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AWAKENING THE 'SLEEPING GIANT'

The Hidden Potential of
Indigenous Businesses

Sara Hudson

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Nyunggai Warren Mundine

VALUING WORK

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EDITORIAL

After almost ten years I have returned to CIS to take over from Helen Andrews as Editor of *Policy*. My return comes as CIS celebrates its 40th anniversary this year, with *Policy* marking its 32nd year in print. So this edition is an opportune moment to reflect on past debates and future challenges. Before introducing the issue, however, I would like to share an insight that a near decade-long distance from the organisation has re-affirmed: critics of CIS often point to the ideas behind the organisation as its greatest weakness when in fact these ideas have been its greatest strength. If only ideas and principles were driving the current policy landscape.

Yet even as I write these words there are signs that the tide is turning. In our lead article **Sara Hudson** reports that the number of Indigenous businesses has increased threefold over the past two decades. These businesses are a more practical and sustainable way to improve economic and social outcomes for Indigenous people than yet more government programs. **Nyunggai Warren Mundine** agrees that Indigenous enterprise is key, but takes the corporate sector to task for being generous to a fault in trying to help Indigenous people whilst failing to measure the outcomes of its support. Meanwhile **Anthony Dillon** explores the important non-economic benefits of employment such as self-esteem and a sense of purpose: 'get people into jobs', he argues, 'and we will make significant inroads towards addressing suicide' and other problems affecting Indigenous people.

Also in this issue, we go back to the *Policy* archives to re-examine from today's perspective the policy debates that once dominated its pages. By coincidence, the article I chose to reprint as a special feature turned out to be the cover story of the very first issue of *CIS Policy Report* (*Policy's* predecessor) in February 1985—namely, **Michael Porter** on taxes and incentives. **Robert Carling** updates Porter's article and comments on what has changed—and what has not changed—since it was written 31 years ago. Importantly, both Porter and Carling conclude that we cannot talk about tax reform without talking about government spending since taxes pay for it.

This is not just about cutting spending. A debate about the role of government in the 21st century is long overdue. As **Greg Lindsay** tells **Paul Kelly** in the interview 'CIS at Forty', there are limits to what governments can do. 'We've lived through a whole generation of government overreach', he laments, 'of government trying to do things that it is not suited to doing and doing things it shouldn't be doing'. Well-known columnist and the latest CIS Scholar-in-Residence **Theodore Dalrymple** would agree. He observes that the growth of 'rights'—in this case, a 'right' to health care—goes hand-in-hand with the growth of government and state interference. 'Our rights forge our fetters', he warns.

Philosophical questions aside, this issue of *Policy* keeps its finger on the pulse of current debates. **Barry Maley** argues for a referendum on same-sex marriage while **Anastasia Glushko** makes the case for privatising prisons. Further afield, **Ben Reilly** examines the fortunes of democracy in Southeast Asia through a country's geographical proximity to and historical relationship with China. Meanwhile our review section considers books on differing conceptions of liberalism, the 'China model' of political meritocracy, a personal account of Indigenous identity, and the failure of government policy to 'close the gap'.

Finally, this issue of *Policy* features its first ever fiction review. Why? Because I believe that writers can put words in the mouths of their characters and can imagine scenarios in ways that illuminate the moral and political choices that confront us. Michel Houellebecq's latest novel *Submission*, in which a Muslim is elected President of France, is a case in point. **David Martin Jones** argues that rather than being Islamophobic (as was widely anticipated) the novel is, if anything, Francophobic: it skewers the vapid political and intellectual elites who should be defending Western values but instead have betrayed them. The spectacular rise of Islam is merely a telling symptom of this rot.

Sue Windybank

AWAKENING THE 'SLEEPING GIANT': THE HIDDEN POTENTIAL OF INDIGENOUS BUSINESSES

Indigenous enterprise is key to 'closing the gap', argues **Sara Hudson**

The Indigenous business sector has been compared to a 'sleeping giant' because of the hidden potential lying beneath the surface.¹ While the rate of Indigenous entrepreneurship is still low compared to that of other Australians there has been a threefold increase in the number of Indigenous businesses in Australia in the last 20 years—from 4,600 in 1991 to 12,500 in 2011.² Even in remote communities there are Indigenous businesses doing well; for example, the Gumatj Clan Corporation, which operates a timber and construction business on the Gove Peninsula in East Arnhem Land.³ In fact, recent academic research has found that Indigenous business owners in remote areas earn more than their non-Indigenous counterparts.⁴ Yet most people in Australia would be unaware of this because the dominant portrayal of Indigenous people in the media is so negative.

In his latest Closing the Gap speech, the Prime Minister acknowledged the need to develop policy approaches that 'nurture hope and optimism rather than entrench despair'.⁵ One of the ways he envisages this happening is by supporting Indigenous enterprise, noting the potential for innovation amongst Indigenous entrepreneurs and the fact that Indigenous businesses are about a hundred times more likely to employ Indigenous people than other businesses.⁶

Instead of viewing Indigenous Australians through a deficit lens, as the Closing the Gap campaign and other government programs do,

it is much more empowering to focus on stories of success. Unfortunately, low expectations of Indigenous Australians have led to a crisis of imagination when it comes to perceptions of what Indigenous people are capable of. Many Australians are probably unaware that a number of Indigenous Australians are independent business people and employers.

Of the 550,000 Indigenous people identified in the 2011 Census, the majority—65% (360,000)—are working and relatively successful, 22% (120,000) are welfare dependent, with lives similar to other welfare-dependent Australians, and 13% (70,000) are welfare dependent and live on Indigenous land where economic opportunities are limited.⁷ This latter group experiences the most disadvantages and requires the most support.

To date, government policies and programs for Indigenous Australians have tended to group all Indigenous people together, ignoring those who have achieved success and downplaying the real levels of disadvantage experienced by others. As David Pollard, a former Senior Assistant



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Secretary with the NSW Ministry of Aboriginal Affairs, wrote 25 years ago:

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 . . . those policies will further advantage already employed members of the Aboriginal subgroup and leave unaffected the long-term unemployed and welfare dependent.⁸

This article argues that supporting Indigenous businesses is preferable to sinking more money into yet more poorly designed and untargeted programs. At the same time, safeguards need to be in place to ensure support is effective and directed to those who need it the most. Any unintended consequences of this support must also be recognised and addressed.

Characteristics of Indigenous businesses and how to measure success

Most Indigenous entrepreneurs or self-employed business people are in the south-east corner of Australia, where Indigenous education outcomes are better and where there is greater demand for goods and services.⁹ The majority of Indigenous businesses operate in mainstream industries; for example, freight transport, construction, building and cleaning services, carpentry, creative arts, and domestic or personal services.¹⁰ Indigenous entrepreneurs also tend to have higher rates of adoption of internet and social media than other small businesses in Australia.¹¹

Opinion differs on what constitutes an Indigenous business, with some defining an Indigenous business as one where 51% of the business is owned by an Indigenous person or people while others define it as one where there is 50% Indigenous ownership.¹² Although the 1% difference may seem insignificant it can mean that a husband and wife business, where one partner is Indigenous and the other is not, is not eligible for assistance through programs that use a majority equity definition.¹³ Others go even further and define an Indigenous business as one that gives something back to the Indigenous community in some way—either by employing

other Indigenous people or by providing financial support to the community.¹⁴

Factors underpinning Indigenous business success are the same factors that contribute to any successful business enterprise—namely, good management skills (including accounting and financial management), high quality staff, reliability of suppliers, location of the business, and the prevailing economic conditions.¹⁵ In many cases, Indigenous businesses experiencing the greatest success do not have a specific Indigenous cultural focus.¹⁶ For example, two of the most recent Supply Nation 'Suppliers of the Year' award recipients were businesses that are not immediately recognisable as Indigenous—Outback Global and Young Guns. Outback Global specialises in uniforms, work wear and personal protective equipment while Young Guns specialises in the packing and unpacking of shipping containers.

At the same time, a recent report by Supply Nation—a not-for-profit organisation that connects Indigenous-owned businesses with opportunities in corporate and government supply chains—suggests smaller businesses producing cultural products have higher Social Return on Investment (SROI) ratios.¹⁷ A SROI is a specialised form of cost-benefit analysis that places a monetary value on the social impact of an activity and compares this with the cost incurred in creating that benefit. In a stratified sample of a pool of Supply Nation Certified Suppliers the average SROI was \$4.41; however, for BNYM (pronounced 'Binum') Indigenous Designs, a family arts and gifts business specialising in high quality pottery and ceramics—located in rural Victoria—the SROI was \$10.93.¹⁸ Yet, while these results appear impressive, there are questions about the methodology used to conduct this SROI (see my forthcoming paper on Indigenous programs due to be released in May 2016).

In determining what constitutes a successful Indigenous business, some argue that success should not necessarily be defined by the level of profits made but rather by the benefits provided to the community.¹⁹ At the same time, evidence suggests that the extra demands that some Indigenous business people may face can impact on the success

and viability of their business, such as requests from family for loans.²⁰ Interestingly, the most successful Indigenous businesses, from a financial perspective at least, tend to be those that operate outside of Indigenous communities. One such example is the aforementioned Outback Global, which has offices in Shanghai and Denver, Colorado in addition to their Sydney office.²¹

The benefits of Indigenous enterprise

Indigenous businesses play a vital role in the economic development of Indigenous communities. Although it is important to recognise that not every person wants to become a business owner, the potential social and economic benefits from Indigenous enterprises are great. A multiplier effect occurs when people own a business that goes beyond the financial benefits to the local economy. A recent study of 324 Indigenous entrepreneurs found that nine out of ten acted as positive role models for young people in their communities.²² As one Indigenous business owner who took part in the study said:

[It's] positive for the kids to see and be in a working environment . . . my kids can see that they can be anything that they want, they can do anything that they want, as well. And it's not just a job and they see that they can create or be whatever they want as they get older.²³

Likewise, a 2015 evaluation of Many Rivers—a microfinance initiative which provides loans to help disadvantaged Australians establish their own business—found that children of business owners were more likely to complete high school and gain employment than those whose parents were unemployed.²⁴ (See Anthony Dillon's article in this issue of *Policy* for a more detailed discussion of the non-economic benefits of employment.)

Support for Indigenous businesses

Governments are increasingly recognising the important role that Indigenous enterprises play in improving the social and economic outcomes of Indigenous Australians. A wide range of federal, state and territory government policies and programs

offer support to Indigenous businesses. These include statutory authorities such as Indigenous Business Australia, which provides grants, low-cost loans, business mentoring and business development assistance.²⁵ There is also growing recognition that Indigenous people are 'land rich but dirt poor'; for instance, the latest *Social Justice and Native Title* report recommends identifying options for leveraging Indigenous property rights for economic development purposes.²⁶

Last July, the federal government implemented a new Indigenous procurement policy that aims to award 3% of its business to Indigenous suppliers by 2020.²⁷ In 2014, the government spent approximately \$39 billion a year on various contracts, but only a small proportion of these contracts (less than \$6 million) went to Indigenous businesses. The government hopes that the number of federal contracts awarded to Indigenous businesses will rise from 250 to more than 1500 a year by 2020.²⁸

Governments are increasingly recognising the important role that Indigenous enterprises play in improving the social and economic outcomes of Indigenous Australians.

In addition to government support for Indigenous businesses, there has been a noticeable increase in the level of corporate and philanthropic support provided to Indigenous businesses. While governments play a role in creating an enabling environment for Indigenous enterprise, governments do not create jobs. As the World Bank notes, nine in every ten jobs are created by the private sector.²⁹ In the quest to improve Indigenous economic outcomes, partnerships with the business sector are essential because businesses create wealth, generate employment and give rise to demand for a supply chain of other businesses.³⁰ Examples of corporate and philanthropic initiatives include Jawun, the Business Council of Australia's Indigenous Engagement Task force, Reconciliation Action Plans and—as briefly discussed earlier—Supply Nation and Many Rivers microfinance.

Jawun is a partnership model that emphasises working *with* Indigenous people rather than

simply providing services *to* them. Support generally consists of non-financial assistance such as secondments and mentoring arrangements.³¹ Supply Nation aims to connect Australian corporate and government organisations with Indigenous business suppliers. Although initially established with government funding, it is now a fee-for-use service.³² The Business Council of Australia's (BCA) Indigenous Engagement Taskforce is comprised of CEOs from some of Australia's largest companies and aims to identify, promote and share the experiences of member companies in supporting Indigenous economic development.³³ The BCA's latest Indigenous Engagement Survey found that collectively its members had spent over \$1.7 billion on Indigenous enterprises and joint ventures whilst contributing \$72 million towards education initiatives.³⁴

Although government support for Indigenous businesses appears to have many benefits, there are always unintended consequences of any government action.

Reconciliation Australia's Reconciliation Action Plan (RAP) program provides another mechanism for engagement between Indigenous and non-Indigenous organisations. Evidence points to an increasing number of partnerships being established between companies and Indigenous-related organisations as a result. According to Reconciliation Australia, over 1100 organisations have either endorsed a RAP or are in the process of developing one.³⁵ Businesses and organisations with RAPs have also provided \$100.4 million in pro bono support to Indigenous organisations, \$77.7 million for Indigenous education scholarships and \$32.6 million in goods and services from Supply Nation certified businesses.³⁶

Various peer support business networks also exist to support Indigenous businesses, such as First Australians Chamber of Commerce and Industry and its regional and state counterparts as well as Koorie Women Mean Business (KWMB) Incorporated. KWMB is an organisation of and for Indigenous women living in regional, rural and metropolitan Victoria. It provides services to

support Indigenous women in their businesses.³⁷ Helping such peer-support initiatives could be an economical way for the government to provide assistance to fledgling Indigenous businesses.

Benefits and impact of government and corporate support to Indigenous businesses

Government programs tend to be a passive form of support whereas supporting Indigenous businesses is a form of active assistance. When Indigenous people receive support for a business initiative, they actually have to do something. Most of the time, they are the ones who came up with the business idea and it is something they are passionate about. But they do not have the funds to get the idea off the ground or the business acumen to know where to start. Supporting Indigenous businesses can therefore help to foster individual responsibility and personal accountability.

A case in point: A former Indigenous government employee who worked on Indigenous education and employment programs for more than ten years became very disheartened by the ineptitude and lassitude she witnessed every day. Her experience was that very few senior bureaucrats, either identifying as Indigenous or not, had any first-hand experience of working and living in remote Indigenous communities. As a result, they implemented unsuitable programs and services. Tired of observing this, she left her government job to establish her own business creating luxurious silk fashions featuring authentic dreamtime designs. This endeavour has delivered more benefits to remote Indigenous people than anything she was involved in whilst working as a government bureaucrat.³⁸

Although government support for Indigenous businesses appears to have many benefits, there is no guarantee that the support will be effective and there are always unintended consequences of any government action. A recent Ernst & Young review of Indigenous Business Australia found that it was not providing access to capital in a timeframe or of a scale required to effectively stimulate Indigenous economic development.³⁹ The range and number of different government programs have also been criticised as 'confusing and daunting to emerging Indigenous entrepreneurs'.⁴⁰

Since the implementation of the federal government's Indigenous procurement policy, some Indigenous leaders such as Nyunggai Warren Mundine and Leah Armstrong have also expressed concern about 'black cladding' businesses⁴¹—that is, businesses pretending to be Indigenous to win federal contracts. Although no specific examples of 'black cladding' businesses have been reported in the media, this highlights the need to ensure that where there are joint ventures, Indigenous business partners have a genuine role in management of the business.

In many cases, Indigenous businesses are competing successfully in the open market without any government support. A recent study of 120 Indigenous businesses leaders found on average that Indigenous enterprises had an annual revenue of \$2.7 million and employed about 23 workers, of which approximately 60% were Indigenous.⁴² These successful businesses may not need or want any government support.

Sometimes when government has tried to support Indigenous economic development, it has created an un-level playing field. For example, when the NSW National Parks and Wildlife Service (NPWS) established an 'Aboriginal Discovery Tours' business in Mungo National Park to provide employment to Indigenous people, it caused financial hardship to a private Indigenous business, Harry Nanya Tours, which had been operating in the Park for over 20 years.⁴³ Government-run businesses do not tend to be as profit-orientated as their privately-run counterparts, as there is always the expectation the government will step in and prop up the business if it fails. Because NPWS's 'Aboriginal Discovery Tours' did not have to pay licensing fees to use the National Park nor other operating costs such as public liability insurance, they were able to charge less for their tours than the private tour companies.⁴⁴ Not able to compete on price or against the marketing power of NPWS, Harry Nanya Tours had to scale back the number of people it employed from seven employees to two, and another tour operator closed down.⁴⁵ This example illustrates the need for government to investigate the potential impact of any actions taken to 'help' support Indigenous employment and economic development.

It is tempting to argue that government should get out of the way and not try to 'help' Indigenous economic development.⁴⁶ However, there is a role for government to play in supporting Indigenous businesses, particularly when it comes to creating a climate conducive to business through regulatory reform. Removing some of the restrictions on land use in remote Indigenous communities and investing in human capital would be a good start.

Overall, though, the most positive partnerships tend to be those with other businesses—Indigenous and non-Indigenous. The business sector has particular strengths it can share with Indigenous enterprises such as the ability to invest for long-term gains and the freedom to take risks and innovate. Successful business people learn from their mistakes and are not afraid of failure. At the same time, the responsibility that comes from owning a business creates an incentive for business people to succeed.⁴⁷ These are traits not present in government bureaucracies.

The business sector has particular strengths it can share with Indigenous enterprises such as the ability to invest for long-term gains and the freedom to take risks and innovate.

A wide variety of partnership arrangements exist to meet different needs. Examples of partnerships include shared ownership, joint ventures, and business to business partnerships.⁴⁸ One example of a successful joint venture is the partnership between the Larrakia Development Corporation and IndiEnergy in Darwin. This has provided over 200 Larrakia people with shares in the business, and the financial and social benefits that flow from it.⁴⁹

While the motivation for most business partnerships is increasing revenue, many non-Indigenous business partners may also be motivated by a sense of social responsibility. For example, the non-Indigenous partner of Yaru Water—an Indigenous bottled water company—decided to go into business with two Indigenous brothers because he realised that philanthropic support alone rarely leads to sustainable change. The partnership has been mutually beneficial. Because Yaru water is

an Indigenous-owned company, it is eligible for membership of Supply Nation. This has helped the company secure significant distribution deals and increase sales. Proceeds from the sale of Yaru water have been used to help support education and training programs for local Indigenous youth.⁵⁰

For Indigenous businesses there can also be many benefits from partnerships with non-Indigenous businesses including the potential to qualify for contracts otherwise not accessible to them, access to new markets and capital, employment opportunities, and knowledge transfer and skills development.⁵¹

The most valuable partnerships between non-Indigenous businesses and Indigenous businesses occur when people invest money and have 'skin in the game'.

Significantly, however, a recent study of 324 Indigenous businesses found that whilst business mentoring can assist older more established businesses, it had less of an impact on earlier-stage businesses.⁵² This raises questions about the value and effectiveness of mentoring and secondment type programs, which many corporates are committing to through their Reconciliation Action Plans. Some Indigenous entrepreneurs argue that the most valuable partnerships between non-Indigenous businesses and Indigenous businesses occur when people invest money and have 'skin in the game'.⁵³

Conclusion

Indigenous academic Marcia Langton has called the Indigenous business sector 'the frontier of radical change' and there is a growing number of successful Indigenous businesses in Australia.⁵⁴ Government, and the corporate and philanthropic sector, have recognised the important role that Indigenous businesses play in improving the socio-economic outcomes of Indigenous communities, but less attention has been paid to what forms of support are most effective and appropriate. Currently, the federal government's Indigenous procurement policy is targeted at all Indigenous businesses with 50% ownership but whether this is fair and equitable in the long term remains to be seen. The introduction

of targets for Indigenous procurement has identified a capability gap in the supply side and currently there is a shortage of Indigenous businesses to meet these new procurement requirements. Building capability in the Indigenous business sector will take time and may require additional support for start-ups and greater acceptance of the risks and failure rates inherent in earlier-stage businesses. Currently most of the funding and support for Indigenous businesses is going to already established businesses.

Likewise, the corporate sector has provided a large amount of pro-bono support to Indigenous businesses (as well as Indigenous organisations in general) but evidence is lacking on whether this form of support is truly effective. There are also questions about whether the corporate sector should view supporting Indigenous businesses and economic development activities as a purely philanthropic exercise or whether it should take a more business-minded approach and seek out investment opportunities with some financial as well as social return. Nyunggai Warren Mundine's article in the pages that follow provides some answers to these questions.

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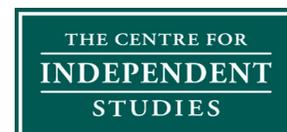
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MAKING A REAL DIFFERENCE: DOES THE CORPORATE SECTOR NEED TO LIFT ITS GAME?

The corporate sector needs to focus on outcomes not activities when helping Indigenous Australians, argues **Nyunggai Warren Mundine**

When I was first appointed as Chair of the Prime Minister's Indigenous Advisory Council in September 2013, I lost count of the number of people who wanted to tell me about 'this great Indigenous program that's really making a difference'.

I hear those claims a lot from the corporate sector. I always ask them how they know the program is making a difference. More often than not the immediate response centres around the level of the company's activities and resources—how much the company has donated to this or that, or how many secondees or mentors have been deployed, or the events or programs the company has supported, and so on.

So then I ask the question again—but how do you know that made a difference? What were the outcomes? For example:

- Your company mentored 50 high school students over five years? That is an activity. Where are the students now? Did they complete high school? Are they working or doing further study? How do they compare to national averages? Those are outcomes.
- You seconded people to help a fledgling Indigenous business? That is an activity. How is the business performing now? Is it financially sustainable and profitable? How

many Indigenous people does it employ? Is it growing? Is it no longer reliant on secondees? Those are outcomes.

- You funded an adult literacy program for a community? That is an activity. How many adults learnt to read from that program? What level are they reading at? What is the literacy rate in the community now compared to before? Those are outcomes.

The question to be discussed here is whether the corporate sector needs to lift its game when it comes to helping Indigenous Australians. But it's hard to critique the quality of play if no-one is keeping score.

Measuring outcomes

Over the past decade the corporate sector has become very generous in helping Indigenous Australians. Today most major Australian corporations have dedicated programs and resources for



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Indigenous people supported by Reconciliation Action Plans. The kind of support ranges from monetary donations to committing human resources and other capabilities to assist Indigenous people and communities through to Indigenous employment.

In the end, however, it is irrelevant how much time, money and effort goes in if the results are not there. It doesn't matter how wonderful a program or its activities sound. The only way to tell if a program is making a difference is to identify whether it is delivering measurable outcomes for the people it serves and the communities in which it operates.

Too often the corporate sector bundles Indigenous people into the 'corporate responsibility' bucket, which is basically business jargon for charity.

Unfortunately, when I ask these questions people often struggle to identify the outcomes of their Indigenous programs, or they assure me that their teams have data on the outcomes and will get it for me, but never do.

I have seen no evidence, for example, that corporate secondments to Indigenous communities make any lasting differences to those communities. If that evidence exists, it has never been shown to me despite repeated requests from multiple sources. And it is clear from the Closing the Gap and other data that most Indigenous communities are not improving, despite these and other efforts.

Take for example the town of Aurukun in Cape York, which is a remote Indigenous community of around 3000 people in far north Queensland. That town has received enormous support from the corporate sector over the past decade. I doubt any small community in Australia has had more attention from CEOs and executives of top Australian companies than Aurukun. I myself spent several days there a few years ago with around a dozen of Australia's top business people during which we refurbished the school library.

Recently I wrote an article for the *Koori Mail* called 'Lipstick on a Pig'.¹ The article talks about the *Dropping off the Edge* Report released by the Jesuit Social Services Australia and Catholic Social Services Australia in July last year which analyses disadvantage in Australia. That Report shows poverty and disadvantage in Aurukun have not reduced. And if you also look at the NAPLAN results you will see that education outcomes have not improved, even for those children who have been part of the intensive education trials since Kindergarten. Yet this community has been targeted with programs that have cost over \$100 million in government spending since 2008 alone. And it has received unparalleled support and attention of corporate Australia.

Companies would never tolerate this situation in their own core operations. They would never tolerate spending large amounts on an initiative with no clarity on whether or what the initiative delivered. In their core businesses, companies closely monitor their sales, revenues and expenses; they set targets and budgets and expect their teams to meet them. I would like to see them do the same for their Indigenous initiatives.

If you are an executive or a director of a corporation that is pumping money into its Indigenous corporate responsibility initiatives, then you should be expecting the same transparency and assessment of these initiatives as you would expect for your business initiatives. And this is how the corporate sector can lift its game.

When dealing with Indigenous matters, corporations have not systematically applied the same principles and behaviours that make their own businesses a success. Too often the corporate sector bundles Indigenous people into the 'corporate responsibility' bucket, which is basically business jargon for charity.

Economic development is what lifts people out of poverty, not charity. The gap exists because too many Indigenous people do not participate in the real economy. And the gap will not close unless and until we all do. This means Indigenous people getting educated, getting employment, setting

up small business enterprises, owning their own homes, having commerce and investment in Indigenous communities, and so on.

Towards meaningful change

In late 2012, I wrote a piece for the *Australian Financial Review* in which I observed that many programs and policies designed to fix the problem of Indigenous disadvantage are actually structured as if the problem will never be solved.²

Instead of fixed funding tied to an outcome, we have ongoing budgets. Instead of appointing a group of people to achieve specific outcomes and giving them a deadline, we have whole departments or divisions dedicated to helping Indigenous communities where people have permanent jobs with indefinite terms, and focus on activities not outcomes. We see this in the private and public sectors alike.

If a corporation needed a major transformation to fix a big problem, management would develop a strategy, create a plan identifying exactly what has to be achieved and over what time period, prepare a business case, set up a team to deliver it and a steering group to monitor progress. Once the outcomes were achieved the team would move on to something else and others would monitor whether the promised benefits were realised. If the program ran over time or budget or didn't deliver, then someone might even be fired.

It is admirable that corporations have dedicated corporate responsibility and diversity teams to ensure that the corporation gives back to the community. These teams have done some good work, particularly in raising awareness and building connections between corporations and Indigenous people. But I have never seen a company enlist its corporate responsibility team to run a major transaction, solve a material business problem or deliver a significant transformation. The rigour and discipline that companies apply to their own challenges is what is required when addressing Indigenous disadvantage.

That said, I have noticed a shift since I wrote that article a little over three years ago. This

has been driven largely by the change in the government's Indigenous focus from welfare to economics. It's like turning a large ship and it takes enormous focus, determination and patience. But it is happening.

A central component of that change has been the focus on jobs—getting the corporate sector to hire Indigenous people in its workforce. The bar is now being moved higher to the target of employment parity. Corporations should be targeting 3-5% of their workforce as Indigenous, and more in areas with higher Indigenous populations.

Getting Indigenous people in your workforce requires the effort and focus of your core operations, particularly when it involves 'welfare to work'—taking people with multiple barriers to employment and who may never have had a job in their life and helping them obtain and retain a job. And it is by far the most meaningful thing that the corporate sector can do for Indigenous Australians.

Instead of appointing a group of people to achieve specific outcomes and giving them a deadline, we have whole departments or divisions dedicated to helping Indigenous communities where people have permanent jobs with indefinite terms, and focus on activities not outcomes.

More recently the corporate sector has had to start focusing on how to get Indigenous-owned businesses in its supply chain. This shift has been driven by the federal government's Indigenous Procurement Policy which has set targets to achieve procurement parity in government supply chains.

Government is a huge buyer of goods and services from the private sector and it is now looking to its suppliers to have Indigenous employees and sub-contractors. This is already presenting a big challenge to Australia's corporate sector.

The Indigenous Procurement Policy has created demand for Indigenous enterprise. But there is not yet the supply to meet the demand. There is a

large capability gap that needs to be bridged. The policy also does not impose minimum Indigenous employment levels to qualify as an Indigenous enterprise—something I have advised government to change.

I have already seen companies, who risk losing government contracts, scrambling to set up joint ventures with Indigenous people. But the capability gap creates a situation where joint ventures may be established with a thin layer of Indigenous representation over an established business, which gets most of the financial benefit through funding arrangements, notwithstanding the ownership proportions, and which hires few, if any, Indigenous employees. Leah Armstrong, the Chair of Supply Nation, has spoken of the risk of ‘black cladding’—where businesses have Indigenous shareholders and/or directors who provide an Indigenous face but no meaningful control or involvement in the day-to-day operations of the business.

The corporate sector can help with the establishment of Indigenous enterprises that are genuinely managed and operated by Indigenous people.

The corporate sector is critical to the success of this policy and has considerable influence in how it is ultimately implemented. The corporate sector can drive the success of this policy and help with the establishment of Indigenous enterprises that are genuinely managed and operated by Indigenous people, supported by skills transfer and capability building that the corporate sector can provide. However, the corporate sector will hinder this policy if it tolerates or participates in black cladding.

I have advised government that, in addition to the minimum 50% ownership, businesses should have a minimum of 25% Indigenous employment to qualify as an Indigenous enterprise. And I would make the same recommendation to Supply Nation for its certification conditions.

I have also advised government that any company with 75% or more Indigenous employment should qualify as an Indigenous enterprise, regardless of who owns it. My thinking is that this will encourage established businesses and entrepreneurs to set up companies that hire Indigenous people and attract investment—without needing to create some façade of Indigenous majority ownership. Of course, there is no reason why corporate Australia cannot adopt these principles now in its own supply chains and in partnering to set up Indigenous enterprises.

Conclusion

There is no question that the corporate sector is very generous when it comes to supporting Indigenous people and communities and working to close the gap. I also have no doubt this support comes from genuine goodwill towards Indigenous Australians and a genuine desire to right the impact of past wrongs.

The shift in focus from welfare to economic development, from charity to commerce, will help harness those good intentions into meaningful outcomes. And the corporate sector has the opportunity to lead the way.

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VALUING WORK: BEYOND THE ECONOMIC BENEFITS OF EMPLOYMENT

If we can fix unemployment, we can fix most of the other problems among Indigenous Australians, writes **Anthony Dillon**

Employment not only brings financial independence and choice, it also contributes to self-esteem.

—Closing the Gap: Prime Minister's Report 2016¹

Few would doubt the benefits of paid employment: it pays the bills and puts food on the table.² Being engaged in productive work was a normal feature of traditional Indigenous society, so nothing new is being suggested here in discussing the importance of work for Indigenous people; rather, just a return to what Indigenous people once knew.

Consider the words of Yolngu leader Galarrwuy Yunupingu from Northeast Arnhem Land:

In our world we hunted with success or we did not eat, we exchanged gifts with friends so that these friends would respond with gifts that we valued . . . We laboured every day. Under the early mission system we worked or there was no pay. We contributed or we were left aside.³

Consider also the words of Northern Territory MP Alison Anderson when discussing the benefits of employment beyond the financial:

It is not just about the money although the money is good. It is about status and respect, about responsibility and dignity. It is also about growing up and not being a child any more, about becoming an adult,

so that children, real children, can depend on you. We need more of such adults in our Indigenous communities.⁴

Adding to Anderson's insights, a major longitudinal study of the non-pecuniary costs of unemployment has asserted that employment is a source of social relationships, identity in society, and individual self-esteem.⁵ Echoing these observations, a recent report by the Centre for Aboriginal Economic Policy Research has noted that in addition to the obvious economic benefits of employment, there are what the report's authors call 'second round benefits' such as improved mental and physical health, improved children's developmental outcomes, and higher rates of home ownership.⁶



Dr Anthony Dillon is a post doctoral researcher at the Institute for Positive Psychology and Education at the Australian Catholic University. He has both Indigenous and non-Indigenous ancestry, and is actively involved in applied psychology research into mental health and Indigenous well-being.

These second round benefits, particularly the psychological or mental health benefits, are the focus of this article. Not because they are necessarily more important than the economic benefits, but because they are often overlooked. It is the high rate of unemployment among Indigenous people that contributes to the higher rates of crime, violence, child neglect, and alcohol and substance abuse.⁷ In short, if we can fix unemployment, we can fix most other problems. There are other means of contributing to the well-being of the broader community, but engaging in (paid) employment is often a very effective way of doing so in the modern world.

Get people into jobs and we will make significant inroads towards addressing suicide and a host of other problems affecting Indigenous people.

In this article, it is not my intention to solve the unemployment problem, but to emphasise the importance of employment beyond the economic benefits. Neither is it my intention to re-analyse historical injustices that have contributed to the unemployment problem we see today. It should also be noted that whilst the focus of this article is on Indigenous people, much of what is said applies to non-Indigenous people too.

Employment provides a sense of purpose

When I read the words of Yunupingu, quoted earlier, I am impressed with ‘we exchanged gifts’. To me, this speaks of the importance of people making valuable contributions to the society or community in which they live. Knowing that one makes a valuable contribution to others is the bedrock of healthy and robust feelings of high self-worth. Executive Chairman of the Australian Indigenous Chamber of Commerce, Warren Mundine, has said that ‘[s]ocial stability requires that people embrace the idea of contributing to their communities.’⁸ This is consistent with recent research into psychological well-being which notes that ‘to be considered optimally functioning in society, one must also contribute meaningfully to society’.⁹

Similarly, in his recent book *What Makes Us Tick?*, social researcher Hugh Mackay argues that ‘Work gives us something to do, something that *proves* we are useful’,¹⁰ while Nyunggai Warren Mundine, again, has stated: ‘In classrooms and in jobs, that is where our Indigenous youth belong.’¹¹ Get people into jobs and we will make significant inroads towards addressing suicide and a host of other problems affecting Indigenous people. Yes, people need money to survive but they need so much more: ‘man shall not live by bread alone’.

What happens when one is not employed?

Psychiatrist William Glasser, in explaining mental health problems, has suggested that a fundamental requirement for sound mental health is the need to feel worthwhile to others and ourselves. Glasser explains that failure to fulfil this need contributes to what is commonly called ‘mental illness’.¹² As most people would already know, employment is often a very effective way of providing a sense of self-worth. So clearly, not working impacts on mental health. Perhaps the impact is not readily apparent, but it is real nonetheless.

Returning to Mackay’s quote above, employment gives us something to do. It may not always give us the option to do what we want to do, but doing anything, where hopefully one can see some purpose, has to be better than doing nothing. The good book says that idle hands are the devil’s workshop. We have all seen those images of a rundown community where the adults are not working. No matter what the colour of the occupants, those communities are not pleasant; they are often hellholes.

When people have a sense of purpose, then life is worth living. A job can provide purpose. People without purpose are like ships without a course—they eventually end up a wreck. Not working has flow-on effects to family and children. Reporting in *The Australian*, Helen Morton remarks that without employment opportunities and occupational role models, the ‘bright eyes of children’s hopes and dreams quickly fade.’¹³ With regard to the distressing topic of youth suicide, young people flourish when they live in happy and supportive environments. Such environments are an normal outcome when adults are engaged

in meaningful employment and the children are in school.

It is true that in some locations in Australia there are few opportunities for paid employment. There may be some opportunity to provide service to one's community, but in some places people have been robbed of the opportunity to provide service because they are given passive income in the form of welfare. When given welfare, it is not too difficult to see that the motivation to provide a service, especially if there is not financial reward for doing so, is diminished. Certainly there is a time and place for welfare, but it should be a safety net only and not a hammock! Or, in the inspirational words of Nyunggai Warren Mundine, once again, 'Welfare should not be a safety net, it should be a trampoline—sending people back into employment and self determination.'¹⁴ While welfare may enable a recipient to *survive*, it often robs them of the opportunity to *thrive*. To thrive requires connection with others.

Consider the words of Canadian Indigenous man Calvin Helin in his book *Dances With Dependency* with regard to welfare:

Some Aboriginals contend that we should take the welfare and transfer payments because they are 'free'. As seductive as this might appear, a resounding axiom of Nature is 'nothing is ever free'. Whatever comes to you without having to put out some effort always requires some compensation—just one that is not immediately visible.¹⁵

The Canadian experience that Helin describes is just as true for the Australian Indigenous experience. It is clear that many people, both Indigenous and non-Indigenous, are getting by (some are even very comfortable when they pool their welfare earnings) without having to 'put out some effort'. You do not need a degree in psychology, nor do you need to have visited a community where welfare is the source of income for the majority of its people, to understand the devastating effects of welfare.

Real jobs

Based on what I have written so far, it is tempting to think the best way to help Indigenous people immediately is to get them into a job—any 'job'. I did say earlier that doing something is better than doing nothing, but this requires some qualification. It is desirable that the 'something' is meaningful. The jobs people do should be real and not pretend jobs. As Alison Anderson points out:

We need to phase out all the jobs we created for Aboriginal people: the teaching assistants and the special positions for Aboriginal police and healthcare workers, and all the rest. They imply that Aboriginal people cannot do normal jobs. We need to replace them with real jobs that require real education, jobs that are not dead ends but that could lead on to other jobs, including jobs in other places if that is what some people want.¹⁶

There is a time and place for welfare, but it should be a safety net only and not a hammock!

Having a job should communicate the message, 'What I do makes a difference.' With some of the special 'indigenised' jobs that Anderson gives examples of, this may not always be true. I am generalising here as there are many jobs that have a specific Indigenous focus and that serve a real purpose such as interpreters and hospital liaison officers. But the low expectations that accompany some indigenised jobs risk sending the wrong message, especially to children: for instance (following Anderson), they may not dream of becoming a teacher because they may believe that Indigenous people can only become teaching assistants. While such jobs provide income and status, they may not necessarily provide people with a full sense of purpose and meaning.

Conclusion

Having a job obviously pays the bills: this is true for both Indigenous and non-Indigenous people. Also true for both Indigenous and non-Indigenous people is that being employed is often an effective way to promote sound mental health. But we also know that Indigenous Australians are more likely to be unemployed. We know all too well the other statistics that do not paint a good picture—poverty, violence, suicide, alcoholism, child neglect and more. Employment will go a long way towards addressing these problems.

Given that traditional Indigenous people embraced a holistic conceptualisation of life, employment should be seen as a normal (as opposed to a white man's expression of assimilation) part of life for Indigenous adults as it encompasses the material and spiritual dimensions of life. Indeed, for many thousands of Indigenous Australians (paid) work is a normal part of life. The challenge for us, both Indigenous and non-Indigenous, is to ensure that all healthy, able-bodied Indigenous adults have the opportunity to work. We are headed in the right direction, so let's continue the momentum.

Endnotes

- ¹ Quote from *Closing the Gap: Prime Minister's Report 2016* (Commonwealth of Australia, Department of Prime Minister and Cabinet, February 2016), ch. 3, p. 26.
- ² Although this is true for both Indigenous and non-Indigenous Australians, the focus of this paper is on Indigenous people. Indeed, much of what is said in this paper applies to non-Indigenous people, even if not explicitly stated.

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- ¹⁶ Anderson, 'Real Education, Real Jobs', pp. 344-45.

DOING WELL AND DOING GOOD: THE CASE FOR PRIVATISING PRISONS

Opposition to private prisons is short-sighted, argues **Anastasia Glushko**

Last year's announcements of separate plans to build new prisons in New South Wales and Western Australia under public-private partnerships were met with instinctive public recoil. Although Australians have been reliably resistant to privatisation in general for decades, the notion of outsourcing corrective services seems to hit a particularly raw nerve.

Informed almost exclusively by the excesses of the (very distinct) American experience, many people view private prisons and their operators as corrupt, secretive and morally bankrupt. Last year's Festival of Dangerous Ideas even hosted a dedicated session on the dangers of prison privatisation, notable as much for the mutual agreement of the panellists as it was for the absence of facts.

Such persistent misconceptions are a pity because the introduction of private prisons in Australia has actually had a positive impact on the corrections industry.* This is not simply about state and federal governments grappling with budget red ink—although, yes, private prisons are cheaper to run. Privately-operated prisons are more accountable, transparent and innovative than public jails, too. Critically for the rehabilitative

prospects of their prison populations, they are also generally safer and healthier than their state-run counterparts.

Prison privatisation in Australia

Private sector involvement in incarceration in the English-speaking world dates back to medieval England, when prisons belonged to the Crown but were sublet to jailers. Prisoners were charged admission and release fees, and were required to pay for their own food, bedding and other necessities on a sliding scale according to their financial capacity.¹ The practice continued in various forms in England until around the 1780s when prisoners began to be transported to Australia.²

The modern-day experiment with privatised prisons originated in the United States in the 1970s, where the market has grown dramatically ever since. Since 1975, twenty-odd corporations have entered the market as builders or operators of prisons, mainly in the Southern



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* It should be noted that this discussion does not consider privately-operated immigration detention centres, which differ dramatically from prisons operationally and in purpose.

states. Internationally, the major players in prison services—GEO, G4S and Serco—are all subsidiaries of UK or US-based corporations, and draw on their global network of contracts for best practice and human expertise. Internationally, the performance of private prisons has been mixed, not only because of variations in security classifications, geography and prisoner groups, but also because of differing degrees of governmental (and corporate) expertise in designing and managing contracts.

Australia was only the second country after the United States to outsource corrective services, although for dramatically different reasons. In the US, the growth of the prison market was directly related to the critical levels of overcrowding that prisons reached by the early 1980s. In Australia, privatisation was a response to the need to replace deteriorating existing facilities, many of which were over a century old.³

As Australia's prison population has grown and existing facilities have aged, public-private partnerships have provided opportunities to build new correctional centres whilst enabling governments to defer much-needed cash flow.

It is worth noting that the private sector outsourcing of prison services that has been undertaken in Australia is actually more akin to franchising (as was done with Sydney Ferries, for example) than privatisation in the traditional sense, whereby the private sector owns and controls a service that is usually provided by government.

Australia's first private prison was operated by the Correctional Corporation of Australia, an international venture of Corrections Corporation of America.⁴ The Queensland facility began operations in 1990, and soon stoked interest in privatisation in several other states. By 2011, five of Australia's eight states had some level of privatisation, with Victoria having the highest rate (33%) as well as the largest privately-held population (1,530).⁵ Victoria will add to its privately-held prison population with a 500-bed Melbourne facility scheduled to open next year.

Today, of the 94 prisons in Australia, ten are privately operated and announcements for two more have been made.⁶ Although the raw number is relatively low, Australia actually houses a higher proportion of prisoners in private prisons than any other country in the world.⁷

Financial efficacy

In many ways, the benefits of outsourcing prison services are the same as those of privatisation generally. Private companies can cut costs as they have greater control over operational activities and resourcing, and bring innovation to service delivery.⁸ As Australia's prison population has grown and existing facilities have aged, public-private partnerships have also provided opportunities to build new correctional centres whilst enabling governments to defer much-needed cash flow.

In Australia, prison privatisation has also had the specific advantage of being able to weaken the stronghold of the unions on the sector, including the Public Service Association, a sub-section of the Community and Public Sector Union. Although private providers still work with unions—relationships are deliberately fostered long before a prison tender is even released—they have enjoyed a remarkable degree of freedom (and indeed, contractual obligation) to lower operating costs through reduced and more flexible staffing.

Some of the most significant changes, like simply adjusting staffing ratios to the pattern of the prison day, should not be beyond the vast capabilities of the public prison estate. However, this has proven to be politically impossible for many decades. Successive state governments have acknowledged the huge and seemingly quite deliberate waste created by inefficient rostering and excessive overtime. When the New South Wales government flagged wide-ranging reforms in the sector in 2008, it pointed to the Auditor General report's estimate that prison overtime had cost the state taxpayer \$43.7million in 2006-2007 alone. One employee received \$90,000 in overtime.⁹ (It comes as no surprise that on the day that the government's privatisation plans were announced, prison officers walked off the job.)

Whilst some have questioned the financial efficacy of prison outsourcing,¹⁰ evidence from

several private prisons speaks for itself. Compared with \$270 a day in a government-run West Australian jail, each prisoner in the privately-operated Acacia facility near Perth costs the taxpayer \$182. In New South Wales, the per head daily cost of privately-run Junee Prison is \$112, compared to around \$170 at a public medium-security facility elsewhere in the State.¹¹

Improved service delivery

Budget bottom line aside, the freedom from bureaucratic red tape and entrenched restrictive work practices has empowered prison and contract managers to examine creative new techniques for improving services for prisoners and staff.

Recent research indicates that private prisons perform better than their public counterparts on ‘relationship measures’ like respect, humanity and trust.¹² Although better treatment of prisoners was not one of the overriding goals of privatisation (whose proponents were mainly concerned with reducing costs), academic research has shown that the quality of prison life, including staff-prisoner relations, is key to reducing re-offending.¹³ In Australia, private operators have quietly led the way on important cultural changes, like more informal and respectful attitudes to prisoners, mentoring schemes, increased out-of-cell time, and more purposeful activity to fill that time.

Private operators have also pioneered practical innovations that range from award-winning recycling schemes, Indigenous-specific treatment programs and gang management strategies to holistic prisoner pathway plans that take into account literacy levels, chronic illness, training options and family needs.

In the UK, when the healthcare team of a private prison won the Public Servants of the Year Award for successfully introducing a no smoking policy (the first prison in the UK to do so), its deputy governor remarked that such innovation would have been much less likely in a public jail. A former governor in the public system, she observed that the demand for uniformity and systemic conservatism would mean that the initiative, which has now been successfully implemented around the world, would almost certainly have been met with overwhelming resistance.¹⁴

Better accountability

Not only do private prisons tend to perform better than state-run jails, but also by their very design they are more accountable. Contrary to the general criticisms pointing to the immunity of private companies to Freedom of Information applications, private prisons are not secretive fiefdoms.

True, operators do not publicly reveal detailed operating costs,¹⁵ although this is no different to any other private provider of government services. All prison operators compete with each other in Australia and overseas, and the costs of bidding for a single prison contract can run into several million dollars. It should surprise no-one that operators insist that the means by which they are able to deliver cost savings to the taxpayer are treated as commercial-in-confidence. Claims that governments themselves have no access to that level of detail—and that, therefore, a conclusion about the true cost of private prisons cannot be drawn—are simply untrue.¹⁶

Contrary to the general criticisms pointing to the immunity of private companies to Freedom of Information applications, private prisons are not secretive fiefdoms.

First, prisons operate within a closely integrated system, not as standalone providers. It is an important caveat that under correctional management contracts the private sector in Australia must meet standards prescribed by the government. As the NSW Corrective Services Commissioner has noted, prison privatisation does not involve governments contracting out responsibility, but rather contracting out the delivery of services.¹⁷ Thus, contracted prisons do not have their ‘own’ prisoners: the state allocates prisoners and transfers them between jails. Private prisons must also work with the same external service providers as the public prisons in their state, including probation services, police, educational institutions, Centrelink and the health system. Most state departments even impose their own detailed operating procedures on private providers.

Second, private operators are subject to strict rules and regulations, and are closely and regularly monitored by governments and inspectors. A team of state monitors is embedded in every privately-operated prison to monitor the operator's daily performance against contract requirements, and to apply penalties where required. Their work is complemented by dedicated contract compliance groups at the departmental level. In addition, private prisons are subject to the same independent, unannounced inspections regime as their public counterparts, and annual reports of their performance are made publicly available. Similarly, all individual prisoner complaints are independently adjudicated by a prisons Ombudsman in each state, irrespective of whether they have originated from a public or private facility.

Of course, privately operated prisons are not immune from human error, incompetence or negligence, but that we can readily cite them is precisely the point.

On the welfare of prisoners

Private delivery of public services removes the inherent conflict of the public sector both delivering and monitoring the performance of service delivery. Operators face abatements for everything from deaths in custody, assaults, self-harm and escape to failure to meet state-mandated requirements for drug testing and education programs. For example, in the 2013-14 financial year, private operator Serco lost a total of \$680,000 for 18 breaches, which ranged from late prisoner deliveries to court (\$11,000 each) to escapes (\$110,520 each).¹⁸

Moreover, private operators are rewarded when the prison is safer, and prisoners are healthier and positively engaged in education and work programs. At minimum, private prisons must meet the same standards of safety, security and care, and deliver the same rehabilitation and training programs as would be provided by the public system. In addition, in order to win contracts, they are obliged to propose a raft of innovations and best

practice that can be transferred across the entire prison estate.

Furthermore, unlike in the public prison system where accountability tends to be linked to process rather than performance, private prison contracts are structured to financially incentivise positive outcomes, and to penalise mistakes and failures to meet agreed service standards.

At Victoria's Ravenhall Prison, built under a public-private partnership and due to open in 2017, the operator will be compensated on the basis of the rate of re-offending among its released prisoners. That prisons should concern themselves with what happens to offenders once they walk out of the prison gates may seem obvious, but public prisons barely focus on re-offending: recidivism is not even included in the state-based prison performance indicators monitored by the Productivity Commission under the Council of Australian Governments.

Of course, privately operated prisons are not immune from human error, incompetence or negligence, but that we can readily cite them is precisely the point. With corporate reputations on the line every day, there is considerable evidence to suggest that contracted prisons enable a more rapid response to, and correction of, poor performance than in the public sector. Although profit and reputation motives may seem like a dubious accountability safeguard to some, nothing exists in its place in public prisons. It is not a coincidence that a 2013 report by the independent UK think tank, Reform, concluded that every single one of Britain's twelve privately-operated prisons is producing better outcomes than comparable public prisons.¹⁹

Moreover, the controversial nature of private sector involvement intensifies the political, academic and media interest in prisons generally. In his recent book on the history of prison privatisation in the United Kingdom, Julian Le Vey argues that private prisons have changed expectations of what prisons should be like, making 'toxic old prison cultures that had developed in a different era, when no one expected much of prisons, more visible and less accepted.'²⁰

Conclusion

It is understandable that many observers worry that there may be a basic ideological conflict between the interests of society in ultimately minimising the number of people confined in prisons and the financial interests of private prison operators in maximising the number of prisons and prisoners. But whilst it is true that the aims of many public bodies are more complex and varied than profit, private prisons have inarguably had positive impacts across the public prison estate, particularly through cost efficiency, service quality and innovation.

Government contracts for private prisons need to be publicly available, contestable and closely monitored by independent scrutiny. However, it is short-sighted to instinctively reject them out of hand. Private prisons may not be a panacea for law and order in Australia, but they are certainly part of the answer.

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IN THE SHADOW OF CHINA: GEOGRAPHY, HISTORY AND DEMOCRACY IN SOUTHEAST ASIA

A distinctive geography of democracy has emerged in the region that defies conventional explanations, argues **Benjamin Reilly**

The link between economic development and democracy is one of the key tenets of modernisation theory. In Northeast Asia, South Korea and Taiwan are often cited as exemplars of this link: after a long period of economic development under authoritarian rule, which led to the growth of a large middle class demanding a greater say, the ruling regimes themselves undertook a process of political liberalisation that transformed both countries into democracies. Along with Japan, East Asia's oldest democracy, these three cases are amongst the wealthiest and most developed in Asia, thus lending support to basic modernisation theory.

By contrast, in Southeast Asia this neat link between economic and political development fails. Indeed, politics in Southeast Asia confounds almost all attempts at generalisation. The region contains an unusual diversity of regime types ranging from nominally Communist one-party states in Vietnam and Laos, dominant-party autocracies in Cambodia, quasi-democracies in Malaysia and Singapore, military rule in Thailand (since 2014), an absolute monarchy in Brunei, the transitional case of Burma, and finally three cases of multi-party democracy, with varying degrees of effectiveness, in Indonesia, the Philippines and East Timor.

Conventional explanations that focus on domestic social, economic and political factors to account for democracy's success or failure cannot explain this diversity. For instance, democracy is thought

to be more likely in smaller, more homogenous states than large, diverse ones. It is often regarded as particularly problematic in societies with deep ethnic or cultural divisions. It is thought to be less compatible with some religions—particularly Islam, possibly due to the difficulty in separating church and state under Islamic law. And around the world it is strongly correlated with broader advances in human development such as educational levels, literacy, maternal health and other public goods.¹

Yet Southeast Asia's standout democracy, Indonesia, is a Muslim-majority country of over 240 million people, with hundreds of different linguistic and ethnic groups. Like its two democratic neighbours, the Philippines and East Timor, it combines electoral democracy with acute problems of governance and state effectiveness. These countries are also amongst the poorer states in Southeast Asia, with per capita GDPs well below the US\$6,000 that Adam Przeworski and others consider a threshold for democratisation.²



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Southeast Asia's most developed state, Singapore, also represents an anomaly for modernisation theory with a per capita GDP of US\$56,000 (more than the United States). As a longstanding soft-authoritarian 'semi-democracy', Singapore has been dubbed 'the most economically developed non-democracy in the history of the world'.³ Malaysia too represents a challenge, combining high levels of human development and per capita income of over US\$11,000 with an increasingly illiberal soft-authoritarian regime. While both Singapore and Malaysia allow opposition contestation in elections, they use internal security acts and threats of defamation to cow critics, and have yet to experience a change of government in the modern era.⁴

These cases are not the only democratic anomalies in the region. Mainland Southeast Asian states such as Vietnam and Cambodia have also seen rapid economic growth and a burgeoning urban middle class, but remain de facto or de jure one-party regimes with deeply illiberal politics and little tolerance for pluralism, despite Cambodia's brief experience with democracy as part of the 1993 United Nations intervention. The middle classes there—as in Singapore and Malaysia—have remained largely 'indifferent to democracy'⁵ while in Thailand the Bangkok-based middle class has become actively hostile to majority rule, at one stage occupying the main international airport to campaign against one-man, one-vote democracy.

Southeast Asia therefore seems to contradict some of the best-established theories of democratisation, not just the so-called preconditions literature but also the literature on democratic transitions. Some regional experts have attempted to explain this anomaly through the lens of inter-elite competition, particularly the relationship between business and government elites.⁶ Others have examined the interaction of class formation and the role of Chinese merchant minorities.⁷ The legacy of colonial rule, a hierarchical and paternalistic elite culture, and a deeply-held rejection of pluralism have been claimed to explain the resilience of autocracy in Indochina at least.⁸ But few have attempted a cross-national account of democracy and its alternatives.⁹

A simpler explanation may be found by looking at the broader patterns of history and geography—particularly in relation to the core regional state, the Peoples Republic of China (PRC). As Figure 1 below shows, the distribution of electoral democracy in Southeast Asia today displays a striking geographic pattern: all the maritime states (bar Brunei) are democratic, all the clearly mainland states are autocratic (although Burma may change this), and the semi-democracies are geographically in-between. The fact that this relationship has now been stable for a decade—only Thailand has changed its status over this period—suggests that it is not just a temporary phenomenon, but one with deeper roots. This article therefore offers an alternative explanation for the presence or absence of democracy across Southeast Asia that is based not on domestic, social or even political factors but rather on international influence, geography and history—in particular, a country's proximity to and history of relations with China.

Figure 1: The Geography of Democracy in the Asia Pacific



China's long shadow: the interaction of history and geography

The deep historical legacy of China's 'tribute' relations with its southern border neighbours—in contrast with the relatively limited historical influence of China in the more distant island realms of present-day Indonesia and the Philippines—offers one way of understanding the spread of democracy in Southeast Asia. Spatial proximity and historical legacies may therefore help to explain both the patterns of autocratic resilience in China's near border and the freer political evolution of more distant maritime regions.

Under the Ming dynasty, China's near neighbours were enmeshed in the 'tributary' system, which also served as a transmission belt for Chinese ideas about hierarchy, bureaucracy and governance. In the contemporary era, expressions of this influence include Chinese support for communist revolutions in post-colonial Laos, Cambodia and Vietnam, China's nervousness about the possibility of a democratic (and potentially US-aligned) Burma along its southern border, and the rapid economic integration of southern China with its borderland states. Today, China's combination of unparalleled economic development under a market economy with a centralised authoritarian political system may potentially provide a new governance model—the so-called China model—that is essentially post-democratic.

Scholars have shown how Ming China exported aspects of China's bureaucratic culture and politics, replicating them across a range of Southeast Asian tributary polities during the 15th and 16th centuries.

The resilience of autocracy

Consider the three 'China-lite' states of Laos, Cambodia and Vietnam. All are former French colonies, located next to one another and, Cambodia aside, sharing a land border with southern China. All witnessed the rise of Communist parties to power in the mid-1970s, a process that was either actively or passively supported by China. These parties remain in power in Vietnam and

Laos, which are one-party states. In Cambodia, the Communists transformed themselves into the Cambodian Peoples Party, which has enjoyed a similarly unbroken run in government, despite the UN electoral intervention of 1993. More recently, all three countries have seen rapid economic growth on the back of massive foreign investment and aid, mostly but not exclusively from China. They also tend to support China in international forums to greater (Cambodia) or lesser (Vietnam) extents.

Historically, all these states were once part of the Chinese 'tributary' system by virtue of their location, and hence developed a different kind of political culture than those further away from Chinese influence. Since at least the Ming dynasty, China's Southeast Asian neighbours were co-opted into its sphere of influence, first by expanding China's own borders to include Yunnan, Fujian and Guangdong, and then by coercing present-day Vietnam, Laos and parts of Burma into China's tributary system. An inherently and explicitly unequal bilateral relationship ensued in which peripheral states were forced to make loyalty oaths to the Chinese emperor and regular provisions of exotic produce to demonstrate their fealty to the 'kingdom of Heaven'.

This asymmetric relationship enabled the transmission of ideas about the appropriate relationship between the rulers and the masses. Scholars have shown how Ming China exported aspects of China's bureaucratic culture and politics, replicating them across a range of Southeast Asian tributary polities during the 15th and 16th centuries.¹⁰ Diffusion of Chinese governance and bureaucratic norms was a key element of this process. The gradual replacement of traditional rulers in those areas with 'circulating officials' from the Chinese bureaucracy left lasting ideas about the relationship between the rulers and ruled. If we are to adopt the label of Confucianism as a shorthand for these ideas, then as Doh-Chull Shin notes in analysing how East Asians view meritocracy:

Confucianism rejects the democratic notion of government by the people because in the Confucian view, 'the people' are not cognitively capable of understanding the complexity of public

affairs . . . The Confucian model of meritocratic government contrasts sharply with the liberal democratic model of good government in both its ends and means.¹¹

This model has proved resilient in what Shin calls Confucian Southeast Asia (Vietnam, Laos and Singapore).

By contrast, in more distant maritime realms far from China's borderlands, tributary relations and the transmission of imperial or Confucian governance models were weak or absent. Again, this follows the historical pattern. Maritime Southeast Asia has always posed a much greater barrier to the extension of Chinese influence than the near abroad, in large part because China's bilateral relations with the region were historically much less developed. Of all the countries in Southeast Asia, Indonesia and the Philippines have been least likely to accept Chinese hegemony. Indonesia was not subject to the kind of bilateral trade regime with China that developed between China and Vietnam, or Thailand, or Burma. Meanwhile, in the Philippines, bilateral trade relations with China took place under Spanish rule.¹²

The afterlife of the tribute system

The tribute system fell apart with the advent of aggressive European penetration into East Asia, including not just Southeast Asia but also, in the aftermath of the Opium Wars, China itself. Traditionally, China had adopted a kind of dual policy combining the carrot of trade opportunities with the stick of military punishment to its southern and western borders. But the co-optation of Southeast Asian rulers as 'pacification commissioners' who would keep the peace broke down with the scramble for Asia amongst the new European entrants. Sniffing the wind, previously loyal tributary states such as Siam (present-day Thailand) rejected repeated Chinese demands for tribute and in 1882 repudiated any tributary obligations. The colonisation and annexation of Indochina by the French and Upper Burma by the British in the late 19th century added to this loss of China's protective ring of tributary states.

While the formal tributary system collapsed, its legacy lived on. With the Japanese defeat in the Second World War and the communist consolidation of control over the PRC, China began to re-establish the form if not the content of a tributary system in its neighbouring states. One illustration of this was Chinese support to the non-democratic regimes along its southern border. China actively backed Communist parties in Laos and Vietnam while also giving military and financial assistance to the Khmer Rouge in Cambodia.¹³ The legacy of these relationships in the contemporary era are one-party socialist political systems which share, rhetorically at least, a common ideology with the Chinese Communist Party (CCP).

Maritime Southeast Asia has always posed a much greater barrier to the extension of Chinese influence than the near abroad, in large part because China's bilateral relations with the region were historically much less developed.

Despite Xi Jinping's famous quote that 'China does not export revolution', that is exactly what it did during the Mao years. Chinese support for the Communist takeover of Vietnam, Laos, and Cambodia—the three 'China-lite states' discussed earlier—and its sponsorship of the very existence of North Korea are two examples. The PRC also directly or indirectly supported revolutionary movements such as Cambodia's Khmer Rouge, Laos' Pathet Lao and Nepal's Maoists. Less successful examples of 'exporting revolution' include the Malayan Emergency, the Huk Rebellion in the Philippines (and the ongoing war against the New Peoples Army which continues today), and the increasing involvement with Communists by Sukarno of Indonesia from the late 1950s until his 1965 overthrow.

Following the end of the Cold War, China even attempted to fashion its politically like-minded neighbours into an Asian Socialist Community (ASC) in which 'each regime seeks to preserve one-party rule based on the legitimacy of the party

in the struggle for national independence, resistance to foreign intervention, and commitment to building socialism' and which 'share a common external threat—pressure to democratise society, to allow political pluralism and to implement internationally acceptable standards of human rights'.¹⁴ While the ASC did not last, a contemporary consequence of this approach is the present-day prevalence along China's southern border of single-party socialist systems in Vietnam, Laos and Cambodia with the same rhetorical commitments as the CCP.

With Thailand's generals increasingly in China's pockets, a truly democratic Burma would represent a radical change in a part of Southeast Asia where China once sought deference.

Similarly, not long after the fall of the Berlin Wall, Burma's first bloody suppression of pro-democracy supporters in September 1988, followed by China's Tiananmen Square massacre the following year, had the unintended effect of bringing the two closer together:

Both were brutal attacks on popular movements calling for greater democracy; both caused considerable loss of life; and both were strongly condemned by the international community. Neither joined the chorus of condemnation of the other, however. On the contrary, each lent the other support in its hour of ostracism. In the early 1990s, Beijing began supplying large quantities of heavy weapons and other military equipment to the Burmese regime.¹⁵

This military support has continued until the present day, which is one reason why Burma's current political openings have worried the Chinese. Beijing finds it easier to influence autocratic governments comprised of a small group of inter-connected elites than the larger coalitions present

in genuine democracies.¹⁶ This focus on autocracies becomes self-reinforcing: it is precisely in small autocratic states that Chinese influence has been most effective and consequential. Thus the landslide November 2015 victory for Aung San Suu Kyi's National League for Democracy is seen as having undermined the foundations not only of a close partnership between like-minded authoritarian regimes but also China's core strategic interests.

China's present-day approach to its neighbours reinforces this impression, heightening the importance of the 'swing states' in the mid-zone between mainland and maritime Asia. This is particularly the case in Thailand, with its military regime courting new autocratic allies in the wake of the clear American disapproval of its latest assumption of power. China has every interest in a military government in Thailand moving closer to Beijing to offset Washington's treaty alliance. Indeed, it may become increasingly difficult for 'swing states' like Thailand to exercise autonomy in terms of their foreign policy. It also makes the current political developments in Burma even more important. With Thailand's generals increasingly in China's pockets, a truly democratic Burma would represent a radical change in a part of Southeast Asia where China once sought deference. However, China's recent invitation to Aung San Suu Kyi to visit Beijing shows it is prepared to be flexible even on this issue.

Conclusion

Both the historical and contemporary record of China's relations with Southeast Asia provides an explanation for the marked distribution of democratic and non-democratic regimes along the mainland-maritime fulcrum. Mainland states, particularly those nearest China, were subject to bureaucratic transfer of ideas during the tributary era, and received support from China for their autocratic political models in the postcolonial era. In each case, the readiness of mainland states to accept this kind of relationship stands in contrast to the resistance by Indonesia and the Philippines, where attempts to spread Communism were violently—and successfully—resisted.

But what of the future? Worldwide, democracy is in decline, according to the latest comparative rankings.¹⁷ Asia has actually suffered less of a democratic withdrawal than other regions. But the geopolitics of democracy is becoming more important in Asia. The rapid integration of mainland Southeast Asia into a China-centred regional economy is inevitably having political as well as economic impacts, making it increasingly difficult for countries seeking to (re)transition to democracy, such as Thailand and Burma, to exercise their full sovereignty within the context of a regional ‘great game’ for supremacy in Asia.

Conversely, resolutely authoritarian states like Vietnam feel under pressure to liberalise their political system and address human rights issues in part because of their growing rapprochement with the United States—itself driven by concerns about China. Similarly, North Korea’s totalitarian regime continues to be propped up by China partly because of China’s aversion to the idea of a united (and pro-US) Korea on its doorstep. More than ever, it is hard to disentangle democracy’s domestic context from its international one.

Endnotes

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REFLECTIONS ON A SAME-SEX MARRIAGE PLEBISCITE

A referendum is the only way a decision about same-sex marriage can be truly democratically achieved, argues **Barry Maley**

Whether one supports or opposes the proposal to legalise same-sex marriage in Australia, there is no question that this is an issue of great importance for both sides and for the country at large. It is therefore equally important that the process of deciding the outcome should be democratically impeccable, with all the people allowed to express approval or disapproval.

Those who framed the wording of our Constitution, and the overwhelming vote of the Australians who approved it in 1900, acknowledged the importance of the institution of marriage by the inclusion of ‘Marriage’ in Section 51 (xxi) and (xxii) of the Constitution empowering the federal parliament to make laws in relation to marriage. It is reasonable to assume that the framers (and the public) at the beginning of the 20th century saw no need to include a definition of marriage because it was instantly and universally assumed that the word ‘marriage’ could mean nothing other than the union of a man and woman. This assumption was later confirmed by the fact that when the Commonwealth *Marriage Act 1961* formally defined marriage as ‘the union of a man and woman’ there was no challenge to the *Act* on that ground.

However, that longstanding conception of marriage was dismissed in a High Court judgment made in December 2013. The judgment overturned the prevailing understanding of ‘marriage’ in the

Constitution as exclusively between a man and a woman. The Court found that the word ‘marriage’ in the Constitution must be interpreted and ‘understood in s 51(xxii) of the Constitution as referring to a consensual union formed between natural persons . . .’ (paragraph 33 of the judgment). And, later in the judgment: ‘When used in s 51 (xxii), “marriage” is a term which includes a marriage between persons of the same sex’ (paragraph 38). These were unanimous decisions by the six High Court judges who sat on the case. Some background is useful in understanding this course of events.

In 2013, the Australian Capital Territory (ACT) government enacted a *Marriage Equality (Same Sex) Act 2013* that sought to legalise same-sex marriage in the ACT. Later that year the High Court was charged with the problem of deciding whether this *Act* was consistent with the Commonwealth *Marriage Act 1961*. The High Court decided that the *Marriage Act 1961* prevailed and that the ACT *Act* was inconsistent with it and therefore of no effect. However, although the purpose of the High Court sitting in judgment had therefore



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been completed by the rejection of the *ACT Act*, it decided—perhaps unnecessarily—to pursue an interpretation of the meaning of the word ‘marriage’ in s 51(xxi) of the Constitution, with the outcome described above.

Accordingly, the Commonwealth Parliament is now empowered to introduce, and pass or reject at any time of its choosing, a Bill to legalise same-sex marriage. The expectation is that a plebiscite will be held to survey public opinion. However, there is agitation in some quarters for the parliament to legislate as soon as possible without a plebiscite on the grounds that public opinion is already strongly in favour of introducing same-sex marriage so a plebiscite would be a waste of time and money.

The inadequacy of the plebiscite route

Australia has had just three plebiscites in the past. The first two were held in 1916 and 1917 during the First World War and both rejected proposals for military conscription. These votes involved a yes/no answer to a question. The third plebiscite was held in 1977 to choose a national song from a preferential ballot. (Advance Australia Fair was the winner, although it was not introduced until many years after the vote.) It is to be expected that Parliament would determine the rules of operation for any plebiscite that might be held to assess public opinion on same-sex marriage. A plebiscite would survey public opinion but it would not change the law. That would be left to the politicians to legislate. If the parliament were so inclined, a 51% to 49% vote either way, for example, could presumably ‘legitimise’ either a Bill to approve same-sex marriage or to maintain the existing *Marriage Act 1961*.

Would this sort of process be good enough for the institution of marriage? From a democratic perspective, there is cause for concern. The future of marriage, an issue of profound importance for all Australians, is being diminished and undue power is being placed in the hands of politicians. Legally, a plebiscite determines nothing; whatever happens next is entirely at the discretion of the Parliament.

It may be said that to proceed in this way is legally and democratically sufficient. The argument here

is that this is not so. We have a fine Constitution that has served us well in laying down the fundamental institutional architecture that defines and protects our way of life—when properly understood and interpreted. The importance of marriage is acknowledged in the Constitution, for the good reason that it lies behind the strength or otherwise of the Australian family, and our family system is at the heart of our institutional structure and way of life.

We are dealing here with a matter of *constitutional* stature that should properly be resolved in the appropriate way—by a referendum of all the electors that would unequivocally and democratically determine the outcome.

So, we are dealing here with a matter of *constitutional* stature that should properly be resolved in the appropriate way—by a referendum of all the electors that would unequivocally and democratically determine the outcome. But that course of action in turn can only be effected by the Commonwealth Parliament. The inadequacy of the plebiscite route can only be remedied by the full consideration, the solemnity, rigour and thoroughness of the referendum process. This would allow the people to have a well-informed and *final* say, rather than a mere expression of opinion of no legal force, even if accompanied by printed arguments for both points of view.

In June last year, the Supreme Court of the United States of America declared that the US Constitution allowed the legality of same-sex marriage. Of the nine justices who comprised the Supreme Court, five found for same-sex legality and four found against it.

The four judges gave reasons for their dissent. In addition, however, they made strong and lengthy objections to what they saw as the undemocratic process that led to the Court’s overriding decision that bound all fifty states of the Union. Amongst many comments of objection, it was said, for example:

Five lawyers have closed the debate and enacted their own vision of marriage as a matter of constitutional law. Stealing the issue from the people will for many cast a cloud over same-sex marriage, making a dramatic social change that much more difficult to accept.¹

It is highly doubtful that those who are driven to approve the move, those who are not, and those who are undecided, have an informed appreciation of the wide ramifications that could follow the introduction of same-sex marriage.

A booklet on marriage and same-sex marriage distributed in the interests of informing members of the Catholic Church by the Archbishop of Tasmania, for example, has provoked an anti-discrimination inquiry by the Tasmanian Anti Discrimination Commission.

Although there has been some discussions on the questions that could arise, these have been limited and, in some cases, they have already provoked social division and dismay on both sides. A booklet on marriage and same-sex marriage distributed in the interests of informing members of the Catholic Church by the Archbishop of Tasmania, for example, has provoked an anti-discrimination inquiry by the Tasmanian Anti Discrimination Commission. This action has in turn raised

questions about the stifling of free speech by anti-discrimination legislation.

More broadly, questions have been raised about the undermining of freedom of religious conscience and doctrinal freedom of the churches, questions about whether those who offer services of various kinds would be bound to accede to requests that offend their moral or religious beliefs, and questions about whether criticism of homosexual lifestyles would attract punishment. The point being made here is not a judgment on the examples given; rather, it is to indicate the important social and moral issues that may be seen to be involved in grappling with the major questions of law and conduct that are raised by the High Court's 2013 decisions.

Conclusion

We are confronted, as a nation, with a nation-changing issue, not with a mere procedural or administrative adjustment about eligibility for marriage to be finalised by six judges and the political parties after scouting public opinion. A decision about same-sex marriage deserves a determining vote by the whole nation that will conclude the debate, and only a formal vote at a referendum can achieve that.

Endnote

¹ *Obergefell v. Hodges*, 576 U. S. — (2015), p. 2, http://www.supremecourt.gov/opinions/14pdf/14-556_3204.pdf

ON HEALTH CARE AS A HUMAN RIGHT

When rights grow like mushrooms so too does government, observes **Theodore Dalrymple**

I don't watch television except in other people's homes. I am told that I miss many good programmes, and I don't doubt it, but I fear the ease with which I might fall into the habit of slumping in front of the screen whenever I feel a little tired, which is most of the time.

The last occasion on which I watched television was at a house of some friends in Dublin. It was the evening of the debate between some of the party leaders in the run-up to the recent general election. There were seven of them, a number that in itself hardly made for incisive argumentation. The most important and voluble person on the screen was the moderator of the discussion, which gave the impression that politics was a minor branch of show-business. I am no great respecter of persons, but the way in which the moderator badgered the Prime Minister left me feeling uneasy. This was no forensic examination of his record, but rather a shouting down that he was too gentlemanly to resist.

The debate was staged in a hall of the University of Limerick. An audience was present that asked the questions. How the audience was selected I do not know, but the loudest applause went usually to the most left-wing sentiments expressed. Considering how recent was the crisis it went through, Ireland is in a comparatively flourishing state—unemployment reduced by a third, the government budget deficit almost eliminated, export industries booming—but, of

course, the recovery has not affected everyone equally: as which economic trend does? The question of the election seemed to be whether the malcontents of many stripes would outnumber those who feared to rock the boat.

One of the leaders given a podium was Gerry Adams of Sinn Fein. His murderous past was brought up and his less than unequivocal past commitment to electoral politics. Nevertheless, he elicited more applause from some of the audience than most of the other leaders, though those who are not with him hate him. He has positioned himself on the left and as the champion of the common man against the rich, though to hear him recount the individual hard-luck stories of his constituents ill-assorted with his less than humanitarian past. He had a marked propensity to tear-jerking anecdotes, but this did not in itself mean that he was insincere. The violent are often sentimental; indeed, the two tendencies, violence and sentimentality, are often linked like the recto and verso of pages.



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No election in a modern country is complete without questions about the health care system which, *ex officio* as it were, is in a state of crisis. (Can a crisis be perpetual?) Ireland is one of the highest spenders on health care in the OECD; it has a distinguished record in clinical medicine; yet almost everyone complains of the system's failure.

Mr Adams drew applause for proposing a National Health Service (NHS) free at the point of service and paid for by general taxation. I don't know how many people remarked on the irony of this: not only was he proposing the British model, but he was proposing it in the very words used over and over again to describe it, at least in aspiration, in Britain. In this, he showed himself to be more British than Irish, for the egalitarianism upon which the British NHS is founded—though which, for various reasons, it has never achieved—is far less characteristic of the Irish mentality than of the British.

To call health care a human right is to wrong-foot those who deny it. It is immediately to remove the whole question from the realm of practical politics—how best, most efficiently, most cheaply, most humanely to arrange health care—to an almost Platonic sphere of fundamental principle and ideal forms.

Nevertheless, quite a large proportion of the audience applauded him when he said that health care should be regarded as a human right rather than something to be haggled over or distributed on the basis of ability to pay. The applause was for a generous-sounding sentiment, to deny which would place one in the category of unfeeling monster.

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Now there is a problem with some words that my late friend, the development economist, Peter Bauer, pointed out: they carry a connotation so positive

that it becomes almost impossible to criticise the reality behind them. By calling government-to-government subventions foreign *aid*, for example, the actual effect of such subventions could go for long unexamined because no decent person could be against assistance to the poor to help them escape their poverty. Aid by definition aids, otherwise it would not be aid; hence foreign aid aids, and is therefore a good thing. By this means, intention automatically becomes achievement: and to this day, and throughout the economic crisis, the foreign aid budget of a country such as Britain has remained sacrosanct, such is the hypnotic effect of words.

In like manner, to call health care a human right is to wrong-foot those who deny it. It is immediately to remove the whole problem from the realm of practical politics—how best, most efficiently, most cheaply, most humanely to arrange health care—to an almost Platonic sphere of fundamental principle and ideal forms. And once the fundamental principle is widely accepted, those who deny it go unheard. They are believed to be the kind of people who would permit or even rejoice in the death of people with curable diseases, if those people had no money to pay for treatment. They do not care for their fellow-men; they are unfeeling and selfish.

Almost universal acceptance of the principle of the NHS in Britain—that health care should be free at the point of use and funded by general taxation, because of a human right to health care—has resulted in a strange kind of religiosity in the people. They worship their NHS as a golden calf. No true believer takes notice of the fact that it has a very bad reputation in the rest of Europe; that its actual performance by comparison with other European health care systems is mediocre at best; that in point of equal outcomes for various sectors of the population it has never had an egalitarian effect, and that the country (in point of inequalities in health) remains one of the most unequal in Europe, and is more unequal than it was at the system's inception. Deficiencies in the system are either ignored, denied, or excused (lack of funds, too much government interference, as if such interference were not inherent in the system

from the first), while successes are attributed wholly to its glorious founding principles. For example, a newspaper much in favour of the system's general principle, the *Guardian*, recently ran a series of articles about individuals whose lives had been saved by treatment under the NHS: the implication being that such lives would be saved *only* under the NHS, and were the individuals unlucky enough to live somewhere else in the world they would have died.

In fact, statistically-speaking, results elsewhere are equal or superior, but this is not allowed to enter the consciousness of the NHS-worshippers. Nor is the role of sheer technical progress, which occurs everywhere, given much credit. And stories of the horrors that occurred before the NHS are treated as being of the deepest significance, while those that occurred afterwards are dismissed as anomalies of no great importance. (It is clear that *no* system can be entirely without its horrors.) In short, *no* evidence could ever reduce the faith in the founding principles of the NHS, the very principles that Mr Adams wanted to introduce into Ireland.

Let me say that I have no personal animus against the British NHS, nor do I have any grounds for complaint against it on the few occasions when I have had occasion to use it. I have known people treated extremely well under it, and I have known people treated abominably by it. Whether the ratio of good to abominable care is higher or lower than in any other system I do not know, though the fact that any Western European resident in Britain flees if he is ill but still able to so is suggestive (though people often act from irrational fears). But in Britain, the acceptance of health care as a human right precludes rational discussion.

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Where health care is regarded as a human right, it is likely that housing, education, social security and pensions will be regarded as human rights as well. (Education might be as important to health

as health care itself.) These rights are to tangible benefits: thus a right to education is a right to an actual education, not that no-one has the right to deny a person an education. And if someone has the right to an actual education, or any other tangible benefit, someone has the duty to supply it or to see that it is supplied. This person can only be the state, beneficent or maleficent as the case may be. And since rights in the modern world are like mushrooms, they grow very quickly, the stage is set for ever-greater state interference and regulation. Our rights forge our fetters.

Since rights in the modern world are like mushrooms, they grow very quickly, the stage is set for ever-greater state interference and regulation. Our rights forge our fetters.

When tangible benefits are regarded as rights, there are certain psychological consequences. Gratitude is expunged, for one receives only what one has a right to—or alternatively one is outraged by the denial of one's rights. Compassion likewise has a tendency to reduce or disappear, for compassion is generally stronger for the deserving than the undeserving, categories that the doctrine of rights denies or undermines. Since rights cannot be foregone, one motive for behaving well or even prudently is reduced or eliminated. Moral imagination is reduced because, as I have found by asking people, once something is a right, they cannot think of any other reason for supplying it. And where rights conflict (as they often do), bitter argument ensues as to which takes priority, settled usually by the exercise of power.

By granting rights, governments exert their power: and Mr Adams has ever craved power. When you go to a doctor in Britain, he is as likely to do what the government tells him as what he thinks is right.

CIS AT FORTY: LEADERSHIP IN IDEAS SINCE 1976

Paul Kelly interviews Greg Lindsay

The Centre for Independent Studies (CIS) celebrates its 40th anniversary this year, to be marked by a gala dinner in Sydney on Friday 20 May. It has come a long way since its humble beginnings as a one-man operation run by founder and schoolteacher Greg Lindsay out of his suburban backyard shed with just a post office box for an office address.

Today CIS has a permanent staff of 27, an annual budget in excess of \$3 million, and a new home on Macquarie Street after four decades in the suburbs. It can count over 500 publications in print (not including *Policy*, which marks its 32nd year in print with this issue). Annual events like the John Bonython Lecture and the conference Consilium are now fixtures on the national calendar. Rare is the day that CIS research or researchers fail to appear somewhere in the media. In short, CIS has become an institution to be reckoned with.

The early story of CIS was told in the 20th and 25th anniversary interviews in *Policy* (Winter 1996 and Summer 2001-2002) whilst the growth of CIS and its influence were discussed in the 30th anniversary interview (Autumn 2006). Its 40th birthday is thus a good time to put some questions on past successes and future directions to Greg Lindsay, CIS founder and Executive Director.

Few people are better placed to ask these questions than leading journalist Paul Kelly. His 1992 book, *The End of Certainty*, remains unsurpassed as an historical analysis of the market reforms of the 1980s under Hawke and Keating that changed Australia forever. Then, there was a

mood for change that CIS could—and did—tap into. Now, the climate for reform is very different.

Paul Kelly: Looking back over the past 40 years, what are the key values, the enduring values, that were fundamental in the inception of CIS and that have been sustained?

Greg Lindsay: The enduring values are a total commitment to the original founding philosophy, to the principles and institutions that underpin a free and open society: free markets, limited government, the rule of law, and a strong, autonomous civil society. The ideas behind the organisation—which go back to the classical liberal ideas of Smith and Hume and Locke, and Hayek and Friedman more recently, as well as others—have not changed and will not change. This has to do with a philosophy of state and the liberal view of the world. It is also a philosophy about individual behaviour to a degree. Whilst the way we go about things may have changed for practical reasons, these ideas are at the core of everything we do.

I don't think that people quite get the independence of the



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Greg Lindsay is founder and Executive Director of The Centre for Independent Studies.

organisation. From the outset, it was based on ideas and I was determined that those ideas could not be interfered with in any way whatsoever by any interest group. I was the intellectual gatekeeper and I still am today. If you go back to 1976 when we first started putting out publications right up until the present day, I still check everything—though it's a tough task these days given the acknowledged productivity of CIS.

Paul Kelly: If we look at economics, social issues and cultural issues, what are the ways that you would characterise the values of CIS in terms of those areas?

Greg Lindsay: The early years of CIS were probably a reaction to what I thought was policy heading in the wrong direction. It was a reaction to the Whitlam era, certainly in terms of economics. Now, I'm not an economist but I understand the basic idea. I met Paul Heyne once, who wrote an economics textbook called *The Economic Way of Thinking*. He talked about how you see things as an economist would but without the mathematics: that is, if you do that, this is going to happen. The interplay between politics and economics is an important way of thinking about things. If we don't get the economics right then we won't be able to give everyone a good chance to get wealth creation going.

Paul Kelly: Let's look at economics under Whitlam or Fraser. Is it true to say that you felt that either the country was going the wrong way or wasn't seizing the right opportunities, or taking the right paths that it should have been taking?

Greg Lindsay: I think most people would say that Fraser was a disappointment. His government had huge opportunities and for whatever reason—perhaps the landscape hadn't settled enough—they did not go out and take strong positions that were the right ones.

In the case of Whitlam, don't forget that he followed twenty-odd years of Liberal-Country party government, which towards the end had become pretty moribund or lacking in thinking. So, with the Whitlam government coming in as

it did, the massive changes that it tried to bring about were fully understandable. Whitlam, of course, was also a free trader, which was very important and may have helped the subsequent Bob Hawke-Paul Keating era because the markers had been set.

The welfarism of the corporate sector has now become the welfarism of everybody else. That's going to end in tears, because it is unsustainable and has to be undone.

Paul Kelly: The culture at the time was very much one of looking to government to solve problems, a sort of faith in government intervention. How deep do you think that was and is it still a problem?

Greg Lindsay: I think it's as deep as it ever was. Not much has changed. The historian Sir Keith Hancock wrote about Australians seeing the state as a vast public utility. Whether that came from the way we were founded, I don't know. There's an image of Australians as rough and tumble, roll-up-your-sleeves-and-get-on-with-it types, and so on. Yet when you look at our history in terms of the way people looked to government to prop up what they were doing, it gives lie to the myth.

The last generation has been extraordinary but the welfarism of the corporate sector—which was propped up by tariffs, protection and regulation—has now become the welfarism of everybody else. That's going to end in tears, because it is unsustainable and has to be undone.



The backyard shed—CIS's first office.

Paul Kelly: It seems to me that on social issues you have a moral framework, which is based on important classical concepts such as individual responsibility but also an awareness of the utility of the family structure.

Greg Lindsay: We moved from economic issues in the mid-1980s if for no other reason than the economic arguments were being broadly put by people and understood. That's a credit to Hawke and Keating. But I also felt—and was influenced by people I was reading like Charles Murray—that the big problems would be in the social areas of health, education and welfare.

On welfare, Murray's book *Losing Ground* was published in 1984. We brought him out to Australia to speak, because I became convinced that we had to deal not only with the economic costs of welfare but also the social costs—the destructive effects of inter-generational welfare, and so on. I felt that this had to be dealt with if we were to have a healthy and vibrant society.

What surprises some people about CIS are the issues we are prepared to get into—like child protection.

We also looked at the family, which is a core social institution. Barry Maley did a lot of work on this under the Taking Children Seriously research program. He argued that the best way to raise children was in a married couple with a mother and a father. In some circles that idea had become very unpopular, but I still think we were right.

In education, we have always been at the forefront of the discussion about school choice. We are lucky to have Jennifer Buckingham, who was willing and able to take that on. A recent report she wrote on school funding has received an inordinate amount of attention; it was even the subject of an academic conference. And an education researcher from the University of Queensland is still blogging (erroneously) about the report nearly two years after its release. It's really a backhanded compliment.

What surprises some people about CIS are the issues we are prepared to get into—like child

protection. This actually happened almost by accident. Jeremy Sammut was hired to work on health policy, and he still does. He had a young researcher working on problems with child protection but he didn't work out, so Jeremy took it up—and took it up with a vengeance because he is a very forensic researcher. He investigated what was happening with DoCS in NSW and similar agencies elsewhere. This culminated in his book late last year on the failures of child protection.

I'm as much in favour of keeping families together as anybody, but sometimes the damage is too great and you've got to do something. People were surprised that we were doing things in this area but we've stuck at it. I think Jeremy has changed the debate about child protection and adoption, which is the next stage. And now the laws are starting to change too.

Helen Hughes also changed the debate on Indigenous issues. Again, this came about almost by accident. Helen joined CIS as a Senior Fellow and took up her former work on development, or rather the lack of it, in the Pacific islands. Then one day we had a visit from some Indigenous people from the Northern Territory who had heard her talking about Nauru on the radio. What was wrong with Nauru sounded to them like what was wrong with the Northern Territory. Helen realised that she'd been working on development everywhere else around the world except for her own backyard. So with a lot of hard work and perseverance—she would not resile from what she thought was right—she was able to get people to think differently about Indigenous affairs, particularly the plight of some remote communities. In doing so, she changed the terms of the debate. A good example is the current discussion about private home ownership on communal land.

The last 40 years

Paul Kelly: Looking back over the last four decades, what gives you the most sense of satisfaction in terms of the impact that CIS has had?

Greg Lindsay: There's a lot of answers to that question. One of the foundational pieces that I read was an essay by Hayek published in 1949 called 'The Intellectuals and Socialism'. He talked about what was important for the liberal order, which is basically what I set out to achieve. He said that we had to adopt the strategy of the Fabians and get the intellectuals on side. His insight was that the intellectual class are the ones who transmit ideas to everyone else. I still think that's right. What I've been able to do as an ideas entrepreneur is to assist an intellectual group to write and speak and argue for liberal ideas, whether they be full-time CIS staff members or academics looking for outlets or journalists who need some material.

Allied to that is that we've survived as an institution. We've grown and we've gained a reputation. Just recently, some very senior people have defended us in terms of the quality of our work and as a serious participant in debates about issues. Which is why I have always been determined to make sure that everything we put out is of high quality.

In the broader sense of asking if we have led to policy changes that we can wave a flag about, I think, yes, there are a number. But I would stress that the general change we've succeeded in bringing about is influencing the intellectual environment by getting the ideas out there and getting people to listen to arguments that they would not have listened to before.

Paul Kelly: We're talking about ideas now. What are some of the ideas that you think CIS has been successful in promoting?

Greg Lindsay: In the early years we talked about the importance of markets for wealth generation. Governments don't create wealth, although they can put in place the institutions for wealth creation to occur. We've been part of the discussion to help people understand the role of the market in creating greater wealth for the community. That then translates from ideas into politics and then policy. There have been other players, but I think we've been an important player.

What occupies my thinking now is that there are limits to what governments can do. We've lived through a whole generation of government overreach, of government trying to do things that it is not suited to doing and doing things it shouldn't be doing. We have not won that argument yet.

It gets back to your earlier question about people relying on governments in the past to do things. Well, they're still doing it! Whenever there's a problem I would prefer the community and people to get together to solve it but we turn to the state, which crowds out the community. It is much healthier if a community is engaged in its own problems rather than handing them over to somebody in Macquarie Street or Canberra.

It is much healthier if a community is engaged in its own problems rather than handing them over to somebody in Macquarie Street or Canberra.

Paul Kelly: How do you assess the progress of the country? To what extent do you think that it looked as though we were making a lot of progress at one stage during the 1980s and 1990s but that now we risk regressing? Or maybe you disagree with that. What's your view of the narrative of the country over the past four decades?

Greg Lindsay: We have progressed in a way that would have been unexpected. Maybe it was going to happen anyway and we were part of a wave that the world was riding, at least in the US, Canada, Britain and New Zealand. I think we did pretty well. The people in charge knew what had to be done and were willing to take risks. Hawke and Keating were a terrific sales team and they were able to argue the case. Howard and Costello were a good team too but a lot of the work had already been done and they made sure it continued. That said, their spending policies, especially social spending, have contributed to the current problem. I think that's where the big battles still are right now.

The Rudd-Gillard period was unfortunate, and I'm not sure what's going to come from the Abbott-Turnbull period. The climate for reform is difficult because there are too many stakeholders in the state. Strong leadership is needed to break through.

At the same time, I still think we're much better than we were—much more open, much more diverse, much more interesting, and more able to look the world in the eye with some confidence.

Paul Kelly: A lot of the intellectual life of a country comes from the universities. To what extent do you feel that the academic sector has not delivered the way it should have for the intellectual life of the country?

Greg Lindsay: The academic sector has not delivered. There's a lot of ideology at work, and I understand that because we're in the ideas game. But even in the days when we were a very young organisation my feeling was that academics were more involved than in arguing or at least talking about issues. Now when the media talk to an economist, they don't go to Professor Bloggs, they go to Saul Eslake or Chris Richardson or to the think tank people. That's basically us or Grattan or others. The point is that I think that the universities are letting us down.

I used to think that Orwell was wrong and that technology had empowered the individual. But now I'm not so sure because the state can have more interfering capacities than it's ever had.

Paul Kelly: How do you measure your impact and success?

Greg Lindsay: In the olden days, think tanks measured impact by column inches in the newspapers. You could try and draw threads through policy changes of some kind and then go back to something you've published. You can also measure impact by the amount of attention you're getting in terms of people agreeing or not agreeing

with you. You can look at the fact that you're growing as an organisation but maybe this is just because we've got better at selling ourselves.

What does success mean? Success means that the ideas that you believe in are being broadly accepted, or a policy you've advocated is being adopted. If people are forced to deal with you, then that's also some measure of success. I mentioned the special conference on education before, which is a good example of this. Whether you're actually getting results is an interesting point. When CIS turned 30, I was concerned that while the results were there, in terms of the great story we've still got a long way to go.

Paul Kelly: So, where are we after 40 years then?

Greg Lindsay: John Micklethwait and Adrian Wooldridge wrote a very interesting book called *The Fourth Revolution*. They asked the same question. I thought the book was extremely important. They were very concerned about what I was talking about before—that is, government overreach.

A big example is the National Disability Insurance Scheme (NDIS). Before the advent of NDIS, people with disabilities had all sorts of mechanisms to try and get assistance; from government, mostly state or local, as well as from family and civil society through charities and volunteer organisations. One of the main objectives was to help disabled people so that they could work and make a contribution to society. Is this something that the federal government should be doing? Probably not. Whilst we have yet to see how it's all going to work out because they are doing trials, the danger is that it could wipe out that volunteer sector which in my view is critical for a healthy society. So here's a large example, maybe, of government overreach. Of course, there are plenty of small examples too. Every day there is something new—10 million to X, 20 million to Y. It never ends.

I am also concerned about terrorism and whether the reaction of the state will be to take on powers that we wouldn't have let it have even ten years ago. The risk that technology gets used for the wrong purposes, for surveillance,

worries me. Go back to Orwell's *1984* to see how technology empowered the state by putting Big Brother on screens everywhere. I used to think that Orwell was wrong and that technology had empowered the individual. But now I'm not so sure because the state can have more interfering capacities than it's ever had. Again, it comes back to government overreach.

The next 40 years

Paul Kelly: CIS does not take any funds from government. How important is this and to what extent does this distinguish you from other think tanks?

Greg Lindsay: Most other think tanks are either mostly or partly funded by taxpayers. We are not. We do get tax deductibility and that levels out the playing field somewhat. But we have to deal with organisations which have vastly more resources than we do. So, it's a badge of honour really.

I talked earlier about our independence being a strength, and it's been like that from the outset—independence of mind and independence of action. We've never done tied research, though a lot of people have asked and I've sent them off in another direction.

Paul Kelly: CIS had been your lifetime project, but also one that you've worked on with your wife Jenny. How important has her contribution been?

Greg Lindsay: Incredibly important. I could not have got CIS off the ground without her. As our children grew up, she became more involved with the organisation. First, she took over our student program, Liberty & Society, which has been going now for 20 years. Then, over time, she became a full-time employee. I frankly don't think we would have got where we are without her. I feel privileged to have such a partner in every sense. I don't think there are too many other people in this business who would spend so much time with each other.

Paul Kelly: What is the future of CIS?

Greg Lindsay: We are working towards the era post-me and that's inevitable. The Board would like me to stay involved, but not as a full-time CEO. I talked about being the intellectual gatekeeper earlier, and that is how the Board sees me to a considerable degree.

We are moving to Macquarie Street after 40 years in the suburbs. This will put us right in the thick of the action, and we will be holding a lot more events. The city move will also enhance our fundraising capacity, which in turn will support the ability of the organisation to retain and attract good people who can make good arguments.

The one thing about being a true liberal is that you are always optimistic, because you think you're right.

My optimism has not diminished. The one thing about being a true liberal is that you are always optimistic, because you think you're right. In fact, I don't think you could last in the ideas business if you didn't think and feel like this because it can sometimes take many years for ideas to percolate through the academic and public arena and into the policy realm.

We're definitely in it for the long haul. We've still got the right ideas, we're a strong institution, we've got wonderful people, and we've built up a huge human capital base both here and overseas. So we must be doing something right.



FROM THE ARCHIVES: THE STUBBORN PROBLEM OF TAX REFORM

Featuring **Michael Porter** on taxes and incentives from
CIS Policy Report, volume 1, number 1 (February 1985)
with a response by **Robert Carling**

With CIS celebrating its 40th anniversary this year and *Policy* magazine marking its 32nd year in print, we have gone back to the archives to re-examine from today's perspective the policy issues that once dominated its pages. In doing so, we asked the question: what has changed and—perhaps more significantly—what has not changed.

CIS made its name as an early supporter of the market reforms in the 1980s under Hawke and Keating that transformed Australia. Countless pages of *Policy* have been devoted to economic issues, so it was not easy to isolate a single article to comment on and update.

We narrowed our focus to the period from February 1985 to December 1988 when *Policy* was a bimonthly newsletter-style publication known as *CIS Policy Report*. This timeframe roughly covers almost half a decade of market reforms under the Hawke-Keating governments whilst coming in a year short of the December 1989 fall of the Berlin Wall that saw the supposed triumph of free market economics and liberal democracy.

Early articles bear witness to the pressing problems of the times with titles like 'Will Unemployment Ever Come Down?' and 'Privatisation: Stating the Obvious'. Recurring themes are immediately apparent—the crisis in health care, the decline of universities, the deteriorating performance of public schools, and the need for tax reform.

By coincidence, the article we finally chose to pull 'from the archives' was the cover story of the first ever issue of *CIS Policy Report* in February 1985—namely, Professor Michael Porter's article 'Taxes and Incentives', reprinted in the pages that follow. Robert Carling updates and comments on Porter's article, noting that the themes of 31 years ago echo through the current debate over tax reform.

Importantly, both Porter and Carling conclude that we cannot talk about tax reform without talking about government spending since taxes pay for it. This is not just about cutting spending but about re-examining the role of government in the 21st century. A debate about the limits of government is long overdue.

THE CENTRE FOR INDEPENDENT STUDIES

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Taxes and Incentives — Some Basic Dilemmas

Professor Michael Porter of the Centre of Policy Studies, Monash University, spoke to a CIS Policy Forum on how income tax affects the lives of all Australians and what we can do about it. His paper reflects some conclusions drawn from research in the Centre of Policy Studies, supported in part by a grant from The Australian Tax Research Foundation. It also draws on 'The 1984 Budget — A Comment on Tax, Social Security and Incentive Issues', a paper by Boyd, Jordan and Porter (Commonwealth Parliamentary Library, Discussion Paper No. 3, 1984).



Professor Michael Porter and Professor Ross Parish

Tax Progression or Tax Chaos

Australia's current income tax system is neither progressive nor fair, despite the 'progressive' tax rates and the stated aim of achieving tax progression. The incidence of our tax system is more bizarre than equitable. Within any one income category there is a wide variety of post-tax outcomes, depending on whether individuals are able, for example, to claim large numbers of expenses as business deductions, split their income across members of a group, or otherwise reduce their tax liabilities through various loopholes and tax shelters.

Within the PAYE class, on the other hand, there is indeed much tax progression. Public servants, teachers and some workers in the private sec-

tor who typically do not have significant income outside their jobs face increased marginal tax rates as their incomes rise, with little hope of avoidance or evasion — should they be so tempted. It may not be coincidental that such groups are growing

ing to redistribute towards the same group. Redistribution, even within a group, involves costs, and quite respectable studies suggest that the economic cost of a transfer is likely to be a multiple of the benefit received.

Between 1956/57 and 1981/82 the revenue collected from taxpayers who earned more than twice average weekly earnings dropped from 53 per cent to 16.5 per cent of total revenue from personal income tax. In other words, the growth of government over this period has been financed by placing an increasing proportion of the burden on those with earnings around the mean, with the higher fliers of our community bearing less and less of the burden.

These statistics should convince the detached observer that our income tax system is progressive in name only. Society has organised to offset tax progression through the wage determination process — including the Arbitration Commission — and through fringe benefits (e.g. company cars, low-interest loans, trips), exemptions, deductions and other perks. Almost all groups think and negotiate in terms of post-tax wages or 'packages'. In fact, if marginal tax rates were sharply lowered, certain PAYE earners who have been

CIS Policy Forum

more militant regarding pay and conditions.

It is undoubtedly true that in Australia, as in the United States, the very rich pay much lower average rates of tax than do persons who earn quite modest incomes but are subject to PAYE taxation. Elaborate tax shelters are simply not available to middle income earners, who are increasingly the backbone of our taxation system. Since middle income earners are also the backbone of the nation, in that they constitute the bulk of the workforce, it is clear that we are both burdening and attempt-

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compensated via higher wages might expect to receive lower rates of increase in wages to retain post tax relativities. Business costs are inflated because of the burden of making payments in kind, since this is almost always less efficient than income supplements, which employees can spend in ways that maximise their own benefit.

It is a strange irony that a progressive tax system, with all its deductions, exemptions and shelters, combined with an arbitration system that makes it impossible to employ many persons at the bottom end of the spectrum, have become sources of inequity in our community. Our minimum wage award and industrial relations structure makes it unprofitable to employ many persons as regular workers; on the other hand the tax system encourages those persons to join the cash economy and thus cease to participate in the regular wage earning and income tax collection process. A combination of genuine competition in the setting of wages in the labour market, enforceable labour contracts, and a lower and more uniform marginal tax rate of, say, 30 per cent retaining the threshold or 25 per cent without a threshold, would almost certainly generate less inequality than we have at present.

The need to assist the group at the bottom of the income hierarchy is undisputed, but such a goal cannot be achieved by the income tax system alone. Welfare reform will be much easier to achieve in Australia if the incentives to work, invest and employ each other are enhanced, thereby expanding the size of the economic pie and making compassionate welfare schemes that much more affordable. For example, if our tax base were

broadened, the threshold abolished and a 25 per cent withholding tax imposed, then the revenue outcomes over time would allow a much fairer welfare system.

Marginal Tax Rates

As the tax base has narrowed, so marginal tax rates per dollar have increased. Those on average weekly earnings have experienced an increase in their marginal tax rates from 22 per cent to 47 per cent since 1956. For persons on twice average weekly earnings the increase has been from 35 per cent to 61 per cent marginal tax rates (see Figure 1). Perhaps an even more striking statistic is that in 1956/57 the taxpayer did not face a marginal tax rate of 60 per cent until his or her income was eight times average earnings — approximately \$153,000 p.a. in terms of today's prices.

Income tax is being evaded and avoided largely because of the structure and level of our marginal tax rates. The top marginal rates raise little if any revenue, and indeed it is quite reasonable to argue that the very existence of a 61 per cent marginal tax rate reduces revenue by providing strong incentives for persons to reorganise their economic lives so as to escape the gaze of the tax commissioner. The data suggest that about 88 per cent of declared income was either taxed at the standard 32 per cent tax rate — raising over \$50 billion — or subject to the threshold exemption, while the top marginal rate of 60 per cent raised only \$700 million (see Figure 2). This estimate of tax raised is quite misleading, however, given that all sorts of economic activities that would normally have taken place without the

marginal tax rate now fail to take place. The average value of deductions and rebates from tax is strongly correlated with income. Figure 3 shows rebates rising from around \$40 per taxpayer in the under \$6,000 bracket to almost \$700 per taxpayer with income in excess of \$32,000.

Lowering high marginal tax rates and eliminating most deductions, rebates and fringe allowances would reduce tax avoidance and evasion. It would also induce some people to work harder since their marginal returns would be greater. It would almost certainly raise far more revenue than the meagre \$700 million taken from those who earn roughly double average weekly earnings or more and are unable to avoid their income taxation liabilities.

The Income Threshold

The objective of the income tax threshold is to make sure that those on low incomes and of low means pay no tax on their low income. The effect is to lower average tax rates and to require higher marginal rates in the higher income brackets, with these high marginal rates having some quite undesirable effects as we have seen. In 1959 the threshold was 9.1 per cent of average weekly earnings; today's threshold of \$4595 has risen to 23.5 per cent of average weekly earnings. (The change has not been so marked for married persons, with the increase being from 21.6 per cent to 39.3 per cent with a dependent spouse and from 29.6 per cent to 43.2 per cent with one child plus spouse.)

A key part of the tax reforms proposed here is to raise the effective threshold for low income earners, but to scrap it for those with incomes in excess of, say, \$30,000 in exchange for significantly lower marginal tax rates. The major difficulty with the threshold is that a great many families with high incomes have one or more income earners with modest incomes from which little tax is paid.

Tax statistics do not permit a detailed breakdown of family income by individual. But it is highly likely that abolishing the threshold for individuals and families earning in excess of \$30,000 would make it possible to both cut marginal tax rates and raise the threshold for families on low income.

The *CIS Policy Report* is a bimonthly publication of the Centre for Independent Studies Limited. It provides in-depth evaluations of public policies and discusses appropriate solutions to current problems. It also contains news about CIS activities and publications.

Rose McGee
Greg Lindsay
Michael James

Executive Editor
Executive Director
Contributor

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CIS Policy Report

A Simple, Fair Proposal

The long-term proposal here is for a simple general withholding tax of, say, 25 per cent on all income, with the social security system adjusted so that the new regime is equitable for those on the lowest income brackets. But it would be unwise to move overnight to a completely flat tax, since the fringe benefits and other devices designed to offset our tax progression will stay in place for some time. A 5-year transition period would be preferable, with progressive marginal tax rates of, say, 20-30-40 per cent, aiming ultimately for a flat 25 per cent withholding rate on all income. The interim 20-30-40 per cent structure would lower marginal tax rates across the board and abolish the present top rate, which almost certainly reduces revenue by fostering evasion and avoidance.

To broaden the tax net and catch some tax from those avoiding tax or not reporting taxable income, the proposal includes a net 5 per cent sales tax across the board, with no exemptions. While an across the board sales tax has advantages, we should be wary of inviting industry lobbying for special sales tax treatment for their products. The risk of commodity taxation is that it will follow the path of tariffs and quotas in Australia and become yet another political football.

Some Tax Options in Raw Form

What follows are three sample tax schemes, varying from idealistic to extremely practical, which I believe would greatly enhance both equity and efficiency in our community. In all three schemes:

- marginal tax rates are lowered, thereby enhancing incentives to work;
- the threshold (or exempt) level of income for tax purposes is increased for low and middle income earners;
- husbands and wives on average earnings have a choice of taking either a joint threshold of \$2X or individual thresholds of \$X;
- families and individuals with sizable incomes face lower marginal rates but pay tax on all income, i.e. they face zero thresholds;

—there is a withholding tax of 20 per cent on all income unless threshold exemptions are successfully claimed. Businesses cannot claim labour expenses as a deduction without such taxes having been withheld.

Scheme A

A 20-30-40 transition scheme in which marginal tax rates vary from 20 per cent to 40 per cent in two steps,



'Income tax is being evaded and avoided largely because of the structure and level of our marginal tax rates.'



come earners, who comprise the majority of income earners, are the major beneficiaries. The resulting average tax rates are progressive, and would be even more so after allowing for the loss of deductions and the impact of the sales tax on those who currently avoid or evade much income tax.

Scheme B

Similar to Scheme A but without a sales tax increase. Instead, Scheme B imposes taxes at 25-35-45 per cent brackets, with similar thresholds and treatment of fringe benefits and deductions. While the scheme seems more progressive and does not involve an extension of sales tax, the higher marginal tax rates may discourage some workers and the absence of a sales tax burden may mean that tax evaders and avoiders do better out of this scheme.

A Sample Interim Tax Schedule under Scheme A

	Tax	Income	Avg Rate (%)	Marginal Rate (%)
Basic Marginal Tax Rate	20%	0	4000	
Income Tax Threshold	\$8,000	0	6000	
Clawback Rate*	10.0%	400	8000	0.0
Clawback Income	\$14,000	800	10000	4.0
		1200	12000	6.7
		1800	14000	8.6
		2400	16000	11.3
High Income Tax Bracket	\$30,000	2400	18000	13.3
Extra Income Tax Rate	10.0%	3000	20000	15.0
		3600	22000	16.4
		4200	24000	17.5
Super Income Tax Level	\$40,000	4800	26000	18.5
Super Tax Surcharge	10.0%	5400	28000	19.3
		6000	30000	20.0
		6600	32000	20.6
		7200	34000	21.2
		8400	38000	22.1
		9800	42000	23.3
		11400	46000	24.8
		13000	50000	26.0
		14600	54000	27.0
		16200	58000	27.9
		17800	62000	28.7
		19400	66000	29.4
		21000	70000	30.0
		22600	74000	30.5
		24200	78000	31.0
		25800	82000	31.5
		27400	86000	31.9
		29000	90000	32.3

with thresholds at \$8,000 for families or \$4,000 for individuals. For all taxpayers the threshold is 'clawed' back at a rate of 10 per cent to avoid a sharp kink in the marginal tax schedule. Individual incomes above \$30,000 are subject to a simple 30 per cent marginal tax rate. The 40 per cent marginal tax rate applies to incomes above \$40,000. There is a net 5 per cent across the board sales tax (raising the average rate to a bit over 8 per cent), which could be adjusted down or up depending on the mix of revenue growth and expenditure restraint achieved. Low and average in-

Scheme C

A simple flat tax of 30 per cent with a threshold of \$8,000 for those with incomes below \$30,000. Virtually all deductions, exemptions and fringe benefits are removed and a net increased sales tax of 8 per cent is used to balance revenue and to spread the tax base. Scheme C achieves considerable progression in average tax rates.

Size of Government and the Level of Taxes

It is important to remember, in these discussions of the ideal world, that the 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.'

If the government had a much smaller presence in the transport industry, the communications sector, the education system and electricity generation, to name a few 'big-ticket' items, then these activities would be provided in other ways and would be encouraged by the associated reductions in tax rates that would be possible. The underlying tax policy constraints are on the expenditure side and can be altered only by decisions to change expenditure commitments.

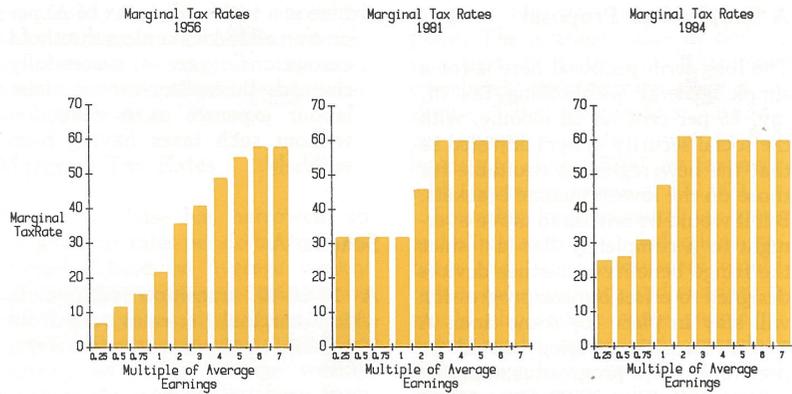


Figure 1: Comparison of Marginal Tax Rates, 1956, 1981, and 1984
 Sources: Report of the Commissioner of Taxation 1956-57; Budget Papers 1981-82, 1984-85; R.B.A. Occasional Paper No. 8A Aust. Econ. Stats. 1949/50 — 1980/81, Vol. 1.

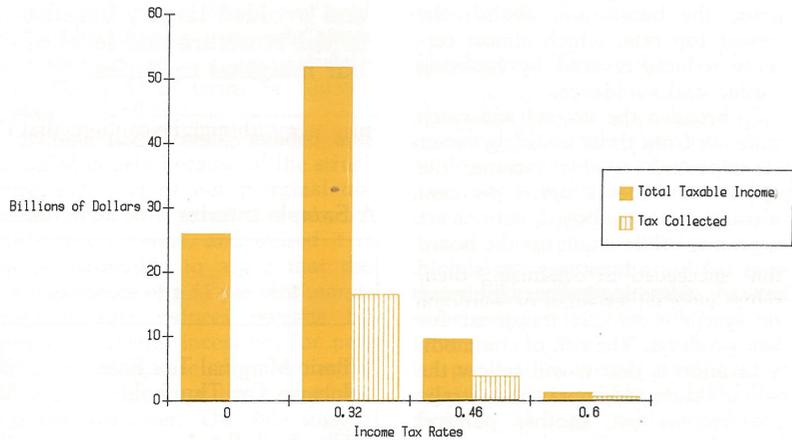


Figure 2: Total Taxable Income and Income Tax Collected from Each Tax Rate
 Source: Taxation Statistics 1981/82.

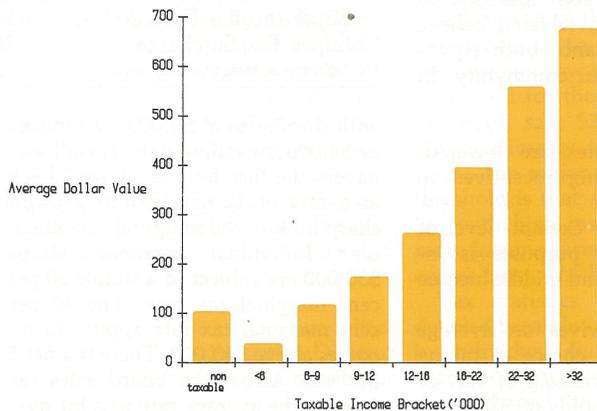


Figure 3: Average Value of Rebates and Deductions to Taxpayers by Taxable Income Bracket
 Source: Taxation Statistics 1981/82.

It seems only fitting, in view of the attention CIS has paid to matters of taxation over the past ten years, that the very first *Policy* article was about income tax, incentives and equity, written by Professor Michael Porter.



That was 31 years ago. A great deal has changed since then, yet a great deal remains the same. There have been at least three major official reviews of the tax system and the fourth is now under way. Almost every year has brought some change in marginal income tax rates, thresholds, exemptions, deductions or rebates. The system appears to be in a constant state of flux, sometimes moving consistently towards a strategic goal, but at other times reversing or branching off in a new direction.

The big bang reform that Porter advocated has not occurred, and the themes of 31 years ago echo through the current tax reform debate: marginal rates are too high; thresholds are too low; bracket creep keeps on creeping; gaps in the tax base should be closed. But tax policy has at least moved in the direction of Porter's model in fits and starts.

His model was radical for the times and would still be considered radical today: a flat marginal tax rate of 25% or 30%; a tax-free threshold to be withdrawn above low incomes; elimination of most exemptions and deductions; and a broad-based consumption tax. Porter envisaged a transitional income tax scale with rates of 20, 30 and 40%.

Tax policy made two leaps in Porter's direction in the late 1980s and in the decade starting in 2000. As a result, by 2010 we had a broad-based consumption tax (the GST); a top marginal income tax rate of 46.5% (down from 61% when Porter wrote); a marginal rate of 31.5% at average earnings (down from 47%); a higher tax-free threshold subject to partial withdrawal at higher incomes (the low income tax offset, or LITO); and a somewhat broader tax base (including capital gains and fringe benefits).

The power of the ideas articulated by Porter and many others set the direction of tax reform for 25 years, and it helped that similar ideas had already gained currency and application internationally. However, recent years have seen reversals both in Australia and in many other countries in response

to budget deficits and a renewed emphasis on redistributive taxation as an answer to inequality. Some marginal rates have been increased, and little of the LITO experiment remains (meaning that the tax-free threshold goes to every resident taxpayer).

Meanwhile, with yet another official tax review under way, the question is whether the kind of model advocated by Porter remains appropriate. While the details are open to argument, in broad terms it does. Most importantly, we need to stop the insidious process of bracket creep and move to lower and flatter marginal income tax rates. But to get there, the line of thinking that sees higher and more redistributive taxation as the answer to budget deficits and inequality needs to be repudiated.

Like today's fiscal situation, there was a seemingly intractable budget deficit when Porter wrote in 1985. However he did not advocate higher taxation as the answer. Rather, he emphasised that not too much should be expected of tax reform without stronger discipline over government spending. This passage is well worth quoting for its relevance in the current circumstances:

... the 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.

After 1985 the then Hawke-Keating government did in fact tighten up considerably on federal spending and reduced it to 23% of GDP, compared with the current level of 26%. The lesson for 2016 is that we cannot think about tax reform without thinking about government expenditure reform at the same time.

Robert Carling is a Senior Fellow with the Economics Program at The Centre for Independent Studies.

IT'S NOT 'THEM', IT'S 'US'

Submission

By Michel Houellebecq

Translated by Lorin Stein

London: William Heinemann, 2015

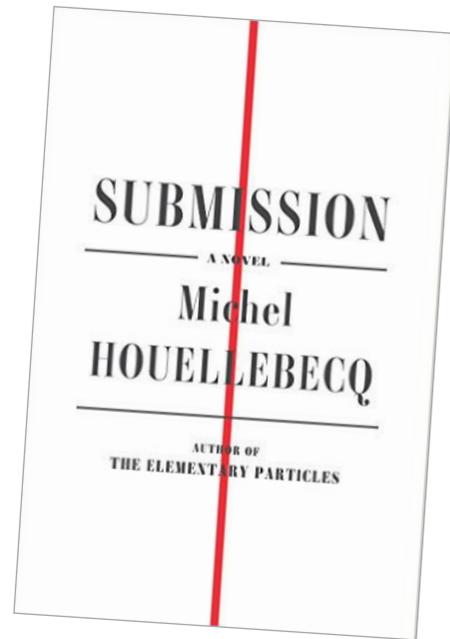
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Reviewed by David Martin Jones

Michel Houellebecq's latest novel, *Submission*, in which a Muslim leader is elected President of France, was published on the same day jihadists attacked the Paris offices of satirical magazine *Charlie Hebdo*, killing twelve people. The attacks coincided with the latest issue of *Charlie* that portrayed Houellebecq on the front cover as a stoned visionary predicting France's Muslim future, the novel's pre-publicity having ensured that its main premise was well-known. Houellebecq was inextricably linked with the *Charlie* massacre, and the novel became a *cause célèbre*.

Because of his past criticism of religion in general and Islam in particular, it was widely anticipated that his latest novel attacked Islam, fuelling the flames of Islamophobia and fears of Eurabia whilst garnering literary support for Marine le Pen's far right National Front. The Socialist French Prime Minister, Manuel Valls, stated in the weeks following the *Charlie* attacks that 'France is not Michel Houellebecq. It is not intolerance, hate and fear.' The left daily *Liberation* claimed the novel 'kept the seat warm for Marine Le Pen' while the former Trotskyite editor of *Mediapart* Edwy Plenel called on his fellow critics to silence the work, Soviet style. Meanwhile the right assumed that the *enfant terrible* of French literature had written another vitriolic polemic against progressive political enthusiasms like feminism,



gay marriage and 'oppressive multiculturalism' (p. 57) favoured by the politically-correct *soixante-huitard* generation that Houellebecq, born in 1958, particularly despises.

This hysterical reception of the novel also assumed that Houellebecq would develop themes articulated in earlier works like *Atomised* (1998) and *Platform* (2001) that explored the narcissism, alienation and economic failure of France and the growing threat Islam posed to French secularism or *laïcité* and pluralism. In a 2001 interview with *Lire* magazine to promote *Platform*—which ended with an Abu Sayyaf style attack on a Thai tourist resort—Houellebecq contended that 'to believe in God you had to be a cretin. . . . And the most stupid religion of all would have to be Islam'. These remarks led to his prosecution for racial and religious incitement under the human rights act, the French equivalent of



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section 18c. The courts exonerated him in October 2003, but the affair sealed Houellebecq's reputation as a divisive writer on subjects of acute political sensitivity.

Only latterly did some reviewers point out that the novel did not fit any obvious category of racial or religious incitement. Far from it. Unlike those who postured on the left and right of the political spectrum, Houellebecq had re-examined the positions he held in 2003 and reached very different conclusions about not only tradition, religion, the family and the role of the economy but also the flawed character of the Enlightenment enthusiasm for liberty, equality and secular pluralism. Throughout *Submission*, Houellebecq treats religion in general and Islam in particular as far from cretinous. Indeed, it is not immediately obvious what message the novel seeks to convey. Set in the near future, it traces the spectacular rise of the Muslim Brotherhood party under the charismatic leadership of Ben Abbas, a graduate of one of France's elite *grandes écoles*. Abbas becomes President of France, runs it along moderate Islamic lines, and restores stability and purpose to the French polity.

An improbable scenario, for sure—although the fact that the incumbent political class has presided over catastrophic decline renders an extreme political realignment far from implausible. Indeed, from the outset the novel is far more critical of Western democracy than of Islam. François, the protagonist-narrator of *Submission*, likens democracy to little more than a power sharing deal between two rival gangs. These gangs, or mainstream representative parties, have lost touch with the masses through the promotion of multiculturalism, immigration, gender and identity politics. They are now, as the Irish political scientist Peter Mair recently noted, 'ruling the void'.¹ Like Mair, Houellebecq observes that the failure of the European political class has created 'a gap, now a chasm, between the people and those who claimed to speak for them, the politicians and journalists, [that] would necessarily lead to something chaotic, violent and unpredictable' (p. 40). The political elites, 'who had lived and prospered under a given social system' could not 'imagine the point of view of those who feel it offers them nothing, and

who can contemplate its destruction without any particular dismay' (p. 44). Indeed, with no end in sight to rising unemployment, refugee flows and economic stagnation, the dream of a post Cold War pan European Union is seen by the extreme right in France, and across Europe, as a problem rather than a solution. The failings of Europe and representative democracy intimate that—as François observes on the eve of the 2022 election—the political system 'might suddenly explode'.

It is hard to dismiss this jeremiad about representative democracy as Islamophobic. Confused by the novel's pessimistic view of politics and secular progress most reviewers assumed it to be satire. Thus Karl Ove Knausgaard in *The New York Times* termed it 'Swiftian'² whilst others thought it a 'dystopia' in the vein of *1984* or *Brave New World*. Meanwhile Mark Lilla maintained that Houellebecq had created an entirely new genre, the 'dystopian conversion tale'.³

From the outset the novel is far more critical of Western democracy than of Islam.

These categorisations, however, all seem inadequate. In an interview with *The Paris Review* Houellebecq said he conceived the work as 'a political fiction' and took his inspiration from Conrad and Buchan rather than Orwell or Huxley.⁴ In other words, Houellebecq endorses the view of political philosopher Richard Rorty, who contends that political fiction rather than the social sciences, or the 'philosophical treatise', represents 'the genre in which the West excelled'.⁵ Rorty further maintained that political fiction constitutes the 'principle vehicle of moral change and progress',⁶ and can clarify the options that confront us.⁷ Houellebecq too recognises that political fiction can offer insights into our political condition. What possible political future, we may ask, does *Submission* envisage?

In the wake of the jihadist attacks on Paris last November (which killed some 130 people), the subsequent decision of the Hollande government to extend emergency powers indefinitely and even write them into the French constitution renders Houellebecq's attempt to clarify the moral and political options available even more pertinent now

than when the novel was first published in France over a year ago. These events, coupled with the seemingly unstoppable flows of refugees from the Middle East that have exposed the impotence of a Europe Sans Frontières, and the migrant attacks on female revellers in Cologne on New Year's Eve together with the mainstream media's attempt to suppress coverage of these and similar outrages in Sweden, give Houellebecq's insights an eerie prescience.

This journey reveals Houellebecq's engagement with contemporary Islamic political thought and how it might blend creatively with French conservative, socialist and Catholic self-understandings to revive Europe's 'decomposing corpse'.

'Smoked dry by dissipation' —Huysmans, *En route*

Houellebecq divides the novel into five chapters. The first four outline the life and times of François, a disillusioned but successful academic. He enjoys tenure at the Sorbonne, where he teaches French literature and considers 'literature the major art form of Western civilisation' (p. 19). At the same time, he is dismayed by a growing propensity to mediocrity as the *soixante-huitard* generation have, over time, imposed a politically-correct orthodoxy on the prestigious university. François is an authority on Karl Joris Huysmans, author of *À Rebours* (Against Nature), the seminal work of the late 19th century decadent and symbolist movement that influenced Oscar Wilde amongst others. Huysmans is an interesting choice as he converted to a monastic Catholicism after a mid-life crisis. When François is faced with an analogous crisis, he finds—unlike Huysmans—that Christianity is no longer an option. Modern rationalism has fatally compromised it.

Scholarship apart, François leads an atomised existence that reflects the meaninglessness of modern life in a secular consumerist society, a recurring theme in Houellebecq's work. Unmarried, he lives alone and never cooks: his diet consists of microwaved supermarket meals or takeaway

Japanese. He drinks and smokes heavily. He has lost touch with his parents who had little time for him anyway. His private life is a series of casual affairs with students that last on average an academic year. Sex is never about love; it is merely a physical urge, an itch that requires scratching. At one particularly depressed point, he observes that his dick is all he has.

The book then proceeds like a political thriller complete with angst-ridden anti-hero. Revolutionary political changes impact on François's desultory lifestyle as events surrounding the presidential elections in May 2022 unfold. Violence stalks the first round of voting. A media blackout, not dissimilar to the events in Cologne at New Year, ensues so that no-one knows the extent of the rioting. It is clear, however, that the 'indigenous' or 'nativist' resistance movement that supports the National Front anticipates an inevitable civil war. The vote for the mainstream Socialist and Conservative (UMP) parties collapses. The second round run-off a week later becomes a contest between two non-mainstream candidates: Marine le Pen of the National Front and Ben Abbes of the Muslim Brotherhood. However, the election dissolves into chaos as voting stations across France are attacked. Polling is suspended, giving the centre right and socialists an opportunity to form a coalition with the Muslim Brotherhood to keep the National Front from power. Ben Abbes wins the postponed second round by a landslide, and France and François embark upon a new political journey.

'Après moi le déluge' but 'what if the deluge came before I died?'

Tracing the lineaments of this journey reveals Houellebecq's engagement with contemporary Islamic political thought and how it might blend creatively with French conservative, socialist and Catholic self-understandings to revive Europe's 'decomposing corpse'. This requires a Machiavellian political figure of the stature of Charles de Gaulle. Ben Abbes fits the bill. He is a pragmatic visionary unsympathetic to jihadism. The rogue Salafi jihadists view France as 'a land of disbelief' where the infidels deserve extermination. For the Muslim Brotherhood, however, France is ready for absorption into a moderate Muslim world or Dar

al-Islam (p. 117). In fact this is France's only hope. Nor does Abbes see his version of Euro-Islam as progressive, revolutionary and anti-capitalist like the influential Oxford University Muslim thinker, Tariq Ramadan. Instead, Abbes appeals to France's conservative, Catholic and imperial values by offering 'Islam as the best possible form of this new, unifying humanism' (p. 125). He also proclaims respect for the three religions of the Book, although Jews are encouraged to migrate to Israel.

In foreign policy, Abbes envisages France at the centre of a European superpower that rapidly brings Morocco, Tunisia, Turkey and Egypt into the Union, shifting Europe's centre of gravity to the south and its capital to Rome. Somewhat fancifully, Abbes sees himself as a new Augustus reviving the fortunes not only of France but also the Mediterranean world.

In domestic politics, Abbes introduces a radically conservative programme. Crime drops in the most troubled neighbourhoods, and unemployment plummets as women leave the workforce in droves to qualify for a large new family subsidy. Welfare spending is slashed. The government introduces polygamy alongside civil marriage. Abbes also promotes a 'distributivist' approach to capitalism. The government withdraws subsidies to big conglomerates in an attempt to restore a small family business model. This reform recognises that 'the transition to a salaried workforce had doomed the nuclear family and led to a complete atomisation of society' (p. 168).

The family emphasis reflects the Muslim Brotherhood's central focus on demographics and education, for they believe that 'whichever segment of the population has the highest birth rate and does the best job of transmitting its values wins. If you control the children you control the future' (p.165). Secondary and higher education are privatised, and Muslim schools and universities thrive. Elsewhere faith schools, charter schools and some secular universities struggle on. Cuts to education finance the family subsidy, thus restoring the family as the core social institution. Social mores change: almost overnight, women dress conservatively and sex and the city is a thing of the past.

The implications for a secular, atomised individual like François are profound. The new statutes of the Saudi-financed Islamic University

of Paris-Sorbonne bar him from teaching unless he converts to Islam. He accepts an offer of early retirement at full pension instead. Bereft of purpose, he pursues paid sex with escorts or downloads porn and even contemplates suicide after realising that Huysmans' path to austere Catholicism is no longer available. Escape from his chronic anomie appears in the shadowy shape of the new university president Robert Rediger. Rediger is a convert to Islam and craven collaborator with the new regime, having been well known for his pro-Palestinian stance and support for academic boycotts of Israel long before Abbes comes to power. He offers François a literature chair on the proviso that he embraces Islam. That Rediger lives in an exclusive neighbourhood with two submissive wives—in the unapologetically patriarchal tradition of Islam, the 15-year-old tends to the bedroom whilst the 40-year-old tends to the kitchen—and enjoys gourmet food and wine (despite the Islamic prohibition on alcohol) impresses François.

The family emphasis reflects the Muslim Brotherhood's central focus on demographics and education, for they believe that whichever segment of the population has the highest birth rate and does the best job of transmitting its values wins.

'If Islam is not political it is nothing': Conversion to the post-Western order

The last chapter adopts a very different tone and style, abandoning the narrative for a politico-theological dialogue between Rediger and François. This renders the novel disjointed and may account for its many contradictory readings. Rediger assumes the role of spiritual confessor, persuading the initially sceptical François to convert to Islam. The chapter reveals how far Houellebecq has abandoned his former nihilism and embraced the quasi-mystical world of hermeticism and metaphysics.

Central to this worldview is the need to return to a traditional faith-based society. Christianity is not up to the task because Enlightenment rationalism—with its gods of individualism, secularism and the market—has compromised its spiritual authority.

Without a higher truth than science, European civilisation, at the height of its *fin de siècle* power, 'committed suicide'. The struggle to 'establish a new organic phase of civilisation could [therefore] no longer be waged in the name of Christianity' (p. 230) but rather its living sister faith, Islam.

The West ends not with a clash-of-civilisations style bang, but an exhausted whimper. 'The facts were plain': Europe 'had reached a point of such putrid decomposition it could no longer save itself anymore than fifth century Rome had done' (p. 230). The new Rome with its new Muslim Augustus would run on different and aristocratic lines. The majority would live in 'self respecting' poverty whilst a 'tiny minority of individuals so fantastically rich that they could throw away vast, insane sums' would assure 'the survival of luxury and the arts' (p.227).

Houellebecq's political vision is therefore profoundly illiberal. It takes its inspiration from anti-liberal and anti-egalitarian European thinkers of the late 19th and early 20th century like Friedrich Nietzsche. Less obvious is the pervasive influence of the obscure French metaphysician René Guénon (1886-1951).

The question of decline has been an enduring preoccupation of a certain species of Western intellectual thought that assumes those who can avert the approaching cataclysm must be given power.

Guénon considered the modern world a degeneration from the traditional world which it superseded. Built on false foundations, modernity was destined to crumble. Guénon, who converted to Sufi Islam in the 1930s, assumed that the great spiritual traditions shared an esoteric knowledge or gnosis. Western atheism and scientific positivism deformed this understanding. In *The Crisis of the Modern World* (1942), Guénon contended the West would reach a 'stopping point' and 'may even be plunged in its entirety into some cataclysm'.⁸ In other words, Houellebecq ends his novel by treating recent history in apocalyptic terms, where a syncretic form of Islam taken from Guénon via

Rediger offers the only hope of restoring a 'principle of a higher order'. François, in the manner of the born again, submits to Allah and accepts a 'second life with very little connection to the old one. I would have nothing to mourn' (p. 250).

Conclusion

The apocalyptic and messianic conclusion to *Submission* follows an established European tradition of declinist literature that goes back at least to the late Roman Empire. In the 19th century Arthur Gobineau pointed to racial decline and in the 20th century Oswald Spengler and Arnold Toynbee, like Guénon, contemplated the inexorable civilisational decline of the West. Indeed the question of decline has been an enduring preoccupation of a certain species of Western intellectual thought that assumes those who can avert the approaching cataclysm must be given power. Fascist, or for Houellebecq 'nativist', Islamist and egalitarian doctrines share this gnostic and salvationist flavour.

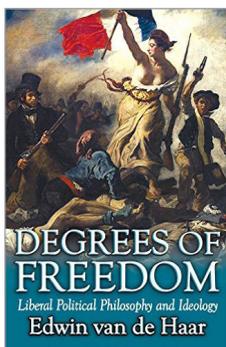
The novel's commentary on our political condition therefore leads not to an Orwellian dystopia but a bizarre Gnostic third ageism. Ultimately, Houellebecq's pretentious metaphysics spoil what is an otherwise compelling and prescient insight into Europe's ideological and moral exhaustion.

Endnotes

- ¹ Peter Mair, *Ruling the Void: The Hollowing Out of Western Democracy* (London: Verso 2013).
- ² Karl Ove Knausgaard, 'Michel Houellebecq's Submission', *The New York Times* (2 November 2015).
- ³ Mark Lilla, 'Slouching Toward Mecca', *The New York Review of Books* (2 April 2015).
- ⁴ Sylvain Bourmeau, 'Scare Tactics: Michel Houellebecq Defends His Controversial New Novel', *The Paris Review* (2 January 2015).
- ⁵ Richard Rorty, 'Heidegger, Kundera and Dickens', in *Essays on Heidegger and Others: Philosophical Papers* (Cambridge: Cambridge University Press, 1991), p. 68.
- ⁶ Richard Rorty, 'Introduction', in *Contingency, Irony and Solidarity* (Cambridge: Cambridge University Press, 1989), p. xvii.
- ⁷ Richard Rorty, 'The Last Intellectual in Europe: Orwell on Cruelty', as above, p. 173.
- ⁸ René Guénon, *The Crisis of the Modern World* [1942] (London: Indica, 2004), p. 2

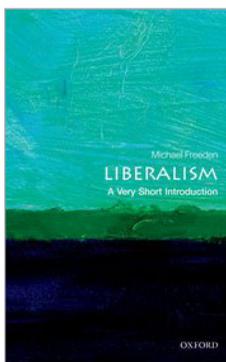
**Degrees of Freedom:
Liberal Political
Philosophy and Ideology**

Edwin van de Haar
Transaction Publishers,
2015
US\$52.89, 155 pages
ISBN 978-1-4128-5575-4



**Liberalism:
A Very Short Introduction**

Michael Freeden
Oxford University Press,
2015
\$15.95, 143 pages
ISBN 978-1-0-19-967043-7



**Reviewed by
Andrew Norton**

These two books both set out to answer the question ‘What is liberalism?’ They share a methodology for reaching a conclusion. But they leave readers with quite different impressions of contemporary liberal thought.

In classifying political beliefs, both books use Michael Freeden’s work on ideology. Borrowing a term from linguistics, Freeden argues that ideologies have ‘morphologies’. By this he means that ideologies share common clusters of concepts. These concepts can vary in their meaning and weight, but similar cluster content puts intellectuals, activists and parties into the same ideology. Peripheral or adjacent concepts can exist alongside the base cluster of concepts.

For Freeden, liberalism’s conceptual core consists of liberty, rationality, individuality, progress, sociability, the general interest, and limited and accountable power. Edwin van de Haar doesn’t list his core liberal concepts in a way clearly intended to be comprehensive, but on my reading it includes freedom, individualism, tolerance, classical natural rights, belief in spontaneous order, a realistic view of human nature, constitutionalism, and limited government.

These lists contain ideas that serve different purposes within an ideology. Some—liberty, tolerance, constitutionalism, limited government,

individuality and the institutions of spontaneous order—are liberalism’s political agenda. Other concepts are assumptions or theories about people and social organisation, such as rationality, sociability, and the feasibility of spontaneous order. Others still provide high-level normative justifications for liberalism: the value of individuality, progress, the general interest, and natural rights.

Differences in the two authors’ lists are not always or necessarily as significant as they appear. Freeden’s ideas are more abstract, and some concepts from van de Haar’s list could be implied. Tolerance, which Freeden mentions directly only a few times, could flow from liberty, individuality, sociability and limited power. Nevertheless, the two men differ substantially on how to characterise contemporary liberalism. Freeden is not convinced that classical liberalism and libertarianism are clearly within the current liberal family, while van de Haar regards this issue as settled in favour of inclusion.

Freeden’s doubt comes, at least in part, from his view of liberalism’s history. He sees liberalism as having five ‘temporal layers’ or time periods in which certain liberal ideas become prominent (he acknowledges that the chronology is not strict). A theory of restrained government power developed first (for example, John Locke), then a theory of markets providing individual benefits through exchange (for example, Adam Smith), then a theory of individual development provided no harm is done to others (for example, John Stuart Mill), then state-supported welfare to ensure individuals develop both liberty and flourishing (for example, Leonard T. Hobhouse and John A. Hobson) and finally a theory of recognising and supporting minority identities (for example, Will Kymlicka).

In Freeden’s analysis, thinkers such as Friedrich Hayek, usually described as classical liberals, are throwbacks to liberalism’s first two stages, and miss too much of what came later to be fully liberal. Freeden puts Hayek in the blurred area between liberalism and conservatism, sharing morphological characteristics of each.

The adjective ‘classical’ is doing temporal work. It distinguishes classical liberalism from the ‘social’ liberalism that developed in the second half of the 19th century in Mill’s later thinking

and that of Hobhouse and Hobson. Freeden is an important scholar of social liberalism's history. Some classical liberals, however, think that social liberals are (at best) in a blurred ideological area with social democracy.

While Freeden rightly notes that just because people call themselves liberals does not mean that they are liberals, van de Haar's broad church approach is preferable. If Freeden's definition of liberalism excludes self-described liberal thinkers who draw explicitly on liberal history, use a range of concepts favoured by liberals, and are regarded by others as liberals, then something is wrong with his definition of liberalism or his understanding of classical liberalism.

Van de Haar thinks that other work by Freeden mischaracterises aspects of classical liberal thinking. *Liberalism: A Very Short Introduction* does not have enough on classical liberalism to let readers make a judgment. Except for Hayek it ignores classical liberal writers, although it spends several pages on 'neoliberalism', a caricature of market economics that tells us little about real-world intellectual movements.

Like van de Haar, I see classical liberalism as very much within the liberal tradition. Its primary concerns go back to the first two or three stages of Freeden's temporal layers, but in ways that are prompted and shaped by much later events. In the second half of the 19th century many liberals believed that the state could and should do more to improve individual lives. By the second half of the 20th century, industry nationalisation, the welfare state and war had vastly expanded government even in countries regarded as liberal democracies. It is unsurprising that liberal ideas evolved again to respond to new threats to individual freedom.

As van de Haar's book points out, classical liberalism advances on as well as draws on pre-20th century liberal thought. Particularly in economics, Austrian and Chicago school economics added significantly to our understanding of how economies work. Public choice analysis contributed to our understanding of politics. Van de Haar notes that Hayek supported a range of welfare state activities; he might have added that Milton Friedman advocated a negative income tax to

support people on low incomes. Although in the morphology of classical liberalism these are peripheral rather than core ideas, the social liberal legacy is partly intact within contemporary classical liberalism.

Degrees of Freedom covers the range of liberal ideas more reliably than Freeden's book. Although van de Haar's own sympathies are classical liberal, he describes major social liberal ideas fairly. He says it became the most dominant of the liberal ideologies, and discusses the big impact since the 1970s of John Rawls' *A Theory of Justice*. But if Freeden is not broad church enough, sometimes van de Haar is too indiscriminate in who he lets sit in the social liberal pews.

Drawing on a book by Gerald Gaus, *Contemporary Theories of Liberalism*, van de Haar discusses Jurgen Habermas's idea of deliberative democracy, which does not obviously share significant overlapping morphology with any version of liberalism. The same section refers to John Gray's suggestion of a *modus vivendi* liberalism, which is closer to early ideas of liberal tolerance than to social liberalism. Isaiah Berlin is also discussed in this chapter. While Berlin is an ambiguous liberal figure, as van de Haar recognises, his best-known essay defended the negative liberty (freedom from) of classical liberalism against the positive liberty (freedom to) favoured by social liberals and non-liberals. Whichever way Berlin's personal beliefs should be characterised, his major contribution was on the classical liberal side.

While putting both classical liberalism and libertarianism in the liberal family, van de Haar distinguishes between them. He regards libertarianism as having a simpler morphology, with little room for the peripheral ideas in favour of a welfare state found in classical liberalism. Libertarians on van de Haar's account support a very limited or no state, justified by a strict interpretation of natural rights and strong belief in the power of spontaneous ordering forces.

Many years ago I wrote a blog post expressing similar views. It was vigorously disputed by some readers. They pointed to thinkers regarded as libertarians who drew on utilitarian rather than rights-based arguments. An online poll I conducted subsequently offered support for both perspectives.

The poll showed that self-described libertarians hold more radical views than self-described classical liberals, but they tend to be on the same side on policy issues. This political relationship between libertarians and classical liberals helps explain why the two terms can sometimes be used interchangeably.

Liberalism's complex political relationships with conservatism on the right and social democracy on the left also contribute to definitional issues. Van de Haar reports on how various conservative or conservative-leaning thinkers relate to liberalism, especially classical liberalism. The two ideologies are deeply intertwined in democratic politics. Many individuals hold 'classical liberal' views on some issues and 'conservative' views on others. Others identify with one philosophy or the other, but form tactical alliances against left-wing forces. The Liberal Party of Australia is a manifestation of this ideological blurring and coalition forming.

Social liberals, by contrast, often find themselves with social democrats who are willing to use the state to try to improve individual lives, and who are less embarrassing allies than conservatives on sensitive issues of gender, race and sexuality. The Democratic Party in the United States and the Liberal Democrats in Britain are examples of this, although the latter did form a coalition government with the Conservatives between 2010 and 2015.

In democratic politics there is no pure liberalism, or at least none capable of forming majority government on its own. But I don't think Freedman and van de Haar are mistaken in believing that there is a cluster of concepts that repeatedly appear together through political history that justify the label 'liberal'. We just do not entirely agree on what these concepts are or their relative importance. While the Freedman and van de Haar lists both have merit, I believe that it is a political agenda that most readily identifies liberalism, rather than normative justifications or methodological approaches.

All liberalisms in various ways seek to give individuals status above or against the state or group, all seek mechanisms for controlling state power, all support tolerance if not acceptance of diverse groups in society, all support private property, and all support institutions of voluntary collaboration, such as the market and civil society. If these themes

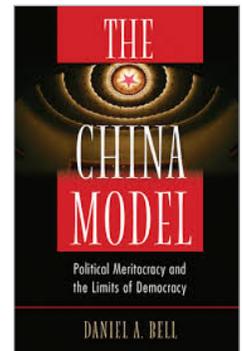
are high in a political movement's priorities, it can reasonably be regarded as liberal. The adjectives—such as social or classical—add nuance. They may be quarrelling relatives, but both are part of the liberal family.

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The China Model: Political Meritocracy and the Limits of Democracy

By Daniel A. Bell
Princeton University Press,
2015
US\$29.95, 336 pages
ISBN 9781400865505



Reviewed by Benjamin Herscovitch

Contemporary China is one of the greatest stories of our time. Leaving behind the blood-soaked political chaos and chronic economic dysfunction of the Mao years, China has in mere decades emerged as one of globe's greatest powers. This startling trajectory since paramount leader Deng Xiaoping's tentative market-oriented reforms in the late 1970s and early 1980s has provoked voluminous academic, public policy and popular debates about the apparent strengths of China's brand of 'market Leninism'. In the wake of the sovereign debt and global financial crises that afflicted some of the world's leading liberal democracies, influential intellectuals in China and elsewhere even began to openly wonder whether the China model of political authoritarianism combined with state-led capitalism might be a superior alternative to the post-Cold War liberal democratic orthodoxy.

Daniel A. Bell's latest book, *The China Model: Political Meritocracy and the Limits of Democracy*, is the most strikingly original recent contribution

to this debate about the surging success of China's market Leninism. Having held academic research and teaching posts in Singapore and across China, Bell is a leading scholar of Confucianism and Confucian-influenced political systems. Bell is now professor at China's elite Tsinghua University, the training ground of the scion of Chinese Communist Party (CCP) royalty and the *alma mater* of Chinese presidents and premiers, including Xi Jinping, Hu Jintao and Zhu Rongji. Drawing on decades spent living under and examining East Asian political systems, in *The China Model* Bell turns his attention to what he calls China's 'political meritocracy'. Bell argues that at the core of this system is the principle that 'political power should be distributed in accordance with ability and virtue' rather than on the basis of popular support (p. 6). Tracing the roots of this meritocratic ideal back to China's various ancient Confucian schools of thought, Bell argues that it is today a guiding precept of the CCP. So much so that in Bell's estimation the CCP should be rebranded the Chinese Meritocratic Union because:

It is a pluralistic organization composed of meritocratically selected members of different groups and classes, and it aims to represent the whole country (p. 197).

Revisiting well-trodden ground in political theory, Bell examines democracy's most obvious weaknesses, including the irrationality of voters and the danger that minority views will be aggressively sidelined by the democratically empowered majority. As well as linking democracy's weaknesses to the contemporary governance failures of real-world democracies, Bell claims that Chinese-style political meritocracy is able to overcome these democratic limitations. By selecting political leaders on the basis of their skill and morality, political meritocracies like China are able to implement far-sighted policies free from interference from an often fickle and ignorant populace. Bell speculates that the strengths of China's evolving political meritocracy are so great that the liberal democratic world will be 'debating Chinese-style political meritocracy as an alternative model' in the coming decades (p. 4).

Although Bell is right to remind readers of the weaknesses and periodic policy failures of democracies, *The China Model* paints a deceptively sanitised picture of contemporary China. Perhaps most egregiously, Bell largely glosses over the gross injustices and chronic corruption at the heart of Xi Jinping's presidency. Conspicuously absent is a frank acknowledgment of the CCP's cynically self-serving and increasingly aggressive restrictions on speech and the Party's paranoid efforts to erase—even by violent means—any source of competing ideological influence. President Xi's wide-ranging anti-corruption drive is cited approvingly as evidence of the effectiveness of China's model of political meritocracy (p. 112). Not mentioned is that President Xi's own family has benefitted handsomely from China's endemic corruption—reportedly having amassed assets worth hundreds of millions of dollars. Moreover, the very fact that President Xi is in power thanks in large part to his political pedigree—his father, Xi Zhongxun, was a communist revolutionary and a member of China's 'red nobility'—is just further confirmation that China's governance model is as much nepotistic and oligarchic as it is meritocratic.

While *The China Model* critiques democracies as they actually are—replete with voter ignorance, political demagoguery and legislative roadblock—the version of China's political meritocracy analysed is idealised and otherworldly. Tellingly, *The China Model* devotes more space to the teachings of China's ancient intellectual elites than it does to the raw political realities of contemporary China. Bell does admittedly accept that the 'meritocratic ideal...is still a long way from the political reality in China' (p. 36). This concession does not, however, make the core thesis of *The China Model* any less dubious. Bell does not just argue that China's political meritocracy has some strengths that democracy lacks; he suggests that China reject full democracy (p. 174). In addition to empirically doubtful claims about the virtues of China's model of political meritocracy, Bell therefore also defends the morally questionable position that the CCP should not move the country towards a system of parliamentary democracy (p. 61). Rather than making a careful case against democratisation, Bell renders *The China Model* distinctly less

convincing by simply assuming that China's political system should remain substantively authoritarian.

Frustratingly, *The China Model* also offers unfairly glib analyses of democracy's internal challenges. For example, Bell abruptly and without elaboration takes Australia's vacillation on climate change policy as obvious evidence of the unsubstantiated general principle that in democracies good policies 'get repealed by populist governments as soon as they are seen to impose substantial economic costs on voters' (p. 49). Similarly, Bell hastily concludes that democracy's empowerment of the fickle voters of today means that future generations are sidelined (p. 50). Of course, future generations are not formally enfranchised in democracies for obvious reasons, and yet voters regularly choose policy specifically to serve the interests of their descendants. For example, irrespective of one's opinion of the Paris Agreement, a major motivation behind last year's landmark climate change accord was certainly the welfare of future generations.

Bell is right to want to disabuse liberal democrats of the naïve notion that the sheer moral, political and/or economic superiority of liberal democracy will usher in the imminent end of authoritarianism and a final wave of global democratisation. *The China Model's* confronting analysis of the strengths of China's avowedly undemocratic governance system is therefore a bracing reminder for liberal democrats that their preferred system of government faces powerful competitors. Yet just as Bell's book is a beneficial corrective to the liberal democratic orthodoxy, it suffers serious empirical and theoretical limitations. The ideal of enlightened and altruistic political meritocracy is neither an accurate reflection of contemporary China, nor a good guide to China's future under the unrepentantly oppressive and self-serving CCP.

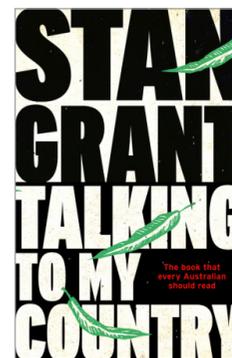
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Talking To My Country

Stan Grant
HarperCollins Australia,
2016
\$29.95, 240 pages
ISBN 97814607 51978

**Reviewed by
Eloise Ambrose**



Stan Grant's book *Talking to My Country* is a confronting read. Grant discusses how the booing of Indigenous Australian Rules football player Adam Goodes at a Sydney Swans game last July compelled him to share his personal experience of being an Indigenous person in Australia. Grant explores Indigenous identity, placing much emphasis on the nature and causes of Indigenous disadvantage.

The book reveals that Grant, a successful television journalist, tried to escape some of the negative connotations that accompany being an Indigenous person in Australia. He achieved this by working overseas for many years for CNN, only to come back and feel as displaced as ever.

Grant's journalism career and the person he is today has been moulded by his work with CNN. He spent many years overseas in war-torn, poverty-stricken countries such as Afghanistan, Iraq and South Africa, reporting on some horrific events. Suicide bombings, genocide, beheadings and kidnappings—these are all stories of crime, but even more so they are stories about families and loss. Someone needed to tell the stories of these people, to reveal their suffering to the world. Now, Grant describes similar stories of his people, including personal accounts of his own family's suffering and loss.

Much of the book is focused on the gap between Indigenous and non-Indigenous Australians: Indigenous people die ten years younger than other Australians, they are twelve times more likely to be locked up and three times more likely to be jobless. These statistics, and many more embedded in Grant's book, speak for themselves. Grant believes that this gap is a product of the racism that is woven deep into the fabric of Australian society. With friends and family who are white Australians,

Grant does not think that ‘white people’ are necessarily the problem; he argues instead that it is the ‘system’ that has constantly failed Indigenous people. *Talking to My Country* uses emotive imagery to convey Grant’s views:

There is [still] a space [between us] . . . we fill this space with hate and charity. We fill this space with ignorance and fear. It is the space on a bus: an empty seat, a black face and a hesitation: should I sit there? (p. 174).

Many people may not want to read this, but perhaps it is time people learnt how it feels to be an Indigenous person in Australia.

Grant argues that poverty, suicide, addiction, abuse and inequality are what Indigenous people have inherited from Australia. These are the things that continue to divide us: ‘If Australia is free, prosperous and wealthy then we are not Australians’ (p.176), he writes. He blames colonisation and generations of discriminatory government policies for attempting to eradicate the Indigenous race, such as the Stolen Generation that reportedly saw thousands of Indigenous children removed from their families. Grant also believes that Indigenous people’s entrenched dependency on welfare compounds their social and economic disenfranchisement. While the government continues to throw money at the problem, it has failed to make a noticeable difference to the lives of many Indigenous Australians, particularly in remote communities.

Personal anecdotes about Grant’s family make his story powerful and heartfelt. His aunty was part of the Stolen Generation, his grandmother was a white woman who was ostracised and shamed for loving a black man, whilst his grandfather was an alcoholic. These are the memories that many Indigenous people have to deal with every day, the weight of their history. Grant concedes that, yes, other people in Australia deal with similar issues, but for Indigenous people these issues are a direct result of failed government policies and intervention.

Grant describes the suffering of his people and how the spaces in their hearts from the shame and hardship of being Indigenous were filled with

drugs, alcohol and violence. He disagrees with the Australian anthem and the flag, arguing that these are symbols that Indigenous people cannot identify with. We see this every year with Australia Day, otherwise known as ‘Invasion Day’ by many Indigenous people.

Talking to My Country opens a window of insight into what Stan Grant believes it means to be Indigenous in Australia, as well as addressing the past and present struggles of the daily lives of Indigenous people. Despite this, Grant fails to provide suggestions on how Australia can move forward. He does not delve into the complicated issue of exactly how we can close the gap and bring Indigenous and non-Indigenous Australians closer together, but merely states that we need to do so. As such, his book asks many open-ended questions but falls short in addressing what needs to be done.

At times, his discourse creates an ‘us’ and ‘them’ narrative, which can perpetuate the dichotomy between Indigenous and non-Indigenous Australians. We need to recognise that if we want to build a bridge between Indigenous and non-Indigenous people, it needs to be done by both sides. Yes, we need to have a conversation, but blame and anger will not lead to progress any time soon. When Stan Grant wrote this book, he was mad. And I would be too. But no future reconciliation is likely to come from such anger, nor is it likely to lead to productive solutions that address the real problems.

Whilst Grant engages with complex issues and suggests that Indigenous and non-Indigenous Australians need to work together to solve them, his commentary is very much the established line—painting Indigenous people as victims of white oppression. Nevertheless, Grant believes that Australia ‘can do better’ than the racism we have displayed in the past. When he watches his children playing with other kids of different race, colour and culture, he feels hopeful about the future.

Putting his life story into words has perhaps helped free Grant from his past, and the thoughts and feelings that have burdened him. Many Indigenous Australians have felt deeply affected by the issues Grant raises such as racism, marginalisation, displacement, government policies, poverty, and so on. In a way, *Talking to My Country* speaks on

behalf of Indigenous people who have shared similar experiences. As a result, this book not only shares Grant's story, but also allows other Indigenous people to have their voices heard.

Eloise Ambrose is a Mannkal scholar from the University of Western Australia and an intern at The Centre for Independent Studies.



Serious Whitefella Stuff: When Solutions Became the Problem in Indigenous Affairs

Mark Moran with Alyson Wright and Paul Memmott
Melbourne University Press, 2016
\$27.99, 224 pages
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Reviewed by Sara Hudson

This book has an interesting premise: 'how does Indigenous policy signed off in Canberra actually work on the ground?' To answer this question, the book is divided into chapters that provide case studies of particular policy initiatives: for example, alcohol prohibitions, revitalising cultural practices, Shared Responsibility Agreements, and homeownership. However, while the idea of the book is good, potential solutions to improve the 'dysfunctional beast' that is Indigenous policy are buried at the back. Nor are these solutions particularly novel. Recommendations include looking back at past practices as well as forward to the future when designing policy, studying the local context, not coming in with pre-conceived notions, and working with Indigenous communities and leaders. The most original suggestions are for frontline workers to have more training in development strategies and for remote Indigenous

communities to become 'radical learning centres' where networks are developed and knowledge-sharing occurs amongst practitioners (p. 196).

The absence of specific solutions is perhaps a key point the authors are trying to make—for many of the 'wicked problems' bedevilling Indigenous communities, there are no simple solutions. In fact, as Moran points out 'attempts to solve one aspect of a problem typically reveal or create others' (p. 189). Yet while it may be true that 'solutions themselves become problems' (p. 181), it makes the book quite a depressing read.

What is particularly disheartening about some of the chapter case studies is the purging that goes on in Indigenous policy. Policy reforms, Moran explains, 'typically discredit anything that precedes them' (p. 178). Thus, a chapter by Alyson Wright relates the sad example of Ali Curang community leaders working hard to implement the actions in their Shared Responsibility Agreement (SRA) only to have all this work overturned by the Northern Territory intervention and the creation of Super Shires. Although there were many shortcomings in how the SRA was implemented and how the 'shared responsibility' component was articulated to community members, the funds that accompanied the SRA led to the creation of an art centre, Internet café, newly grassed ovals and a market garden. At the time of the SRA, Ali Curang was a relatively orderly community with neat and tidy yards and twice-weekly collections of rubbish. Today the only surviving legacy of the SRA is the arts centre. As Wright describes: 'The once reasonably tidy settlement is . . . crowded with litter and car bodies and the green grass in parks and ovals is dying and overgrown' (p. 129).

Another point the book makes is about the importance of being there for the long haul. Unfortunately, the political cycle is such that the only thing consistent in Indigenous affairs is the constant state of change, from policy and legislative reform to the overhauling of government departments. Funding cycles are also notoriously short, impacting on the ability of organisations to attract, train and retain staff as well as to show evidence of outcomes. According to Moran, internationally, the average time for NGOs to engage with communities is eight to ten years

(p. 186). Indigenous communities have not experienced such stable and long periods of engagement since the missionary times.

The failure of so many government and NGO programs also comes down to the sheer number of them, all with competing aims and objectives. For instance, at a time when the Commonwealth government was arguing for more employment among Indigenous people, the Northern Territory was reportedly busy preventing elected councillors from being employed in local government. Such contradictory objectives abound in Indigenous affairs, as multiple service providers—including government agencies, Indigenous organisations, not-for-profit NGOs and for-profit contractors—all compete in the same space. In some communities of less than a 1000 people, more than 80 different programs are being delivered.

While there is common agreement on what needs to change in terms of improving Indigenous social and economic outcomes, there is widespread disagreement on the steps needed to get there. Indigenous policy has always been characterised by polarisation, with opposing and competing principles between those on the political left and right. Some common dichotomies include ‘top down’ versus ‘bottom-up’, rights versus responsibilities, evidence versus ideology, and economic versus community notions of development (p. 187). Moran cites Indigenous leader Noel Pearson, who has attempted to get around this polarisation through his notion of the ‘radical centre’ whereby competing principles are balanced out and the two different sides are seen as complementary to one another rather than competing. According to Moran, something of this ‘radical centre’ is occurring at the coalface of Indigenous affairs: ‘Seemingly against the odds, those engaged in the daily business of community development negotiate its ambiguities, indeterminacies and dilemmas’ (p. 188).

What is heartening to read is the remarkable strength and resilience of Indigenous leaders tasked with the responsibility of implementing policies

that they themselves may not have much say in developing. Their adaptability and persistence in the face of numerous odds is extraordinary. For example, at Mapoon, an Indigenous community in Far North Queensland, community leaders found their own solution to town planning and preserved their mission history as owner-builders: ‘Against the odds, Polly and Tony ended up building their own place. Their house is a hybrid of shipping containers, prefabricated dongas and bushcraft construction’ (p. 175). While the house does not meet the Building Code of Australia and is unlikely to be insured, Polly and Tony ‘have made it [home] to Mapoon’ (*ibid*). In this chapter and later in the book, Moran makes a persuasive case for private homeownership on Indigenous land, echoing the argument made by the late Helen Hughes, Mark Hughes and myself that the lack of private homeownership on communal land has nothing to do with Indigenous people’s ‘capability to pay or their motivation: it is simply the function of a dysfunctional land administration system’ (p. 193). (See Helen Hughes, Mark Hughes and Sara Hudson, *Private Housing on Indigenous Lands*, Policy Monograph 113, Sydney: The Centre for Independent Studies, 2010.)

Overall, although the book consists mostly of a series of case studies without much analysis until the end, it succeeds in providing an eye-opening account of the ‘busyness’ or ‘whitefella stuff’ that characterises the ‘practice’ of Indigenous affairs. The authors have all spent many years working in Indigenous communities across Australia and their stories ring true. For readers who have never visited a remote Indigenous community, this book will provide a valuable insight into the complex challenges and rewards involved in implementing Indigenous policy.

Sara Hudson is a Research Fellow with the Indigenous Program at The Centre for Independent Studies.



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POLICY

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Sara Hudson

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Nyunggai Warren Mundine

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Anthony Dillon

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