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CONTENTS

BRIEFINGS
THE DAWKINS DIALECT: An ALP senator tries to steal the education agenda.  
ADRIATIC ESCAPE: Albania catches the disease.  
CIVIC VIRTUES: Czechoslovakia's new broom.  

COLUMNS
PROFILE: Jose Conception: symbol of Cory's revolution gone wrong.  
CHINA SHOP: Michael Gill on business' loose morals.  
JUDY HORACEK: Bob's almost-record term.  
CONSUMING PASSIONS: Froth and Bubbles.  
NEWS FROM NOWHERE: Reality Hackers.  
DEAR DR HARTMAN: Lift up your nighties...  

FEATURES
CROSSED LINES: It's turnaround time for Telecom, again.  
                 Doug Fraser reports.  

SALE TIME: Privatisation is back. Peter Baldwin urges a more 
thoughtful left response.  

HOWE NOW: The Left's senior federal minister, Brian Howe, 
terviewed for ALR.  

DECLINE AND FALL: The Labor movement is in precipitous decline, 
                  agrees Stuart Macintyre. But new structures aren't the solution.  


MATTERS ARISING
BUM RAP: Two views on pop's most controversial child, rap music.  

CONTROLLED CHAOS: Chaos theory: please don't let it be misunderstood.  

REVIEWS
GREENPRINTING: Fighting through the sustainable development jungle.  

INDIAN SUMMARY: A new study of Nehru and his times.  

POOR LAWS: Eva Cox on welfare in the 'eighties.  

AUSTRALIAN LEFT REVIEW: 120: AUGUST 1990

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MANAGING EDITOR: David Burchell. PRODUCTION EDITOR: Kitty Eggerking  
ADVERTISING: Mike Ticher. ACCOUNTS: Hilda Andrews (Sydney); Olga Silver (Melbourne).  
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The Dawkins Dialectic

The Senate Standing Committee on Education, chaired by ALP Senator Terry Aulich, in its report on priorities for reform in higher education sets out to confront the policies of John Dawkins, the Minister for Employment, Education and Training. It is the first challenge to the Minister from within. How significant is it?

The Aulich Report makes a sustained attempt to reconstruct the higher education policy agenda, declaring that Dawkins in his White Paper emphasised structural issues rather than "the quality of the education which students receive - what they learn, how well they are taught, and how well they are prepared to live and work in a world of rapid change".

In education circles, saying something has no educational basis is akin, in different contexts, to saying something is patriarchal, or unAmerican. The effect is to deny its legitimacy, to place it outside the discourse. In its attempt to seize the agenda, the report ignores the current policy debates and propounds a completely different approach - an alternative policy discourse, an antithesis to Dawkins' thesis.

This is not a novel approach, but rather that old liberal-progressive educational philosophy in which 'education' is set against 'economics'. The report does not put forward an alternative perspective on the education/economy relationship, or a package of economic reforms superior to those of Dawkins. All it says is that a broad liberal education maximises education's economic contribution - a return to the simpler policy consensus supporting the 1960s expansion of public education.

Dawkins' response was predictable. With calculated fury, he moved quickly to discredit both the report and Aulich. There will be no policy synthesis out of the report's dialectical ploy. The minister said that the report is "totally useless"; it has a "very shallow basis", is "unrepresentative" and it represented "two years' wasted time on the part of some senators who obviously have too much time on their hands". He attacked Aulich for spending too much time in Canberra rather than in his home state of Tasmania and blamed Tasmania's low school retention rates on Aulich's tenure as state Education Minister. More tellingly, he said, the report failed to connect with the current debate on higher education.

The same comment was made by a less polemical Australian Vice-Chancellors' Committee. They are right. Dawkins' policies are too important to ignore, even if you disagree with them. With the academic unions, the vice-chancellors also rejected the report's attacks on the standard of university teaching. The committee had few friends in the education world, or in government, although it received qualified support in the media.

So what was it that drew John Dawkins' fire? The report calls for broader education of professionals, greater cross-cultural and social awareness among graduates, better teaching, more creative and critical thinking, less rigid specialisation in courses, and more liberal access to social groups under-represented in higher education. But for all this, the report's solutions are vague.

It wants more fostering of "higher level abilities such as a capacity for critical analysis, adaptability and creativity" and more encouragement of "lateral and divergent thinking" (what? how?). It wants universities "to evaluate the purposes and structure of the undergraduate curriculum across all disciplines with a view to encouraging them to broaden the nature of the educational experiences provided (which experience? how? content? structure?)."

The report finds that training in the professions provides the knowledge and skills essential to professional practice - but a component of broad liberal education in a number of disciplines needs to be added.

As well as the strengths, the report also exemplifies the weaknesses in the old liberal-progressive position. It is right to criticise Dawkins for being concerned about structure without content (quality), but the content of education cannot be explained separately from structure as the report tries to do. It sidesteps too many realities. It misses the influence of commercialisation of business training, overseas student marketing and research on the swing to full fee courses and away from basic science and liberal scholarship. It also misses the remarkable growth of business studies and management education, driven by vocational pressures.

The Dawkins policies have a concrete basis in the system, in business studies and applied research. These do not fit the liberal studies paradigm and so the report ignores them. But they cannot be wished away. They need to be challenged and changed, not ignored - or the Dawkins policies will produce precisely what his critics fear.

The report cites the opinions of Professor John Goldring, who points out that economists now occupy "unparalleled positions of power" within public administration but that much economics education is "extremely narrow and does not enable students to develop wide and critical perspectives". What it does not realise is that there is a link between the narrowness of economics and the nature and effects of its power.

The education of tomorrow's public servants cannot be transformed simply by adding a periphery of sociology, literature and environmental studies units to the central core of neo-classical economics that they study. Unreconstructed, this core of economics will still attract students, and public servants, like moths to the
flame. The core discipline is what needs to be changed.

It is the same with the other professions. The report applauds professional education for its technical level while lambasting professional courses for lack of multi-disciplinary periphery. But a bit of extra culture is not enough to change our future doctors or lawyers. The real point is that in the heart of their "technical" (value-free?) training, both law and medicine usually leave out social relations. Doctors in training are never brought face-to-face with the power and greed of their profession. The report stops short of the main debate.

The report could also have talked about knowledges and how they are developing - and also the choices that we face. It could have talked about the media, the think-tanks and the private research institutes, and computer software: all producing knowledges, and often now outstripping the universities.

Instead, existing knowledge, existing professional training and the Arnolidian concept of preparing cultured individuals in formal education are all taken for granted. To the Aulich Committee, these are timeless truths. Despite the polemics against a focus on structure, it is not the content of disciplines that is in question in the report but the organisational structures in which they are taught.

When hard choices need to be made, the report's liberal progressive response is 'no comment'. Values should be thought about, and students should establish "a critical perspective on society". But the committee has no standpoint of its own from which to criticise society, and merely urges students to develop "a capacity to look at problems from a number of different perspectives". Dawkins has a viewpoint from which to judge education and that immediately makes his position stronger than that of the report.

One viewpoint from which to judge higher education is of the social groups largely excluded from it - especially working class students, and most of all Aboriginal students. The report rightly criticises the government for leaving equity policy to the institutions themselves, and says that "the opportunity to undertake higher education must be available to all Australians, whatever their individual circumstances and wherever they live, but then adds the crucial limiting phrase "subject only to the maintenance of proper academic standards".

We are back at Gough Whitlam, c.1972. The lesson of the last two decades is that, even if the economic barriers to access are lowered, traditional academic selection will still favour middle class students. Only mature age and other special entry schemes, cutting across "proper standards", enable a real shift in the socio-economic compensation of higher education.

But widespread non-traditional entry (like directly reforming the professional courses) would involve confronting the stronger universities. Despite its claims to be a reformer, the committee is actually rather timid in confronting centres of power, at least those centres of power outside Canberra. It is a genteel confrontation.

As a result its agenda is incapable of attracting popular support. The 1960s liberal-progressive promise that everything is possible if you expand access to an independent and autarkic liberal education system will no longer wash. Educational autonomy, value-free pluralism and ignoring economics no longer provide sufficient guide for a politics of radical reform of higher education - if they ever did.

SIMON MARGINSON is a research officer for the Federated Australian University Staff Associations.
For the moment, a stepped-up reform process is eroding the foundations that have kept Albania the last fortress of Stalinism in Europe. Though long overdue, the tiny country's gradual re-entry into the real world adds a new, possibly destabilising, dimension to the larger question of a peace operation. At the same time, the many Balkan peoples' uneasy coexistence. The self-proclaimed end of its repressive rule. Albania's liberalisation are challenging the Serb republic's self-isolation finally opens the way for inter-Balkan rapprochement and cooperation. The fate of Albania's uncharted reform is closely intertwined with the many Balkan peoples' uneasy coexistence. The self-proclaimed end of its self-isolation finally opens the way for inter-Balkan rapprochement and cooperation. At the same time, the country borders Yugoslavia's ethnically-torn Kosovo province, where nearly two million ethnic Albanians are challenging the Serb republic's oppressive rule. Albania's liberalisation could aggravate the province's explosive nationalist tensions, and hasten the Yugoslav federation's imminent disintegration.

Albania's reform course is fragile enough in its own right. Concessions in April, and then again in July, from the party hierarchy have set Tirana on a trajectory that none of its communist counterparts were able to maintain without social upheaval and collapse. But Albania's situation is unique. Its long history of subordination to foreign powers, a semi-feudal culture and a massive security apparatus might prevent domestic reform from spinning out of control. The leadership, however, must walk a very fine line between party hardliners within its ranks and a growing force of disenchanted youth across the country.

Under president and party head Ramiz Alia, Tirana is embarking on the second phase of a reform, first initiated after Hoxha's death in 1985. The cautious approach to change adopted by Alia, Hoxha's self-groomed heir, stems more from a sense of pragmatism than from a sincere commitment to democracy.

Albeit less frequently, Hoxha and Stalin are still extolled as the geniuses of marxism-leninism, and the Soviet leader Gorbachev is regularly castigated for completing the "political terrorism against communism" that his "spiritual father" Krushchev began. The new track, after four decades of suffocating tyranny, is justified as a "natural development of the policies of Enver Hoxha".

But unlike the paranoiac Hoxha, intent on "ideological purity" and isolation at all costs, Alia recognises that participation in international life is essential if its architect's creation is to survive in any form. Tirana appears willing to polish its international image in order to avert starvation and full-scale unrest at home. The refugee crisis has the government running scared. The spate of initiatives, now dramatically intensified, began after the Romanian revolution. Almost overnight in January, shops were better stocked and the tempo of its half-hearted perestroika accelerated.

Tiranaologists see the political thaw as a good will gesture toward the swelling numbers of well-informed young people who saw the events in Eastern Europe unfold on Greek, Yugoslav and Italian TV channels. International passports have been granted, penal codes and censorship laws modified, and a new ministry of justice established.

For the first time since 1967, when Albania declared itself "the world's only atheist state", religious practice will be tolerated. The celebration of non-secular holidays formerly carried stiff prison sentences. Churches and mosques may now open to a population that was two-thirds Muslim before the war. The fate is certain to revive itself, perhaps strengthening cultural links between Albanians and the overwhelmingly Muslim ethnic Albanians in Yugoslavia.

Progress on human rights is also under way. In a critical step forward, Albania finally ended its boycott of the Helsinki process this year. Amnesty International has heaped criticism upon the dictatorship's treatment of political prisoners and the Greek minority. Experts estimate that between 20-30,000 political prisoners are held in the country's five notorious prison camps.

The party has made overtures in the political realm, too, announcing a clampdown on cronism and a limited five-year tenure for ranking officials. Party newspapers have opened a forum for restrained debate. The reform from above, however, leaves the classic one-party security state intact. No movement toward genuine political pluralism can be detected from the aged cadres. Reports from Albania say that increased police surveillance has accompanied the experiment. Albania's own equivalent of the Romanian Securitate, the 30,000-strong Sigurimi paramilitary police, still keep a careful eye on the country's three million inhabitants.

At the root of Alia's Realpolitik is a decrepit economy unable to keep pace with the country's demographic explosion. The birth rate - five times that of the European average - adds 50-60,000 new workers a year to the workforce. Two years of drought have exacerbated the plight of a people with the lowest living standard on the Adriatic Escape

Gargantuan statues of Stalin and Albania's own orthodox communist mastermind, the late president Enver Hoxha, still keep watch over the capital city of Tirana. Yet Albania too is succumbing to the dynamic of change in Eastern Europe. The July refugee crisis, in which 6,000 people stormed the foreign embassies requesting political asylum, threatens to set in motion the same forces that toppled each of its orthodox communist counterparts.
continent. The economy's rigid centralisation, combined with its truncated access to foreign markets and technology, has caused exports to plummet. Industrial output is stagnating because of obsolete equipment and shortages of replacement parts for its Soviet and Chinese factories.

A push toward decentralisation and the introduction of limited market mechanisms marks a turning point in economic policy after five years of wary tinkering. The government's prescription includes fluctuating prices for different consumer goods, smaller and independent enterprises, and greater variance in personal income. In agriculture, larger private plots may serve as 'auxiliary farms' to boost supplies of meat, milk and vegetables.

Measures facilitating integration into the international economy have also begun. The country desperately needs foreign markets, credit and technology in order to put its considerable raw material and energy reserves to work. As Comecon sings its swan song, economists recognise that the lek will become worthless once the country's major trading partners convert to hard currency exchange. Albania's participation in the Balkan conference of foreign ministers last year paved the way for new regional trade agreements. The co-operation could help offset the consequences of the outsider's exclusion from the European Community trade bloc, as well as smooth over long-simmering border disputes.

The success of Alia's initiatives hinges upon his ability to simultaneously appease a restless young population and the party's hardcore stalinists. Reports of demonstrations in several cities this year confirmed suspicions that Albanians hadn't been reacting to the turmoil in Eastern Europe as indignantly as their rulers. The party itself appears split between hardliners led by Hoxha's widow, and pragmatists like Alia. Purges at the top have finally begun but the reverential old guard remains firmly in place.

The under-26 generation - a third of the population - has become more assertive, expressing its preference for jeans, rock and roll and trendy hair cuts over soporific party hymns and patriotic discipline. Unlike their Kosovo peers who, for decades, have spearheaded militant protest movements against the Yugoslav regime, Albanian students have no tradition of political opposition.

The nation's youth could well be the reformers' best ally in the short run. For Alia to graft an alliance between the two, he must delicately phase out the Stalin-Hoxha cult without sparking a coup. If the leader were to position himself as the well-intentioned reformer, like Romania's president Ion Iliescu, he might be able to distance himself sufficiently from the former dictator to bring the youth in tow.

In the meantime, the feared Sigimuri have history on their side in keeping a lid on dissent. The country has virtually no democratic or bourgeois traditions in its 500-year servitude under foreign despotism. As a result of its choice to share its Turkish rulers' fate almost until the end of the Ottoman Empire, Albanian sociopolitical culture is backward and rural, informed by centuries of tribalism.

Aspects of the Hoxha legacy are still sacred to many Albanians. The population feels itself indebted to him for securing its long-thwarted dream of national sovereignty. In its short history as a modern nation-state since 1912, Albania has been under the tutelage of, successively, Austria-Hungary, Yugoslavia, Italy, Germany, Yugoslavia again, the Soviet Union and China. The national pride of independence is a potent emotion that Alia consistently draws upon to shore up support.

Paul Hockenros writes for ALR on Central and Eastern Europe from his base in Budapest.
Civic Forum, the loose coalition of interests which spearheaded Czechoslovakia's 'Velvet Revolution' of November 1989, won a convincing victory in June in the first free parliamentary elections since 1946. Now it has embarked on the difficult task of forming a coalition from a diverse group of opposition parties.

Despite winning a majority in both houses of the federal parliament, Civic Forum / PAV will need coalition partners to ensure the three-fifths majority necessary in the upper house to elect the president and pass legislation on constitutional issues. The Forum has ruled out forming a coalition with either the communists or the Slovak Nationalist Party which advocates Slovak separatism. Forum leaders have expressed interest in forming a coalition with the Christian Democratic Alliance, but the Alliance is divided on the issue, with the Slovak Christian Democrats opposed to, and the Czech party amenable to, coalition.

The third constituent of the Christian Democratic Alliance, the People's Party, was rocked by the revelation on the eve of the election that its leader, Josef Bartonick, was a paid informer for 17 years until 1988. This was no doubt a strong influence on the richer than expected showing of the Alliance. Other factors included the strong campaign and great personal popularity of Civic Forum leader Vaclav Havel, the better than expected performance of the Slovak and other nationalist groups, and the surprising showing of the Communist Party.

Despite retaining their name, the communists are trying to foster a new image personified by their new symbol, the cherry. They are seeking to cultivate the image of a modern, left party and have artfully adopted a shopping list of new policies that endorse market economy reforms, freedom of religion and the withdrawal of Soviet troops from Czechoslovakia. Their second-place showing in the elections preserves them as a lingering potent force in the parliament, ready to capitalise on mounting public discontent should the consequences of the new government's economic reforms prove too harsh and unpalatable to an electorate long used to guaranteed, if basic, security.

Rising unemployment and a fall in living standards are to be expected in the short term as dramatic economic adjustments are made. The ease and pace of change is uncertain, not just in the case of structural or technical reforms but also social. There will probably be an uncertain shift in attitudes from a narrowly focussed bureaucratic outlook to one based on a profit incentive and whose Weltanschauung actually encompasses elements of service - a creature dormant and thought extinct for the past 40 years. The exact social implications of a shift to a market-based society remain to be seen, but there is certainly no shortage of enthusiasm for the rediscovery of the long-buried business ideal in the Czech psyche; the recently formed Czechoslovak Association of Private Entrepreneurs has over 130,000 members and is booming. (The Green Party, by way of comparison, has approximately 100,000 members.)

Tensions over the direction of economic policy are threatening to destabilise the Civic Forum government. The Finance Minister Vaclav Klaus is a devout Friedmanite and favours immediate, sweeping monetarist reforms, including widespread privatisation. This approach has been sharply attacked by Deputy Prime Minister Valtr Komarek who, as a one-time Marxist economist, favours more moderate restructuring with a gradualist implementation. But whichever path in economic restructuring is taken, the landing will not be a soft one. There will be a strong decline in exports over the next decade as industry attempts to convert current non-competitive outputs (formerly exported to the USSR) to internationally competitive standards.

Komarek has calculated that this conversion process over a period of ten years may cost $14 billion at current values. Given the ideological parameters of the International Monetary Fund, it will be unlikely to lend money unless a policy of fast-track restructuring is implemented. Yet, despite the awareness of a need for profound reform, one of the hallmarks of Civic Forum has been its humane philosophy, something which may provide a buffer against the 'short, sharp shock' philosophy prevalent, for instance, in Poland. This comes as no surprise in a country with a history of industrialisation and progressive social policies prior to World War Two.

Policy debates aside, Civic Forum is to hold a congress in the autumn to decide its future. Never a political party, it is now an umbrella organisation representing a diverse spectrum of interests whose unity of purpose was the restoration of democracy. Campaign leader Jan Urban described it as a "rescue operation. Why bother about the colour of the lifeboat when you are drowning in the sea?" Now that goal has been achieved the continuing role of Civic Forum will need to be examined. It is certainly on the cards that it might disintegrate totally, though Havel's own future as philosopher-president now seems assured.

SASHA STEFAN teaches in politics at Monash University. She visited Czechoslovakia in April.
Jose Concepcion, businessman of the Republic Flour Mills (RFM) behind the throne in Manila. He ment, is one of the main powers industry in the Aquino govern­

By government incompetence and among Marcos' cronies and found is, those businessmen who were not enfranchised business class — that life stayed well out of politics. The Corp and for much of his business decline of the Aquino regime.

is also the personification of the Council and a board member of the US)-backed National Movement for opposition movement.

emerged as a leading figure of the Marcos regime was not considering emergency law powers to establish a monopoly in the cement industry in which he has an interest.

By far the most serious charges arise from the so-called "petrosacam" revolving around the establishment of a petrochemical plant, originally by Luzon, the off­shoot of a Taiwanese-based transnational, in a joint venture with the government's PNOCC. When Luzon decided to change the plant's location, PNOCC pulled out. Nevertheless, a consortium of Filipino banks was to give Luzon Corp a massive loan. Such a loan to a company with no track record was unusual but perhaps not as unusual as the other financial arrangements where the remainder of the 'private' capital was to be raised through a series of debt-equity trade-offs which ultimately amounted to a massive subsidy by the Philippines government. Concepcion not only approved and defended the project, but has been accused of pressuring the banks to grant Luzon's loans.

One of Joecon's main accusers over the petrosacam has been Joker Arroyo, a human rights lawyer and leading opposition figure under Marcos and a former member of Aquino's cabinet. Arroyo had been president of the government-controlled Philippine National Bank, an institution central in the petrosacam, and had accused Joecon of incompetence and influence-peddling in the affair. However, on June 5 this year, Joker was sacked as PNB chief after a concerted public attack by Concepcion.

Whether Joker was simply a loser in the traditionally tough game of factional politics or a white knight fighting corruption, the fact remains that when Concepcion was accused essentially of cronyism, he used the crony's traditional reply of using ac­cess to the president to quash all opposition. Another of Joecon's accusers, Senator John Osmena, from a family known more for their sugar wealth than their commitment to democracy, summed it up when he said that "we got rid of the Marcos cronies only to replace them with new ones".

Nevertheless, for the moment at least, there is still a congress to pressure the new cronies and Osmena's Blue Ribbon Committee will con­tinue its investigations in July. Per­haps Concepcion will eventually be caught out, but he is only the most obvious example of a government whose corruption and incompetence has rendered it powerless in the face of a disintegrating economic and political system.

Just as Joecon now looks like those cronies he entered politics to fight against, so the general situation in many ways resembles that of the final years of Marcos. The quest­ion which arises now from the dis­integration of the state under Aquino, is whether the fractured ruling classes can again regroup and come up with a new formation to stop the rot, or whether the na­tional democratic movement can take the initiative and build a truly new system.

Greg Ogle.
People say that business ethics are lousy. Worse than ever. Horrible. Frightening. Something’s got to be done.

Prominent business people say so.

What are business ethics? They’re what people expect. What they’re used to, a community standard. So, who sets them? Leaders. Who are they? The people on the cover of Business Review Weekly? “Not any more they’re not!” I hear you say.

Tom Paine, in an essay written in the 18th century, talked about common sense. Societies, he said, follow their own best interests by and large. But not always. Government exists to curb the instincts of those who cheat that tendency.

Australia has had its share of cheats over the years. Macarthur and his mates were keen on the odd bastardry. But the eighties were exceptional. It was as if one night a whole generation or two of citizens went to bed and woke up in a dream, singing “We’re off to see the wizard...”

The wicked witch won that one. Out in the West, they’re still trying to sort out the mess. Auditors have been arrested. Inquiries continue. The spillover, in Sydney, is the inquest into the death of Spedley Securities. Queensland’s hero, Christopher Skase, awaits his fate in the appropriately titled Mirage resort. And in Victoria Ian Johns of Tricontinental, John Elliott of Elders and Bill Farrow of Farrow Corporation have succumbed. South Australians must wait with bated breath.

This is not a clean up. It is fallout. The difference is that we have no clear idea of what is done to correct the problem that is now so evident. We are, after all, talking about bank losses of perhaps $9 billion, and shareholders’ losses of at least that much. Taxpayers have paid, or will have to pay for financial atrocities in West Australia and Victoria. And, if the recent efforts of the Australian Taxation Office are any guide, the whole society has subsidised at least some of the debt that fuelled much of what has gone wrong.

The business ethic that counts is an ability to believe what people say. If people lie, and other people - like bankers - believe them, then things tend to go wrong. If people live in a fantasy, then often they tell lies. Drug addicts, for example, often do. They might think they’re telling the truth. But they’re not.

The difference with business is that addicts of money often look respectable. Plausible. Because they conform to our expectations of respectability and plausibility.

Remember the Drug Summit? Well, the business debt summit was like that. Prominent business people proclaiming that we had overdone it. Our consumption was excessive. We couldn’t afford it. And now the whole community had to get behind an effort to stamp it out. The trouble is, half of the speakers were people who had been prominent dealers.

Rather than be cynical about this, let’s deal with reality. The fact is that Australian business culture has been, until recently, a very cosy place. Managers in many businesses, especially the well established domestic ones like brewing, farming, media, banking and retailing all have had nice arrangements about how to cut their cloth. People got on by asking few questions: by being agreeable.

Capital was largely locked up in a friendly, faithful way, whether through the wealth of individuals who built the business originally or through friendly superannuation funds. Then, in the mid-1970s, things began to change.

John Elliott, John Spalvins, Alan Bond, Christopher Skase and Ron Brierley got hold of companies that, characteristically, had been safe, conservative, rich in assets and in cash. Importantly, their management had rarely - if ever - been contested.

With a foothold, each grew by acquisition. And with debt. Each case is different, but all found acceptance in changing the face of stodgy businesses, making them bigger and more aggressive. The trick, taught most prominently by the success of Rupert Murdoch, was to “leverage” assets and cash flow. Brierley found cash in the hidey holes of the nation’s many co-operatives. Elliott and his mates bought the untradable shares of fruit growers to get control of a jam maker. Skase found a jeweller and some regional TV.

Importantly, all were favoured by the realisation among long term investors that there was money around to unlock the “real” value of their old investments. The money that turned the key was debt. What banks and shareholders really were saying was that business should perform better. Why?

Let’s go back to the beginning, to the seventies. Institutional investment managers will say that the turning point was the 1974 metal industry award and subsequent flow-ons that kicked over the rule book. Businesses with flat profit growth found that, with wages increasing sharply, they had to find better profits elsewhere. As costs were cut, and jobs shed, there was also pressure for super funds to produce better returns. So the funds began looking more harshly at the shares they invested in.

By the mid-1980s, superannuation funds’ performance was compared quarterly, which was ridiculous. They invest for retirement, over generations. Yet competitive pressures encouraged them to chase trading profits almost daily. Coupled with the debt offered in newly competitive banking, any company was up for grabs. Literally. Remember the days when Robert Holmes à Court was, seriously, going to borrow billions to buy BHP?
Now this is not exclusively an Australian phenomenon. But it was unusually prevalent here. And, to get back to the point, it was not entirely due to a change in ethics.

Everyone in Australia got a new sense of leadership in the 1980s. Politics was different. The ALP, in government, was still the Whitlam-esque party of the middle class. But the middle class was different. They were the ones being offered cash for their assets, with a nice multiple of capital gain. And the ALP, perhaps unknowingly, fuelled that ambition.

There was a will for new management to emerge. Perhaps it was a necessity given the much better educated quality of trade union officials.

And there is no doubt that a very well-educated, well-paid industry of advisers grew up who could find the money and the rationale for almost any financial scheme.

A lot of people, transfixed by what appeared to be the benefits of radical change, ignored or forgot old rules about debt. Those who had doubts were, everywhere, confined to social cupboards. Many were prepared to encourage the radicals as they shafted old enemies. BHP, the

Herald and Weekly Times, CUB and others had few friends when the raiders knocked.

Now the anthem of capital is "Back to Basics". Managers are wanted who know who owes and who gets paid. Auditors, who used to let the odd pork pie slip past with an eye to the cheque in the mail, now threaten not to sign corporate reports that aren't dinki di. Regulators are arresting people. And banks are tough. Very tough.

Something might happen this time, if only for a generation. Because this time people who did the deals are still in the chair when the rug gets pulled. Bankers are having a lousy time, because the debts they approved are turning rotten before they get a chance to move on. Auditors, too, are having to explain why last year's returns look not a thing like this year's. Those people will have the rest of their usually long careers to chew on that.

Australian business will probably end up better managed. The nation's mineral companies have emerged much better for the excesses of the 1970s 'resources boom'. Media, once the debts are cleared, will probably be better too. Brewing is a bigger, better international - though it might yet be owned by foreigners. BHP is now a very strong company, with an eye to worthwhile growth. But one fundamental is still missing.

After all that, we still don't have an instinct - ethic - of building companies.

Economic management is damage control. Interest rates are inflicting damage, and our economic managers are controlling that. The natural tendency to monopoly which, in Australia, remains a characteristic of business, has been encouraged by government policy. Manufacturing, after all the evidence, still rates second to financial engineering.

Personally I think we'd be much better off if the policy signals were direct and said: "Don't be a merchant banker / takeover lawyer / tax adviser, make something!" A great many of the nation's best synapses are busy unscrambling tax laws, trust deeds and dividend yields. That's not the case in any of the societies where things work. In fact, as things have gone, we might soon have to compare Australia's economy with that of Monaco.

Ethics and leadership do not occur in a vacuum. If political leaders prefer the company of smart people, then most likely they will be brokers. Not people who face hard decisions making things. Not people who have to worry about the long term effect of high interest rates or an over-valued currency.

Smart people often like to get the highest income available to them. That, most often, will not be long term effort, but in jobs where the quid comes in big lumps. So the leadership, de facto, is most likely still among those who won't know what it's like in the tough jobs.

To change that, only the political leadership can act. And, so far as the ALP is concerned, that will mean talking to people they regard as traditional enemies. People who, probably, vote Liberal. Or, at least, aren't fashionable.

It may well be that that process is happening. It's just that there's no sign yet. If it's not happening, then we're probably headed for more of the same.

MICHAEL GILL is a finance writer for the Australian Financial Review.
Telecom's future lies in the balance. A foreign Goliath may be matched against the domestic David. For Doug Fraser the playing field for this contest looks more like a ski-slope.

The gulf between economic rationalism and economic rationality continues to widen with the latest developments in Australian telecommunications policy.

Less than a year ago the government passed a package of legislation which brought about the most radical change in the industry since Federation. The effect of that package was to turn the two largest government-owned common carriers into profit-maximising concerns (restrained, in Telecom's case, by a 'community service obligation' of specious import and dubious enforceability) and to admit competition to all those areas of the business that were likely to be even remotely interesting to the private sector. In normal circumstances, one would have expected the government to leave the new arrangements a couple of years to settle before tampering further with the system. Yet, before the new arrangements are properly on their feet, we find ourselves faced with the prospect of a new round of deregulation.

The irony of this move is that it is officially justified by the need to bail out the least commercially successful performer of the three government-owned carriers - the perennially embarrassed Aussat.

The government has already been obliged by the imminent bankruptcy of its latest creation to prop it up with a $100 million injection of capital - something which it has vociferously proclaimed itself unable to do for more deserving public enterprises. The logical move, one might expect, would be to declare the experiment a failure, wind up the company, and take steps (however costly in the short term) to rid Australia of its commitment to a second generation of satellites that will cost roughly 50% more than the first, at a time when the predicted demand for satellite services (both in Australia and worldwide) is at its lowest level since Aussat was set up in 1981.

Yet the most logical response seems to have been the first to be dismissed out of hand. Instead, the government is considering three options:

1. Sell off part or all of Aussat to private investors and allow it to compete in the market for terrestrial as well as satellite services;
2. Merge Aussat with the international carrier OTC (which has already been converted into a company) and allow the merged entity to compete with Telecom in the domestic market;

3. Merge Telecom, Aussat and OTC into a single government-owned carrier (now familiarly known as 'Megacom') and admit a foreign-owned firm to compete with it in all areas of the market.

Note the common element in all these options - more competition for Telecom. It is hard to see this as any logical solution to the immediate troubles of Aussat; indeed, Aussat's never-ending woes could well be taken as evidence that the Australian market is not big enough to allow room for even the most circumscribed and protected competition in basic carriage. At best, it could be argued in the case of the first two options that, if the paramount goal is to keep Aussat in business somehow - and even more so, if it is to attract any private buyers - the only way to do so is to hand it a larger slice of Telecom's business. Efficiency hardly comes into the argument.

So far as the third option goes, it is even harder to find any justification. After all, the merger of the three government carriers would seem to imply a belated recognition that any gains in efficiency arising from the existence of three independent, partly competing, firms are more than outweighed by the added economies of scale and scope that would come from pooling their resources.

But in that case why fragment the market all over again by letting in another competitor? Especially when that competitor is almost certain to be an overseas monopolist several times Telecom's size, protected by regulation in its home market, and consequently under less incentive than a purely Australian operator to set its prices efficiently in such parts of the local market as it sees fit to enter.

It probably makes more sense to dismiss the issue of Aussat's viability as a convenient red herring and seek the reasons in the ideology of 'microeconomic reform' (previously, and more enlighteningly, known as the Treasury Line) which rests on a religious faith in the ability of competition to solve all the problems of industry policy. And this faith is sustained even in areas where the market is known to fail, where competition can only be sustained in the long term as a regulatory artefact, and where having more than one firm in the market has been shown (as in the case of cellular mobile phones) to increase overall costs.
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In June Lindsay Tanner’s article on Labor’s factions caused a stir in the ALP — and The Australian.

In July Chris Lloyd’s comments on the Accord caused controversy.

Remember — you read it first in ALR.

The arguments... are being carried by Lindsay Tanner, the Victorian boss of the Federated Clerks Union who, perhaps ironically, is a member of the Socialist Left, the most structured of all Labor’s factions.

In a paper prepared for the June issue of Australian Left Review, Tanner summarises the case for urgent reform thus: “If changes do not happen, the Labor Party will simply wither and die, to be supplanted by other tides in the spectrum by other forces.”

In an interview to be published in the Australian Left Review on Monday, AMWU research officer, Mr Th. Chris Lloyd, said he believed Accord Mark VI, was in “real danger of simply being an instrument to force everybody to enterprise bargaining”.

Stressing he was stressing the point of the person,

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An even better explanation can be found in that characteristic phenomenon of bureaucracy, the persistence of failed policy. Students of Australian public administration will have observed that once the public service has put any significant effort into developing a policy approach, it is unlikely ever to shelve it. A policy that has failed in practice or been found distasteful by the government of the day will be put to bed in a file until everybody has had time to forget about it, and then rolled out again in a new set of clothes. And since bureaucrats tend to stay put while governments come and go, the process can be repeated through any number of cycles until bureaucratic attrition eventually forces some government, weaker or more confused than its predecessors, to implement something resembling the original proposal.

ALR readers with long memories will recall the Davidson Inquiry, commissioned by the Fraser government in the early 1980s. That inquiry recommended a scheme of deregulation more radical than anything in existence overseas at the time. The implications were so alarming that even the Coalition, with an election imminent, got cold feet about it. When Labor came to power, partly on the strength of its commitment not to interfere with the existing arrangements, many on the Left fondly imagined that the report was buried with a stake through its heart.

In truth, it had merely gone to sleep in its coffin. If you study Davidson’s recommendations, you will find that most of them have already been effectively implemented through the 1989 legislation. Telecom has even been broken up, though not in quite the manner envisaged by Davidson. Those parts of the scheme that are not yet in force will be largely implemented if any of the proposed options becomes policy. In two respects, however, the proposed policies go beyond anything intended by Davidson.

The first concerns the identity of the new competitors. Davidson, and most of the proponents of deregulation since then, have depicted their ‘reforms’ as opening up opportunities for lean, thrusting start-up Australian firms which had hitherto been frustrated in their burning desire to contribute to the progress of local high-technology industry by the oppressive weight of monopoly. The current round of deliberations has finally dispensed with this nonsense. It is now officially acknowledged that the only firms with the resources and the motivation to take a substantial part of Telecom’s business will be established, overseas-owned, and very large indeed.

The second advance on Davidson concerns the integrity of the network. While Davidson did envisage some limited network competition, all the deregulators since have conceded that wherever else competition should occur, the basic network must remain sacrosanct. Competition was said to be desirable, not to mention inevitable, in specialised private networks and value-added services (howsoever defined); but in the interests of connectivity and cost-effectiveness it was acknowledged that the basic network, at least in a market of Australia’s relatively diminutive size, had to be run by a single operator.

The main concession which the 1989 legislation made to economic rationality was that it preserved Telecom’s monopoly on basic carriage. For both sides of the debate, this has so far remained the one reasonably firm rule in a generally dirty game.

Yet, all of a sudden, with no attempt at logical justification, this rule seems to have been abandoned.
When the government talks about competition, under any of the options now under consideration, what it means is network competition.

It is important to realise just what kind of network competition is involved. Do not imagine that a subsidiary of Nynex or British Telecom or, for that matter, OTC, will come knocking at your door to offer you a better deal on your single-line phone service in Footscray. Nobody (including Telecom) is terribly interested in that end of the market. To the extent that new entrants want access to the individual small subscriber, they will get it by forcing Telecom to provide the capacity at discount rates. All indications are that the government is prepared to oblige them in any new legislation. This will leave Telecom with sole responsibility for providing the customer access network (CAN) or local loop - the part of the network that involves the biggest sunk costs, the highest maintenance requirement and the lowest returns on investment - while the other firms compete for the areas of carriage where the big, quick profits lie.

What are those areas? In the first place, bulk carriage for the big corporate networks. In the second place, and arguably more important, cut-price STD. To meet competition in those areas, Telecom will need to ‘rebalance’ its charges so that a greater proportion of the total costs of operating the network is loaded on to local call charges and domestic and small-business rentals and connection charges. A similar process has taken place in every overseas country that has deregulated its telecommunications. This is the main reason why, without exception, deregulation overseas has led to a massive increase in the domestic consumer’s phone bill.

All this is no argument for staying with the status quo. Indeed, I would argue that the real damage has already been done with last year’s package of legislation. One of the things I found most devastating at the time that package was going through parliament was how few people, even on the Left, seemed to realise the disastrous import of what was being put into law.

In its practical import, that package has had two main thrusts. The first concerns Telecom itself. On the surface, it appears to give Telecom Management what it had been asking for all along: freedom from the responsibilities and constraints of an arm of government. The new charter explicitly requires Telecom to behave like an ordinary profit-maximising company, and the balance of the package certainly assumes that it will do just that. The only constraint is the much-vaunted ‘community service obligation’ (note that there is only one, although it is regularly referred to in the plural). This is the sort of exogenous constraint that might be imposed on a private company, and hedged about with reporting requirements which clearly imply that the government is expected either to wafer it down or to pick up the tab should it ever become sufficiently onerous to interfere with Telecom’s commercial activities. As a further sweetener, management is given the freedom to set its own salary packages and take considerable liberties with its employees (which, in fact, it had already been taking with relative impunity for some time previously).

On the other hand, Telecom seems to come out the loser in financial terms. In this respect, the hand of the Department of Finance is much in evidence. Not only was it required to pay Commonwealth income tax; it also became liable for state and local government taxes and charges. It is estimated that in the 1990/91 financial year, when the full burden of these taxes first comes into effect, Telecom will be contributing over $2 billion a year in various forms to Consolidated Revenue.

Perhaps the most onerous, and least remarked, aspect of the new imposts concerns their funding. No less than 75% of its existing government loans are to be retired as they mature, and refinanced from private sources. The impact of this is such that Telecom’s entire approved borrowing program for 1989/90, a total of nearly $600 million, went on refinancing existing debt, leaving nothing over for new network investment.

Telecom’s other source of investment funds, its annual trading profit, seems equally precarious. Under the 1989 legislation, it is caught in a continuing squeeze between the price-cap on earnings from basic services, and the new requirements to pay a dividend to the Commonwealth. The level of this dividend is to be set in each year, effectively by the Department of Finance, which has never been exactly renowned for its sensitivity to the needs of public enterprises.

These hardly look like appropriate financial arrangements for a concern that is supposed to be gearing itself up to face competition from some of the largest firms in the world. One wonders how many of Telecom’s overseas competitors are subject to comparable exactions. In the short term, Telecom doubtless hopes to be able to create the necessary room to move through staff reductions; but if competition really begins to bite, it is hard to see that it can survive without major dilution of the standards of service to small customers.

The second thrust of the package concerns the role of the private sector. Private firms are now effectively free to compete with Telecom and other carriers in every area of the market except ‘reserved services’ narrowly defined as ‘primary communications carriage’. And, in any case, the Act provides no penalty for any private firm that does transgress this boundary. There is a kind of licensing scheme in force for private operators; but it is of a very curious kind, under which any firm that is providing a service falling within the very broad confines of one of the two ‘class licences’ is automatically deemed to be licensed, even if the regulatory authority knows nothing of its existence. There is no provision for
licences to impose specific conditions on any individual provider; a licence cannot be revoked; and there are no provisions for periodic review. In short, it is hard to see that the licensing scheme has any regulatory force at all.

The package also set up a new independent regulatory authority, AUSTEL. As should be clear from the last paragraph, AUSTEL has very little real power to regulate where the private sector is concerned; in practice, it seems to have equally little inclination. Within the first months of its existence, one of its top officials informed a public conference that it saw its role in relation to the private sector as being that of "a facilitator rather than a regulator". So far there has been little evidence of any similar willingness to 'facilitate' the government-owned carriers. As an illustration of 'capture' of a regulator by the industry it is supposed to be regulating, AUSTEL has already eclipsed the apparently unsurpassable record of the late unlamented Broadcasting Control Board.

The imbalances do not end there. Telecom is explicitly prevented by the act from passing on to the consumer the savings from any economies of scope that might result from offering a 'value-added' service as part of the normal service (as the French, for example, have done with videotex). It is actually prohibited from offering a reserved service of a higher standard than decreed by the minister. Neither of these constraints, needless to say, applies to its private competitors (and one wonders whether, if the current plans come to fruition, they will be applied to foreign network competitors). In addition, it is subject to a daunting array of ministerial and bureaucratic supervision and requirements of disclosure which do not apply to any private firm in the industry. If this is meant to be a level playing field, I would hate to see the government's idea of a ski slope.

It would be wrong to see Telecom as the innocent victim in this process. In fact, there is ample evidence that Telecom management asked for everything they got. In the absence of encouragement from successive governments to behave as a responsible public enterprise, its senior managers since the mid-1980s have been steadily adapting themselves, and the institution, to the incentives of a very imperfect market. In defending the role of a publicly accountable monopoly carrier, it is important to remember that what we need to defend is the basic concept of the institution, and not the organisation as it actually is.

Make no mistake: telecommunications policy is awesomely complex. There are no simple solutions, and very little unequivocal evidence. Insofar as I have simplified the issues for the purposes of this article, I have distorted them. But let me leave you with one more thought to mull over. Critics who aim to demonstrate the inefficiency of Telecom's monopoly regularly resort to comparisons between its scale of charges and the supposedly lower prices achieved in countries that have introduced deregulation and/or privatisation. Without exception, they fail to mention the country that has, by every reasonable measure, the world's cheapest telephone calls.

That country, you may be surprised to hear, is Sweden. Faced with geographic difficulties comparable to those of Australia, and in a country notorious for its high cost of living, the Swedes have managed to keep the price of their telephone service below that of countries that offer vastly greater economies of scale. And they have managed to do so without sacrificing quality of service or the record of technical innovation which has kept Swedish firms in the forefront of the world electronics industry.

"There is ample evidence that Telecom management asked for everything they got"

Telecommunications in Sweden are run by a monopoly. On the commonly used 'index of liberality', its regulatory regime rates lowest of all the west European countries. Televerket, the monopoly carrier, produces an annual rate of return on investment in the neighbourhood of 4%, as against around 14% for Telecom; its annual profit is vanishingly small. By the standards of commercial performance that are supposed to be the only reliable indicators of efficiency for public enterprises in Australia today, it would doubtless be classified as a basket case, ripe for takeover by the first passing multinational.

It makes you wonder just how long Australia can afford to keep on sailing on the wrong tack.

DOUG FRASER is a Melbourne communications policy consultant and a former policy adviser to Telecom.
**SALE Time**

The privatisation debate revived with a vengeance in July. The Left has responded by digging in around the ALP platform. But Peter Baldwin argues that defending the status quo isn't good enough. The public sector isn't set in stone, and a new role for public enterprises is needed.

For many years a significant section of the Australian labour movement regarded public ownership as an inherently ‘good thing’, justifiable on grounds of ideological principle alone. For a variety of reasons, not least the recent developments in Eastern Europe, such a position no longer has any credibility. There is now widespread acceptance that public ownership should be argued for in terms of the specific practical benefits it confers.

In Labor’s present privatisation debate, the defenders of public enterprise have argued that public ownership of business enterprises is necessary for the achievement of broader goals, including the successful restructuring of the Australian economy. However, the difficulty with this is that the government’s present ‘portfolio’ of business enterprises has grown up in response to a variety of historical circumstances, some of which are relevant to those goals, others less so. This article argues that an active public enterprise sector does have an important role to play but that defenders of public enterprise need to ‘restructure’ their own priorities in the current debate.

The privatisation debate is the latest episode in a long-standing controversy within the Labor movement over the extent of public sector involvement in the economy. This has been reflected in a number of major debates about the interpretation of the party’s ‘socialisation objective’. Traditionally, this argument has formed the core of the ideological division between Left and Right in the ALP. To this day, the ALP remains nominally committed to the ‘democratic socialisation of industry, production, distribution and exchange, to the extent necessary to eliminate exploitation and other anti-social features in these fields’.

A perennial complaint of the Labor Left has been that successive ALP governments have disregarded the ‘objective’, preferring to stake their claim to government on the provision of a more efficient and equitable approach to the management of a capitalist economy. The Labor Right has countered that the ‘objective’ has long been an anachronism bearing little real relationship to the tasks and priorities of Labor in government. It is seen as a piece of ideological baggage, the discarding of which would be an important priority were it not for the fact that it is now generally seen as a dead letter anyway.

It seems incongruous to some that a Labor Treasurer in a government nominally committed to socialism should proudly proclaim his success in bringing about an unprecedented reduction in the ratio of Commonwealth spending to Gross Domestic Product. In response to this sort of criticism, Treasurer Keating...
argues that he is fashioning a new Labor ‘tradition’ to replace an obsolete Labor ideology founded on outdated and discredited ideas. This involves the explicit embrace of market mechanisms as the prime agency of beneficial economic change.

Paul Keating is not, of course, alone in his celebration of the market. Ante Markovic, the Prime Minister of ‘communist’ Yugoslavia, is reported to have said in a recent speech that: “I consider the open-market economy to be an ultimate achievement of mankind for which no alternative has yet been found.” These sorts of sentiments are a natural response to the massive systemic crises which have brought down the bureaucratic command economies of Eastern Europe and have had an impact on debate on economic policy within the ALP.

If, it has been argued, most of these countries now see virtue in introducing large elements of a private market economy, then surely there must be something wrong with trying to shift Australian policy in the reverse direction? In this context, the Labor Left has been portrayed as desperately holding out against a historic tide, as wanting to travel down a ‘time tunnel’ to the past.

A typical Left response has been to say that the Eastern European experience is the outcome of a particular historical context, and is of no relevance to a genuinely democratic and accountable socialism of the sort advocated by the Labor Left in Australia. But it is not so easy. The marxist authors of a recent major study of Eastern European societies have argued that the Western Left must come to grips with the Eastern European experience, and that:

...the attempts to treat it exclusively or basically in terms of a backward national history seems to us, especially when undertaken by radicals in either East or West, to be a form of escapism - escapism from the fact that these societies, however tragic this may be, do belong to the international history of that social and intellectual movement which bears the name of socialism.

The failure of Eastern European ‘socialism’ is undoubtedly a major factor in the virtual disappearance from contemporary Australian debate of serious proposals to extend public ownership. It is noteworthy that Australia Reconstructed, endorsed by the ACTU as its blueprint for long-term economic change, contains no reference to such a notion. This is particularly surprising given that the document was largely the
product of people whose background is with the Left of
the trade union movement.

More generally, the 1980s were a pretty dismal
decade for the Western Left. It was a period during
which the benefits of small government, deregulation
and minimally constrained markets came to be ac-
cepted by governments of various nominal ideological
persuasions. The collapse in the 1980s of the French
Socialist government’s early program based on a highly
distributive reflation of the economy and large scale
nationalisation of banks and productive enterprise was
widely seen as the death-knell of the type of socialism
traditionally espoused by the Western democratic Left.
It is in this sort of environment that privatisation, made
more palatable by Margaret Thatcher’s concept of mil-
ions of ordinary people participating in a ‘sharehold-
ing democracy’, has gained currency in some
unexpected circles. It forms the larger backdrop to
Australian Labor’s privatisation debate.

The Eastern European experience (where shortages,
coinciding with massive waste, have been a recurrent
phenomenon) demonstrates that there is a whole range
of economic activities for which there is no practical
alternative to the market as an allocative mechanism.
There is a need then to avoid equating socialism with
the absence of markets.

But the presence or absence of markets is a concep-
tually distinct issue from the ownership question. Some
socialist writers have drawn attention to the theoretical
possibility of a ‘community of producer co-operatives’
in which each co-operative is wholly owned by its
workforce, but interacts with the rest of the economy
through the market. However, the recent unfortunate
experience of ‘self-managed socialism’ in Yugoslavia
has cast considerable doubt on the practicality of such
a system.

The thrust of present Australian federal government
policy is to ‘corporatise’ the Government Business
Enterprises (GBEs) so as to make them more market-
responsible, hoping thereby to capture most of the
benefits thought to flow from privatisation. The weight
of evidence is that government-owned enterprises are
perfectly capable of functioning well in a market en-
vironment, given reasonable freedom from
bureaucratic constraints. Most surveys conclude that
there is little systematic evidence that private ownership,
in itself, leads to greater efficiency, though the
flexibility of the Australian GBEs continues to suffer
from bureaucratic impediments.

In endorsing a major role for the market, it is neces-
sary not to go too far in abandoning economic planning
and intervention. When we look at those economies
around the world which are generally held up as
models of successful economic development, we
generally find a high level of planning and intervention,
though of a different sort to that applied in Eastern
Europe.

Japan and the Newly Industrialised Countries (NICs)
of East Asia provide some of the clearest illustrations of
these points. During their periods of rapid growth,
these countries (with Hong Kong the sole exception)
made extensive use of interventionist policies designed
to ensure the development of those areas of the
economy thought to be particularly important to their
emergence as significant economic powers. There was
an emphasis on ensuring the implementation of long-
term plans geared to product and process innovation
and penetration of new markets, with a preparedness
to sacrifice short-term profitability to these goals. These
economies differ so much from the free market ideal
that the author of the definitive history of Japan’s post-
war economic development, Chalmers Johnson, has
argued that they should be seen as a distinct form of
political economy, the Capitalist Developmental State,
different to both free-market capitalism and socialism.

Some Western commentaries (including the Garnaut
report), in seeking to explain the East Asian countries’
economic performance, have tended to emphasise cultur-
fiscal features, particularly attitudes to work and saving.
Johnson maintains, however, that the role of the ‘in-
stitutions of high speed growth’ that comprise the
developmental state’ in these countries is more impor-
tant. These include the economic planning agencies, the
highly regulated financial systems and the pervasively
influential bureaucratic arms (the most famous being
Japan’s Ministry of International Trade and Industry -
MITI) that, together, provide a powerful armoury of
instruments for interventionist economic policies.

These have enabled a significant degree of economic
planning. How do we explain the ‘success’ of planning
in these countries compared to its failure in Eastern
Europe? Johnson describes systems marked by a prag-
matic, empirical approach to planning as ‘plan-
rational’. Japan and the newly industrialised countries
of East Asia fall into this category. These seek to harness
direct market forces, rather than discard them.
Johnson contrasts these with both the ‘market-rational’
systems of the Anglo-Saxon world, and the ‘plan
ideological’ systems of the Soviet bloc. “In the Soviet
Union and its dependencies and emulators, state
ownership of the means of production, state planning
and bureaucratic goal-setting are not rational means to
a development goal...they are fundamental values in
themselves, not to be challenged by evidence of either
inefficiency or ineffectiveness...”.

The value of looking at ‘plan-rational’ economies
such as those of the countries of East Asia, is that they
provide a necessary antidote to the current Australian
infatuation with untrammelled market forces. There is
little evidence from economic history to suggest that a
dependence on market forces alone will produce the
structural transformation the Australian economy needs.

At the beginning of this article reference was made to federal government arguments in support of privatisation. Before proceeding to consider priorities in making a case for privatisation, senior government ministers have relied overwhelmingly on the supposed pressure on government outlays that would result were GBEs to remain in full public ownership. Without privatisation, so the argument goes, the government will need to spend hundreds of millions of dollars over the next few years to strengthen the ‘capital base’ of the enterprises concerned. This is said to be necessary in order that the GBEs maintain commercially acceptable ‘gearing ratios’ (the ratio of debt to equity).

If this argument is valid, it could be used to justify an endless series of further privatisations. But is it really the case that selling equity in GBEs eases the fiscal constraint facing governments? The fact is that nobody who has looked at this argument seriously - not academic economists, not financial journalists, not economists employed by global financial institutions, nor, for that matter, Paul Keating, really accords the argument any weight. Unless there is some efficiency advantage inherent in private ownership (and the senior ministers who support privatisation have explicitly rejected any such claim), there is no genuine fiscal benefit from such sales.

Before turning to this point in more detail, it is worth noting that there is some controversy about the amounts of new equity capital required by the GBEs. Central to this controversy has been the question of why government-owned enterprises (with either an explicit or implicit government guarantee) should need similar gearing ratios to private enterprises. However, while there is disagreement about the amounts involved, it is generally conceded that significant new equity should be provided over the next few years of the GBEs are to compete effectively.

Despite its superficial plausibility, the ‘fiscal’ case for privatisation is fundamentally flawed. It amounts to saying that, if the government is forced to spend money from Budget outlays on new capital for the GBEs, there will be that much less for other, arguably higher priority, areas of government expenditure. Why? Because, without cuts in other areas, paying for the capital injections would raise the Commonwealth’s borrowing requirement, thereby placing an additional call on national savings and forcing up interest rates.

But essentially the same effects would arise from raising the necessary funds for new capital by selling equity on the Australian capital market. There would be the same call on savings, and the same upward pressure on interest rates (if you subscribe to the ‘crowding out’ theory favoured by many economists). The only difference would be that, instead of a given value of Commonwealth bonds being offered for sale, the same value of equities in the GBEs would be sold. The change in the overall mix between debt and equity securities on issue would have fairly slight economic effects.

Taking the longer view, selling additional government bonds increases the long-term burden of debt-serving on the Commonwealth government. However, if the government avoids this by selling equity in GBEs, it forgoes the future dividend income stream it would have otherwise received from the GBEs. All these effects should more or less cancel out, unless there is good reason to suppose that private owners will run the enterprises significantly more efficiently. There is a further problem with the fiscal case for privatisation. The capital market may systematically undervalue the equities on issue, as happened with UK privatisations under Thatcher. In the latter case, the government comes out a clear loser.

There is no serious dispute that the fiscal benefits from privatisation are essentially cosmetic. The problem arises from our economically irrational Budgetary accounting conventions. These lump together Commonwealth transactions of a capital nature with recurrent spending in calculating the overall deficit/surplus. What is needed is an approach to the presentation of Budget aggregates that focuses on the OECD’s concept of the ‘general government’ deficit/surplus. This measure, which is used for most international comparisons of fiscal policy, is a much more economically meaningful measure of the ‘stance’ of fiscal policy. Unlike our present conventions, which treat asset sales as ‘negative outlays’, it treats them as financing transactions which do not affect the surplus/deficit. This eliminates the artificial incentive to privatisate.

Two British Treasury economists have argued that, rather than focussing on the level of debt, governments should develop a balance sheet approach which seeks to maintain public sector net worth (estimated as the replacement value of the fixed capital stock less financial liabilities). This would eliminate the bias against public investment inherent in the present approach.

The earlier sections of this article argued that there is a good case for the Australian government pursuing more interventionist policies to aid the restructuring of the Australian economy, and that public business enterprise should have a significant role to play.

Australia needs a GBE sector that is capable of evolving to meet changing social, economic and environmental priorities. Consistent with this aim, it could be expected that, over time, the government would want to increase its involvement in some areas of activity, and decrease it in others. This sort of perspective - one of a
THE INAUGURAL AUSTRALIAN CULTURAL STUDIES CONFERENCE

3-6 DECEMBER, 1990
UNIVERSITY OF WESTERN SYDNEY, NEPEAN

PRACTICES AND POSITIONS

The School of Humanities & Applied Social Sciences, University of Western Sydney, Nepean will host an international conference on Cultural Studies and Cultural Production. The Conference will also serve as the inaugural meeting for the establishment of an Australian Cultural Studies Association.

The conference will provide a forum for the renewal of cultural studies in Australia, promote debate on the politics of culture in Australia and will host performances, films and videos with the aim of highlighting cultural production.

Proposals for papers and other forms of presentation are invited on the following topics: Cultural Production, Cultural Policy, Critical Theory, Cultural Studies as an Academic Enterprise, Cultural Industries, Popular Culture, Ethnographic and Indigenous Studies, Cultural Studies and Post Modernism, Feminism and Cultural Studies.

Proposals for papers and panels should include a one-page abstract by August 30, 1990. A preliminary program will be published in September, 1990.

Enquiries and proposals for papers to:

Dr Deborah Chambers
Department of Cultural Studies
School of Humanities & Applied Social Sciences
University of Western Sydney, Nepean
Box 10, Post Office
KINGSWOOD NSW 2747
Telephone: (02) 678 7222
Facsimile No: (02) 678 7399

selective approach by government - has so far scarcely figured in Labor’s privatisation debate.

Any attempt to switch the focus of this debate will be doomed while the existing Budgetary accounting conventions governing the treatment of Commonwealth capital transactions remain in force. As discussed earlier, these create an artificial incentive to privatise in order to reap essentially cosmetic fiscal ‘benefits’. In this context, the apparently inflexible response of the anti-privatisation forces is reasonable: until this problem is addressed, agreement to notions of flexibility and change could be seen as support for a fire sale of public enterprises.

Freed from the conceptual encumbrance of the existing Budgetary conventions, it would be possible to have a rational debate about how the various GBEs might contribute to the task of economic restructuring. It would also be possible to contemplate whole new areas of activity for public enterprise, a welcome change from the current obsession with public sector contraction.

Consideration of the future of the GBE sector should emphasise the contribution it could make to overcoming the various forms of ‘market failure’ discussed earlier. There should be particular stress on the short-termism endemic to Australian economic decision-making, and on environmental and other ‘externalities’. The debate should have more to do with the strategic potential of GBEs than with their size.

Such an approach would imply far more attention being given to maintaining and strengthening the role of a GBE like the Australian Industries Development Corporation (AIDC). This is just the sort of flexible instrument that is required for a more interventionist approach to economic restructuring. It has already played an important role in a number of industry sectoral plans (e.g. Heavy Engineering, and Textiles, Clothing and Footwear).
It reflects a deficient sense of priorities that the part-
privatisation of the AIDC - a result of its recent restruc-
turing - received little attention when the matter was
considered at the 1988 ALP National Conference. The
AIDC was seen as a 'side-show' when compared to the
main debate about the future of the two publicly-owned
airlines. Yet the potential role for the AIDC in economic
restructuring is much more significant, and the case for
maintaining undiluted public ownership is far stronger.

The AIDC's main role is to compensate for the
Australian capital markets' failure to invest sufficiently
in relatively risky and/or long-term investments. It
needs to be insulated from the short-term pressures of
the Australian private equity market. There should be
more thought given to how it and the other govern-
ment-owned financial institutions like the Common-
wealth Banking Group (which includes the Common-
wealth Development Bank) can be harnessed in a
co-ordinated effort to overcome the deficiencies of the
Australian capital market.

Judgments about how the GBEs capital requirements
should be met need to be informed by a clear conception
of the role we expect each GBE to perform. In some cases
(e.g. the airlines) we want the enterprise to act in an
essentially market-conforming way - to be a good com-
petitor. In other cases (e.g. the AIDC) the main rationale
for the existence of the GBE is to correct market failure.
Clearly these two types warrant separate consideration
if even minority private equity participation is likely to
make the enterprise concerned more responsive to
market signals.

This implies that undiluted public ownership and
control should be a high priority for enterprises we
expect to be 'market-diverging' in their behaviour. On
the other hand, some of the 'market-conforming' type
GBEs would benefit from being able to enhance their
capital structures relatively quickly and flexibly, a goal
difficult to reconcile with government Budgetary
processes. In such cases, some freedom to access the
private capital market, perhaps using 'mezzanine' or
non-voting financing which avoids any dilution of
public control, would be appropriate.

There has been some discussion recently about how
the huge sums accumulating in the superannuation
funds can contribute to economic restructuring. The
only substantive proposal put forward so far has been
the ACTU's National Development Fund (NDF) con-
cept, under which the super funds would be required
to make available 20% of their future income for invest-
ments geared to industry restructuring. The proposal
was strongly criticised by the funds, and has never
formed a serious part of the ACTU's negotiation agenda
with the government (if it had been there, there would have
been far more concern about the future of the AIDC,
which was to have been the NDF’s manager). Nonethe-
less, this is an issue of great significance deserving
further exploration, and this should include considera-
tion of a role for the funds as suppliers of equity capital
to an enlarged and revitalised GBE sector.

We should in some cases be prepared to facilitate
appropriately structured employee-share ownership
schemes in the GBE sector, particularly the smaller
enterprises. To be acceptable, such proposals would
have to be carefully designed to ensure a genuine trans-
fer of economic power to the workforce. There needs to
be a structure which prevents the worker shareholdings
being sold off, and which allows the workforce to exer-
cise their power as shareholders collectively.

This should form part of a more general effort to
foster the development of an economically significant
co-operative sector as an alternative to conventional
private and state ownership. The attraction of this is
that, as well as allowing a more democratic and
decentralised distribution of economic power, there is
now clear evidence that the co-operative mode of
ownership can lead to significantly better enterprise
performance through increased workforce commit-
tment.

To conclude, debate about the future of the GBE
sector needs to focus on how the various enterprises can
be used in the pursuit of Labor's social, economic and
environmental goals, along with the other instruments
available to government.

1. Ferenc Fehér, Agnes Heller and György Markus, Dictatorship
Over Needs - An Analysis of Soviet Societies, Basil Blackwell,
Oxford, 1983, p. 43. The first chapter, 'Eastern European
Societies and the Western Left' looks at this question in some
detail.
2. Mezzanine finance has some of the properties of equity, but
does not confer the politically crucial element of control
associated with ordinary equity.

PETER BALDWIN is the federal Minister for Employment
and Education Services and chair of the Caucus Industry
Committee. A much longer version of this article was
originally published in the Current Affairs Bulletin.
Brian Howe is the senior left figure in federal Cabinet. He also attracts heavy fire from the government's left critics. Brian Aarons asked him about the criticisms, and probes him about the much-vaunted 'Fourth Term Agenda'.

The son of a tramway worker, Brian Howe was born in Melbourne in 1936. In 1968 he became a minister in the Methodist Church, and was involved in a range of social and community issues. In 1977 he was elected to the federal seat of Batman. He became Minister for Defence Support in 1983, and for Social Security in 1984. His Social Security Review wrought the most wide-ranging changes in the portfolio since the war. After the election in March this year he became Minister for Health and Community Services.

What do you see as the achievements of the Hawke Government's first three terms?

The government should be put into historical context. We came into office early in the 'eighties when the country had not been able to sustain growth after the recession of 1973-74. We needed to develop a model which would provide improved production, economic growth and employment growth and, at the same time, deal with growing inequities. These had been there throughout the postwar period and perhaps been exacerbated in the late 1970s and early 'eighties when, for the first time, we had a very extended period of low growth or non-growth and when it was becoming very clear that the social accord of the 1940s had broken down, run out of steam. A new understanding was needed involving both labour and capital that would allow a resumption of growth and, as far as the Labor Party was concerned, not sacrifice the traditional concerns of social justice and equity.

This government's achievements were to do what few other governments were able to do in the 'eighties: sustain economic growth throughout the rest of the decade; to have very rapid levels of employment growth, certainly considerably higher than in the Fraser period but also much higher than in the OECD as a whole; and to undertake an extraordinarily ambitious and unprecedented tax reform, albeit not quite what the Treasurer or Treasury had in mind. In distributional terms, in terms of the social wage, there were reforms such as Medicare; improvements in specific areas of income support, particularly in terms of support for children and young people; and substantial change in education. Taken as a whole, the achievement was to begin to build a rather different model than the previous Labor government had done but made necessary...
by the fact that the 1940s model was no longer appropriate.

How would the Hawke government compare with, say, the Swedish Social Democratic government or the French Socialists?

Better with the French than perhaps the Swedes. The Swedes have been able to sustain growth and improve the social wage in a way that makes Sweden the envy of many countries. The French on the other hand have been through several phases. I think they've learnt from rather bitter experience that you have to deal with both sides of the equation, and you do have to look internationally. For example, the French tried to sustain very rapid growth against the rest of Europe and were brought back into line, so to speak. They took a highly interventionist approach initially but then almost went to the other extreme. In terms of distribution, I think there's not a lot they have to teach us.

How does the government rate on other criteria. Take, for example, the distribution of wealth. Studies show that the government has provided safety nets for the poorest people, yet at the same time the ultra wealthy have also done very well. Most people in the middle have seen their living standards decline, and many in the labour movement argue that more should have been done for them.

I suppose we were all also learning about ambiguities and contradictions - one step forward, two steps back. And about the fact that the working class or those who are powerless include people outside the workforce as well as people within it. There's been an unprecedented commitment by the labour movement in the 'eighties to the needs first of all of the people outside the workforce. In the 'seventies I don't think that commitment was really there - the trade union movement tended to ignore massive scale of unemployment. In the 'eighties, the union movement has been prepared to make quite significant sacrifices for the sake of re-employing the excluded. That's tended to mean that, where there's been tough fiscal policy, the priority's gone either to improving the benefits of those who're out of the workforce, or to putting in place programs that will get people back into the workforce, or make possible the growth that will get people back into the workforce.

As to the other concerns about distribution and the widening gap, partly that's related to the inefficiency of capitalism. That is, to get money into needed investment has required higher profitability. Sometimes that profitability doesn't finish up in terms of jobs - unproductive investment - and that's got to be understood. But there's been a lot more productive investment than has sometimes been acknowledged by the Left. That will pay off in the longer term, although some sections of industry, not just manufacturing, haven't always got their share.

There's also a widespread perception in the media too that some new sections of capital have been allowed to get away with too much in terms of borrowings for speculation and takeovers.

They've come back to the field now!

Yes, but not by a conscious government policy.

They were given their heads, that's true, but they've also had to deal with the fact that the world's a much harsher place than they perhaps hoped for. In some ways, the core of all that is our attitude to protection and to a sense that we could run the economy with essentially a domestic model rather than an international model in mind. Overcoming that has been a very big wrench for many people. We started the 'eighties as a very protectionist movement. We've come out basically saying there ought to be more positive assistance, more interventionist approaches to industry development, but I don't hear too many voices saying we ought to go back to the old model of protectionism and isolationism.

Many argue that financial deregulation, at least in the free-for-all way it was done, created many of the problems. And it wasn't even offset by an interventionist industry policy.

It's more a matter of learning to live with a different approach and trying to understand how that approach works. For example, we've now experimented with six versions of wages policy under the Accord. There's no doubt that, whatever the weaknesses have been, wages policy has meant that the benefits of growth have not been wasted, they've been put into investment, into jobs, into caring for those that were excluded. But we're still going through a process of trying to understand how to get the flexibility that's needed, and I guess the comparative social justice that's needed as part of that wages system.

What do you think the government might have done which it hasn't, things which might be rectified, or which are left over?

We dealt with very basic things in the 'eighties, like jobs, the Steel Plan, the car industry plan. In certain respects these were designed to stop the rot, to provide a way of reorganising industry. In social security it was all about getting the safety net back into place, getting some value into some payments. A lot of what the government did seems in retrospect just so basic, to do with growth and a fairer distribution of income. If there's a criticism, I think it would be that not enough emphasis was placed on what you might call structural inequality and this should be placed on the agenda for the 'nineties.
What is that agenda?

The agenda is fairly obvious. Firstly, we need to go further in rebuilding Australian industry. That was never going to take place in ten years. Perhaps one of our mistakes was to raise expectations that something needing decades could be done in a few years. It's a major task and it's many-sided. Similarly, in the social policy area we've got questions of housing, transport, access to services, the relationship between immigration policy and the need to provide the services and facilities to meet that expanded population - those kind of issues.

Talking about an agenda for the 'nineties, the environment is clearly one of the major new issues intruding on the labour movement's traditional concerns.

In the 'nineties we will probably have to go back to some of the ambiguities of urban environments where you get trade-offs between, say, jobs and a clean environment. Or between public transport and the limits that puts on people's mobility and the use of cars that are dominating and clogging cities. Or perhaps questions of housing density. You can live in a low-density suburb, which looks good from an environmental viewpoint, or a higher-density area which paradoxically may not look as good but might give you better access to public transport and make the whole thing run more efficiently and economically. Or the issue of hazardous wastes and their storage, which some in the green movement seem to ignore because it's an urban issue.

Another issue is privatisation, recently put back on the agenda.

I support the ALP Platform on that, and I want publicly-owned authorities such as Qantas to expand and succeed. Essentially the problem is one of financing. We need to look at options like borrowing, leasing, use of non-equity capital, worker participation, non-voting stock, and a whole range of such mechanisms. Enterprises such as Qantas and Australian Airlines shouldn't be allowed to fail because we can't find the funds.

Turning now to your own position. It seems many people on the Left, including in the ALP left, feel that you and others have shifted too far towards the dominant forces within the government. On the other side, your supporters argue that you've achieved important gains within a certain
framework and influenced the government. What do you say about those conflicting perceptions?

Well, the fact is you're part of a coalition of forces. In some ways that's the easy answer but that's the reality. I mean, you do what you can within the overall position and it's not linear progress. You always have that problem of the contradictions that are involved in achieving change. Nevertheless, what the government has achieved or what we've been able to achieve as part of the government is in many respects substantial. You just need to look at ATSIC, for example, which is probably the most substantial reform in Aboriginal Affairs in the postwar period. In terms of family assistance, there has probably never been in Australia a better commitment to supporting children and families and young people than we've achieved in terms of income distribution, particularly to those at the bottom of the pile. We've been able to achieve very substantial reforms in areas of the public service in terms of working conditions, occupational health and safety and so on.

And these are reforms that wouldn't have been achieved if the left had not been part of the government?

That's right. You can either be part of it or you can be out of it. If you're part of it you have to take the rough with the smooth but the reforms are substantial. Take for example the debate on taxation. At the time of the 1985 tax-reform debates, I carried that debate substantially within the party and so on, and we won that debate. Now we see the pressures rising again but it was a very significant victory at that time.

On that last point, the 1985 Tax Summit struck me as one of the few examples of a coalition of progressives in parliament, the wider labour movement, and community organisations. It seems that once Labor's in government, progressive movements aren't active enough.

Yes, but that's one of the problems of Australian politics: the movements outside parliament tend to be very weak. Australia doesn't have a strong mass tradition of involvement in politics or populist movements. People complain and rail about corporatism in Australian politics but it's really probably only through a corporatist model that you could get the degree of change that we had in the 'eighties. After all, if we talk about who's done better, the only places are probably countries like Sweden that operate on the corporatist model.

In one sense there's been a lot of contact. The trade union movement has never had the information, the power, the involvement in any government in Australia before, that it's had during this government. Yet I suppose if you talked to trade union officials on the left, they're likely to tell you that the disenchantment with the labor movement has never been greater. So there's a contradiction.

Why don't progressive movements actively intervene?

You can often find coalitions of people who'll take an oppositionist position on something. It's much harder to produce sustainable reforming government over several years. We've never had experience in Australia at a federal level of trying to sustain a government into a second decade with five straight Labor governments. Of course the pressures of communication with your base get to be very difficult because sometimes you simply can't, under the Australian model, where the lines of communication are so weak. One of the things that's different in Sweden is that a very high proportion of people are active in trade unions, and more directly in the political process, than Australians are.

The rise of Gorbachev and the dramatic changes which swept Eastern Europe means the need for a big rethink by the Left. What conclusions can you draw about the theoretical and discussion work that the Left might do over this decade as well?

I think that Milovan Djilas' judgment about the model in Yugoslavia has really been proved right. That is, there is no socialism that is not fundamentally democratic in nature and once the democratic processes break down then the seeds of real socialist change will be ultimately destroyed. Those two things have got to be thought out together: the need for a social response but a radically democratic one as well. It doesn't really matter which end of the polarity you happen to start with, there is a polarity there. The model in Eastern Europe was fatally flawed because they could never quite get that right, to put it mildly.

The Right is claiming now that the existing model of liberal capitalism is the best we'll ever achieve as a workable model of human society.

But then the Right are at best 'libertarian'; they're not really committed to democracy. Also, in Eastern Europe the extreme Right has re-emerged and the extreme Right in Eastern Europe is pretty frightening. So those who are crowing should perhaps have another look to see who the people are who are emerging into positions of influence and power. Eastern Europe has traditionally been a source of massive instability and I think at the moment you can see a lot of the signs of instability re-emerging. Now that's no justification for repressive regimes, which many of the old ones were, but at the same time it's pretty salutary.
DECLINE and Fall?

In our June issue Lindsay Tanner argued that the ALP is dying as a grassroots party, and that the factions are an obstacle to its revival. Here, Stuart Macintyre enters the debate. Yes, he argues, the Labor movement is in a state of long-term decline. But focussing on its structures won't halt that process.

The cartoonist David Low used to portray the British trade unions as a draughthouse - stolid, slow-moving, not too bright, but big-hearted, faithful and awfully difficult to deflect from its purpose. Lindsay Tanner presents the Labor Party in his ALR article (ALR 118, June) as a sprawling combination of turbulent tribes led by jealous warlords, each tribe defining itself in terms of ancient vendettas and maintaining internal discipline by patronage and feudal loyalty. Common to each of these metaphors is the theme of intractability.

Both in his ALR article and his widely discussed proposals for 'Democratising the Labor Party', Lindsay Tanner is urging dramatic change. Anyone who can bring about change in the Federated Clerks Union is not to be taken lightly. I welcome Lindsay's courage and initiative in opening the subject up to debate, and I am in broad agreement with his political values and goals. Where I differ is over some aspects of his diagnosis and prescription. I believe he mistakes symptoms for causes and proposes a remedy that might not cure the underlying malaise.

His account of "Labor's Turbulent Tribes" (in ALR) locates the origins of the present factional system in the Split of the 'fifties and its Cold War ideological conflict, and traces the subsequent Balkanisation of the Labor Party across the state branches as a process with a decreasing ideological and increasing organisational dynamic. He acknowledges that the present factional system has some advantages. It enables the ALP to straddle a broad spectrum; it contains conflict within manageable limits and gives some predictability, continuity and stability.

But his disadvantages of factionalism outweigh the advantages. By concentrating power in the factions, it forces party members to commit themselves to a party-within-a-party in a way that ties them to a comprehensive but arbitrary set of policy alignments. Even then they are excluded from access to decision making because factionalism cements collegiate procedures and encourages deals that circumvent these procedures. The factions, he suggests, concentrate power, encourage lowest common denominator politics and hinder rational decision making.

Finally, Lindsay predicts that the factional system will not be able to withstand a momentum for change that is sweeping the political scene. The demise of
The triumph of Labour.

Leninist structures in both East and West, the challenge from the right to social democracy and the challenge from the social movements to conventional politics render the Cold War alignments obsolete.

To survive, he suggests, the Labor Party will need to alter dramatically its structures and political culture. In his paper on 'Democratising the Labor Party' he further explained the urgency of the task. He interprets recent election results culminating in the federal election earlier this year as demonstrating the exhaustion of present methods. In March 1990 Labor won less than 40% of the national vote. It was returned on the preferences of Democrats, Greens and independents. This is no temporary setback: it reflects a widespread cynicism and rejection of machine politics that offer no vision. The
arrogance of leaders who manipulate public opinion makes no appeal to the young who are excited by the ideas of feminism, green politics and participatory democracy. Hence the need for sweeping rule changes including direct preselection of parliamentary candidates, open policy committees, direct election of party officers and branches formed around interests and causes rather than by locality.

Lindsay expects these changes to prise loose the grip of the factions. By expanding a direct democracy within the party, the concentration of power in the hands of faction leaders will be broken. Members will be able to join, speak, act and vote as they see fit, bypassing intermediate stages in the organisation that entrench the factional tickets and the horse-trading they permit.

Since organisational measures have primacy in his argument, I shall consider them first and then return to the question of factions.

Historically, the grounds for believing that the ALP is in an unprecedented condition of crisis are not strong. As Lindsay himself points out, Labor’s primary vote fell below 40% in the 1977 federal election, just a few years before it entered its decade of electoral dominance. There have been previous periods, especially between the wars, when Labor also presided over adverse economic conditions and when its appeal shrank to similar dimensions. The electoral resilience of Labor politics is a phenomenon that even the doomsayers who, a decade ago, were pronouncing the inexorable decline of the British Labour Party are now forced to concede.

The membership of the party has suffered attrition, both in absolute numbers and as a proportion of the electorate, ever since the ‘fifties (when the factional conflict of the Split had elevated it to an unprecedented height). But, again, this trend is not as stark as some would believe. The Victorian branch of the ALP peaked at 23,000 in 1953; for the past few years it has been static at about 11,000. Neither statistic suggests a mass party, for the ALP has never been a mass party on the European model. Rather, it has been a party combining affiliated trade unions with a small number of branch activities. For this reason I believe that the long-term shrinkage in the coverage of the unions is a more serious threat to the wellbeing of the Labor Party than the number of branch members.

Nor has the Labor Party historically been an open and democratic organisation in its internal procedures. Its creators had a strong commitment to the principle that the party membership could control the officers and elected representatives through such devices as the sovereignty of conference, the caucus and the pledge. But anyone familiar with labour history knows of the struggle by groups and tendencies to win control, of the branch stacking and deals, crooked preselection ballots and autocratic state secretaries, blacklists and expulsions, the open battles between conference and caucus. The past decade has in fact been relatively free of the scandals that studded the past.

Despite these qualifications, I agree with Lindsay that there is a deep infirmity within the ALP. Paradoxically, it is a condition closely associated with the electoral success of the party during the ‘eighties, and the record and methods of the present Labor governments. But it is not simply a product of these circumstances. I see it affecting not just the organisation and procedures of the party, but also the party’s social base and ideology.

One of the most debilitating features of Labor in office has been its removal of decision-making from the reach of party members. This was a development that began with the federal government’s early reversal of party policy on a range of foreign and domestic issues where Cabinet led and Caucus, federal executive and conference followed. Beyond that unwelcome but familiar trend of Labor in government, however, there was a new development - the concentration of decision-making in the hands of peak bodies that met privately to thrash out agreements (such as the Accord) or in the glare of the electronic media to establish a ritual consensus (like the Summit).

The government developed this style of politics in its dealings with the various parties with whom it dealt: not just the unions, big business, farmers and miners, but also migrant representatives, social welfare organisations, and so on. Just as the ACTU gained access to policy making in return for delivering its membership, so the others have been invited to do the same, with greater or lesser enthusiasm according to their perceived importance.

For the government, these social movements are necessary vexations. Necessary because they bring votes and energies that are increasingly important as Labor’s membership declines. Vexations because their ideological fervour and collective procedures are so difficult to harness to conventional politics - and for this reason the government has encouraged the emergence of peak bodies that at least speak a common language. For peak bodies such as the Australian Council of Social Service or the Australian Conservation Foundation, on the other hand, the balancing act is difficult. In order to exert an influence on policy, they have to negotiate and accept the responsibilities of negotiation; in order to retain credibility among their members, and to be regarded as sufficiently important to be consulted in the first place, they need to retain some critical space.

A consequence of this style of political management is that it displaces ideological discussion from the Labor Party to the groups for whom it claims to act. The government takes on the appearance of a manager, balancing and resolving competing claims to retain its
possession of state power. Those with whom it has close relations, such as the ACTU, face corresponding difficulties when they try to mobilise enthusiasm top-down for tasks that require active participation bottom-up.

The results are apparent in the composition of ALP branch membership. The past quarter-century has seen a precipitate decline in the original base of the party, the manual wage-earners. While there has been a significant increase in the membership of women and the number of party members from non-English speaking backgrounds, few of these participants come from the manufacturing, retail and service occupations in which most of these sections of the population are employed.

Thus, the forums of the ALP nowadays tend to be dominated by people in professional occupations, and a high proportion of them work as public administrators, or providers of public sector services, or in social movements competing for the attention of Labor governments. In healthy branches this can produce a high level of involvement, especially where local government participation enhances the capacity of members to realise their concerns. It can also create the danger of capture by administrators at the expense of what are usually called their 'clients', and of single-issue enthusiasts at the expense of others. Elsewhere, activists find it more productive to expend their primary energies in the social movements themselves to the detrimeny of the ALP.

A further consequence is a feeling of neglect or disillusionment among wage-earners who are not directly involved in these causes and who believe that their needs are overlooked. As is now widely recognised, the neglect of the social needs of working class families pushed to the extremities of our major cities is acute.

The party leadership and its electoral strategists have responded to the erosion of the working class base of the party with highly sophisticated polling techniques to determine the priorities in the allocation of resources. At considerable cost to the level of support in older Labor electorates, they have maintained a sufficient spread of votes to retain power with the preferences of the Democrats, Greens and independents. But the limits to this technique appear to have been reached.

The appropriate metaphor for the present conjuncture might not be Lindsay Tanner's warring factions, but the later stages of the Roman Empire. As the pressure from without exerted by the Goths and Visigoths increases, the imperial generals reinforce their depleted legions with barbarian recruits and despatch them to those outlying provinces where the pressure is greatest. Gradually the defences are stretched thinner and thinner, while the generals argue among themselves and their foreign legionaries give ominous signs of mutiny. If the logic of my simile is valid, then organisational changes alone will only delay the fall of Rome. The crucial need is for measures that will fill the bellies and fire the spirit of the citizens.

How do the changes that Lindsay proposed to the structure of the Labor Party bear on this diagnosis? I agree with him that changes to the rules need to be considered and that we need to remove impediments to party democracy. I'm not sure that the factions are the principal impediment. In their own procedures the factions are by no means undemocratic. My own Socialist Left faction in Victoria directly elects its executive. Its regular assemblies, which all may attend, determine factional policy and draw impressive numbers. Possibly the factions are surrogate forums for the democratic life that needs to flourish in the branches. Possibly they are seedbeds for its regeneration.

I certainly agree that we need more direct election of party officers and more direct decision making. I'm not convinced that direct preselection of parliamentary candidates would weaken the influence of the factions - the role of factions in New South Wales, where this occurs, is hardly less marked than in Victoria, where there is a collegiate system. Nor am I optimistic that a change from neighbourhood branches to branches based on interests and identity would in itself promote a more vital and coherent party membership.

The crucial need seems to me to be renewal of the core principles of the ALP. For the best part of a century the Labor Party has defined itself on the primacy of class. It mobilised wage-earners and their dependants into a political movement for the achievement of working class aims by a mixture of state regulation and state provision. Historically, the labour movement has sought to broaden its political base and encompass other aspirations - the desire for peace, the improvement of the lot of disadvantaged minorities, and the removal of the disabilities of women and Aborigines, are just some of these. In practice, its record has been far from uniformly progressive. In principle it has maintained a commitment to emancipation and solidarity.

It is manifest that this broad ideological tradition that spans a spectrum from labourism to socialism is in urgent need of revision. Few of the core assumptions remain unshaken by the predicaments of the present. But if the Labor Party is to retain coherence it needs a holistic ideology that can incorporate the needs and aims of those who presently cluster around it. That in turn requires some more solid basis than this or that faction making a bid for the support of this or that social movement. It requires a fundamental revitalisation of the politics of the Labor Party on the basis of principle rather than expediency.

STUART MACINTYRE teaches in history at Melbourne University, and is a member of the Socialist Left in the Victorian Branch of the ALP.
The CRACK-UP

Following the July Party Congress the radical reformers have ditched the Soviet Communist Party. Democratic Platform is set to become a rival social democratic formation. Tom Morton interviewed leading Democratic Platform member Vitaly Korotich on his recent visit to Australia.

Vitaly Korotich is the editor of the literary magazine Ogynyok, a house-journal of Moscow's radical reformers. He is a member of the USSR Congress of Deputies and a founding member of the Inter-Regional Deputies group in the Congress. He is a senior figure in Democratic Platform, the radical group now splitting from the CPSU. The interview was conducted in Melbourne in early July.

Do you expect that following the 28th party congress there'll be some kind of formal split within the Communist Party in the months ahead?

I believe the Communist Party will split into two or three parties by the end of this year. It is impossible to have 20 million different views in one big party. That can only lead to bigger demonstrations. Gorbachev must not be in the same party as those who are fighting against him. We'll do everything to split this party and I think we will be successful.

When you say "we'll do everything to split the party", do you mean the inter-regional deputies group?

Yes, I mean the inter-regional deputies group, of which I'm a member, and the so-called Democratic Platform in the party - I think these are simply bodies of people who think we need more democracy. It's impossible to be democratic with only one point of view, it's impossible having one party to throw up alternative leaders. The party must be split in the interest of the nation. Enough of having only one party and enough of the strange situation in which the words 'opposition' and 'enemy' are synonymous in our political vocabulary.

What's the relationship between the inter-regional deputies group and the Democratic Platform?

There are very close relations. Both are searching and fighting for democracy and nothing more. There's a real danger that sometimes the conservatives are fighting against personalities. In their organisations they never
have had personalities, but they have a strong and well-organised crowd that marches with sticks in hand. And for liberal people it's not so easy because we try to give everybody the possibility to have their say. And from this point of view, the Democratic Platform and the inter-regional group are groups of personalities and it's impossible to speak about them as a conglomerate. There are different people united in the name of democracy. We now understand that by being different, we start to be stronger.

So what will be Mikhail Gorbachev's position if there's a split? How will he react?

He'll go higher, and we want him to be higher in the position of the president, higher than the positions of the leaders of the different parties. The president of such a country must be outside of the parties. He must simply be the symbol of the people's will, and the people are not only members of parties, they are also citizens and patriots of their nation.

So in a sense it would be a tactical move on Gorbachev's part if he resigned as secretary-general of the Communist Party - a way of strengthening his position as president?

You are quite right. But to understand the situation it's also necessary to understand what the Party has done to our lives. All the time people are telling us that it was the Party that started perestroika. That's all very well, but in that case who started the period of stagnation? Mickey Mouse? It's necessary to discuss all of the past and to understand that the party is responsible not only for the good changes but also for the terrible times we have had in our lives.

One phenomenon which has emerged in Eastern Europe since the emergence of multi-party democracy there is that people who were formerly in opposition together, now that they are able to emerge into the open, are having trouble in agreeing what they are for. They knew what they were against, but they don't know what they are for. What are the inter-regional deputies group and Democratic Platform for?

We are for changing roads. We don't want to find ourselves on the old road we've been on many times before. I think the inter-regional group has now become a democratic deputies' club, rather than a party, where we can discuss everything freely and make real decisions. We are now having our first experience of real parliamentary life. You must understand that all these inter-regional groups, Democratic Platforms and so on, are the kinds of basic political institutions you passed on from many years ago. We are now starting to understand that it will be not so easy to have democracy but each step will be very important if we invent and suffer it ourselves. I remember the first meeting of the inter-regional group, which Sakharov attended, and to which many people came. It was announced: 'please go and sign your name, and say you are a member of the inter-regional group'. And many people left because they were afraid to register there, and, when we signed up, we saw about 400 people around us. But it was a beginning and, after this, it became more and more popular.

Which road will you follow? Does the inter-regional deputies group want to take the high road for capitalism and liberal democracy or does it still
I think that it’s not even about labels. I told that cynical old Chinese leader Deng Xiaoping that. He said there’s no difference between a black cat or a white cat, so long as it catches mice. Our Soviet cat has stopped catching mice, and we are simply trying to build a society which can feed and defend people. I think it will be mainly socialism because our property is mainly collective or government-owned. Capitalism is possible when you have private property. We still don’t have it. After we have private property it will be possible to talk about a multi-based economy. I simply think that we must build a good life.

Yes, but to build the good life, you have to have some kind of economic blueprint in mind. At the moment everybody in the Soviet Union is talking about the transition to a market economy. What do you think that means to ordinary Russians?

Nothing. People know nothing about this. They want to have a market economy, but at the same time they don’t want to have unemployment and they want lower prices. They want such a strange market economy, one that doesn’t conform to reality. I think when you want to win the war it’s necessary to understand that some of your cities may be destroyed. In this war we will have prisoners of war, as well as people killed and wounded if necessary. We have never had a real market - we are starting to build this market without private property, without real differences in our economic organisations, and with shares we have just started printing. It’s only the beginning, but we intend this free market to be one of the ways to salvation.

When you spoke about war a moment ago, you were using a metaphor for what would happen when the market is introduced, but is there a possibility that there will be real violent social conflict as a result of the changes that will have to happen?

A lot of people in our country, a lot of the conservatives, want this kind of conflict because it will make it possible to announce martial law and stop democratic changes. We want to avoid this kind of conflict. All the time I’m visiting my voters, and others are going to their constituents trying to tell them about the real economic situation and about how workers never will be better off if they strike now and stop the process of change. We’re living in great danger of strikes now. Two or three big strikes now would be catastrophic. Workers have nothing and they are fighting for a better life. It’s easy to understand their readiness to strike. I think we need quick changes. We need things in our stores, we need a direction for change and people must feel that direction is stable and that tomorrow will be better. If things develop this way I feel that we’ll have people’s support and if not, tomorrow, our conservatives may provoke new uprisings and it will be a real danger.

It’s only just a little less than a year since the strikes in the coalfields and the mines. What sort of view do you think the strikers had then and the workers who may be preparing to strike now have of the process of change. Do you think that they, on the whole, support Gorbachev?

They support change for the country, yes, but at the same time they need change for themselves. They have nothing, they still live in terrible houses, they still lead impossible lives and they’re on the last frontier. Coal and mine workers will have more strikes if there are no changes. Last month they had a big all-Soviet miners’ congress. In the same way, it will be a real danger for us, if now at harvest time we have even one strike on the railways, and railway workers are ready to strike, too. We have many local strikes now and it’s a real danger. People are waiting for change, but the country is tired and if there is no change, the so-called simple people will go into the streets. All the time we have before us the Romanian example and the hatred there which started to kill people. I am afraid that something similar will be provoked in my country.

What can be done immediately to stop that happening, to stop those strikes?

More food. It’s very nice talking about democracy and free press, but miners who are working underground, when they come up, want good bread, butter, milk, everything. If we improve food supplies, nobody will starve in the Soviet Union, but people will be very poor. If we give them better food they’ll be happy and it will be possible to go forward.

What’s necessary to provide that food? Is the only thing that will help now a massive aid package from the West?

First there must be privatisation of our agriculture. We must have farmers; we must give land back to peasants. This process is now moving but local rural bureaucracies are fighting against private enterprises there. We’ll try to give land back to the peasants and if they work better it will solve a lot of our food problems.

Just how formidable an opponent is the bureaucracy?

Our country has a population of 285 million. We have 18 million bureaucrats in the apparatus. We have no private industry. In my country, the end of active work for our bureaucrats is the end of everything - the end of privileges, black cars, special resorts and they are fighting for their bread and butter, for quite concrete things. And they will fight until the last. They will serve Gorbachev, they will serve anybody, but Gorbachev doesn’t
need so many bureaucrats. Nobody knows what to do with them. Now it's a big problem. Bureaucrats on our streets and out of work who are around 50 are young enough to want to destroy everything around to survive themselves. I mean it. I've talked about giving land to the peasants, but we have 40 million peasants. In the United States they have two million farmers who feed themselves and a lot of other people, including us. In our country out of 40 million peasants four million are local bureaucrats, who will never give land back to the peasants.

It seems that one of the great dilemmas for Gorbachev is that, on the one hand, many people are arguing that there's a need to decentralise, to take control away from the centre. But, on the other hand, if you do that, there's a chance that the process of change will be thwarted at the periphery, away from the centre, by the local party bosses and bureaucrats.

The republics must be allowed to have independence, and the Soviet Union must become an association of independent republics. It's impossible to continue as an empire any longer. It's easier to pursue economic reform in the smaller parts of the Soviet Union. It's not necessary to pursue the same reforms in Estonia as in Kazakhstan in Middle Asia. It's necessary to permit people to do what they like, to rescue themselves according to their national conditions and traditions. Our country needs to be decentralised.

Let's talk a little about the issue of nationalism. Both Soviet and foreign commentators have detected signs that there's a kind of alliance emerging at the moment between the conservatives in the communist parties and Russian nationalists.

Sometimes there does seem to be a real alliance between the Russian national communist party and Russian nationalism. The danger here is that the nationalism of the dominant nation always provokes smaller nations to their own even sharper versions of nationalism. Russian nationalism is really dangerous in a multi-national country like ours. If Russian nationalism becomes even stronger it will encourage other nations to leave the Soviet Union. I think Russia is finished. In many countries in the West, the Soviet Union is called Russia, because the Russian language is the official language. But the Russian nation must not be allowed to stand for the Soviet Union. Russia must be Russia, Lithuania must be allowed to be Lithuania, and the Ukraine must be allowed to be the Ukraine.

And yet the coalition of the conservative faction in the Communist Party and Russian nationalists is likely to resist that decentralisation, that breaking-up.

Yes. They want an empire but at the same time they cannot understand that they will simply break the Soviet Union in trying to build up Russia. That is the only possible result. Each nation should see its own potential and develop in its own way. We can restore our economy by uniting, in the same way we destroyed it.

Do you think there's much popular support for this kind of Russian nationalism? Already people are starting to say there's a risk if the process of reform doesn't succeed that Russia will relapse into some kind of populist authoritarianism.

Always in large countries - even in Australia - it's possible for the locals to say: "all our problems are due to the emigres, the people of different nationalities. If we had only Australians we would live better." The same slogans are uttered in France by Le Pen. There are conservative groups of that sort everywhere. I think it's the same in Russia. When we started having economic problems, the Russian nationalists started to say that if there were only Russians, of course it will be better. But that's a stupid slogan. It's necessary to understand that it's not nationality but the system that decides how you live. In a democratic society we must have all points of view.

One last question. When you talk about this process of decentralisation, of the nation, if you like, coming apart so that it can come together, I wonder if you think the central Asian republics can be part of that process too. Because at the moment we are seeing a strengthening of ties between the Soviet central Asian republics and their ethnic counterparts in China. And there is some possibility of an emerging Islamic bloc in the Muslim parts of the USSR.

China is very unpopular in my country, especially after the Tiananmen events. But the Muslim republics close to us - Iran, Turkey, Pakistan and Afghanistan - are popular with our Muslims, because for many years we were Christian chauvinists and always let Muslims know that they stood somewhere below us. Soviet Muslims, in this time of Muslim revolution, share the same language as Muslims abroad - Tadjiks speak the same language as Iran, Azerbaijanians speak the Turkish language - and so they start to look to their neighbours abroad. Especially since the Afghan war, which they saw as a big success for Muslims, they have been talking about this. I think a Muslim revolution would be very dangerous for us, because we have a lot of hungry and angry people on both sides of the border. I never believed that the European part of the Soviet Union, including Russia, would stray very far, because those people are united by their common ethics, by common ideas and, even after being educated in atheism for so many years, are still a biblical society. But the Islamic parts of the Soviet Union will be a different question.

TOM MORTON is the producer of ABC Radio National's The Europeans.
Rap music is at the centre of a storm in the US. Controversy rages over lyrics and lifestyle alike. Is it subversive or just sexist - or is it both? David Nichols and McKenzie Wark argue the toss.

Any Australian who wants to discuss the sexist, racist, or homophobic content of rap records has to start by addressing the question that always worries me about this kind of thing: "What would we know anyway?"

Rap music - that distinctive blend of spoken, almost versified, vocals and aggressive rhythm - was the American black musical form of the 'eighties. In various forms it's colonised most mainstream pop music, and even many television commercials.

Australia hasn't produced any rap music worth bothering about (sorry, aside from Mighty Big Crime). Moreover, though we may superficially have social conditions similar to those of ghetto America in some parts of our cities, they're tiny by comparison - and it's fatuous to make comparisons between Aborigines and American blacks. At any rate, it seems that the biggest racial group in Australia embracing rap music is second (and third?) generation Italian and Greek kids. Just like punk rock, rap isn't a working class phenomenon in Australia, it's a middle class thing. Most 'things' are, round here.

So, like rock and roll, like any popular music, we are importing rap culture and breaking it off at the stem from its...well, from its roots. JJJ trends and danceclubbers and suburban teenagers have all embraced rap wholeheartedly - partly because it's big o/s and partly just because it happens to be magnificent (which must count for something).

But now we have a situation where people who would laugh themselves silly over the foolish macho posturings of the heavy metallers in This Is Spinal Tap are happy to indulge rappers like LL Cool J or Ice T or even the relatively innocuous MC Hammer in their eternal quest for pussy.

MC Hammer, for instance, is a very commercial guy, and his LP Please Hammer Don't Hurt 'Em is certainly predominantly a dance record. But you'd think anybody even slightly liberal would be put off the cool MC when they get to the track (the second last on his latest album) "She's Soft and Wet" in which he asks girls if they are soft and wet because he likes girls soft and wet and if they are soft and wet...etc etc. The coyness of the lyrics makes it worse in a way.

Rap music can be wonderful, a musical form that provokes all the same furious emotions in stuffy old white folks that rock and roll used to do up until about 30 years ago. That doesn't mean it won't be assimilated the same way as rock was, however, and in fact steps were taken in that direction long ago. (Probably the first was Blondie's appalling 12" single Rapture in which Debbie Harry "rapped" something which, popular wisdom held at the time, she made up as she went along. That almost excused it.)

But there are still a few creases that have to be ironed out before rap gets completely commercialised and bland. Like, for instance, these appalling sexual innuendos. And the racism of many rappers.

A lot of black rappers - male black rappers - seem to have an awful lot on their plates. There's all that sex to get done - and you women think household chores are exhausting! they seem to be saying. (Actually, that's not quite fair. I've never heard a rap record that explicitly or implicitly stated women should be doing any-
2 Live Crew are the guys who really got themselves caught in the thick of it with their LP, As Nasty As They Wanna Be. The cover - with the lads on the beach, their four heads between four bathing beauties' legs - gives adequate indication of the record's contents. Give the album's track list a quick perusal (Me So Horny and an item about King Dick spring to mind) and it should not come as a great surprise to discover that it's caused a furore in the USA, where it's been a victim of the labelling campaign adopted by the record industry after pressure from the moral majority.

It feels wrong quoting lyrics from As Nasty As They Wanna Be; it's, of course, a party album and not meant to be examined by ghoulish messed-up puritans such as myself. One track begins with a monologue presumably taken from a porn movie and then fades to the fabulous party scene: "When the party's over we can get together/Go to my house and fuck forever/And do whatever comes to mind/Let me stick my dick in your behind/Love is the key to end all your woes/You'll be my bitch, not a dirty ho". Any further comment seems superfluous.

One of the most interesting things I've found about having the 2 Live Crew's LP around the house is the reactions of my friends to it. My sister dismissed it instantly as 'hump music', but others - men and women - refuse to listen to it or even be interested in it. So if the 2 Live Crew are out to dismay straitlaced white liberals, they've certainly succeeded in my living room. Their LP could be meant to be funny or maybe just shocking: it's certainly the latter. Whatever it is, it may think otherwise. The most famous thing about Public Enemy must be their oft-reported anti-Semitism - propagated, it seems, by group member Professor Griff. I'm not saying anyone's been misunderstood or misquoted - it seems certain that Griff is definitely a paranoid racist (he was interviewed in the US press last year as Public Enemy's "Minister of Information" and made headlines with outrageous statements about the connection between the words "jew" and "jewellery" - nice late-period Hitler material). Griff was sacked from the group for speaking his mind, and rightly so. He was later reinstated, for reasons that remain unclear.

Public Enemy's newest LP is called Fear of a Black Planet, and though, lyrically, it doesn't deal with any of the controversy around the band, its four instrumental tracks do comment to some degree on what Public Enemy seems to see as a racist smear campaign. Incident at 66.6 FM combines some fascinating snippets of radio talkback about the Public Enemy controversy. One caller says "when I see somebody who's wearing one of their shirts, I think that they're scum". Another (who, frankly, sounds like a 'plant') says "I think white liberals like yourself have difficulty understanding that Chuck's views represent the frustrations of the majority of black youth out there today.

He - well, they actually - after all, Public Enemy's version of events may be right. Public Enemy need a book written about them, and, even with their militaristic overtones and all that foolishness, they can't really be lumped in with the 2 Live Crew. Their records are huge, long, epic, sensational and spectacular.

Rap music can't simply be dismissed as one thing or another. But blind tolerance of its many unacceptable overtones is just as patronising and crass as blind dismissal. And it may be an old rock and roll argument but it's still true - three listens to a Public Enemy record would be a lot more valuable to you than the reading of this article. As for the 2 Live Crew, I'll put them in the 'too hard' basket for the time being. I'm sure nothing would delight them more.

DAVID NICHOLS until recently wrote about pop music for Smash Hits magazine.

"DO NOT SHOUT OR I WILL HAFTA TAKE YOU OUT! BELIE DAT!"
"PAY OR PLAY OR MAKE MY DAY, Y'UNNSTAN? NOW EMPTY TH TILL AN' GIMME MY FILL!"
"Y-YES, I UNDER-STAND, I THINK..."
"IT'S INCREDIBLE THE WAY THEY CAN TALK IN RHYMES LIKE THAT!
"OH, I KNOW!"

GRAPHIC: COURTESY DAVID NICHOLS

ALR: AUGUST 1990
rap or hip hop is a style of black American music which, if nothing else, attracts controversy. In Australia, ABC radio station JJJ suffered censure and industrial disputes for playing a song called ‘Fuck the Police’ by a crew who call themselves Niggers With Attitude. In the States, the song receives practically no airplay at all, and there seems no end to the courtroom battles over censorship and copyright.

Rap is a phenomenon which manages to raise issues of ownership and propriety, but also of black pride and autonomy, aesthetics and ethics - all in the space of a 12” dance platter. A veritable media phenomenon, and one of no small interest to others who want to challenge the hegemony of white American culture, here in Australia too.

Much of the content of rap records can be held up to scrutiny and criticism - and can be particularly offensive to white liberal sensibilities, as David Nichols argues above. But this kind of criticism can be misleading. In the first place, the values and judgments white boys like Nichols or I might put on the words in these songs might be completely different from those young American blacks might apply. Codes of respectfulness and respectability differ, and there definitely are codes about respect in this music, and frequent debate from one record to the next - not least between black male and black female artists, such as Kool Moe Dee, Ice T, Queen Latifa, De La Soul, NWA, Jungle Brothers, Salt’n’pepa, Cookie Crew and, above all, Public Enemy.

In the second place, for us white boys to make judgments about other people’s cultural products necessarily implies that there are universal standards of judgment which transcend the differences in how things like respect and propriety are encoded. It’s a small step from there to assuming that us white boys can make judgments based on those universal standards and find black rap wanting. Which implies that those standards are pretty much just a generalisation of white liberal attitudes.

There is a distinct lack of pluralism and respect for cultural differences in this. Worse, it denies the cultural autonomy of the black movement to decide what it thinks of black rap, and to hell with us.

However, there is an opposite danger here which comes damned close to complete cultural relativism. If it’s OK for black musicians to sing songs about “fucking girls up the ass”, then it’s OK for the Chinese to massacre their own students in Tiananmen Square. After all, it’s their business, right?

Wrong! There have to be limits to cultural autonomy. I just want to signal that making judgments about cultural products that stem from other cultures is a difficult business, but we’d better get used to it. The increasing globalisation of communications sends cultural products flying all over the place, so that ‘Fuck the Police’ ends up in Adelaide and Perth driving the police nuts. Meanwhile, black American navy crews are probably watching ‘Crocodile Dundee’ on video someplace in the Pacific trying to translate back into black English and laughing their heads off at the negro servant stereotypes.

Rather than focus too much on the ‘text’ of a record and hold it up to moral canons of ideological sound-
ness, it might be better to think about the channel black rap has opened up in the last decade. Many disadvantaged black urban youth drop out of school early, are very likely to be unemployed, have limited literacy skills, but watch a hell of a lot more TV than their white peers and know a lot more about pop music and comics. The beauty of rap as a form of avant garde communication is that it tries to turn these social disadvantages into a cultural advantage. Rap opens up a channel of information, debate, polemic, entertainment and affirmation without requiring folks to read journals like this one. As Chuck D of Public Enemy says, “rap is TV for black people”. There’s nothing on mainstream TV which is positive for young blacks; history books at school only talk about slavery and don’t offer a positive image of black identity; even black commercial radio has gone mainstream and is trying to ‘integrate’. What rap does is open up a channel to young black people where all else is failing them.

White liberals and the black middle class might not like what they hear if they cock an ear to that channel, but more important than what gets said in the text of these records is the fact that something gets said at all. White liberals and the black middle class often lead the charge against black rap, calling it sexist (which it sometimes, but not always, is), offensive (to whom?), racist (as if it were an equivalent thing for an oppressed minority to hate the man as for their oppressors to hate ‘niggers’) and so on. These ‘liberal’ criticisms have to be considered far more suspect than the views they attack. After all, white liberals and the black middle class are among the prime targets for attack in black rap, so it is no accident that the far more powerful media resources of the liberals and middle class blacks have been devoted to putting rap down - even in the Washington Post and the Village Voice. When the enemy gets mad at you, you must be on target. Black rap is sometimes very much on target. Which is why every black rappers step out of line, there are others in the black rap music community to try to rectify things. The musical genre started with get-down party lyrics, mostly bragging about fictitious wealth and sexual prowess. A lot of it is still at that kind of tabloid level. Yet at the other end, others are raising it to a fine art of avant garde communication where ideological critiques and stylistic innovations feed off each other. Hence one cannot judge an individual record as sexist or racist, which it may well be, and pretend that it says anything about rap as a whole. One has to consider it as a whole, as a media, first; as a series of round bits of coded plastic second.

Of course, one can’t pretend to quarantine black from white. Indeed, most sophisticated black rap also rejects that, and wants to engage creatively with white culture, but (here’s the big difference) on its own terms. Public Enemy are one of the most avant garde and interesting acts in rap, or at art in general, for that matter. If they want to say:

“Elvis was a hero to most. But he never meant shit to me. Straight up racist that sucker was. Motherfuck him and John Wayne”, then they are guaranteed to offend a lot of people, but from their point of view, they’re damned right. Trickier still: they are actually inviting white liberals to attack them for views which they know to be provocative. Criticise them and you are falling into a trap they’ve marked out for you in advance. They want to convince young ghetto blacks that the black community needs political and cultural autonomy, that you can’t trust white liberals or even the black middle class sometimes, and they use a novel tactic to do it: they make themselves literally into a public enemy.

Their music has a double code which serves a dual purpose. In the first place, it is music to bait white liberals. The ideological hook is a counter to white supremacy which comes ambiguously close to flipping it over into its opposite: black supremacy. This ambiguous message is backed up with an aggressive theatricality, involving paratroop-style bodyguards with prop Uzi machine guns. This stylistic militancy gets Public Enemy into a lot of trouble. Which is pretty much the idea. The vague assertion of black supremacy brings on a backlash which unites white liberals and white racists in the one camp, if for very different reasons. The spectacle of white distaste, anger and opposition to Public Enemy forms a part of the message, the other message, for the other audience: the black audience.

White critics can be forgiven for forgetting that there is this other audience. The thing about white liberalism is that it likes to think everything can be reduced to the same paradigm. Public Enemy want to expose the fact that white liberalism is anglo-centric and far from universal. Not that white liberals are listening, of course. They are too busy legislating, in the literal and figurative senses of the word. Hence the white outrage at Public Enemy forms part of the message. The actual records and performances at the heart of all this are only a catalyst, or better yet, a scintillator.

The image of themselves which Public Enemy propose is refused in white liberal discourse. This, of course, can be read as a positive attribute. The unacceptability of Public Enemy to white liberals is, in fact, the basis of their legitimacy. The more white liberals reject them, the more they bounce back, their popularity buoyed with a certain black audience.

Rather than assume universal principles exist for communication between different communities and identities, Public Enemy expose the real inequities in cultural resources and legitimacy, and white bias in liberal assumptions. Universal communication is a goal, not a premise with Public Enemy, which is as it should be.

McKENZIE WARK is on the editorial board of Editions.
Controlled CHAOS

Chaos theory is all the rage - from greenhouse to computers, to the ALR office, nothing is safe. But John Banks offers a touch of caution...

Chaos is the trendy scientific idea of our time. It is the word on everyone's lips, and it is being discovered in all manner of disparate phenomena, from the unreliability of our daily weather forecasts to the beating of our hearts.

Unfortunately, it is also being found in all manner of places where it probably doesn't exist, and being looked for in all manner of places where it probably doesn't make sense to look. In most cases, these misapplications are undoubtedly the result of innocent misunderstanding of recent insights into chaos, of over-enthusiasm, or of misguided views about the nature of the phenomena under examination. Some abuses may be less innocent.

Discoveries in various fields of science during the past 30 years have brought to light the ubiquity of physical and biological systems that violate the doctrine of the 'clockwork universe' which entered the discourse of the sciences during the 17th and 18th centuries. Perhaps the most explicit statement of this doctrine is to be found in the work of the 18th century French mathematician Pierre Simon de Laplace:

An intellect which at any moment knew all the forces that animate nature and the positions of the beings that comprise it, if this intellect were vast enough to submit its data to analysis, could condense into a single formula the movement of the greatest bodies of the universe and that of the lightest atom: for such an intellect nothing could be uncertain; and the future just like the past would be present before its eyes.

This most extreme variant of deterministic materialism lost considerable ground during the early part of this century with the advent of quantum physics, premised as that is upon the uncertainty principle: the impossibility of knowing with certainty either the position or velocity of a subatomic particle at any given point in time.

If quantum physics challenged determinism at the level of Laplace's lightest atom, the new discoveries concerning chaos bring the challenge to bear throughout the rest of the spectrum. Instances of chaotic behaviour arise in systems ranging from the large scale like planetary motion through the dynamics of animal populations and the weather right down to human scale systems and smaller. More importantly, the recent findings raise fundamental questions about the notions of predictability and determinism which earlier generations of scientists could afford to ignore.

Complementary to the notion of the 'clockwork universe' during the past three centuries has been the assumption that deterministic systems specified by known and relatively simple sets of rules must necessarily behave in relatively simple and predictable ways. But many such simple deterministic systems have turned out not to be quite so simple after all. Simple sets of rules can, as we now know, give rise to geometric objects which are far from simple and to all sorts of complex and unpredictable behaviour.

It is such dynamical systems that the evocative title of chaotic has been given. They all have one feature in common: they involve a process of change over time, hence the name dynamical. Many of the natural processes we see day to day fit the bill: plant growth, changing weather patterns, the processes of erosion, fluctuating animal populations, the motion of celestial bodies, the growth of snow crystals - to name but a few.

The challenge to traditional notions of predictability stems from the feature of chaotic systems known as sensitive dependence on initial conditions. What this means is that the long-term behaviour of the system can be radically altered by even the slightest variation, no matter how small, in the starting conditions. Consequently, it is impossible in principle to measure the starting conditions with sufficient accuracy to provide for reliable long-term predictions in such systems.

One of the most important implications of all this is that the apparent disorder we see around us may well be the result of simple deterministic rule-governed systems. The apparent chaos has always been there but now, instead of seeing it as the outcome of complex interactions between different systems, or the result of external influences upon a simple system, we are invited to see it as an outcome of the dynamics of the system itself. This signals a significant change in the way in which we view complexity. We now have enough knowledge of mathematical models where chaos is present to expect that this type of complexity is very widespread indeed, so
that when we are confronted with complex behaviour, we cannot jump to the conclusion that there must be complex causes.

Although discoveries of this kind have been coming to light for at least 30 years now, they have only entered public consciousness during the last two or three. This has been due in large part to the eloquence of American science journalist James Gleick’s popular account of these developments (Chaos: Making a New Science [1988]), and the spate of popular books and magazine articles which have followed. Aiding and abetting this rise to fame has been the spectacular computer-generated imagery of fractals. These often organic looking and always incredibly complex forms can be thought of as the geometric counterpart of chaotic behaviour. They are the geometric structures which typically arise in chaotic systems, and, like the systems themselves, their bewildering complexity is usually generated by a few very simple rules.

With this meteoric rise to scientific stardom have come, perhaps not surprisingly, a few problems. The publicists of chaos must take their share of the blame for many of the misunderstandings which have arisen. As John Merson pointed out recently in The Independent Monthly (June 1990), there is a certain recklessness about taking a term with a range of quite powerful and emotional connotations in everyday language, turning it into a mathematical definition, and then reinjecting it into popular discourse with the expectation that the new meanings intended by mathematicians will stick. There is a real dilemma here. If mathematicians simply invent new words for what they find or invent, it is almost impossible to communicate their findings to a popular audience already alienated by our culture’s mystification of science and particularly of mathematics. On the other hand, the recycling of somewhat sensational terms like ‘chaos’ to describe mathematical discoveries invited misunderstanding and extension of the new ideas beyond all reasonable bounds.

Some apparently fail to see the problem here. I have recently seen articles which attempt to sort out the confusion by cautioning, somewhat condescendingly, against 'colloquial' interpretations of the word. This is the height of arrogance: having commandeered your word, we scientists will now dictate its proper ‘scientific’ usage to you, and tell you that your everyday untutored notion of chaos was really very silly.

The most straightforward misapplications have resulted from the assumption that wherever there is apparent disorder, there is a chaotic dynamical system. There is simply no justification for this view. While techniques do exist for analysing apparently random data to determine whether this is the case, and to attempt to reconstruct a representation of the underlying system, they are by no means conclusive, and they do not establish the mechanisms which drive the system. The latter task requires detailed concrete analysis of each case. The existence of apparent disorder merely tells us that it might be worth investigating the possibility of chaos, provided always that we are looking at a system where this makes sense.

In the sphere of the social sciences the wisdom of applying these notions of chaos has to be viewed with some
scepticism. It really only makes sense to attempt to analyse social phenomena from the dynamical systems point of view under the assumption that social systems obey the same types of deterministic rules as natural systems. This assumption is at best questionable and at worst a symptom of the desire by some schools of social science to emulate slavishly the norms of physical science, despite the obvious fact that social phenomena are radically different from those studied in the physical sciences. It is to be hoped that the current fad for chaos does not seduce too many social scientists into making fools of themselves. Thankfully, those on the Left in the social sciences tend to be sensibly sceptical of new wonder technologies in their fields of study.

There is potential for more deliberate and cynical attempts to use these ideas to confuse scientific debate in certain fields. Discoveries about the inherently chaotic character of weather systems are a case in point. Attempts to discredit greenhouse effect projections from this point of view may appear plausible at first sight. They invite us, however, to make the unwarranted assumption that because we appear to have no hope of making accurate weather forecasts beyond a few days into the future, we have no hope of saying anything meaningful about long-term climatic changes. This is analogous to saying that because you cannot predict the daily maximum temperature for Canberra on July 14, 1995, there is no reason to believe that Canberra will experience colder weather in July 1995 than in January 1995.

In fact, the issues involved in predicting long-term climatic trends are quite different from those involved in making weather forecasts. In projections of long-term climatic trends, one is interested in predicting the bounds within which the weather system will operate as some outside factor varies: in this case, the concentration of greenhouse gases in the atmosphere. From those bounds one can hope to make statistical predictions about the system’s average behaviour, which is precisely what is necessary for the purposes of making projections about the likely economic and environmental consequences of the greenhouse effect.

I am not claiming here that we can make accurate long-term predictions about climatic change. It might well turn out that the models used for this purpose are chaotic after all. Nonetheless, we should be wary of attempts by those with a vested interest in downplaying the greenhouse problem, to extrapolate from known chaotic phenomena in weather systems to the idea that long-term trends are beyond analysis. We should also be wary of excuse-making in other areas like economics, where the temptation is to say that because exact predictions cannot be made, attempts at government intervention in the economy are doomed to failure. As far as I know, the New Right hasn’t tried this one on yet, but I wouldn’t put it past them.

JOHN BANKS is a research student in pure mathematics at La Trobe University.

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Blueprint for a Green Economy

David Pearce, Anil Markandya and Edward B. Barbier

An Earthscan publication

This intensely topical book shows clearly how air, water, ozone layers and all other environmental qualities can be costed. By demonstrating what pollution costs us, it also shows that by energetic intervention, governments can begin the gigantic clean-up on which all our futures depend. It presents governments for the first time, with a series of practical proposals for financing a sustainable environment.

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Australian Left Review has compiled an index of its contents beginning with Issue No.85 (Spring, 1983). As of February, 1990, ALR became a monthly magazine, producing 11 issues per year. The Index cross-indexes articles by various topics, and also includes brief descriptions of each. It’s an ideal resource for libraries and researchers.

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creating a sustainable future (with a history to go with it). Pearce et al do this from a more specialised economics point of view, while Zarsky provides a broader summary of most of the issues both economic and social, in an Australian context.

Professor Pearce has received broad acclaim in Britain and elsewhere for his environmental ideas and at one stage was adviser to the Thatcher government. The book is designed, as the authors say, "to investigate some of the economic underpinnings of the idea of sustainable development: to ask, in other words, whether economics knows...the meaning of sustainable development and whether it is a feasible practical concept." It answers its question in the affirmative over seven easily read chapters, only lapsing into formulae in a few places and just supporting them with sufficient descriptions of the action to allow the non-specialist to follow the general argument.

The first chapters outline the problem from, with a few significant exceptions, a market economist's point of view, and there follows an exposition of some of the tools, like cost-benefit analysis, that the authors feel can provide some assistance in evaluating the impact of development projects affecting the environment. It does not dwell much, however, on the reservations that most discerning economists themselves have about cost-benefit analysis, particularly the selection of appropriate discount rates or about what prices to give the environment (to be discussed later).

Blueprint does start from the correct point, however, in recognising that the ever-changing physical and natural environment is at the core of existence. This is a fact that escapes many economists writing in the financial columns, who fail to recognise the nature of the art they practice and the fact that it is a social construction that is only relevant to an analysis of market price, and that this may place limitations on its ability to analyse the physical environment. An environmental focus such as this often deals with real quantities that have no money value and are not transacted in a market.

Blueprint states that the stock of natural assets that comprises the environment includes "given assets such as soil and forests, wildlife and water... a stock of environmental assets that should be no less than it inherited from the current generation". That is, achieving sustainable development is the process of adding value to the stock of human and natural capital in a way that does not compromise either, or the ability of future generations of humanity to meet their needs from a similar quantity of usable assets. This is a lofty principle that in itself may be placed by the more pessimistic supporters of the 'dismal science' in the unrealisable category because of Malthus' predictions that population tends to grow faster than the supply of sustenance, or that the pursuit of self interest, for which the market economy is promoted, will defeat the achievement because of the promotion of individual greed. This suggests that there are social, philosophical and other issues outside the economic case studies in the Blueprint that must also be considered if any debate about sustainability is to strike root.

The first critical issue for achieving a pattern of sustainable development, as both publications point out, is how to place a value on the environment in such a way that it will ensure that the value is preserved - something which will not happen if it remains a free good like air or water mostly is at present.

Secondly, it means taking account of the cost and benefits of environmental change over time in such a way that future generations are left with the same stock of usable (and that condition is important) resources that we do. The tools to do this proposed by Pearce et al are a monetisation of all the physical and living stocks in the environment; the development of a set of environmental accounts in each country and the development of analytical and policy tools for assessing and controlling environmental change in real time.
The problem with this approach, of course, is the reliance on prices to control overuse of resources when there is no market for most of them. Even when there is a market, its supply and demand schedules, prices and their effects are usually calculable only after the environmental change has been done. This is a point not taken by the Pearce team, who suggest that "postponing problems is a sound policy...It may (their emphasis) therefore make sense not to act precipitately about an environmental problem such as climatic change". This is a view that most climatologists suggest may not be a sound or sustainable policy and may be the basis for some economists saying their discipline does not have much to contribute to the environmental debate and that regulation should substitute for markets. This seems only partly true as there is a role for both.

The Pearce study, following others before it, suggests the development of a set of physical environmental national accounts that sums stocks of material and other resources and changes in them. It suggests linking the physical environmental accounts with the money economy's accounts (and the physical stocks may even be expressed in money terms, although no particularly successful work has been done into developing these). This is a more positive suggestion that has been taken up by many countries including Australia which is embarking on a program of finding out what we know about our environmental stocks, particularly of scarce resources. For assessing the effects in changes of these stocks over time, the Pearce study suggests cost-benefit analysis which is applied to each environment-affecting project. The problems with cost-benefit analysis - including the comprehensive assessment and proper valuation of environmental damage - has still not been appropriately answered.

The Pearce study is an illuminating view of how market economists see the environment and suggests some interesting ideas for addressing aspects of the problem of achieving sustainable development. The glossary of sustainable development terms is also useful. The book, despite its claim, is not a 'blueprint': firstly, because of the limits of the market system, not just now, but in the future, and, secondly, because of the well-known and as yet unsolved defects in the tools used by market economists to analyse market systems that prevent their use when risks are high and mistakes which, once made, can never be recovered.

In contrast to the more theoretical approach of the Pearce study, the work by Zarsky for the Commission for the Future is more in the form of a review of the issues cast in an Australian context. The reduction of environmental damage is posed second to restructuring the domestic economy to achieve balance in the balance of payments. The simultaneous solution recognised in this study requires a much wider range of policy approaches than the more economic focus of Pearce.

The Zarsky study has is concerned with ecological sustainability and has a greater interest in issues like biological diversity and aversion to risk - essential elements in sustainable development - meaning that this book exposes more problems and solutions than the work of the Pearce team. An example is the concern in Sustainable Development with the role technological innovation can play in achieving sustainable development. Another concern to Zarsky is equity - a key issue, since environmental damage and measures taken to correct it are likely to affect people differently. Equity will also play a major role in determining how and when many issues are addressed, a matter that is only mentioned in passing in Pearce.

The chief benefit of Zarsky's paper is her wide coverage of the state of play in Australian environmental policy. This includes an outline of the institutional developments such as those taking place in the organisation to which she belongs (The Commission for the Future). The paper includes a discussion of the state of play in key debates over the major issues such as the state of land degradation in Australia and the development of measures to counter it. It summarises the positions of key interest groups like the ACTU and the Business Council on environmental issues, but is more coy in relation to the differing views of the elements within government itself. And it explores the willingness of the community to meet the costs of change, and suggests that there is a considerable amount of support for government to apply the resources necessary to address the problem.

Zarsky puts the problem of achieving sustainable development in its social and political context. This is a much more complex and problematic world than that of the more optimistic (and idealistic) Pearce. Zarsky's world is one of nation states that have different interests; where business organisations are motivated by profit, not by the environmental bottom line, and where the capacity of individuals and groups to realise a sustainable development policy is very different.

Thus, while the overview of Zarsky does not analyse the issues in as much depth as Pearce, its view is more comprehensive and more realistic. As such, it is also more optimistic in a different sense. For, while the solutions are not so simple, there are opportunities for both jobs and an improvement in our standards of living if we tackle the real, complex problems energetically and creatively. This is a much better approach than pretending that it is all simply a question of extending the market system.

MICHAEL JOHNSON is head of the Public Sector Research Centre at the University of NSW.
Indian Summary


As an introduction to India, this book has two merits. First, it offers a chatty history of both the country and its second greatest 20th century leader, Jawaharlal Nehru (1889-1964). More tantalising, however, is the insight it provides into the minds of the people who direct the modern Indian state. If Henry Lawson was the poet of the bush, M J Akbar is as surely the scribe of India's brash new middle class.

Born in 1951, Akbar exemplifies much that is appealing and not-so-appealing about that class. His prodigious energy and talent revitalised a major weekly news magazine when he was in his 20s and made him creator-editor of a stylish new daily newspaper at 31. (The Calcutta Telegraph is the only daily in India that appears to have heard that the world. But Akbar offers post-1947 India's Authorised Version with flair and bluster: "The British knew what Jinnah wanted; and they knew what their needs were. They let the idea of Pakistan fester in the expanding communal swamp."

The latter sentence also captures the flavour of the prose. Akbar began his working life as a journalist on the popular Illustrated Weekly of India in Bombay. He wrote anything and everything to get into print and, consequently, he has a journalist's glibness. He can write fast and fluently, as he needed to do to get the book into print in time for the 100th anniversary of Nehru's birth last year. Though the book is too long (584 pages), no one familiar with the outlines of Nehru's life will find much new. Many of the old favourites among Nehru and Indian-nationalist stories are told again. Chapters invariably end with portentous 'kickers' - e.g. "That fire would soon spread from his breast and set a nation aflame" - intended to boost the reader along to the next instalment.

Nehru's "greatest failure", according to Akbar, was the creation of Pakistan; his greatest success...that he kept the rest of India united. If Nehru had a fault, it was that he was too good; he was unable to believe that the Chinese could be so diabolically wicked as to impose by force their version of the international border in the north-east in 1962.

In ensuring the well-being of India's people, Akbar pronounces Nehru to have succeeded "very substantially" by providing them with "rice, a roof and a book - and freedom and self-respect". It is a wonderfully windy claim, given that the 1981 census recorded close to two-thirds of the population as illiterate. And even the best-massaged statistics of the Indian government concede that, in 1990, about 30% of the population lives below a pathetic poverty line based on 2,300 calories of food a day. What's fascinating, however, is the boldness of the assertion: India's doing fine; if you are one of the 100 million for whom Akbar speaks. Nehru thus becomes a vehicle for working out Akbar's own view of his country's history and for a celebration of India under Rajiv Gandhi. For the reader, this exercise often proves more entertaining and instructive than the account of Nehru's life.

It was an admirable life nonetheless. To be sure, as the sole male heir of his wealthy lawyer-father, Nehru rarely had to think about money. But instead of choosing influential comfort, he took the path of a nationalist-agitator and served nine years in British prisons. During that time, he read and wrote feverishly, and there was justification in his characterisation of himself as a "philosopher...in the position of an operating leader". His rationalism led to the fascination with a centralised, planned economy, which in turn produced mountains of inertia and jungles of red tape. But it also led him to defend and expand the delicate liberalism that makes India lovably different from any other ex-colonial country.

Though Akbar's treatment of Nehru's youth and intellectual development is conventional, he is more open about the private life than previous Indian biographers. Yes, there was a liaison with Edwina Mountbatten which began in 1947 and continued until her death. Yes, earlier, there were other women, including...

The 1980s in Australia saw some of the most profound and fundamental changes in the role of the welfare state in our 200 year history. The overall size of the public sector decreased as a proportion of GDP leaving less in the pot for redistribution and changing values about the appropriate recipients.

Australia went from being an innovator in social security payments to bidding for recognition as both a mean and rigid welfare system. The fact that this has mainly occurred under a Labor government makes it more surprising. The last few years have seen a demolition of the remains of a system in which the general community had a stake, and the reinforcing of the concept of needs-based welfare.

We have moved from equity programs which recognise life cycle and other entitlements to poverty programs. These create stigma and poverty traps by eligibility criteria which discourage movement off pensions, with recipients being penalised by high effective marginal tax rates on extra income which exceed those for the top income bracket.

And one of the reasons for this debacle has been the Left's inability to understand that effective and just redistribution to the poor requires a system which is not based on targeting increasingly diminishing funds but on changing the system to increase access to categorical payments and adequately paid work.

We have an almost unique system of social security because we pay out of general revenue and not through contributory systems. By avoiding the trap of income-linked payments we had the possibility of a system which could ensure that no one suffered income poverty.

The issue of superannuation and its grossly regressive tax advantages is likely to create aged poverty in the future as self-provision becomes the catch-cry on retirement income. These are straws in the wind that suggest that poverty is not only still with us, but may increase as the system rigidifies and punishes those who cannot work full year, full time jobs.

The signs of these changes and their origins date back through the welfare debates since the beginning of the century: the introduction of aged pensions and the inter-relationship of child endowment and wages policies, for instance. However, the book being reviewed omits any broad-based policy discussions, focussing on the details and missing the unifying structures.

This is a conscientiously researched book which provides an overview of poverty throughout the period of white settlement. It neatly undermines the mythology of an egalitarian society by pointing out that this is, and always has been, an unequal society and that those at the bottom of the income scale have suffered real deprivation and hardship.

Covering 200 years of complex social interplays in less than 200 pages obviously requires some choices of inclusions and omissions. Stephen Garton has gone for a recitation of the major reforms and problems as identified in the media, in reports and in legislation, and then has linked these with stories of individuals. This brings home the problems in a personal way that makes the book easy to read.

It sells the poor short, however. The section which deals with the last two decades should probably have been omitted as it is inaccurate and superficial, since it doesn't do justice to the complexities of the changes. It is also a classic add-on—the minorities chapter, throwing in women and Aboriginal movements as an afterthought, having failed at earlier stages to acknowledge that our positions have disadvantaged us all along.

The issues of poverty and inequality are central to Left debates, yet are often not given the attention they deserve. This volume is an attempt which needed to do more than mimic the bleeding heart approach it seeks to condemn.

This is the sixth volume in an Allen and Unwin series called 'The Australian Experience', all by men. It is a pity that a publishing house which has an excellent record of publishing feminist material still appears to marginalise feminist theory and universalise male experiences.

EVA COX is a well-known social policy analyst.

If this book speaks for anyone, it speaks for them. Come on, India, come on.

ROBIN JEFFREY teaches in politics at La Trobe University.
CONSUMING
PASSIONS

Froth and Bubbles

It is hard to tell if Australians are really as devoted to their beer as national mythmakers (including beer advertisers) would have us believe, because Australian beer drinkers have seldom been given much choice of product. For decades, if you lived in Victoria, you had to drink Carlton and United’s products - there was simply nothing else available in Victorian pubs. New South Wales drinkers had the very slight advantage of having Tooth’s and Toohey’s to choose from.

Any buying guide to beer must include a bit of history, for the Australian brewing industry has exhibited most of the nasty features of capitalism. Monopolisation and domination of the retail trade (to exclude competition) are the features most salient to beer consumers.

True, since 1974 it has been illegal for beer companies to tie hotels to sell only their beer. Yet the takeover frenzy of the eighties left two brewing companies dividing 90% of the Australian market between them. Consumer choice was hardly improved. Needless to say, these two companies are Mr Elliott’s Carlton and United Breweries, and Mr Bond’s Bond Brewing.

Both are now in financial difficulties which may be the best news Australian drinkers have had for some time. Carlton has enjoyed a monopoly in Victoria since the twenties, so it is no surprise that the Carlton corporate personality is abrasive and arrogant. For decades, Victorian publicans pleaded with interstate and overseas brewers to set up in Melbourne, so oppressed were they by the Carlton monopoly. Carlton had no need to respond to consumer wishes - it made life simple for itself by supplying a narrow range of products as cheaply as possible. Even today, as one of the world’s largest brewing companies, Carlton produces an amazingly small range of brands - Fosters, Victoria Bitter, and a few “local” brands like Resch’s or Melbourne Bitter, for those who like to cling to “the beer we drink around here”.

Beer is a fermented drink which, like wine, displays a great variety of flavour from brewer to brewer, or from beer to beer. However, by employing enormous scientific resources, the Australian brewing industry has been able to suppress any variation in its products.

To some extent, this is an inevitable result of the need to provide a reliable, consistent brand. However, Carlton has taken standardisation to extremes, proclaiming that its products taste exactly the same, whether produced at different breweries or whether sold in cans, bottles or draught. In its bid to “Fosterise the world”, Carlton is pursuing the McDonald’s strategy - offering consumers an identical product, no matter where they buy it.

It is reassuring to know that Foster’s will always and everywhere have the same distinctive wet cardboard taste (as one pundit recently described it). But, like McDonald’s, Carlton takes little account of the diversity of the market. Meanwhile, after a couple of disastrous attempts to copy the Carlton strategy, Mr Bond’s shambling, chaotic beer empire is reverting to its component parts - Swan, Toohey’s and Castlemaine - in an attempt to target particular markets. This is certainly a good thing for drinkers - Toohey’s have recently introduced two interesting new lines (Dry and Red) and have rescued Toohey’s Old from oblivion.

None of this, however, will keep Mr Bond in business as a beer baron; Bond Brewing was recently estimated to be worth minus $500 million if liquidated.

Bond Brewing’s disarray has had the fortunate effect of encouraging the fringe players in the market. Most spectacular has been the rise of Brisbane’s Power Brewing which has cleverly exploited consumer dissatisfaction with the major brewers. Power’s is an unexceptional product, but there is a certain satisfaction in drinking the “beer that Bondy couldn’t buy”! Other worthwhile readily available local brands are Hobart’s Cascade Premium, Sydney’s Hahn and Brewer’s, and Adelaide’s Southwark - all pleasant, if sweetish, lagers. But the true seeker after pleasure is advised to patronise the products of Adelaide’s Cooper’s and Fremantle’s Matilda Bay. Cooper’s Sparkling Ale and Matilda Bay’s Redback and Pilsener are the most distinctive and rewarding Australian products - but beware bar staff who poise Redback with lemon!

Just throwing the J-curve aside for a moment - the variety of imported beer available is constantly increasing, although space prevents recommendations. It is worth noting that beer does not always travel well. Even so sublime a beer as Czechoslovakia’s Pilsener Urquell is sometimes below par by the time it reaches these shores.

Of course, most of the beers recommended are generally only available in bottled form, although Power’s is appearing in pubs as fast as new taps can be installed. An increasing number of pubs are brewing their own, yet the results are often turbid English-style ales. For some reason, such liquids are commonly regarded as more ‘authentic’ than lagers, the internationally popular style. There are some fine pub brews, but be prepared to pick and choose.

Most of the time, though, the habitué of pubs and clubs must make do with Carlton and Bond products. This could turn us all into couch potatoes. Let’s hope for a bit more patience from the creditors of Mr Elliott and Mr Bond!

Bud Weiser.
Global detective story - which, in fact, it is.

Tuesday, June 23, 1988: West German police seize computer equipment, discs and printouts from an apartment and a company office in Hanover. Shortly afterwards, Markus Hess is picked up by police for breaking into American military computer networks to collect passwords and other information. Kaos was allegedly selling the information to KGB agents in exchange for large amounts of cash and cocaine. Hess was using an elaborate series of computer networks, exploiting a few simple bugs in system programs. He was even able to consume a large amount of free computer and network time using the accounts of a large American defence contractor. Ironically, Hess was detected when Stoll found a 75c error in a billing system for computer time.

Bill Landreth is also a hacker, but of a slightly different kind. In his book The Cracker he presents an image of the cracker-style hacker as the loner, the outsider, prowling the frontiers of the computer networks. Like a figure from a Hollywood western, the hacker knows a technologically dynamic landscape with few laws or customs. A new world without a history, where everything has to be invented on the moment, if not exactly on the spot. (There is no spot exactly. The hacker moves in a logical space which is only incidentally a movement in geographical space. They move in an information landscape, sometimes called cyberspace.) The hacker is a tester of limits, an uninvited guest in the system. The system is a host to be pushed to the limit but not destroyed. Landreth is very clear on the ethics of this kind of hacking: never destroy other people’s data. The hacker appears within the system to look and learn, and to prompt the host organism, the computer system and its system managers to react.

Not all hackers are quite so ethical, however. Some leave behind ‘logic bombs’. Clifford Stoll recounts an instructive story in this regard in his book The Cuckoo’s Nest. It starts with a phone call at 2.25 am from Gene Miya at NASA Ames Laboratory: "Help! Our computers are under attack". Stoll put the phone down and it rang again. This time, when he picked it up, it just beeped. Morse code from his own computer at the Smithsonian Institute for Astrophysics, Cambridge, Massachusetts. His computer was under attack too!

Stoll represents another version of the hacker figure. The hacker as a legitimate user and manager of computer systems who solves problems, who keeps the system not only running but innovating. Stoll had a reputation for coming up with ways to foil the other kinds of hacker, the Landreth and Hess-style crackers. So he was a logical person for Gene Miya to call. Stoll made some calls and discovered other networked computers were being attacked by a virus. He tried to log onto a computer at the Lawrence Berkeley Laboratory, California, where he used to work as a system manager and where his anti-hacker hacking career began. Stoll typed in a command he picked up from watching his Kaos hacker foes at Berkeley, and found that the Berkeley computer was infected. This gave him his first clue to the nature of the virus: the computer was interfacing wildly in all directions, trying to talk to every other computer it could reach. With the computer trying to connect to every other computer, the flow of information was becoming a cacophony of noise, making the flow of information impossible, slowing the computer’s processing down to a crawl.

Every time Stoll tried to shut down the connections, new ones would spring up. Like a biological virus, this one entered a system, replicated itself, and sent off copies to other computers. Many computers are linked together through networks such as Arpanet, which connects eighty thousand computers.

Computers have security systems to prevent noise of this sort getting in and ruining the system, but this virus infected some six thousand before being brought under control. The virus had been designed to exploit a security loophole in the electronic mailing system. Over the next couple of days, ‘white hat’ hackers battled this lone-gun ‘black hat’ across the United States. Some began unwinding the machine code discovering how it worked and what exactly it did. Others wrote ‘patches’ to cover up the loopholes in the operating systems the virus exploited. All this information was exchanged across the country on electronic bulletin
boards. In the space of a couple of days, all that was left to be discovered was who wrote it. It turned out to be a student at Cornell University, Robert Morris jr, the son of the Chief Scientist at the National Computer Security Centre, the only public part of the shadowy National Security Agency. The mob who are supposed to set the standards of computer security. What a Freudian nightmare!

Scientific computer systems tend to be very open networks, without elaborate security precautions. This allowed Hess and Landreth and the virus to slip through a loophole in the net and get into scientific, medical and even military computers, although not highly classified ones. Networks rely on trust, or mutual, consensus between users about the correct use of the system. While they are relatively democratic systems for those with access to them, many people are excluded. Hence hacking raises complex ethical and political problems, many of which were recently discussed on an electronic bulletin board for Harper's Magazine (March).

The fact that Hess had been through literally hundreds of computers on the extensive American scientific and military networks - and not just American computers in America, but also base computers in Japan and Alaska - meant that security would subsequently be tightened on scientific computer networks and information would flow more slowly. Hence, one can say that there is a broader, more abstract kind of logic bomb at work here: no matter how open a network is, no matter how democratic, somebody is being excluded.

As philosopher Michel Serres insists, one only produces the passage of information between two people by excluding a third: by excluding the noise of other parties who want to be heard. Noise will struggle to enter the system, and for any number of motives. The Russians want information. The hackers might want money or glory or a good supply of coke, or some kind of oedipal rupture, who knows? In any event the ever-present threat of noise is the logic bomb within the system. The ethical question is whether noise is always necessarily a bad thing, or whether it has creative uses.

The idea of a logic bomb is useful as a suggestive metaphor for how complex information networks function - and dysfunction. There appear to be logic bombs in all kinds of information networks that were not consciously programmed. They are activated when noise traverses the old boundaries and territories that used to characterise social life. These logic bombs are programmed into the information networks as an accidental byproduct. They are a byproduct of the complexities of power in an information intensive world. They are an unconscious form of negation. They are the unintended effects of planned rationality and the inevitable byproducts of conflict within the institutions which govern cyberspace. In a world where the networks are run by bureaucracies, and worse, where information about our credit ratings, sexual preferences, political affiliations, work absentee records and health are not even handled by bureaucrats but processed by machine, hacking becomes both a threat to individual privacy and a tactic for breaking through the secrecy of government data and the patent and copyright restrictions of the big corporations.

A little disorder in the networks might be essential to preserving liberty, and also for advancing the tools and technologies of information systems. As St Just put it: the disorder of today is the order of tomorrow. Or as one of the hackers in Harper’s said: “There’s a hacker born every minute”.

McKenzie Wark.

**JUDY HORACEK**

The idea of evolution as progress towards increasing perfection has long been discounted by enlightened thinkers. Now read on...

**LESSON ONE**

The Evolution of the Cotton Bud

<table>
<thead>
<tr>
<th>INVERTEBRATE Stage 1</th>
<th>INVERTEBRATE Stage 2</th>
<th>VERTEBRATE</th>
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<tbody>
<tr>
<td>Amoebic State 'The Cotton Ball'</td>
<td>Exo-Skeleton 'The Tampon'</td>
<td>Internal Spine 'The Cotton Bud'</td>
</tr>
</tbody>
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So, although tampons are lower on the evolutionary scale than cotton buds, they cost fifty times more, in the same way as crayfish costs more than flake.

ALR: AUGUST 1990
Hello patients,

This month we return to the vexed subject of AIDS and the problems faced by that foolhardy group of individuals whose job it is to save us from ourselves - the AIDS educators.

Let's face it, they've got a difficult job. The huge AIDS network of interest groups, information and research can be very confusing when the little AIDS educator first starts out in the job. They've got to understand how the federal, state and local services interact and why they so often seem to be funding different people to do the same things.

This learning process is made even more difficult because everyone is speaking a strange new language called AIDSspeak. It sounds like this: "ACON, ANCA, STD, NUAA, CEIDA AFao NCADA" - are you with me? When someone finally comes up to them and says "DODO" (Director of the Drug Office), they really start to think people are having a go at them. It seems that "PLWA" no longer stands for "People Living With Acronyms".

Quite frankly, it's all so complicated, there simply isn't time for most educators to learn anything at all about another two little examples of this speak - AIDS and HIV.

But even if they finally do find the time to learn something about the virus and how to prevent it, it's not enough for them simply to understand the latest information and tell people about it. Oh no! Then they are expected to use "innovative educational techniques" as well.

Things like "values clarification exercises" - in a society where God has been dead since the 19th century and the average Aussie wouldn't know a value if it fell on his or her head. They must use "participative small group discussion techniques" - in a community where most people would prefer to be forced to wee in front of the audience at the Sydney Opera House, rather than look someone in the eye and talk honestly about sex.

As for getting members of the opposit e sex to "openly negotiate power in a sexual context" - well, as I understand it, the "wimmin's movement" has been trying to do that for about 20 years with pretty patchy success.

The AIDS funding bodies expect the little educators to do it in about 20 minutes, and be completely successful. After all, lives could be at stake. Is it any wonder that AIDS educators have been flooding into my clinics in an advanced state of psychosexual collapse!

To top it all off, when they finally do learn a few effective teaching techniques, it's just about then that they discover that 60% of the AIDS budget in their region has been used to build the new verandah outside the hospital canteen.

And another 23% of the budget is contributing to the salary for the extra VMO (Visiting Medical Officer) - a doctor who says in the tea room that AIDS is a 'gay plague' and that AIDS education is controlled by a 'gay mafia', and that's why the latest media campaign is targeting 'heterosexual drug users' and not the 'gay bum boys' as it should.

This particular VMO has also been seen with a photograph of Bruce Shepherd in his wallet - a photo that is covered in kisses. (Not that there's anything wrong with that. I've got one of those photographs in my own handbag. You get them from Bruce's secretary.)

But despite all these difficulties, the dedicated AIDS educator must still go forth into the community and educate. And that's when their troubles really start. Just last week I had an eager but inexperienced educator patient in clinic, who told me this shattering story.

She had been running a workshop in an isolated rural community for elderly members of the CWA and she was trying to get them to talk about "expanding their sexual repertoire". She was encouraging them, as she put it, "to move away from the narrow view that sex must have penetration of the vagina as its central focus".

Evidently the ladies just stared at her. They knitted. They listened. No one spoke. No one responded. My AIDS educator patient tried every trick in the book to get them to participate. The response was Total Silence. Finally, my patient collapsed under the strain and was taken to hospital mumbling incoherently about condoms and toilet seats and mosquitoes.

Later that day, one of the CWA ladies visited her in hospital. She had the courage to whisper what all of them had been thinking during the failed educational session.

"How can we 'negotiate' new sexual practices with our husbands when we haven't even spoken to them for years?" she hissed into the ear of my patient. "And anyway," she added, "at least the old one-two-three, in-out-squirt, is over and done with pretty quickly, and then we can do something we really enjoy, like read a book or brush the dog. If we 'expanded our sexual repertoire', we'd be at half the night and we might have to take off our nighties."

This is the psychosexual reality of middle Australia. Is it any wonder my clinics are flooding with patients traumatised by the AIDS media campaigns?

Patients, there'll be more from the psychosexual frontline in this column next month. See you then.

Send your problems to Dr Hartman's secretary, Julie McCrossin, care of ALR.
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