



Beyond
the Current
Pessimism

Ray Ball

occasional papers

THE CENTRE FOR INDEPENDENT STUDIES

The CIS is an independent economic and social research institute concerned with the principles underlying a free and open society. An essential requirement for a healthy free society is that public policy decisions should not be dominated by one particular view or set of views. If ideas are not tested by competition then public policy decisions may undermine rather than support the foundations of a free society.

In encouraging competition in ideas, the Centre for Independent Studies:

- conducts research on its own account;
- encourages outside scholars to investigate important issues and develop programs of research;
- publishes the results of its researches;
- provides forums for the public discussion of important social issues; and
- promotes the results of its studies to the public-at-large.

The majority of the Centre's research is concerned with economics, particularly the study of markets and pricing systems as technical devices for registering preferences and apportioning resources. However, there is a link between economic freedom and personal liberty; accordingly, studies are made of the relation between individuals and the effects of excessive government regulation.

The research work of the CIS is assisted by a Council of Advisers and supervised by a Research Committee. Members of the Advisory Council include:

Professor H.W. Arndt
Professor Ray Ball
Professor R.J. Blandy
Professor Geoffrey Brennan
Professor Lauchlan Chipman
Professor Kenneth Clements
Professor David Emanuel
Professor Malcolm Fisher
Professor R.M. Hartwell
Professor F.A. Hayek

Professor Warren Hogan
Professor Wolfgang Kasper
T.H. Kewley
Professor Richard Manning
Dr Naomi Moldofsky
Professor R.R. Officer
Professor Ross Parish
Professor C.G.F. Simkin
Professor Peter Swan
Professor Geoffrey de Q. Walker

The Centre is constituted as a non-profit company limited by guarantee and is independent of any political party or group. It is financed by sales of its publications and by voluntary subscriptions and contributions from individuals, organisations and companies.

Executive Director
Greg Lindsay

Research Director
Ross Parish

Research Fellow and Director of Studies
David Band

Executive Editor
Rose McGee

Orders for publications and subscription enquiries should be addressed to:
The Centre for Independent Studies
575 Pacific Highway, St Leonards, NSW 2065
Australia
Telephone (02) 438 4377 Fax (02) 439 7310

Beyond the Current Pessimism

CIS Occasional Papers 18



Beyond the Current Pessimism

Ray Ball

Based upon an address given to the AGSM Alumni Association, 3 July 1986, while he was Foundation Professor of Management, Australian Graduate School of Management

**THE CENTRE FOR INDEPENDENT STUDIES
1987**

Published August 1987 by

The Centre for Independent Studies Limited

All rights reserved

Views expressed in the publications of the Centre for Independent Studies are those of the authors and do not necessarily reflect the views of the Centre's staff, Advisers, Trustees, Directors or officers.

National Library of Australia

Cataloguing-in-Publication Data

Ball, Ray, 1944- .
Beyond the current pessimism.

Bibliography
ISBN 0 949769 37 1.

1. Australia — Economic conditions — 1976- .
 2. Australia — Economic policy — 1976- .
- I. Centre for Independent Studies (Australia).
II. Title. (Series: CIS occasional papers; 18).

330.994'063

© 1987 The Centre for Independent Studies Limited.

Foreword

The Centre for Independent Studies' *Occasional Papers* series provides an opportunity for authors to present personal perspectives on broad issues of public policy. This contribution to the series, by Professor Ray Ball, is an intensely personal interpretation of the historical roots of the Australian sickness. To the extent that it is a work of historical analysis, it has the added interest — some would say advantage — of not being written by a historian!

One of the most chilling elements of the paper is the way in which Professor Ball demonstrates just how many symptoms the Australian sickness has. It is a telling comment on our economic and political culture that, in only 200 years, we have been able to construct so many mechanisms aimed at shutting ourselves off from reality.

It is true that, in recent times, the Australian government has taken some steps towards the real world, such as the deregulation of the exchange rate. It has to be said, however, that there is little evidence that such steps have been taken in response to any pressing public demand for them. Moreover, we have been unwilling to take other necessary measures — such as the freeing up of the labour market and the reduction of penalties on success — without which the first kind of change simply makes us more vulnerable.

Why this reluctance? Professor Ball's thesis is that the explanation is a cultural one. His thesis is strengthened when one compares Australia's performance in the 1980s with that of most comparable countries. To an extent, the problems that he identifies have been true of most developed countries over the past 40 years. But in recent times the majority of our competitors have been willing to acknowledge them and to tackle them. This has been both a cause and a product of marked shifts in the political and economic cultures of those countries. By contrast, the Australian response has included the invention of a new range of taxes and the further ossification of what was already the Western world's most rigid labour market.

One of the achievements of Professor Ball's paper is his account of Australians' long-standing dependence on the state, whether imperial or home-grown. A side-effect of this lifetime reliance on a tax-fed nanny is Australians' resentment of achievement. As Professor Ball says, this is usually bundled up into our well-established 'Tall Poppies Syndrome' (for which there should surely be a medical acronym?), but this dismissive euphemism should not be allowed to hide just how destructive this mentality is.

It is part, in fact, of a deep-seated suspicion of wealth creation. It leads to quite extraordinary nonsenses: not merely the tax 'reforms' that we have witnessed in the 1980s; but also to claims about the size of our

deficit being due to private sector overseas borrowings; and to a general ignorance of the nature of wealth and its creation. This ignorance is growing as the proportion of our population not involved in wealth creation increases.

As Professor Ball says, there is a widespread ignorance of, to put it bluntly, where money comes from. There is little evidence that Australians understand the causes of inflation, let alone the fact that it is an evil. There is a great deal of evidence that they believe the problem is one of companies unfairly increasing their products' prices — and that therefore there is a need for price surveillance authorities, rent control, etc., etc.

The great merit of Professor Ball's personal statement is its thorough dissection of the malaise in Australian political and economic culture. As he shows, only a child shielded so long from the real world would behave in the way Australians do as economic actors. Indeed, it is the stunning unreality of Australian economic culture that comes through so clearly in his analysis. Only a culture wilfully ignorant of economic logic and the real world could have, for example, either produced the wage case decisions of recent times or reacted so meekly to them.

Professor Ball's paper does leave one reader with a lingering question. Taking a cue from his title, are there any grounds for optimism? The paper is clear and convincing in its prescriptions to cure the sickness. But is there any evidence that Australians **want** to exercise greater freedom and responsibility? For, without that desire, there is **nothing** 'Beyond the Current Pessimism'.

David Band

Executive Summary

Signs of pessimism are plentiful in Australia. These signs, many of which are surveyed here, appear to reflect not just adverse short-term economic news, but something more basic in Australian society. There appears to be a lack of confidence in dealing with changes afoot in the world.

In seeking to explain this deep-rooted pessimism, the thesis is developed that, by and large:

1. Australians have been unusually sheltered, over most of the country's history, from needing to accept primary responsibility for their own economic futures;
2. Australians have adapted their attitudes and institutional structures over time to reflect a world in which they do not have primary responsibility for their own economic futures;
3. Australians have experienced a comparatively recent withdrawal of the arrangements that have sheltered them from responsibility for so long and thus have been confronted, for the first time, with the long-run consequences of their own economic decisions;
4. Australians lack experience and, therefore, ability and confidence in their capacity to adapt their individual and institutional attitudes and processes to a world in which responsibility for their own futures will be exercised, either implicitly or explicitly, by themselves; and
5. Australians need to work diligently and patiently over a long period of time to develop individual and institutional attitudes and processes to a point where they can deal successfully with their own futures.

We are now beginning to observe the consequences of Australians, and Australian economic institutions, having been sheltered historically from responsibility for their own economic futures. Dependence has led to inability to adapt. The symptoms, at least, are clear. Hence the current pessimism.

About the Author

Ray Ball is Professor of Accounting at the William E. Simon Graduate School of Management at Rochester University. He was Foundation Professor of Management at the Australian Graduate School of Management, University of New South Wales, and has also taught at the Universities of Queensland and Chicago. Professor Ball is a member of the CIS Advisory Council and the author of numerous articles and several books. His research and teaching interests in accounting and finance involve economic analysis of both organisations and markets.

Beyond the Current Pessimism

Ray Ball

There is a clear, deep-rooted pessimism in this country. It is rooted in the country's bedrock, even though it only recently has surfaced in public debate. In this paper, I offer a personal view of that pessimism, its source and its implications.

Australians, in my view, have been unusually sheltered through most of their history from primary responsibility for their own economic futures. My thesis is that Australians in most walks of life — individually, as families, and operating in economic institutions such as business firms and trade unions — historically have deferred to and become dependent upon economic and social institutions that are external to themselves, most of which have now been removed or have lost their effectiveness. Having adapted their institutions, attitudes and practices to reflect a world in which they have a limited responsibility for their own economic futures, Australians lack the confidence to deal with their newly-discovered need to make their own economic way in the world.

This dependence initially took the form of state paternalism. The pattern was established at the very founding of the New South Wales colony, when the offices of Governor and subsequently Colonial Secretary were granted extensive powers by the Crown in England. In allocating labour and land (which were important inputs for agricultural production at that time) and in arranging access to overseas markets, the early colonial governments created an environment that encouraged entrepreneurs to direct much of their efforts toward cultivating political influence.

Conversely, their efforts were directed away from accepting responsibility for the markets in which they obtained their inputs and sold their output. From the outset, the typical Australian entrepreneur was sheltered from competitive forces. We can infer that the typical Australian entrepreneur, viewed in comparison with world counterparts, developed more skills in political opportunism and fewer skills in dealing with input and output markets. Over time, the Australian commercial fabric as a whole has evolved to reflect unusual dependence upon external institutions, rather than responsibility for its own future.

By the time Britain joined the European Economic Community 185

years after the colony was settled, thereby eliminating Australia's preferential access to the markets of its erstwhile major trading partner, Australians had learned how to create many of their own institutions for economic and social paternalism. Notable examples are the Tariff Board, the Conciliation and Arbitration Commission, the various state-owned electricity authorities, and the labyrinth of bodies controlling the production and marketing of essentially all agricultural production.

Thus, in comparatively recent times Australia has become almost self-sufficient in creating instruments of state control, which is a cruel irony. Nevertheless, many of these instruments were adapted from (or grafted onto) British institutions. In one way or another, for almost two centuries, or approximately 93 per cent of Australian history from European settlement to date, Australians evolved their economic practices, organisations and attitudes in a world of dependence rather than responsibility.

Whether imposed from within or from without, this paternalism has sheltered Australians from accepting full responsibility for their own economic futures. It has led to a self-reinforcing cycle of dependence. If one does not fully accept responsibility for one's own future, then one becomes dependent upon the state; and if entrepreneurship is directed away from markets, then it begins to create more and more effective mechanisms of state paternalism. Relatively and generally speaking, Australians lack experience, ability and confidence in accepting responsibility for their own adaptations to change. And change is occurring, apace. It cannot be handled effectively by the state. This combination of events, I believe, is the source of the current pessimism.

The root cause of the current pessimism therefore goes deeper than the existence of state control. It involves a widespread and long-standing dependence, by Australians, their families and their economic institutions, upon authorities that are external to themselves. The issue has long since become the need for, not the mere existence of, state control. This long-standing and evolving responsibility avoidance cannot be captured in simple economic statistics, such as the ratio of government expenditure to national income, or the proportion of the workforce employed in the public sector, or even the relative size of the social welfare budget. These statistics no doubt are affected, but the problem lies deeper. It lies in what is taught in Australian families, schools, universities, churches and other formative institutions, in the training, practices and attitudes of employers and employees, in the role of government in Australia, and in the social fabric in general.

Because Australians and Australian institutions have been nurtured in, and have adapted to, a comparatively protected world, reducing state control will not in itself solve the problem. While this is a necessary condition for the development of responsibility among Australians and Australian institutions for their own economic futures, it is not

sufficient. In economic language, after two centuries of economic paternalism one needs to consider the demand for, as well as the supply of, state control.

If there is a solution to the current pessimism, then it will not come overnight. An implication of this thesis is that Australians have only recently been forced to consider these issues, so it is early days yet. Australians will need to work patiently and creatively over a long period of time, not only at reducing state paternalism (as emphasised by most economic commentators), but also at reducing their dependence upon state paternalism. This requires the development of individual and institutional attitudes and processes to the point where Australians are able to deal successfully with their own futures.

The potential consequences of failure are substantial. Their comparative lack of experience, ability and confidence in adapting to change places Australians, taken as a whole, at a competitive disadvantage relative to less constrained societies. If sustained over a prolonged period, such a competitive disadvantage translates into substantially reduced relative wealth. Here, it is imperative to understand the connection between wealth and welfare. Wealth provides opportunities for welfare that simply would not otherwise be available. Thus, Nathan Rosenberg and L.E. Birdzell Jr., in their marvellous book *How the West Grew Rich* (1986), note that increasing wealth is translated into increasing life expectancy, health, literacy, education, experience, choice, leisure and freedom. They comment that: 'It may be true of individuals that the rich differ from the poor only in having more money, but in the case of societies, the rare examples we have of rich societies differ from the poor not simply in having a higher per capita gross national product, but in creating an entirely different life for their members'. At a societal level, wealth and welfare are correlated, the Dickensian type of nonsense notwithstanding. Any free society — and, in spite of the foibles described herein, Australia must be classified as a free society — has to be deeply concerned about its long-term wealth prospects, for with wealth there arises the opportunity for welfare.

I emphasise at the outset that I am speaking in broad generalities. My aim is to describe a model that I personally find to be useful in organising my reactions to a variety of things Australian. Like all models and generalities, this view does not describe all instances. Nevertheless, I find it useful and I hope that readers will too.

I. THE CURRENT PESSIMISM

That there is a current pessimism is abundantly clear. Permit me to provide a partial catalogue of the phenomena we have observed in recent months. The strength and breadth of these issues is overwhelming.

Ray Ball

Trade Deficit

One of the powerful statistics of recent times is that Australia is running an annual trade deficit in the order of approximately \$15 billion. That means that Australia is importing much more than it is exporting and that it therefore is liquidating its wealth at the rate of \$15 billion per year. The implication of this is of interest: the deficit is being financed either by selling off assets (either foreign or domestic) or by selling off claims, in the form of debt, to those assets. On the social balance sheet, the country therefore is pursuing a liquidation strategy, at a rate of approximately \$1000 per man, woman and child, per year. Wealth is reducing at this rate and so are future living standards, since wealth is equal to present value of future consumption. The trade deficit merely reflects our desire as a nation to consume our wealth.

Political Rhetoric for Declining Wealth

Australian politicians of almost all persuasions now talk routinely in terms of declining wealth. The code-words are 'wage discounting', 'delaying implementation of the national wage case', 'austerity', 'living beyond our means', 'tightening our belts', and so on. These simply are acceptable political language for describing reduced wealth. Then there is Treasurer Paul Keating's celebrated 'banana republic' remark.

Commodity Prices

Taken as a whole, commodity prices are at record lows in real (i.e. inflation-adjusted) terms. This holds for agriculture, metals and energy resources, all of which have been important in the Australian economic past.

Currency

The Australian dollar is at a record low against other currencies, taken as a whole. Interest rates are running at high levels, relative to those of our trading partners, so the Australian dollar can be expected to decline further.

Surveys of Confidence

Surveys of consumers, investors and voters alike conclude that confidence in the economy has plummeted.

Inflation

The rate of inflation in Australia currently is in the order of 5 per cent p.a. greater than that in its trading partners, taken as a whole.

Gross National Product

At the time of writing, GNP has fallen, in real terms, during two successive quarters.

Manufactured Products

Surveys show that a majority of Australians believe Australian manufactured goods to be of lower quality and higher price than imported goods.

Technology

In 1984, the most recent year for which statistics are available, Australia exported only \$US65.30 per person of goods classified as technological. This was (1) the lowest level for more than a decade; (2) less than one-half of the figure for New Zealand; (3) trivial in comparison with figures in excess of \$US1000 for the three small countries of Ireland, the Netherlands and Sweden; and (4) the lowest of all of the 24 OECD countries, except Iceland.

Labour Costs

At the end of 1983, the most recent year for which statistics are available, the average working week in the Australian manufacturing sector was 35.6 hours, excluding overtime. This compared with: European Economic Community, 39.4; USA, 40.1; Japan, 44.3; Singapore, 49; Hong Kong, 50.1. No country worked fewer hours than Australia. Conversely, no country had a higher wage per hour in manufacturing, at the end of 1983, expressed in common currency. The comparison most likely would be even less favourable in the resource sector, where the wage deals seem even better than in manufacturing.

In an unregulated economy, the optimum real wage of course is 'large', since wealth brings well-being. In the Australian case, however, there is reason to believe that wages are set artificially high as a joint consequence of tight regulation of the labour market and the ability of labour unions to collude. There is little evidence to suggest that Australians, on average, earned the highest manufacturing wage rate in the world at the end of 1983, or that the high wage rate reflects the real

productivity of Australian labour. Given the nature and extent of political interference in the Australian labour market, it is fanciful to surmise that the Australian wage bill is actually earned.

Many of the statistics cited above are short-term in nature. They therefore can be expected to vary over time, so that the present situation could be viewed as temporary. However, other statistics, notably the low level of technological exports, did not arise overnight. I do not believe that there would be such a strong and widespread reaction to the recent performance of the Australian economy if it were not symptomatic of deeper-rooted issues, such as those discussed below.

Industry

The nation's industrial base is widely seen as having suffered from decades of protection from international competition. Since World War II in particular, tariffs and import quotas have offered short-term insulation from innovation throughout the world, the long-term effect being an erosion of international competitiveness and comparative standard of living.

Protection does not in itself imply a substantial erosion of competitiveness, as the Japanese experience suggests. There are at least two important differences between the Australian and Japanese models. First, Australia embraced the 'infant industries' argument, and recent equivalents, in which protection is removed when an industry becomes profitable. Hence, wealth-creating actions in tariff-protected firms are penalised by the Australian government, because they reduce the likelihood of continued protection from competition. This is a subtle form of taxation, in which the removal of a tariff is analogous to the incidence of a tax on success. It is in addition to the usual (high) taxes on company profits and on dividend distributions (the latter has been slated for removal, but a savage capital gains tax has been introduced). The end result is that the 'infants' do not want to grow up.

It is a perverse society that deliberately penalises firms for matching progress in the rest of the world. In contrast, the Japanese have been sensible enough to avoid making failure a necessary condition for protection; equivalently, they have not used 'protection' to penalise success. (A related effect of untenured tariff protection under the 'infant industries' model is to reduce firms' planning horizons, thus encouraging myopic investment.)

Second, Australia prohibits collusion among corporations and both allows and encourages it among labour unions. Thus, if there are gains from tariff protection, then it seems likely that the final beneficiaries will be monopolised labour, not capital. That is, the labour unions simply will capture the gains from tariff, forcing companies to seek even more protection. Unprofitable industries subject to tariff protection

seem likely to be locked in a cycle of unprofitability and high labour costs relative to their international competitors.¹

Markets

The nation's markets, notably its labour markets, have been stifled by an extensive and paternalistic network of governments and authorities. Australia is a small country, economically speaking, and it has three levels of formal government. At each level, one finds administrative structures (in the form of regulations, laws, procedures, commissions, tribunals, bureaucracies, etc.), whose inherent rigidity forces them to deal most comfortably with the routine and the familiar, and thus to penalise the unfamiliar. After many generations of working within such a system it is no wonder that Australians as a whole do not exhibit the individual initiative that their institutional structures penalise. Equally, those same institutional structures are a response to the traditional Australian disrespect for and distrust of initiative and the person who is different. In the spirit of the great modern philosopher Thomas Kuhn, one should not look for cause and effect in this cycle: the elements simply reinforce each other. Our institutions reflect us; and we reflect them.

Labour Markets

The Australian labour markets are worthy of special mention. They are the most centrally planned labour markets among the Western industrial countries. Literally millions of wages are determined at one time by the Conciliation and Arbitration Commission. It must be one of the least-informed pricing mechanisms in the Western world. The system assumes an adversarial relationship between employer and employee. It therefore produces an atmosphere of distrust and irresponsibility (in the sense that the ultimate responsibility for employer/employee relations is passed on to the Commission). The system attracts political involvement from all sides. It therefore systematically perverts the Australian economic system.

¹Conybeare (1978) shows that a 'labour interest group' hypothesis best predicts different levels of tariff across industries. Hypotheses based upon rational economics and business interests do not explain the tariff structure as well as the labour interest hypothesis.

Workforce

The Australian workforce does not measure up well against world standards. The New York-based rating group, Business Environment Risk Information, places Australia in its 'Troublesome' category for evaluating workforces around the world. Australia was placed in the same category as Third World countries, due to a combination of low productivity, absenteeism and worker attitude.

Communications and Transport

Australia is an island continent that faces naturally high communication and transport costs, relative to developed Western countries, because: (1) it is isolated geographically from its trading partners; and (2) its own population is spread thinly over a large area. One would imagine that a responsible country would have adopted and perfected an efficient system of transport and communication. The reality is quite the opposite: in most areas, including coastal shipping, urban and interurban roads, railways, post, telephone and air travel, one sees state monopolies or heavy regulation, over-manning, inefficiency, lack of innovation, slow response, high cost, poor service and, in general, a failure to come to terms with the special communication and transport needs of the nation.

Health

In spite of (but, in a different sense, because of) one of the most comprehensive systems of state insurance and state provision of medical services in the West, there is growing apprehension about the rate of deterioration in the quality of Australian health care. This coincides with a blow-out in health costs and increased budget difficulties for the Australian government, which pays most of the nation's medical bills. The development of the crisis in many ways has paralleled developments in the education system, except that it seems to have occurred more quickly. In both cases, the system delivers a poor range of products at high cost and via a funding mechanism that encourages waste and requires high rates of taxation.

Education and Research

There is an increasing recognition that the Australian educational system, from top to bottom, is inadequate by the standards of the developed Western world. Some areas of disquiet are: the high proportion of Australians dropping out of the education system at an early age; a secular decline in the quality of undergraduate education in the universities and colleges; the politicisation of the teaching profession;

the size and unresponsiveness of the educational bureaucracy (all universities and colleges are administered from one source, the Australian government; and all state schools are administered by a total of only six state Departments of Education); the weakness and inappropriateness of the incentives of professional educators within the bureaucracy; and the almost exclusive control of research by the Australian government.

State-Provided Welfare Payments

Australia traditionally has offered generous state welfare arrangements. Again, these arrangements both reflect and reinforce the notion of state rather than individual responsibility. In recent years the welfare budget has consumed an increasing percentage of national income. There is a spreading recognition that the country is politically and administratively unable to deliver a welfare system that meets its aspirations and is affordable, but that does not have widespread effects on incentives and does not meet with significant abuse.

Wealth and Welfare

It is worth recalling the historical connection, noted in the introduction, between the wealth of societies and the general well-being of their members. Thus, it is alarming to note that over 1870–1976, the average annual growth rate in per capita GDP was lower in Australia than in any of the Western industrial economies. (Japan came first and the UK came second last, just above Australia.) Australia has failed during the 20th century to replicate its 19th-century growth, which came from its agricultural production and its access to world agricultural markets. It has been slipping at least since federation.

Summary

The breadth and depth of these problems suggest that they will not be solved quickly. Worse, the current pessimism seems based in part on the recognition that Australians, acting individually as well as through their economic, social and political institutions, do not possess a process or processes to solve them. How can that be so?

II. A HISTORY OF LIMITED ECONOMIC RESPONSIBILITY

The immediate economic future for Australians is constrained by a significant historical reality: the fundamental attitudes and institutional structures they have inherited appear inappropriate for their future.

Australians and their institutions have been confronted quite suddenly with a set of issues they have not faced before. My general thesis is that this is the very first time in their short history that Australians generally have faced primary responsibility for their own economic futures. They have relied upon the state — and for most of the country's history the state has been largely external — which has sheltered them from many of the vicissitudes of economic life. In order to develop this thesis I will give a brief account of the historical pattern in Australian economic arrangements. I am not an historian, so the story will be simple.

The Colony

Australians as a whole have, in my view, a 'Colonial Secretary' mentality: a willingness to take risks only within a relatively well-specified set of rules upon which they can comfortably depend. The style of Australian entrepreneurship has its origins in the colonial beginnings, when the offices of the Colonial Secretary and the Governor, together with the heavy hand of 'London', had major responsibility for the local economy.

Captain Arthur Phillip RN was the first Governor, having been given command of the First Fleet and the commission of establishing the colony. Parliament 'had not been backward in arming Mr Phillip with plenitude of power', as one account put it (W. Tench, quoted in Crowley, 1985:9). His power was made all the more effective by the absence of an elected or even appointed domestic body to review his actions, together with the prohibitive time it took to exchange a two-way communication with his superiors in London by sailing ship (up to two years). In view of Phillip's military background and the fact that the colony's infrastructure was provided by the marines he commanded, it is not surprising that military precepts of control and punishment were stamped upon the colony at the outset. The state played a heavy initial role.

Goulburn was the first Colonial Secretary, appointed to New South Wales in 1820 to ease the growing workload around the office of Governor. His duties included:

- Mustering of arriving convicts, their initial assignment to private settlers and administration of their exchange;
- Survey of land, its initial assignment to private settlers by land grant or lease and administration of its exchange;
- Membership of the small, unelected legislative Council;

- Supervision of ports;
- Issue of stores and provisions; and
- Supervision of banking and currency² (see King, 1979; Fletcher, 1979; and Foster, 1978).

Governor Darling wrote in 1827:

It is not enough that Orders are issued, or regulations made; There must be an immediate controlling power somewhere; and, under the Governor, it is the special and indispensable duty of the Colonial Secretary, to see that all orders and regulations are properly followed up, and carried into effect — and that they are not, by the supineness of others, allowed to become a dead letter. (Foster, 1978:136)

Imagine the situation of an early colonial entrepreneur. The right to operate and to acquire factors of production (land, labour, roads, access to ports and shipping), would have required, above all else, exceptional political acumen and special skills in dealing with the early colonial regulators. Furthermore, 'London' frequently arranged the ultimate sale of one's produce, so that one produced for an exogenously-guaranteed market. There was little need to accept responsibility for one's markets.

Naturally, there were local problems to be solved. Australia remembers several of its pioneers and inventors, including John Bull and John Ridley (wheat harvesters), William Farrer (developing suitable wheat strains), Ernest Fisk (introducing Marconi radio equipment to Australia), Lawrence Hargrave (work on aviation, which he declined to patent), James Harrison (refrigeration), Cliff Howard (rotary hoe), Robert Smith (stump-jumping plough) and Frederick Wolseley (mechanical shearing). Of these people, only Howard seems to have taken responsibility for international marketing (he later moved to London to do so); but we remember most for their adaptation of a technology to local conditions, in producing for externally-determined markets. Australia celebrates few successful entrepreneurs from the colonial days: Arnott, Bonython, Campbell, Cooper, Darling, Elder, Fairfax, Farmer, Hordern, McIlwraith, Mort and Smith are names that are remembered,

²The colony's first bank was run by the Commissary; the Governor invited the Bank of New South Wales — the first private bank — to commence business, in 1817.

but once again in many cases these entrepreneurs seized opportunities in either fixed technology, domestic markets, or trading between the colony and established merchants in London.

If one can generalise about the early colonial experience, it is to conclude that the early entrepreneurs were forced to be technologists on the one hand and adroit politicians on the other. The state was involved in almost every commercial activity. Conspicuously absent from the set of required skills would have been an intricate understanding of the markets — for both factors of production (including land, labour and transport) and products — in which they operated. Perhaps this divorcing of entrepreneurs from responsibility for their markets has contributed in part to the oft-lamented failure of Australian inventors over the years to reap commercial rewards for their ideas. The model that best fits Australian business in the colonial era, obviously with exceptions, is one in which entrepreneurs and managers were responsible for local production conditions, needed to assess local production risks, and required political acumen in gaining access to land, labour and other factors of production; but assumed little responsibility for the predominantly international markets for the colony's products. Riding on those markets, Australians experienced their peak wealth toward the end of the colonial era. In 1870, per capita GDP in Australia was higher than in any of the present industrialised countries, being 73 per cent higher than in the US and 40 per cent higher than in Britain (Caves and Krause, 1984:5). It has never regained that relative position.

After Federation: The Empire and the Commonwealth

The colonies federated at the turn of the century, only three or four generations ago. The newly-created country wasted no time in developing the centralised institutions that have come to control health, education, research, industry, imports and most sectors of the economy. Thus, the principal achievements of the first national parliament were the notorious dictation test (to regulate the entry of competitive labour) and the tariff wall (to regulate the entry of competitive goods) (Crowley, 1985:276). The second Australian federal election in December 1903 was dominated by the issue of federal industrial arbitration; and the principal achievement of the second national parliament was the enactment of industrial legislation and the creation of the Arbitration Court (Crowley, 1985:280-4).

A national 'protective tariff' was introduced in 1908. Crowley (1985:290) records:

The liberals, and especially the Deakinite liberal-protectionists, were committed to an all-round policy of protection — of the population, its industries, its

manufactures, and its standard of living. ... [However]
The liberals were not prepared to go as far as Labour
demanded in the regulation of economic conditions.

It seems that Australians carried the 'Colonial Secretary' mentality over into their early years of self-government. Australians quickly developed their own versions of state paternalism. Employers and employees alike were encouraged to avoid, in the short term at least, the full consequences of their own actions.

During this period, Australia was a solid member of the British Empire and of its successor, the British Commonwealth. During my youth, imitation of 'London' seemed an obsession among managers, politicians, financial intermediaries, commentators and other bellwethers of social attitudes. The deference to 'London', in my experience, served to inhibit innovation — as a psychological insulator from change, as if the fiction of a rigid, unchangeable relationship with 'London' were an excuse not to contemplate change. Until, of course, 'London' changed, as it must and did.

Australia's external trade was conducted almost entirely with 'London'. Britain was the major export market for Australia's primary products and the major source of imported manufactured goods (Crowley, 1985:300). Britain also was the major source of investment from overseas. In addition, 'London' was a prime mover in many of the protective agreements for the 'orderly marketing' of primary products on an international basis.

The productive umbrella of 'London' tended to obviate the necessity for Australians to develop responsibility for their own futures, which seemed to be determined for them. Hudson (1985:523) notes: 'It needs stressing that Australia's experience of the empire and commonwealth had been almost exclusively London-centred, a focus increased rather than lessened by the post-1945 entry into the commonwealth of many Asian and African states'. Australia was England's child.

Britain's Entry into the EEC

Britain began serious consideration of entry into the European Economic Community (EEC) during the early 1960s. The turn in British political sentiment occurred during 1960, with Prime Minister Macmillan advocating European economic unity in November, and on 31 July 1961, Macmillan announced in the House of Commons that Britain would apply for full membership. This she did on 10 August 1961 (King, 1984, provides an account). The news caused shock waves throughout Australia. The immediate effect of Britain's entry would be a loss of export markets, notably for agricultural products. The longer-term effect, however, would be more devastating: 'London' was

deserting the child she had protected for so long. She was turning toward a new destiny in Europe.³

I recall the times vividly. My high school English class was assigned an essay, soon after the first announcement of Britain's deliberations, the topic being along the lines of 'What should Australia do if Britain joins the Common Market?' The class almost unanimously responded to the assignment with the clever, but alas unrealistic, tactic: 'Australia will join the Common Market too'. I recall pressing the point that it seemed unlikely that a group of European countries would unite with a non-European country, let alone one so far away. But the class could not accept that Britain would allow the Europeans to exclude us. We simply would enter with her. Nor would they confront our need to find our own way. A popular phrase was: 'There will always be an England'.

This personal episode reveals the security blanket that Britain provided, or was perceived to provide, at the time. This was a selective-entry school, presumably with the more questioning minds among its staff and its students, yet the class clung to the belief that Australians did not need to confront a changed world. I believe that this episode reveals much about the cradle in which the youth of my generation — the young leaders of today — was raised.

Britain finally was accepted into the EEC on 1 January 1973. During the intervening period, Australia and Australians showed some signs of accepting responsibility for their own futures. For example:

- post-WWII immigration became substantially less dependent on Britain;
- trade with Japan grew to the point where Japan surpassed Britain as Australia's chief trading partner;
- decimal currency was introduced in 1966, involving a change from the British system of pounds, shillings and pence to dollars and cents; and

³During 1961 Australia experienced a sharp economic downturn, typically attributed to a 'credit squeeze' introduced by the then Treasurer, Harold Holt. But over the last five months of 1960, which coincides with the first news of Britain's changed sentiment and with the uncertainty it generated, share markets in Australia fell by approximately 20 per cent. I suspect that the downturn in economic activity, and the share market fall that preceded it, reflected the wealth reduction due to increased uncertainty at the time.

- Australia fought its first war (Vietnam) without its troops fighting either directly under or beside British command.

As the last two examples imply, it almost seemed that Australians were trying to attach themselves as a colony to the United States (which, given that country's history, is not without irony). Prime Minister Harold Holt was known at the time for his slogan 'All the way with LBJ!' The performance of the American economy during the period was impressive, so the US might have been a good choice. The interesting question is not about the wisdom or otherwise of choosing the US as the new parent, but that a choice of parent was deemed necessary at all.

The Resources Boom

Britain's entry into the EEC in 1973 almost coincided with the fall of Saigon, the Yom Kippur war, the OPEC-led embargo against the US, the Watergate crisis in the US, and the election of a Labor government in Australia. It is difficult in hindsight to see these events, which reflected a global weakening of the US position, as independent. The American connection now seemed unlikely to assure the country a future, but the Whitlam Government — Australia's first non-conservative government in 23 years — offered a new nationalism and the promise of an independent and strong future. The Whitlam experiment was Australia's first attempt to deal with a world in which Britain's economic allegiance formally lay in Europe. The experiment ended in economic uncertainty and (by historical Australian standards) chaos.

Then a series of events caused many Australians to believe they had been handed a future 'on a platter'. During 1973–74, OPEC had spearheaded an embargo on oil sales to the US and other oil-importing countries, thus commencing the now-familiar upward spiral in energy prices. When analysts became assured that 'high' oil prices were not temporary, their attention turned to other fuels, which Australia had in abundance, and to energy-consuming products such as aluminium. By 1976, a member of the Australian cabinet was able to forecast an investment of \$80 billion in an Australian 'resources boom'. This 'boom' became the election theme of the Fraser Government. It is important to observe that this apparent economic salvation came from outside the country. It did not arise from Australians and their institutions taking responsibility for, and shaping, their own futures. It conveniently (for Australia) followed closely upon Britain's formal entry into the EEC. It prolonged a mentality toward the generation of well-being that for Donald Horne (1964) was one of the characteristics of 'The Lucky Country'.

We now know that possessing so-called 'natural resources' does not

necessarily lead to great wealth. First, consider the evidence. The wealthy countries have included among their ranks many that have been 'resource poor'. Japan, Switzerland, Singapore, Hong Kong and West Germany are the notable recent cases. More dramatically, the poor countries have included many that have been 'resource rich', as a glance at the major world suppliers of tin, rubber, copper, iron ore, sugar, palm oil and now coal, oil and gas, among other so-called 'natural resources', will confirm. Additional evidence comes from how the wealthy countries' economies behave over time: for example, in recent times the US has experienced record agricultural output and has expanded its proven reserves of oil and gas, as well as other resources, while at the same time its relative standard of living has fallen. Overall, the evidence suggests that an abundance of 'natural' resources does not necessarily create wealth.

Next, consider why this might be so. It certainly has not always been true; possession of various 'natural' resources at times has been the foundation of substantial national wealths, as was the case with oil and gas during the period from the OPEC-led embargo until the price collapse in 1986. In my view, the distinguishing feature of 'natural' resources is the unusual arrangements for their supply to the world markets. Governments around the world are critically dependent upon revenue from their sale, which in turn has a substantial effect on those markets. When supply is dominated by revenue-hungry governments, and when those governments commit themselves to annual expenditures and thus set annual targets for revenue from 'natural' resources, then an unusual situation occurs: suppliers tend to respond to decreases in price by increasing their outputs. As any economist will testify, this is an unstable situation: falls in price lead to increased supply, increased surpluses and further falls in price, and so on. Most markets operate in quite the opposite way: aggregate supply normally is a positive function of price, not a negative function. But in markets where supply is dominated by revenue-hungry governments, prices tend to tumble quickly, until they reach the bare-bones cost of extracting and shipping the resources. This description fits many of the markets in which Australia sells internationally. It is far from clear that this is a wealth-creating strategy (this is an abbreviated version of the thesis in Ball and Marks, 1986).

By the mid-1980s, it has become apparent that the 'resources boom' has not provided widespread wealth for Australians, even though the resource sector has contributed substantially to the economy. More to the point, mere possession of 'natural' resources now is not seen as a sufficient strategy for the country's economic future. For the very first time in the country's brief history, Australians (and the institutions they create) need to accept responsibility for the creation and maintenance of their own wealth and, therefore, well-being.

Summary

This brief historical account suggests that, from early colonial days to the recent collapse of the 'resources boom', Australians and Australian economic institutions (including corporations and trade unions) have been sheltered from the need to take primary responsibility for their own futures. Of course, this is a gross generalisation. There are many notable exceptions, including the emergence of many fine, innovative corporations and the growth of Japan as Australia's major trading partner after Britain joined the EEC. Nevertheless, the parent/child model offers a useful description of Australia's economic history. The parents have left; the child must now make its own way.

III. THE ECONOMIC AND SOCIAL LEGACY

Australians as a whole have cut their economic teeth in a highly protected environment. Thus, the current generation of Australian managers by and large was trained not in business schools, where one hopefully is taught to accept responsibility for one's decisions, but by their predecessors — for whom many markets were assured by 'London', for whom many business practices were determined by 'London', and for whom market regulation and tariff protection were the order of the day. From my personal viewpoint, it seems that the 'Colonial Secretary' mentality has carried over into the attitudes of the current generation of managers, generally speaking.

Among Australian senior managers, there is not a strong sense of leadership, by which I mean an unequivocal acceptance of responsibility for the futures of their companies. A common observation is that senior managers view themselves as the most successful functional managers in their companies, rather than as people who 'steer the ship'.

Australian employees by and large have developed their attitudes toward employment in an adversarial system, without a clear sense of their mutual interdependence with managers, customers and suppliers of capital and without a clear sense of mutual responsibility.

Australian employers have also evolved their attitudes and practices in a highly sheltered world. 'Industrial relations' problems are widely seen as the responsibility of state or federal administrative or legal bodies; the existence and role of these bodies has curtailed employers' needs and therefore abilities to deal directly with their employees and their organisations. This is one of the many examples of attenuated responsibility for markets that have existed since the colonial days. The pattern was established with the Governor's and the Colonial Secretary's control over convict and military labour, it was continued by the early Australian parliaments, and it has carried over into contemporary regulation of the labour market. The legacy is a severely limited ability

of Australian employers to deal with their employees and vice versa.

The ethos of productivity is poorly developed among individuals and their institutions. People do not seem to perceive the direct link between wealth (and welfare) and factors such as the need to continually improve detailed work practices, the existence of wasteful jobs and wasteful functions, poor management, 'featherbedding' of managers and employees, resistance to change, and so on. Jobs are treated more like licences than like places on a team that require adaptation and innovation in order to generate rewards. There is too much emphasis on the alleged right to perform an historically-enshrined task, no matter how arcane, and in general there is considerably more talk of 'rights' in the workplace than of responsibilities (this comment applies to managers as well as to other employees). Australia even has gone so far as to nationalise productivity, with the centralised Conciliation and Arbitration Commission granting millions of people 'productivity increases' in one fell swoop. Labour unions assert that they will not tolerate reductions in living standards, as if the country's centralised regulatory structures, not the day-to-day behaviour of individuals and their economic institutions (including corporations and labour unions), were responsible for their well-being: as if real living standards could be obtained by decree. In general, my personal impression is that Australians at work have little sense of where their wealth comes from.

Then there is the much-vaunted Australian Egalitarianism. The positive side of this strong national sentiment is support of the underdog, which is alleged to be an Australian characteristic. The negative side is the widespread belief that others ought to be protected from the consequences of their own actions, a belief that encourages people to put themselves in the position of underdog. This egalitarianism is almost an avoidance mentality, adopted as much to buttress one's own avoidance of personal responsibility as out of genuine concern for others. It also requires its followers to believe that successful people are not responsible for their own success either, which underpins the national pastime of 'lopping the tall poppies'. It is related to the ethos of 'luck' as a principal determinant of wealth and well-being, and also to the national penchant for gambling. I am not sure that the reality is as elevated as the egalitarian sentiment.

The Australian system of taxation both reflects and reinforces the national ethos. Marginal rates of income taxation are high, even at low incomes, producing the mutually reinforcing effects of reducing individual incentive to generate wealth and fuelling government programs that transfer responsibility to the state. The savage capital gains tax directly attacks those who create wealth. There are payroll taxes levied on employment, especially by large organisations, there are local authority taxes, state government charges, land taxes, tariffs, punitive taxes and charges levied on 'resource' companies, the 'resource

rent tax', and so on. Economists tend to study the effect of such taxes in terms of how they reduce incentive; but there also is the question of whether these taxes are imposed by a majority that simply does not want to face a world with incentive. Is the Australian tax structure a result as well as a cause of the national ethos?

The Australian system of import restriction suggests a parallel analysis. Tariffs and quotas shelter Australians from competition and reduce incentives to be profitable (i.e. to create goods and services that are in demand). Given Australia history, it is reasonable to conclude that the reduction of incentive by protection is a result of the national ethos.

The general attitude to successful corporations is worthy of study. Whereas the Japanese public is inclined to view its successful corporations as 'national treasures', my impression is that Australians are inclined to view them with distrust. The national penchant for 'lopping the tall poppies' carries over into the corporate arena.

From 15 years of teaching in Australian universities, my overall impression is that students have been led in their previous educational experiences to accept a low degree of responsibility for their own learning. In most cases the teacher is held responsible for much more than the environment in which learning occurs: the student expects the teacher to present opinion as fact and to deliver the result of analysis rather than the process of analysis itself.

I should stress that these are personal impressions and that they are generalisations. Other commentators certainly will have different experiences and impressions, as well as different propensities to generalise. And no generalisation describes all observations.

Nevertheless, I assert an unashamedly personal conclusion. An important legacy of Australia's colonial past is a population that by and large has not been required to accept, and has been discouraged from accepting, the degree of responsibility for its own future that is necessary to meet its present aspirations. In my view Australians, taken as a whole, have been living off their inherited wealth and have not been nurturing their individual and institutional capacities to maintain that wealth, let alone to create more. Given the historical connection between wealth and welfare (where the latter embraces health, education, enlightenment, experience, freedom and many other properties that we have come to value in Western societies), this Australian legacy, if I have characterised it correctly, is alarming. It does not bode well for the future of Australian society.

IV. THE TASK

To date, the only apparent response to this legacy has been to tinker with the extant economic apparatus, a short-term politically-inspired response. Over the long term, Australians will need to work creatively

Ray Ball

and diligently to build up their ability to accept responsibility, as individuals and as members of important economic institutions, for their own futures.

The Short Term: The Cure Is the Disease

The Australian Prime Minister, Robert Hawke, has recently addressed the nation on the topic of its deteriorating economic performance. His solution includes: using the Conciliation and Arbitration Commission to reduce real wages (i.e. tighten central control of the labour market); using the Prices Surveillance Authority to tighten control of consumer prices and non-wage compensation, as a quid pro quo to the labour unions; and instituting a 'buy Australian' campaign. Much of this program has received bipartisan support, particularly the use of central price control in the labour market and the 'buy Australian' campaign, so my comments cannot be construed as being political, rather than social, in nature.

'Buy Australian' campaigns occur with monotonous regularity. They are a form of government-funded advertising. The present campaign might cause some consumers to alter their previous judgments and to substitute domestic for imported goods, at least for a time. (My guess is that the sharp decline in the Australian dollar will have a greater effect.) But in the long term consumers will react to price and quality, so it is not clear that exhortations to 'buy Australian' are more than the usual short-term political opportunism. Why would consumers alter their judgments? Will the campaign make Australian goods more attractive?

There is reason to believe that these exhortations will worsen the long-run competitive position of Australian goods by encouraging Australian manufacturers to believe that consumers have a moral obligation to purchase their products, independently of the price/quality competitiveness of those products. Perhaps we have too many 'buy Australian' campaigns. An interesting attitude, implicit in the government's reaction to the balance of payments deficit, is that Australian manufacturers either are not responsible for consumers' rejection of their products, or are not responsible for their promotion. This reaction at once reflects and reinforces the tradition of responsibility avoidance. The cure is the disease.

Nor is political interference in the labour market a solution. It is worth noting that the repeated demands for lower real wages from various Australian political and economic sources are in fact part of the process of centralised price fixing for labour. That process consists of all of the significant vested interests exerting pressure on the 'wage fixing' machinery, where the operative word is 'fixing'. Yet one of Australia's principal problems, from the second national parliament early in the

century and even before that in the days of colonial administration, has been the distortions and rigidities imposed by central wage fixing. But we are offered more of the same. Again, the cure is the disease.

The Longer Term: Growing Up Economically

The message is simple: the child needs to grow up economically. Australians and Australian organisations have an international reputation for succeeding where the rules are established by others, as in the sporting arena, so the issue is not one of will or of competitiveness. The missing ingredient appears to be experience and therefore capacity in competing where the rules are not clear. That is, where there is a need to accept responsibility for reading or misreading the rules of the game.

It is difficult to envisage how change will occur, if at all. If my thesis is correct, that we are witnessing a child still emerging from its parent's protection, then that emergence will be painful. The central notion — that Australians, as individuals and via their economic institutions, have been sheltered from primary responsibility for their own futures for most of their history — seems to describe many aspects of Australian society: taxation, economic regulation, social security, education, health, tariffs, import quotas and work practices, among others. It is consistent with fundamental attitudes to success and failure. The notion has become an ingrained part of the Australian culture.

It therefore will not change overnight. For example, changes in the taxation system are needed to help restore incentives. The present tax system seems to reflect as much as reinforce the notion that one is not responsible for one's own success or failure. The cultural phenomena have developed over extended periods of time, and the required changes lie in myriad places. Australia needs to teach opportunity rather than egalitarianism and responsibility rather than dependence in its families, schools, colleges, universities and churches. It needs to experience changes in attitudes, practices and structures in its corporations and their executives, in its labour unions and their leaders, among its politicians, regulators, administrators, academics, professionals, media and opinion-makers. The required changes are detailed, extensive and slow in coming. Thus, Rosenberg and Birdzell (1986:6-8) observe that wealth increases in the West have been gradual and accumulative, not sudden.

Once again, it is important to reflect upon the connection, both historical and logical, between wealth and welfare. The agenda is by no means entirely economic. Poor societies tend to be poor in both a material sense and in terms of fundamental human values, such as freedom of speech, freedom of movement and freedom of religion, education and enlightenment, experience, literacy, health and choice. Increases in wealth have been associated with increases in general welfare. Consequently, there are wide-reaching consequences of

Australians recognising and addressing what I believe to be a fundamental legacy of their colonial origins.

I certainly am not forecasting an economic and social doomsday for Australia. By world standards, Australians remain well-off, enjoying high standards of both wealth and welfare. However, I do believe that, as the rest of the world (notably, fellow Pacific Rim countries) continues to develop its capabilities, Australians will experience a near-term slide in well-being if they do not quickly learn to adapt to a world without a parent. If my thesis is correct, then the symptoms of the problem are of very recent origin, having arisen when Britain began the process of entering the European Common Market in the 1960s and having culminated with the collapse of the 'resources boom' in the 1980s. In historical terms, it is very early days, and in every disequilibrium there is opportunity.

There is much that lies beyond the current pessimism. Looking backward, almost two centuries of dependence lie behind Australia's current problems, with responsibility avoidance having been built into Australian society. Looking forward, there also is much that lies beyond the current pessimism, with much patient and creative work needed to rebuild the very fabric of Australian society.

References

- Ball, R. and R. Marks (1986), 'Short term supply-side instability in the oil market', unpublished manuscript, Australian Graduate School of Management, July.
- Caves, R.E. and L.B. Krause, eds. (1984), *The Australian Economy: A View from the North*, The Brookings Institution, Washington, D.C.
- Conybeare, J. (1978), 'Public policy and the Australian tariff structure', *Australian Journal of Management* 3(1), 49-64.
- Crowley, F.K., ed. (1985), *A New History of Australia*, William Heinemann, Melbourne.
- Fletcher, B. (1979), 'Administrative reform in New South Wales under Governor Darling', *Australian Journal of Public Administration* 38(3), 246-62.
- Foster, S.G. (1978), *Colonial Improver: Edward Deas Thomson*, Melbourne University Press, Melbourne.
- Hilmer, F.G. (1985), *When the Luck Runs Out*, Harper & Row, Sydney.
- Horne, D. (1964), *The Lucky Country*, Penguin, Sydney.
- Hudson, W.J. (1985), Chapter 12 in Crowley, ed., *A New History of Australia*, William Heinemann, Melbourne.
- King, A. (1984), *Britain Says Yes: The 1975 Referendum on the Common Market*, American Enterprise Institute, Washington, D.C.
- King, H. (1979), 'Frederick Goulburn: The man and his office', *Australian Journal of Public Administration* 38(3), 233-45.
- Rosenberg, N. and L.E. Birdzell, Jr. (1986), *How the West Grew Rich*, Basic Books, New York.

CIS PUBLICATIONS IN PRINT

READINGS

1. **Wage-Price Control, Myth & Reality**, edited by Sudha R. Shenoy (1978) ISBN 0 9596485 0 X RRP \$6.95
2. **Rent Control: Costs & Consequences**, edited by Robert Albon (1980) ISBN 0 9596485 7 7 RRP \$9.95
3. **A New Financial Revolution?** edited by Malcolm Fisher (1982) ISBN 0 949769 04 5 RRP \$7.00
4. **The Constitutional Challenge**, edited by Michael James (1982) ISBN 0 949769 01 0 RRP \$7.95
5. **Occupational Regulation and the Public Interest**, edited by Robert Albon and Greg Lindsay (1984) ISBN 0 949769 13 4 RRP \$8.95
6. **Chaining Australia: Church Bureaucracies and Political Economy**, edited by Geoffrey Brennan and John Williams (1984) ISBN 0 949769 18 5 RRP \$8.95
7. **Hayek's 'Serfdom' Revisited** by Norman Barry et al. (1985) ISBN 0 949769 22 3 RRP \$10.95

RESEARCH STUDIES IN GOVERNMENT REGULATION

1. **Domestic Airline Regulation: The Australian Debate** by Michael G. Kirby (1981) ISBN 0 9596485 9 3 RRP \$5.50
2. **Rationalising Rustic Regulation** by E. Sieper (1982) ISBN 0 949769 02 9 RRP \$5.50

POLICY MONOGRAPHS

1. **On Buying a Job: The Regulation of Taxicabs in Canberra** by Peter Swan (1979) ISBN 0 9596485 5 0 RRP \$2.00
2. **Lessons from the Ord** by B.R. Davidson and Susan Graham-Taylor (1982) ISBN 0 949769 03 7 RRP \$3.95
3. **The Politics of Multiculturalism** by Raymond Sestito (1982) ISBN 0 949769 06 1 RRP \$3.95
4. **Free to Shop** by G.R. Hogbin (1983) ISBN 0 949769 09 6 RRP \$5.95
5. **The Resource Rent Tax: A Penalty on Risk-Taking** by Ray Ball and John Bowers (1984) ISBN 0 949769 15 0 RRP \$3.00
6. **Capital Xenophobia: Australia's Controls of Foreign Investment** by Wolfgang Kasper (1984) ISBN 0 949769 21 5 RRP \$9.95
7. **Private Correspondence: Competition or Monopoly in Australia's Postal Services?** by Robert Albon (1985) ISBN 0 949769 20 7 RRP \$10.95
8. **Affirmative Action: The New Discrimination** by Gabriel Moens (1985) ISBN 0 949769 27 4 RRP \$11.95
9. **Corporate Control, Economic Efficiency and Shareholder Justice** by Peter Dodd and R.R. Officer (1986) ISBN 0 949769 30 4 RRP \$6.95
10. **Initiative and Referendum: The People's Law** by Geoffrey de Q. Walker (1987) ISBN 0 949769 24 X RRP \$16.95
11. **How Much Government?** by Michael James (1987) ISBN 0 949769 34 7 RRP \$9.95
12. **Australian Takeovers: The Evidence 1972-1985** by Steven Bishop, Peter Dodd and Robert Officer (1987) ISBN 0 949769 36 3 RRP \$9.95

POLICY FORUMS

1. **The Economics of Bureaucracy and Statutory Authorities** by Gordon Tullock et al. (1983) ISBN 0 949769 10 X RRP \$5.95
3. **Changes in the Air? Issues in Domestic Aviation Policy** by Christopher Findlay et al. (1984) ISBN 0 949769 16 9 RRP \$8.95
4. **Policies and Prescriptions: Current Directions in Health Policy**, edited by Andrew S. Doman (1986) ISBN 0 949769 28 2 RRP \$14.95
5. **Takeovers and Corporate Control: Towards a New Regulatory Environment** by Peter Dodd et al. (1987) ISBN 0 949769 32 0 RRP \$16.95
6. **Restraining Leviathan: Small Government in Practice** edited by Michael James (1987) ISBN 0 949769 35 5 RRP \$16.95

OCCASIONAL PAPERS

2. **Social Justice, Socialism & Democracy** by F.A. Hayek (1979) ISBN 0 9596485 3 4 RRP \$3.95
4. **Taxation, Inflation and the Role of Government** by Milton Friedman (1981) ISBN 0 949769 00 2 RRP \$3.50
5. **The Rhetoric and Reality of Income Redistribution** by Gordon Tullock (1981) ISBN 0 949769 08 8 RRP \$2.50
6. **Liberty, Justice and the Market** by Lauchlan Chipman (1981) ISBN 0 949769 05 3 RRP \$2.00
7. **The Christian and the State** by Geoffrey Brennan (1983) ISBN 0 949769 11 8 RRP \$3.00
8. **Democracy in Crisis** by Michael C. Jensen and William H. Meckling (1983) ISBN 0 949769 12 6 RRP \$2.00
9. **UNCTAD and the North-South Dialogue** by Kenneth R. Minogue (1984) ISBN 0 949769 14 2 RRP \$3.00
10. **The Role of the Entrepreneur in the Economic System** by Israel M. Kirzner (1984) ISBN 0 949769 19 3 RRP \$3.00
11. **The Case Against the Arbitration Commission** by P.P. McGuinness (1985) ISBN 0 949769 25 8 RRP \$3.50
12. **Enterprise: Free, Dependent or Captor?** by Warren P. Hogan (1985) ISBN 0 949769 23 1 RRP \$3.95
13. **Trial Without Error: Anticipation vs Resilience as Strategies for Risk Reduction** by Aaron Wildavsky (1985) ISBN 0 949769 17 7 RRP \$3.95
14. **The Anti-Capitalist Mentality: Post-Mortem for an Ideology** by R.M. Hartwell (1985) ISBN 0 949769 26 6 RRP \$3.95
15. **Ideas about Freedom: A Discussion** by Kenneth R. Minogue, John Gray and Hannes H. Gissurason (1986) ISBN 0 949769 29 0 RRP \$3.95
16. **The Enemies of Progress** by Ralph Harris (1986) ISBN 0 949769 31 2 RRP \$3.95
17. **Ideas, Interests and Experience** by Roger Kerr (1987) ISBN 0 949769 33 9 RRP \$3.95
18. **Beyond the Current Pessimism** by Ray Ball (1987) ISBN 949769 37 1 RRP \$4.95

All prices are in Australian dollars and are subject to change without notice

Beyond the Current Pessimism

Ray Ball

The Centre for Independent Studies' *Occasional Papers* series provides an opportunity for authors to present personal perspectives on broad issues of public policy. This contribution to the series, by Professor Ray Ball, is a personal interpretation of the historical roots of Australia's economic malaise.

Signs of pessimism are plentiful in Australia. These signs, many of which are surveyed here, appear to reflect not just adverse short-term economic news, but something more basic in Australian society. There is a lack of confidence in dealing with changes afoot in the world that is the consequence of Australians having been sheltered historically from responsibility for their own economic futures. Dependence has led to inability to adapt, hence the current pessimism.

Looking forward, beyond the current pessimism, Professor Ball sees 'the patient and creative work needed to rebuild the very fabric of Australian society'.

Ray Ball is Professor of Accounting at the William E. Simon Graduate School of Management at the University of Rochester.