

Charities, political parties and the GST

The 'integrity test' for Australian politics

No. 23 June 2000

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Revelations by the Australia Institute that political parties can enjoy GST concessions designed for charities will reinforce Australians' deep cynicism about our politicians. The Government's reaction has only made it worse. Julie Smith, Institute Senior Research Fellow and author of the study, reports.

While Treasurer Costello sees his GST dispute with the brewing industry as 'a test for the integrity of Australian politics', a more stringent test is whether federal politicians will combine to remove an invitation to political party rotting that has been uncovered in the Coalition's GST laws.

The Institute study exposed a loophole that would permit caviar served up to rich corporate donors at a political party dinner to escape GST if their guests were charged cheaply enough. Political parties could also access GST-free provisions designed for charities providing cheap accommodation such as women's refuges, or conducting raffles and bingo. At the same time, some legitimate activities of charities, such as furniture produced in sheltered workshops, will attract the new tax.

The first reaction to the Institute's report came from Assistant Treasurer Rod Kemp who issued a media release saying that the Institute had made factual errors and implying, without quite stating, that political parties *would* be subject to GST.

Unfortunately for Senator Kemp,

while he was in Canberra issuing his media release, the Prime Minister was on ABC radio in Tasmania saying that of course political parties would not be subject to the GST, because they are not-for-profit organisations. The waters were muddied further when the next day in an interview on Melbourne radio station 3AW, the Tax Office's Deputy Commissioner for GST, Mr Rick Matthews, said that he believed that all fund-raising activities by political parties *would* be subject to GST.

Leading tax lawyer Cynthia Coleman, Associate Professor at the University of Sydney, has come out in support of the Institute's claim that political parties can exploit such GST-free concessions. She has confirmed that "political parties get themselves under this GST concession because they are gift-deductible entities under Division 30 of the Income Tax Assessment Act."

The situation results from the loose wording of the GST legislation, where any 'gift-deductible entity' can access provisions for GST-free supply of

goods or services, as long as goods and services are sold at less than 50% of market value or 75% of cost.

Under GST laws an entity is 'gift-deductible' and can access charitable GST concessions if it is covered by Division 30 of the Income Tax Assessment Act 1997. Registered political parties appear in Section 30-15 of that law.

Giving 'soup kitchen' or 'women's refuge' status to a political party opens up wide opportunities for 'roting'. A tax loophole, however small, will soon have an army of accountants and lawyers working on ways to put money through it.

“No one would seriously contend that political parties are charities.”

*Cynthia Coleman,
tax lawyer*

Professor Coleman believes the legislation should be amended to prevent this, arguing: “Previously when unintended consequences have arisen, they have been dealt with by amending the law in keeping with the original intention, and I would certainly expect that would be the case here.”

The Institute also sought the opinion of Dale Boccabella, lecturer in taxation law at University of Western Sydney. He observed that it is the interaction between the GST concessions and the income tax law which facilitates political party fundraising dinners possibly being GST-free. It is clear-cut legally. “However, the broad intent of the provisions is for delivery of welfare, for example low or no cost accommodation for the

homeless. Political parties hardly fit that category.”

Apart from potential tax savings on party dinners and cheap accommodation, political party access to charitable GST concessions also raises questions about GST-free sponsorship or advertising 'deals' with major individual or corporate donors. As Mr Boccabella notes: “Present tax law invites the restructuring of transactions between political parties and contributors to be more 'tax-efficient'”.

While the Prime Minister denied political parties were getting preferential treatment, many other non-profit bodies do not enjoy the 'charitable' status now enjoyed by political parties under the GST.

For example, according to the Taxation Office, non-profit bodies such as sporting, recreational and social clubs, professional or trade groups, and traditional service clubs like Rotary and Lions clubs or even non-profit childcare centres are not 'charitable' institutions.

Concern at political parties masquerading as charities under the GST law is compounded by the difficult times ahead for many genuine charities caught up in the Government's tax reforms. With a

wide definition of who gets charities' GST-concessions, the tax authorities must keep a tight rein on which activities of charities qualify. A recent Institute study showed that present rules for defining the GST-free activities of charities may damage some genuine charities.

In response to such problems, the Government last month agreed to an independent inquiry on the definition of charities. But a report in six months' time may be too late to stop use of the loophole by political parties' lawyers and accountants.

Meanwhile, the issue remains: should political parties be able to access GST concessions intended to assist those 'dishing out welfare'? One of the most disturbing aspects of the whole saga has been the silence of the Labor Party and the Democrats on this issue.

In the public's mind, the integrity of our political parties can only be diminished by this debacle. It is one thing for the definition of charities under GST rules to be in a mess, it's quite another for political parties and their 'clients' to profit from the confusion. ■

Protecting the watchdog

In an article soon to be published on The Australia Institute website, Tony Harris, the former Auditor-General in New South Wales, discusses the delicate relationship between Auditors-General and Governments.

Mr Harris argues that if Auditors-General, as guardians of the public interest, fail to be relevant in their inquiries, the public will not defend them against erosion by disgruntled governments. However, tackling the issues of the day may place such watchdogs in conflict with elected governments and at risk of straying into 'political' judgements on public policy.

The paper surveys the issues that arise in specifying the Auditor-General's role, using examples from NSW and other States. Those perplexed by some major privatisations of public infrastructure or public enterprises by State Governments will also find this paper illuminating.

The article will appear on our website on 19th June.

Mandatory Sentencing

Where are the experts?

Australia's recent debate over mandatory sentencing in the Northern Territory and Western Australia was notable for the preponderance of prejudice and the absence of facts, argues Institute Research Fellow Pamela Kinnear.

Although the issue of mandatory sentencing has gone off the boil in recent weeks, it has by no means gone away – people are still being imprisoned for minor first offences and the social effects are snowballing. For example, recently it has been reported that Aboriginal women are more reluctant than ever to report domestic violence because of fears that it would result in the automatic imprisonment of their partners.

The tragic death of the 15 year-old Aboriginal boy who died in a Northern Territory correctional centre in February should have stimulated a serious public debate about how to make good criminal justice policy. But the opportunity was missed. Instead, the public debate about mandatory sentencing was highly reactionary, unsophisticated and largely uninformed about this complex issue. Heated, emotional arguments blundered on with few moderating voices and little real leadership based on knowledge.

Bleeding hearts vs lynch mob

The debate has not advanced but remains polarised between two extreme positions – the 'bleeding hearts' and the 'lynch mob'. The 'bleeding hearts' are outraged by the inhumanity of the compulsory incarceration of young people for apparently minor offences. They join with much of the media to trivialise and over-simplify the offenders' crimes, focusing almost

exclusively on international conventions, Commonwealth powers and States rights.

The 'lynch mob' is outraged by the incapacity of the criminal justice system to deliver victim satisfaction, protection of communities and reduction of fear, and so ride roughshod over legitimate concerns about the human rights of offenders. They refuse to understand or contemplate the causes and complexities of crime and its solutions.

“Mandatory sentencing does not reduce crime”

Both sides ignore almost completely the central question: What makes for good criminal justice policy? If the Australian community is interested in solving problems of chronic crime, we need to hear from the professional research community about the solutions most likely to be effective in achieving this shared objective.

There is in fact a large body of knowledge about the effects of mandatory sentencing on crime levels. It shows that mandatory sentencing does not reduce crime. We also know a lot about crime strategies that are more promising and humane, for victims as well as offenders, and about victims' needs and rights.

Drawing on this vast research, many innovative crime prevention programs have been developed. With varying

degrees of success, they are addressing the devastating impact of crime, especially repeat crime, upon individual victims and crime-burdened communities. Especially important amongst these is the restorative justice approach – a unique, innovative and often highly successful model that provides high levels of victim satisfaction at the same time as having considerable rehabilitative potential for young offenders.

Criminologists absent

Why these issues have been left out of recent public debate is a mystery. With a few exceptions, criminologists have been notable for their absence. It is difficult to avoid the conclusion that under a cloud of anxiety about where their next research contract will come from, or which Ministers not to offend, criminological researchers choose not to take this desperately needed leading role.

On the other hand, perhaps the criminological community itself feels cynical about the capacity of their views on such a volatile and political issue to be properly represented by a media more interested in a good fight than in quality public debate.

Whatever the reason, in the absence of a more sophisticated debate drawing on what criminology has learned over the decades, the mandatory sentencing issue will drive even deeper the wedge that is dividing Australian society. ■

Kirby opens Institute offices

The Institute's new offices at University House, ANU, were opened on 10th May by Justice Michael Kirby AC CMG, Justice of the High Court, and Professor Peter Baume, Chancellor of the ANU. Below is an edited version of Justice Kirby's speech.

I am delighted to take part in the opening of the new premises of the Institute within University House at the Australian National University.

Most of the topics upon which the Australia Institute works are necessarily, and properly, very political and controversial, far too controversial and political for commentary by a judge. Moreover, some of them are topics that may come, in one guise or another, before the High Court of Australia. Much as I would like to express views about them, it might be more prudent to reserve any views to the Court after I have heard full argument and my views can actually count. However, it will be apparent that the Australia Institute plays a very useful role as an organ of analysis, data gathering and exposition. It is therefore, in my opinion, vital to the Australian political landscape.

Once again one may ask: what is the alternative? The alternative is what we see so often in Australia and, indeed, throughout the Western world. It is government by transient political polling, newspaper headlines and editorials and media creation and pursuit of 'issues' as a form of mass entertainment. Thoughtful and

informed criticisms are often missing as we lurch from one issue manipulated from the news, blown up out of all proportion, popularised and sensationalised, until it too is replaced by the next storm in the entertainment of the people. All political parties are victims, and participants, in this feature of modern democratic government. Governance too easily falls victim to populism. I do not

“Governance too easily falls victim to populism”.

believe that it is the kind of democratic polity that the founders of the Australian Constitution envisaged when they finalised the Australian Constitution a hundred years ago exactly.

The Australia Institute and other such bodies offer an alternative vision of democracy. This is the democracy of ideas, of objective data, of strongly expressed opinions and arguments, of practical philosophy, of strong persuasion. We need more of this from every political viewpoint and philosophy. It is entirely appropriate that the Institute should find a home in this University in the nation's capital.

True democrats understand that occasionally they will make mistakes. Usually there will be an alternative path to paradise. Diversity and choice are the essence of democratic governance. Its life force is information, argument and opinions strongly expressed. The Australia Institute has, I think, kept the faith with its

original charter. I especially welcome its increasing willingness to look beyond Australia to its place in the world. The involvement of the Australia Institute in the aftermath of the events in East Timor is to be encouraged.

One of the items in last night's Federal Budget which I believe all Australians will welcome is the commitment to a large expenditure by Australia on rebuilding governance and law and order in that close neighbour. I hope that the Australia Institute – and other civil society organisations in Australia – will involve themselves in the task of nation-building in East Timor. And in rebuilding our links with Indonesia. This morning at the High Court, I welcomed a large delegation of visiting Indonesian judges. They are in Australia to study our legal and judicial systems. We must reach out with help and friendship to our neighbours. This is vital to Australia and its

people. We should not be selfish islanders, complacent in our outlook. I hope that the Australia Institute, in its new home, will look outwards and think (as we all now must) in terms of the world and our region.

Doing this the Institute will help Australians to understand that we will sometimes be criticised by the world that also watches us. Recently in Geneva at the UN Human Rights Commission, Australia's human rights record on such matters as Aboriginal policy and mandatory sentencing was criticised. This is part and parcel of being part of the planet which is increasingly interconnected. Globalism extends today to human rights. It is not confined to the economy. I saw this repeatedly demonstrated when I was at the

“The tyrants of the world must now answer before the bar of humanity”

Special Representative for the UN Secretary-General for Human Rights in Cambodia. The tyrants of the world who oppress their peoples must now answer before the bar of humanity in the UN Human Rights Commission, the General Assembly and other bodies. It is a very good thing that this happens. Often it is the only hope against oppressors of the downtrodden and forgotten.

In the international community Australia has long been a good citizen. We were a founding member of the United Nations. Dr H. V. Evatt was the first President of the General Assembly. We have played a constructive role in the body

ever since 1945 and we continue to do so, most lately in the East Timor emergency force. We should expect to be criticised from time to time. We are not perfect. Instead of reacting with resentment, Australians should listen to the criticism. Sometimes it will be misinformed and unfair. But

“Instead of reacting with resentment, Australians should listen to the criticism”

often it will be fully justified. At least it might be worth considering. Wisdom and justice teaches judges to keep their minds open to other points of view. The same goes for nations. We should heed it and respond to criticism.

The same goes for the Australia Institute. Sometimes we will object to the views expressed. Sometimes we will disagree. Occasionally we will be irritated and once or twice infuriated. That is precisely what the Australia Institute is here for. That is democracy as our Constitution guarantees it. Freedom lies in difference, not in sameness – in disagreement, not in cloying consensus. I hope that the Australia Institute will never forget that stimulation and irritation is part of its mission. Indeed, it is also the mission of universities. So the Australia Institute is well placed in its new home.

I congratulate the Australia Institute and the University in opening their de facto relationship under the one roof. May they enjoy general bliss, harmony and only occasional and constructive discord. May they each be blessed with noisy progeny. ■

Taxing Mother's Milk

The GST laws have been plagued by anomalies that have provided the Opposition with plenty of political ammunition. So far the debate has been confined to the market economy, but when we enter the realm of the household economy the complexities multiply. Institute tax specialist Julie Smith explains one of the stranger anomalies.

A study of unpaid work by the Australian Bureau of Statistics concluded that households produce goods and services worth around two-thirds the value of GDP. However, the GST treats households only as consumers rather than producers. As consumers they are fit subjects for consumption taxation, only if households market what they produce and are acknowledged as producers and permitted to claim input tax credits.

A bizarre example of the anomalies produced by this approach to the world is the treatment of mother's milk under the GST.

“These babies pay GST on their basic food.”

If a farmer's business is milking cows, she pays no GST on her equipment. The farmer claims input tax credits for any GST paid on equipment, including milking machines. However, mothers purchasing lactation aids to supply the human milk needed by sick, premature or otherwise vulnerable infants cannot claim input tax credits on breast pumps. Despite being 'producers' of a food with significant economic value, the GST treats milk-producing mothers as 'consumers'.

As a result, these babies – the actual consumers of mother's

milk – effectively pay GST on their basic food.

In stark contrast, artificial infant milk formulas, commercial baby foods and juices are GST-free. Dairy producers as well as infant food manufacturers such as Nestle and Heinz are tax-free from the farm to the baby's mouth.

Human milk is the only food proven safe for human infants. Paediatricians have clearly established that there are multiple health risks for infants who are not breastfed. The World Health Organisation recommends that babies be fed breast-milk exclusively for a minimum of six months, with a minimum weaning age of two years.

Medical appliances and health goods are GST-free. Visual aids for the blind are GST-free, as are hearing aids for the deaf, crutches for those who can't walk, and sunscreens, condoms and folate pills. But equipment some mothers or babies need to breastfeed – for example, if sick, disabled or premature – carries the full 10% GST.

The Commonwealth Health Minister, it seems, does not view the inability to breastfeed as a disability for either mothers or infants. What is the rationale for this policy?

Food for human consumption is GST-free if not consumed 'on premises' or if it is not a hot take-away food. Prepared foods like pies, pizzas, pretzels, potato chips

and pavlovas are taxed. 'Beverages' including milk products (covering soy milk, but not flavoured milks) are GST-free.

Is not human milk 'food for human consumption' or a milk 'beverage' for babies? Is a mother who expresses and bottles her milk for her baby in intensive care or at childcare supplying 'take-away' food?

“When mothers stop breast feeding GDP rises.”

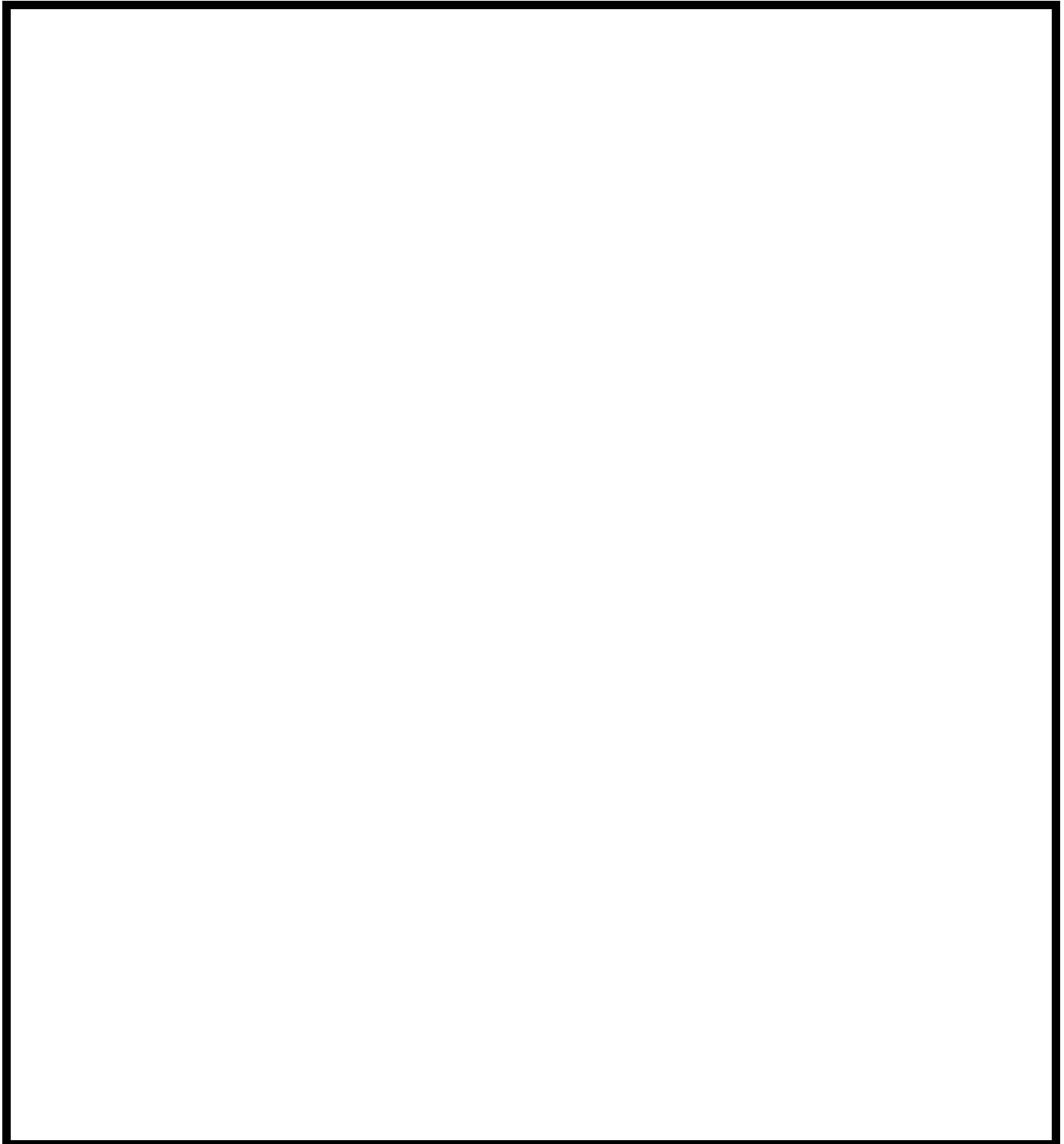
It seems it is the mother's lack of 'reasonable expectation of profit' that bars her from registering for GST as a business and claiming input tax credits. The wording of the GST legislation says something about the mindset of policymakers. With emphasis added, it states: "Beverages *marketed* principally as food for infants' are GST-free."

Perhaps women should market mother's milk. Mothers usually donate rather than sell to milk banks in Europe. However, by selling their milk, say to their childcare centre or local hospital, lactating women could register for GST and claim input tax credits on breast pumps, thereby escaping the indignity of being taxed as if they were feeding their babies soft drinks, potato chips or take-away pizzas.

(Continued on page 10)

Measuring Quality of Life in Newcastle

As reported in the last newsletter, the Australia Institute in conjunction with Newcastle City Council, completed a research project on measuring quality of life and sustainability in Newcastle. Discussion Paper No. 28 Indicators of a Sustainable Community: Improving quality of life in Newcastle was released at the beginning of May. Below is the report card showing Newcastle's ratings on the 14 inaugural indicators used.



The full report is available free to members.
To request a copy email to mail@tai.org.au or ph. 02 6249 6221

Will Australia Ratify the Kyoto Protocol?

Is the Australian Government on the verge of ratifying the Kyoto Protocol? Institute Executive Director Clive Hamilton discusses the pros and cons.

It is well known that in 1998 Federal Cabinet took a decision not to ratify the Kyoto Protocol until after the US had done so.

But the global political and commercial environment has changed radically since then. Environment Minister Senator Robert Hill recently signalled a critical shift in the Government's thinking on climate change. He acknowledged that the alternative to the Kyoto Protocol is not the absence of any requirement to cut emissions, but something tougher.

The argument for Australia ratifying in advance of most other countries is compelling. Firstly, Australian ratification would make no difference to whether the protocol enters into force.

Yet early ratification by Australia would, in one audacious stroke, neutralize the simmering resentment against Australia.

The crucial conference of the parties in The Hague in November is the first opportunity for payback. Australia's diplomatic stocks are so low (more so after the disputes with the UN over mining at Jabiluka and mandatory sentencing laws) that it has little purchase in negotiations over issues seen to be vital to the national interest. Australia is especially concerned to see the rules governing carbon sinks such as plantations interpreted as broadly as possible.

Three factors are driving the change in the politics of climate change. Firstly, the science on climate change is firming, with

the alarm bells ringing more loudly. Secondly, each major weather event is being associated in the public mind with human-induced climate change.

Finally, and critically, there has been a sharp shift in business thinking since Kyoto. The Global Climate Coalition, the preeminent anti-greenhouse business lobby, has now suffered so many spectacular defections that its influence has collapsed. A number of defectors – whose ranks include BP, Texaco, Shell, Daimler Chrysler, Ford and General Motors – have said that they do not want to end up being vilified like the tobacco industry.

Last June, the Prime Minister's

high-powered Science, Engineering and Innovation Council issued a report on climate change urging the Howard Government to go on the offensive and adopt adventurous policies that would see Australia capture at least 5 per cent of the enormous emerging world market for greenhouse technologies.

Early ratification would be a diplomatic coup; Australia has nothing to lose and everything to gain from it. The only doubt – and it is a big one – is whether the Howard Government has the strategic foresight to make such a move.

A longer version of this article appears on the Institute's website.

Information costs

In evidence presented to the Senate Inquiry into the GST last year, the Government's preferred economic modeller, Chris Murphy, estimated that the net economic benefit of the introduction of the new tax system would be \$607 million per annum.

Recent figures revealed by a Senate Estimates Committee indicate that the Federal Government is to spend \$420 million on advertising the GST so that the community can be better informed about it.

The GST is not, of course, the only area in which the Federal Government funds information provision. Here are a few annual costs to the Government of other 'informative' projects that might be compared with the \$420 million cost of GST advertising.

• Small Business Skill Development	\$2 Million
• Australian Film Commission	\$17 Million
• 1000 Ph. D. Scholarships	\$20 Million
• 1000 University Lecturers	\$50 Million
• University of New England	\$86 Million
• National Library	\$215 Million
• CSIRO	\$610 Million
• ABC	\$621 Million

The costs of the “recession we had to have”

When Prime Minister Paul Keating described the 1991 economic downturn as ‘the recession we had to have’, it was interpreted as an admission that the Government had deliberately induced the recession in the hope of avoiding a worse outcome. But the question always remained: Did the Government over-react and cause more pain than was necessary.

A great deal of light is shed on this question by a paper just published by the Institute. *Avoiding Recessions and Australian Long-Term Unemployment* by Bruce Chapman and Cezary Kapuscinski (Discussion Paper Number 29) begins by pointing out that while the unemployment rate has fallen significantly in the last several years, it remains very high relative to the experience of the 50s and 60s. Moreover, nearly 200,000 of today’s unemployed have been in that state for 12 months or more, so that the duration of unemployment is a fundamental issue for policy.

The authors show that unemployment due to big recessions has long-lasting effects, creating a pool of long-term unemployed workers who find it extremely difficult to get back into the labour market. Workers who are long-term unemployed are some of the least advantaged in the labour market; they are disproportionately those with low formal skills and education and while unemployed are not accumulating labour market experience, one of the most important determinants of wage income.

Long-term unemployment is also important because of its impact on macro-economic efficiency, as a

labour supply pool with a large proportion of long-term unemployed will be characterised by structural mismatch. This mismatch between available workers and positions vacant decreases the potential for an economy to recover quickly from recession, in turn driving wages up.

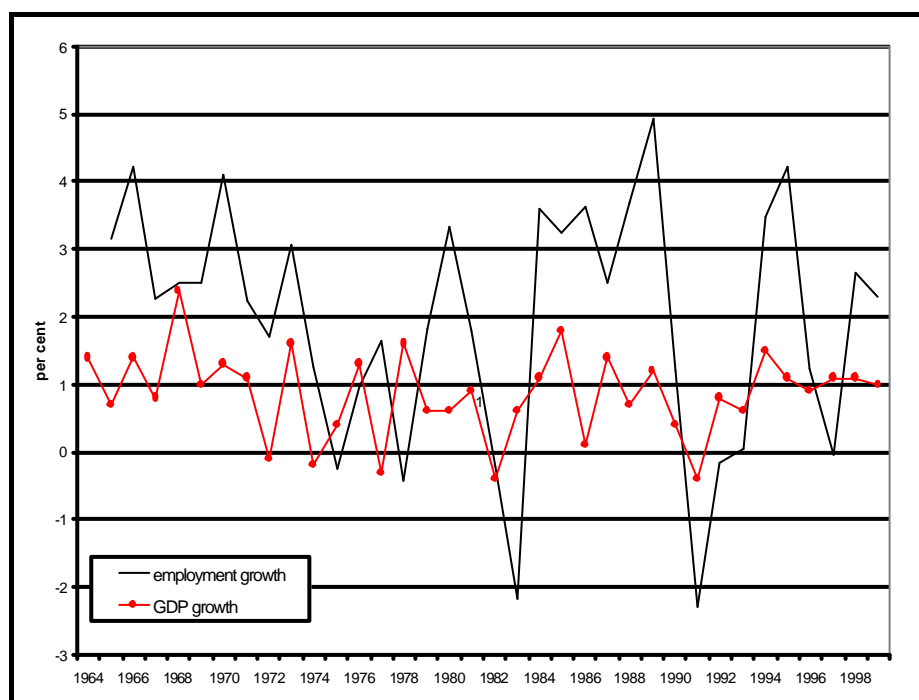
Chapman and Kapuscinski perform a number of ‘counterfactual experiments’ on the historical data on long-term unemployment, asking how it would have differed if the two big recessions of 1983 and 1991 had been moderated.

They conclude that if employment had fallen by only

slightly less than long-term unemployment would be 25% lower today. If employment had fallen by only a little instead of by 2% in those years, then long-term unemployment would have been around 50% lower by the end of the 1990s. As the authors observe, these results demonstrate very strikingly the value of recession avoidance.

The findings are germane in the present macroeconomic climate. The critical role of high interest rates in slowing growth should be recognised as having significant potential implications for future levels of long-term unemployment. ■

Employment growth and GDP growth rates, 1965 – 1999



Note: GDP growth rates are calculated as quarter-to-quarter changes with June values plotted in the graph.

Carrying the Olympic Flame in the Service of the Public

The following exchange between Senator Rosemary Crowley and Mr Andrew Podger, Secretary of the Department of Health and Aged Care, took place at Senate Estimates hearings on 20th May 2000. The text has been edited.

Senator Crowley – Do I understand that, as I read or am advised that one can read in the public records, as a matter of public health are you going to be a torchbearer?

Mr Podger – Indeed, I shall be a torchbearer in the Olympics.

Crowley – Can you tell us how that happened?

Podger – The invitation to carry the torch came to me and the head of the Health Insurance Commission [Dr Harmer] by the major sponsors of the torch.

Crowley – Who are?

Podger – IBM GSA

Crowley – Do you understand that I could see some concern that an organisation [IBM] that has just had a great success in getting a contract [for IT outsourcing] with this portfolio then offers two sought-after positions to two people in the department?

Podger – I have very strict rules in my chief executive instructions and ethical arrangements and I have abided by those in this particular case. I took the view, as did Dr Harmer, that there may well be an advantage to our portfolio and to the public service to have prominent public servants appearing in the torch relay.

Crowley – Are you in training Mr Podger?

Podger – I believe I will be able to run the half kilometre or so that I need to.

Chair – Are there any further questions relating to the budget?

Crowley – I think this relates very closely to the budget.

Chair – No, it does not. There is no Commonwealth expenditure on whether Mr Podger and Dr Harmer actually run with the torch at all.

Crowley – No, but there is considerable expenditure on IBM and I think that is not without relevance.

Chair – Exactly. And it is in the interests of the Commonwealth that there be a good working relationship between the department and the supplier. That is commercial interaction.

(Continued from page 6)

The implications go much further. Because of national accounting conventions, less breastfeeding would actually mean a bigger national product. The milk a farmer obtains from the family cow to feed her infant adds to GDP. But the milk she expresses herself appears to make no contribution to national welfare. When more mothers stop breastfeeding, baby food sales go up, health expenditures rise, and measured economic output expands.

This example starkly demonstrates how public policy is distorted by the economic measures we use, measures which also shape society's views of what is valuable and economically productive. The Institute will explore these issues much further in its work revising its alternative to GDP, the Genuine Progress Indicator.



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BOOK REVIEW

The Senate's key role in Australia's future

This book is a compilation of the papers presented at a conference held in Parliament House on 5-6 August 1999 upon the jubilee of proportional representation voting (PR) for the Senate. The title of the book acknowledges an Australian talent for institutional design and the papers reflect a potential for progressive changes under the auspices of the Senate.

The prospective changes are significant as they confront challenges such as the dominance of the executive over parliament, basic policy issues that seem intractable to government, a depleting public sector, mistrust by the people of politicians, shortcomings of the major political parties and the growing diversity of interests aspiring to democratic representation.

Each of the chapters provides a wealth of material and is written by a leading authority. Practically every issue pertaining to the role and performance of the Senate is covered. Most significantly, the combination of PR and Senate powers can be seen to demonstrate, albeit with problems, positive responses to contemporary institutional and policy demands.

John Uhr details the fascinating historical background that confirms Australia's reputation for institutional innovation and the continuous adaptation of the Senate to new opportunities. Marian Sawer discusses the 'embodiment' of diversity in Senate representation. She shows how the Senate's reflection of diversity (including regional diversity, various social movements, and differing value

systems) is combined with the infrastructure and procedures for responding to the community and facilitating information, debate, mediation and policy formation.

Arend Lijphart of the University of California contributes his major comparative study of PR's strengths and weaknesses, with the conclusion that PR satisfies all criteria of democracy better than majoritarian systems (a finding consistent with the origins of PR in J. S. Mill's writings). Moreover, he demonstrates that PR or 'consensual' systems have a better record of governing than majoritarian. His analysis could be seen as a refutation in large part of the reasons advanced by Senator Helen Coonan for reducing Senate powers in favor of the major political parties.

The contribution of Elaine Thompson describes the efforts required by the Senate to implement accountability against the decline in responsible and open government. Campbell Shar-

“PR is more democratic than majoritarian systems”.

man recounts how Australia now has – with PR for the Senate and the formation of minor parties – two party systems, instead of a 'two-party system'. Conversely, Murray Goot deals with the question: Does the Senate have a mandate?

Diversity and discourse are upheld by Fred Chaney in his chapter 'Should Parliament be Abolished?' and his exhortation is well met by another former

WA Senator, Dee Margetts. Her chapter exemplifies the alternative and longer run perspectives neglected by the major parties.

Harry Evans and Anne Lynch, the two most senior Senate officers, provide important contributions on principles and practice, identifying current pressures and problems with upholding accountability and deliberative capabilities. Their description of the downside, as well as the positive outcomes, of the Senate committee hearings on the GST correlates with Fred Chaney's concern that the major political parties have become too tightly disciplined and confrontationalist.

A key contribution is Ian Marsh's chapter 'Opening up the Policy Process' in which he defines the burgeoning political activity of interest groups, social movements and community organisations. He has confidence especially in the capacity of the Senate committee system to facilitate strategic, learning and leadership phases in the policy formation process, including more fundamental issues.

This is a most readable book and valuable reference, a further tribute to the initiatives of the Department of the Senate and the Political Science Program at the ANU Research School of Social Sciences towards better governance in Australia. It is available free from the Procedure Office of the Senate.

Representation and Institutional Change: 50 Years of Proportional Representation in the Senate, edited by Marian Sawer and Sarah Miskin (Department of the Senate, Canberra, December 1999)

Reviewed by Brett Odgers

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Membership Subscriptions & the GST

Membership fees for 2000-2001 have increased in order to reflect the cost of the GST.

Membership \$80
Conc. Membership \$27

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INSTITUTE NOTES

Change of address

The Institute's new postal address is:

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New Publications

- Discussion Paper 28 *Indicators of a Sustainable Community: Improving quality of life in Newcastle.*
- *Defining 'charity' in a new tax system* by Julie Smith. This article appears on the Institute's website at www.tai.org.au under **What's New.**

Forthcoming Publications

- Discussion Paper 29 *Avoiding Recessions and Australian Long-Term Unemployment* by Bruce Chapman & Cezary Karpuscinski.
- *Auditors-General and Public Policy - 'Shall never the twain meet'?* By Tony Harris

Mutual Obligation Project

The Institute's work on Mutual Obligation is progressing. Release of the discussion paper is expected to coincide with the release of the final report of the reference group on welfare reform at end of June.

Breakfast with Cheryl Kernot

The Australia Institute will be hosting a breakfast in August with guest speaker Cheryl Kernot MP.

Invitations will be sent to all members when the details are finalised.

The Electronic Institute

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