takes—volume of legislation, quantity of government spending, quantity of regulations, the size of the bureaucracy—the state is more pervasive than it has ever been outside wartime.

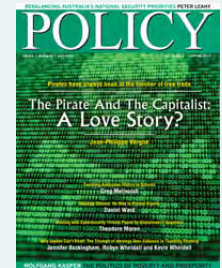
Why Jaydon Can't Read: The Triumph of Ideology Over Evidence in Teaching Reading

Jennifer Buckingham, Kevin Wheldall and Robyn Beaman-Wheldall

Policy 29:3 (Spring 2013),
21-32

The current entrenched rate of illiteracy among Australian children is unnecessary and avoidable. Poorly conceived government policies and university education faculties wedded to out-dated and unproven teaching methods have each contributed to the situation. Billions of dollars have been spent, only to have thousands of children complete school without the most fundamental skill required for a happy, productive life—the ability to read.

. . . Strong differences of opinion among educators on what constitutes effective methods of reading instruction have been dubbed 'the reading wars'—with proponents of phonics-based instruction on one side and 'whole language' instruction on the other. It is a false dichotomy, however.



The East is Authoritarian: Why China Will Not Democratise

Benjamin Herscovitch

Policy 30:1 (Autumn 2014), 13-17



The CCP is authoritarian and will not countenance any challenge to one-party rule. But it is also willing to abandon past ideological verities, pull vested interests off the public teat, and undertake necessary reforms to consolidate its power and safeguard its political survival. This makes the CCP rule a form of ‘accountable authoritarianism’: the party will reform public policy where necessary to respond to public concerns and adapt to new economic, political and social challenges, while also jealously guarding its position of unrivalled political power.

In 1998, US President Bill Clinton castigated Beijing on its failure to live up to liberal ideals by suggesting that the regime was ‘on the wrong side of history.’ . . . But by continuing to pursue a moderate reformist agenda within the framework of one-party rule, the CCP may yet carve out an enduring place at the end of history for its own brand of accountable authoritarianism.

As Australian as the Fair Go

Jeremy Sammut

Policy 31:1 (Autumn 2015), 19-24



Each year the Australian Human Rights Commission receives a few hundred complaints of racial discrimination under the RDA [Racial Discrimination Act]. Given the nation’s diversity, this is a tribute to our success in creating a largely tolerant society. The credit should not go to the RDA. The idea that the threat of legal action has kept the dark underbelly of racial hatred in check, and that the RDA is the proverbial thin blue line that keeps the country civilised, is patently absurd. Australian racism has been primarily conquered by self-regulating it out of Australian society through the development of an appropriate set of social manners consistent with the national egalitarian culture.

It is the RDA, and not the efforts to amend Section 18C, that is alien to the culture of tolerance in Australia. This is to say that if the RDA withers, and Section 18C is cut down as it should be, the ‘fair go’ culture that has made multi-racial Australia a success will persist . . . Tolerance, one might say, is as Australian as the fair go.

Living on Borrowed Time: The Trouble with Public Debt

Vito Tanzi

Policy 33:1 (Autumn 2017), 3-9



Very large fiscal multipliers are now assumed and operate over much longer time periods. Thus, in the views of economists behind these new pro-spending theories, large expansionary fiscal policies should be sustained for much longer periods to fight stagnation. These economists seem to believe that we are now in a different fiscal world where old rules no longer apply.

Sailing into a Storm Front: Unprincipled Democrats, *Pueri Robusti* and the Global Economic Order

Wolfgang Kasper

Policy 33:1 (Autumn 2017), 33-41

The new crop of unconventional political actors will in all likelihood inflict economic harm. Students of *puer robustus* must therefore hope that the fourth (reformist) type will become dominant, at least in democracies. Students of history, however, are entitled to some doubts over whether political elites—and disaffected, distrustful voters—will allow constructive reforms. If opportunistic and mediocre leadership persists, Western democracies will remain locked into the Olsonian trajectory.

Between Declarations and Dreams: China, US Foreign Policy and Southeast Asia

David Martin Jones

Policy 34:1 (Autumn 2018), 43-50



The China dream is, then, more than a regional vision. It envisages Eurasian hegemony based on China’s market heft and capital investment. European infrastructure projects follow a pattern road tested in Southeast Asia. Beijing incentivises Chinese state-owned enterprises and state-owned banks to fill gaps in EU financing and investment in south-eastern Europe in return for political support for Chinese positions on issues like human rights, Tibet or the South China Sea.

ENLIGHTENMENT UNDER SIEGE

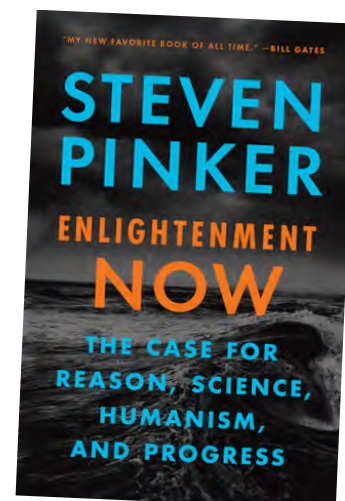
ARE THE OBITUARIES PREMATURE?

Enlightenment Now: The Case for Reason, Science, Humanism and Progress

By Steven Pinker

New York: Viking, 2018, 576 pages, US\$35 (hardcover)

ISBN 9780525427575



Reviewed by Suri Ratnapala

People everywhere wondered whether the French would, in turn, decide to retreat to an illusory past, whether they would break step with the world, exit the stage of history, give in to democratic mistrust and a spirit of division and turn their backs on the Enlightenment, or whether, on the contrary, they would embrace the future, collectively create a new impetus, and reaffirm their faith in the values that have made them a great people. On 7 May, the French people made their choice. They should now be thanked.

— President Emmanuel Macron, Inauguration Speech (15 May 2017)¹

The philosophical, scientific, economic and political developments known as The Enlightenment shaped the present market-based liberal democratic order that ushered in the most prosperous era in the history of humankind. This is evident whatever measure we use: life expectancy, health, nutrition, knowledge, personal safety, wealth, human rights, democracy, individual freedom and almost any other indicator of human well-being. Erudite readers of this journal, I expect, would not doubt this. Anyone who does ought to consult the evidence revealed in Steven Pinker's latest book *Enlightenment Now: The Case for Reason, Science, Humanism and Progress*.

Resistance to the central ideas of the Enlightenment is as old as the Age of Enlightenment itself. They have been under attack first by the Romantic Movement inspired by Rousseau,

Herder, Fichte, Schiller, Hegel and others, later by Nietzsche and his academic devotees including Heidegger and Carl Schmitt, and in these times by communitarians such as John Gray and Alasdair MacIntyre and postmodernists, big government progressives, statist and collectivists. This Counter-Enlightenment has gathered strength through the resurgence of populism in democratic countries and by the transformation of old Communist states into fascist regimes.



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Many obituaries have been written of the demise of the Enlightenment and its most treasured legacy, liberal democracy. Among them, are doom sayings of elected leaders, journalists and academics. In 1974, the Chancellor of Federal Republic of Germany Willie Brandt gave democracy no more than 30 or 40 years in Europe.² US Senator and diplomat Daniel Patrick Moynihan wrote that liberal democracy is 'a holdover form of government . . . which has simply no relevance to the future'.³ Philosopher Alasdair MacIntyre predicted the failure of liberalism because of its rejection of tradition (in his case, Catholic Church doctrine) on which rival claims to truth are based.⁴ John Gray declared that 'the Enlightenment project' is in a state of 'world-historical collapse'.⁵ In 2016 the New York Times columnist Roger Cohen declared that 'Liberalism is dead. Or at least it is on the ropes'.⁶

Pinker's book is a resolute moral defence of the core values of the Enlightenment and a fact-based questioning of the obituaries. The book, in my view, is up there with the most important works of the 21st century, at least for those who care about truth, freedom and human well-being. It is a treasure house of source materials including hundreds of data sets from the natural and social sciences. We all suffer to some degree from historical amnesia and availability bias. The former makes us forget how bad things were and the latter amplifies current events into a dystopian view of our condition. *Enlightenment Now* is a compelling antidote to these syndromes. It broadens his earlier work *The Blank Slate* and *The Better Angels of our Nature* into an optimistic thesis about the human condition in the 21st century.

Pinker is a confessed classical liberal. Yet some of his views will rankle persons wherever they sit on the ideological spectrum. He unabashedly favours capitalism under the rule of law as a central legacy of the Enlightenment and the engine of the great escape from poverty (pp.83-84). Nevertheless he sees the need for a moderate welfare state *à la* the prosperous Western European nations, arguing that extensive economic freedom can be combined with social spending (p.365). He sees global warming as a great challenge but rejects heavy-handed regulation in favour of carbon pricing, markets and nuclear energy. He thinks that carbonisation may have already plateaued due to the natural consequences

of personal preferences but more needs to be done (pp.143-145). He strongly endorses gender equality but condemns the denial of physical and psychological differences between men and women. He sees hope in Artificial Intelligence, not reason to fear. A humanist, he rejects faith, superstition and divinity but argues against postmodernism and subjective morality.

I will discuss the most interesting and important themes of the book. The essay will end with a focus on a present threat to the values and institutions of the Enlightenment that is lightly treated in the book. This is the rise of powerful fascist states with global ambitions that oppose the ideals of liberal democracy.

Spirit of the Enlightenment

The meaning of the Enlightenment is poorly understood even among tertiary-educated people. In the words of Immanuel Kant, it represented 'man's emergence from his self-imposed immaturity . . . the inability to use one's understanding without the guidance from another'.⁷ This meant in practice empiricism, the reliance on evidence and reason to the exclusion of temporal and spiritual authority, superstition and faith in understanding the physical world and our own human nature. Likewise, Pinker's method is uncompromisingly scientific and reason based, not in the sense of Cartesian rationality but in the way of the Enlightenment thinkers Thomas Hobbes, Immanuel Kant, Baruch Spinoza, David Hume, Adam Smith, Denis Diderot and in our own age, Karl Popper, Friedrich Hayek and David Deutsch. This kind of reason is based on the recognition that human knowledge of a complex and emergent world can never be perfect and can advance only through inquiry free of prejudice and superstition and the acceptance of the fallibility of our most sacred theories and ideas.

In law and politics, the Enlightenment overturned the Divine Right of Kings and, perhaps as significantly, displaced the teleological and theological natural law with theories of universal and subjective natural rights grounded in human experience and need that today find expression in national and international human rights law. In economics, David Hume, Adam Smith and David Riccardo dismantled mercantilist theory to

inspire free trade. Frontiers of science expanded in all directions. The Royal Society was born. Isaac Newton's *Principia Mathematica* was perhaps the crowning achievement. Newton, a man of deep faith, sought to understand what he regarded as God's laws of the universe through observation and mathematical calculation rather than revelation and classical authority.

Sapere Aude: Entropy, evolution and information

Pinker begins his book by echoing Kant's challenge in his essay 'What is Enlightenment': 'dare to know' (*Sapere aude*)—Go wherever inquiry leads you even if what you find may displease you. Nature does not care about our welfare. Contrary to Plato and Aristotle nature has no plan for us. Nature does not play politics. We must understand nature if we wish to survive and prosper.

We cannot begin to understand nature without knowing the Second Law of Thermodynamics and how it affects our existence. Known popularly as the Law of Entropy, it says that our Universe by nature tends to disorder. In the vastness of the Universe order is actually rare. Order requires energy and effort to maintain. Heat in a kettle will dissipate when the power is switched off. The human body dies and disintegrates without nutrition. Pinker's poignant example: a sandcastle will not be there tomorrow as the wind, waves, seagulls, crabs and little kids rearrange the sand (p.16)

The wonder is that there is order in the Universe at all. There are galaxies and solar systems formed by the process of self-organisation and there are self-replicating life forms on Earth that absorb energy and resist entropy for a while. But they are all transient. Suns burn out, the Universe keeps expanding, organisms die, species become extinct. Survival of species depends on evolution and adaptation to the changing world. Unlike other species we have the ability to gather, process and disseminate information. We can make and test our theories about the world. As Popper memorably said, when we get it wrong, we can 'let our conjectures, our theories, die in our stead'.⁸ We cannot do this if we remain wedded to long held beliefs even when they are refuted by evidence. The Enlightenment's greatest lesson was precisely this. As Pinker says:

If there is anything the Enlightenment thinkers had in common, it was an insistence that we energetically apply the standard of reason to understanding our world, and not fall back on generators of delusion like faith, dogma, revelation, authority, charisma, mysticism, divination, visions, gut feelings, or hermeneutic parsing of sacred texts (p.8).

Romanticists believed that reason cannot be detached from emotion. That is undeniable. It is worth remembering that Hobbes, Hume and Smith were pioneers in the investigation of the mind and the original (inborn) passions, including sympathy, that make us who we are. The difference is this. Romanticists actively fused reason and emotion whereas Enlightenment thinkers strove to isolate emotion as humanly possible from their scientific investigations about the world. Pinker devotes much of the book to the current threats to Enlightenment values and institutions. Many of these would be familiar to the readers of *Policy*. I must start though with one of the most neglected threats to reason—one that springs within us.

Enemy within us: Tragedy of the Belief Commons

A hard barrier to overcome in the search for knowledge is pre-commitment to a worldview or ideology and resistance to other views. Pinker's focus on this problem is a highlight of the book for me. This is a form of tribalism that infects all political groupings whether of the right or left. Pinker calls this the Tragedy of the Belief Commons. We all suffer to an extent from expressive rationality that bends our perceptions and reasoning towards ends that we desire.⁹ How else, asks Pinker, can we understand the most bizarre conspiracy theories that resonated among Trump supporters who believed that Hilary Clinton suffered from multiple sclerosis and was using a double to conceal it or that Barack Obama was implicated in 9/11 (p.358)? Some on the hard left believe that CIA perpetrated the 9/11 attack to start a war. The fake news industry feeds on this kind of irrationality.

Unfortunately, the researchers and policymakers whose mission is to pursue the truth are also not

immune from this syndrome as numerous studies cited by Pinker demonstrate. Even highly numerate respondents are prone to error when ideologically loaded questions are posed in test surveys (pp.360-363). To cite just one example of many, in studies done by Dan Klein and Zeljka Buturovic, a majority of progressives and liberals (in the US sense) disagreed with the statement: 'Restrictions on housing development make housing less affordable'. On the flipside, a majority of libertarians and conservatives disagreed with the statement: 'A dollar means more to a poor person than it does to a rich person'. Both groups, who were literate and numerate, got it wrong.¹⁰

Enemies without: Progressophobia

'Intellectuals hate progress. Intellectuals who call themselves "progressives" really hate progress' (p. 39). So claims Pinker. Progressives will not do without their computers or their antibiotics when they fall sick. The idea of progress that rankles them is the 'Enlightenment belief that by understanding the world we can improve the human condition' (p.39).

There are three categories of persons who deny progress: those who think that there is no progress, those who think that the world has regressed in the values that matter and those who dislike capitalist modes of progress. The first group truly believe that the world is in a downward spiral. A 2015 survey revealed that large majorities in eleven developed countries thought that the world was getting worse (p. 40). Yet by the measures of human well-being the world has got better.

The second group bemoans the destruction of the values of nationalism, cultural identity, religion, valour, spirit and heroism by the atomisation of society and the dilution of national and religious identity and moral disintegration by forces unleashed by the Enlightenment. Plato was an early purveyor of this kind of thinking as was Nietzsche in the 19th century. The standard bearers today are the leaders of what C. P. Snow called the Second Culture, intellectuals who fiercely resist the intrusion of science on their turf.¹¹ Science has its place but has nothing to say about our moral or cultural choices they say. They naturally find powerful allies among conservative communitarians and some religious fundamentalists.

The third class are the remnant Marxists, critical social theorists and postmodernists who regard liberal institutions and capitalist modes of production as means of oppression. The leading prophet of this conspiratorial view is undoubtedly Michel Foucault whose theory of concealed power¹² dominates the thinking of most liberal arts departments.

Breeding ground of demagoguery

In her recent work *Fascism: A Warning*, former US Secretary of State Madeleine Albright shows how 20th century fascist movements rode to power on the back of discontent and fear.¹³ Pinker devotes three-quarters of his tome in rebuttal of the dystopian view of life in liberal democratic society fanned by opportunistic politics and anarchic social media that threaten the achievements of the Enlightenment. No society can eliminate discontent and those that tried it, like the communist states, fared the worst. Dissatisfaction is part of being human and is a driver of change and growth. Happiness depends on what a person expects of life and expectations change with the state of the world. Our ancestors did not desire fast food, smart phones, Facebook friends and instant entertainment for they were not of their world. They had other unfulfilled wants.

It is easy to take prosperity for granted and to magnify every problem as a crisis needing a radical response. Pinker warns: 'When we fail to acknowledge our hard-won progress, we may come to believe that every problem is an outrage that calls for blaming evildoers, wrecking institutions, and empowering a leader who will restore the country to its rightful greatness' (p.452). Among these villains are invariably foreigners and minorities, international traders, mainstream politicians, bureaucrats and experts who Donald Trump calls the swamp that needs to be drained. Trump perhaps did not know that '*Drenare la palude*' or 'drain the swamp' was an early catchcry of fascist dictator Benito Mussolini in his surge to power.¹⁴ Surely his advisors Stephen Bannon and Michael Anton knew.

Pinker though is optimistic. He recognises that today's 'Fascism Lite' shades into authoritarian populism and romantic nationalism (p.448). But he reads recent setbacks of populists in France and other European nations as evidence that the world has reached peak populism (p.451). The systematic

forces that sustained the Enlightenment over three centuries are too strong and its stakeholders too many for the movement to be precipitously reversed (p.337). He thinks that the distribution of powers of the US Constitution and real-world constraints are robust enough to defeat authoritarian ambitions.

Madeleine Albright is not so sanguine. Though a lifelong member of the Democratic Party she is neither American 'liberal' nor 'progressive' and the warning of her book should resonate across the political aisle. The United States elected a President who considers the media to be the enemy of the people, who has contempt for the vital institutions and processes of the law, who claims that elections are rigged except when he wins, whose rhetoric divides the nation and who sheets the blame for the nation's real or imagined troubles on aliens.¹⁵ Albright appeals for heightened bipartisan vigilance.

Fascism: The ultimate challenge

Pinker's book deals mainly with the challenges to the Enlightenment arising within liberal democratic societies. Yet it would be folly to neglect the growing threat from what the US Secretary of Defence James Mattis says are 'revisionist powers that seek to create a world consistent with their authoritarian models'.¹⁶ Mattis regards Russia and China as posing greater threats to the US than terrorist movements across the world.¹⁷

The classic fascist regime as epitomised by the Mussolini and Hitler dictatorships consists of authoritarian government dominated by one party led by a charismatic leader. In the fascist state the party and government are difficult to separate. The nation is identified with race and the state becomes the ultimate good. Individualism is suppressed for the communal good, knowledge is censored, and civil liberties are extinguished. The fascist state favours mercantilism against free trade, rejects both liberalism and socialism, adopts capitalist means of production under state control and displaces the rule of law with the will of the regime.

Few states today display all these features but many are trending towards the archetype. Hitler and Mussolini rose to power within democracy. Putin of Russia, Mugabe of Zimbabwe, Chavez of Venezuela, Ortega of Nicaragua, Erdogan of Turkey, and the theocracy of Iran used or are using democratic

pathways to consolidate one party rule. There are easier paths to fascism for leaders who inherit the authoritarian apparatus of failed communist states and military dictatorships. The rulers of China and Russia continue to be the avowed foes of free societies. Russia is working overtly and covertly to reabsorb East European nations into its empire and subvert the democratic processes of Western nations. China's president for life, Xi Jinping, has ambitions of world domination. As David Martin Jones says in the previous issue of *Policy*, the 'China dream is, then, more than a regional vision. It envisages Eurasian hegemony based on China's market heft and capital investment'.¹⁸

There were hopes that Russia and China would eventually join the liberal democratic family as their people have much more to gain by freedom and free exchange with the West.

China's Asia strategy is plain. Chinese state-owned banks give loans to poor countries to fund unaffordable infrastructure (often of doubtful value) to be built by Chinese state-owned corporations with Chinese labour. In Sri Lanka, the Chinese built a cricket stadium in the wilderness, a little used airport, a harbour now owned by the Chinese, and are currently building a 'Port City' on Colombo's waterfront. Lack of transparency in these transactions raises the prospect of corruption and institutional debasement.

There were hopes that Russia and China would eventually join the liberal democratic family as their people have much more to gain by freedom and free exchange with the West. Sadly, the interest of the people do not necessarily coincide with the interest of a fascist regime. The more prosperous the people, the less they are likely to accept state control of their lives. Moreover, fascists need enemies to galvanise nationalists, a key part of their base.

Communitarian conservatives accuse liberals of seeking to impose their conceptions of the good life on others who do not accept liberal values or terms of discourse.¹⁹ Many authoritarian rulers agree. The 'Asian Values Doctrine' is frequently invoked by Asian leaders to justify undemocratic rule. I

have never understood this argument because of its circularity.

- The community does not favour liberal democracy.
- The community opinion has not been tested by a democratic process.
- Why? Because the community does not favour liberal democracy.

Apart from circularity, this argument ignores the fact that liberal political systems allow more room for individual and collective dissent than any previous political or moral system. The liberal tradition is a tradition of toleration. As Brian Barry says, 'For though liberalism does presuppose a theory of the good, it is one in which freedom plays a central role, and this includes the freedom to create a community based upon non-liberal principles'.²⁰ Liberal societies do not practise ex-communication and inquisition or prevent exit. Pre-liberal societies did. There is mass demand for permanent migration to liberal societies—hardly any to the dictatorships. This must tell us something.

The perennial challenge

The Enlightenment thinking shows that if we have open minds and the spirit of objective inquiry we can solve problems and improve the conditions of life on earth and arrest entropy for a while—which in the time frame of our existence as a race is all that we can care about. Problems are there to be solved with information and reason and to the extent that the laws of nature permit. There is no blissful end state that we can reach. Every solution, every advance in science and technology will pose new problems that invite solution. We cannot prophesy the future. This is the nature of the universe. As the title of David Deutsch's remarkable work says we are always at *The Beginning of Infinity*.²¹

The story of the Enlightenment is the story of discovery and of correction in the face of evidence and reason. As Pinker says: 'We believe in it because we have *reasons* to believe it. As we learn more, we can show which parts of the story continue to be true, and which ones false—any of them might be, and any could become' (p.453).

Endnotes

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- 17 As above.
- 18 David Martin Jones, 'Between Declarations and Dreams: China, US Foreign Policy and Southeast Asia', *Policy* 34:1 (Autumn 2018), 45.
- 19 MacIntyre, *Whose Justice?*, 345.
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- 21 David Deutsch, *The Beginning of Infinity: Explanations that Transform the World* (New York: Viking, 2011).

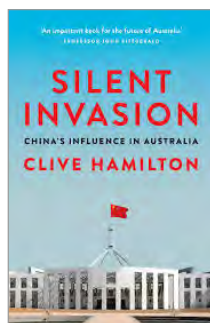
Silent Invasion: China's Influence in Australia

By Clive Hamilton

Hardie Grant Books, 2018,

356 pages, \$34.99

ISBN: 9781743794807



Reviewed by Dan Ryan

The central argument of Clive Hamilton's book *Silent Invasion: China's Influence in Australia* is that 'the Chinese Communist Party (CCP) is engaged in a systematic campaign to infiltrate, influence and control the most important institutions in Australia' (p.1). The 'ultimate aim' of this campaign, Hamilton claims, is to 'break our alliance with the United States and turn this country into a tribute state' (p.1).

It is strong stuff. Indeed, the language is so hawkish at times that one could be mistaken for thinking the book was written by John Bolton (Donald Trump's National Security Advisor) rather than the founder and former head of the left-wing Australia Institute.

The key question I kept asking though, when reading *Silent Invasion*, is what is the actual hard evidence Hamilton is relying on to demonstrate that the Chinese Communist Party has planned and is directing the campaign he describes?

As far as I could tell the only source of allegedly first-hand information for the above claims comes from Chen Yonglin, the former Chinese diplomat who defected to Australia in 2005. Through Hamilton, supposedly confidential plans about Beijing's intentions for Australia are shared by Chen. I have not seen these same claims corroborated elsewhere. If our own security agencies have this information (or a view on its veracity) it would be very useful for debate in Australia if that could somehow find its way into the public domain.

It is true that Hamilton speaks to many respected China experts, notably Professor John Fitzgerald (who writes a short foreword to the book). There is also heavy reliance on a doctoral dissertation of a New Zealand academic, James To, which details Beijing's policy towards its 'overseas Chinese' and how they might be used to achieve the Chinese Communist Party's foreign policy aims.

Yet while Hamilton generally speaks to the right people and asks the right questions, what he does not actually produce is any official document or similar that sets out Beijing's intentions in anything like the stark terms he describes.

This is not to say Beijing's influence in Australia is fictional or even that details of the secret plan or campaign against Australia do not exist. (Given the sensitivity of the subject matter it is not surprising Hamilton has not been able to obtain such a smoking gun.) Still it is worth bearing in mind when reading through the sometimes sensational content in *Silent Invasion* that nothing is fully proven regarding his key underlying claim—what he has produced is essentially a compendium of circumstantial evidence. Without having access to all national security information it is hard to weigh up the evidence presented. Again one wonders whether there is some legitimate way our national security agencies could find to inform the public debate about the respective cases raised by Hamilton.

Hamilton says his aim in the book is to 'describe and document the unfolding process by which we are being robbed of our sovereignty' (p.3) and to show how

Australian institutions—from our schools, universities, professional associations to our media; from industries like mining, agriculture and tourism to strategic assets like ports and electricity grids; from our local councils and state governments to our political parties in Canberra—are being penetrated and shaped by a complex system of influence and control overseen by agencies serving the Chinese Communist Party (p.3).

This is also a provocative claim and there has been considerable dispute since publication about the extent to which Beijing's influence operations (which exist even if they may not be exactly as Hamilton describes) are actually capable of infringing Australia's institutions or our sovereignty in a real sense. I think the debate here turns a great deal on precisely what is meant by the terms 'institutions' and 'sovereignty'.

The example of Hong Kong is perhaps instructive here. Hamilton interviews Anson Chan, the well-

regarded former first secretary of that former British colony (now a special administrative region of the People's Republic of China). Her claims about how the Chinese Communist Party has used its influence in Hong Kong to 'infiltrate, pressure and coerce institutions, from using money to control NGOs to suppressing dissident voices, placing sympathisers on university boards, setting up clan associations, controlling media and pressuring businesses' (p.46) I have no doubt are true.

On the other hand one must also recognise that the courts of Hong Kong still retain their professionalism and independence. By any objective measure a free press still exists—rambunctious Cantonese talkback radio hosts and aggressive tabloid journalists jostle with international publications like the *Wall Street Journal* and *Financial Times*. There is also genuine freedom of religion—a sign saying 'Jesus is Lord' in Chinese lights up the neon skyline—something that would be inconceivable in Tiananmen Square. Well-known critics of Beijing like Professor Frank Dikotter (quoted in the final chapter of *Silent Invasion*) still occupy prominent university positions. I would also add that I served as a director of a liberal market think tank in Hong Kong (The Lion Rock Institute) for many years and do not recall any direct threats to our independence from Chinese Communist Party interests.

This suggests that while Beijing's infiltration of, or influence over, schools, companies and other elements of civil society is certainly possible and obviously undesirable, other institutions and freedoms are more durable even deep within China's sphere of influence.

It is of course possible that Beijing's treatment of Hong Kong would be different to that of Australia. Hong Kong is not an independent nation and does not have its own foreign policy, so different issues arise when it comes to questions of sovereignty. While Hong Kong has a local parliament, Beijing selects a large proportion of its delegates and effectively controls the election of the head of the executive branch. American aircraft carriers still routinely dock in Hong Kong's Victoria Harbour, but this requires Beijing's approval (which is sometimes capriciously withheld).

Clearly this Hong Kong-type ceding of political sovereignty would be unacceptable in Australia—even if we could be assured our institutions and freedoms could be otherwise guaranteed. Yet even critics of Beijing (and I count myself as one) would have to admit that it would be implausible that any kind of political change could occur that would transform the Australian Federal Parliament into something resembling Hong Kong's current political situation. At the very least, such a change would certainly not occur silently.

A more likely scenario is that infiltration of Australian civil society by Beijing and our commercial reliance on China will make it more difficult (although not impossible) for Canberra to act, as it would otherwise wish to, as different pressures both from the Chinese community and business interests with China ties in this country are brought to bear.

While Hamilton has been given a warm reception on Andrew Bolt's TV show and by several talkback hosts on 2GB, there are many others on the conservative side of politics who cannot help but be a bit sceptical about Hamilton given his past record. In one of his many books, *Silencing Dissent: How the Australian Government is Controlling Public Opinion and Stifling Debate* (co-authored with a director of GetUp!), he argued that the Howard government had 'systematically dismantled democratic processes, stymied open and diverse debate and avoided making itself accountable to parliament or the community'.¹ That sounds a bit like claims he is now making about China and in my view detracts from his credibility. Equally, one can read statements he has made in the past as suggesting Hamilton has a less than full commitment to free speech and democracy—particularly when it comes to the question of 'climate change' about which he can be as dogmatic as a Chinese Communist Party spokesperson defending the actions of the People's Liberation Army Navy in the South China Sea.

When I spoke to him in preparing this review we had a very civil (off the record) conversation. In my experience it is not that unusual for there to be a broad meeting of minds between the sections of

the right and left—who might otherwise not agree on much—when it comes to China. He does not really attempt to make any particularly domestically politically partisan points in the book. He even recognises that ‘although prone to be dazzled by the economic promise, the right is more consistent in its scepticism towards China’ (p.49) and at the same time is critical of many on the left’s ‘romantic attachment to the idea of the Chinese Revolution, despite the horrors of Maoist excess, not to mention the fierce repression of 1989 that continues to this day’ (p.50). My experience certainly accords with Hamilton’s when he says that ‘most China apologists and appeasers sit at the soft centre of Australian politics’ (p.49).

While there are sections and statements that need to be further substantiated, *Silent Invasion* is a brave book—there are commercial and other consequences for being critical of Beijing as I know from personal experience, and it would be easier just to be ‘positive and optimistic’ (as Bob Carr famously described his attitude to China). *Silent Invasion* contains much useful information about potential threats. It is certainly right that there has to date been too much wishful thinking, naivety and complacency when it comes to Beijing among many of Australia’s political and business leaders. One also instinctively wants to back someone who is unfairly attacked by Race Discrimination Commissioner Tim Soutphommasane² for ‘exciting an anti-Chinese or Sinophobic racial sentiment’ when Hamilton is at pains in his book to avoid doing just that. Or to back an author who struggled to find a publisher, has a book launch boycotted by members of his erstwhile allies from the Greens, and to add insult to injury is then criticised by members of Australia’s academic community who argued his book itself threatens free speech. Give me a break.

I have no doubt that many reading this would still vehemently disagree with Hamilton on a range of issues. One likes to believe that that it is still possible to share a common patriotism and engage in civil dialogue on important subjects with fellow Australians despite our political differences. I suspect we will have much need of that type of spirit in the years ahead.

Dan Ryan is a board member of the Australia-China Council. He has worked as a lawyer in Greater China for over 15 years. The views expressed here are his own.

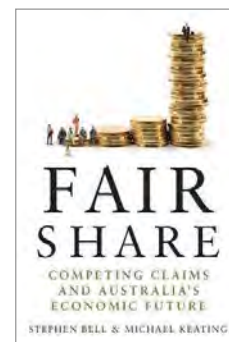


Endnotes

- 1 See a review by Patrick Allington in *The Australian* (3 February 2009).
- 2 Tim Soutphommasane, ‘Beware Fanning Flames of Racism over “Silent Invasion”’, *The Sydney Morning Herald* (28 February 2018).

Fair Share: Competing Claims and Australia’s Economic Future

By Stephen Bell and Michael Keating
Melbourne University
Publishing, 2018, \$59.99
(hardcover), 408 pages
ISBN: 9780522872279



Reviewed by Michael Potter

Introspection is the stock in trade of booksellers—where would they be without books providing both personal and national self-analysis? *Fair Share* by Stephen Bell and Michael Keating ensures this market continues to be well supplied.

The authors are of substantial pedigree: Bell is a Professor of Political Economy and Keating headed various government departments under the Hawke-Keating Labor Government. Given their background, it is unsurprising that the book takes a centre-left view of the world, fitting into the dominant narrative of today. This is clear from the praise for the book from Ross Gittins, John Edwards, Saul Eslake and Laura Tingle.

Fair Share is a lengthy book, discussing many of the important problems facing Australia today including mediocre growth in wages, GDP and productivity, unaffordable housing, underemployment,

and budget pressures. However, there is much to critique in the book.

Housing affordability is rightly raised as an important problem, but Bell and Keating confuse matters by using the ratio of house prices to incomes as their main measure of affordability. On this measure, Australia appears to have a major problem but this is misleading—on the better measure of the ratio of housing *repayments* to income, affordability has improved in recent years.¹ Instead, housing deposits are the main barrier to entering the market.

Fair Share mirrors the common view that housing investors are a large part of the problem, missing many relevant facts. Slashing the supposed incentives for investors is likely to have a small impact on price,² so how could these same incentives be causing large price increases? House prices have grown similarly in many developed countries with very different housing investor policies, strongly suggesting a different factor (likely low interest rates) has been the main cause of price growth.³ In addition, *Fair Share* misleadingly argues investors are driving out homeowners because they have a growing share of new housing loans, but a better measure—the share of total loans held by investors—is around its historical average.⁴ The book actually has a worthwhile discussion on the real problem—inadequate housing supply—but this is overshadowed by the defective discussion on housing investors.

Bell and Keating unsurprisingly advocate curtailing negative gearing and the capital gains tax discount without addressing the many arguments against these changes.⁵ Most importantly, the long-term adverse impact of the tax changes on investors will be approximately zero, as they will shift out of housing investments, driving up the rate of return to its old level. And the increased rate of return can only really come from one source: increased rents; as a result, the impact is likely to be largely or wholly felt by renters.

More broadly, Bell and Keating advocate an increased total tax burden. They usefully draw attention to the fiscal train wreck heading our way—if nothing is done, the federal government will have a fiscal deficit of almost 6% of GDP in 2055, or \$105bn per year in today's money.⁶ But this doesn't mean we need tax increases today; instead we need policies to insulate us from this dire scenario. They

suggest some policies that could restrain government spending, including moderating the inadequately justified defence spending level of 2% of GDP, curtailing the remaining industry support policies (particularly defence procurement) and including the home in the pension assets test. *Fair Share* is also not keen on increased government infrastructure spending—a welcome occasion the book runs counter to the dominant narrative—noting the overspends, poor quality, and political interference in many projects.

By contrast, *Fair Share* dismisses the harmful economic effect of increasing taxes, but backs this up with out-of-date US research; research about the effect of welfare withdrawal rather than taxes; and research about the impact of tax on labour supply instead of the impact on taxable income, the broader and better concept.⁷

In many other policy areas, *Fair Share* frequently, and unsurprisingly, argues that more government intervention is required—including on innovation, education, health, childcare and underemployment. While markets are not dismissed, neither does the book propose using markets to their full potential in these areas, in fact arguing there is little scope for reform in some areas including the labour market. Nevertheless, the book has an important section promoting the benefits of free trade and dismissing many mistaken arguments against it.

Inequality is, naturally, discussed at length in *Fair Share*, and like much of the rest of the book there is some good material but also plenty to critique. The book usefully discusses and supports many of the criticisms made of the Piketty thesis that the main driver of inequality is the return on capital; in fact Bell and Keating correctly analyse some of the most significant reasons for growing inequality, including globalisation and government preferment/rent extraction. They do however support the Piketty argument that foolish company boards overpay CEOs, a hypothesis with many problems,⁸ and like much of the left they view inequality as a problem of itself rather than a symptom of other issues (such as government preferment). *Fair Share* notes the growth in inequality has been small in Australia, but the book fails to engage with Treasury and Productivity Commission statements that there have been *no* recent increases in Australian inequality.⁹

On the macroeconomy, *Fair Share* argues current lacklustre economic growth, or secular stagnation, is mainly caused by inadequate demand or insufficient spending. But the book doesn't convincingly show that other potential explanations, such as demography and reduced innovation, are wrong. *Fair Share* also doesn't satisfactorily address a problem with the insufficient demand argument: existing policies are quite expansionary—the stimulus from large deficits and low interest rates is (largely) acknowledged, but the book doesn't sufficiently explain why demand could still be inadequate.

Maybe both monetary and fiscal policy are ineffective, or demand would have been much worse without the stimulus. But both arguments would be difficult to make, and are not adequately made by Bell and Keating. In fact, they argue that interest rates will need to rise soon, and fiscal consolidation is needed, though perhaps not right now. It is hard to reconcile these various positions.

Bell and Keating are correctly concerned with poor levels of investment; their diagnosis for this problem is naturally inadequate demand, dismissing other reasonable arguments. In dismissing tax, however, *Fair Share* veers into the ignorant. The authors are apparently unaware that the IMF and OECD, and a plethora of academic studies,¹⁰ argue company tax has a substantial adverse impact on investment and the economy. Instead they make various uninformed and incorrect arguments including that the effective company tax rate in Australia is low; majority Australian-owned companies won't change their investment decisions due to company tax; and there is no correlation between company tax rates and GDP.¹¹

This is all part of an underlying issue with *Fair Share*—doubtful claims are made without adequate citation. In another example, on page 4, we are told wage growth in Australia 'has been strong' without citation. This would come as a surprise to many including the Australian Council of Trade Unions and the Reserve Bank of Australia who have been talking about poor wage growth in Australia for some time.

Finally, a key argument in *Fair Share* is that there are competing claims for Australia's resources. While this is a truism to a large extent, Bell and Keating make this idea sound like class conflict, taking on a neo-Marxist tone that is troubling.

Fair Share is a more substantial book than many that populate the genre of national introspection. While it does cover significant ground, there is little in the book that is new and much that can be critiqued. While all parts of the Australian economy sorely need innovation, perhaps the place it is needed most is in the market for books on national self-help.

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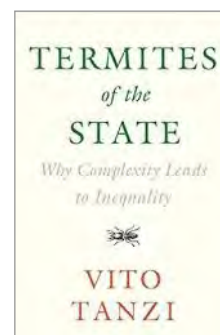
Endnotes

- 1 See Graph 2 in Michele Bullock, 'Household Indebtedness and Mortgage Stress', Address to the Responsible Lending and Borrowing Summit (Sydney: 20 February 2018), <https://www.rba.gov.au/speeches/2018/sp-ag-2018-02-20.html> This speech also argues the overall levels of mortgage stress are low.
- 2 The Grattan institute argues removing negative gearing and halving the CGT discount would cut house prices by about 2%; see page 97 of John Daley, Brendan Coates, and Trent Wiltshire, *Housing Affordability: Re-imagining the Australian Dream* (Melbourne: Grattan Institute, 4 March 2018). A price fall of 2-4% is forecast in SQM Research, *Labor's Negative Gearing Policy—A Market Viewpoint* (22 June 2016). See also Adrian Lee, *Switching Gears: Addendum II—Why Housing Prices Won't Crash* (McKell Institute, n.d.), <https://mckellinstitute.org.au/app/uploads/The-McKell-Institute-Switching-Gears-Addendum-II.pdf>
- 3 Price levels relative to income are similar in Australia, Canada, UK, Ireland, New Zealand, Denmark, Netherlands, Spain, Norway and France. See Graph 1 of Luci Ellis, 'Opening Remarks', Plenary Panel at the Australasian Housing Researchers Conference (16 February 2017), <http://www.rba.gov.au/speeches/2017/sp-ag-2017-02-16.html>
- 4 Investors turn over their loans more often, meaning they have a larger share of new loans than of loans outstanding. But the share of investors in total loans is more relevant. Source: ABS Housing Finance, Australia, Cat No 5609.0, Table 12.
- 5 Some other arguments are in Robert Carling, *Right or Rort? Dissecting Australia's Tax Concessions*, CIS Research Report 2 (Sydney: The Centre for Independent Studies, 3 May 2015) and Michael Potter, 'Negative Gearing Debate Off Track', *The Australian* (11 May 2016).

- 6 Page 47 of Joe Hockey, *2015 Intergenerational Report—Australia in 2055*.
- 7 Significant income at the top doesn't relate to labour supply, but is still affected by tax rates such as capital gains. Tax at high income levels also affects decisions to innovate and migrate, for example Enrico Moretti and Daniel Wilson, 'The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Star Scientists', NBER Working Paper No. 21120 (April 2015). All these impacts are included in estimates using taxable income as the comparator.
- 8 See Michael Potter, 'Capital in the Twenty-First Century: A Critique of Thomas Piketty's Political Economy', *Agenda* 21:1 (Canberra: Australian National University Press, 2014).
- 9 See Treasury briefing released under Freedom of Information: <https://treasury.gov.au/foi/2180/> and page 30 of Productivity Commission, *Shifting the Dial: 5 Year Productivity Review—Inquiry Report* (24 October 2017).
- 10 For example Oguzhan Akgun, Boris Cournède and Jean-Marc Fournier, 'The Effects of the Tax Mix on Inequality and Growth', OECD Working Paper 1447 (2017); Page 48 of International Monetary Fund, 'IMF Fiscal Monitor: Acting, Now Acting Together' (April 2016); Box B.5 of OECD, 'Tax and Economic Growth' (2010); Lars Feld and Jost Heckemeyer, 'FDI and Taxation: A Meta-Study', *Journal of Economic Surveys* 25:2 (21 February 2011), 233–272; and Simeon Djankov, Tim Ganser, Caralee McLiesh, Rita Ramalho and Andrei Shleifer, 'The Effect of Corporate Taxes on Investment and Entrepreneurship', *American Economic Journal: Macroeconomics*, 2:3 (July 2010), 31–64.
- 11 The IMF states the corporate effective tax rate in Australia is in the upper third of the rates for developed countries: see page 21 of IMF, *Australia: 2017 Article IV Consultation—Staff Report*, IMF Country Report No. 18/44 (20 February 2018); the domestic ownership argument completely ignores where the *marginal* (or new) dollar of investment comes from, and ignores investment into new businesses; and a correlation of two variables (GDP and tax rates) is uninformative about the direction of causation, and is likely to be very biased due to the absence of controls. Some studies showing company tax adversely affects GDP are listed on page 15 of Michael Potter, *Fix It or Fail: Why We Must Cut Company Tax Now*, CIS Research Report 20 (Sydney: The Centre for Independent Studies, October 2016).

Termites of the State: Why Complexity Leads to Inequality

By Vito Tanzi
Cambridge University
Press, 2018, 447 pages,
£22.99 (hardcover)
ISBN: 9781198420938



Reviewed by Robert Carling

This is a book about state (meaning government) intervention in democratically governed, market-based economies from one of the world's foremost scholars and practitioners in public finance. He has made it more topical by paying a lot of attention to inequality. To those who might be put off by yet another tome on that subject, I would say don't be—because it's much more than that, and in any case offers valuable new insights into the role of the state in relation to income distribution.

Vito Tanzi's writings appeal to a wide range of readers, being just technical enough for academics but not too technical for the general reader. *Termites* is no exception. There is not a single table or graph, let alone algebra or equations—just 400 pages of text that are generally easy to digest, if somewhat marred by repetition that should have been edited out.

Whether it is Trump's protectionism or Turnbull's bank executive accountability regime, state intervention with a populist twist has gained momentum in the past ten years. Tanzi puts this into context by tracing the history of philosophical and economic thought in Britain, Europe and the US as it relates to government intervention since the *laissez faire* era of the late 1800s. This is a valuable narrative in its own right, though I can't help feeling that what Tanzi describes as the 'market fundamentalism' (p.35 *passim*) of the 1980s and 1990s is part caricature. It is clear from Tanzi's historical narrative that he is acutely aware of the flaws and limitations of state intervention in practice, as well as its power to do good. He is also well aware of the potential disincentive effects and other flaws in high taxation and welfare. He thinks many governments spend more than they need to, and is

no fan of crude Keynesian stabilisation policies or of bloated public debt. As you would expect of an economist who spent 27 years with the International Monetary Fund, he is a strong believer in fiscal discipline.

These issues get an airing in *Termites*, but its emphasis is different. Tanzi explains his unhappiness with the current state of market economies by building the following thesis. Faith in markets became excessive in the 1980s and 1990s and led to deregulation and growing inequality. Economies and markets have become more complex and require more government intervention but of a different kind, which has largely failed to materialise. The rich and powerful have prospered from complexity and are able to manipulate government intervention to their advantage. Crony capitalism prevails. Tax policy changes since the early 1980s have further increased inequality. Government regulatory intervention also has distributional consequences, which have systematically favoured the rich and powerful.

The ‘termites’ referred to in the title infest markets as well as the state. In the latter, they ‘corrupt, or distort, the legitimate economic role that governments try to play’ (pp.119-20), while also distorting the legitimate workings of markets.

Compared with Tanzi’s past writings, there is less emphasis in this book on the tax and spend dimensions of state intervention. But he does express sympathy for the idea of a universal basic income (without calling it that), which I find curious as it would greatly increase the size of government beyond what Tanzi considers adequate. He also thinks it is time to consider lifting taxation on very high incomes while avoiding significant damage to incentives (though it isn’t clear how that could be done).

Taxes and transfer payments are used by government to reshape market-generated income distribution, but Tanzi rejects the notion that government policy with respect to distribution should be left solely to taxes and transfers. He argues that ‘governments must do their best to promote market conditions that help prevent excessive income concentration’. I find the most novel aspect of the book is its analysis of inequality in the pre-tax/transfer income distribution and the role of

government regulatory interventions in shaping that distribution. He takes head-on the idea that the pre-tax/transfer distribution is a pristine reflection of free market forces and therefore has moral legitimacy. As the market is rigged—and made more so by government intervention—so too is the income distribution it produces. There is plenty of regulation of markets already, but we need a different kind of regulation to ‘make the market function more closely to the way that an efficient market ought to function’ (p.229).

Tanzi goes as far as labelling many high incomes as ‘undeserved’, ‘unearned’, ‘rents’ and due to ‘luck’ rather than effort—and they are therefore fair game for redistributive taxation. Wealthy people generate ‘negative externalities’ (envy and resentment) just by being wealthy! He is scathing about excesses in executive remuneration, particularly in financial institutions.

There is no doubt an element of truth in what Tanzi says about market failures, but can *all* high incomes be characterised in that way, or so many as to justify a fundamental change in tax policy? And while government regulation affects income distribution, it does so in disparate ways and the net effect is not clear. I can think of many regulations that help the downtrodden and hurt the rich and powerful. The book cites impressionistic and anecdotal evidence, but I don’t know if that’s enough to support its strong claims. This discussion is also heavily slanted towards recent US experience, which may limit its relevance to other countries.

Despite venting fury redolent of the Occupy movement, *Termites* is not a call to revolution—it accepts a system of democracy and markets as the best—and with a few exceptions is not even prescriptive. It is very good at setting out the problems and issues, the pros and cons, and alternative courses of action, and gives competing views a fair hearing. But the reader won’t find a specific agenda for action. I ploughed through the book constantly expecting a firm policy recommendation on the next page, but it usually didn’t come. This doesn’t mean the book lacks value—it just stops short in a way that may disappoint some readers.

Tanzi concludes by echoing Keynes’ call in the circumstances of 1925 for ‘new wisdom for a new age’

(p.399). As markets are not operating optimally now just as they weren't in 1925, we need a new wisdom of 'well-designed and well-monitored policies [to] bring [markets] closer to the ideal' (p.400). If we fail, populist remedies will multiply and lead to worse outcomes. This is a sobering conclusion. It's just not clear what the 'new wisdom' is.

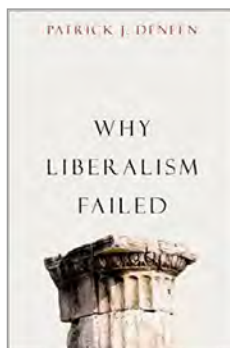
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Why Liberalism Failed

By Patrick Deneen
New Haven and London,
Yale University Press, 2018,
\$US 30.00, 179 pages
ISBN: 9780300223446

Reviewed by Jeremy Shearmur



Why *Liberalism Failed* is a hard-hitting criticism of liberalism in all its forms, from welfare liberalism to libertarianism, written by a conservative American political scientist. Deneen is explicitly critical of that mixture of classical liberal economics and moral traditionalism which has been popular among many American conservatives. His book has been very well-received, and he has been much feted by conservative organisations and publications.

Deneen weaves a striking story out of several different elements. At its heart is the idea that liberalism favours individual autonomy, and that this is not only a starting point in typical liberal political reflection (for example, in social contract theories), but also that liberals (of all kinds) favour the idea of the state as *creating* autonomous individuals. This happens directly and indirectly by way of destroying traditional institutions and

attachments which previously served to constitute people as moral creatures. Deneen's account makes use of some ideas familiar from American conservatism. He favours Classical and Christian ideas about virtue, and the need for people to be shaped as virtuous. (Here he favours an Aristotelian approach to morality and virtue, but does not deal with the problem that it was on the face of it fatally undermined by the shift away from Aristotelianism in science, which offers a picture of nature that is not teleological.) He is also very keen on Edmund Burke and Alexis de Tocqueville.

Deneen's account of liberalism is strongly influenced by Leo Strauss's controversial view that John Locke should be understood as really a Hobbesian. Indeed, Deneen's view of liberalism is a Hobbesian (or economistic) one, in which people are understood as self-interested, and as not having specific characters shaped by various traditions—or if they have, it is seen as being a key task of the state to enable them to acquire the kind of autonomy needed to question it. On Deneen's view of liberalism, nothing is seen as legitimate unless it is chosen by 'autonomous' individuals. He sees liberals as calling on the state to create people as 'autonomous', but then to regulate them, ever more intensively, to restore a modicum of the order in their lives that older—but now illegitimate—institutions once gave them. Liberalism, on his account, is not opposed to but *requires* statism.

This captures an important point about modern welfare liberalism. But modern classical liberals might find this puzzling, for they are anti-statist. Deneen here offers an argument from Karl Polanyi which suggests that state action is needed to remove various traditional (legal) obstacles to free trade. As an extension of this theme, he cites John Stuart Mill as having argued for state action—and even slavery!—to push people into a market economy. The Mill material is indeed striking, but the wider argument is not as strong as Deneen thinks. First, if there are legal obstacles to the development of a market-based society, it seems a bit rich to claim that someone is a statist for calling on government to change this legislation. Second, Deneen does not appreciate liberalism's arguments about the general benefits of participation in an extended market economy.

Deneen does score some important points against welfare liberalism. In some cases—as in Sweden—it seems to have been a deliberate aim of the state to create citizens who are autonomous in almost the sense that Deneen discusses. More generally, our society has shifted to one in which the state and its agents are invited to regulate everything, often in the name of various moralised goals which it is claimed should be realised everywhere in society. Further, individual morality (and responsibility for the consequences of what we do) seem to play ever-diminishing roles.

But one might again say: what of classical liberalism? Here, autonomy is favoured in the sense that there is concern—once people are capable of judgement—about them being forced to comply with arrangements against their will. (Karl Popper's 'critical rationalism' seems to me to offer a really useful account of how one should understand reason in the context of tradition.) But at the same time, classical liberals see individuals as having moral obligations towards others, and as needing to form societies and associations to assist one another. These typically come with rules; but the requirement to comply with these is in no way incompatible with people's autonomy. There is an important literature (for example, work by E. G. West and James Tooley on education, and David Green and David Beito on welfare) on the way in which such associations—and also commercial provision—played a key role in the past, prior to a takeover by the state. There is every reason to explore how such work might be built on to assist us in dealing with the (rather different) problems of today. What in my view is crucial for classical liberals is that we avoid endorsing state provision or, say, the ever-growing entanglement of charities with the state. If we don't do this, then we will be moving towards the kinds of arrangements that Deneen outlines as the only options for liberals.

It is important, however, to appreciate that if classical liberals take a course of action which is opposed to statist liberalism, then we will need to do some tough intellectual work against the spirit of the age. We must be willing to defend the idea that freedom will mean that different groups of people will do things in different ways, and with different

outcomes. Classical liberals need to articulate, once again, what rights they take people to have (and why), and to reject the extension of rights to embrace everything that people might feel subjectively entitled to. We will also need to argue *why* there is nothing wrong with inequality as such, and that inequality is a quite different matter from people being in dire need. (While there is obviously a lot of room for argument about this, it would seem to me that if we think there is a general social responsibility here, there is a case for considering a 'basic income' paid, from taxation, to everyone. A key advantage of this is that it would minimise the degree of state control involved over people's conduct, while at the same time offering a practical solution to the problem of what happens to people who for one reason or another do not comply with the rules of mutual aid associations.)

In Deneen's view, liberalism is hopeless. He sees it as leading to misery, class division (between a minority who are effective in the exercise of autonomy and those who are not), and a regulatory and intrusive state. He holds liberalism responsible for the major ills of the modern world: the problems of the higher education system, of technology's adverse impacts, of environmental degradation, the 2008 financial crisis, political illiteracy and, it would seem, the election of Trump (compare pp. 156 and 161)! While liberalism has some positive features, he wishes to trace these to an earlier intellectual heritage from the classical and medieval period.

But what might be said of Deneen's positive views? They seem to me feeble. An initial problem is his Aristotelian view of virtue, which I have discussed above. A second is that he wishes to see the state and its institutions as properly in the business of educating us in virtue. A third is that he seems to have no conception of morality independent of institutional practices. Traditions and institutions are important, and it makes little sense just to repudiate them. But here we surely have to discriminate. Some inherited institutions and practices are fine; others stand in need of reform; others are problematic and may need to be rejected and replaced. While in other cases we may see that there are problems, but not be sure what to do about them. An uncritical

endorsement of traditionalism and localism—to which Deneen gets close—is also problematic. Think only of the practices, traditions and—one must stress, also laws (and failure to enforce other laws)—of the Jim Crow era in the United States (and of parallels in Australia). They—and their heritage—play an important role in explaining the statist orientation of some liberals keen for reform.

In more positive terms, Deneen does not say much other than echoing suggestions about the trying out of alternative ideas in experimental non-liberal communities, which he develops with acknowledgement to Rod Dreher's *The Benedict Option*. This explored the creation—after the fashion of Benedictine monasteries in the chaos following the Roman Empire—of small communities in which alternative ideas and ways of life can be tried out. (As Dreher makes clear, he developed his own ideas on the basis of suggestions in Alasdair MacIntyre's *After Virtue*, to which it is odd that Deneen does not refer here.) Such experimentation, while worthy, would seem to be ephemeral to the large-scale market economies upon which we all currently depend. And should it be successful, such groups would face the problem—which Francis Newman raised in the 1850s in relation to utopian socialism—of how economic relations between the different non-market communities are to be coordinated without markets.

One general problem raised by Deneen's book is posed by the relationship between virtue and social problems that appear at a macro level. These problems are, clearly, the consequences of our actions. It is not adequate, however, to invoke virtue as a constraint on our actions as a remedy. Virtue is important for the development of our selves and our relations with others at a micro level, and there are interesting questions about how it is best cultivated among the uncertainties—for example, about location and employment conditions—that arise within market economies. But there is no special reason why the

constraints on our conduct that traditional ideas about virtue suggest should be desirable in their macro-level consequences. (There was a lively discussion during the 18th century, initiated by Bernard de Mandeville's claims that macro-level problems would come about if people were to become virtuous!) More seriously, to put the matter round the other way, what is required in order to resolve particular macro-level problems is not necessarily something that would make sense, in its own terms, as an account of virtuous individual conduct.

This is one reason why classical liberalism has stressed the significance of people being given incentives to do the right thing. This points towards people acting in ways that have the specific consequences that are required (to stress the point again, they are not actions which will necessarily make sense as matters of virtue), while at the same time respecting their freedom of choice. Hayek's arguments about the importance of a common-law approach, and of regulations being couched in completely general terms, are really important here—not least because to choose, instead, discretionary regulation is a primrose path to tyranny. Another way to go would be for individuals to choose to submit themselves to rules designed to bring about particular macro-level effects: people choosing to live in the Disney-designed town of Celebration in Florida was a striking example of this.*

All told, the book, while interesting—but also infuriating because of his misrepresentations of liberalism—is well worth reading. It should also point today's classical liberals towards important work that needs to be done if we are not to follow welfare liberals down the path of ever-greater state regulation.

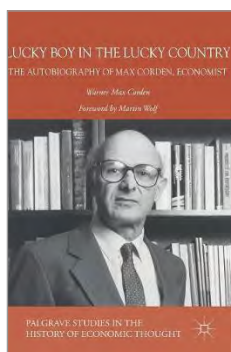
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* See Jeremy Shearmur, 'Living with a Marsupial Mouse: Lessons From Celebration, Florida', *Policy* 18:2 (Winter 2002), 19-22, <https://www.cis.org.au/app/uploads/2015/04/images/stories/policy-magazine/2002-winter/2002-18-2-jeremy-shearmur.pdf>

Lucky Boy in the Lucky Country: The Autobiography of Max Corden, Economist

By Warner Max Corden
Palgrave Macmillan, 2018,
243 pages, €119.59
(hardcover) €95.19
(ebook)
ISBN: 9783319651651



Reviewed by Eugenie Joseph

With news headlines early this year dominated by US President Donald Trump's moves to introduce import tariffs, it seems that old debates on free trade and protectionism are well and truly back in the spotlight. But in reality these debates are never truly won: the case for free trade must be re-prosecuted again and again, pointing to the tangible benefits that accrue to consumers in terms of lower prices for goods and to households in the form of greater wealth.

Given this context, there is nothing passé about the study of trade economics. There is still plenty to learn from recalling Australia's transition from a closed, highly protected economy of the mid-1900s to the largely open, free-trading economy of today. Australians should not take these past achievements for granted. A timely reminder is provided in the recently released *Lucky Boy in the Lucky Country*, the autobiography of Max Corden, one of Australia's most notable trade economists whose work on the theory of trade protection played a critical role in laying the foundations for trade liberalisation in this country.

From Breslau in Germany (now Wrocław in Poland) to high school in Melbourne to the vaulted spires of Oxford University and the political epicentre of Washington, Corden's life and professional career have spanned the world. Less well known but just as worthy of sharing is Corden's personal story and family background. Hence, the first part of his autobiography is dedicated to recounting his remarkable personal story, while Part II follows his professional life and career. But although *Lucky Boy*

in the Lucky Country is classified as an autobiography, it is also a personal memoir in the most complete sense: a mixture of biographical account, historical commentary, philosophical musings and reflections on his seminal works.

With living memories of the pre-World War II world now fading, Corden's account of his early childhood as a Jewish boy in pre-war Germany offers poignant and absorbing insights: a depiction of a young life profoundly formed by the political turmoil of that era. Corden paints an evocative picture of his early life under the shadow of Nazi rule in the 1930s, followed by a timely escape to boarding school in Britain—perhaps surprisingly, a happy interlude in his life which made him a lifelong Anglophile—and migration to Australia as a refugee with his parents and siblings on the eve of World War II.

Rather than a chronological approach, however, Corden then proceeds to take several detours to recount his family history, along with the heartbreaking story of his Jewish relatives caught up in the horrors of the Holocaust. He confronts the difficult truth that he could have been another victim, attributing his escape to the forces of luck which tragically eluded so many others, including close relatives.

There is also a sense that Corden, now in his nineties, has come to appreciate the significance of being a first-hand witness to an extraordinary period of history through living as a child in pre-war Nazi Germany. His extensive reflections on the history of anti-Semitism in Europe are interesting but ultimately less satisfying, given the wealth of historical analysis produced on this subject.

Against the backdrop of a world at war, Corden describes his arrival in a provincial but peaceful Australia and his largely happy integration into Melbourne life. The Australian education system appears to have served him well; Corden graduated from high school with good grades and won a university scholarship. Acting on advice from his pragmatic father, Corden put aside his personal inclination to study history—his favourite subject—in favour of commerce, which his father believed would lead to a better job. As commerce included studies in economics, his future was undoubtedly set in motion from this point.

Following university, and aside from a short stint as a public servant, Corden's career was firmly grounded in the world of economics and academia. He soon established himself as an authority on trade protection, followed by a mid-career shift to international macroeconomics. Readers with scant knowledge of economics, however, may find their attention span challenged where Corden acquaints them with his various academic works, albeit in relatively simplified language and avoiding technical detail.

In Part II of his autobiography, Corden reverts to a more chronological approach to reflect on his 50-year career in economics, giving entertaining accounts of his career highlights which included teaching positions at Oxford University and John Hopkins University in Washington. He also acquaints the reader with his wide circle of friends and colleagues, which reads as an impressive who's who of the economics world including—to name a few—James Meade, John Hicks, John Crawford, Trevor Swan and Fred Gruen.

Regarding his professional achievements, Corden retains a distinct humility. He views his vocational success as largely a product of luck and circumstance, rather than any innate personal qualities. He cites his main achievement as changing 'elite opinion' on trade reform and drawing public attention to the costs of trade protection. While his modesty is commendable, the book cannot fail to convince the reader that Corden is not only a man of exceptional intelligence but also someone who displayed remarkable dedication and drive from a very young age.

Corden's own political philosophy is harder to neatly categorise. He believes in the economics of free trade but expressly denies being a neoliberal or 'market fundamentalist'. He maintains faith in both the role of government to correct market failures and the social democratic ideals of a welfare state. Related to this, he concedes a rational basis for President Trump's concerns about free trade. He believes that calls for protectionism ultimately reflect the 'conservative social welfare function'—the need to avoid declines in sectional incomes. But he also believes this reflects a failure of the welfare system to sufficiently compensate the

'losers' of international trade. This sense of realism may help to explain why Corden never proposed policy reforms that were too radical, but instead advocated for gradual tariff reform.

Corden's legacy to Australia serves as a timely reminder of the need to build the theoretical and empirical evidence base for major economic reform and to communicate it effectively to the public. Given the toxic nature of current debate over economic reform in Australia, policymakers would do well to remember this.

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Australia Reimagined: Towards a More Compassionate, Less Anxious Society

By Hugh Mackay
Pan Macmillan, 2018,
\$34.99
ISBN 9781743534823



**Reviewed by
Robert Forsyth**

In *Australia Reimagined* Hugh Mackay, longtime social researcher and prolific writer, outlines his suggestions for a better Australia. But while the author comes across impressively many of his specific proposals do not.

Mackay believes that Australians are 'both troubled and chirpy' (p.285). We are troubled in that we are 'a more fragmented society than we have ever been' and we are in the grip of an 'epidemic of anxiety' (p.6). The troubles he has in mind include the widespread loss of faith in institutions, anxiety about technological change, pessimism about our

overall quality of life, increasing economic inequality, lower educational achievement, our treatment of asylum seekers, and the lack of sufficient progress on gender equality. Some of the items on this list will give the reader the immediate impression that Mackay is approaching things from a rather narrow cultural and political point of view, although he seems unaware of this.

At the same time, Mackay believes Australians are chirpy because, despite everything, much is going well: we have a robust parliamentary democracy, we are reasonably well educated, with relatively low unemployment, good healthcare, a great physical environment, and pride ourselves on the 'fair go'. Perhaps the problem is that we are too well off, he wonders. Maybe things need to get worse before they get better:

Given our paradoxical blend of dissatisfaction and complacency it might require even more serious instability, perhaps amounting to chaos, to convince us to look for more imaginative solutions to the problems that beset us and make us the troubled nation that we are (p.16).

Mackay is, however, no pessimist. *Australia Reimagined* brims with positive suggestions for the way forward. His main thesis is clearly outlined on the very first page in the subtitle to his introduction 'Compassion changes everything' (p.1.) A little later he unpacks this theme:

Social cohesion, grounded in compassion and mutual respect, is the key to true greatness for any society. By contrast, social fragmentation—exacerbated by rampant individualism and competitive materialism—inevitably damages the social fabric and diminishes our capacity for greatness (p.7).

The case for compassion and respect is attractively made in a number of places in the book. In chapter 2 on anxiety Mackay asserts, 'I repeat: compassion—not just belonging—is the great antidote to anxiety' (p.68). In his discussion of social

media, he emphasises that the essence of human communication is emotional vulnerability and warns of the dehumanising distance of the internet. In the book's most impressive chapter entitled 'The better world you dream of starts in your street', he suggests taking responsibility at the local level where actions can make a real difference in building the much-needed social capital on which the health of any society depends. Here he is at his most convincing when giving wise advice on a more personal level:

There is no magic wand for building a better society. No messianic leader can do it for us; no self-help manual has the answer. The truth is so amazingly simple, it's easy to overlook. . . . You'd like to see a more peaceful world? Then start by making your street, your family, your workplace more peaceful (p.173).

It is when he ventures into the world of public policy that the book falters. Mackay constantly oversimplifies. For example, he briefly discusses the deeply complicated question of border protection policy as if it was only about unattractive Australian values. In passing he refers to what he calls 'the alleged threat of international terrorism' (p.13). Entirely innocent of the existence of dangerous Jihadist movements, he states that 'our participation in the murky complexities of Afghanistan and Syria raises . . . deep questions about what the hell we are doing there and whose side we're on' (p.291). The only danger with Islamic fundamentalists is that they are at risk of 'hardline, dogmatic Christians wanting hypocritically to attack what they see as offensive passages in the Koran' (p.221).

When Mackay does enter into more lengthy discussion the results are no better. Despite some excellent advice that the main way to stand up for tolerance, compassion and mutual respect is by example (p.105), the general treatment of multiculturalism in chapter 3 ('Whose afraid of diversity?') seems to boil down to the difficult and confusing proposition 'we are actually defined by our diversity' (p.102). Yet when we come to gender (chapter 6 'Gender wars: a pathway to peace') the

previous talk of diversity goes out the window. While Mackay's treatment is more nuanced than some, at the end of the day for him there is only one way that history is going—'true cultural change' (p.207) means society will become 'gender blind'. He proposes quotas as the 'final big step' that is needed 'before the work of the gender revolution can come fully to fruition and we can get on with establishing a new social order' (205-6). There is to be no diversity on gender roles. Again, it is those pesky 'ultraconservative Christians' who are ignoring 'cultural evolution' (p.200).

Which brings us to Mackay's discussion of religion in chapter 7. His title says it all, 'Religion's noblest role: promoting compassion'. Yet he wants to have it both ways. He is sure that 'Australia is far from finished with religion' (p.215) but then accepts Friedrich Nietzsche's claim that 'God is dead' in the imagination of the post-Enlightenment West, including as a source of morality. He confidently asserts that 'we have come to realise that morality is a social construct' (p.221). In what sounds more like wishful thinking than fact, he claims that there is 'a big movement, like a silent tide, from an "out there" interpretation of God to an "in here" view of God as a loving spirit that is within us and among us.' Such a movement apparently makes atheism harder, for '[w]hat person of goodwill is not in favour of the idea that love—compassion, kindness, charity—is the most powerful force in the world' (p. 212). Maybe, but it does not seem that Mackay has actually read much of Nietzsche, who saw things differently: 'When one gives up Christian belief one thereby deprives oneself of the *right* to Christian morality. For the latter is absolutely not self-evident.'*

Worse still, some of Mackay's big ideas in *Australia Reimagined* are simply extreme. In chapter 9 'Choice: the big threat to public education' he proposes the abolition of all public funding of private education. In chapter 8 'Politics: Is this the best we can do?' he argues that frustrations with the present political system are best overcome by replacing elections entirely with the random selection of

members of parliament from the electoral roll to serve for a limited term. This, he opines, 'is the closest thing to true democracy you can imagine, where every citizen has a statistically equal chance of being asked to serve in the parliament' (p.237). How such an unaccountable system of government—which Mackay admits would only give increased power to the unelected public service—is more democratic or would provide better outcomes is beyond imagining. The only reason he gives for this proposal not being adopted is the cynical observation that 'it's hard to imagine any parliament voting itself out of existence in favour of some purer form of democracy' (p.241). I would have thought that the good citizens of Australia would have something to say at any constitutional referendum that deprived them of any say in who governs them.

Surprisingly for a book entitled *Australia Reimagined*, there are whole areas of national life which are effectively ignored. Mackay shows little interest in economics other than to repeat the claim of increasing income inequality. He has little to say about Indigenous policy other than to criticise the Turnbull government's rejection of the proposed 'voice' to parliament. And there is nothing on energy, foreign affairs, identity politics, population, federalism, health, defence or productivity.

Mackay says his book 'draws on experience acquired during a 60-year career in social research' (p.315), but this does not justify the lack of references in the text or even an index. What he does give us is an impressionistic collection of wise observations and unanalysed thought bubbles. While it might seem churlish to be critical of a book that obviously means well and whose author is a model of the compassion and respect that he advocates, it could have been much better.



The Right Reverend Robert Forsyth is a Senior Fellow at The Centre for Independent Studies.

* Friedrich Nietzsche, *Twilight of the Idols*, translated by R.J. Hollingdale (London: Penguin, 1968), 21.

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