

# Hansonism and the erosion of social capital

**Eva Cox asks what can be said about the rise of One Nation using the ideas of social capital and trust. The language of One Nation supporters is all about distrust, distrust that has grown out of the economic policies of the major parties.**

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Populism is relatively new on the Australian political landscape. The Dictionary of Modern Thought has a peculiarly apt definition: 'A form of politics which emphasises the virtues of the uncorrupt and unsophisticated common people against the double dealing and selfishness of their politicians and their intellectual helpers. It can therefore be manifested in left, right or centrist forms... Populism only flourishes when orthodox democratic politics does not.'

Populism is the name given to movements which tend to pick on a range of simplistic solutions to what seem to be intractable problems, and flourish when the elected Governments and Oppositions are seen to fail the 'people'. The people in these cases are usually a substantial proportion of what in other cases would be mainstream support for the status quo.

The 'people' thus excludes the poorest and most disadvantaged who are not considered part of the mainstream. In fact most populist movements emphasise their ordinariness, and call on patriotism and love of country to prove that they are the legitimate defenders of the nation.

These groups form the mob, a very dangerous potential threat to democratic process because they often feel that democracy has failed them. The issues that form part of the populist agenda often have little to do with the particular issues which may be making them lose faith in the system, but are often parts of processes of blaming victims and outsiders. This is where racism appears, for it is above all a means of finding someone to blame.

One Nation fits the mold perfectly. The question is why do these ideas, which are always present on the fringes of any society, become popular? Why are substantial proportions of people who see themselves as ordinary Australians looking for alternative political frameworks?

## **Declining trust**

The explanation in terms of social capital comes from declining levels of trust in the dominant parties. For the last decade or so, there have been relatively few differences in the main economic agendas of both blocs. In this period

people have seen the internationalisation of markets and finances, the reduction of quality and numbers of public services, sales of popular icons and a litany of complaints by governments that people expect too much of them.

At the same time, there have been changes in the composition of the populace, growing anxiety about job insecurity and unemployment, shifts in gender relationships and a reduced sense of trust in institutions including political parties, the courts and the media.

While the Queensland election sent an ominous warning, the major parties are still ignoring the deeper malaise which explains support for One Nation. One Nation presents new faces, apparently ordinary people who therefore are more likely than the old elites to be trusted.

The issues which underpin the rise of One Nation concern the nature of democracy. The glib answer is the rule of the majority, let the people decide. But democracy is also about the rule of law, and the balance of powers between law makers and law enforcement and the protection of the rights of minorities.

While there is little coherent policy in One Nation, Hanson has been highly effective at pushing buttons. The appeal to patriotism and being tough on crime works for the traditionalists as does the emphasis on everyone becoming Australian in a very Anglo way. The issue of patriotism is one of the more dangerous possibilities for populism. The prime example is Nazism but many other forms

of fascism started by appeals to patriotism. They work well with people who feel something is rotten and maybe its those foreigners, inside and outside. In other words, the blame lies with the Other.

Similarly the race issue becomes a debate in which Aboriginal people are divided into two groups, bad white ones and some remaining bush dwellers who know their place. Native title has been an effective means of turning deeper feelings of fear and insecurity into an identifiable threat, one reinforced by appeals to equality. In fact populism is all about threats, and many populists are drawn to conspiracy world views – there are those out there who want to get us and undermine our way of life.

### **The new political agenda**

Like many other disaffected people, the One Nation voters want better choices than are on offer. The problem is that they are supporting a rag bag of people with more prejudices than principles and are influencing the major parties into aping their policies to try to find preference deals or Coalition support.

Hanson's damage so far is that both sides are unlikely to put

forward any policies for the non-mainstream groups. The pressure is on them to pander to the prejudices and resentments of those who feel unloved and neglected but are Anglo and articulate. The other groups are now disenfranchised because their needs have now been defined as marginal. So even if Hanson loses, she wins some policy debates. Abusing Hanson will not change that result because she is not responsible for the support she is getting – the major parties are!

Populist politics have always been there on the fringes. The question is why these types of views are appealing to so many people. Why are so many voters responding to a collection of views which seem to express a general distrust of current governance processes, of experts and politicians.

The response to Hansonism is to acknowledge the basis of public disaffection and the to develop strategies and policies to build connections and trust in the community. Distrust and fear create the Other and that is antithetical to the accumulation of social capital.

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## “AUSTRALIA AT THE CROSSROADS”

The Australia Institute hosted the launch of the new book by Fred Argy, *Australia at the Crossroads*. Launching the book, former Reserve Bank Governor Bernie Fraser made the following remarks.

More than most policy advisers I have known, Fred always sought to analyse economic issues honestly and objectively and to extract sensible policy implications from that analysis. He was not the kind of person who would select and manipulate data to push his own barrow.

Fred’s persistent chipping away at assertions, and his questioning of presumptions – for example, that private ownership is always preferable to public ownership or that small government is preferable to large government – were often an inconvenience, even an irritant perhaps, for some people with less flexible minds.

These very laudable qualities are evident in abundance in his book *Australia at the Crossroads*. Fred begins with an assessment of Australia’s economic performance over the last fifteen years, and uses this as a basis for his thesis that Australia is now at the crossroads.

On the basis of conventional economic measures, notably GDP, Australia’s economic performance in the 1980’s is assessed as average, improving to well above average since 1991. However, throughout the book there is a continual emphasis on the limitations of GDP measures and the need to add in social measures such as income distribution; opportunities for accessing education, health facilities, housing and so on; and

environmental concerns. These measures are not objective, but involve, unavoidably, social values and priorities.

On this broader basis, the book concludes that Australia is a much wealthier country now than it was at the beginning of the 1980s, but it is also a more unequal society.

The book makes some comparisons of Australia’s experience with that of East Asian countries, the UK and New Zealand. Again, when social factors are included, Australia comes out reasonably well. New Zealand, which earlier had been widely touted as a model of rapid reform to be emulated, lags behind Australia on most measures.

We are learning that for change to be beneficial it must be sustained and ongoing, which can only occur through a broad measure of community support. This is most likely to be forthcoming if changes are gradual and seen to be fair to all – which by and large they have been in Australia, at least until recently.

The one big blot on our report card throughout the whole period has been persistently high unemployment. Fred gives considerable space to an analysis of this problem, and shoots down a number of possible causes. In brief, our unemployment record cannot be attributed to sluggish reform of the labour market or, indeed,

to sluggish micro-reform more generally; nor is it a consequence of big government or of a culture of welfare dependency. The main culprit is seen as failures in macro-economic policy, particularly a preoccupation with seeking low inflation and fiscal balance instead of lower unemployment.

I disagree with Fred's contention that Australian monetary authorities *intentionally* gave unemployment a lower priority relative to inflation and other goals in the early 1990s. The fifteen easings of monetary policy between January 1990 and June 1993 represented a much faster pace than the orthodoxy within the Australian authorities, the Opposition and the markets wanted.

Australia is now at the crossroads. We have to make a choice not only about the kind of economic policies we prefer, but also, and more importantly, about the kind of society we want in this country.

One option is what Fred calls the *hard liberal road*. This is characterised by heavy reliance on market forces, minimum government intervention and a preference for reducing inflation and achieving fiscal balance over reducing unemployment. The social agenda along this road is given over to individualism, self-reliance and minimising welfare dependency.

Fred's other road is signposted the *progressive liberal route*. It involves using market forces where these deliver desirable outcomes – but with no hang-ups about government intervention or size of government, provided productive potential and solid

growth are not jeopardised. A very high priority is assigned to reducing unemployment and engendering job security, and giving a bigger role to fiscal policy in short term demand management. There is a strong focus on distributional equality, quality of life, equal opportunity in education, health, housing and so on.

Fred refers to a strong coalition of forces, which has been strengthening over the last couple of years, which would promote the hard liberal road. Membership includes businesses and especially financial institutions; the pervasive orthodoxy in domestic and international economic agencies; parts of the media; and the current federal government. There are few signs as yet that the majority of the community want to go down this road.

The book comes down on the side of the progressive liberal road, aiming at a more competent and a more compassionate society. I share Fred's concern if this route, with its heavy emphasis on fairness and a fair go, were to be replaced by the hard liberal road, leading perhaps to the harsh, competitive individualism which characterises the United States.

One important consequence, for example, might be that the mostly moderate, sensible leaders who have emerged in Australia over the last fifteen years – in many areas, including business, trade unions and aboriginal affairs – were replaced by people of a much less moderate and consensual disposition.

That Australia is at the crossroads is evidenced by the grave issues under active consideration at present – unemployment, tax reform, native title and the environment. *Australia at the*

*Crossroads* sounds a warning about the direction in which we seem to be drifting. It is a plea to stop and think about the kind of country and society we aspire to be.

It does not propose radical surgery; rather is an informed and balanced contribution to the kind of debate that we must have. It is a good book and an honest book; it deserves to be read widely.

## Greenhouse Policy in Disarray

**The Institute continues its work on climate change policy, and has recently released two background papers on the subject. Institute Executive Director Clive Hamilton outlines some of the issues.**

While the Kyoto Protocol agreed last November provided the outlines of an international system to reduce greenhouse gases, extensive negotiations are required before the details are settled and the institutions can be established. Two vital areas which were only agreed in principle at Kyoto are trading in emission rights and the admissibility of 'carbon sinks' as means of offsetting emissions from fossil fuels.

Despite the uncertainty surrounding these issues, the promise of big profits from greenhouse gas emissions trading is luring Australian farmers into farm forestry before the international rules governing trading and 'carbon sinks' have been determined. Questions such as how much carbon stored in a plantation will count as a sink, who will certify a plantation, how will they be audited and monitored and who bears the risk for events such as fire are nowhere near resolution internationally.

To be eligible to generate emissions credits, plantations will be required to satisfy strict rules set down and enforced by an international body. It is unlikely that farm woodlots will qualify yet farmers are being urged to invest now.

At the same time, State forest management agencies in NSW and WA have been remarkably quick to recognise the opportunities provided by trading and carbon sinks. Indeed, the rights to carbon stored in Australia's public forests are being sold off cheaply to Japanese interests

before Australian firms have grasped the implications of the Kyoto Protocol. Australian industry has written to the Federal Government expressing its concern, but the Government's greenhouse policy development seems to have stalled despite the fact that rapid changes globally are redefining the commercial environment for Australian industry.

### Burden shifting

To allow Australian firms to participate in emission trading the Federal Government must pass on its obligation under the Protocol to major emitting firms. In other words, legislation will be required imposing emission caps on the big emitters. The obvious starting point is to restrict emissions from each sector and from each firm to 108% of 1990 levels by 2012, since that is the target Australia has signed up to. Already, the fossil-fuel dependent industries are lobbying to be permitted a more lenient target and arguing that private consumers and motorists should have to make deeper emission cuts.

One of the Institute's new papers shows that the 'Australian deal' at Kyoto will mean that Australia's fossil emissions will be able to increase by at least 25% by 2012, much more than the 8% nominally agreed. It concludes that while the rest of the industrialised world will be shifting away from fossil fuels, Australia will become more dependent on them. The Kyoto agreement may be a poisoned chalice for Australia.

One of the unforeseen

implications of the Australian deal is that the rest of the world effectively made a large wealth transfer to Australia in the form of surplus emission allowances. Although the Federal Government has consistently denied this interpretation of the Kyoto outcome, a senior Federal official recently conceded that it would be difficult for Australia to sell its surplus emission credits internationally because other nations would realise that they had been "dudged" by Australia at Kyoto, and may decide to exact retribution.

### World market

The Institute has analysed the likely evolution of the global emissions trading market in terms of the long-term supply of and demand for emission allowances. Over the next few years we would expect demand for allowances to grow strongly as firms hedge against the possibility that they will not be able to meet their domestically imposed emission limits (see the figure).

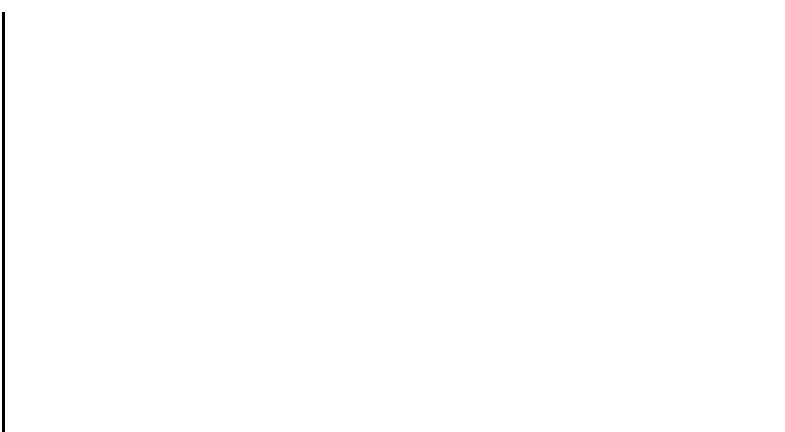
However, after around 2005 new technological developments will provide opportunities for large reductions in emissions and this will drive down the world price of allowances. The more technological progress that is made in renewable energy and energy efficiency, the lower will be the price of allowances.

As we approach the commitment period beginning in 2008, the political economy of the next round of negotiations will become vital. If the cost of emission cutting

turns out to be much cheaper than anticipated – which is very likely – then this will make much sharper cuts in emissions (from both developed and developing countries) possible. Moreover, there will be new powerful commercial forces that will be pushing for deeper cuts.

The development of emission trading will see the business community split as holders of emission allowances will see the value of their assets rise with more stringent emission targets. These businesses will share the objectives of environmentalists.

**Figure 1: Estimated price path of emissions allowances**



The new Australia Institute reports are *The Kyoto Protocol: Implications for Australia and the world* (Background Paper No. 15) and *The Evolution of the*

*Global Market for Greenhouse Gas Emission Allowances* (Background Paper No. 16).

## The GST and the Environment

**The Institute is undertaking a project examining the implications of proposed changes to the indirect tax system for the environment, focussing especially on atmospheric emissions. Some preliminary results are revealed.**

Despite its sweeping implications for resource use and economic activity, the Coalition's tax package makes no reference whatever to the environmental impacts of the GST and associated changes in the system of indirect taxes. This is in sharp contrast to *Fightback!* which devoted a section to examining the environmental issues.

One of the biggest environmental impacts from the GST tax package may well arise from the sharp cut in the price of diesel for heavy vehicles. With diesel 25 cents/litre cheaper road transport will be favoured over rail and the shift to gas-fuelled public transport will be halted.

At the same time, the prices of both petrol and diesel for business vehicles of all types will encourage more fuel consumption with associated increases in greenhouse and other atmospheric emissions.

On the face of it, the cut in new car prices by around 6% may result in increased purchases of new vehicles rather than increasing the total number of vehicles and to the extent that new vehicles are more

fuel efficient this will be beneficial. However, the greater fuel efficiency of new cars has been offset by the preference of consumers for more powerful cars with more accessories that increase fuel consumption.

Diesel emissions are responsible for a number of environmental and health effects due to greater emissions of sulphur dioxide, nitrous oxide and particulates. Particulates are of special concern because they are carcinogenic and may increase infant mortality.

Tighter emission standards for diesel vehicles could prevent increased urban air pollution. Australia introduced new emission regulations for diesel vehicles in 1996, but these regulations are already out-dated. Much tougher rules have been adopted in the USA and Europe in response to rising concern over the health effects of diesel pollution.

Cutting fuel prices makes little sense when Australia has just signed the Kyoto climate change agreement which mandates cuts

in greenhouse gas emissions and when the OECD's International Energy Agency has recently urged the Federal Government to increase petrol prices to encourage fuel efficiency.

The Institute's study is also looking in detail at the implications of the GST for consumption of electricity and gas and the impact on energy efficiency.

One of the more subtle impacts of the GST may be to postpone the trend towards the use of environmental taxes and charges. The essence of the GST is the uniformity of the tax rate and its breadth of coverage, yet environmental taxes and charges are predicated on differential taxes so that the prices of environmentally damaging goods are higher and environmentally damaging goods are lower. The Institute put forward a comprehensive package of measures in its publication *Ecological Tax Reform* last year.

(The Institute's study is expected to be completed at the end of September.)

# The Multilateral Agreement on Investment

## *Disciplining governments?*

**Patricia Randal of the Public Sector Research Centre, UNSW, explores some of the vexed issues associated with the MAI, a treaty now on hold but sure to return.**

The Multilateral Agreement on Investment (MAI) is being negotiated by 29 governments of the OECD. It proposes a legally binding agreement to facilitate trans-border investment flows. The draft agreement was made officially available by the OECD in March this year only after sustained public pressure.

International investment is now growing faster than both trade and general economic growth. There are over 40,000 multinational corporations (MNCs) today, compared with 7,000 a decade ago, with faster growth in services than in manufacturing. While transnational investment can bring obvious benefits in terms of new investment and employment, it can also fuel speculation and takeovers.

While governments hope that the MAI will increase the quantity of transnational investment, many citizens fear that the MAI gives legal rights to corporations preventing governments from regulating the quality of investment and what it contributes to local communities. The language of the MAI draft text is in itself revealing: it refers to MAI 'disciplines' applied to governments.

The MAI goes further than other trade and investment agreements because it applies to all forms of investment and all forms of government legislation except those which are specifically listed as exceptions. It gives additional legal powers to corporations which already have enormous market power. It applies two principles, standstill and rollback,

which restrict current and future government policy options.

Standstill means that governments cannot introduce

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**'It gives additional legal powers to corporations which already have enormous market power.'**

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any new measures which are inconsistent with the Agreement. Rollback means that any inconsistent measures, including exceptions, must eventually be rolled back. There are proposals for permanent exceptions, but these have not yet been agreed.

### **Erosion of sovereignty?**

The MAI demands national treatment for transnational investors and forbids any measures which oblige them to contribute to local development or industry policy. They cannot be required to train local people, do research and development, transfer local technology or produce exports. The MAI also enables corporations to sue governments if they take 'unreasonable' measures which impair investments. Once signed, governments cannot withdraw from the MAI for five years and, if they do, the Agreement remains binding for another 15 years. These features of the MAI are draconian compared with other international trade agreements.

The MAI would challenge

many current Australian policies which limit levels of foreign investment in privatised bodies like Telstra and Qantas, and in newspapers, television and film making. Current industry development policies, in areas like telecommunications equipment and information technology, which require MNCs to train local people, conduct research and development, or contribute to regional development could also be challenged.

The concept of indigenous peoples' rights to land is also inconsistent with the 'national treatment' provisions. It could also expand privatisation by giving MNCs the right to tender for government funding for services like schools and hospitals. The Australian government has acknowledged that all of these areas are potentially 'non-conforming measures' by listing them as exceptions, but they may have to be 'rolled back' in the future.

However, the process of globalisation has assisted the development of opposition to the MAI. National and international movements of unions, environment groups, churches and human rights organisations have exposed the MAI processes, published drafts and pressured both national governments and the OECD to conduct public debate to the point where the conclusion of negotiations is now uncertain. The target date for signing has been postponed twice and

governments have listed increasing numbers of exceptions. Negotiations are due to resume in October 1998.

### **Australian inquiry**

In Australia, this movement has resulted in a Joint Parliamentary Inquiry to which over 700 submissions have been made. They have come from a wide range of community organisations. Many are broadly internationalist and support the concept of international agreements in areas like human and labour rights and environmental regulation. They want an agreement on investment regulation which is fair to investors but does not give them unreasonable powers over governments, and which enables governments to require them to contribute to local development and abide by environment and labour standards.

This majority position contrasts with the minority opposition to the MAI expressed by Pauline Hanson and other extreme right wing 'fortress Australia' nationalist groups, which oppose all forms of international regulation, including United Nations conventions.

The movement against the MAI is the first to have a significant impact on any international trade agreement. It is now likely that agreement will not proceed in its present form. It may reappear in another forum like the World Trade Organisation, where it will again be debated, including by many developing economy governments. In any case, the formation of global and national networks on this issue will contribute to the public debate on the kinds of new international democratic forms of governance which will be required to make both national governments and transnational corporations



