economic /'ekənomik/, n.a. 1. pertaining to the production, distribution, and use of income and wealth. 2. of or pertaining to the science of economics. 3. pertaining to an economy, or system of organisation or operation, esp. of the process of production.

rationalism /'ræʃnælizəm/, n. 1. the principle or habit of accepting reason as the supreme authority in matters of opinion, beliefs, or conduct.

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Now that the Premiers have boycotted Bob Hawke's New Federalism the debate of the decade is finally out in the open. Ever since the first special premiers conference was held in Brisbane last year the states have been working towards their financial revival. But with their income tax proposal rejected out of hand by the federal caucus in November, they must decide two things; firstly, is the 'reform' of federal-state relations an empty exercise without the return of broad-based taxing powers to the states? And will they return to negotiations with the Commonwealth in 1992 for a new deal on intergovernmental relations?

The answers to those questions will determine Australia's chances of becoming 'one economy' (along the lines of Europe's process of integration) before the centenary of its constitution in 10 years time. They also go to the heart of a fundamental political issue confronting Federal Labor's new federalism - the role of the states towards 2001.

From that first meeting in Brisbane, the phrase vertical fiscal imbalance (VFI) has become the _bete noir_ of the entire process. The VFI is a spending gap problem for the states created by the centralisation of taxing powers (the Commonwealth now raises around 70 per cent of total taxation and is responsible for 50 per cent of total public sector outlays). The states finance the balance of public expenditure through a range of narrow-based taxes (including financial and property turnover taxes and payroll tax) which tend to shrink along with economic activity, and Commonwealth government grants.

The VFI 'problem' as perceived by the states and the Commonwealth Treasury (a historic alliance) is that the states spend '50 cent dollars'. Their thesis is that because the Commonwealth hands out 40% of the states' income they lack responsibility and accountability in its distribution. This brand of economic rationalism concludes that giving the states access to broadly based taxation would improve their financial planning (by delivering more predictable revenues) and boost their incentive to cut waste (by providing opportunities for politically meaningful tax cuts).

But the macro-political agenda was considered too late in the framing of this equation. The subtext in a program of tax-decentralisation is power-devolution. And the man standing between federalist agendas and their implementation has always been the former federal treasurer, Paul Keating. His post-1985 strategy squeezed state revenues and borrowing flexibility to force economic efficiencies out of them.

The appointment of John Kerin as treasurer a few months ago signalled a fresh prospect to the states - the end of Keating's era of relentless centralism and a new dawn for the states' bid to regain some part of the fiscal sovereignty which they lost in 1942 when the Commonwealth took over income taxes as a 'temporary' war measure. The leadership challenge buried that hope.

The states lost the battle with federal caucus over their claim for income tax powers, but there are related issues still to be resolved. Does Mr Hawke now relish from the commitment made by his premiers conference communiques to place the fiscal imbalance high on the reform agenda? If not, then he has to get the states to return to the consultation process. But that will depend on the states' willingness to maintain the effective pace of their micro-economic reforms in return for some kind of revenue sharing agreement which may well fall short of the one they had in mind.

The problem is that federal caucus was too quick to dismiss the question of whether VFI matters or not. That debate will now be left to others like the Evatt Research Centre in Sydney which has already started work on a new edition of its comprehensive review of federal/state financial relations, _State of Siege_. A recent review of the book's first edition by Christopher Shell, an economist with the West Australian Government takes on a particular relevance in the context of the New Federalism debacle.

According to Shell, _State of Siege_ "is remarkable [as] a significant departure from the modern labour view that states should be eliminated in favour of a national government with unfettered responsibility for economic development, employment and social security, supplemented by strengthened, more participatory, non-sovereign local administrations."

Since the book was released the prime minister has initiated a complete review of Commonwealth-State relations. The achievements described by Shiel include the reform of premiers' conference arrangements; public infrastructure investment such as the National Rail Freight Corporation; and wide-scale, systematic micro-reform of state functions. All are fundamental to the smoother economic running of the nation. But the political structure of the federation in relation to the role of the states (and their taxing powers) is unresolved in the wake of the cancellation of the November special premiers conference.

The states say they are being eliminated in practical political terms by fiscal attrition. As the debates surrounding constitutional reform and republicanism gather momentum the Labour movement has to decide once and for all if this is true, and if so, whether it's a good or a bad thing.

PRUDENCE ANDERSON is a political journalist on the _Australian Financial Review_.

ALR : DECEMBER 1991
PROFILE

Buddy Bradley

"I find now that Buddy's life is better than mine. I can't enjoy stories about this little shit any more! They just make me feel jealous and miserable that you have expected, given their wholehearted embracement of loser-dom.

But not Buddy. Bagge appears to have accepted the challenge of turning his comic character (who we assume is at least slightly based on himself) into something slightly more three-dimensional than a terminally adolescent delinquent. In fact, this hard-drinking geek with hair in his eyes and a nose that takes up roughly a third of his face seems almost to be taking steps towards joining the human race.

Part of this improbable development is due, it appears, to his girlfriend Valerie—not that she is any less mixed up than him. "I've gone out with plenty of guys who were polite and charming and 'politically correct,'" she tells her flatmate Lisa as the object of her affections lies passed out on her bedroom floor. "Hate, No. 6 Buddy and Valerie visit Val's parents. "We're not rich, OK?" she screams when they reach her family home. "We were an average family, just like yours! Not rich: average!" A genuine female comic character in comics today is a rare find—even in these post-punk, post-everything days. In fact Bagge's previous main girl character, Girly Girl, was not much more than a horrifically ugly child in a frilly petticoat who liked to smash people up.

It's not just Buddy's love life that's changed, though. When Butch finds him sharing a house with a "goonie looking coon", he can't believe it. "Who woulda thought," he continues. "I mean, you weren't exactly too fond of coloured people when you lived back home." Buddy's response is atypically subdued: "Yeah, well, I don't want to talk about it" is all he will say. Later, after braining junior hairdresser friend of Valerie's a "sweaty faggot" he falls into conversation about music with her gay friend Phil. "Tell me, do you own a CD player?" he asks, to which Phil replies: "Of course not." "Hmmm," thinks Buddy. "I guess this guy's alright."

Buddy, life's hell and then you die, man. Personally, though, unlike the Hate reader quoted above, I find the neurotic whinings of you and yours just go to make me feel much better about my life. That's Hate's therapy.
inflation and this propensity will revive if there is a modest recovery, even with 2.5 million unemployed.

These problems have been exercising the minds of Labour and trade union policy makers. Three possible solutions have begun to emerge. The first is the claim that ERM membership will inevitably control wage settlements; firms and unions, it is argued, will see that wage increases over and above those of Britain's competitors will make UK firms uncompetitive by driving up unit labour costs and pricing UK workers out of jobs. The problem is that, given shortages of skilled labour, the most successful firms' wage increases will be passed on to other firms desperate to motivate and retain labour. Unions will push as far as they are able, and management will tend to concede if their order books are filling up and they fear loss of output today more than the long run effects of higher wages. In short, this view presupposes responsible wage bargaining at the firm level if it is to work in an expansionary context—yet UK unions are quite unused to looking to the long-term or trusting management assessments of what they can afford. Thus ERM management cannot be the panacea Labour claimed it was in its 1990 policy document Looking to the Future.

This is where the second solution, 'supply-side socialism', comes in. This option envisages unblocking the inflationary constraints on the supply-side by emphasising training policy, productivity-enhancing measures and investment. Training, it is argued, will increase the supply of suitably skilled labour and thus ease the labour market pressures towards higher wages, enabling the unemployed to re-enter the labour market. Increased labour productivity and capacity enhancing investment will increase the supply of goods on the UK domestic market. This will help to hold prices down and ease the tendency for the economy to overheat and suck in inputs during a period of expansion. Enhanced productivity will make it possible for firms to concede wage rises without increasing labour costs. The effect of these policies, it is argued, would be to move the UK toward the position of a high wage, high skill, high productivity economy like Germany.

The problem with such a policy is not that it is wrong per se but that it suffers from a time constraint. It is at best a medium term policy. The public and private investment it envisages will take 2-5 years to bear fruit. The public components of the policy require large expenditures on training and support for industry which cannot be achieved without either large short-term increases in taxation or higher revenues from rapid economic growth. It thus requires an expansionary policy, both in order to fund public expenditure and because private managements will not make major investments to enhance productivity and capacity unless they are confident that growth will be sustained. And the supply-side policy is subject to a severe constraint in the short term because in the present climate of decentralised bargaining workers are unlikely to forgo immediate gains.

This is why the advocates of the third solution, Co-ordinated Pay Bargaining, are growing in strength and vociferousness, particularly in the public sector unions. Co-ordinated Pay Bargaining (CPB) is an attempt to synchronise pay settlements and to get management and unions as 'social partners' to enter into a relationship of dialogue and
co-operation. CPB rests on a voluntary process whereby government and social partners develop a National Economic Assessment (NEA) of the performance of the economy in the coming year and the range of sustainable wage settlements. The government announces its spending plans in its autumn statement, and are followed by the Budget. Synchronisation of pay settlements, its proponents argue, will prevent 'leap-frogging', whereby groups of workers seek to obtain better deals than unions that have settled early or to match them in order to maintain relativity and where the losers in last year's round seek to catch up in the current year.

The NEA, it is claimed, will provide a reference point for responsible employers and unions, encouraging workers to think in terms of what the country can afford. CPB seeks to copy the forms of synchronisation practised in Japan and the style of co-ordination practised in Germany, avoiding a formal incomes policy through voluntary commitments and overcoming the worst defects of decentralisation without state compulsion.

It is attractive to public sector unionists in particular: firstly, because a pay free-for-all tends to leave them permanently behind the private sector; and, secondly, because without some measure of pay restraint a National Minimum Wage, which they support, will be undermined by stronger unions seeking to restore differentials eroded by pay rises for the lower paid. CPB is violently unpopular with predominantly private sector unions like the electricians (the EEPTU), who see it as a restraint on free collective bargaining and a threat to the incomes of their members in Britain's most productive and profitable firms.

The real problem with CPB is that it requires unions and employers' associations to behave with some discipline and put the outcome for the national economy into the frame of their own actions. But decentralisation in the 1980s has also been accompanied by the dissolution of the employers' associations, the Trades Union Congress (TUC) and even the national unions as bodies capable of exercising discipline. None of these bodies has the power or means of persuasion to get firms or groups of workers voluntarily to comply with the norms of National Economic Assessment. Ironically, to be successful, the CPB needs the very co-operation and compliance for the absence of which it is supposed to be a solution. It would only take the determined behaviour of quite small groups of workers to bring the whole thing down.

Co-ordinated Pay Bargaining is a desirable objective. The problem in the British context is that voluntary compliance is just not robust enough to deliver it. Labour would therefore be forced back on one of two tough options: either accepting that a period of sustained expansionary policy is impossible and that policy objectives must be scaled down as a result; or, accepting that some form of state-sanctioned incomes policy is a prerequisite for a policy of growth and economic modernisation. A return to the unpopular form of incomes policy which prevailed in Britain in the 1970s is impossible.

However, there are other options. One is to reinforce CPB by a tax-based incomes policy (TIP). A TIP with flexible norms would still leave firms and unions with a great deal of freedom of manoeuvre. Firms could reward highly productive and skilled employees with above average pay increases and avoid tax liabilities if the firms' overall settlement were below the rate that attracted penalties. Firms could also choose to pay more and accept the penalties if they were productive and profitable enough. A TIP has the advantage that it imposes a tariff on non-compliance, but does not criminalise workers or prevent them from bargaining. Employers may be reluctant to countenance a TIP that falls on them alone and leaves them to resist the wage pressures of their employees. However, a TIP that taxed employees too would be administratively cumbersome and politically unpopular. Given the short-horizon of some unions, it might be the only fully effective policy, however much it is resisted.

A TIP would achieve two objectives: the short-term one of controlling money wage inflation in order to achieve a period of restrained expansionary policy; the longer-term one of reinforcing the pressures toward the reform and recentralisation of the institutions of wage bargaining.

A TIP would make Co-ordinated Pay Bargaining possible and increase its attractiveness to unions. Given the constraint which a TIP imposes on pay bargaining with employers, unions would seek trade-offs from public policy (along similar lines to the original model of the ALP-ACTU Accord) in return complying with the objectives of CPB. They can also expect that, if they do comply, then the norms in the TIP will become less necessary and can be relaxed. A TIP is thus a valuable lever in promoting institutional reform. This was not the case with the unpopular 1960s and 1970s style incomes policies. Labour opinion is gradually evolving in the direction of the reform of the country's wage bargaining institutions. But it will have to go one major, and difficult, stage further if it is to be effective. Labour is going to have to break its barrier of fear and its obsession with past failure in respect of incomes policy. A new style policy will be the only option if Labour is to become a modernising and reforming government in 1990s Britain.

PAUL HIRST is Professor of Social Theory at Birkbeck College, University of London. He is the author of After Thatcher and, with Jonathan Zeitlin, of An Incomes Policy for the 1990s.
Three factors explain the recent acceleration of the Cambodian peace negotiations. A long-term factor was the world’s continuing isolation of the Phnom Penh regime. Since the Vietnamese overthrow of Pol Pot’s genocidal Khmer Rouge in 1979, the UN has embargoed Cambodia, trapping its people in poverty and threatening the economy with strangulation.

The USA, Australia and all other Western nations refused aid, trade and diplomatic relations with the only anti-Khmer Rouge Cambodian political force, while aiding its enemies. It was clear this policy would continue until the Khmer Rouge were brought back into the Cambodian political arena. A second, more immediate factor was the realisation that, despite this, the Cambodian government of President Heng Samrin and Prime Minister Hun Sen had the upper hand on the battlefield. The Chinese-backed Khmer Rouge were not making headway, nor were their US-backed allies.

Two years after the 1989 Vietnamese withdrawal, all 20 Cambodian provincial capitals and all but two of 100 district towns remain in Phnom Penh’s hands. So do all the lowland rice-growing areas: over 90% of Cambodia’s territory and population. Starting from scratch in 1979, and despite an international embargo of both countries, Vietnam has not only helped establish a Cambodian government and return the nation to near normalcy, but also trained and armed a Cambodian force to defend the country from the Khmer Rouge.

The Bangkok Post of 2 April 1991 quoted Thai military sources as saying that “the Khmer Rouge seem to be suffering far more than the Heng Samrin side since the dry season offensive began” in January. On 20 May, Post columnist Jacques Bekaert probed the resistance’s present weakness: “Hun Sen was probably right when he told us...that it is impossible for the resistance to conduct large-scale operations in the country, much less to launch vast offensives.” The Khmer Rouge, he wrote, “still cannot occupy and maintain large tracts of territory.”

Their allies fared little better. On 31 August Bekaert wrote that the rightist KPNLF was “fast collapsing”: “Military experts say that maybe no more than a few hundred men still obey orders. The Sihanoukists...have their own trouble and probably no more than a few thousand men—at best—still under control.”

The Khmer Rouge acted ominously. At a Thai border meeting reported in the Bangkok Post on 17 May, a Khmer Rouge official tried to present a moderate face, but suddenly “beat a retreat with his aides” when a second cadre arrived, “dressed in Chinese khaki army fatigues”. This cadre, a hardliner, “spoke forcefully and with obvious authority”, predicting: “When there are no more Vietnamese in Cambodia, we will take the rich people to work in the fields”. He added: “Mr Pol Pot did not have bad ideas and wanted equality for everyone. There was no poverty and all were equal until the Vietnamese came and tried to grab our land.”

As the peace agreement approached, a Spanish aid worker was shot three miles from a UN refugee camp in northeast Thailand controlled by Khmer Rouge guerrillas. The attackers “spoke Cambodian and wore Khmer Rouge uniforms”. “It was the most serious attack on a Western aid worker in 12 years of international relief work on the border", Reuters reported.

On 30 September there was a coup d’état at Site 8, a showcase Khmer Rouge camp in Thailand. The 20 ‘moderate’ camp leaders disappeared into a Khmer Rouge prison. Five new Khmer Rouge military officers instructed the families of the disappeared to follow. They refused, but the changeover spread panic among the 44,000 refugees in the camp, who fear a forcible repatriation to Khmer Rouge zones where they face mines, malaria, and lack of rice and medicine. “This has struck the fear of God into them, like it’s back to the old days,” said a UN official. The UN-trained civilian police force in Site 8 was also replaced by armed Khmer Rouge soldiers. At the UN on 17 October, after a Chinese veto, the Security Council’s five permanent members (the USA, the USSR, China, Britain and France) backed down from a commitment to warn the Khmer Rouge against forcibly moving refugees.

The third major ingredient in the Cambodian peace process was China’s achievement of its strategic goals in countries bordering Cambodia. This allows Beijing to capitalise on its predominance in mainland Southeast Asia, and ensure the Khmer Rouge and their allies a share in Cambodia’s political future—despite their comparative military weakness.

China’s goals in Southeast Asia have long centred on its rivalry with Vietnam. Shunned by the United States, and abandoned by the USSR, Hanoi has recently been forced to turn to China. At the Vietnamese Communist Party Congress in June 1991, Hanoi acceded to China’s demand for the head of reformist Foreign Minister Nguyen Co Thach. Hanoi was finally forced to remove him because of his inability to deliver the needed diplomatic reconciliation with the USA. The USA had continually spurned Vietnamese overtures and concessions such as the Cambodian withdrawal, and Beijing reaped the reward.

Soviet aid to Vietnam has also been drastically reduced. The August coup attempt and its aftermath in Moscow was a blow to reform communists in Vietnam who found themselves overruled by hardliners now looking to China as a necessary ally. China’s relations with Vietnam, and with Laos, have been patched up by the military. The February 1991 coup in Thailand against the elected Chathichai government was welcomed by China as “cor-
rect and just". China has developed a close relationship with the Thai army; for a decade its aid to the Khmer Rouge has travelled via Thailand.

In April the new strongman in Bangkok, Army Commander Suchinda Krapayoon, told a US senator he considered Pol Pot a "nice guy", just as in 1985 the foreign minister of the previous dictatorship had described Pol Pot's deputy, Son Sen, as "a very good man".

Last May the new Thai PM, Anand Panyarachun, pointedly told Khmer Rouge leader Khieu Samphan: "Sixteen years ago, I was also accused of being a communist and now they have picked me as prime minister. In any society there are always hardliners and softliners, and society changes its attitude to them as time passes by." Pol Pot himself met with Suchinda just before the June 1991 Cambodian negotiating session in Thailand, where Pol Pot played a backroom role.

With arms purchases of US$283 million between 1985 and 1989, Bangkok ranked sixth among China's clients for major weapons. Burma, the other state quick to recognise the overthrow of Thai democracy, is also high on the list of China's arms customers. Burmese dictator General Saw Maung visited Beijing in August. The Far Eastern Economic Review reports that China has become "Burma's most important trade partner", while Burma is "China's chief foreign market for cheap consumer goods".

China has replaced its former policy of party-to-party relations with Southeast Asian insurgents with army-to-army relations with governments. Beijing is now in a stronger geopolitical position than ever before. Its main rival is Tokyo. Japan's role in the Cambodian peace process in 1990-91 at times threatened to sideline the Khmer Rouge. China's new, flexible posture aims to prevent that, and to broker the negotiations itself.

This interplay of factors has forced some departures from the 1990 UN Peace Plan for Cambodia. Firstly, a ceasefire was observed by all non-Khmer Rouge forces from 1 May, defying US opposition to such a step-by-step approach. Secondly, instead of being totally demobilised, the Phnom Penh army has been allowed to retain its relative numerical predominance. However, this does not take account of Khmer Rouge troops and arms caches hidden from UN view in remote areas.

The compromise voting system for the 1993 elections, to be based on proportional representation in each of 20 provinces, will make it harder for the Khmer Rouge to win seats in the new National Assembly than the national proportional system originally planned. But there is little sign of UN preparedness to prevent intimidation of voters and the stuffing of ballot boxes in remote areas controlled by the Khmer Rouge. The Khmer Rouge could win at least some seats, and regain a role in Cambodia's government if their allies emerge with a plurality of votes. Further, Hun Sen was obliged to drop his demand that the peace agreement provide for a genocide trial of the Pol Pot leadership. The UN has legitimised the Khmer Rouge as a political force, allowing it to establish an office in Phnom Penh and to appoint the onetime president and deputy prime minister of the Pol Pot regime (Khieu Samphan and Son Sen) as members of the Supreme National Council, which embodies Cambodian sovereignty. The country faces several more years of living dangerously.

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The central issue of the Madrid peace talks in November was whether Israel is yet ready to accept the reality of Palestinian nationhood as the basis for securing regional recognition of the legitimacy of its own.

Those who read the past solely through the politics of the present inevitably fail to recognise the rich diversity of the tradition that they inherit, as well as the authenticity within it of views that they disfavour.

Yet the Jewish tradition has always been a pluralistic one, comprising variants that have advanced no political agenda and others that have pursued a variety of political projects, both Left and Right, religious and secular. Zionism, too, throughout its own history has comprised various trends—including that of Zionism’s own secular saint, Martin Buber, and his Ichud group—that sought some mutually acceptable conciliation with the Palestinians as the indispensable precondition of Zionism’s own political and moral success.

Seeing the Palestine of his time as a “land of two peoples”, Buber further argued that, if the basis of such reconciliation did not already exist—even if no Palestinian partners for dialogue had emerged—it was up to Zionism, on both moral and pragmatic grounds, to take the first step to attempt to establish the conditions under which conciliation might become possible.

There is, of course, a risk in making overtures of the kind urged by Buber. But for Israel the cost of not trying is even greater, and ever growing.

The cost of Israel’s failure to respond adequately to the overtures made by a variety of Palestinians eager to open up such discussions, has been enormous. Those who have displayed the considerable courage to call for steps toward mutual Israeli-Palestinian recognition—have been dismissed as insincere, or insufficiently representative of their people, or as insufficiently supported by them. What these prospective Palestinian interlocutors need and have never received is the response of interest and acceptance that would make their position credible among their own people.

How is conciliation of the kind urged by Buber to be attained in our time, and what is its essential precondition? What is required is something that may be extremely difficult to achieve, but which is very simple in conception: Israelis must begin to recognise, together and on a par with their own, the case for Palestinian peoplehood; they must consider and ultimately accept the case for Palestinian statehood. So long as the Palestinians are denied that recognition, there is no basis upon which Israel may expect them to enter with it in the construction of any common peaceful future.

However utopian it may seem, the moral idealism of Martin Buber’s position is nonetheless compelling. But, for those who argue that Jews and/or Israelis cannot now afford the risks of being principled, even out of self-interest, let us shift the grounds of argument from those of principled idealism to those of direct, unadorned realism.

Elemental realism tells us that if peace is to be made, then it can only be made with one’s adversaries. There is here a dual emphasis: first, with one’s adversaries—i.e., with the Palestinians themselves and not (as on the Camp David route) with or through the Jordanians, the Egyptians, the United States, or anyone else; and second, with one’s adversaries—with their consent, their active co-operation, their wholehearted participation.

Peace can only be made under conditions which embody the recognition that each party is an equal. Since 1988 there have been and, despite awesome reversals, still are, elements on both sides who are not only prepared but eager to do just this, although they do not currently set the agenda on either side.

It is a sad although understandable indication of a certain collective psychology when people, because of its mere certitude, find preferable the stark clarity of a situation that holds out no long-term positive prospects to the indeterminacy of a situation in which there is nonetheless the possibility of hope, change, and even peace.

In the one land of two peoples, in sum, there have emerged, like it or not, two authentic local nationalisms and now even two contending nations: the one shaped by its project of return from exile and persecution to an ancestral Biblical home, the other born of its experience of Ottoman overrule and neglect, British mandatory government, emergent Israeli statehood, Arab military defeat, and subsequent abandonment amidst the unedifying balance-of-power scramble of Arab international politics.

To deny (as Yitzhak Shamir again has at Madrid) the Palestinians’ entitlement to nationhood while asserting Israel’s, to base the overcoming of one’s own homelessness on that of another people, is, in Israeli author Amos Oz’s telling phrase, simply “moral autism”. The state of Israel rests upon a certain logic, that of the entitlement of peoples, in a world of nation-states, to statehood, and it is a logic which cannot be applied selectively.

But if Israel is to deal with the Palestinians, does that mean dealing with the PLO—or has the PLO so “thoroughly discredited” itself as to be no longer a possible interlocutor? The answer to that question is, ultimately, not Israel’s to decide. Israel, if it wants to explore conciliation, must deal with whomsoever the Palestinians as a whole choose as their national representatives. Events of recent months have only served to consolidate the relationship between the PLO and the Palestinian people. Indeed, the Gulf War and the Baker initiative leading to Madrid seem to have enhanced the PLO’s
prospects of survival. Whatever misgivings they may harbour concerning the PLO, most Palestinians will continue to uphold it so long as it remains the most effective vehicle of public expression available to them. Any alternative Palestinian leadership that may emerge and prove capable of winning widespread popular support is likely to be far less tractable to Israel than the PLO. This is a reality that Israel, as it seeks to prepare some reasonable basis for its own future, will have to accept.

The alternative, the creeping *de facto* annexation of the West Bank simply removes the basis for any possible future accommodation with a sovereign Palestinian people in a West Bank state alongside Israel. However appealing it may be to some, this scenario of displacing Palestinian national political aspirations eastwards into the so-called 'Jordan is Palestine' option, while removing any possible basis for *in situ* Israeli-Palestinian national reconciliation, is likely to prove disastrous.

What is involved here, is not (as some like to describe it) the challenge of reaching a 'land-for-peace' trade-off. It is not a case of each side needing something that it lacks but which the other side has.

Both sides, even if for quite different reasons and coming via quite contrasting routes, are after the same thing. Each needs the other's recognition of the historically grounded legitimacy of its national identity and rights. So long as acceptance of this fact is not the basis from which both sides enter into detailed substantive negotiations, there is no prospect of any enduring conciliation of the differences between them.

This need for mutual recognition is something that the Palestinians—speaking through the PLO—have at least declared a willingness to concede. They have announced a readiness to accept the legitimacy of Israel's national existence, asking only the same in return for themselves.

This is something that Israel has thus far insistently refused even to contemplate. That refusal, the only position from which—on the international community for it.

CLIVE S KESSLER is Professor of Sociology at the University of NSW.

A Democrat Story

What is going on inside the Democrats? In the last few months Australia's third political party has been a hotbed of political intrigue with gameplaying, backstabbing, musical chairs, resignations and, more recently, sackings showing worrying similarities to its larger counterparts.

Little more than a year since she replaced Janine Haines as leader, Janet Powell was herself deposed after a relationship with colleague Sid Spindler turned sour and was exposed to public view. Questions over the subsequent scramble for leadership culminated in Senator Paul McLean resigning in disgust from the Senate and his more conservative opponent John Coulter from South Australia getting the nod. Just weeks later it was revealed that Haines was considering standing for party president, a job she is almost guaranteed to win if she chooses to make a comeback into the federal political arena.

The fallout from the last few months of internal upheaval has certainly taken a toll on the Democrats. A popularity drop in the polls provides some outward evidence, and the party faithful are in damage control mode,
talking about 'the need to put the leadership battle behind us'. This was not helped in early November, when allegations of financial mismanage-
ment within the NSW branch of the Democrats led to the expulsion of two of the party's most senior members.

What will a leadership change do for the Democrats? So far it is hard to
determine any overall benefits. By all accounts policy direction has not
greatly changed. Coulter, despite his
avowed environmental focus, is com-
mitted to existing policy lines, largely
to try to shift the terms of the economic
debate and to place the spotlight on
environmentally sustainable develop-
ment. But this is not a philosophical
shift for the Democrats. What has
changed, say Coulter's colleagues, is
the style of leadership.

Karin Sowada, McLean's replace-
ment, and the newest Senator on the
block admits leadership style has been
an underlying problem for the party.
She believes Coulter is attempting a
different style, to put into practice the
principle of 'first among equals'. This
is a strong contrast to the presidential
leadership style common to most
other Australian political parties. But
will it work?

Coulter faces some tough challenges.
Number one would be to pull the
party back together and quell internal
unrest. Just as important, say his
colleagues, is to convince a suspicious
general public to jump the credibility
gap that still yawns between the
Democrats' environmental focus and the 'economic rationalism' still
dominant in the mainstream arena.
Can it be done? Sowada and others
believe there has already been a shift
in credibility in the Democrats'
favour—achieved not so much by
their own efforts but by a distinct
movement of Labor and the Liberals
to the Right. And despite the recent
troubles, it could be argued that the
Democrats are making more of an
impact these days in some states. They
have certainly been pivotal in block-
ing key industrial relations legislation
in the NSW Upper House. And Karin
Sowada, in one of her first duties as
Senator, made an historic speech to the
ACTU Congress in September, the
first Democrat and the first woman
politician to address the peak trade
union forum.

Sowada agrees it was a significant
moment for the Democrats in a wider
recognition of trade union issues as
social justice issues. But she argues the
Democrats are not drawing politically
closer to the trade union movement.
"Rather, the trade union movement is
taking us more seriously because of
our involvement with the NSW and
federal industrial relations legisla-
tion".

Another major issue that faces the
Democrats right now is its relation-
ship with green movements in dif-
f erent states. Members are currently
being balloted on their preference for
closer working relationships with
green groups in at least two states,
Tasmania and Victoria. Because of the
fragmentation of green groups in
Australia, those links will be slower to
forge in NSW, South Australia and
Western Australia.

Although members will have the final
say, it looks certain that ties will be
forged. For the Greens the connection
will provide "an environmental
bridgehead into parliament". For the
Democrats it represents, they hope,
greater links with grassroots or-
ganisations.

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Exhausted

A group of five women sits in the shade of a battered lorry in a
church compound in Maputo. Four of the five
have their heads bandaged and the dirty patches of
gauze are seeping blood. What happened? But as
you ask the question of a young pastor, you already
know the answer. "They were brought in here a
week ago after their houses were attacked by a gang
of men in unidentifiable camouflage uniforms." He
sighs, shrugging in the universal way of people
when there's nothing they can say or do.

"They were all raped—maybe 10 or
12 times—and these four had their
lips, noses and ears cut off. They ran
away in the night and they were
brought to Maputo. Some of the other
women from their barrio (suburb) had
their breasts cut off. They may have
died."

The pastor is asked if the Mozambique
National Resistance (MNR, or
Renamo in Portuguese) were respon-
sible. "Probably, that's what they do to
women, but we don't know any more.
All we want in Mozambique is peace,
just peace—not even food. We need to
end the fighting, I don't think people
even care who wins, just so long as the
violence ends." Mozambique is in a
desperate search for a peacemaker as
the nightmare of violence, death and
destruction continues unabated.
I spoke to a middle-aged teacher, a
white Mozambican who stayed here
when many fled to Portugal or South
Africa after independence was won
by Frelimo in 1975. He earns the
equivalent of perhaps $400 a month
and is deeply committed to his
country. "I never joined the party
[Frelimo, the ruling party] but I
believed in what it tried to do with
health and education.

Why would I go? It's my home." He
fears that Maputo, long an island of
safety in a sea of destruction, could
soon share the fate of the long-suffer-
ning rural population. "This place
could explode. It's only kept alive by
foreign aid money." He lists the problems like a litany. Soviet military aid is drying up, so the army is running out of parts for its vehicles, helicopters and Antonov transport planes. 30% of incoming goods are pilfered at the ports by desperate workers to sell in exchange for food. Frelimo simply hasn't the resources to prosecute a bush war, feed half the population, maintain law and order, and rebuild a completely shattered economy.

Mozambique, according to the World Bank, is the world's poorest, hungriest, most indebted, most aid-dependent country. The war has cost almost US$20 billion and the government has been reduced to beggar status, seeking crumbs at the international table. Almost ten million people require some form of food aid.

The US State Department estimates over 200,000 people have been killed by Renamo, another 200,000 over the age of five are dead from malnutrition caused by the war, and a mind-numbing 500,000 under five have died from direct causes of the war. The statistics themselves are exhausting. Half the rural primary schools have been destroyed, almost the same number of health posts. Teachers and health workers are primary targets, many killed, tortured and kidnapped.

In Maputo, where foreigners from a plethora of donor agencies call the shots from opulent, heavily guarded villas, there are two cities. One is the concrete city, the other the reed city. In the former, a tattered remnant can still be seen of its colonial glory as a corrupt playground stretching along the white beaches of the Indian Ocean. The beautiful buildings are faded and often windowless, but the shops are full.

You can buy anything if you have rands or dollars. "You want a gun, we get it. An AK47? Okay." 'Red Star' market is like an oriental bazaar in the middle of a dilapidated African city. Refrigerators, computers, stereos, television sets line the crumbling sidewalks. Cases of 20 year old Scotch are piled up beside mountains of tinned Coke. The prices are great for foreigners and for Mozambicans working for aid agencies who have hard currency. All of the goods come from South Africa.

The other city: a decaying artificial core surrounded by fetid, squallid reed huts. No one knows how many. The population of Maputo has doubled in ten years with people fleeing the insecure rural areas. An infrastructure for 500,000 is trying to support perhaps 1.5 million.

Thousands of street kids sell cigarettes or guard cars, women sell small mounds of tomatoes and cabbages, workers walk many kilometres to save a few cents. 50% live in absolute poverty. Many cannot afford to buy water, washing their clothes ininking pools and drains. Once one of the safest cities in Africa, Maputo is imploding under a violent crime wave. A gruesome form of 'necklacing' takes the lives of dozens, as suspected criminals and Renamo bandidos are forced to drink petrol and then set alight.

Innocent people, along with hardened criminals, are victims. The police stand by, apparently helpless to stop the frustrated poor—or perhaps, as the residents of slums charge, they are accomplices who rent out their weapons by night to marauding gangs looting under cover of darkness.

Economic hardship is blamed on the hated PRE, the Economic Recovery Program imposed by the World Bank and International Monetary Fund. It has squeezed the urban and rural poor with price increases far above wages, leading to strikes, crime and real hunger. Peace, the young pastor says, is the solution. Almost every Mozambican would agree. But the outlook is bleak. The eight rounds of peace talks in Rome have seen little progress.

Renamo, outmanoeuvred by President Joaquim Chissano's swift moves towards a free market and multi-party democracy, can only stall, hoping that Frelimo will soon collapse. Because of its extreme brutality, Renamo knows it cannot win an election. Afonso Dhlakama, Renamo's leader, and his entourage of Kenyan, Malawian, South African and American advisers, lack the intellectual and psychological makeup to participate in a protracted negotiating process and so return to violence.

Paradoxically, says a Canadian diplomat, while destabilisation and violence were engineered from out-

side by South African support for Renamo—which continues to this day—it has now gained a life of its own. The continued devastation and misery results in growing political instability, a decline in administrative competence, loss of control of security forces and police, and a corrupting of national institutions. The diplomat fears the country could degenerate further into a division between 'competing warlords'.

Robert Davies of the Centre for Southern African Studies at the University of the Western Cape in South Africa and a long-time Mozambique observer, makes four proposals for a peace process in a recently released paper:

* The present and past supporters of Renamo must be pressured to use their influence to bring the rebels to a rapid ceasefire agreement. In particular, South Africa's pretensions to becoming a democratic, multi-racial nation respected in the international community will remain in serious doubt if it continues to support Renamo, however covertly.

* The call by Nelson Mandela in 1990 for legislation to make support for Renamo a punishable offence needs to be acted upon. This would create a climate depriving Renamo of military support, forcing it closer to a ceasefire.

* Long-term guarantees against future external support for violent conflict in Mozambique must be put in place. Davies suggests the United Nations could play such a role.

* A regional and international campaign needs to be mounted to secure support for a program of social and economic reconstruction in Mozambique, to be in place as soon as a ceasefire is realised.

Mozambique is exhausted. Its people are being assaulted by forces beyond their control, forces unleashed against them from another era of Cold War politics and regional destabilisation. They want only to live without fear and in peace. The world owes them that much.

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The Liberal Face of LIBERALISM

Dissatisfaction with 'economic rationalism' is not confined to the Left of the spectrum. Shaun Carney interviewed Jim Ritchie, the leading figure of a new Liberal breakaway group.

Jim Ritchie is the spokesperson for the Liberal Reform Movement, a group formed largely from disaffected members of the Victoria Liberal Party, many of whom were previously supporters of state Liberal MP Ian Macphee. Its initial stated purpose is to campaign against economic rationalism, the 'level playing field', and the Goods and Services Tax. Ritchie, 44, now a businessman, is a former ASIO officer and Branch President of the Liberal Party.

Is it fair to characterise the Liberal Reform Movement as a revolt against economic rationalism?

I think it's a response to the collapse of a number of philosophical strains, rather than a revolt. In response to the Liberal Reform Movement I have had telephone calls from former communists and arch conservatives, both complaining about the inadequacy of their former philosophical positions. So it's not just about economic rationalism, it's much broader than that. Perhaps I could put that into context. Let's take three strands of political philosophy: Rousseau; John Locke; and socialism. Over the last decade, each of those three has been fundamentally
affected by changes in our society. The Rousseauian belief that a state of nature is an ideal, that nine-tenths of the worth of a particular thing is generated by nature and one-tenth by the ingenuity of man, has found its logical home in the environmental movement. Lockean belief, in contrast, holds that of the worth of a particular thing, nine-tenths is due to the efforts of man and one-tenth due to nature. That has found its home in laissez faire capitalism, the greed-is-good generation of the 1980s, which has now run out of steam. Socialism has basically left the field with the demise of the regimes in Eastern Europe.

So there is this enormous shift in political philosophy, and people who have in the past attached so much importance to philosophy, have become terribly frustrated and are looking for alternatives. The Reform Movement is picking up those people, and it’s a very broad movement. We are concerned with economic rationalism, but there are a lot of people in our society who believe in intervention in the economy but nevertheless have very different political views. Fundamentally, people don’t care about ideology and philosophy. We Australians are amongst the least ideological people in the world. What we really care about, and what we need to be concerned about in the next two decades, is a managerial agenda which has very little to do with philosophical preoccupations.

Which brings up, I suppose, the big question on both sides of Australian politics this year, if you reduce it right down, which is whether to intervene or not. Can you generalise about your view of interventionism?

Well, I think the economic rationalists have actually done us a favour. Whilst I don’t agree with them, I think that if we’re going to learn anything, we have to recognise the merits of an argument. The economic rationalists have pointed out the costs of intervention—that’s the useful thing that they’ve done. And those of us who want to intervene in the economy, and like to think that we can do so intelligently, have to face up to those costs. I think there’s a growing belief that economic rationalism does not provide answers. Its central proposition is that we will only concentrate on those things where we have a comparative advantage. If you take that to its logical conclusion, we basically have a comparative advantage in only three areas: agriculture, mining and tourism. None of those three are going to solve the problems of unemployment that we now face. So I think the proponents of economic rationalism always cease their argument short of the cliff. They’ve left unexplored some of the flaws in the idea, and they’ve been aided and abetted in that by the collapse of the alternative philosophies. But that doesn’t mean that those of us who want to intervene in the economy, won’t have to do so with a great deal more discipline and intelligent thought than has been exercised in the past.

In recent years there has been a decline in liberal thought, certainly within the Liberal party, which has enormous national implications. Do you see the emergence of people like Peter Costello, Michael Kroger, David Kemp and various others as a blip or as a terminal decline?

I think it’s a blip. I think that the New Right is actually dead now. Because the Labor Party shifted to the middle ground of politics, the Liberal Party decided it had to differentiate its product and move to the right. I fundamentally disagree with that. I think it should have stayed in the middle ground and I think it should move back to the middle ground, but it will not do so before the next federal election because it’s already committed to that particular posture. So for the next couple of years, the Liberal Party will remain a conservative party. But I don’t think that the Liberals, fundamentally, have solved their internal problems, and I cannot imagine them lasting more than one term in office. For all the energy being put into the Costellos and the Krogers and the Kemps, there’s not been one scrap of evidence of any benefit from that effort.

The tide is now moving against them. Now, there are some variables. The Goods and Services Tax (GST) might get them through the next election, but fundamentally there is the shift back towards intervention and any attempt at well-organised intervention within the Liberal Party will cause a tremendous problem for it. The fact that Greiner, the great economic manager, runs a budget deficit of $1 billion, and all his Liberal mates around Australia remain silent, criticising Labor governments, but not criticising him, is really going to plague the Liberal Party. There’ll be enormous internal erruptions. That is one of the reasons why the Liberal Reform Movement has been formed, because we can apply that pressure externally, in an outflank-
ing movement. It is not going to occur internally because the party is still in the hands of conservatives.

How reflective is the Liberal Party now of the broader community, bearing in mind that when Menzies established it, he was basically trying to take away a lot of the base of the Labor Party, the small people, shopkeepers and so on. How far away is it from that?

It is a long, long way away from the Menzies ideal. Let me give you a contrast between the ALP and the Liberal Party. If you don't like Hawke or Keating, you have a menu of philosophical positions that you can choose from, which are provided by, for example, Simon Crean, Brian Howe, John Button or Kim Beazley, all with different variations on the general theme. So you have an enormous depth of philosophical earth. What is there in the Liberal party? There is a single layer of dry economics, and underneath that rock solid conservatism.

"The whole internal structure of the Liberal Party is set up for the venting of prejudices."

There is no internal organised group of people who will argue in favour of intervention. Jeff Kennett is in favour of intervention because it is a political convenience. It is a reality of life in Victoria, that when you are a year away from an election and you have a premier who is emphasising jobs for Victorians, then Jeff has to emphasise jobs for Victorians too. It's political opportunism. I'm not so concerned about that, I expect that of Jeff Kennett, but what I am concerned about is that there is no organised group of believers within the Liberal Party who will fight for those issues. That is a long term structural problem for the Liberal Party.

Let me explain why. The next two decades in Australian history are going to be totally concerned with the managerial agenda. Not philosophy. It's going to be to do with debt, financing, recovery, overcoming the loss of self-confidence that Australians presently are experiencing. Now good managers have to be able to pluck ideas from a great variety of sources, not just one source. Any manager who has just one skill is going to fail. And that is the problem with the Liberal Party, it has a set of managers who all subscribe to one managerial option. The Labor party has a vast array of managers, all of whom are plugged into much broader options.

It seems to me that what you're suggesting is that the Liberal Party is isolated from the community in many respects, compared with the Labor Party, which is much more linked to community groups. How would you char-

acterise Hewson's recent attack on ACOSS and the welfare lobby?

I'd just make one observation firstly. This is a guy who wanted to be a missionary, and as a lay preacher in my church I'm rather pleased that we didn't recruit him as one. Hewson's role there was entirely ideological. I mean, here you have a group of people who are, after all, picking up the human debris of 20 years of economic mismanagement. Now you could go along to them and pose a number of questions about their efficiency and their effectiveness, without insulting them. If you had any original ideas of your own, you could go along to them and talk about how this managerial objective could assist them in their proper role in our society, and it is a proper role. But you see ideologues, I think, simply believe that it isn't.

One of the things that always frustrates me about the Liberal Party is that they always say that a genuine need should be assisted, but they never define 'a genuine need'. That's one of the things about concern about genuine needs, without ever defining what they are. So basically, Hewson gave me the impression, and I'm sure he gave it to the public too, that he just doesn't believe that those people are engaged with a genuine need.

That's a good example of how so firm a commitment to an ideology leaves you bankrupt of ideas. You can't pick up all these other options that are available to you. And Hewson, basically, doesn't have an agenda for the ACOSS constituency, he doesn't care about them.

Have the conservative parties managed to use their time in opposition effectively? Have they learned things?

I don't think they've learned anything. Two of the things that they should have been concerned with are preselections and education. If you want to have able people managing your national affairs, you need to be able to identify them, establish the characteristics you need in those people, and then set up as democratic a process as you can to recruit them. And once you've recruited them, you educate them, you train them, you give them insight into the political and economic options that are available in our society. The Liberal Party has expended no effort whatsoever on that. Instead, they've spent 18 months, since Hewson arrived, putting together a package, a bribe, that reflects accurately their belief about their fellow Australians. They believe that if you throw a few bones from the tables of the rich, that will keep the electorate happy. They could have used the time to look sensibly at where economic rationalism will take them, or at what options are available with intervention, but they haven't done any of that. No-one is putting in the time and the effort to generate ideas.

The problem is that the whole internal structure of the Liberal Party is set up for the venting of prejudices, rather than for the enlightenment of them. So people coming into the party is set up for the venting of prejudices, rather than for the enlightenment of them. So people coming into the party is set up for the venting of prejudices, rather than for the enlightenment of them. So people coming into the party is set up for the venting of prejudices, rather than for the enlightenment of them. So people coming into the party is set up for the venting of prejudices, rather than for the enlightenment of them. So people coming into the party is set up for the venting of prejudices, rather than for the enlightenment of them. So people coming into the party
People like Chris Puplick and Peter Baume walk away, sick to death of a dialogue of the deaf. But the right-wing see that as a weakness, you see.

One of the problems of conservatism, and one of the strengths of liberalism, is that conservatism is afraid of diversity of view and the contest of ideas, and liberalism is strongly in favour. It's the old question about whether democracy is a fragile child or a strong child. Surely the overwhelming evidence now is, given the collapse of the regimes of Eastern Europe, that if we're not yet convinced that diversity of ideas and debate about them are tremendous assets, then we're very slow learners indeed. And most of the slow learners in our society end up in the Liberal Party.

Let's assume that the Liberal Reform Movement succeeds. I'm interested to know first of all what sort of time-frame you're looking at in which you'd have to be successful, and also what you actually want to achieve?

The time-frame is really not within our determination, but within the determination of the Liberal Party. I believe that if John Hewson can sell the GST, then he'll be the next prime minister of this country. If Hewson trips, or fails to sell the GST, that's the only card he has to play, and we would then have an enormous advantage, because the thing that the Liberals have not understood is that there's no position of retreat. The Liberal Reform Movement would then have a very real prospect of drawing together a lot of people who are becoming frightened by the prospect of a whole lot of necessary economic reforms, or rather the speed of those reforms. I think there's a general across-the-board agreement on the nature of change. Incidentally, I believe the entire electorate will be bored rigid by the GST four weeks after its release.

As for what we want to achieve, Australia can't put off the evil day any longer. Australians have to decide whether we are honourable people or not. Do we pay our debts in this world? Now I'm critical of both the ALP and the Liberal Party, because they haven't communicated to ordinary men and women in language and symbols which they understand, the real costs of what we are doing. We have got deficits this year of about $8.6 billion, federally and in the states. In other words, every Australian in employment is having $1,200 per annum spent in their favour, which we haven't earned.

We have to come to grips with this. We have to tell people that and they can make a judgement about whether they are going to let us pay that $1,200. Now that's a question about just how mature the electorate is. We have a choice between maturity and decline. What's more, we believe that shonkiness succeeds. Now we've seen the evidence that it doesn't, but I think that there's still a residual. Will the ethical prevail over the unethical in our society? You see, to have a social contract, as Rousseau talks about, you have to have the belief that others will behave pretty much the same way as you.

There's a second problem, and that is related to egalitarianism. One of my primary concerns is that conservatives have abandoned all notions of egalitarianism. Now that happens to be the single most important contribution that Australia has made to social realities - our egalitarianism. Yet no one is talking about asserting a belief in the equality of people. Certainly conservatives aren't. I think it should be reasserted, not least because I don't share the concerns of the conservatives about multiculturalism. The best result for Australia is the creative clash between multiculturalism and egalitarianism.

And thirdly we have to deal with the crisis in confidence in Australia. Australians basically believe that our northern Asian neighbours are industrious and hard-working people, and we are basically lazy. That view is rife. I personally would be surprised if any of our current political leaders have the capacity to radically improve that self-confidence.

Australians now, because of this crisis of confidence, have a clear idea of what they don't want. They've no clear vision of what they do want. So we have to rapidly draw together an alliance of people who are ethically based, who are prepared to tell some unpalatable truths, and who are intelligent enough to manage intervention in a managerial agenda for the next two decades.

SHAUN CARNEY is a columnist for the Melbourne Age.
'Economic rationalism' is under siege. To many of its opponents, it seems like high time to break the stranglehold of economic thinking. Greg Mahony disagrees. He argues that its critics can't avoid the real economic problems which the reign of 'rationalism' has highlighted.

A film sound man recently told me of the difficulties of choosing where to splice or dub cicadas into a soundtrack. Whether they be of warning or pleasure, the noises emitted by these emblems of our summer come in such overlapping waves that any point of entry or exit into the recorded sound creates an unwanted dissonance on the sound track. For a sound editor it's difficult to capture that interior sense of being caught in the swarm of sound, and then difficult to break out of it.

If my lyricism has seduced you this far then you should be warned you are into yet another article on economics by an economist. This can be your last one for the year; then you can get back to that David Malouf novel that you promised yourself for the summer.

However, let me first explain the purpose of my opening metaphor.

I want to argue here for the necessity that economic theory inform the current political debate on social and economic policy. Yet trying to say something useful about that at the moment is a bit like that sound editor's problem. We now hear so many attacks on something known as 'economic rationalism' from members of federal cabinet, caucus, trade unionists, and academic sociologists, that the sound is becoming deafening—and the chorus may yet be joined by a disaffected ex-treasurer. Even dissident Liberals like Jeff Kennett have one foot on the cart. John Button and John Dawkins have certainly lost the faith; perhaps only someone as dogged as Ralph Willis could hang in there for so long. (Maybe someone should tap him on the shoulder.)

Yet most of these noisy objections to economic rationalism seem not to differentiate between economic ideas they dislike and a plain rejection of the objects of analysis of
economics in general. Many of the critics mistake a vulgarised version of the conventional economics (otherwise known as 'marginalism' or 'neoclassical economics') with the whole corpus of economic thought. So we are being asked to dispense with the central concerns of economic theorising in general along with a particular, unpopular theory.

This seems to me foolish. I want here to set out some economic reasons why intervention in the market is perfectly rational, as are arguments that this intervention should encompass industry policy. While I believe that highbrow economic theory can and needs to be part of this debate on market intervention and its forms, here I'll try another way of splicing into the soundtrack. My arguments will attempt to appeal to your practical side rather than threatening you with those much feared abstractions of theory.

Certain objective conditions confront the Australian economy and by implication civil society in Australia for the foreseeable future.

Our basic economic conundrum is that the level and structure of productive capacity does not match the level and composition of demand generated by the level and distribution of our national income. In other words, producers are unable to produce enough domestically to provide for our consumption needs.

This in itself should present no insurmountable difficulties to a national economy so long as there is a steady and sustainable export performance to service the demand for imports, both of consumption and capital goods. But Australia also has problems with its terms of trade—in other words, with the relative prices of exports and imports. Both the prices Australians pay for imports and those Australian firms receive for their exports are volatile—and many argue that there is a secular tendency for the former increasingly to outstrip the latter. For example, the truckloads of wheat Australia exports get steadily cheaper in terms of electronically aided machinery that is imported. These characteristics of Australia's economy mean its ability to generate sustainable growth from whatever source—in other words, to generate growth which doesn't drag in more imports than it generates exports—is heavily constrained. Furthermore, it is transparent that the economy is not in the process of any significant structural transformation of domestic (i.e. Australian) production that could serve to favour im-
proved living standards. Lastly, no significant redistribution of income or property seems politically achievable. It should also be obvious from this litany that even an egalitarian collectivist Australia would face most of these economic problems.

If we can all agree that this is a reasonable summary of the country's position, then I see only three paths to follow which might help remedy our plight—unless we believe the Australian economy can grow sustainably as manna falls from heaven. Governments can:

**Argument 1:** Change the composition of demand for imported goods. In other words, they could try to reduce the demand for certain types of imported goods—such as capital goods, machine tools, intermediate goods and some luxury goods.

**Argument 2:** Alter the structure of existing productive capacity to provide more adequately for domestic demand. In other words, ensure that domestic producers produce more of what domestic consumers actually consume, but which they currently consume in the form of imports.

**Argument 3:** Shift resources to the export sector and increase the proportion of tradeable goods to non-tradeable goods—or, in other words, increase the relative and absolute amount of resources in export industries. In short, increase net exports.

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**How would Australia be without industry policies of some sort now and in the past?**

For the most part Argument 1 is undesirable because it affects Australia's capacity to produce goods for export, and because it militates against industrial restructuring. The prospects of our significantly reducing imports of luxury goods seem politically unlikely and, in any case, the economic gains from this kind of political courage would not be so very great. If there is an argument for reducing luxury consumption *per se* it is best addressed through the tax system.

Argument 2 provides little room to move unless we increase the absolute size of Australia's productive base. Some important sectors of the economy, such as manufacturing, are already small by international standards—especially in comparison with countries with solid performances in trade and growth.

It is easy to find problems with the existing productive capacity and then fiddle at the edges with microeconomic reform, 'restructuring' and some rationalisation of costs and charges. But in the final analysis the gains are probably small and even ephemeral. Another way of putting the same point is to say that the so-called efficiency gains from the reallocation of resources to more efficient ends are hard to identify and to quantify. Any general proposals for restructuring require an appropriate and coherent theoretical foundation and this is sadly lacking in all quarters, from the Industry Commission and its fellow-travellers to the Caucus Left.

**Argument 3**, on the other hand, is desirable because it aims to increase both the share of exports in national output and the absolute size of the export sector.

So, of the three possible paths available, only the third one (increasing exports) offers a viable course for policy—again assuming no other sources of growth.

Now let's examine two different stories of how to improve export performance. Two things presumably underpin such enhanced export performance. The first is improved productivity in order to produce things better. The second is a higher rate of profitability in the tradeable goods sector than in the economy as a whole; this is important in order to sustain the shift in resources to it or to maintain the relatively higher rate of growth. So, just how is this increased productivity and this 'differential profitability' (as it is termed) to be effected?

**Story 1**

The conventional story stresses the need to 'get prices right'. In other words, appropriate relative prices for different inputs to production, and for products, are meant to generate efficiency in the choice of what to produce and how to produce it. But this stress on the importance of relative prices seems unconvincing. In particular, it seems to overstate the importance of the role of prices in the choice of technique. Or, to put it another way, it overestimates the importance of prices in redirecting investment to transform the industrial structure. For example, a cut in wages relative to capital will not in general lead to more mechanised or less 'labour intensive' production.

'Getting prices right' is really an avatar of the dominant principle of substitution in conventional economics—in other words, the principle which says that, in production, prices act as the most important signal for enterprises when choosing between different forms of production; and, in consumption, that prices are a reflection of the sovereignty of the consumer. For instance, 'getting prices right' underpins the theory of international trade which claims that nations tend to specialise according to their 'comparative advantage'. Yet if relative prices aren't crucial to the choice of technique, as I indicated above, then they are just as inadequate as signposts for structural change.

In this story, then, structural change is an essentially passive response mechanism, a reflection of a change in prices that in turn is thought to be generated by a change in tastes. In this story structural change is not a dynamic force in itself, nor is it a result of diverse social and historical processes. Rather, the thrust of this story is twofold: ap-
propriate relative prices will create the solution to the net exports problem, and thence to reducing Australia’s foreign debt; and this ‘solution’ will also generate conditions of full or near full employment.

This is a brief and critical snapshot of what I see as the basis of today’s accepted policies.

**Story 2**

I subscribe to a different story, which I’ll outline in a series of assertions (all of which can be supported by fuller economic argument than I have space for here):

**Assertion 1:** There is a need for the government to manage the level of effective demand—and this means the government devoting its attention not just to the amount, but also to the composition of investment. This assertion is based on the view that the market mechanism will not deliver full employment, and that the economy tends towards levels of equilibrium which have no necessary correlation with full employment of the labour force or productive capacity. At the more concrete level, attention to the composition of investment involves sectoral policies—policies devoted to particular sectors of the economy—and these in turn imply industry policy.

**Assertion 2:** As I suggested earlier, ‘correct’ relative prices will not do the job. It is not simply that they are abstractions and unattainable in the real world; the point is rather that relative prices do not serve the function in a market economy ascribed to them in Story 1. They are neither indexes of scarcity nor easy indicators of efficiency. They do matter greatly, but more as indicators for the allocation of capital than as the means of restructuring the economy. They themselves should therefore not be the primary focus of policy—rather this place should be accorded to the accumulation of capital and the creation of economic growth.

**Assertion 3:** The historical development of the Australian economy militates against the view that ‘the market will take care of it’. Rather, I’d argue that sectoral policies are needed today, just as they have been needed in the past. Today these policies are identified with terms such as: priority sectors, leading sectors, clusters or industrial districts—in other words, with a vocabulary of terms suggesting local and locally-coordinated initiatives, and not necessarily grand plans.

**Assertion 4:** For an industry to be successful it is likely that a critical mass is required, both in terms of market size and in terms of interlinkages of production within the economy. This is the real and pervasively dynamic nature of the concept of economies of scale.

**Assertion 5:** This is not so much an assertion as one or two rhetorical questions. How would Australia be without industry policies of some sort now and in the past? And how will we describe the economy in the early part of next century, especially if the 1990s are to be the decade of Hewson’s scorched earth policies?

In arguing the specifics of proposals that may be associated with Story 2, the litmus test of their viability should be the aforementioned requirement that more favourable rates of productivity growth and profit prevail in the favoured sectors or industries, at least in the medium term. The exact types of market intervention and industry policy are outside my scope here. I can only draw attention to the need for them, and for this need to be supported by a range of arguments including the theoretical.

In other words, contra the prevailing view in some dissenting circles, opposition to ‘economic-mindedness’ in general is not good enough as a response to the failings of the economic orthodoxy. My fellow travellers in opposition to the compound noun variety of economic rationalism need to be aware that a zealously shared political objective is no substitute for coherence. Don’t replace one fairytale with another.

That other fairytale I’m thinking of goes something like this: a team of well meaning social scientists, activists and ‘program directors’ takes advantage of the discrediting of ‘economic rationalism’ to club together and cobble together something resembling a coherent government policy on social and economic matters that will purport to allow equity and some prosperity for the mass of working people in Australia—and all without having to pay heed to the economic concerns outlined here. I’m sure this fairytale has mass appeal to those people sick of a decade of economic arguments and rationales, and nostalgic for an imagined past of wise-minded mandarins. It’s just the consequences of this particular fairytale which horrify me.

**GREG MAHONY** teaches economics at the University of NSW.

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**Flood Relief Appeal for Assistance**

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The Market Mystique

It's easy enough to point out the shortcomings of our current economic orthodoxy. It's a much harder task pointing the way out of the morass. ALR assembled a roundtable discussion to ponder the issues.

Sue McCreadie is economic research officer for the Textile, Clothing and Footwear unions. Ivo Favotto is an economist for the NSW Chamber of Manufactures. Peter Kriesler and Greg Mahony teach in economics at the University of NSW. The discussion was chaired by David Burchell.

Over the last few months there has been a discernible shift in the tide of public debate. Criticism of economic rationalism has become much more fashionable, when for most of the 80s it was ruled out of court as being manifestly silly. You've got the Victorian opposition, you've even got Malcolm Fraser polemicising against it. So from a whole lot of different sectors, including business and manufacturing, economic rationalism is more under siege than it's been for years. And obvious evidence of this is the way that Michael Pusey's book Economic Rationalism in Canberra has been received—much more respectfully than it might have been until quite recently, one would have thought. One starting-off point for this discussion, then, is perhaps to step back from the critique of economic rationalism that Pusey's popularised, which is not really a new one and has been lurking around the backblocks of Australian politics for most of the last decade, and look at what it is that we mean when we talk about economic rationalism.

Peter: The way I would define it is that markets are the most efficient way of achieving various ends, that reducing government intervention in markets is always going to lead, in the long run, to people being better off.
Sue: I think one of the problems in looking at it at the level of popular discussion is that it's become what monetarism used to be, which is a kind of catch-all term of abuse. Under the heading of economic rationalism one will tend to find the obvious things such as privatisation, financial deregulation, reduced protection, micro-economic reform. You'll find labour market deregulation and user-pays. Fun­nily enough in some definitions you'll find wage restraint under the Accord—which seems a bit odd to me. It may not be something to celebrate, but nor is it economic rationalism, it's incomes policy. The problem with that is, that having defined it as simply a rag-bag of policies, do those policies constitute a coherent whole?

Ivo: One thing related to why it's popular is the name 'rationalism'. If you're not an economic rationalist, what are you, an irrationalist?

Peter: I think it's very important that there is no economic justification whatever for this view of markets. There's no body of theory that tells us that unfettered markets allocate better than the government sector, that unfettered markets are better at doing any particular job than markets with government intervention. The important thing to note is that economic rationalism does not have a body of theory behind it. It's a pure ideology, divorced from theory, and any good economist will tell you, no, we can't justify what we're doing on the grounds of theory.

Greg: You can say at one level of economic debate that that's been true, certainly since the 1870s, and perhaps since Adam Smith. But that still doesn't deter the great bulk of conventional economists from being persuaded to free-market conceptions as a political view.

If you look around the world, the commonsense view that the intelligent person on the street would get, would be, if you look at the experience of the world economy in the last 10 or 20 years, that market economies are more successful than economies which have particularly high levels of government intervention.

Peter: But this belief is based on a misperception. If we have a look at the great success stories, the developing Asian economies, and Japan in particular, they are countries in which there has been very active government intervention.
Greg: I see Japan as a bit of a different story. I see it as being a shining example of how to blend extreme market forces, excessive competition, with high levels of government intervention in the economy. It's a mixture of both, not necessarily an example of one or the other.

Sue: Generally, the critique of economic rationalism would criticise the reduction in protection, which seems to assume that we're not in favour of it. It also tends to add micro-economic reform to the litany of sins that are going on. Is the assumption therefore—and it is for many people on the Left—that those are incorrect policies? I would think that it's a rather complex issue. How far should you be reducing protection? I don't have an article of faith that we should retain it at its current levels, or that the old-style protectionism worked, but some of the critiques of economic rationalism seem to me to simply leave us with what we had in the past, without an understanding of why that past approach didn't work.

Why hasn't the Left been able to put up a coherent alternative understanding of this thing called the market?

So when you have some sort of coherent platform put up, say from the Australian Manufacturing Council, or from the ACTU, that platform tends to say: well, we agree with some of the attempts at removing impediments to the market, such as reducing protection and micro-economic reform. At the same time, as you mentioned before, we don't have an approach called market fetishism, where we think that simply removing those impediments will make things work. But rather, we say: remove some of those impediments and introduce other industry policies, some of which, we would have to admit, are also about making markets work better. A lot of the policy initiatives that have been proposed from the labour movement aren't about setting up alternatives to the market, but recognising market failure.

Greg: I think that's an interesting issue for the Left. Why hasn't the Left, in the current debate as in the past, been able to put up a coherent policy, or a coherent alternative understanding of this thing called the market? There are a whole series of ad hoc proposals and different propositions, with varying degrees of coherence, and it seems to me that this goes back a lot longer than 10 years, this lack of capacity to put forward a coherent perspective.

Sue: But is what we want an alternative blueprint—or, as some would argue, is that approach really not that helpful if you're trying to influence actual policy-making?

Greg: Well, I think some sort of understanding of how the market works in the first instance would have to precede any blueprints.

People often depict economic rationalism as being a kind of reincarnation of Adam Smith. Now obviously in one sense it's not, for the very obvious reason that it's not a matter of simply endorsing some underlying laissez faire structure of the economy, which functions like a free-market economy in the 19th century. Obviously when people talk about a free-market economy these days, they're talking about trying to create something which doesn't exist—something which has to be nurtured, structures created and so on. How different is that from the commonsense notion of market economics that people derive from their understanding of Adam Smith?

Ivo: I think it's more basic than even their understanding of Adam Smith. There's a dichotomy between what I'd call micro- and macro-rationalism. The concept of competition is very logical, very appealing to an average person. If there's competition between two service stations down the road, you know the price of petrol is going to be cheaper. And that sort of grass-roots level of identification with the benefits of competition has grown into what Peter calls market fetishism, the belief that markets work in every single case. And it's a hard case to argue against, because of that simple logic to the average person that competition is a good thing.

I suppose the point I was getting at was, how many competitive markets can one point to in the real world?

Greg: Without wanting to get theoretical, perhaps Ivo's example of the petrol station tends to focus the mind on where the issues might lie. We speak about competition and efficiency, and the social benefits from those two things, but it's always focussing on the consumption of these final commodities like petrol or supermarket goods. And neither the theoretical answers, nor the popular imagination, goes to the heart of things.

Peter: But even in the sphere of consumption, there isn't any competition. A lot of policy has been aimed at creating so-called level playing-fields, but what level playing-fields do is favour the big players. Financial deregulation is exactly a case in point. The idea of financial deregulation was that it was going to improve everyone's access to financial markets, and what happened? It was the big players, the Alan Bonds and Kerry Packers, who gained, and the small players, individuals and small businesses were denied access to those markets.

Ivo: In the banking industry there's a more fundamental problem of the market in that there are barriers to entry in the retail sector of the banking market. Competition was relatively effective in reducing margins and so on in the corporate banking sector, but at the retail level there was just no competition.

Sue: I wanted to go back to the question of how far orthodox economics is really guiding things. My intelligence...
tells me that Michael Porter's *The Competitive Advantage of Nations* is the book that's in every bureaucrat's in-tray. I would not describe Porter as an economic rationalist, if you define rationalism as market fetishism, and certainly it's not simply a re-hashing of outmoded ideas. And without eulogising the book, I think that in it there are new ideas about industrial clusters and new forms of industrial collaboration, drawn from overseas experience. So, I'm not convinced that the only thing driving policy in Canberra is some sort of neoclassical textbook model of the economy—although I'm sure there are many people there who are recruited on the basis that that kind of analysis is all they can do.

**Greg:** What's interesting about Michael Porter's book is that Porter, even though he doesn't define competition, is I think using it in the same way as Adam Smith and the classical economists, as part of a story about growth and accumulation. In neoclassical or conventional economics, competition is simply about the price mechanism—it's quite static, if you like. I think that makes Porter's a more sympathetic story.

**Sue:** And I think it's true that to a certain degree that static view of, for example, comparative advantage, based on the textbook view of things, has been to a large extent superseded? The old Industry Commission abstract orthodoxy, it seems to me, has moved a bit into the background. And ideas like Porter's, which focus more on innovation and knowhow, are now actually driving policy to some extent.

If we're reasonably clear about what we think economic rationalism is, and what its shortcomings are at the level of a body of ideas, why is it that it has become so powerful and persuasive—and why now, over the last decade or so? Michael Pusey's book focuses on the bureaucracy, its cadres, if you like, where they've come from and how—and obviously there are some people who would find that perspective persuasive. But there are other ways of looking at the question as well. It's not just a matter of how the bureaucrats were taught, it's also a matter of why that seemed to them useful in what they thought was the context of the time. And then also, why it spread out, far wider than the bureaucracy, to become 'commonsense' in public life as well.

**Ivo:** There's one simple factor here which I think is underestimated. The ability of the rationalists to 'produce a number', to generate sets of figures, via the rise of econometrics, has helped their ability to win the case, and to influence the debate. It has done so because it provide a simple focus on the benefits of a particular political point of view, whereas the opposite point of view may seem a bit abstract.

**Peter:** My objection to that is that every time they produce a prediction they're wrong. And not only are they wrong, but by a matter of orders of magnitude.

**Ivo:** But that doesn't get into the mainstream of the policy debate in my opinion, and it doesn't really matter, because, having a number, even if that number is wrong, is better than having no number at all. From the point of view of someone who's trying to write an article for a newspaper and explain something very simply, someone who's not a specialist in economics, numbers matter. Just look at the newspapers. Every number that the Industry Commission puts out gets front-page coverage.

**Sue:** There are other models, too, some of which can generate just as many predictions as the Treasury's model can. The question is, why are the assumptions in the Treasury's model taken for granted? It's been very widely criticised, yet somehow it seems impossible to demolish it as a tool.

**Greg:** I want to come back to the question about economic rationalism arising in a period of turmoil, that period being the 80s. My thinking is that it was not a period of such turmoil; it was a period of growth—and, if we take 1983 as a base, it has until recently been a period of pretty much sustained growth. I don't have an answer to your question, but it seems to me that only compounds the irony that the sort of economic populism associated with economic rationalism should be arising in this period. Maybe we really need to look back to the late 70s, to the disaffection with traditional policies which emerged then.

Maybe then we also need to sketch in the wider political and economic context of the 70s—the anxieties of Keynesianism, the rise in commonsense of the idea of a crisis of the welfare state, and therefore a certain loss of confidence or direction.
Sue: And then you also need to look at the international economy: the collapse of the old world financial system symbolised by Bretton Woods, and the subsequent internationalisation of the financial area. Surely that's part of the objective context in which those policies grew up.

Peter: And that's vital for a small country like Australia, because it really limits what we can do. Before the collapse of Bretton Woods there was a certain degree to which we could insulate ourselves from world events, but that's very much less the case now. A Cambridge economist called Frank Wilkinson has talked about how bad monetary policy in one country will crowd out good monetary policy in other countries. Why? Because a tight monetary policy will push up interest rates in any economy. If other countries don't change their policy, that will lead to huge capital inflows into the country practising the bad monetary policy. Their balance of payments will start looking good, they'll get a lot of money to revitalise industry and so on, so that other countries have to imitate bad monetary policy as a response. That was what started happening in the 80s. Countries were using their rate of interest as a way of defending their balance of payments, and, because tight monetary policy is associated with tight fiscal policy, that allowed economic rationalism much greater leverage in the debate.

What strikes me whenever there's a Left discussion about the triumph of economic rationalism, is that we tend to talk about it as if we're trying to explain why people collectively start behaving in a quasi-hysterical fashion. It's like some of the liberal explanations of why Germany went Nazi—explanations which claim that the Germans have a peculiar kind of national angst, or that it's all the fault of 19th century romanticism. In other words, we try to explain economic rationalism as if it's, ironically, irrationalism, which people have adopted for reasons that are therefore not rationally explicable. But are there perhaps rational reasons why policy-makers might have adopted the tenets of economic rationalism when they did, and what is it about economic rationalism that seems to make economic problems look more easily explicable to policy-makers?

Peter: To look at why economic rationalism has succeeded, you've got to look at who are the main beneficiaries. And again, it's the large corporations and powerful individuals. They have a very strong vested interest in economic rationalism. And those are the people who, to a very large extent, control the means by which information is disseminated. And that must have some effect.

But the same people seemed to tolerate very different economic views for a considerable period of time—decades, in fact.

Sue: And also there are surely different sections of capital, if you want to call it capital. Many capitalists are doing very badly at the moment, and are beginning to become more critical of economic rationalism.

Peter: And isn't that exactly what we're finding in the press and elsewhere? Doesn't that partly explain why the Pusey book is popular? People are starting to get hurt.

Greg: I'd like to come back to something I queried earlier, which is why there hasn't been more resistance, not just in the battle of ideas, but in a political way. And I'd suggest that one of the successful areas for economic rationalism, as with Thatcherism, was its capacity to break down that political resistance. In Thatcher's case it was a matter of crushing union power early on, but in the Australian context I suspect the key factors were structural change and the secular shrinking of the union movement.

Sue: As I said before, the unions have been seeking a new kind of economic approach, because the old approach didn't work. And in doing that they've adopted some of the policies which are often labelled economic rationalism—policies which are popularly perceived as in that catalogue, but which may nevertheless not involve market fetishism. I don't think that improving the efficiency of the ports is necessarily market fetishism. I don't think reducing some types of protection is market fetishism. Certainly there's a big divide between the union vision of what should be happening, and what the government's actually doing. But the government has done some of what the unions have suggested—which is why I have a problem with the assertion by some that the whole of the last eight years, if not 12 years, has been completely consumed by economic rationalism. There have been some initiatives which have been about setting something up alternative to markets, such as sectoral plans. There are other initiatives such as the states' Industrial Supplies Offices, which are definitely industry policy initiatives and are about making markets work better. So I don't think we can define the whole period of the 1980s as being one which has been totally dominated by market fetishism.

Peter: Sue's made a very important point, and that is that there were various entrenched inefficiencies in the economy prior to the 80s. Some of those may have been things that originally were efficient, and circumstances changed. Protection was seen as pork-barrelling. There were a whole lot of aspects of policy which were seen as being inefficient, of being a drag on the Australian economy. And the rationalists clearly scored some early victories by pointing that out.

Sue: One other reason why economic rationalism has been so powerful is that rationalists could point to failures of intervention. There are obvious ones which we don't even need to catalogue in the Australian context. There's a tendency in the labour movement Left to invoke interventionist industry policy as some kind of saviour. But there are very important debates waiting in the wings about how to intervene, and who should make the decisions. Should it be politicians or bureaucrats, or should it be workers in the workplace who decide whether the company's fit for assistance? Should assistance be directed towards picking winners in the quest for big bang for the buck, or should we be trying rather to improve infrastructure so that the markets work better—like enterprise networking? Those things are just not being debated. And that's one of the
problems of casting it in such black-and-white terms; it's hard to get into those serious issues.

We've talked a lot about where we are today. But it seems to me that a lot of the critics of rationalism, and particularly Michael Pusey, have very little to say about how to move from where we are to where we would prefer to be. Given that it's not much use walking up and down the street carrying a banner saying 'Death to economic rationalism! We want an alternative now', how do you in the environment we're in mount the arguments for a more interventionist policy?

Sue: Well, there's a view which says the arguments have already been put, and that better arguments aren't going to win the day in the political sphere. There's a strong argument now that in the current situation of high unemployment there could be some changes but they'll be the result more from political pressure. And that if there was going to be a change due to the acceptance of superior intellectual argument, then that would have happened some time back.

Let me couch the question a little differently then, so it isn't so easily dismissed. What I was getting at is not so much the idea that if you argue cleverly enough your opponents will suddenly slap their foreheads and say 'My God! You're right and I was wrong'. But rather, how do you mount a case in specific instances for particular methods and mechanisms of intervention—such as, in Greg's example, sectoral policies?

Ivo: One way of arguing for intervention is to focus on the issue of transition costs. If you want to create structural change, you have to realise that moving from one point to another is not just instantaneous—which often seems to be the assumption. In fact, there are significant human and other costs involved. So then you can argue for sectoral policies as a means of ameliorating those costs. That's what the steel and TCF plans were.

Peter: There's a problem, though, in sectoral policy which means that I doubt whether any government will introduce it. And that is that the sort of policy that would actually do something activist about our economic situation is the sort of policy that would take a long time to show benefits. The payback might not come for a decade.

Ivo: But that's what the rationalists say, too. They say: 'If our policies don't seem to be working, it's because we haven't got there yet. Just keep on deregulating.'

Peter: But you can see something immediately as a result of deregulation; you can see deregulated markets. With the more interventionist approach, the problem is that it takes years and years to build up an industry, but governments are elected every three years. Three years isn't long enough to fully implement a sectoral policy, let alone see the benefits.

Ivo: We need to look at the Japanese combined approach we talked about earlier. We have to accept that free market forces do work in some cases, and then find ways to combine that with intervention.

Peter: What it also requires is getting a consensus. If a government comes in tomorrow with a policy that's 'correct', they would still have problems implementing it. But it's more than that. You've got to have a policy consensus which you can build up from the grassroots—so if the government gets dumped and a new government gets in, the new government is still going to find the consensus hard to shift.

The name that comes to mind in this regard is Paul Keating. Whatever one thinks of his policy stance in the 80s, he pursued precisely that political approach. He took a set of ideas about Australia's economic problems which were not commonsense up to that point. He hawked them around the country with simple but nevertheless plausible slogans which could be disseminated widely in the media. He said we wouldn't get the payback for the 'hard decisions' right away. And he was remarkably successful in that, wasn't he?

Peter: But look at what he's saying now. He's attacking those very policies. It's very easy, in other words, to point to a long-term scenario of whatever sort and say the costs are too great.

Greg: On the subject of consensus, and how to argue the case to try to secure that consensus. I'd argue the first thing you have to do is set out what the objective conditions are. There's been a lot of headway made in that direction in the last five or six years. The nature of the external constraint is much more widely understood, both in the electorate at large and in the labour movement, than it was five or six years ago.

It's interesting that the last time such a broad policy consensus was obtained was after World War Two, in a climate of national emergency and with the popular ferment provided by the war.

Greg: And it wouldn't be impossible for such a broadly-based support for a set of policies to arise again, in the next five years. But I suspect that if it does, it will be by virtue of an unholy alliance of the NSW Labor Right and the Victorian Labor Left...
Economic rationalism' was the definitive slogan of Australian public life in the 1980s. As a prescription, it purportedly drove the policies of governments of most complexions, from the Keatingesque austerity of federal Labor through the grand illusions of WA Inc to the hard-faced managerialism of Nick Greiner's NSW. Those who attempted to flout it—at least, this is how its adherents tell the story—were consumed in the attempt: witness the sorry end of dirigisme, Victorian-style. And even those who, like John Kerin, make no secret of their scepticism of Treasury dogma, nevertheless find themselves bound to the mast of the good ship 'rationalism' as it braves the Scylla and Charybdis of the current account deficit and protracted high unemployment.

Over the last few months, however, all that seems to have changed: 'economic rationalism' is under siege, and within its own citadel. Now the Victorian Liberal opposition has discovered that railing against 'rationalism' strengthens its public support in a state wracked by industrial closures. Even Malcolm Fraser (who after all presided over the rise and rise of 'rationalism') now decries it as "a bankrupt attitude towards government" which will leave in its wake "a wasteland as barren as the moon". (Sydney Sun Herald, 3.11.91)

To its more longstanding opponents, of course, the term has always been something of a swear-word. The most overused slogan of the decade from the backblocks of Left politics was the hardy perennial 'Economic rationalism is irrational'—a valiant if ill-starred attempt to turn the very formidable sound of the term on its head. Now, however, the orthodox Left critique which for most of the 80s seemed so out of season has come back into vogue—the simplicity of its opposition to 'economic rationalism', once an impediment to its value in mainstream debate, now apparently a strength. Probably the most elegant formulation of this
point of view was provided by Michael Pusey in his Economic Rationalism in Canberra (the first edition sold out, and is now being reprinted). And probably the most succinct definition of 'rationalism' itself was stated by Pusey in a recent article in the Sydney Morning Herald (17.10.91):

"Economic rationalism is the dogma which says that markets and money can always do everything better than governments, bureaucracies and the law. There's no point in political debate because all this just generates more insoluble conflicts.

"Forget about history and forget about national identity, culture and 'society'. . . Don't even think about public policy, national goals or nation-building. It's all futile. Just get out of the way and let prices and market forces deliver their own economically rational solutions."

It's not difficult to see why this highly polemical critique of 'rationalism' should now at last be finding a receptive audience. It already has an inbuilt constituency in the humanities faculties of the universities, where just about every policy decision of the last decade is viewed with abhorrence. Again, the political mood among policymakers, media opinion-makers and 'educated opinion' is more anxious and less self-confident than at any time in recent memory. And in the trough of recession old-fashioned fiscal pump-priming is starting to come back into fashion—partly aided by its once arch-nemesis, Paul Keating.

And clearly the critique carries a good deal of weight. Much of the economic commonsense of the past decade has been maintained as a dogma. The prejudice against the public sector has been informed by theology rather than argument or evidence. And 'rationalists' have tended to act as if politics were an unpleasant and irrational incubus on
the supposedly superior policy-making capacity of economic logic. Perhaps most importantly, 'rationalism' has had little or nothing substantial to offer in the really crucial debate on the future of Australian industry.

However, I want to suggest something rather uncomfortable but at the same time, it seems to me, inevitable. I want to argue here that the point of view so ably summed up by Michael Pusey, while a lively propagandistic assault on some ideological balloons in need of pricking, is ultimately not very useful from the point of view of people hoping to make an impact on the policy debate in contemporary Australian public life. Ultimately, it seems to me, the critique serves little practical purpose other than as an understandable if ineffectual cry of horror on the part of the liberal intelligentsia against the economic-mindedness of the last decade.

This may seem on the face of it perverse. After all, if 'economic rationalism' is a problem, and the orthodox critique appears to offer a clear-cut alternative, why not go in to bat for it?

My answer to this objection has several parts. First, by outlining my misgivings about the 'economic rationalism is irrational' school of thought, I'm not meaning to protect 'rationalism' from the very sensible criticisms I've outlined above. Yet it seems to me that by its very nature this assault offers no handle on understanding the power and resonance of the doctrines it abhors. Again, I think the critique fails to appreciate the strength of the political and economic tradition from which the current dogma of 'economic rationalism' derives its sense of legitimacy. More particularly, because it rejects 'economic-mindedness' wholesale it is unable to engage with the real and important governmental and economic problems which 'economic rationalism' claims to address. Thus while it provides a good rallying-cry for critics of the present policy orthodoxy, it seems highly unlikely that its advocates will be able to shift that orthodoxy by more than just a token extent. I will explain all of these misgivings in greater detail below.

First, however, it is necessary to define what 'economic rationalism' actually is—or at least (and perhaps more importantly) how the term is used. One, narrow, definition is to equate it with neoclassical (or, if you prefer, 'orthodox') economic theory. The defining feature of this kind of economic thinking is the picture of the economy as a collection of markets all trying to find equilibrium through the mechanism of supply and demand, regulated through the price mechanism. There are a number of problems with this narrow definition which are beyond my scope here (the most important being the fact that 'economic orthodoxy' is far from monolithic and may be taken either to support or disprove many of the policy stances of 'economic rationalists'). The more important point here is that the term is usually used in a far wider sense, to indicate a set of attitudes, prejudices and policy prescriptions which may or may not strictly derive from the principles of economic theory.

In the polemic quoted above, Michael Pusey defines 'rationalism' as 'the dogma which says that money and markets can always do everything better than governments, bureaucracy and the law'. This seems to me a succinct expression of the general current usage of the term. It also seems to me to highlight some of the fundamental problems with the popular critique and its adherents.

Critics of the record of the present federal government are wont to argue (in Pusey's words) that "for the last eight (sic) years we've had nothing else" but 'rationalism'. Clearly, though, if rationalism is defined as above this is not a very plausible picture of the record of the last nine years. Certainly, financial deregulation and the privatisation and 'rationalisation' of public enterprises could plausibly fit this definition of 'rationalism'. The term fits less easily, however, such policy initiatives as the Accord; the steel, textiles and car plans; the ambitious and highly centralised Dawkins higher education revolution (whatever its academic detractors may think about it); or the various environmental decisions made since 1983. In other words, the complicated crab-like policy progress of the Hawke government is difficult to reconcile with the simple formula 'more market good, more state bad'.

But there's also a trickier point here, more difficult to define. Economic rationalism may well be associated with the reduction in the size of government and increasing the 'freeness' of markets. And it's true that in the minds of some of its more virulent advocates this may equate with a 'return' to the kind of laissez faire capitalism associated with the era of the classical economists.

But this kind of fantasy is the right-wing equivalent of old-style revolutionism on the Left: a powerful mobilising force, but with absolutely no utility to practical politics. In fact, 'economic rationalism' can never hope to abolish the need for the kind of extensive government supervision and intervention which characterises modern-day economies across the globe.

Indeed, in certain respects 'economic rationalism' may require even greater exertions on the part of government to secure the many and varied reforms this form of 'economic logic' suggests. The tortuous and protracted progress of 'microeconomic reform' is an obvious example. Again, while it might be 'economically rational' to float the currency, it can also be seen as 'rational' to pursue a vigorous competition and anti-merger policy through the Trade Practices Commission—something which requires increased, not decreased, surveillance of the activities of the private sector.

Or take another, even better, example. The creation of a competitor to Telecom—labelled by many a species of privatisation—was 'economically rational' (at least in principle). Yet it is in all likelihood going to require a regulatory regime far more extensive and intrusive than that which applied in the old monopoly conditions. It has even been argued from the British example (see Graham Thompson's 'The Private Paradox', ALR 124) that the privatisation of all public utilities like telecommunications,
gas and water tends to require a greater government involvement in those industries in a regulatory capacity than existed under public ownership.

There is, in other words, a very considerable gulf between economic rationalism as a dogma or faith for the edification of its adherents, and the role it actually plays—or is forced by the very nature of its environment and subject matter to play—in public policy.

That this should need saying at all is testament, I suspect, to the pervasiveness of the Puseyesque definition of economic rationalism as a narrowly economic phenomenon. Being narrowly economic, so the argument goes, 'rationalism' is incapable of understanding the broader social imperatives which ought properly to inform public policy. But this seems to me to seriously underestimate the economic and political tradition of economic liberalism, beginning with Adam Smith, of which 'rationalism' is a part. This tradition, I want to argue here, is emphatically not 'either asocial or anti-social in its basic orientations to policy' (Pusey). In fact, it is less a set of economic theories as such than an 'art of government' which uses economic thought as an organising force.

Here I'm borrowing (and adapting) the term 'art of government' from the late Michel Foucault. By it I mean two things: the methods and techniques of governing a population in the modern world, but also the means of 'governing best'—the method of government which is thought to attain most effectively the ends of policy without (in Foucault's words) "provoking results contrary to those desired".

The idea of an 'art of government' was hardly the invention of economic liberalism—it dates back, in one form or another, to the classical world, and in its first modern forms to the era of Machiavelli. But the common theme among pre-liberal 'arts of government' was that they took as their datum the person of the sovereign, and his or her relation to their subjects. In this conception the sovereign was a somewhat God-like figure, whose main goal was to dispense happiness and wellbeing to his or her people.

Liberalism turned this 'art of government' on its head by shifting the focus from the all-seeing sovereign to the society upon which the 'art of government' had to be directed. And, rather than viewing society as a passive entity which the sovereign could manipulate at will, it saw society as a complex and resistant entity which often eluded or distorted the intentions of government.

Thus, rather than just being a matter of making choices—who to dispense one's largesse upon, and who not—government became a matter of method and technique. And while the traditional art of government had seen the proper reach of the sovereign as unlimited, liberalism introduced the idea of limits: "it became apparent that if one governed too much, one did not govern at all" (Foucault). Economic liberalism, in other words, became both a doctrine of government, and a doctrine of the limits of government.

The method and technique of this new 'art of government' was what we now call 'economics'; the field of government intervention was what we now call 'the economy'. Economics in this schema served two purposes. It provided a frame of reference by which to view society as a governable entity: it was a tool of government. But it also served to define the most economical means of government: it was a measure of the limits to good government. That this is still the use to which intelligent 'economic rationalists' put economics considered as a tool of government, can easily be seen by, say, a perusal of the newspaper columns of Senator Peter Walsh, with their constant references to useless forms of government expenditure, shadow bureaucracies and the like.

The neo-liberalism of our day—of which 'economic rationalism is a species—is at once the inheritor and the transformer of this tradition. The inheritor, because it has revived the notion of economics as the technique for determining the limits of government. But also the revolutioniser, because in the late twentieth century it is no longer plausible to view the relationship of government to society through the prism of 'competitive markets'.

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**FEATURES 29**
Neo-liberalism thus adopts many of the essential precepts of the classical liberal ‘art of government’, but also alters them profoundly. The role of ‘economic’ government is still seen as drawing the boundary-lines of effective government—but now to restrict the level of government that already exists, rather than to establish proper boundaries where none previously existed. At the same time, neo-liberalism abandons the belief that society will spontaneously generate its own form of economic rationality—the ‘competitive market’. Now the role of government is to actually create competitive markets, against the tide of what are seen as the inbuilt tendencies of society and politics.

As may by now be evident, this account is intended to have more than historical significance. After all, the revival of economic liberalism has been a response to the crisis of the dominant art of government of the twentieth century, collectivism, and the dominant set of policy techniques of government, the welfare state. In certain respects, indeed, the art of government associated with the Keynesian economic consensus and the welfare state resembled in its ambition the earlier arts of government to which classical liberalism was a response. In the words of Tony Crosland, one of its most influential thinkers, the core of the Keynesian/welfare state art of government was the belief that

“the government can exert any influence it likes on income distribution, and can also determine within broad limits the division of total output between consumption, investment, exports and social expenditure.”

In the 1990s, as Barry Hindess has pointed out (ALR 131), this kind of optimism about the effectiveness of government policy instruments rings a little hollow. And this is precisely the respect in which ‘economic rationalism’ has staked its claim as a superior art of government to the old Keynesian/welfare state version. ‘Economic rationalists’ depict contemporary society as a tug of war of competing social interests, all vying over limited social resources. And they depict government as hamstrung in its ability to effectively reconcile those interests without recourse to economic logic.

Again, in the Australian context the postwar decades were at once the triumph of the Keynesian/welfare state art of government, and of particular aspects of it—tariff policy, particular forms of regulation—which ‘economic rationalists’ can now depict as both dominated by vested interests and obstacles to economic modernisation and transformation. In particular, ‘rationalists’ can point to the old protectionist vicious circle whereby policy instruments intended to nourish and nurture industry became in reality crutches for its inefficiency (exactly what Foucault meant by ‘provoking results contrary to those one desired’). In this context economic liberalism claims once again to be the only available art of government capable of defining the effective limits of the capacity of government policy.

Of course, all of the foregoing is no reason for capitulation and prostration at the altar of ‘rationalism’. It is meant neither to demoralise or demobilise. Rather, it is intended to point out the scale of the problem which ‘economic rationalism’ addresses. It is no use just fulminating against a ‘narrow economic dogma’, in other words. Nor is it particularly helpful to hark back to the days of the wise Keynesian planners of yore, as if the rebirth of a lost golden age were at hand. Least of all is it useful to behave as if, in rejecting ‘economic rationalism’ wholesale, one is also able to present a complete ‘alternative’, which will somehow abolish all of the problems and dilemmas of government intervention which ‘rationalism’ is so well-designed to point out.

What is required is not a complete fully-formed ‘alternative economic strategy’ ready to spring Athena-like from the critics’ collective foreheads. Rather, what is required is a set of concrete methods and techniques for government intervention which are able to withstand the various questions ‘economic rationalism’ asks of government: what effect will your intervention have in re-forming, rather than just reinforcing, the structure of industry? What kind of tariff regime (if any) will act to nourish competitive export industries, rather than simply perpetuating uncompetitive ones? How can you avoid the problem of ‘picking winners’, whereby the government becomes mired in the business failures of the private sector?

As it happens, elements of just such an art of government with a decidedly, if pragmatically, interventionist stance already exist. They exist in the form of the various experiences of ‘flexible specialisation’ and ‘enterprise networking’ both from overseas and (more rarely) at home. These techniques of intervention are admittedly more modest in their intention than the grander schemes for ‘industry policy’ writ large—but they are none the worse for that. Rather than involving the government in starting up enterprises, or rescuing ones that already exist, they require the government to facilitate, to encourage, to provide information, to enable the sharing of the experiences of individual industrial enterprises.

For those among us seriously concerned about the crucial economic problems which the economic obsession of the last decade, for all its tediousness, has rightly highlighted, this seems to me a more promising direction for the creation of an art of government which avoids the obvious practical shortcomings of ‘rationalism’ than either grand ‘alternatives’ or grand critiques. It won’t, it is true, magically increase government funding for social services to the levels most progressively-minded people would prefer. It may not allow the immediate expansion of cultural provision, or child-care funding, or ‘better cities’. It may not even form much of an inspirational base for a new, reawakened ‘nation-building’ experiment. But all of these estimable goals require a firm basis of economic growth and industrial renewal, without which they will founder. The domination of economics over our national political debate isn’t about to fade away just yet.

DAVID BURCHELL is ALR’s editor.
In the first part of our feature on greening industry, Carlo Carli and Kerren Thorsen argue that the green movement has to learn to live with the corporate sector...

At the recent ACTU Congress, the union movement supported a new environment policy which sought to redefine the labour movement’s relationship with the green movement. The policy called on unions to consider issues of clean production and environmental performance in negotiations with employers. Historically, the labour movement has sought to improve the working conditions of its members: the new environment policy calls for a commitment to extend this intervention into the environmental impact of production and of products.

This is a step in the right direction. We should be actively seeking to include industry in the debate. Greens, unions and industry have different motives, yet these differing motives can be brought together into an agreed goal that suits each party for its own reasons. An opportunity now exists to define common ground between the labour movement, the greens and Australian industry to work towards the greening of Australian manufacturing.
On the part of the greens it demands recognition that production and industry is not all bad, nor growth necessarily bad. For most firms improvements in environmental performance demands investment and investment demands economic growth. It is also pointless to argue to workers that certain harmful forms of production have to be stopped—that they can just leave an industry and do something better. Such changes have to be negotiated.

The current economic recession demonstrates that negative economic growth has an uneven impact, falling hardest on the weaker sectors of society. In social terms it is disastrous. While economic growth in itself does not reduce poverty, unless the wealth that is created is also equitably distributed, negative growth worsens the position of the weak. Asking the poor to cut their energy bills makes little sense when they cannot afford to heat their homes.

For trade unions, greening industry demands better working conditions and more participatory structures in the workplace

Negative growth is also bad for the environment. The current recession has seen the collapse of industrial investment, including investment that would improve the environmental performance of companies.

To speak of common ground assumes a willingness on all sides to negotiate. The ACTU environment policy demonstrates such a commitment within the union movement. If each side argues but refuses to listen to the argument of the other it will remain a sterile debate that manifests itself in intractable disputes.

Greens and 'economic rationalists' have sometimes had a common refrain, claiming that many evils in Australia are due to an inefficient industrial sector. They urge us to give up manufacturing in inefficient industries such as automobiles in favour of the more efficient/more 'natural' industries such as agriculture.

Yet other areas of production are possibly more environmentally damaging than industrial production. It could be argued that the greatest environmental problem facing Australia is not industrial pollution, but the extent of agricultural land degradation. The problems of salinity and soil erosion threaten the sustainability of large agricultural areas. The loss of production is in the order of hundreds of millions of dollars, and the total cost to the community from degraded land and deteriorating water quality is many times greater.

Economic rationalists who claim that our efficient agricultural sector has subsidised our inefficient industries should re-work their figures taking into account how the community and future users of the land subsidise our 'efficient' agricultural exporters. Greens who dream of an idyllic existence in a village living off artisan production and the fruits of the land should consider the reality of life on the land: the current rural crisis, its social cost to rural communities and the pressures on farms to cut costs for short-term survival with detrimental environmental consequences for the future.

Conservationists concerned with the problems of industry will face contradictions in their relationship to the firm. Without the co-operation of companies the planet will not grow cleaner, yet companies are responsible for much of the current mess. Furthermore, in a market economy, companies are driven by the need to expand markets and buy and sell more. Yet the environment is best served by using fewer goods for longer.

In the future environmentalists will have to cease viewing the corporate sector as an homogeneous entity with destructive intentions on the planet. The task will be to spot the companies which are tackling green issues and to use the emerging green consciousness to drive corporate decisions. In this process alliances with the labour movement will be critical to the success of the greening of industry.

The scope for change is immense. International chemical giant Monsanto has pledged itself to cut toxic air emission by 90% by 1992 and then aim for zero emission. A US environmentalist claimed at a Vienna Conference on Clean Technology that the US could reduce its waste by 90% within the next 20 years. Furthermore the process of greening industry can provide new jobs, technologies and techniques that will benefit Australia.

The corporate sector is responsible for a considerable part of the degradation of nature and of pollution in the world. Yet it is the corporate sector that will have to implement the necessary changes, to develop the alternative processes, to reduce packaging and increase the recycling of materials. In this, not all companies are equal; a number see green issues as a challenge rather than a threat. Their motive is self-interest—to increase sales or to drive the dirty companies from the market, or to protect their market from the import of less green products. Many companies realise that the pressure for change is likely to grow in the future and it is in their interest to make the necessary changes as soon as possible.

Some companies are responding to the problem because greening their production processes actually saves money. Products can be redesigned, equipment improved, production processes modified and raw materials recycled. All this saves money. However it demands both financial and managerial investments. These investments depend on a healthy economy and economic growth.
The challenge is to use the profit motive to influence companies to reduce their damage to the planet. In the past the pressure for change came from government regulations that set emission standards. This often did little more than reinforce corporate conservatism which sought 'end of pipe solutions'. Rather than investing in new and cleaner technologies the company responded with a cheaper filter or scrubber. The greening of industries relies not only on technology but also on changes in management, where workers cooperate in ensuring a cleaner and safer working environment. It thus demands imagination and co-operation—qualities which are often lacking in much of the corporate sector.

For trade unions, greening industry demands better working conditions and more participatory structures in the workplace. It would be reasonable to predict that future negotiations between unions and companies will involve environmental issues.

Green consciousness is manifesting itself in changes in consumer demand and a desire by many manufacturers to prove their environmental credentials. One of the oldest and most comprehensive eco-labelling schemes has been in Germany where the Blue Angel was introduced in 1977. This has led to an increase in green products and initiatives such as BMW's research on a recyclable car. While we clearly cannot shop our way to a greener living environment, it is fair to say that consumer demand is a very potent force for change.

Governments and greens can use changes in environmental standards to build up collaboration with companies. The most striking example has been that of CFC phase-out. Australia, as a signatory to the Montreal Protocol, agreed to cut CFC use by 50% by the end of the century. The federal and state governments have been able to accelerate this phase-out with the co-operation and assistance of the CFC manufacturers. These chemical companies established an industry association which assisted users to recycle CFCs and to find alternatives. A further spin-off has been the growth of a small export industry specialising in machinery to recycle CFCs. This orderly phase-out has made Australia a world leader well ahead of the Montreal Protocol timetable.

Eco-labelling does not go far enough if we want companies to use resources more frugally and create less waste. One contributing factor to our current reckless use of resources is that the 'free market' cannot cost the full price of resource depletion and pollution.

The market cannot set a price on fresh air, or clean water which are currently free goods or even the real cost of mining and rainforest logging. It will be up to governments to ensure firms pay a proper price for resources in the same way that they pay a fair wage to their workers. Once the price of virgin material incorporates the full cost of environmental damage in mining or in pulp paper making processes, the market for recycled products will become more viable.

There is a further parallel between the labour movement's struggle to improve the working conditions, health and safety and social security of working people and the struggle of greens to ensure the health and security of the natural environment. For the labour movement this struggle has led to various social reforms, the welfare state and a fairer and more equitable society. In the future, environment protection will increasingly be a source of concern and action, which may have some costs, but should ensure greater human and environmental well-being.

CARLO CARLI and KERREN THORSEN are project officers with the Australian Manufacturing Council.
We're so used to associating electricity with the 'good life' that, until recently, there's been an almost blind acceptance that achieving a high standard of living is inextricably bound up with consuming more electricity. Or—as economists would have it—that an inflexible link exists between energy consumption and economic growth.

This notion is central to what has been called the ideology of electrification, which makes electricity the vital agent and ingredient of the progress and development that bring efficiency, modernity and the 'good life'. Its influence has waned somewhat now that most households and enterprises are connected to the state electricity grids: but it's an ideology that remains firmly entrenched within the organisational structure and managerial culture of electricity authorities, despite recent attempts to modify them.

A profound faith in the doctrine 'more is better' has also been part and parcel of developmentalism, a set of beliefs that has been particularly potent among state governments. State energy policies have shown a marked preference for expanding supply—building more power stations—to the neglect of any serious consideration of conservation or efficiency methods. Hence the unbridled enthusiasm for large new mines, oil fields, aluminium smelters and ever bigger power stations.

In this conception of the world, the environmental and sociopolitical costs of energy used for heating, lighting, cooking and industrial processes are considered local nuisances or temporary inconveniences. The most notable example of this was the Franklin Dam dispute. The controversial proposed Tully-Millstream hydro-electric scheme is shaping up as a dispute of similar magnitude—an unnecessary power industry project in an area that already has World Heritage listing.

Since the 1973 oil crisis many OECD countries—such as Japan and what used to be West Germany—have reduced their energy consumption. This is partly due to a shift away from manufacturing to service industries in those national economies—but also because the industries in those countries use lighter materials and more efficient industrial processes and technologies. In the meantime, their economies have continued to grow, demonstrating that there is no fixed link between economic growth and energy consumption.

The oil crisis helped stir up an extensive debate about energy use and the possibilities offered by renewable energy technologies and conservation strategies. However, public interest in the issue didn't survive the subsequent oil glut and drop in energy prices and for some years the debate became the province of technical specialists. Or at least that was the case until concern about the 'greenhouse effect' in the late 1980s heightened public awareness that global development was proceeding along an unsustainable path.

The consequences of the 'greenhouse effect' are of course by no means a matter of consensus. But while many of the issues are fraught with uncertainties and may take years to resolve, it's now generally accepted that burning fossil fuels contributes more carbon dioxide than any other activity, including deforestation.
Coal is by far the most abundant and accessible fossil fuel source in Australia and coal-fired power stations supply the bulk of Australia's electricity. Until the greenhouse effect became an issue, coal appeared to be a cheap and ideal fuel source for electricity generation. Coal combustion results in more carbon dioxide emission per unit of energy than any other fossil fuel. Black coal used in electricity generation typically releases approximately 25% more carbon dioxide than oil and 50% more than natural gas for the same amount of heat.

Carbon dioxide is less harmful than the other greenhouse gases, but because it exists in such large quantities compared with methane, nitrous oxide or CFCs, its impact is more significant. It's clearly extremely difficult to reduce methane and nitrous oxide emissions from cows and rice paddies, but there are numerous options when it comes to reducing fossil fuel use.

Expensive energy technologies can prevent carbon dioxide escaping into the atmosphere after fossil fuels have been burnt, and coal can be cleaned of unwanted contaminants and converted to gas. There is, however, a much simpler approach which recognises that industrial economies don't use electricity in an efficient or sustainable way. So it makes a lot more sense to reduce the amounts of fossil fuels that are consumed in the first place. In other words, it may cost less to encourage people to reduce the amount of power they consume than to do to follow supply side options and build more power stations. This path has been tried overseas but it has been slow to catch on here, and electricity authorities have shown a marked reluctance to incorporate these demand side measures.

The spread of energy efficient and renewable energy technologies in Australia has been blocked by non-technical barriers and by a low level of research funding. By 1990, Commonwealth grants for the research, development and demonstration of renewable energy had declined in real terms to one-eighth their original value in 1978. Although there are no serious plans to use nuclear power here, the total government expenditure on nuclear energy related research has been almost double the total amount spent on all forms of renewable energy.

The engineering branches of electricity authorities commonly foster an indifference and resistance to efficient and renewable energy options. Australian energy planners are usually trained in conventional technologies based upon economies of scale—economies which have been used to generate cheap electricity from fossil fuels, but which don't work for renewable energy. It's consequently difficult for these planners to conceive that future energy needs can be met through energy efficiency and conservation together with renewable energy technologies. They also appear unwilling to learn from their colleagues elsewhere in the world who have adopted demand side measures.

Indeed, the overseas record of efficient and environmentally-informed energy technologies is by now a very impressive one. In the United States, energy utilities have actively marketed energy efficiency technologies and services as a cheaper alternative to building more power stations. In any case, the construction of new power stations also involves substantial economic risks when trends in demand are uncertain.

California, for example, has pursued a policy of strict conservation standards for all sectors of its economy since 1977. This has involved reforming the state's electric utilities so that they are now not only profitable, but also more environmentally sound. Tough energy standards have been enforced that limit the amount of electricity used by fridges, airconditioners, heat pumps and hot water heaters. Consumers receive cash rebates from the utilities to encourage them to buy energy-efficient appliances. As a result, inefficient versions of these appliances are no longer on sale.

Nor was the strategy limited to electrical products themselves. Building codes were introduced that ensured better insulation in new homes and office buildings, thereby reducing waste heat. Low income customers were given compact fluorescent lightbulbs and low interest loans for home insulation to help reduce the amount of electricity they consumed without exacerbating already existing social inequalities.

Californiaan energy utilities have spent almost $2.4 billion reducing their customers' energy use. They've also avoided building $12 billion worth of new power plants to keep up with uncontrolled electricity demand. They've changed from selling as many units of electricity as possible, and now provide energy services. In the process, California has become a proving ground for renewable energy technologies with 16,000 wind generators feeding into the electricity grid and commercially producing solar thermal energy from parabolic trough solar concentrators.

The Californian experience has contradicted the forecasts of US energy planners. In the early 1970s, planners were ignorant of the potential for conservation, and based their projections upon the assumption that supply would have to continue to expand to meet an expected doubling of demand every ten years. As a result of California's farsightedness, the state has maintained its standard of living while reducing its use of electricity per unit of output by 17%—and its state economy is now more competitive both nationally and internationally.

Denmark is another country which has followed the demand side path and moved away from a dependence upon imported oil towards an energy policy that aims at self-sufficiency. Between 1975 and 1990 Denmark invested $4 billion into efficient uses of energy and wind power. The Danes had the foresight to include energy requirements in their building codes in 1967, which has saved them around $2.5 billion per decade.

Denmark has also sponsored a high level of investment in more energy-efficient forms of home insulation, lighting and appliances. Indeed, while subsidies for domestic energy efficiency were phased out in the early 1980s, the level
of investment hasn’t diminished—which suggests a continuing high level of public awareness.

New industries are planned in clusters, so as to make better use of the waste heat they generate. Now, about 75% of Denmark’s electricity needs are produced by ‘combined heat and power’ plants which use the heat generated by the power generation process itself to produce more heat. Wind turbines provide 4% of the country’s electricity supply, and the wind power industry now generates $A200 million in export earnings. Wind power was evaluated on the assumption that it costs the same as fossil fuels if the environmental costs of fossil fuels are taken into account.

The Danes have managed to found their energy policy from a broad-based social and political consensus, so that changes of government are not associated with changes of energy policy direction. The energy question in Denmark also opened up a whole area of social debate which changed the selection process used in evaluating projects. Rather than focussing narrowly on the cost of investment, the Danish evaluation process includes consideration of global and social impacts and health effects. Moreover, the decision-making process has now devolved to individual communities, which are able to choose which forms of energy they will use and whether or not to connect with the existing grid. It’s a very resilient system that allows for decentralised energy communities and provides an interesting contrast with a large centralised political bloc such as that fostered by NSW’s Elcom.

In 1989 the State Electricity Commission of Victoria (SECV) became the first Australian utility to take a serious look at implementing demand side management. In January 1990 the SECV released the final part of its Demand Management Report which concluded that energy efficiency would cost too much and that it couldn’t save enough to make demand management worthwhile.

However, David White, Victoria’s Minister for Manufacturing and Industry Development, was aware of the quite different conclusions reached by the National Institute of Economic and Industry Research (NEIR) in its detailed study of the potential for more efficient energy use and renewable energy to displace fossil fuel use in Victoria. The NEIR report concluded that Victoria could expand energy efficiency industries and save $4.74 billion in energy costs, while creating up to 17,300 additional jobs and reduce carbon dioxide emissions by 20%. White also knew that the SECV’s conclusions ran counter to the experience of utilities overseas.

He asked Amory Lovins, a consultant to the power industry at the Rocky Mountain Institute, a non-profit resource policy centre in Colorado, to check the SECV’s report. Lovins criticised the project’s “excessively” conservative assumptions and recommended that, rather than its current 0.33%, the SECV should spend $50 million or 2% of their budget on demand side measures.

Lovins’ report set off a lively debate. The SECV claimed that because Australia doesn’t have an existing local manufacturing base for energy efficient products, and imported versions are expensive, we can’t afford efficient energy measures. However, a more obvious conclusion to reach is that we’ve the potential here to create an industry for energy efficient products. At the same time we could create employment, improve the balance of payments and counter the high costs of imports. We can apply similar reasoning to the expertise necessary for energy audits, or the research and development of innovative technology for this expanding field.

Amory Lovins gave David White some obvious examples of the cost savings to be made from producing energy-efficient products. One of his examples was a compact-fluorescent-globe factory which “costs about 1% as much as building power stations to produce as much electricity as the globes will save. A $10 million superwindow-coating machine saves as much oil and gas as a $40 million off-shore platform extracts (but that kind of oil runs out and pollutes, while the first kind doesn’t).” And he concluded that the economic case for the energy-efficient products industries was impeccable: “Whenever we choose the wrong option, we starve the rest of the economy for capital, and hence reduce total employment.”

Meanwhile, the Conservation Council of Victoria argued that the SECV in its review had conveniently ignored the power industry’s links with energy intensive industries like aluminium, which play a big part in pricing electricity and boosting demand. Australian electricity authorities have been fond of negotiating cheap power deals for aluminium smelters which lead to an increase in demand and perpetuate a vicious, ‘build more’ planning circle.

And Lovins, too, was disturbed by the predilection for energy-intensive ‘megaprojects’ like aluminium smelters which so often dominates strategies for generating investment and employment in Australia. He maintained that money invested in saving energy will yield vastly more benefits—in employment, environmental and economic terms —than the same money invested in smelter expansion or other energy-intensive industry. And money invested in mineral processing can’t be used to make the rest of the economy efficient and environmentally sound. This basic message—that demand side measures create wealth and employment—has so far fallen on deaf ears as far as management and, to a somewhat lesser extent the unions, are concerned.

And yet, despite all this, Lovins described the SECV as “the most dedicated and advanced proponents and practitioners of energy efficiency among their counterparts in Australia today”. Which is hardly good news for the rest of them. As Lovins found, an energy efficient economy isn’t a matter of overcoming technical barriers, but of removing institutional and bureaucratic obstacles. The obvious conclusion is that these obstacles are still a formidable impediment to a saner energy policy for Australia.

CLAIRE GERSON is a freelance environmental researcher and journalist. She was one of the authors of Powering the Future: The Electricity Industry and Australia’s Energy Future (Pluto Press, 1991).
Fave reads of 1991

It's the time of the year for pulling the phone out of the wall, putting out the cat, and settling down in quiet with a good book. We asked five interesting readers for their most inspiring read of 1991.

Capitol Thrills

Paul Murphy


The book which I most enjoyed this year, and which changed to some extent my views on a subject I thought I knew well was Ross McMullin's excellent history of the Australian Labor Party in its centennial year.

I was born and brought up in Canberra where my father was a journalist turned senior public servant during World War Two and the later years of the Curtin and Chifley governments. Even though I was a child I couldn't help picking up a lot of the atmosphere and the excitement of the late 1940s. Canberra was a country town in those days where everyone knew everyone else. Our home was always full of journalists, public servants and politicians and when I read McMullin's history covering those years I was stunned by how accurately he'd recorded not just the events of the time but the very feel of the place, the Caucus struggles, the rivalries involving such figures as Evatt, Ward and Calwell and the regrouping of the conservative forces under Menzies.

And McMullin captures perfectly the spirit and flavour of the ALP's tortuous climb back to eventual power during the late '60s and early '70s—years when as a young journalist in the Canberra Press Gallery and elsewhere I witnessed the demise of Calwell, the ascendency of Whitlam and the disintegration of Gorton and McMahon.

If McMullin could get it so right during those periods, then obviously he's got the lot right. It's a marvellous book and absolutely essential reading for anyone interested not just in the history of the ALP, but the way it looks, sounds, smells and operates, the feel and flavour of a party and movement in and out of power.

PAUL MURPHY is the presenter of PM on ABC Radio and Dateline on SBS TV.

Grassroots

Stephen Knight

Bobbin Up, Dorothy Hewett (Virago, 1985)

Literary epiphanies were in recession this year. No messianic stars shot across the firmament of the humanities—at least not in my neck of the woods. We are still digesting the isms of the 80s and scrupulously ignoring the new and lucrative para-religions being generated by quasi-scientists.

But secure from creation science and intergalactic thought-transfer, socioliterary serendipity can occur. This year in our course 'The Working Class in Literature and History', which is taught jointly in History and English at Melbourne University, we had good luck. Our hard-working bookshop was able to find enough copies of Dorothy Hewett's Bobbin Up for us to set this text for the first time. The book was enjoyed, admired, learned from by students and staff alike, especially as the year ended with a lively and informative visit by the author.

Drawn from late 1940s experience, written in the late 50s, the novel combines postwar grimness with emergent consumerist corruption. A story of working people, without bourgeois political leaders or narratorial condescension, Bobbin Up was one of the realistic highlights of the course. But more than that, its form resists the authoritarian simplicities of the classic novel. A set of episodes about working women in south Sydney, as they move towards industrial action through a mixture of innate dissent and in-class radical leadership, the form realises a sense of egalitarian interaction that looks back a little to Emile Zola's Germinal, but lacks, for the better, its masculinist heroics and final symbolic cop-out.

Working women, family strains, the physical heat and smell of industrial Sydney, they're all laid out here in the best focused of the Realist Writers' novels. And one of the least known. This book, amazingly, has never been reprinted in Australia. Written for the Mary Gilmore prize in 1958, it was printed by the Australasian Book Society. Their 3,000 copies sold out quickly, and that was that. Not long ago Angus and Robertson knocked back a reprint. It was left to Virago, run by Australian Carmen Callil, to reprint in London, and their run is now about sold out. Our copies were English bookshop returns, as a few astute students discovered by picking off the tag to find a pound sterling price beneath. Scholarship takes many forms.

Vigorous, politically astute, protofeminist in a significant way, sexually explicit—in fact giving new meaning to the term grass roots—Bobbin Up...
I firm what I fear: mediocrity changed every time I prostrate myself on the couch to enjoy yet another novel.

Goodness knows, I expect to have my worldview shaken to that core when I read a terrific book, and not the usual stuff by clever people, so I'm not complaining that most novelistic fare gently reinforces my notions, rather than shakes me to the core.

But it is nice, every now and then, to feel that crack in the citadel of self that occurs when you read something so strong, so resonant, it never leaves you.

Having almost given up on poetry—what gets called poetry is usually nothing of the sort, and usually self-indulgent cant—it surprised me to find myself shaken to that core when I read Bruce Beaver's Selected Poems. Doesn't sound earth-shattering, does it? Selected Poems by Bruce Beaver...hardly a trumpet-blast heralding the subversion of your set ideas. But behind that name and title, there's the kind of word force that does change lives.

Often Beaver's poems start in the everyday, the personal and the trivial. But from there they burst out into the terrifyingly wide and beautiful spaces that make being human something more than a trudge down a narrow path. His words catch you in the act of settling for mediocrity. They challenge you and also comfort you, in the best way, since this is exhilarating, not mollyfying, comfort.

But Healey, despite British Labour's fondness for toffs, was never convenient to place in any class. His family was bookish and industrious. He went to a school in Yorkshire, famous for building brains from local stock and sending them off to Oxbridge. Denis read 'Greats' at Balliol, a college known, as he keeps reminding us, for producing men of "effortless superiority". He got a First, naturally. The book has many references to similar attainments (or lack thereof) in others and the best Healey accolade is that someone "has a powerful mind".

In World War Two, Major Healey was in charge of landing troops—a difficult and dangerous occupation which taught him the subtleties of organisation and being practical. After a good war (for him) he quickly became an MP and eventually a Cabinet Minister. He held the most difficult and thankless jobs for a Labour man interested in the top post: Defence, for six years, Chancellor of the Exchequer (Treasurer) for five. He did them, by all accounts, very well. Yet he never became foreign minister, a role to which his scholarship, experience and hankering would have well suited him. But there's much more to Denis. "The trouble with me is I've got too much hinterland", he says. It's one reason he doesn't fret about not becoming prime minister: "the trouble with Margaret Thatcher is that she has too little".

And it's this 'hinterland' that makes Denis Healey's book such enormous fun. He enjoys his literature (Yeats, Virginia Woolf) and has similar relish for most matters of the intellect. He also likes sending himself up, as he did famously dancing a jig and crooning on the Edna Everage Show. When I went to interview him about his book and other political indiscretions, he took great delight in dropping into cockney accents, joshing about, losing no opportunity to risk a joke. This, despite being now past seventy. Yet, when the time came to consider Yeltsin, the Bomb, Europe, he was concise, formidably informed and interesting. As is his book.

It is one of three autobiographies published in the past year by Labour (or ex-Labour) heavyweights, the others being by Dr David Owen and Roy Jenkins. As it happens, I was probably the last journalist to interview Dr Owen just before he announced his own retirement from politics. He was speaking at his constituency in Plymouth, Devon. After his wideranging, erudite and typically forthright lecture I recorded an interview with this member of the 'Gang of Four' who had left the Labour Party with such acrimony ten years before. When finished I mentioned I was intending to talk to Denis Healey, if time allowed. Immediately David Owen's face turned from languid seriousness to beaming charm. "Do give the old rogue my love", he smiled, blowing a raftish kiss as he left. Just the kind of broad affection Healey now commands. Time of My Life shows why. It's a terrific book, and not the usual exer-
Hypopolemical

Jeff Shaw


The collapse of authoritarian forms of socialism has reinforced the point, with great historical eloquence, that elements of the Left had grossly under-valued the importance of civil liberties.

Often dismissed as 'bourgeois liberalism', the struggles for freedom of speech and freedom of political association have sometimes been left to those without a parallel commitment to a more just and equal society. The idea that liberty and equality are both necessary attributes of the just society is of overriding significance. It is not a matter of trading off one virtue against another—they are both vital.

It was in that spirit that I sat down earlier this year to read Geoffrey Robertson's essay on civil liberties. With passion, clarity and detail Robertson argues the case for a much higher degree of freedom than the contemporary capitalism of Britain under the Tories has been able to deliver. On the vexed question of censorship, Robertson notes the changed landscape of the debate, with the traditional pro-censorship puritans finding allies in the feminist movement. Despite this he retains the libertarian stance, following the American legal philosopher Ronald Dworkin's contention in a recent, brilliant article in the New York Review of Books 'Liberty and Pornography', that "the essence of negative liberty is freedom to offend, and that applies to the tawdry as well as the heroic".

Robertson is scathing about the conventional conservative approach to free expression: "British law regards free speech as a very good thing so long as it does not cause trouble, at which point it can become expensive speech, visited with costly court actions, fines and damages, and occasionally imprisonment". He argues that Common Law has "failed abjectly to counter inequality". Freedom of contract has been simply a hollow label which cloaked all kinds of discriminatory conduct. Legislation designed to ensure freedom from discrimination on the grounds of race, sex or other irrelevant considerations can be defended as simply an application of a liberal view of the world.

The British Labour Party does not escape Robertson's vitriolic pen. Its failure to adopt the notion of a Bill of Rights—a policy to which Lionel Murphy persuaded Australian Labor in the mid-1960s—is roundly condemned. To the argument of Labour's deputy leader Roy Hattersley that civil liberties should be protected by a change of government, Robertson responds: "given the evidence in this book of the excesses of power committed under Labour and Conservative administrations, those genuinely concerned for individual liberty may find this response a counsel of despair".

In an era when the Right is torn between an obsession with the free market and social conservatism, Robertson offers a genuinely enlightened vision of the free society. And it is a vision which can be integrated with egalitarian ideas, a broader concept of reform which acknowledges that political liberty is far from sufficient for the poor and oppressed—but which opposes the sacrifice of freedom in the supposed interest of a more equal distribution of resources.

Reading this book brings home to the would-be cabinet minister the dangers of the arrogant exercise of power, whether by conservative or reformist governments.

JEFF SHAW, QC is NSW shadow minister for industrial relations.
So: Is the Fairfax media empire worth saving?
Mike Ticher spoke to eminent Fairfax old boy
Tom Fitzgerald.

Tom Fitzgerald was financial editor of the Sydney Morning Herald from 1952 to 1970. He was publisher and editor (with George Munster) of the influential journal Nation from 1958 to 1972. His 1990 Boyer lectures have been published as Between Life and Economics (ABC Books).

A lot of the arguments against Packer taking control of Fairfax seem to have been based on the virtues of Fairfax in particular, rather than the need for diversity in general. Would you agree that there's been a certain amount of mythologising of Fairfax?

Well, let me say this first of all. In principle, I would not be opposed to some break-up of the Fairfax empire, providing the components went into reasonably independent hands. To keep the empire intact, is not, in my view, necessarily an important social consideration. There are people who say that in these days of rugged competition and changes in the media structure, and with a powerful person like Murdoch in the land, you may have to have such a big organisation—and that's open to discussion. The other point is this: people are probably, and not without justification, relating the history of the Fairfax companies over the last 10 years, when James Fairfax had control, and indeed in the subsequent years since James has gone, when there was much more pluralism, much more freedom of editorial opinion and so on, than there had been for most, if not all of the previous history of the Fairfax family.

How would you characterise the behaviour of the Fairfaxes as proprietors in your time. Was there any significant way in which they were different from the Packers and from Murdoch?

I think they were. In my time, the single most important person was the late Sir Warwick Fairfax. He gained directorial ascendancy as a young man, and kept it for the best part of 50 years, and indeed in the latter years, he had more absolute power than he'd ever had before. He, in turn, was subject to influence from others, particularly the very strong manager he had, Rupert Henderson, until he was more or less obliged by Warwick Fairfax to retire, in 1965. Henderson was a very strong-minded man, had his own views, which did not always coincide with those of Warwick Fairfax, and one of the advantages to a person like myself working in the place in those years (1950-70) was this splendid scope for a variety of opinions and discussions, largely because of Rupert Henderson.

So that did exist even before James took over?

Yes, it did, but not to the same extent. You asked me whether there was any distinctive feature of the Fairfax family as newspaper proprietors. I'm inclined to think it may be an intellectual and educated quality—it may not have been easy to find anyone else in the world more advanced in those qualities than Warwick Fairfax. Henderson was an entirely different kind of man, but another highly intelligent person. And conversation with either or both of those men was always to me a great pleasure, even though I was sometimes having a very rugged time offering different points of view. But it was always very stimulating and worthwhile.

Would you agree that there is such a thing as a 'Fairfax ethos', and if so, what is it, what does it mean?

I think the accumulation of tradition and history, memories of the Herald's stance at several crucial moments in Australia's history, did tend to give the family not only a sense of quiet pride, but also a sense of serious responsibility. I think they had grown to believe that people expected certain standards from Fairfax, which they perhaps wouldn't expect from other areas, and I think this to some extent did affect their outlook. James Fairfax was a remarkable example, I think, of this kind of family attitude. And James had the full support of all other members of the family, with the exception of his father's last wife [Lady Fairfax] and perhaps of Sir Warwick himself. This I thought was an interesting evolution of this sense of responsibility.

One of the things that people would have expected from the Fairfaxes was that they would produce solid Liberal papers. That seems to be forgotten now to some extent.

Yes. In my time, and indeed before, you could call the Sydney Morning Herald a politically conservative paper, but with some qualifications—as in 1943, when the Sydney Morning Herald did not support Curtin and Labor, but it certainly did not support the opponents of Labor either.

But the other thing is that, given the quality of the editor, such a fine intelligent editor as John Pringle, for example, you would get a lot of criticism of the conservative parties and the conservative leaders, whatever the Herald's final advice to its readers was on voting day. It was much more prepared to do that, on an intelligent level, than, say, the late Sir Frank Packer would do in the Telegraph, and that's not to mention the great independent record of the Melbourne Age, which was a more lower-case liberal, a less conservative paper, throughout most of its history, before the Fairfaxes came in.
A lot of the criticism of Packer has been on an almost personal level, that he is the wrong sort of person to be in charge of a newspaper. Assuming that the way in which proprietors influence newspapers isn't just in their individual interference into particular editorial stances, or in particular stories, how is it, would you say, that the 'ethos' of the proprietor is transmitted to the journalists and editors?

That's a very complicated issue, and of course I don't have any direct experience of working with Packer. To some extent, of course, Herald employees are more comfortable with the regimes they have known. To have strangers come in is never very pleasant. As I say, there were times when the Fairfax dominator, Sir Warwick Fairfax, could be autocratic and extreme, there were occasions when he acted more in the way that we think a Packer might act.

I don't suppose that really answers your question. But there's no doubt that a journalist working with a proprietor, generally has a fair idea of those subjects where his own opinions will not please those of his proprietor, and he has to accept that in whatever way he decides. In my own time I had more than one showdown with the proprietor, conducted really through Rupert Henderson. And on the whole I found it left me with reasonable conditions. I don't see how you can avoid that. Nor can I say this, that in my view, any given editor, taken at random, is necessarily a better judge of what a paper's opinion should be, than a proprietor. Why should it be so? Warwick Fairfax, given the restrictions in his upbringing, the sheltered life he led, was an extraordinarily intelligent man. Furthermore, Warwick Fairfax probably wrote some of the best editorials that ever appeared in the Sydney Morning Herald. He was a very good writer on his day.

This relationship between a proprietor and an editor is one which I find a very complicated one. Of course the journalists as a group want freedom, they must want freedom to express themselves. Now, if they give absolute powers to the editor, as a single person, the question arises as to how much that is preferable to giving it to a proprietor. I'm not questioning that it probably is preferable, on almost every occasion. But I read recently in an Age editorial, that the editor of the Age had taken it upon himself to either reject or to insist on amendments to signed articles by some of his commentators in the Age. Fair enough; it may be that everything was done with absolute good will on both sides, I don't know. But, in principle, there is one man deciding. As to whether it's better to have the editor or the proprietor, as a former journalist I'm inclined to say it's better to have the editor, but I have known some editors much less intelligent than the proprietor.

That raises the question of editorial charters. Do you think they can be really effective in restricting a proprietor who is determined to interfere?

Charters are very important, it's a great new development. But I'm no more able than you to offer an opinion on that; I've never seen them in action. I have little doubt that the AlN group seems to me to be the calibre of people who would observe it.
In your own area of economics, would you agree that in the last few years the *Herald* hasn't offered as diverse a range of views as it might have done?

Well, I wouldn't single out the *Sydney Morning Herald*, because I'm afraid that kind of question can be raised about at least one other prominent paper. I've got to be very careful here. I have a different point of view from the present economics writers, the major ones. Not only on the *Sydney Morning Herald*, but on The *Australian* too. Much less so with the *Age*. But I do agree that that's a fair comment, and frankly, I believe that in the days of Sir Warwick it might well have been quite different.

Was it really so different in your day?

Oh yes. Circumstances were different, and therefore one cannot simply abstract the attitudes of Warwick Fairfax and Rupert Henderson from economic conditions in the 1950s and 1960s, and say that that's what they would do now. But with all that careful qualification, I have no doubt that those two men in their prime would take a very different view of the behaviour of this Labor government, and of Keating, who has got away with extraordinary assumptions, claims, assertions. I don't think that would have stood up at all the way it has now. You may wonder whether I'm implying that highly intellectual proprietors and top managers are a bit lacking these days, and I'm inclined to raise that question as a possibility.

Do you think there's any alternative as far as ownership goes to simply hoping for better individual proprietors?

Well, of course money calls the tune. There is an overwhelming case for diversity, as much diversity as possible, and I don't think we have enough of it, already, let alone if Fairfax goes in certain directions. I think the only hope is in diversity. Powerful as the media barons are, they are not all-powerful. Public opinion can still differ from them. After all, public estimation of the media is not always very high. But you do need other outlets. How you do that is very difficult.

I find it quite nasty that pontificating journalists of a rightwing view (though some of them don't know how rightwing they are) take great umbrage if, say, the *ABC*, presents viewpoints that are different from theirs. It seems to me that, given the enormous dominance of conservatism in the print media, particularly in Sydney, the fact that the *ABC* gives a certain amount of opportunity to differing views is highly desirable. And the last people who should be fussed about it are those who have this daily platform to put their own dogmatic views. It's really extraordinary that this attitude is not only allowed, but even, in a vague sort of way, has some intimidating effect. It's ridiculous.

MIKE TICHER is a member of ALR's editorial collective.

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**Ropey Soap**


Will Jock, minister in training, marry his fiancee Sigrid, or be seduced into the Bohemian scene of Sydney in the 1890s? Will Denise, a university student in the swinging 60s, solve the unspoken secrets of her grandmother's love letters? What was the result of the fateful relationship between Sigrid's friend, Ellen, and the original father of her daughter, and will similar problems trouble the relationship of Denise and her West Indian lover?

It is the 1960s in Penelope Nelson's new novel, Prophesying Backwards, and Sigrid and her granddaughter Denise talk about the past while Sigrid listens to the famous ABC radio series *Blue Hills*. Intentionally or not, the appearance of a soapie in the first paragraphs of the book sets the tone for the novel—an easy-to-read potboiler with a 90s overview of the social issues involved.

Throughout the novel, two characters in *Blue Hills*, a part-Aboriginal man and a white woman, are worried about whether their child will be a black 'throwback' or whether the man's blackness can be 'bred out'. Prophesying Backwards uses this serial as a frame for writing about how society's inequalities in dealing with differences in race and sex have blighted three heterosexual relationships: Sigrid and her fiance Jock, Ellen and William, and Denise and Ralston.

Unfortunately, the novel's opening quote—The past must be revisited, but with irony, not innocently—offers more than Nelson delivers. By writing in the voices of both Sigrid and Denise she also offers a complex perspective of past and present. Many writers—Salman Rushdie, Jeanette Winterson, Peter Carey—have successfully used multiple voices to question mainstream versions of history, with its tendency to assume a 'national' point of view, but Prophesying Backwards does not. Instead of exploring ambiguity, Nelson writes the past as a kind of mystery story, to which Denise, by studying the letters, provides the 'right' answer. Denise is rewarded by being able to progress with her life, while Sigrid ekes out her last years with brittle candied memories, refusing to admit the betrayals of her past.

The novel plays upon the continuity between Sigrid and Denise's own relationships, ultimately focussing on sexual ahead of racial oppression. While Jock betrays Sigrid, Denise's West Indian lover also betrays her to the patriarchal posturing which underpinned the protests for racial equality by the Bohemian Sydney Push in the 1960s. This continuity,
Wyatt Wash


Introducing Wyatt: he has been offered a lucrative job, and needs the money. He has all the attributes—toughness, coldness, calculation—necessary for a highly successful life of crime.

Wyatt doesn’t waste time on small jobs or work with amateurs who could foul things up. A criminal, yes, but as the only character in this book who has any kind of integrity, he elicits the respect usually reserved for a hero figure. In many ways he is the archetypal hard-boiled crime-fiction detective character transposed as the ‘bad guy’.

This doesn’t mean, however, that it is actually possible to relate to him, or that he is a nice guy; traditionally these characters have been caricatures rather than figures of realism, and Disher, in his treatment of Wyatt, perpetuates this idea. Wyatt is too cool to be real.

What would crime fiction be without a siren to the piece? The answer is Anna Reid, a lawyer who employs Wyatt to mastermind the theft of some bribe money (the ‘kick back’ of the book’s title) which she knows her partner to be handling. Although Wyatt apparently doesn’t have time for relationships in his finely-controlled life, this woman is allowed to be tough, educated and sexy enough to capture his attention. Disher again tips his cap to classic crime writing by detailing their sexual union in a somewhat voyeuristic (and perhaps gratuitous) manner.

Questionable though some of Wyatt’s attributes may be, they are vastly superior to those of the small-time, low-life, hasty little crooks who provide the sub-plot which is cleverly woven into, and merges with, the main action of the story. Particularly troublesome to the smooth running of Wyatt’s current operation is the jealous, malicious Sugarfoot Younger who, despite his brutishness and stupidity is set up as Wyatt’s nemesis. Sugarfoot becomes obsessed with a need to bring Wyatt down, disturbing Wyatt’s usual smooth style with inept attempts at interference.

Disher has successfully transplanted the genre of crime fiction with its hard-boiled loner protagonists and variegated low-lifes into an Australian environment. The suburbs of Melbourne are well documented in the intricate comings and goings of preparation for the job, and is echoed in the psychological comings and goings and the altering motivations of the different characters. It will be interesting to see what job Wyatt pulls next time.

VIRGINIA ROSS is writing a detective novel.

LIST

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The Joy of Food

Restaurateur, epicure, author, feminist: Penelope Cottier spoke to Stephanie Alexander about her new book of culinary travels.

Stephanie's Australia: Travelling and Tasting, Stephanie Alexander's new book (Allen & Unwin/Susan Haynes, $49.95, photographs by John Hay) is an ambitious and beautiful work, recording the author's journey to every part of Australia (excepting the ACT, an understandable omission on any culinary tour). On her trip, Stephanie sought out the producers and preparers of food. The latter range from Blissy's Tuckerbox, a Northern Territory takeaway with an exclusively rabbit menu, to some of Australia's best-known restaurants. This book is a mouthful by mouthful description of the country in which we live.

Your new book tends to focus on the smaller producers of food. Why is this?

I have dealt with some of the larger industries as well. What I wanted to do was give a cross-section of food production in Australia, for lots of reasons. Firstly I wanted to make us all better consumers. I wanted to appeal to all food lovers, and to help people understand that producing high quality food raises all sorts of complex social and economic issues such as packaging, labelling and marketing. Another thing I hoped to do was show Australia to Australians, to give a picture of ourselves.

I found the section on Phil and Jenny Smith, peach producers, particularly interesting. You make the point that most peaches which reach the market are transported in a way that is harmful to the fruit, and are stored with apples which actually make them wrinkle up, through the release of gas. You suggest that consumers should be more active in demanding better produce. But is this a realistic proposition for most people? The power of restaurants which order from the Smiths is very different from the average consumer.

I was trying to suggest that ultimately the consumer does have tremendous power if it's used properly. I believe that the way to start this process is at the domestic level, by speaking to the greengrocer or butcher. You'll be surprised to find that these people are usually experts in their field but they're not used to having their expertise called on at all. If we start tapping into this we will learn a great deal.

For example, we don't understand enough about seasons. Consumers demand all things all the time. People don't seem to realise that apples grow on trees which are dormant for six months of the year and that hard, crisp apples all the year round can only be achieved through their being in a cool store, which detracts from the quality. People have lost the sense of fruit coming from a growing thing. We can either decide that there is a time of the year when we eat apples or, as in France, appreciate that apples can be stored in different ways (on straw for example) which means that they have a different appearance, and a different character—which is not a bad thing, it's just different.

You make a similar point in the book with regard to the different geographical regions of Australia. You recall an English woman in Darwin complaining that she couldn't get peas in the midst of markets full of Asian vegetables. Do you think it's more accurate to speak of regional Australian cuisine rather than Australian cuisine?

I think that's what we all should be aiming for. It is difficult because we do have very efficient transport in Australia and it is possible to get a gorgeous mango picked in its prime and delivered to Melbourne. And I couldn't bring myself to say that one should never eat such a thing. But that is different from having asparagus flown in from California so that it's available in the middle of winter. I think regional cooking, and using what is to hand, is the way to go. If we cooked more in tune with the weather, it would be fantastic, and this is how the regional richness of other countries has developed, with people responding to landscape, climate, their own lifestyle.

It's not going to happen in a minute because we are a very derived culture, but I think this is the way things will go, and you'll find a person running a house in Wagga cooking very different things from someone in Fremantle. It worries me that glossy magazines suggest that we should all, wherever we are, rush out and buy fresh coriander (I'm not talking about growing it at home here).

Moving to the question of indigenous or native food, I would like to raise the spectre of the macadamia nut. You point out that these are more popular in the United States than in Australia. Are white Australians still very conservative about the use of such foods, to the extent that using grevillea in a dessert seems more exotic than decorating a sponge with geranium?

A year or so ago the use of native food was an issue and was taken up by writers in every type of journal. But at the back of all this I could hear a sneer, which I thought was totally unnecessary. These are interesting resources which are available to some of us. It does make sense to me at least to look at these foodstuffs. So yes, the majority of us are very conservative. Also we have been used to extremely refined foods, and the taste of a lot of bush food is very intense, so a little will give a very strong reaction which does not seem appealing at first to those used to a bland diet. Some, such as bunya nuts, which we use a lot, are instantly pleasurable to any food-loving person and strike a chord with other things in our diet to which we can relate them.
It's important in making people realise that this is not a totally barren environment, and that Aboriginal people have lived well on these foods for a long time.

Yet you also express some concern that a fad might be developing in relation to such plants, and animals, and that they might be depleted by this.

I think those who are interested in making kangaroo commercially available, or in proposing agricultural systems based on indigenous plants are very aware of this obvious criticism, and I don't think there's any wanton raping of the bush going on. Also, some Aboriginal communities I visited are very keen to use these things which they know well as a commercial resource and to overcome social dislocation through controlled industry.

How did you develop your passion for food?

I had a very unusual childhood in that my mother, who was a very good cook, was also very interested in food as an expression of culture. She would accompany a meal with information about food in a social context, for instance, with a Japanese meal she would describe rituals associated with a particular dish. I believe that this has given me an understanding that food was not just something that you stuck in your mouth. This was a great advantage to me.

I didn't know that I knew so much about food from Europe and Asia. I loved food and all sorts of things that seemed to be involved in it, like art and gardening. It was like mother's milk to me, and when I travelled I took a view of the world with me which developed from this. Yes, I'd visit churches and things, but I also noted what was growing alongside the road, and the edible resources generally.

That's quite an unusual way to look at things, or at least to look at Australia...

Unusual for an Anglo-Saxon, anyway. The more I look at it the more I realise that the biggest thing holding us back from being a truly food loving nation is the preponderance of Anglo-Saxon culture. It's just tragic that Anglo culture says that all that matters is what's in your head, not what's on the table.

And that plants are there to look pretty, or to be useful, as if the two ideas can be totally separated.

Or that gardening is all right because it represents effort—and masculine effort, preferably. We don't have a population turned on to the joy of food, so that every meal is a pleasure. The implications of this just flow on and on, and one of the things I wanted to show through the book is what a gorgeous thing food can be.

What were your ideas in creating Stephanie's?

I wanted to have a restaurant that was for special occasions, where people can cherish an occasion, and get dressed up. I've always had very grand notions. Whenever people think of very special occasions, it's often associated with a special meal, particularly if you speak to Europeans, or Asians. Anglo-Saxons tend to have one big 'pig-out' at Christmas, and little else. I except the north of England where baked goods provide a sense of special event. Perhaps there's some hope for the north of England.

Do you think that your recognition as Australia's best chef has changed the position of women in the industry?

I hope so. It's not a calculated thing, but it's a fact that we have more women in the kitchen here than men these days. I am a feminist, and I believe that when women are good they're very good. Feminism shouldn't downgrade the role of the kitchen, as it's a way of passing on culture through a nurturing role. Obviously, the load should be shared, but the rituals associated with food should not be bullshit.

Is it at all frustrating to work with food, in that the best meal you could ever prepare lasts only a short time, whereas a painter, for example, creates something permanent?

It doesn't frustrate me; I accept the nature of the art form in which I work. I do see many parallels with painters in the work I do, even if it sounds a little pretentious to say so. I feel a little like Cezanne, who painted Mont Saint-Victoire fifty times, in slightly different ways. I think of approaching something slightly differently each time. I don't like to see the young ones in the kitchen trying to replicate absolutely everything I do, down to the arrangement of the plate. I never worry that a meal will go, because there'll be another one there. It's still there in my head for another time.

Food is still not seen as a matter for deep thought or discussion in this country, is it? I don't mean that it should be regarded as grimly serious, but that it should be taken seriously. Some people think that a journal of ideas shouldn't contain a cooking column, for example.

I couldn't agree with you more, and it's tragic. It's necessary to keep saying, quietly, that food is of essential importance to life. There are commentators around who find it trivial to admit an interest in food, and who refuse to deal in such 'non-political' matters. I consider that the types of issues raised around food are absolutely critical, and vitally important to our culture.

PENELOPE COTTIER is ALR's culinary conscience.
Thoroughly Modern Greens

Peter Christoff responds to McKenzie Wark's article in our October issue.

Postmodern greens? For a moment I hoped that I'd stumbled across Correct Line Cooking. Another of Penelope Cottier's exquisite excursions into the ideologically sound and gastronomically satisfying. A rapier-sharp shafting of the cultural confusion inherent in mixed salads. A piercing expose of herbs mistaken for signs.

But no, McKenzie Wark's "Greens in the Post" (ALR, October) is serious, and in it are some serious issues to be examined and challenges to be accepted. For he trivialises the importance of the green movement and reveals a fundamental ignorance of the sources, history and strength of the environmental movement in Australia.

Wark's superficial analysis of the environmental movement essentially flows from his definition of postmodernism—"it appears as a set of descriptions of surface details"—and his over-emphasis of the power of "media vectors" which bear these descriptions to shape experience, memory and cultural identity.

He comments: "people react to green issues because they have seen them on TV. The green movement has had influence out of all proportion to its actual organisational size in large part because of TV". As a result, for him, "the green movement is a postmodern movement in that it relies on its power within the sphere of popular media culture". From this, it is but a short step to some disturbing conclusions.

Wark argues that "the green movement is 'really' a small dedicated band of people organised in grassroots organisations". And he concludes, given the small size of the movement, "the organisational form of green politics is only part of the picture, and in the long run not as important as its media politics". So "why not develop a more diverse and sophisticated linkage of green issues with a much more widespread range of cultural styles...the more of them that green politics can be wrapped in, the better".

Wark's position is predicated on the assumption that the postmodern world is so complete, so seamless, that everyday experience is supplanted by mediated experience. Ecology, for Wark, has literally become media ecology. This is not merely smart talk. Underlying his argument is a significant shift of perspective. It is only by reducing this real world to one which depends for its reality on "mediation", that one can blithely talk of "an oil tanker or a nuclear reactor cracking up" as an "effect" and a "propaganda coup" for the green movement. It reduces to one-dimensionality the social and ecological impact of an event like Chernobyl—the effect of which will continue to reverberate long after the media hype has passed.

Wark, then, has done two things. He has reduced the deep psychological undertows and cross currents which are major sources of energy for social movements to a description of surface details, the twenty second grab. He dispenses with the foundations of oppositional opinion and activity. To imply that media images shape the green movement is to go too far.

This perspective displaces the lived experience which forms the basis of environmental awareness for the mass of the Australian population, and for much of the rest of the industrialised world. These include daily confrontations with shabby transport systems, grotesquely designed city buildings, chemical storage near residential suburbs, vast bush-consuming suburbs, and the burial of the remembered Past beneath the concrete New. Such losses and abuses, along with the myth of the Bush, fuel concern for unseen, diminishing values such as wilderness, native forests and rare species.

Wark also operates with a peculiarly constricted definition of the green movement, one reduced to the group of key activists he calls the "small, dedicated band", with disproportionate influence gained 'through the staging of spectacular effects' for media benefit. It is an astonishing trick which causes a diverse social movement to disappear so successfully. He ignores the over 200,000 people who are members of over 350 environment organisations throughout Australia as well as the broader sympathetic social base to which I have referred.

But to what extent is the green movement postmodern? Has it been colonised by postmodernists? Postmodernists may dream of a postmodern culture based purely on the "unstoppable mediation of signs by other signs". They may also believe, as Lyotard conceives it, that the postmodern is an assault on the nineteenth century's transcendental illusion of totality: it is a fundamental challenge to meta-narrative, whether they are of science or history or politics.

For postmodernists, the project becomes one of deconstruction, of dismantling the illusions of the Enlightenment, of Progress. At least, in this sense, there are certainly elements in common with "postmodernist critique" running through the radical scepticism which inform the green movement.

Yet while the transformation and commodification of cultural transmission may make the interplay of texts and acts more self-conscious, this doesn't mean that the larger project of modernity has been displaced, that postmodernity is the next stage in global cultural development, or that the natural world will remain a subtle backdrop to semiotic games. Instead, it is more likely that postmodernity remains a self-aggrandising feature of modern Western culture, one with its own peculiarly imperial yet self-limit-
ing elitist influence on broader cultural forms.

When you look closely at the real environment movement you see a spectrum of historical influences interacting synchronically. These range from premodern communalism, through Romantic anti-industrialism to distinctly modern attempts to integrate the latest revolutions in industrial and communications technologies to subvert science and restore a damaged global ecology. Of course, this abundance of interwoven ideological strains may be said to reflect precisely the new cultural complexity of a postmodern age. But is its diversity any greater—or its self-consciousness any sharper—than for previous (including premodern) times?

Yes, McKenzie, there is an environment movement, with its myriad networks, newsletters, meetings, marches and bush camps. It is not ‘postmodern’. It is predominantly a social movement—unco-ordinated and sprawling, often volubly self-contradictory, generally naive in its self-quotation.

A modern and anti-modern phenomenon, in many ways successfully resistant to the formative touch and gaze of the media which it sometimes uses well. And intelligently sceptical of the “mediated terrain of postmodern culture”.

Finally, the stratagems for shaping regulatory control of the environment and a sustainable economy, for effective conservation and for consumer education, all have different and subtle organisational requirements. These battles generally occur well away from the eye of the camera and the snout of the microphone. The organisational forms of the green movement are more important to achieving its gains than Wark believes: media games are only one relatively small part of these larger manoeuvres, and not to be over-emphasised.

PETER CHRISTOFF works as the assistant to the Commissioner of Environment in Victoria, and is writing the 1991 Victorian State of the Environment report.

Whoops!

It has come to our attention that the Red Cross emblem appears prominently on the front cover of the November issue of ALR.

You should be aware that the use of this emblem is protected by the Geneva Conventions Act of 1957. As stated in the act, the use for any purpose whatsoever of “the emblem of the Red Cross with vertical and horizontal arms of the same length on and completely surrounded by a white background...” is prohibited without consent in writing of the Minister for Defence. Perhaps in your next issue you could include a short article on the correct first aid symbol (a white cross on a green background) and the special status of the Red Cross emblem. This could correct the message your readers would have received that the red cross is a symbol for first aid.

Alan McLean
Secretary General
Australian Red Cross Society.

Hmm. Maybe not... (ed.)

JUDY HORACEK

I was just trying to get along with life
Will it be fixed by next week? lady

Could you possibly re-connect it this month? Fat chance lady!

Give way to pedestrians! Fat chance lady!

How about a job then? Fat chance lady!

So I went & saw the Fat Chance Lady

Of course she couldn’t do anything either...

But we had a good laugh

PETER CHRISTOFF works as the assistant to the Commissioner of Environment in Victoria, and is writing the 1991 Victorian State of the Environment report.
The Needy: People requiring special consideration from State-owned banks. In keeping with this policy, State banks in Labor areas prefer borrowers who are already millions of dollars in debt.

Social mobility: The ability to attend three champagne suppers in one night with one’s wealthy friends and still have an ALP membership card in one’s pocket.

Social Services: The secretaries, drivers and assistants needed to maintain this busy schedule.

Blue-Collar: A shade of Zegna suit sometimes chosen by Mr Keating to alternate with the usual grey-collar number.

Radical Move: A fiery inspiration to socialists at the time of the party’s formation. Still cherished by modern Labor politicians for his charming wallpaper designs—particularly appropriate when renovating charming Federation homes.

Violent Clash: The decision to team the Zegna suit with the brown shoes and straw-yellow shirt.

Class Struggle: The attempt by one’s child to get into the top stream at Scotch College or Ascham.

Closed Shop: Another effect of current careful economic planning. See also: closed factory, closed business and buggered bank.

The Light on the Hill: The glow cast by the luxurious offices in the new Parliament House.

Wobblies: A collective noun describing current and past Ministers for Defence, Messrs Beazley and Ray.

The Unemployed: A traditionally Labor-voting group whose size has been cunningly increased by careful economic planning. Under my government, areas which faithfully vote Labor for generations will be rewarded with—

a) better roads
b) special grants

c) a third runway.

Under my government, the workers have nothing to lose but their
a) chains
b) oppression
c) bank balances

I take the phrase ‘from each according to his abilities, to each according to his needs’ to indicate the process by which
a) the rich are taxed
b) the poor are helped
c) the bankers are paid $500,000 salaries for sending the state broke

A process whereby the money of working people is ripped off in order to be wasted by the wealthy is termed by me:

a) regressive taxation
b) fascist dictatorship
c) the Australian banking system

When faced with the sight of people losing their jobs and businesses, I immediately offer:

a) financial assistance
b) my sympathies
c) the observation that they are merely experiencing the recession they had to have.

Scoring: Those who mostly ticked ‘a’ or ‘b’: You are caring, thoughtful and socially aware. So get lost, drip. Those who answered ‘c’: You have all the qualities of a modern Labor leader. Luckily, several such positions may soon be available.

RICHARD GLOVER is a columnist for the Sydney Morning Herald.
An Offer That’ll Sleigh ‘Em...

Already dreading the tinkle of sleigh bells, the ominous ‘ho ho hos’?

All my life I’ve been waiting for a man to come and take me away from all this...

And now they tell me that there is no Father Christmas...

Fear not. Judy Horacek, ALR’s prolific resident cartoonist, has produced a new set of sexual-politically-savvy Xmas cards to gladden the hearts of your friends and thoroughly confuse your relations. The cards sell for $12 for the pack of six, or $2.80 each, post-free.

Braced for the perils of the ‘family get-together’?

Or take us up on our special Xmas subs offer. Give a gift subscription to a friend on the subscription form in this issue, and we’ll send them a Horacek Xmas card informing them of your generosity and good taste, absolutely free.
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