

No. 8 July 1996

Manufacturing a fiscal crisis
by Clive Hamilton

Jabiluka: mining the ghosts

What should governments do?
Auditing the Audit Commission

Coalition calls for radical employment plan

Institute Notes

Welcome to Elizabeth Morgan

Justice Michael Kirby speaks to the Institute

Book Review

Editorial Committee

Max Neutze

Clive Hamilton

Marilyn Chalkley

ACN 061 969 284

Manufacturing a fiscal crisis

There was an inevitability about the Coalition's budget crisis. What is more surprising is the alacrity with which the Federal Treasury provided the numbers that the new government needed to justify its attack on the public sector. Clive Hamilton asks whether the 'Beazley black hole' really exists.

One of the first acts of the Howard-Costello administration was the release of new Treasury estimates of the projected budget deficit for 1996-97. The underlying deficit for 1996-97 calculated by Treasury was revised from \$0.6 billion at the time of the last budget to \$7.6 billion, giving rise to the 'Beazley \$8 billion black hole'.

On the face of it, the origin of the black hole is simple. Between the time of the last budget and March 1996, Treasury decided that economic circumstances had changed sufficiently to justify a downward revision of its estimate of economic growth for 1996-97 from 3.75 to 3.25%. This 'parameter revision' will mean lower tax revenue and higher expenditure on unemployment and other benefits and thus a budget blow-out, unless drastic measures are taken to cut outlays. Tax increases are off the agenda altogether, although Reserve Bank Governor Bernie Fraser has recently indicated that this constraint makes little economic sense.

To an ordinary observer it would appear perverse to be slashing public spending at a time of high unemployment. So what is the macroeconomic rationale for the cuts? This is not an easy question to answer. The arguments put forward by the Treasurer and conservative newspaper pundits have been obtuse and confused. Treasury is more forthcoming in the Autumn issue of *Economic Roundup*, although on close inspection its arguments turn out to be entirely unconvincing.

To the extent that there is an economic rationale underlying the need to balance the budget, it is the 'theory' of the twin deficits, the belief that high budget deficits cause high current account deficits. Thus fiscal stringency is needed to tackle the 'current account problem'. The argument is sometimes put in terms of the inadequacy of domestic savings. Inadequate domestic savings mean that Australia must import capital to fund investment, and this capital account surplus is the counterpart of the current account deficit (CAD). It is argued that the fall in public savings (the growing budget deficit) is the main reason for falling national savings.

The twin deficits theory was popular in the mid-80s and was used relentlessly to persuade the Hawke-Keating government to rein in spending. But it did not work. In the late 1980s the CAD increased to around 6% of GDP, despite a very significant tightening of fiscal policy. While the budget went into surplus, the CAD blew out.

For most economists the theory lost respectability. But the transparent failure of the theory to fit the facts has not diminished Treasury's faith in it. In reviewing the experience, Treasury concluded that 'for most of the period under review', the budget deficit was the most important determinant of the current account deficit. Treasury conceded that the period 1987-1990 was an exception, arguing that 'but for fiscal tightening either the CAD would have been even larger, or the increase in private investment would not have been as great'. There is no analysis of the circumstances that led to the 'anomaly' nor whether those circumstances might prevail now.

The reference to private investment provides the other rationale sometimes used to justify budget cuts. Large deficits require large government borrowing. This is thought to drive up interest rates which in turn 'crowds out' private investment. The evidence for this proposition is equally thin; indeed, there is substantial evidence that additional government capital spending 'crowds in' or stimulates private investment.

The Disappearing Black Hole

In the Autumn 1996 issue of *Economic Roundup*, the Treasury wrote that economic fundamentals 'remain sound, the international economy is supportive and there has been a significant rebound in business confidence'. Little wonder that there is an air of unreality about the Costello fiscal crisis. How are the rosy forecasts reconciled with the downward revision of parameters? The answer is simple: Treasury has found that there will be 'a period of temporary weakness', probably just long enough to entrench savage budget cuts.

As Professor John Quiggin of James Cook University has pointed out, closer inspection of the Treasury forecasts indicates that there is something odd going on. Treasury itself notes that there is a rule of thumb according to which each 1% fall in GDP reduces revenue collections by around \$1.5 billion. Remembering that the projected deficit blew out after the election by \$7 billion, of which only \$0.4 billion was due to Labor's election promises, the revision of the growth rate for 1996-97 from 3.75% to 3.25 % can account only for around \$0.75 billion. This leaves nearly \$6 billion to be explained by a part of the parameter revisions that has received no attention at all, revisions that Treasury refers to as changes in 'certain incomes and prices'. These revisions are not discussed or defined at all in the March 12 statement.

But the story becomes stranger still. The parameter revisions that cut the expected growth rate from 3.75% to 3.25% were first made by Treasury in December 1995. But at the time Treasury estimated that this would only reduce the budget bottom line from a surplus of \$0.7 billion to a surplus of \$0.1 billion. Somehow, between December and March Treasury managed to use the same parameters to turn a surplus of \$0.1 billion into a deficit of \$7.6 billion.

The answer can only lie in changes in 'certain incomes and prices', but nowhere does Treasury or the Government explain what these are or why they have changed so dramatically as to produce a huge deficit.

If the macroeconomic rationale for budget cuts does not hold up, and the proposed cuts themselves are much greater than is needed to achieve a balanced budget, why is the Government, on Treasury advice, so determined to make swingeing cuts?

The Howard-Costello government welcomes the new figures because it is determined, irrespective of the macroeconomic circumstances and the impact of spending cuts on employment, to take the knife to the public sector as a matter of ideological principle.

Federal Labor MP John Langmore, a Treasury watcher over many years, wrote recently: 'the Treasury's principal recommendation to every government for the last quarter of a century has been to cut expenditure', and that Treasury habitually uses the tactic of presenting pessimistic economic forecasts at the beginning of each budget cycle only to discover that situation turns out better than expected.

As if to prepare itself for this, the March 12 Treasury paper that produced the \$8 billion deficit noted that, although the number is large, 'the magnitude of the revision is not unusual given the sensitivity of the fiscal position to changes in economic parameters' so that the figure is subject to 'substantial revision'.

The mound of fiscal virtue

The artifice of the \$8 billion deficit has been exposed by new official figures since the initial announcement of March 12th. In late May, a growth figure of 1.8% for the March quarter was announced, implying an annual growth rate for 1995-96 of 4.75%, and suggesting that the forecast 3.25% rate for 1996-97 was a significant underestimate. Treasurer Costello responded that the cuts are still needed, and abandoned the target of balancing the budget: 'I think the aim of economic policy should be to deliver a structural surplus over the cycle'.

On May 31st, it was announced that the CAD in April had increased to \$2 billion. Treasury Secretary Ted Evans indicated that this reinforced the need for budget cuts. In early June, the Prime Minister told international bankers that his Government's priorities are to overcome Australia's chronically low savings problem through 'fiscal consolidation', to abolish rigidities in labour and product markets and to 'do something' about unemployment.

On June 8th, Treasury's *National Fiscal Outlook* projected the underlying Commonwealth deficit to fall progressively from \$8.87 billion in 1995-96 to \$3.1 billion in 1998-99 *without taking account of the proposed \$8 billion cuts*. Mr Howard

responded by declaring that the \$8 billion cuts are still needed, even if they result in a \$5 billion surplus, as this would allow the government to build a 'mound of fiscal virtue'.

On July 2nd, ABS figures showed the CAD for May exceeded \$2.1 billion. Mr Costello used this to justify the August budget cuts saying that they 'will help control the national savings problem which is reflected in the current account'.

On July 16th, the Government released new Treasury estimates for 1995-96, i.e. for the year just finished. The underlying deficit grew from \$9.0 billion to \$10.3 billion. The headline balance (i.e. excluding asset sales and repayments from the states) actually blew out by nearly \$5 billion, but this was offset by slippage in the sale of the Commonwealth Bank. In other words, between March 12 and July 16 Treasury made a \$5 billion revision to expected outlays and revenues, a sign of just how rubbery these figure are.

But the revision to the 1995-96 budget outcome is of little more than historical interest. The most important point about the latest announcement is that *no changes* were announced for the expected deficit for 1996-97 and beyond. The forecast of March 12 of a \$7.6 billion deficit, the original black hole, remains. Thus the Treasurer's comment on the blow-out for 1995-96 (seized upon by conservative commentators as a sign of weakening resolve) that it might take three years to wind back the deficit instead of two did not make much sense.

In addition, it is hard to believe that in the light of its serious miscalculations over the 1995-96 deficit, Treasury has not made new estimates for 1996-97 reflecting higher-than-expected growth figures that have emerged since March 12. Since the Treasurer made no mention of these in the statement of July 16, we can only assume that the Treasury now believes that the \$8 billion deficit for 1996-97 was a significant overestimate.

It is apparent from the story above that the new Government is engaged in a charade. Unwilling to declare its ideological determination to slash the public sector no matter what, it has contrived, with the willing assistance of the Federal Treasury, to manufacture a fiscal crisis in order to justify its program. No amount of contrary evidence on the size of the deficit or the economic rationale for balanced budgets will deter it.

Pullouts:

The transparent failure of the twin deficit theory has not diminished Treasury's faith in it

The artifice of the \$8 billion deficit has been exposed

Jabiluka: Mining the ghosts

Moves to open a uranium mine at Jabiluka in Kakadu National Park would be an acid test of the new Government's commitment to reconciliation with Aboriginal people. This was the message of a lecture given by Institute Executive Director, Clive Hamilton, to a 'Vital Issues Seminar' arranged by the Parliamentary Library in June. Dr Hamilton was heavily involved in the Resource Assessment Commission's inquiry into mining at Coronation Hill which resulted in the banning of mining by the Hawke Government in 1991. The new Government has just announced that there will be environmental and social impact studies into the proposal by Energy Resources of Australia to open the Jabiluka mine. Below is a summary of Dr Hamilton's talk.

The most important arguments addressed by the Resource Assessment Commission (RAC) were the impacts of mining on the natural environment, the impacts of mining on Aboriginal people, and the economic implications of the mine. These would undoubtedly be among the most important issues dealt with by a similar inquiry into the proposed new mine at Jabiluka.

The RAC Inquiry undertook extensive assessment of the environmental values of the Conservation Zone within Kakadu National Park and the likely impacts of the proposed mine on them, and concluded that the existing evidence suggests that a properly managed mine would have a 'very small impact' on the known resources of the Zone.

However, the Commission noted that there were some remaining concerns reflecting incomplete knowledge and remaining risks. The most important outstanding issue was that of the 'integrity' of the national park.

It was argued by several parties that the integrity of the Park would be compromised by any mining in the Conservation Zone, even if it could be shown that any specific ecological impact would be very small. The concept of the integrity of the Park is more of an ethical one than a scientific one, although scientific demonstration of ecosystem integrity may contribute to some people's perceptions of ethical integrity.

Energy Resources of Australia Ltd (ERA) proposes an underground mine at Jabiluka from which ore will be trucked to the existing Ranger mill for processing. The developer claims that the mine will be 'tucked behind the hills, out of sight of the Magela Wetlands and the tourist road'.

Apart from the issues relating to the uranium fuel cycle, the ecological issues of the proposed Jabiluka mine include:

- dust and disturbance caused by haulage of ore, and the risks of spills from transport accidents;
- increased human impacts on and around the site; and, in particular,

- the cumulative risks of spillages, leakages and unavoidable releases from tailings dams at Ranger.

However, the key to the environmental issues of Jabiluka is the question of the integrity of Kakadu National Park. As I have suggested, this is an issue that cannot be resolved by any amount of study: people either believe that national parks, and especially Kakadu, are sacrosanct and are therefore violated by mining development, or they do not.

The RAC Inquiry carried out a thorough assessment of public opinion throughout Australia concerning the environment and mining in national parks, information that bears directly on the question of the integrity of national parks. It found:

- When asked whether mining in national parks greatly reduced their value, 61 per cent agreed while 23 per cent disagreed.
- When asked whether jobs were the most important consideration in deciding how to use natural resources, only 23 per cent agreed, while 51 per cent disagreed. This response was all the more remarkable because the survey was carried out at the bottom of a recession.

The decision by the Hawke Government to prohibit mining at Coronation Hill had strong public support. If there were a prolonged dispute over mining at Jabiluka, there is little doubt that a sizeable majority of the Australian public would be opposed to the development.

Impacts on Aboriginal people

When white and Aboriginal Australians meet over resource use issues, there are often dramatic differences in perceptions of appropriate negotiation and decision making procedures. The 1977 Fox Inquiry into the Ranger uranium mine quoted Mr Silas Robert, then chairman of the Northern Land Council, in a statement that has great force and relevance to the question of mining at Jabiluka.

We see white men as always pushing. ... Our people are not as free to make decisions and give evidence as white men seem to be. It is a long hard road to final answer. Sometimes a person or group will say 'yes' then talk a little bit more and then say 'no'. Then more talk might take place after a few months and still no final answer. Then all the people who really belong to that country will go over it again until everyone is sure of his answer and then the answer is given. That may be years after the first talks if the question is a hard one.

In its own exhaustive investigation some fourteen years later the RAC concluded that the Coronation Hill mine was opposed by the senior custodians and that 'mining will adversely affect the ability of Jawoyn people, particularly the senior men, to sustain cultural and religious values, beliefs and practices that are important to them'.

Several arguments were used by the mining industry and its supporters in an attempt to undermine and discredit the position developed by the Commission, some of which

have direct relevance to Aboriginal interests in the proposed mine at Jabiluka. They argued that:

- the Jawoyn are not capable of making decisions in their own interests;
- the Jawoyn are not the traditional custodians of the Conservation Zone but were expanding their claims to fill a 'deceased estate';
- the Jawoyn's religious beliefs are 'infinitely flexible' and that therefore their opposition to mining may not be permanent;
- some Jawoyn people were in favour of development of the mine; and
- if mining were permitted then the apocalyptic consequences of disturbing Bula anticipated by some Jawoyn would prove to be false, and the Jawoyn would learn the error of their religious belief in Bula.

The Australian Mining Industry Council chastised the Commission for failing in its draft report to recommend to the Government mechanisms for 'educating the Jawoyn on the fallacy of some of their mythological beliefs', beliefs described by one academic commentator as fantasy, mumbo-jumbo, nonsense, garbage and primitive superstition.

The Commission considered all of these views in its report, but concluded that none of them was sufficient to alter its fundamental conclusion.

In the knowledge of these arguments put forward by the mining industry and its supporters only five years ago, it is difficult to believe that any negotiations with Aboriginal people concerning mining in Kakadu could be conducted without the ghosts of the past creating suspicion and resentment.

The senior traditional owner of the Jabiluka area, Ms Yvonne Margarula has declared herself to be strongly opposed to the development of the mine, arguing that the Ranger mine has exacerbated rather than ameliorated social problems among traditional owners.

The Northern Land Council is reportedly in favour of the proposed mine. It has been suggested that the propagation of a politically hostile environment in Aboriginal affairs since the Coalition election victory has created fears amongst some Aboriginal people that hard-won land rights may be watered down. It is believed that imposing obstacles to the Jabiluka mine would add to pressures to withdraw some of these rights.

Economic issues

The expected revenue from the Coronation Hill mine over the 12 years of its operation was in excess of \$500 million, but the Inquiry reported that net national benefit (measured as the net present value) was \$82 million.

The proposed Jabiluka mine would be much more economically valuable than the proposed Coronation Hill mine. However, there has been some exaggeration of the benefits. ERA has stated that the 'economic benefits to Australia are estimated at nearly \$12 billion over the period 1996-2025'. In fact, the net present value of the mine output is more likely to be in the region of \$1.5-2 billion.

Since the original agreement with the traditional owners of Jabiluka was signed in 1982, ownership of the mining lease has changed hands. In 1991, it was bought from Pancontinental by ERA, the owner of the Ranger mine. When the Jabiluka orebody was owned by Pancontinental, an ERA competitor, the position of ERA with respect to the opening of Jabiluka was quite different to its current one. In 1990, the Labor Government was under intense pressure to abandon its three-mines uranium policy. But ERA's Chief Executive, Mr Richard Knight, spoke out against abandoning the three-mines policy because, he said, a new Australian producer would erode ERA's profitability. He argued that keeping Jabiluka closed was in the national interest, despite the loss of billions of dollars in export revenue.

The mining industry argued strongly that a decision to prevent mining at Coronation Hill would seriously damage the confidence of the industry so that mining companies would shift their exploration and investment activities off-shore. The Commission took the view that, given the location and history of the proposed mine, any decision to prevent mining at Coronation Hill should properly be regarded as a special case.

When the Hawke Government decided to prohibit mining at Coronation Hill, the mining industry expressed outrage. For example, Mr Hugh Morgan, Managing Director of Western Mining Corporation, declared:

(This) decision will undermine the moral basis of our legitimacy as a nation, and lead to such divisiveness as to bring about political paralysis. ... Like the fall of Singapore in 1942, Coronation Hill was a shocking defeat.

Mr Morgan may have been exaggerating the likely political and social impacts of the decision. But the possibility of a negative impact on the exploration and investment activity of the Australian mining industry is worthy of consideration. In fact, ABS statistics show that expenditure by the industry on mineral exploration *increased* in the years following the decision to prohibit mining at Coronation Hill.

In conclusion

In summary, then, what are the principal lessons for Jabiluka from the Coronation Hill Inquiry?

First, while the economic benefits to Australia from the new mine would be substantial, the Jabiluka site is characterised by a number of exceptional circumstances so that a decision to prevent mining would have no impact on development activities by the mining industry elsewhere in Australia.

Secondly, the environmental impacts of the Jabiluka mine require thorough investigation and evaluation. However, the issue of the integrity of the national park

is at the core of environmental objections to mining. The mine would be opposed by a majority of Australians

Finally, the Jabiluka proposal is placing the local Aboriginal people under severe stress. It cannot be assumed that the income derived from a new mine would improve the social and economic conditions of the traditional owners and a thorough social impact assessment is essential. Given the importance of traditional decision making processes in Aboriginal communities, and the expressed opposition to the mine by the senior custodian, the decision on Jabiluka will be an unmistakable test of the new Government's commitment to reconciliation with Aboriginal people.

The full text of the address is available from the Institute as Discussion paper No 9.

The mine will be 'tucked behind the hills, out of sight'

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What should governments do?

Auditing the Audit Commission

An audit of the financial position of the Commonwealth, set up in the first weeks of the new Coalition government, was criticised roundly at a recent Australia Institute seminar for failing to use proper accounting methods, and for being unable to support its case for smaller government with both evidence and systematic arguments.

Consistent with the pattern of conservative governments of the last few years, the establishment of the Audit Commission was one of the first acts of the Howard-Costello Government.

The Commission was chaired by Professor Bob Officer who also chaired the Victorian Audit Commission. The recommendations of the Victorian Audit were used by Victorian Premier Jeff Kennett to justify sharp cuts in the public sector. Other members of the Commission were drawn from the private sector, with Access Economics (authors of the *Fightback!* manifesto) providing the executive officer.

The Commission's task was to report on the financial position of the Commonwealth and to advise on emerging fiscal constraints. It was also asked to report on the efficiency of current service delivery arrangements and expenditures 'with the objective of restraining the growth of total outlays'.

Speaking at the seminar in July at the Australian National University, the former Director of EPAC, Fred Argy, noted that nowhere in the report is the case for smaller government cohesively and systematically argued.

Commenting on the report's emphasis on fiscal accountability, Professor Argy observed that 'if the Commission is so concerned about government accountability, shouldn't it have recommended targeting of employment, real incomes and social and quality of life indicators, which are after all the ultimate ends of government.'

Professor Bob Walker, an acknowledged authority on public sector accounting, told the seminar that the National Commission of Audit (NCA) had failed to follow the rules of the accounting profession. Instead of specifying the criteria used in its performance audit, the Commission resorted to ideological propositions about the role of government in modern society.

Professor Walker said that the Commission had an unjustifiable faith in the benefits of accrual accounting, that its position on the appropriate role of government was 'extreme' and that, if adopted, its recommendations would lead to a state of 'virtual government'.

Dr Deborah Mitchell, an ANU social welfare policy analyst, argued that the use of demographic projections by the NCA to justify the need to cut welfare payments was 'scare-mongering'. The projections produced by the NCA are not supported by the evidence and leave many factors out of the picture. In fact, the NCA's projections themselves show that Australia's future position is quite good compared with other OECD countries.

In recommending measures to induce a shift to private health cover, including Medicare co-payments, the report fails to recognise that high levels of private insurance are strongly related to growth in health expenditure.

Institute Executive Director Dr Clive Hamilton commented on the Audit Report's proposed changes to the public service, including the extension of contract employment, performance-based pay and staff cuts of 20% in some areas. He argued that the Commission misunderstood the role of the public sector and motivations within public service institutions, and that the impact of the proposed reforms would be to create a culture not of efficiency but of fear.

The Commission's and the Coalition Government's unreasoning fear of government, which he dubbed 'misotely', is unwarranted and subversive of civic communities.

Introducing the seminar, the Chair of the Institute's Board, Professor Max Neutze, told the audience that despite repeated requests, including an appeal to the Treasurer Mr Costello, no-one associated with the NCA could attend the seminar to speak to the report. The Government has stressed several times that it would like to see the report widely debated.

The proceedings of the seminar are published in Australia Institute Discussion Paper Number 8, available from the Institute. Copies of the Audit Commission Report may also be purchased from the Institute for \$24.95.

Coalition calls for radical employment plan

A coalition of interest groups, including The Australia Institute, has released a report advocating a radical plan to solve Australia's unemployment crisis. Under the plan, those in employment would work less, making way for unemployed people to take up new jobs.

The report, *Redistributing Work: Solutions to the paradox of overwork and unemployment in Australia*, calls for the voluntary introduction of a number of flexible work schemes, including:

- a national reduction in standard hours of work, with productivity increases taken in shorter hours rather than higher wages;
- an increase in variable annualised leave so that employees can take extra leave. This will especially benefit parents during school holidays and employees studying part-time; and
- long periods of leave without pay with income spread over the whole period.

The Report says that at a time of high and chronic unemployment, Australia is also faced with a crisis of overwork. Many people are working harder and for longer hours; work-related stress and illness have been intensifying. Meanwhile, the social problems associated with mass unemployment multiply.

Many studies have demonstrated that the work people do has a major impact on their feelings of self-worth, dignity and sense of place in society. Other studies have confirmed that unemployment results in declining feelings of self-worth, alienation from society, a range of pathological or anti-social behaviours, loss of skills including basic life skills, and general malaise.

While high and chronic unemployment is common to OECD countries, in Europe flexible work arrangements are being given high priority in formulating new approaches to the problem. Germany has seen some substantial reductions in working time and has introduced some of the most comprehensive schemes to rearrange working time.

There are a number of flexible work schemes operating or under negotiation in Australia, but so far they affect very few employees. Overcoming the problems of unemployment and overwork will require a new approach to flexibility in the workplace and a rethinking of the relationship between paid work and other aspects of our lives.

Commenting on the report, convenor of the coalition Bishop Richard Randerson said: *"It is bizarre that while many people work too much, many others can find no work at all. There is an urgent need to change our patterns of work and life-styles. The benefits of these schemes will go well beyond creating new jobs for unemployed people."*

The coalition that prepared the report draws members from the Anglican, Catholic and Uniting Churches, the Community and Public Sector Union, the Institution of Engineers, the Labor Party and The Australia Institute, although members participated in their individual capacities.

The report observes that, whereas in Europe flexible work schemes are proliferating, in Australia the issues of working hours, the length of paid and unpaid leave and work sharing are barely on the public agenda. A Canadian Government study indicates that the widespread introduction of flexible work arrangements would halve the unemployment rate within 10 years. Although acceptance of these schemes will face obstacles and will need detailed negotiation, they provide an opportunity to reduce substantially the levels of unemployment in Australia and to increase the life opportunities of those in employment. We can no longer sit back and hope that economic growth alone will be enough to soak up the unemployed. Creative solutions are urgently needed.

The diversity of the way work is organised is increasing and this has created both problems and opportunities. The proportion of the employed workforce in permanent, full-time jobs has fallen substantially in recent years. The rise in part-time employment has suited some employees but not others. Both employed and unemployed workers have experienced a sharp rise in insecurity.

For many people, growing flexibility offers opportunities for achieving a better balance between paid work, unpaid work and leisure. This paper proposes schemes for redistributing work in Australia. Each of the schemes proposed in the paper would contribute to reducing average hours of full time work and provide a basis for a more equitable sharing of the available work. Their success depends on voluntary acceptance by employers and employees. Flexible work schemes should be implemented in ways that increase job security.

Copies of the report, *Redistributing Work*, (Australia Institute *Discussion Paper* Number 7) are available from The Australia Institute and are free to members. \$10 to non-members

The Tobin Tax Coping with Financial Volatility

edited by Mahbub ul Haq, Inge Kaul and Isabelle Grunberg

‘This book is overdue. It is 24 years since James Tobin first presented his proposal to throw sand in the wheels of international finance and make some money as a by-product. It does not reflect well on the profession that for all these years we have been content to write dismissive footnotes. The editors are to be congratulated for forcing us to think seriously about this proposal at long last.’

John Williamson, Senior Economist, Institute for International Economics, Washington D.C.

This book offers serious consideration of the “Tobin” tax, one of the most intriguing potential ways to stabilise UN financing without damaging sovereignty or distorting market flows.

Barber Conable, President and Executive Director, the World Bank 1986-1991

Available from the Australia Institute, rrp \$32.

Institute Notes

Welcome to Elizabeth Morgan

The Institute has strengthened its social policy expertise by appointing Elizabeth Morgan, the former director of the South Australian Council of Social Service, as Deputy Director (part-time).

Elizabeth, who took up her appointment in early July, comes with 25 years of experience in service delivery, social policy and management, and is currently completing her masters in Public Policy at the ANU.

She wants to build stronger networks between the Institute and social policy and community service agencies in what she hopes will be a mutually beneficial arrangement.

She believes the Institute can play a major role as a resource to community service agencies, in particular in carrying out projects examining the dynamic links between economic and social policy.

Justice Michael Kirby speaks to the Institute

In June the Senate Chamber of Canberra’s Old Parliament House echoed, not to the ghosts of former debates, but to the eloquent words of Justice Michael Kirby giving the first in the Australia Institute’s Public Lecture Series. Hugh Saddler was there.

Over the years we have come to expect that Justice Michael Kirby's contributions to public debate will be erudite, eloquent, open-minded, compassionate and, above all, constructive. No-one who heard his Australia Institute lecture, entitled “Human Rights and Australia's Entry into Asia,” would have been disappointed in these expectations.

Justice Kirby opened his lecture by reminding us that one of the twentieth century's most eloquent and effective promoters of human rights was an Asian, Mahatma Gandhi. He went on to point out that Western societies tend to place greater emphasis on civil and political rights, while Asian countries tend to place more emphasis on social, economic and cultural rights. As a prosperous developed country, we often take the latter too much for granted, and this difference is the source of many disagreements. There is a need for both sides to respect and learn from the other,

which Justice Kirby illustrated with some references to his experiences as the UN Special Representative on human rights in Cambodia.

The core of the lecture was a series of eminently sensible and forward looking precepts on how Australia should relate to Asian countries with respect to human rights. These included:

- Recognise the diversity of Asian societies and do not stereotype them.
- Recognise that all nations, both in Asia and the West, are on a journey to discover human rights.
- Be willing to acknowledge progress when it occurs.
- Accept the reality of the sovereignty of states.
- Reject unconvincing excuses for failure to recognise human rights.

In the last major passage of his lecture, Justice Kirby provided a long list of practical and achievable suggestions on ways in which Australians could help to further human rights in Asia. He ended by reminding us that there many people like Gandhi living and working in Asia today.

The Institute will be publishing the full text of Justice Kirby's lecture in the near future.

A home page for the Institute

From the beginning of August, The Australia Institute's brand new home page can be found at:

<http://www.ozemail.com.au/~austinst/austinst.html>

Book Review

Redefining Australians: Immigration, Citizenship and National Identity, Ann-Mari Jordens. Hale and Iremonger 1995. rrp \$ 24.95

The recurrent debate over Australian migration policy has involved a shifting constellation of protagonists. The upholders of racial purity and the defenders of white labour who opposed non-British immigration have yielded to the environmentalists who draw no distinctions of race in their arguments for population control. The nationalists who upheld an homogenous Australia have been succeeded by a new nationalism that celebrates diversity and takes difference as the hallmark of Australian identity.

Historians of Australian migration have conducted parallel debates. Some who welcome the outcome celebrate the nation's capacity for change; they assimilate multiculturalism into a triumphal account of Australian generosity. Some indict the past for the patterns of discrimination they find in it. Ann-Mari Jorden's study of post-war migration policy sits across these opposed positions. She provides a carefully documented account of the narrowly defined expectations of the migrant workers who

were brought here after the war, and the systematic discrimination on grounds of race, gender, ethnicity and disability that they encountered.

In a series of thematic chapters she then shows how these arrangements altered until by the 1970s a new, more inclusive understanding of national citizenship was established. This is an unheroic history, in which administrators responded to administrative predicaments, were practical rather than altruistic, and were frequently in advance of political and public opinion as they accepted the implications of a process set in train in 1947. Its end result, as the author shows, was to redefine citizenship to encompass the migrants and in doing so alter its larger meaning for all citizens.

The book is based on the records of the Department of Immigration. Jordens has performed a work of heroic archival excavation in piecing together the fragmented shards of policy formation, in her case studies of administrative practice, and in showing how one affected the other. She acknowledges the influence of T. H. Marshall for her understanding of citizenship as multidimensional and dynamic, and of the American political scientists Margaret Levi (who was her colleague in the Research School of Social Sciences at the ANU) for the concept of compliance as a mechanism for change. She uses the idea of the imagined nation to suggest the drawing and redrawing of boundaries. The book makes limited reference to the extensive scholarly literature of Australian migrant history, but it makes a major contribution to that literature.

Stuart Macintyre

Stuart Macintyre is Professor of History at the University of Melbourne

The Australia Institute and Community Aid Abroad

invite you to the Australian launch of an important new book

The Tobin Tax Coping with Financial Volatility

Launched by Gareth Evans, Shadow Treasurer and
John Langmore MP, a contributor to the book.

*Gowings Grace Darling Hotel
114 Smith St. (cnr Peel St), Collingwood, Melbourne
5.15 pm Monday 29th July 1996*

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