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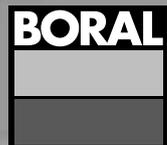
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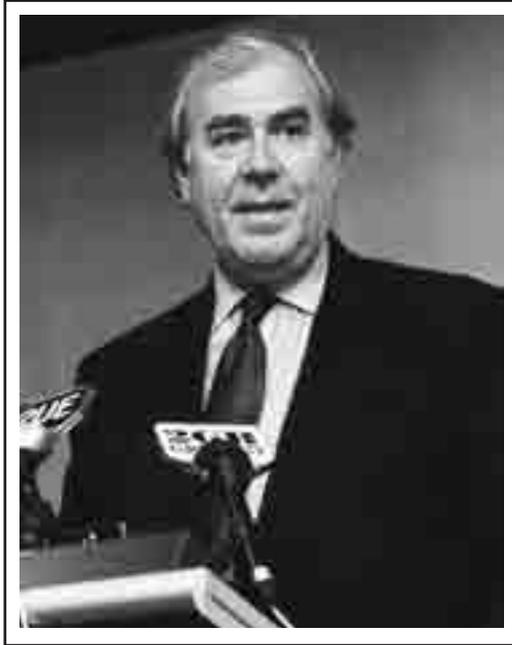


Photo – David Karonidis

Richard Butler

A council structured similarly to the Security Council, with a mandate to oversee all of the non-proliferation treaties and nuclear, chemical and biological weapons conventions is Richard Butler's proposal for a world undergoing a war on terror. Former Australian Ambassador to the UN and former UN Chief Weapons Inspector in Iraq, Richard Butler addressed The Sydney Institute on Tuesday 28 January 2003 as negotiations continued at the United Nations over the timetable for the weapons inspectors going into Iraq. The following paper has been taken from a transcript of Richard Butler's talk.

WEAPONS OF MASS

DESTRUCTION: THE IRAQ CASE AND ALL OTHERS

Richard Butler

I am deeply honoured to be here because, as all of you know, The Sydney Institute has become an indispensable part of the public discourse in this city and indeed this country. And it's in the spirit of public discourse that I'm going to speak tonight, as a free man, often in short, sharp assertions.

Let me start with my first assertion. As we stand here today, it's clear that the United States of America is right now planning a massive attack upon Iraq. Soon there will be a quarter of a million armed men and women in the Gulf and at their disposal some six carrier battle groups. I don't know how many of you in this room know what an American carrier battle group can do but each of them constitutes a simply awesome power. That force is being assembled with the express purpose of invading Iraq, of changing its government and of possibly occupying the country for an unspecified period of time. And this is being threatened by the United States of America, in spite of the significant opposition to such an action that is developing around the world, including this country, and in spite of the proponents of this attack continually seeking to either minimise the consequences of this proposed action or to say that while there will be harm, none of consequence, it will all somehow be manageable. They make such claims in spite of their inability to answer questions, of some relevance, such as "Who will replace Saddam Hussein, when you've removed him?" They don't give a clear answer.

The United States of America claims repeatedly that the reason for this proposed action is to remove Iraq's weapons of mass destruction. In that context it has now become clear, from papers released in Washington that, if necessary, in this conflict, the United States of America will itself use weapons of mass destruction. And finally, the United States robustly rejects any assertions, or suggestions, that its motives in wishing to invade Iraq, change its government and occupy the country for a while is anything other than the removal of Iraq's weapons of mass destruction. And they make a robust rejection of scur-

rilous suggestions that they may have any other interest, even though there is some, and possibly abundant, evidence to the contrary.

It's not often that we see an event of this kind approach – the sole superpower putting together a massive force to do something that is expressly forbidden in international law, expressly forbidden, to occupy, to seek to change the government of another country. This is the very action that Saddam Hussein took in 1990 when he brought the wrath of the international community down upon his head, when he invaded Kuwait and became the first state member of the United Nations to seek to invade, occupy and absorb a fellow member state of the United Nations. Quite rightly, the United Nations Security Council, which is charged with the business of maintaining international peace and security, reacted very firmly saying to Iraq: "You have broken the law, you must get out without delay, and in the meantime, to encourage you, we will impose the most draconian sanctions upon you that have ever been imposed on any state. If you do not obey the law we will make you obey it."

A force put together, blessed by the Security Council of the United Nations and led by the United States, righted this wrong and ejected Iraq from Kuwait. The conclusion of that action, and this is where weapons of mass destruction come into the picture, imposed conditions on Iraq which were the most far-reaching disarmament requirements ever imposed, with the possible exception of those imposed upon Germany at the end of the First World War. And we know what that led to. It created a special organisation to do the job, the organisation that I came to lead, a sub-organ of the Security Council whose task was to: "destroy, remove or render harmless Iraq's weapons of mass destruction". This action was clear and legitimate. A state had broken the law. The law-giver, the Security Council, and the law-enforcer, also the Security Council, warned it to change, to go back and, when it wouldn't, made it go back and imposed upon it the strongest possible disarmament requirements. In the subsequent period, a good quantity of Iraq's weapons of mass destruction were found, destroyed, removed, rendered harmless. Today that final list I gave Iraq in 1998 is the same list that Hans Blix went through yesterday in his report at the Security Council.

I once said to Tariq Aziz, Saddam's deputy, on one occasion, "You have 400 tons of rocket fuel and I want it burnt. I want it destroyed. He said, "It's no good, you know, it's old." And I said, "No it's not. We're well aware of what it is and it is good." And he said, "Well, do you want that fuel? It's just like petrol, what you put in a car. What's it matter?" I replied, "No, it's not. This fuel is scud-specific fuel. This is the fuel that has an oxidizer in it which will only drive a scud engine which is an illegal missile because it can go 600 hundred kilometres." The sort of missile fired at Israel during the Gulf War.

And he said, "We don't have scuds anymore." So here comes a fairly classic Iraqi lie – "We don't have any scuds anymore, so you don't need the fuel." But Tariq Aziz did concede that the fuel would only drive a scud missile. I said, "Surely it's the other way around – as you don't have any scuds anymore, *you* don't need the fuel." He said, "Well, it doesn't matter." I said, "It does matter. It matters because as long as you retain that fuel, it means that you either do have scuds and you didn't tell us, or you expect to get some in the future." Today or yesterday, Hans Blix reported to the Security Council that they had found new missiles distributed through the Iraqi armed forces. Soon those inspectors, if they are to do their job properly, will say to Iraq, "We want that fuel and we want those missiles, and we'll destroy them." It will be fascinating to see if the Iraqis allow them to do that.

Iraq does have weapons of mass destruction. There's no question of it, and that is serious. And Iraq's current stance with respect to this final opportunity they've been given to be disarmed is actually to cheat. The declaration of their weapons is not honest and the conduct of the some 400 inspectors that have stayed on the case in recent times, has been superficial and inconsequential. So there is a problem, a serious problem that needs to be addressed, not only because of the problem of weapons of mass destruction but because the law-maker and law-enforcer that we have had for 50 years, the Security Council of the United Nations, has endangered its own credibility and future.

If Saddam succeeds in taking down the Security Council yet again, he will succeed in trashing something that is truly important to the making of international peace and security. On one level, you could say, "Well what's so bad about the United States threatening to do what it's threatening to do?" I say that there are two things that are profoundly questionable about it. One is the phenomenon of taking the law into its own hands. When the President of the United States says, "If they don't do it in the Security Council, we're going to go and do it instead." This is deeply disturbing, not least because it's illegal. When the posse saddles up to go out and get the criminal, the first victim of such action is actually the law.

The second thing that's wrong with it is the rationale that the United States has been extending. This is all about getting rid of Saddam's weapons of mass destruction. That rationale, from the point of view of Australia, lacks credibility. If they were as deeply concerned about weapons of mass destruction, what are they doing about the situations throughout the world that are no less dangerous, that involve weapons of mass destruction? How is it that Saddam's weapons of mass destruction lead the world to wage a billion-dollar-a-day war with an incalculable outcome, yet the same is not being done with respect to any other country, including North Korea, that has weapons of mass destruction, biological and chemical, or the three non-proliferation

members, the three states who possess nuclear weapons and are not members of the nuclear non-proliferation treaty: Israel, India and Pakistan?

Why is it that Israel's nuclear weapons are somehow off-limits to any such concern about weapons of mass destruction? How is it that India and Pakistan's recent acquisition of nuclear weapons is somehow permissible? In the case of India, there's been some lugubrious talk from the Bush Administration about how it's now one of its great power pals. In the case of Pakistan, President Pervez Musharraf, prior to 11 September 2001, was a pariah because of his seizure of government in Pakistan and the abolition of democracy and acquisition of a nuclear explosive capability. But now with the necessity of Pakistan's cooperation with respect to post- 11 September acts against Al Qaeda and Afghanistan and the Taliban, suddenly Pakistan's nuclear weapon is no longer an issue of concern. But Pakistan's and India's nuclear weapons are issues of the deepest concern.

What about the members of the Security Council, who possess nuclear weapons? Those who are presiding over this decision of what to do about Iraq, and its weapons of mass destruction, are themselves the possessors of the largest quantities of weapons of mass destruction. There is a double standard playing out here which does not go unnoticed. It leads to the almost fatuous notion that the weapons of mass destruction can be divided into two categories: the good ones and the bad ones. Ours are good, and the others are bad. And this abuses the very concept of the United Nations – something that Australia had an intimate role in crafting.

In my 25 years of dealing with these issues, I can tell you there is an essential notion out there that says that this business with weapons of mass destruction is essentially unfair. When the United States of America or France or China or Russia say that "we need nuclear weapons for our security but you may not have them", as they said to India, they break a rule, a principle, that is very deeply held amongst human beings, and that's fairness.

There is a sense of deep unfairness in the world about this. It is an unfairness that is coming to haunt us now, through the terrorist movements, through a number of attempts to acquire weapons of mass destruction. What I'm putting to you is that the spectacle of the United States of America, armed with its weapons of mass destruction, acting without Security Council authority to invade a country in the heartland of Arabia and, if necessary, to use its weapons of mass destruction to win that battle, is something which so deeply violates any notions of fairness in this world, that I strongly suspect that it could set loose forces that we would deeply live to regret.

The facts about weapons of mass destruction are these: they pose the greatest threat to life as we know it on this planet and to its

environment. And what I'm about to say, I happily draw on the conclusions of the Canberra Commission on the Elimination of Nuclear Weapons, a body that the Australian Government put together a few years ago. It produced a report on the feasibility of the elimination of nuclear weapons, which is still the best such report around. The Canberra Commission put these facts forward as the basic facts with respect to weapons of mass destruction: they are the greatest threat around to life on this planet and the planetary environment, in particular nuclear weapons, but certainly, too, biological and chemical weapons. The sorry fact is that we must accept this and those who do not are burying their head in the sand like the ostrich. As long as weapons of mass destruction exist, they will be used.

They *will* be used, in the case of nuclear weapons, possibly even by accident, if not by design. It is recorded that there have been some dozen occasions since the manufacture of nuclear weapons of accidental loss from improper use of them. There are some that lie at the bottom of the sea that did not go off. One of the men whom I worked very closely with was once in charge of strategic air command. He had to call the White House on one occasion 15 years ago and say, "If you see a mushroom cloud on your screens don't attack Russia, because we dropped one by mistake a half hour ago and we think it hasn't detonated – but it might." The point I'm making is this: these weapons that constitute the greatest threat to human kind will be used as long as they exist. We cannot rely forever on the idea that they will be always kept safe, never used or that there'll never be an accident.

The next point is this: any use of those weapons would be catastrophic. Make no mistake about it, any use of germs to kill people, of chemical attack but above all of nuclear weapons would be catastrophic, it would be catastrophic *in situ*, it would be catastrophic for the environment, it would be catastrophic politically because we will have crossed the threshold that we've tried to maintain for 50 years since Hiroshima and Nagasaki. We would have put an almighty hole in civilisation as we know it if those weapons are used.

Finally there is, from this, an axiom of proliferation, and it's the most terrifying of all. That is that so long as any state has weapons of mass destruction, others will seek to acquire them. That introduces this notion of fairness that I mentioned. It's human nature. That's a very dark and dismal picture, but as long as they exist others will seek to acquire them.

Such a concept has been addressed for some 40 and more years now. The chemical weapons issue was addressed when chemical weapons were seen in all of their horror in the First World War, leading to the 1925 Geneva Protocol on chemical weapons. Specifically, about ten years after the Cold War got underway (and the hallmark of the Cold War was the proliferation of weapons of mass destruction – more

important than the deadly competition between the Soviet Union and the United States) and the nuclear arms race that accompanied it. In response to that, beginning in 1946 but really picking up in 1953, the world began to put together a series of non-proliferation regimes. And there are three of them today, three solid treaties open for accession by all states, to prevent the proliferation of these weapons. The Nuclear Non-Proliferation Treaty of 1968 has the largest number of adherents of any multi-lateral treaty other than the Charter of the UN itself.

The Biological Weapons Convention of 1972 and the modern Chemical Weapons Convention, which overtakes the Geneva Protocol of 1992, are the other two non-proliferation treaties. And they are all essentially the same. They assert the fundamental law, a moral law that says no one should have these weapons. They make the provision for political agreement to that and a mechanism is established through which verification of adherence to the commitment can be assured. None of the treaties are perfect. But they rely essentially for their effectiveness on States keeping their word. Which is exactly the core of what Saddam Hussein has not done. He has not kept his word given to leave those weapons alone.

The point I'm making is that we actually have created the means in human society to deal with this greatest threat, weapons of mass destruction. Namely in the non-proliferation regimes. But what we have seen in the Iraq case and, drawing on the path of this talk, Israel, India, Pakistan along with others that have created chemical weapons – Syria, Libya and some others that are strongly suspected – is that while these treaties are important and are largely adhered to and are a framework of post-Cold War society – where they have failed us, they have failed us because of the absence of a mechanism to ensure that they are adhered to and kept whole. A mechanism similar to the Security Council, the body that was created after two World Wars that killed 70 million people in the twentieth century, and threw up the biggest of all questions then, which was: how can we prevent war? How do you prevent 70 million people from being killed, how do maintain peace and security?

In San Francisco, in 1945, it was decided to have a new fabric of international law, the Charter of the UN, and a new body, the Security Council, charged with maintenance of international peace and security. Why? It's obvious isn't it? That's what the world needed after two devastating wars and 70 million dead. It needed a way to see that war didn't happen again or, if it did, to slow it down, to try to prevent it from happening, to mitigate effects. That was called the Security Council. And although it's had hiccups, it's been abused in some ways, especially by the super powers with their veto, on the whole, it's done a reasonably satisfactory job. It will face its historic test, two weeks from now, when it has to finally come to terms with the dictator of Iraq and

his addiction to weapons of mass destruction. But, on the whole, it has served us well.

However, we have had no comparable body agreed upon in the international community at the end of the Cold War, comparable to the Security Council. That body is needed now and it should address the obvious issue of the Cold War period, which was not the maintenance of peace and security as such, since the Security Council is still there doing that, but the hallmark of the Cold War, the proliferation of weapons of mass destruction.

My proposal, which you can find in both of my books (*Fatal Choice* and *Saddam Defiant*), is that we should have the conference that marks the end of the Cold War that we've not yet had. Maybe after the disaster of Iraq we will have it, just as we had the San Francisco conference at the end of the Second World War. We need the conference to put together a council of weapons of mass destruction. A council structured similarly to the Security Council which would have as its mandate the keeping whole of the non-proliferation treaties, the nuclear, chemical and biological weapons conventions. Violations of those conventions, or potential violations, would be referred to that council. The country involved would have to come to that council and explain itself. The powers involved would have the authority, as does the Security Council, to make law to bring about compliance, and if necessary to enforce the law. But the difference between it and the Security Council would be that it has the specific mandate to deal with weapons of mass destruction. The difference is that it would not be a case in which there would be a veto, it would rest on the notion, on acceptance of the notion, that's as simple as can be: that weapons of mass destruction are unique, they are different and therefore they should be the subject of an exception from politics as usual.

Politics has a rich palette, and it can be painted on elaborately within the Security Council. But such a luxury with respect to weapons of mass destruction is a pure and devastating indulgence. These weapons should not be the subject of politics as usual, as we see them somewhat to date in the Security Council. There should be an agreement amongst us that these weapons are different, that the moral norm should be that no one should have them. Those that do not have them should never get them and those that do have them, including the great powers, should follow the nuclear non-proliferation treaty properly, and progressively reduce the quantities of them that they hold, as indeed in some measure has happened under that treaty with respect to nuclear weapons. A body such as this would be a place at which, free from politics, a norm would develop of the deepest significance to human kind. In circumstances such as that, there would rarely be need for military enforcement. Because there is no doubt that the experience of the Security Council shows that when four powers, espe-

cially the great powers, stand together against an outlaw state and indicate that its behaviour will not be tolerated, the need for military force to be used would be rare. It may have to be used from time to time but it would be rare.

Now, is what I've proposed idealistic? Absolutely not. I've spent a quarter of a century working on arms control and I'm deeply and thoroughly exposed to the idea that this is hopelessly idealistic. I want to put it to you as robustly as I possibly can and then finish. This is not hopelessly idealistic. I'm not speaking to you about some ephemeral lion lying down with the lamb. There will always be bad people in the world and they will seek these weapons. There will always be political disputes to be settled in the world and sometimes people will seek to settle those disputes by stacking a more powerful gun on the table. That dissolves time, and we know about that. It's an extraordinarily realistic proposal – to say that we, as intelligent human beings with a moral sensibility, should make those weapons an exception from politics as usual. And we can do it. We can establish a mechanism that will make that exception and make it possible for us to take these things off the face the earth.

I hope that we do not have to go through a terrible conflict in Iraq, a conflict between the Arab and the Judeo-Christian world, I hope we don't have to pay the same price we paid for the Charter of the U.N., 70 million dead, I hope we don't have to do that. I hope that the Security Council will come to terms with the Iraq problem, that the United States of America will not act unilaterally, because if it does I fear disaster. I hope we don't have to wait for the train wreck before we decide to change history.

DINNER MOMENTS - 2003



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Photo – David Karonidis

Sarah McDonald

ABC journalist Sarah McDonald's first experience of India left her wishing she would never have to return. But, when faced with another chance to live there, she did return and fell in love with the lifestyle, warts and all. Former Triple J presenter, now the author of the runaway success *Holy Cow – an Indian Adventure* (Bantam Books 2002), addressed The Sydney Institute on Tuesday 4 February 2003 and explained what changed her.

MY LIFE IN INDIA

Sarah McDonald

Thanks for inviting me to The Sydney Institute, but I must confess I'm a bit nervous about this talk. Mainly because I have been living in the sleepless dimension of the newborn after only very recently doing my patriotic duty and breeding for Australia, and also because I'm all too aware of the quality of speakers you've had in the past. And while Richard Butler may be an expert on Iraq and weapons of mass destruction and Bob Carr is an expert on everything, I do not pretend to be a font of knowledge on all things Indian. What I can do is talk about my impressions and my adventures in the country – about how I experienced its traditions, festivals, people and lifestyles. And this is what *Holy Cow – an Indian Adventure* is about.

When he asked me to speak to you tonight, Gerard Henderson asked me (and I couldn't help notice his voice betrayed some incredulity in the asking) why I thought my book has done so well. While it's hardly sold as many copies as *Almost French* by Sarah Turnbull, it has done much better than I and probably my publishers predicted. It's a fact that more women than men buy books in Australia and women's stories and travel tales are all the rage. But while I think *Almost French* tapped into that female fantasy of falling in love with a Frenchman and living in gay Paris, I'm absolutely, positively sure there isn't a fantasy about falling in love with an ABC journalist and going to live in the most polluted city on earth – New Delhi. It's a city that's freezing in winter with smog so thick you often can't see the end of your arm and in summer it's 48 degrees blasted by a desert wind of dust and sat upon by a sticky stench of sewage, spicy sweat, sandalwood and rotting garbage. But perhaps that's one reason why *Holy Cow* has sold reasonably well – it isn't about fantasy – it's about a reality. My reality, but a reality all the same. In writing *Holy Cow* I wanted to kill a few sacred cows concerning India and reflect a true travel experience.

When I read travel articles about India I rarely recognise it. The writers seem to stay in new \$500 US a night resorts and, either they never leave these swanky places or they walk around in a pod, or

perhaps a time capsule. These articles glamorize the glory of fabulous silk costumes, delightful desert safaris in Rajasthan, and beautiful palaces. I'm sorry, but many of the saris are now nylon and the best fashions saved for export, the camels fart and spit constantly, the palaces are surrounded by persistent touts and the Mogul ruins are stained with red paan chewing tobacco, stink of urine and are often frequented by men looking for other men. And if you're a woman your entire experience of India can be sullied by the fact that you are constantly "hello Madamed", often followed and occasionally touched up. When I first visited India I was 21 and I was expecting *Heat and Dust* the movie, instead I was overwhelmed by the real heat and dirt, the poverty, the despair, the hassle and the hustle that I hated the place and vowed never to return. Initially, when I did return – as predicted by a soothsayer who doubled as a toilet cleaner – I spent much time hiding away inside and reading about India's glorified golden days of the Maharajas, Moguls and the British Raj.

But then I came to accept that they're OVER. India has moved on and it's time the rest of us did too. I wanted to embrace a country that's dynamic and modern and to travel its present rather than its past.

This means *Holy Cow* is set in the context of the New Raj – the biggest and fastest growing middle class in the world. In Australia it's kind of cool to be working class. Much of my adult life I've been wishing I wasn't so "bourgeois" – I wanted the cred that came with the working class creed. I never admitted to the Triple J audience that I grew up on the lower north shore and went to a selective and then private school. I was all too aware that so much of our fashion, music and much of our culture is dominated by middle class kids trying to look downwardly mobile. Witness the porn is cool craze, the latest look of the truckie hat, the elevation of the thong to high fashion, and the come back of the root Ute painted with horses running through surf. Of course this trend is not ubiquitous and is probably rare in city law firms around here but I don't know many Australians who brag about family status let alone admit to being a yuppie.

But the biggest middle class in the world doesn't understand our embarrassment at our riches. In India being middle class is something to aspire to and celebrate. In fact, Indians are often irate that spoilt rich kids from the west travel their country on a dollar a day staying in dives with bed lice and sporting dirty dreadlocks and cheesecloth hippy clothes. Young Indians are more often than not impeccably groomed and when they meet one another they instantly categorise the new acquaintance into a caste, class and cultural grouping – often from a look but usually via catching their second name and asking a few pertinent questions. I forgot to put this in *Holy Cow* but one night I jokingly told some Indian friends that I was descended from a Scottish king from the Isle of Skye. From then on whenever they introduced me

to their parents or other older people they'd say, "This is Sarah, wife of a correspondent and a Scottish Princess".

They just didn't understand it when I'd cringe in embarrassment. And not only did they display absolutely no middle-class guilt they didn't understand mine at all.

Now of course for an Australian this focus on caste and upbringing is confronting and often contemptuous. But in some ways it was useful. It helped me accept who I was and get over the self hatred that I suffered every time I'd witness children begging or women working on road gangs or lepers banging at the window of my car. It didn't make me cold to the curse of poverty but it did make me less guilty about enjoying and embracing the new India. Delhi, according to legend, is cursed – it's said whoever rules the city will lose the city. So I chose to forget the vanquished and align myself with the latest invaders middle class *novo riche* Punjabis from the state of Punjab north-west of New Delhi. As I eagerly joined their ranks – I realised the caste system is changing rather than disappearing and I gained more insight into living in modern India. In the book I write about having servants, about going to new nightclubs, about hanging out with the Bollywood Brat pack, of rich Indians embracing new age theories that we are all aliens and of a very exciting meeting with an actor worshiped as a god but who owes the tax department so much money he's on Rupert Murdoch's payroll and is hosting "Cown Banega Crorepati" – the Indian version of "Who Wants to Be A Millionaire".

Of course I was far richer than the average middle class Indian which meant I saw some of the new wealth up close. For another sacred cow written about India is that it's poor. It is, as I said before, true that the poverty is confronting, gruesome and grinding but there are reportedly now nearly as many millionaires in the country as there are Australians alive. While I was living in Delhi, there was a huge transformation in the way middle class and elites spend their money – the country changed more in the two years I lived there than it did in the 10 years since I'd left in a huff in 1988. Between 1999 and 2001 my neighbourhood shopping centre acquired McDonald's, Adidas, Nogenvais, Benetton and a chain of Barista cafes – that's pretty radical for the chai or sweet tea capital of the planet. These changes were obviously concentrated in the big cities but could also be seen in towns across the country or witnessed on the proliferating cable TV channels. At times it was like living in America in the fifties; the ads on TV and in magazines were full of smiling housewives dancing around washing machines, air conditioners and new refrigerators.

But the wonderful thing about this is that these changes do not correspond to a blind buy in of Western culture. Of course there's an embrace of the money and the materialism of capitalism but that's hardly new in a country that has a goddess of wealth. But while entire

villages stop to gather and watch Pamela Anderson not bounce down the beach in *Baywatch*, the dominant American culture is taken on with a healthy skepticism and a dose of desi disdain. Imports are forced to adapt to India rather than India adapt to them. McDonald's doesn't do beef, Pizza Hut adds chili, Nike are worn with saris, and kids meet prospective organised marriage partners at the local Barista café while being chaperoned by big brothers or aunties. India believes it can have its cake of economic development and eat it without swallowing the icing of cultural uniformity. And I think it's possible. India is probably one of the few nations on earth strong enough to maintain a sense of self. And that's exciting.

In fact there's an enormous optimism in India that it's time for its century in the sun and that the world needs to adapt its cultures. And there is proof that this is happening. I'm sure you've all seen *Bend it Like Beckham* and perhaps even been to a Bangra night at a club. Have any of you seen the new ads for Longines Watches? That's Ashwarya Rai, Ms India and film star. The latest fitness craze in London is Bollywood boogie, there are Indian film festivals at Bondi Beach, Hollywood celebrities are flying into Bombay for yoga lessons and of course there's the obvious embrace of the Indian look in fashion. This is happening via the economic initiatives of millions of NRIs or non resident Indians who live all over the world but it's also proof of the infinite exuberance of the country they hail from.

Of course there is some conflict between the old and the new amongst India's young. Fat was once seen universally as beautiful – because it signified prosperity – and skinny was rejected as lower class, ugly and of course poor. But recently there have been the first cases of anorexia. Also, there's been much concern about the first raves and cocaine busts in Delhi and *Holy Cow* tells a horrendous story about what can happen when the clash of cultures and the generation gap meet with a furious force. It's a tale concerning a character based on a friend of mine torn between a duty to her mother and faith to her westernised self. It ends in death. Of course it's an extreme story – many Indians my age and class are having sex, drinking and wearing jeans but most are living double lives. Of course we hide a lot from parents here but in India adolescence seems to last longer. The closeness of the family unit, the strength of the ties – things we have lost in many ways to our detriment – mean that people still live with their parents after they're married (often in an organised match) and this inevitably leads to double lives being lived. There are a lot of lies in this land of truth.

It's the search for truth that forms the core of my book. Most of all *Holy Cow* details my personal journey as an atheist through the religions of the country. But here too I wanted to kill off the sacred cow that stipulates India is a spiritual country – a land of higher truths. India has been a spiritual supermarket for Westerners since the sixties

and I've always found that mildly amusing. I just read an article by Andrew O'Hagan in the *London Review of Books* where he said "When you want everything, and get everything, maybe the fantasy of nothing becomes your reality". He was talking about celebrities but I think it applies to the Western fantasy about India – the fantasy that the poor are happy because India is a spiritual land. The poor are miserable and India is more religious than spiritual. I was very cynical about young Westerners who go to the East for enlightenment hoping to buy instant karma as another commodity. So initially I felt I'd write a wry cynical guide to the spiritual supermarket of India and poke some fun with the Western appropriation of Eastern religions and cultures. Indeed in the book you'll meet Jew Buds – Californians from a rock and roll synagogue who hold Passover in Dharamsala down the hill from the Dalai Lama's palace, you'll meet Israelis who've just left the army and go to India to adorn themselves with Hindu paraphernalia and upset the orthodox Chabad who base themselves in some cities to save Jewish souls. You'll meet a mad Rajneesh cum Jain from New York, an Australian hippy living in what's meant to be an ideal society near Pondicherry and a bunch of white Sikhs who wear turbans, shun the sun and sing hideous songs with a ring of new age confidence around their heads. You'll also meet some of the most annoying groupies in the world – self righteous snobs who worship god on earth in female form.

But I don't really mock them as much as I meant to and that's because so many things kept happening to me that meant my experience of Indian religion and its Western followers became less cynical and more life-affirming. This meant that the book changed form and so did I. India's 330 million gods laugh at those who make plans. Things happened to me to move me beyond being freaked out by a diet of sensory overload from the smells, sights and sounds of a frantic lethargy that is India and towards a state of acceptance and love for the place, its people and its groupies. I won't go into details as the book has been out for a while but the change began after a near death experience after an encounter with an aghori sadhu. He was naked – smeared in human ashes – and he emerged from a smoggy night to give me the eye.

And then there are some extraordinary events that happen in the midst of spiritual leaders and people of faith. I did learn a bit about controlling my mind from the Dalai Lama and I did come to grudgingly respect the living goddess who hugs people to enlightenment. Also I did embrace the joy of ritual in the Jewish festival of Passover and I did sense purity within the filth of the sacred Ganges. I also find something to revere and respect about Christianity via its uniquely feminine and inclusive Indian version of the faith. In *Holy Cow* I tell the stories of the biggest party on earth, the Buddhists around the country's most famous refugee, the few remaining Indian Jews shipwrecked after the destruction of the temple, the Zoroastrians who let vultures eat

their dead, the Muslims who sing for a spiritual high, a festival of baldies worshipping the Virgin Mary and the power of surrender in Islam.

I suppose I was always interested in personal belief systems but for much of my life I was contemptuous of religion. I was raised agnostic and became almost a fundamentalist atheist – I blamed religion for all the world's ills and was contemptuous of the wealth, hypocrisy and criminality of some of the world's religious institutions.

By the time I left India I was more respectful, more circumspect and a lot less cynical. I've adopted the creed at the core of the Hindu heart – to respect all pathways to inner peace. And while I am by and large still a skeptic, I'm now more of an open minded skeptic. I realise my contempt was as arrogant and blinkered as fundamentalism – perhaps not as dangerous, but just as unhelpful to building understanding between people.

Of course there are things that really challenged this state of mind. In *Holy Cow* I travel to the place Bill Clinton called the most dangerous on earth – Kashmir. Even though I used to be a journalist, I'm not into war zones and it was an incredibly nerve racking and sad experience. The beautiful summer capital Srinagar is seeped in fear, rumour, suspicion and violence. But I don't really think the Kashmir dispute is about religion – it's more about land. Religion has been used by Pakistan and India to manipulate the populace. The gentle Islam so influenced by Sufism and perhaps Hinduism is making way for hard-line Islam which the locals mistakenly believe they can eradicate once they gain independence. I don't think they'll gain independence or regain their gentle faith and the region is one of the world's nuclear flashpoints. Jihadis from Pakistan and possibly Afghanistan are still crossing into the area in dispute between India and Pakistan and I hope while the world's attention is focused on Iraq, this situation doesn't escalate.

Another time I came close to collapsing into pessimism was towards the end of my time in India when Islamic/Hindu violence flared in Gujarat. I still worry that India is showing increasingly ugly signs of Hindu fundamentalism a term which should be an impossible contradiction. The power of the BJP – which dominates the government coalition – and its pandering to religious division such means there's a real chance for communal violence within India at any time.

But I feel, in the main, the country is remarkably peaceful and displays a wonderful respect for different faiths. The Jewish population in Bombay feels the land it fled to is the only place that has not persecuted its people. The Parsi Zoroastrians thank India for allowing them to maintain their traditions – in the US Zoroastrians have to bury their dead in concrete lined coffins rather than let vultures eat them in the midst of a major city. The Dalai Lama often talks about the crowded

country's generosity in accepting refugees from Tibet. And while he attracts more attention than many Hindu sages most Indians just accept his faith as a branch of Hinduism – because Hindus believe that Buddha was actually an incarnation of their god Vishnu. The violence to do with Sikh separatism has subsided and most Muslims and Hindus live side by side relatively peacefully.

What also keeps me positive about India's faith in faiths is that it's the land of the profound and the profane. There's rarely a sanctimonious approach to spirituality. I tell the story at the end of the book of a beautiful sacred fire – of a dawn ceremony for Kali the female goddess by the Holy Ganges. As the priest is throwing sandalwood and rice into the fire and the crowd chants "OM" a woman beside me begins to fart and burp in time with the hymns. No one bats an eyelid. I have great photos of kids performing a reenactment of their god Ram's defeat of a demon, because they kept popping out of their death faint to ask me "which country madam?" In India, faith is incorporated into daily life and the festivals are embraced for a sense of fun and the spectacular as well as meaning.

Of course it is difficult to make generalisations about a country of one billion, of many cultures and faiths and a myriad of means of existence. Indeed everything you say about the country the opposite is true. India is rich and poor, beautiful and ugly, cruel and kind, religious and materialist, angry and peaceful, smart and stupid. In some ways it's a hall of mirrors and just when you think you gain a clear impression you'll turn and gain a different perspective which spins you around again. India is a land of extremes and juxtapositions and that's very confronting. But it does have optimism, a sheer exuberance; an embrace of tradition and, at its core, a diversity and acceptance of a multitude of paths to happiness and that makes it a very special place in the hearts of those who have travelled there.

But that diversity means my experience in the country is hardly universal. For some, this book will be as unfamiliar as the travel stories told by lucky journalists luxuriating in the Raj villas in Jaipur. Because *Holy Cow* is part memoir, part travel story and it contains a story about a personal transformation at a time a nation is changing. It's primarily about the development of a personal philosophy and it's not meant to be an intellectual philosophical book. I suppose I'm a populist; at Triple J, I thrived on making the complex containable. I wanted to write a book people would read, that would be accessible. Of course I wanted it to canvass some big ideas about religion and spirituality and it's impossible to write about the country without talking a bit about its history and politics, but I wanted to bring across the sense of the ridiculous as well. So these elements are all in *Holy Cow*. I suppose I tried to walk the thin line between having respect for the place and its

people and having some fun with myself and the place. Of course that line is drawn in very different places by different people.

India is a country and a people with no boundaries. I was invited into homes, villages, asked to christen a baby, attend weddings and as I walked into peoples' lives I was more often than not welcomed like an honoured guest. While the lack of personal space in India drove me crazy, the country's ability to share itself with me was heart warming. And that's why I feel a bit bad about my book, because I know some Indian readers won't like it. This book has a definite sensibility – it is an Australian middle class white girl's experience of the country. While it's not trying to woo tourists or romanticise the place, it's not done to trash the place. While Australia is becoming increasingly nationalistic by and large, I think Australia is a self critical country that likes to have a laugh at itself. I'm not saying Indians don't have a sense of humour – I'm just saying it's very different from ours.

While living in the country I often found the respect for authority, the ardent nationalism and the incredible self confidence of many of its citizens confusing and frustrating. An incredible number of taxis flag Indian flags, trucks boast "god is great" on the bumper bar beside "please use horn", one of the hit songs while I was there was "I'm the best" and I was accosted by a guy in a doctor's waiting room wearing a tight t-shirt over a paunch that boasted "god I'm good". I often found myself yearning for Australia's love of taking the piss and ability to not take itself too seriously. But at the same time, I realised our culture of criticism and complaint can be limiting. I never would have written a book if I'd stayed in Australia – and not just because I wouldn't have a story. I would have been too scared to put myself up for criticism and critique and also because it's just too unoriginal. I'm from that generation that sits in coffee shops and talks about either making a short film or writing a book. So I always vowed I'd never do either; I suppose I hate doing what's typical or expected. But India gave me the guts to break through that self-censorship and detachment from ambition. Because the country and its people have an exuberance, an unabashed ambition that's contagious and liberating. The same friends we laughed at before for calling me a Scottish princess told me I was being ridiculous by self censorship and being too scared of failure as an excuse for inactivity and laziness.

But of course when you write you rip off other peoples' lives, I don't quite know how to defend that. Writers do it in fiction and non-fiction. I've tried to protect the people I steal from; I've changed names, merged characters, separated stories and blended events but I still can't quite reconcile my success has come at the cost of others – I've taken their lives and made them two dimensional perhaps even cheapened them by putting them onto paper. That's hard. That's writing. I've also been the victim of it and I know how it hurts and I'm

not sure I want to write again for that reason. But I have some ideas so maybe I will. One thing I have learnt from my time in India is not to make hard and fast plans. So I won't and you and I will both have to see what happens next.



Photo – David Karonidis

Keith Windschuttle

For some years, controversy has surrounded the history of Australia's earliest white settlement and the treatment of the Indigenous Australians. Historian Keith Windschuttle has now provoked new questioning in his latest book – *The Fabrication of Aboriginal History* (Macleay Press) where he has challenged much of the evidence previously used by historians in this field. Keith Windschuttle addressed The Sydney Institute on Tuesday 11 February 2003

THE FABRICATION

OF ABORIGINAL HISTORY

Keith Windschuttle

Over the past 30 years, university-based historians of Aboriginal Australia have produced a broad consensus. They have created a picture of widespread killings of blacks on the frontiers of settlement that not only went unpunished but had covert government support. Some of the Australian colonies engaged in what the principal historian of race relations in Tasmania, Lyndall Ryan, has called “a conscious policy of genocide”. In Queensland, according to the University of Sydney historian, Dirk Moses: “... the use of government terror transformed local genocidal massacres by settlers into official state-wide policy”. The expatriate Australian Ben Kiernan, who is director of the genocide studies program at Yale University, writes that nineteenth century Australian colonists mounted numerous punitive expeditions against the Aborigines in which they committed “hundreds of massacres”. In Central Australia, Kiernan claims 40 per cent of the indigenous population was shot dead. In Queensland, the Aborigines “were hunted like wild beasts, having lived for years in a state of absolute terror of white predators”.

For most of my adult life I was a true believer of this story. I had never done any archival research in the field but nonetheless used the principal historical works of Henry Reynolds, Lyndall Ryan, Charles Rowley and others in lectures I gave in university courses in Australian history and Australian social policy. I used to tell students that the record of the British in Australia was worse than the Spaniards in America. However, in 2000 I was asked to review a book by Perth journalist Rod Moran about the infamous Forrest River Massacre in the Kimberley in 1926. Moran convinced me that there had been no massacre at Forrest River. There were no eyewitnesses and no bodies found. The charred remains of bones at first thought to be of Aborigines shot and cremated turned out to be those of kangaroos and possums. The massacre sites were nothing but camp sites. A list of Aborigines gone missing from the local mission, and suspected to have been murdered, turned out to be a fake, concocted by the white

clergyman running the mission. Many of those on the list were recorded alive and well years later.

On reading this I decided to investigate the story I had long accepted by checking the footnotes of the principal authors. I started with Henry Reynolds' claim in *The Other Side of the Frontier* that 10,000 Aborigines had been killed in Queensland before Federation. The reference Reynolds provided for this was an article of his own in a work called *Race Relations in North Queensland*. This was a typescript publication held by only a few libraries but I found a copy and read it. To my surprise, it was not about Aboriginal deaths at all. It was a tally of the number of *whites* killed by Aborigines. Nowhere did it mention an Aboriginal death toll of 10,000. Reynolds had provided an inaccurate citation of his evidence.

In the three years since then, I have been checking the footnotes of the other historians in the field and have found a similar degree of misrepresentation, deceit and outright fabrication. The project began in Tasmania, or Van Diemen's Land as it was known until 1855, about which I originally expected to write a single chapter. However, in going back to the archives to check what happened there, I found such a wealth of material, including some of the most hair-raising breaches of historical practice imaginable, that Van Diemen's Land has become the subject of the first of what will eventually be a three-volume series entitled *The Fabrication of Aboriginal History*.

Van Diemen's Land is widely regarded as Australia's worst case scenario, indeed, one of the few cases of outright genocide in the British Empire. International writers now routinely compare the British in this colony with the Spaniards in Mexico, the Belgians in the Congo, the Turks in Armenia and Pol Pot in Cambodia. Tasmania's "Black War" from 1824 to 1831 and the "Black Line" of 1830 are two of the most notorious events in the history of the British Empire. However, after examining all the archival evidence and double-checking the references cited by the most reputable academic historians of the subject, I have come to the conclusion that most of the story is myth piled upon myth. Here are some of the transgressions by its leading historians.

Lyndall Ryan cites the *Hobart Town Courier* as a source for several stories about atrocities against Aborigines in 1826. However, that newspaper did not begin publication until October 1827 and the other two newspapers of the day made no mention of these killings. Ryan cites the diary of the colony's first chaplain, Rev Robert Knopwood, as the source for her claim that, between 1803 and 1808, the colonists killed 100 Aborigines. The diaries, however, record only four Aborigines being killed in this period.

Ryan asserts: "Even if only half the stories [George Augustus] Robinson heard were true, then it is possible to account for 700 shot." However, Robinson's diaries record a total of only 188 Aborigines

killed by whites, and many of them are dubious claims. Ryan says that the documentary evidence shows 280 Aborigines were “recorded shot” and that unrecorded killings would bring the total to 700. However, she provides no sources for these figures. Brian Plomley did a survey in 1992 but could find records of only 109 Aborigines killed. I could find records for only 120.

Ryan claims that in 1826, police killed 14 Aborigines at Pitt Water. However, none of the three references she provides mention any Aborigines being killed there in 1826 or any other time.

Ryan claims that hostilities in the northern districts in 1827 included: a massacre of Port Dalrymple Aborigines by a vigilante group of stockmen at Norfolk Plains; the killing of a kangaroo hunter in reprisal for him shooting Aboriginal men; the burning of a settler’s house because his stockmen had seized Aboriginal women; the spearing of three other stockmen and clubbing of one to death at Western Lagoon. But not one of the five sources she cites mentions any of these events.

Between 1828 and 1830, according to Ryan, “roving parties” of police constables and convicts killed 60 Aborigines. Not one of the three references she cites mentions any Aborigines being killed, let alone 60. The governor at the time and most subsequent authors regarded the roving parties as completely ineffectual.

Ryan says the “Black War” began in the winter of 1824 with the Big River tribe launching patriotic attacks on the invaders. However, all the assaults on whites that winter were made by a small gang of detribalised blacks led by a man named Musquito who was not defending his tribal lands. He was an Aborigine originally from Sydney who had worked in Hobart for ten years before becoming a bushranger.

Lloyd Robson claims the settler James Hobbs in 1815 witnessed Aborigines killing 300 sheep at Oyster Bay and the next day the 48th Regiment killed 22 Aborigines in retribution. However, between 1809 and 1822 Hobbs was living in India, the first sheep did not arrive at Oyster Bay until 1821 and in 1815 the 48th Regiment never went anywhere near Oyster Bay.

Robson and four other authors repeat a story that 70 Aborigines were killed in a battle with the 40th Regiment near Campbell Town in 1828. However, all neglect to say that a local merchant told a government inquiry that he went to the alleged site with a corporal on the following day but could find no bodies or blood, only three dead dogs. “To tell you the truth,” the corporal then confessed, “we did not kill any of them.”

Both Lloyd Robson and Lyndall Ryan claim settlers killed Aborigines by giving them poisoned flour. Their sole source for this is a diary entry by George Augustus Robinson in which he recorded a conversation between a superintendent of the Van Diemen’s Land Company

and his convict shepherds after these men asked him for some poison. He asked them why they wanted it:

They said: "Oh sir we will poison the natives' dogs." Mr R took it away with him, their object, he said, being to poison the natives by putting it in their flour &c.

This is the only evidence either Robson or Ryan offers for this claim. It was nothing more than the superintendent's interpretation of what was, at most, an ambiguous statement of what his convict shepherds might do, not anything they actually had done.

Both Robson and Ryan also repeat the story of the heroic Aboriginal resistance fighter, Quamby, after whom the peak known as Quamby Bluff is supposedly named. They claim Quamby disputed the land occupied by the colonists near Westbury and repelled them, although he was later shot dead. However, Quamby Bluff was not named after an Aboriginal person at all. The first account of how it got its name appeared in the *Hobart Town Courier* in March 1829. A party of white kangaroo hunters came across a lone Aborigine who fell to his knees crying "Quamby, Quamby" meaning "mercy, mercy". In other words, "quamby" was not the name of a man but an expression of the language. More than a year later George Augustus Robinson invented the story about the Aboriginal resistance leader, which academic historians now repeat as if it were true.

The pre-historian and archaeologist, Rhys Jones, reports the following catalogue of horror:

The atrocities committed by sealers and convicts and reported to the 1830 committee included rape, flogging of women, burning with brands, roasting alive, emasculation of men, cutting flesh off and feeding it to dogs, dashing out the brains of children, kicking off a baby's head in front of its mother.

However, if you read the source Jones claims for his information, the evidence to and report of the 1830 Committee into Aboriginal Affairs, you find that hardly any of them are mentioned. There is a report of one Aboriginal woman being thrown onto a fire – that one is probably true – and another of an incident near Campbell Town where children were supposedly dragged from rocks by soldiers and had their brains dashed out – we know that one is definitely false. However, there is not even one mention in any document before this committee of burning with brands, flogging of women, emasculating men, cutting flesh off and feeding it to dogs or kicking off a baby's head in front of its mother. The last act, if you think about it, is technically impossible anyway. Kicking a baby in the head might crush it and break the neck but could never decapitate it. But the main point is that Jones has invented all these latter atrocities. Not one word about them was ever mentioned to the 1830 Committee.

Henry Reynolds claims the chief agent of the Van Diemen's Land Company, Edward Curr, was one of the settlers making "increased demands for extermination" of the Aborigines. The full text of the statement Reynolds cites, however, is Curr's pessimistic prediction of what might possibly happen if Aboriginal violence continued, not an advocacy of their extermination. "I am far from advising such a proceeding," Curr wrote. "My own hands however shall be guiltless of blood, and I shall discountenance it as far as my authority extends, except under circumstances of aggression or in self defence."

Reynolds claims Lieutenant-Governor Arthur recognised from his experience in the Peninsular War against Napoleon that the Aborigines had adopted Spanish tactics of guerrilla warfare, in which small bands attacked the troops of their enemy. However, Arthur's military career never included Spain. The full text of the statement Reynolds cites talks not about troops coming under attack by guerrillas but of Aborigines robbing and assaulting unarmed shepherds on remote outstations.

Arthur inaugurated the "Black Line" in 1830, Reynolds claims, because "he feared 'a general decline in the prosperity' and the 'eventual extirpation of the colony'". However, Arthur never made the statement attributed to him. Reynolds has altered his words. When confronted by journalists of the *Sydney Morning Herald* with this charge from my book, Reynolds replied: "I've never said that. That's quite, quite misleading. How could the Aborigines destroy the colony? ... Nowhere did I suggest that Arthur thought they could wipe out the colony. That would be a silly thing to say." However, six days later, after journalists sent Reynolds the page in his book *Frontier* where he did quote Arthur saying exactly that, he finally agreed what he had done. He said: "It's a bad mistake. I obviously didn't know it existed, far from it that I had done it deliberately to distort the story... All historians are fallible and make mistakes."

However, anyone who reads the offending page in his book *Frontier* will struggle to understand how it could be merely a mistake. In the same paragraph there are five other truncated quotations that appear to support the same false claim that the colonial authorities thought the Aborigines threatened the very survival of the colony. One of them was made by the editor of the *Hobart Town Courier*, James Ross, who said at a public meeting in 1830 that if Aboriginal violence was not stopped they would "come and drive us from this very Court room and compel us to take refuge in the ships." Reynolds presents this statement as if it were a common fear at the time. But he neglects to say that as soon as Ross said this, Robert Lathorp Murray, the editor of the rival newspaper, *The Tasmanian*, got to his feet and said:

No doubt that they are enabled to commit many atrocities, most frequently by the exercise of that cunning by which all savages are distinguished, but

to talk of six dozen miserable creatures, and never was a larger body seen assembled than 72, driving us from this room, is of course a joke.

Reynolds should have known that Murray had made this statement but he kept it from his readers – apparently in order to portray all the settlers quaking with fear. This omission is just as much a distortion of the truth as Reynolds' original alteration of Lieutenant-Governor Arthur's words.

The truth is that there was nothing on the Aborigines' side that resembled frontier warfare, patriotic struggle or systematic resistance of any kind. The so-called "Black War" was a minor crime wave by two Europeanised black bushrangers, followed by an outbreak of robbery, assault and murder by tribal Aborigines. All the evidence at the time, on both the white and the black sides of the frontier, was that their principal objective was to acquire flour, tea, sugar and bedding, objects that to them were European luxury goods.

The full-blood Tasmanian Aborigines did die out in the nineteenth century, it is true, but this was almost entirely a consequence of two factors: the 10,000 years of isolation that had left them vulnerable to introduced diseases, especially influenza, pneumonia and tuberculosis; and the fact that they traded and prostituted their women to convict stockmen and sealers to such an extent that they lost the ability to reproduce themselves.

Despite its infamous reputation, Van Diemen's Land was host to nothing that resembled genocide, which requires murderous intention against a whole race of people.

In Van Diemen's Land, the infamous, "Black Line" of 1830 is commonly described today as an act of "ethnic cleansing". However, its purpose was to remove from the settled districts only two of the nine tribes on the island to uninhabited country from where they could no longer assault white households. The Lieutenant-Governor specifically ordered that five of the other seven tribes were to be left alone.

Henry Reynolds claims that throughout the 1820s, the free settlers spoke about and advocated the extermination of the Aborigines. However, only a handful of settlers ever advocated anything like this. They spoke of it not in the 1820s but only in the immediate aftermath of Aboriginal killings of whites in 1830 and 1831. The historic record shows this prospect divided the settlers deeply, was always rejected by government and was never acted upon.

In the entire period from 1803 when the colonists first arrived, to 1834 when all but one family of Aborigines had been removed to Flinders Island, my calculation is that the British were responsible for killing only 120 of the original inhabitants. In all of Europe's colonial encounters with the New Worlds of the Americas and the Pacific, the colony of Van Diemen's Land was probably the site where the least indigenous blood of all was deliberately shed.

Since the publication of my book last November it has been the subject of an often vicious debate in the press. Let me point out how academic historians have responded. In the February edition of *Australian Book Review*, Alan Atkinson of the University of New England described an article of mine in *The Australian* (9 December 2002) as “heart-sinking”. That article was largely a list of examples of the abuse of scholarship that I have just given, showing invented incidents, concocted footnotes, altered documents and gross exaggeration of the Aboriginal death toll. What made Atkinson’s heart sink, however, was not this catalogue of misconduct. Instead he was dismayed that my critique was based on such an outdated concern as getting the facts right. “Windschuttle aims to take the discipline of History back to some golden age,” he lamented, “when it was all about facts.”

Atkinson is one of the contributors to the National Museum of Australia’s book *Frontier Conflict* just launched. That book’s contents come from a conference staged in December 2001, after I had pointed out that the centrepiece of one of the museum’s exhibits, the Bells Falls Gorge Massacre, which supposedly occurred near Bathurst in the 1820s, was a mythical event for which there was no contemporary evidence. The real purpose of the conference, however, was to publicly demonstrate that my criticisms made me the odd man out and that the overwhelming weight of academic opinion was against me. Significantly, other authors who have questioned the same orthodoxy, such as Rod Moran who exposed the myth of the Forrest River Massacre, were not invited to participate, even though the museum exhibit also gives a completely misleading account of that incident.

The museum’s conference papers respond mainly to articles I wrote in 2000 and 2001, but they reflect the same attitude their authors have taken in the past two months to my own book *The Fabrication of Aboriginal History*. Few of them have been troubled by the mistakes of their colleagues. Instead, most have portrayed me as the bad guy for raising these issues. This “debate” has been revealing about the standards now prevailing within university history departments and about the consequences of the long-standing left-wing ascendancy in Australian historiography.

Some *non-academic* commentators were concerned at my book’s findings – for instance, Michael Duffy wrote in *The Courier Mail* (14 December 2002) – “allegations of scholarly fraud on this scale are virtually unknown”. But academic historians tried to dismiss them as unimportant. One contributor to the museum conference, Raymond Evans of the University of Queensland, wrote in *The Courier Mail* (20 December 2002) that all I had uncovered in the work of Henry Reynolds, Lyndall Ryan and Lloyd Robson was a “clutch of regrettable mistakes”, including no more than “half a dozen alleged gaffes” in

Ryan's book *The Aboriginal Tasmanians*. Ryan herself in *The Australian* (17 December 2002) described these as "a few minor errors that can easily be rectified".

However, as I've already indicated, Ryan's book – and I'm referring to her 1996 second edition which she claimed she had corrected – goes well beyond a few forgivable gaffes. There are at least 17 cases where she reported atrocities and other incidents for which there is no archival support, plus another seven cases where the number of Aborigines she claims were killed or captured is either outright false or exaggerated beyond belief. Lloyd Robson committed a similar degree of fabrication.

Ryan has had more than a year to answer my major charges, first made at the museum's "Frontier Conflict" conference, which she attended. Yet her published conference paper avoids them entirely. Her only substantive response (*The Australian*, 4–5 January 2003) has been to claim I left out one paragraph break in a passage quoted from her book. To this I plead guilty, but this trivial omission in no way distorted her meanings or the attribution of her footnotes to her text.

Michael Duffy also observed (*The Daily Telegraph*, 21 December 2002) that intellectuals on the left "have always had a remarkable ability to switch arguments as soon as they sense they are losing". The co-editor of the National Museum's anthology, Bain Attwood, confirmed this in *The Australian* (6 January 2003) where he claimed there was nothing new about my rebuttal of the Aboriginal genocide thesis. Academic historians had already abandoned the concept of overt genocide for more focused, local analyses, he said, citing the work of Reynolds, Ryan and Dirk Moses.

Hence my book was no exposé. "It's just old news from a tabloid historian. Only those ignorant of the academic historiography – or unwilling to go and read it – could believe otherwise." Moses himself followed Attwood (*The Australian*, 13 January 2003), arguing that since I was "unable to describe historical writing accurately" no one should trust anything I say.

It is true Reynolds has admitted the colonial authorities did not intend genocide, which I acknowledged in my conference paper and twice in my book. Instead, however, Reynolds claims it was the Tasmanian *settlers* who wanted to exterminate them, which is why I devoted my longest chapter to analysing and disproving this claim. Most of her readers have presumed Ryan's statement that Aborigines were "victims of a conscious policy of genocide" referred to conflict in early Van Diemen's Land. Not so, says Attwood. It merely denoted post-World War II assimilationist policies.

Unfortunately for Attwood and Moses, it is they who have trouble reading the literature. Ryan herself (*The Australian*, 17 December 2002) had already confirmed my interpretation, acknowledging that her

work “asserts that the Tasmanian Aborigines did indeed constitute a threat to British settlers, that the Black War *was* a ‘conscious policy of genocide’, though not in the end a successful one, as the Aborigines survived.” Anyway, the claim by academic historians that, instead of overt genocide, there were only “local genocides” or “indigenocide” or “genocidal moments” is simply terminological goalpost shifting, not a serious reappraisal of the orthodox story.

Let me finish by observing that the debate at the National Museum and in the press over the past two months suggests something is seriously wrong with academic history in this country. A small group of university teachers with overt left-wing political commitments believe they can decide among themselves what happened in this country’s past. When challenged, they resort not to debating the substantive issues but to demonising their critic and mocking his concern for facts. Historians, however, have a public responsibility to report the facts accurately and to cite their sources honestly. To pretend these things do not matter and that acceptable interpretations can be drawn from false or non-existent evidence is to abandon the pursuit of historical truth altogether.

It is important that we get this history right. The debate over what happened to the Aborigines is not only about them. Ultimately, it is about the character of the Australian nation and the calibre of the civilisation that Britain brought to these shores in 1788. Pretty obviously, my own work is a defence of the integrity of both the nation itself and the civilisation from which it derives. This is probably why I have been so vilified by my opponents. For some reason, they want to portray their own country as the moral equivalent of Hitler’s Germany or Stalin’s Russia. They are entitled to their opinion but they are not entitled to invent the facts on which that opinion is based. Nor are they entitled to deceive their students and the public at large, both white and black, as they have been doing over the past 30 years.



Photo – David Karonidis

Alexander Downer

In the lead up to the second Gulf War, while debate continued over Australia's commitment to the US led Coalition of the Willing, Australia's Foreign Affairs Minister, the Hon Alexander Downer, addressed The Sydney Institute on Monday 17 February 2003. In his speech, the Minister spelled out compelling reasons behind the Australian government's stand on Iraq, in the battle to rid the world of weapons of mass destruction

THE SPREAD OF

NUCLEAR, CHEMICAL AND BIOLOGICAL WEAPONS – THE SUM OF ALL OUR FEARS

Alexander Downer

It is a pleasure to be back here at The Sydney Institute. We all know the contribution the Institute has made as a forum for debating public policy, including foreign affairs. We know, too, of the role of Gerard Henderson, backed up in no small way by Anne Henderson, in establishing and developing the Institute to the forum it is today. So it is an honour to have been invited here this evening.

Today, terrorism and the spread of nuclear, chemical and biological weapons pose the greatest threat of all to our security. Nuclear, chemical and biological weapons are now in the hands of maverick states – states that have little regard for the clear international consensus against such weapons established since World War II. If we don't act, we face a twenty-first century afflicted by dangerous and unaccountable dictators armed with nuclear, chemical and biological weapons. And those same weapons now risk spreading further, beyond rogue states, to terrorist groups.

Unlike states, terrorist groups do not want nuclear, chemical or biological weapons for prestige, power, or for deterring others. Terrorist groups want nuclear, chemical and biological weapons so that they can use them. They want to tear down the structures of civil society – government, industry, community – in liberal democracies such as ours. And they care not a jot for innocent lives; they are happy to kill and maim as many civilians as they can in pursuit of their extreme agendas.

After the terror of 11 September 2001 in New York and 12 October 2002 in Bali, we can clearly see that the only encumbrance on the atrocities of these terrorists will be the weapons available to them. I remember as a young boy the anxiety – even in a primary school on the other side of the world – created by the Cuban missile crisis in 1962. There was a genuine fear of a nuclear exchange between the United States and the Soviet Union.

Today, the thought that rogue states might use nuclear, chemical and biological weapons has become a new public fear. And because

nuclear, chemical or biological weapons might fall into the hands of terrorists, we have even more reason to be fearful.

Australia's position on the threat posed by Iraq's weapons programs is a logical progression of our consistent and long standing activism against proliferation. Australia has invested much to address proliferation – over many years. In 1996 we acted as midwife to the Comprehensive Nuclear Test Ban Treaty – one of my first and proudest achievements as Minister for Foreign Affairs. We played an important role in the success of the 2000 Nuclear Non-Proliferation Treaty Review Conference. Our strong response to Indian and Pakistani nuclear tests in 1998 included the imposition of economic and other sanctions. We worked tirelessly to promote a verification mechanism for the Biological Weapons Convention. And we are playing a major role in efforts to start negotiations on a Fissile Material Cut-off Treaty.

All of you will remember the history of French nuclear testing in the South Pacific. When French President Chirac came to power in 1995, one of his first acts was to lift the moratorium on nuclear testing. We launched a vigorous campaign to oppose President Chirac's decision. Our record builds on that of previous governments, and on the efforts of my predecessors in establishing the Australia Group to stop the export of chemical and biological precursors in bringing the NPT and the Chemical Weapons Convention into being and in addressing the proliferation of missiles and missile technologies. The lesson of Iraq, and the risk of nuclear, chemical and biological weapons falling into the hands of terrorists, is that we must be much more aggressive in dealing with proliferation. In short, we have to put the cork back in the bottle. How do we do this?

First, we have to face up to those maverick states that continue to cheat. We must be prepared to enforce the will of the international community. Iraq now presents a crucial test of our resolve. I'll return to the Iraqi challenge in a moment.

Second, we have to support and strengthen established multilateral arms control and non-proliferation arrangements. These include the Nuclear Non-Proliferation Treaty, the Comprehensive Nuclear Test Ban Treaty, and the Chemical and Biological Weapons Conventions.

Third, we need to strengthen export control regimes governing trade in materials and technology that might contribute to nuclear, chemical and biological weapons.

Fourth, we have to extend our information sharing and intelligence cooperation with allies and partners. This is well underway.

Finally, we need to address proliferation issues much more actively and directly with those countries that we are concerned about. North Korea is a good example of our recent efforts.

Iraq

Iraq's pursuit of nuclear, chemical and biological weapons has been a key Australian concern for almost 20 years. In the mid 1980s, Australia played an essential role in founding the Australia Group after Iraq used chemical weapons in the Iran-Iraq war, killing many thousands of Iranians in the most horrific way. Ninety-six Australian peacekeepers took part in the UN peacekeeping mission from 1988 to 1990, to maintain the truce along the Iran-Iraq border after the end of that senseless war that saw a million people killed. Then, after Iraq invaded Kuwait at the end of 1990, Australian forces participated in the liberation of Kuwait, in what we called the Gulf War.

Since 1991 the Navy has helped enforce UN sanctions to stop the flow of goods that could be used to revive Saddam's WMD programs – programs that the Security Council resolved to have destroyed as part of the peace settlement. One hundred and ten Australians served with UNSCOM, UNMOVIC's predecessor, from 1991 to 1998 – making Australia the fourth largest national contributor to international efforts aimed at verifying that disarmament. Today, after the demise of UNSCOM, a number of Australians have continued this proud tradition, serving with both UNMOVIC and the IAEA as weapons inspectors. In 1998 we sent military forces to the Gulf to do precisely what we are trying to do now – pressure Saddam to cooperate with the Security Council.

None of these efforts were undertaken on a whim, and all enjoyed bipartisan support. Why? Because successive governments have concluded that stopping Iraq, and other countries, from acquiring nuclear, chemical and biological weapons is key to ensuring our security.

This past weekend many Australians – in legitimate, peaceful protest – have voiced their concern about a war with Iraq. We respect their opinions – indeed, the government shares the desire of Australians for a peaceful end to the situation in Iraq. It remains our aim to work with our friends and allies, through the UN Security Council, for such an outcome. But we have a responsibility to deal with the facts, and the facts speak for themselves.

Iraq, through its efforts to amass nuclear, chemical and biological weapons, threatens its neighbours and the Middle East region. And by thumbing its nose at the repeated efforts of the international community, through the United Nations Security Council, Iraq is undermining global security. Saddam Hussein has said himself that he is simply playing for time, so that public opinion might itself undermine the resolve of the US and UK governments. I think he will find that the resolve of the United States and United Kingdom, along with the vast majority of the international community, is that we can't continue the status quo.

The ambitious international effort to contain Iraq since 1991 has failed. Containment of Iraq was an effort not just to *deter* Saddam Hussein from acquiring, possessing or using nuclear, chemical and biological weapons, but also to *deny* him such weapons. Such an effort required two things: first, that the international community, through the United Nations, act collectively, and second, that Iraq cooperate, in ensuring international security. As we have seen, the first of these requirements has been met with only limited success.

And the second of these requirements – Iraq’s compliance – clearly has not been met. Iraq has refused to back up claims that it has destroyed its stocks of chemical and biological weapons since the Gulf War. When UNSCOM left Iraq at the end of 1998, inspectors were unable to account for a substantial arsenal of chemical and biological weapons, including:

- 360 tonnes of bulk chemical warfare agent
- 1.5 tonnes of VX nerve agent
- up to 3,000 tonnes of precursor chemicals
- enough growth media to produce 25,500 litres of anthrax spores
- and over 30,000 special munitions.

Indeed, we know from UNSCOM’s experiences that Saddam hid these stocks and programs from inspections. That was over four years ago. Today, UNMOVIC has identified further Iraqi chemical and biological weapons unaccounted for, including:

- 6,500 chemical bombs, with about 1,000 tonnes of chemical agents
- a number of 122mm chemical rocket warheads
- laboratory quantities of thio-di-glycol, a precursor for mustard gas
- indications that VX agent has been weaponised
- two types of missiles – the Al Samoud and the Al Fatah – that exceed the permitted range of 150km.

We know Iraq has produced mustard, sarin, VX and tabun chemical agents, and the means for delivering them. We know Iraq has produced anthrax, botulinum toxin, aflatoxins and ricin biological agents, and the means for delivering them. In short, Iraq has a record of amassing chemical and biological weapons – and we know Saddam has also sought to develop nuclear weapons. Indeed, Iraq has *used* its chemical weapons – against Iran, and against its own Kurdish citizens in the 1980s. The casualties from at least ten occasions when Saddam’s forces used chemical weapons are estimated to be at least 25,000.

As UNMOVIC Chairman Dr Blix told the Security Council on 27 January, “Iraq does not appear to have come to genuine acceptance, not even today” of the need to disarm. US Secretary of State Colin Powell’s presentation to the UN Security Council on 5 February provided further, deeply troubling and compelling evidence that Iraq is not cooperating with UN inspections. And the latest reports from

Dr Blix and IAEA Director-General Dr El Baradei last Friday again demonstrate that Iraq, even at this late hour, remains in significant breach of the requirements of the UN Security Council.

As Dr Blix has stated, weapons inspections can only achieve their objective of Iraqi disarmament if “immediate, active and unconditional cooperation with UNMOVIC and the IAEA were to be forthcoming.” Dr Blix has made it perfectly clear: – the key to successful inspections is not more time or more inspectors. Indeed, the international community has already set up a robust inspections regime, as embodied in Resolution 1441. The task for now is not to enhance that regime, but to ensure that Iraq cooperates with that regime. This clearly requires an immediate change of attitude on the part of Iraq. We must heed Blix’s message, and we must do so quickly.

Resolution 1441 did not demand partial compliance or limited compliance. It demanded full compliance. This is what the Security Council must focus on. Yes the Security Council could give Iraq more time. Yes we could wait until March; we could wait until April; we could wait until Christmas. But what if – as is likely given Iraq’s track record – Iraq still has not complied? The Security Council is left with the same fundamental problem. What to do about Iraqi non-cooperation. In the government’s view the Security Council should not be waiting forever. Either Iraq has complied or hasn’t. This is what the Security Council must confront soon. And one of its options will be to consider a further resolution that deals decisively with Iraq’s failure to comply with Resolution 1441.

Australia’s Permanent Representative to the United Nations will make that point to the Security Council in an open debate on this issue tomorrow. Any delays and divisions in the Security Council will only play into Iraq’s hands and must therefore be avoided at all costs. If the Security Council is unable to assert its own authority, then that will be detrimental to the prospects for Iraqi disarmament. Moreover, it also will have a long lasting and negative impact on the standing of the Security Council itself.

We are at the point where the cat and mouse games of the past decade must end. Only a complete turnaround in Saddam’s attitude, leading to the full disarmament of Iraq’s nuclear, chemical and biological weapons, will prevent action forcibly to disarm Iraq.

Terrorism

We are dangerously close to nuclear, chemical and biological weapons falling into the hands of so-called non-state actors – in other words, terrorists. This is especially the case for the so-called poor man’s nuclear bomb – chemical and biological weapons. We have to consider the probability of regimes such as Saddam Hussein’s passing the

expertise, technology and materials for nuclear, chemical and biological weapons to terrorist groups.

Iraq's links with terrorists are clear. Iraq has a long history of state-sponsored terrorism. It supports terrorist organisations such as the Mujahedine Khalq and Palestinian Liberation Front. Iraq even provides cash incentives for suicide/homicide bombings in Israel. Al-Qaida operatives are – or have been – in Baghdad, putting Iraq in breach of UN Security Council Resolutions prohibiting safehavens for terrorists. Last week Osama bin Laden called on his followers in Iraq to defeat the enemy, applying his self-evident principle that “the enemy of my enemy is my friend”.

We know that terrorist groups are seeking nuclear, chemical and biological weapons. Documents and laboratories seized in Afghanistan show that al-Qaida has considered developing chemical and biological weapons. Osama bin Laden has declared openly that he would use such weapons if he had them. Already we are seeing evidence of the trend to weapons that could maim and kill thousands, rather than tens or hundreds, of innocent civilians. Al-Qaida tried to gain access to crop dusters and hazardous chemicals in the United States in 2001. And last month police linked the discovery of the deadly ricin toxin to suspected terrorists in the United Kingdom.

While there is no evidence to suggest that terrorist groups have acquired nuclear weapons, recent reports suggest that groups linked to al-Qaida may have constructed a radiation dispersal device – or so-called “dirty bomb”. Terrorists are not bound by the constraints – deterrence, denial and containment – to which even maverick states can be subject. The only constraints on terrorists are the resources at their disposal to kill, maim and terrify innocent civilian populations. The only thing that stopped the terrorists in Bali from killing more people was the amount of explosives and the size of the van they used.

It would be foolish, therefore, to deny the potential link between the spread of nuclear, chemical and biological weapons – a major threat in itself – and terrorism. The combination of these two developments would constitute the ultimate horror.

It is easy to say that we should disarm Iraq peacefully. But it hasn't happened, despite our best efforts, for 12 years. War, of course, remains an option of last resort. We are still working with our allies to avoid such a course. And should the use of force be required, our strong preference remains that the UN Security Council pass a further resolution. In that scenario, of course, it may be the case that Iraq grasps its last chance for peace and accepts the will of the international community. The central point, however, is that the international community must act. Saddam Hussein must be disarmed.

What of the alternative? What would be the consequences of a failure to act – of doing nothing and hoping that the problem will

somehow go away? This is a point the weekend demonstrators need to address. Well, first, failure to take action would be a humiliation of the United Nations. It would undermine the concept of collective security, and years of efforts through the UN Security Council to disarm Iraq. Ironically, it would also make a mockery of the support for the United Nations, in particular those who regard it as the only legitimate vehicle for achieving and maintaining peace and stability.

Second, failure to take action would be a massive set-back for the United States and its allies, and our consistent and determined efforts to disarm Iraq and stop the proliferation rot. What kind of message would a failure to take action with respect to Iraq send to North Korea? The answer, of course, is a message that proliferation won't be stopped. And what authority would the Security Council have as it tries to rein in North Korea's nuclear aspirations? The answer is, none.

Third, failure to take action would enhance Saddam's power and prestige, and boost Iraq's nuclear, chemical and biological weapons aspirations. Iraq could become the dominant power in the Middle East, and the region would become even less stable than it is today. And Iraq's people, especially the Shia and Kurdish minorities, would suffer more than ever before under the tyranny of Saddam Hussein.

Fourth, a failure to take action would raise the very real prospect that, one day soon, nuclear, chemical or biological weapons systems will find their way into the hands of terrorists. That would be a devastating blow – the sum of all our fears.

Conclusion

I reflected earlier on my childhood memories of the Cuban missile crisis. Those reflections were triggered by the current crisis. One of my departmental staff told me a story the other day about his little boy, a seven year old. The boy asked about weapons of mass destruction. He said they had been talked about in the playground at school. The boy went on to ask what would have happened if the terrorists in Bali had used such weapons, instead of a car bomb.

It is disturbing enough that our young children should have such a sophisticated understanding of threats to our security. It is worse still that they should have such thoughts occupy their minds and imaginations, even in a playground at school. We owe it to them that such thoughts can be banished, and that they can be left to indulge their innocence and youth. We must stop the spread of nuclear, chemical, and biological weapons to countries such as Iraq.

These are countries that flout international norms to develop such weapons, and then threaten their neighbours and blackmail the international community in owning them. Only then can we consider that the threat of terrorists armed with nuclear, chemical and biological weapons – the ultimate nightmare – has also been diminished.

Only then, too, can we consider that the threat of proliferation is diminished in the minds of everyone, and that no one should have to experience the fear of random, massive and senseless attacks.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid



Photo – David Karonidis

Kerryn Phelps

Australia has often been regarded as having a medical system the envy of other countries. However, Dr Kerry Phelps, President of the Australian Medical Association (AMA) believes that the health of all Australians is ready to explode onto the front pages of newspapers. Such is the concern felt by medical workers. So why the disquiet? An aging society? The lack of sufficient government support? To explain all this, Kerry Phelps addressed The Sydney Institute on Monday 24 February 2003.

THE FUTURE OF

MEDICINE IN AUSTRALIA

Kerryn Phelps

While the headlines may be dominated by Iraq, the cricket World Cup, and the state election here in New South Wales, there is one major area of concern for the Australian people that continues to bubble under the surface ready to explode onto the front pages at any minute. That area of concern is health – the health of all Australians today and into the future.

Even in these troubled times, health issues do occasionally manage to break through the world news because the Australian people are starting to demand answers to the problems they know are besetting the health system – their health system. If only we had a Government and an Opposition prepared to launch a pre-emptive strike on health policy. Nevertheless, I'll attempt to give the topic a push along here tonight.

Health policy in Australia today is by and large dictated by the electoral cycle – a few dollars here and a few dollars there to keep people quiet until the votes are counted. That's simply not good enough. Not since Medicare was introduced – love it or hate it – has there been a genuine attempt at long term reform. People may argue the private health rebate and Lifetime Health Cover are in the same league, but I think the jury is still out on the long-term success of these initiatives. For now, however, they are working well to keep a balance between the private and public systems.

The fact of the matter is that we are today in urgent need of visionary long-term reform in the Australian health system.

As you know, in recent months I have indicated that bulk billing is effectively dead. The latest figures confirm it is on a terminal slide into oblivion. It is time to move on. Doctors can no longer afford to subsidise Medicare. Until the government finds a workable alternative, people will continue to have to spend more of their household income on health. Those who can pay are now getting used to a co-payment to see their GP but how big a co-payment they will tolerate into the future is yet to be seen.

The significant challenge for government policy is: what happens to the genuinely disadvantaged as co-payments continue to increase if doctors are no longer prepared to subsidise Medicare? The costs of providing health care will rise and rise, but will the government's commitment to Medicare and equitable access to health care rise concurrently? History would tell us that the answer is no. We must have a workable safety net system. The AMA will be putting forward some policy proposals in this regard over the next couple of months.

One of the biggest problems is that there are not enough doctors in Australia. The recently released 1999 Australian Institute of Health and Welfare statistics do not tell the whole story. In fact, after their initial press release saying that Australia's medical workforce increased by over 6 per cent between 1995 and 1999, they had to release a supplementary statement saying that their own figures show there was actually about a 4 per cent decrease in full time equivalent practitioners during that period.

The problem is not simply about the number of doctors registered in Australia, it is more to do with what these doctors are doing with their time. For a whole range of reasons, there is less face-to-face consultation time. Today we are training too few doctors and the gloss has gone off medicine as a career. After ten or more years of training, doctors are graduating into a profession with high practice costs, high medical indemnity costs and mountains of red tape.

The desire to practise medicine is being swamped by bureaucracy. Towns, suburbs, whole communities are seeing their doctors retire or leave, never to be replaced. Families have to travel great distances to get their kids seen by a GP. Mothers are travelling to other towns or capital cities to have their babies... if they can find an obstetrician in the bigger centres. Specialist treatment of all kinds is harder to access locally for all Australians.

We need to take a careful look at the numbers of medical students and specialist training positions and ensure that the supply meets the demand. We need greater incentives for doctors to want to move to and stay in areas of health need such as small country towns and outer suburban areas. Poor funding and low morale are affecting the quality of care in our public hospitals. These are our major teaching hospitals.

Elective surgery in public hospitals is becoming much harder to obtain. Medical indemnity continues to strike at the very heart of a doctor's capacity to afford to stay in practice. Problems continue to mount in the aged care sector as the Australian community confronts an ageing population that will place even greater pressure on stretched resources.

The health of indigenous Australians is the worst in our community and among the worst of any group in the world. Alcohol and drug abuse are still taking the lives and quality of life of too many

young Australians. Smoking is still one of our biggest killers. Yet against this backdrop the Treasurer, Peter Costello, says there will be no new health money in this year's Budget. Against this backdrop the Federal Health Minister thinks it's a good idea to boycott the Australian Health Ministers' Conference on the eve of the next round of Australian Health Care Agreements.

These agreements only come about once every five years. They are independent of the election cycles of Federal and State governments and for the first time were showing promise of delivering real reform in the health system, rather than just arguing about money. There is no commitment evident to put in place a strong and equitable health policy framework to serve this and future generations of Australians.

But what will we need to get us through the next 20–30 years? What changes can we expect or hope to see?

If you cast your mind back to the 1970s, the differences between then and now can be illustrated by the medical shows on TV – *The Young Doctors* versus *MDA*. The biggest ever drama confronting the ever-smiling glamorous doctors and nurses at the Albert Memorial Hospital were the exorbitant prices at Gwen Plumb's kiosk. On the other hand, *MDA* confronts the very real issue of medical indemnity in a tough and uncompromising way. The only real similarity between the shows was the appearance of former teen pop idols – Mark Holden and Jason Donovan.

The issues, the pressures and the crises have all changed over time. They will be different again 20 years down the track, but are we prepared? I'd say not. Nor will we be prepared for a TV medical show starring Nikki Webster.

The future of medicine is inextricably linked with the future financing of medicine and the framework for delivery of health care. It is worth looking at the recent history of health financing in Australia, because those who fail to learn from past mistakes are doomed to repeat them.

In the 1980s, we experienced the initial budding and blooming phase of Medicare. Governments were able to finance it because aggregate outlays were initially low and reasonable indexation was no great burden. It could be managed within federal outlays where health was only 12 per cent of the federal budget, medical Medicare was \$2.5 billion per annum, and hospital Medicare cost the federal government \$2.8 billion per annum. Australians enjoyed the new levels of access to GP services, and other health services. By 1995–96, they visited the GP 36 per cent more often than they did at the beginning of Medicare. This was a result of two factors:

1. There was no price signal so patients could attend any number of doctors any number of times with no cost to them if the doctor chose to bulk bill, and
2. Medicare was delivering a significant amount of unmet need for health care in the community.

In the 1990s, the effort was not maintained. Health had risen to 15 per cent of Federal outlays and further growth could only be achieved by inflicting considerable pain in other portfolio areas. GP rebates hardly moved between 1992 and 1997, sowing the seeds for the decline in bulk billing that we see today. Private health insurance declined under the burden of cost shifting from the federal government. The demand on the public hospital system was more than it could meet and stories of long waits and queues in Accident and Emergency became commonplace.

In this decade, the “noughties”, we have seen the resurgence of private health insurance thanks to the rebate and Lifetime Community Rating – which I alluded to earlier. Private hospital activity has lifted significantly and public sector activity has flattened, which is evidence of the success to date of these initiatives. But still the rebate does not have universal political support. The rebate is constantly threatened. The AMA will have more to say about this in coming weeks.

General practice in Australia is in serious trouble. Although the government says it has a plan, the only plan seems to be the “no plan” plan. At the start of Medicare, the gap between Medicare rebates and total fees charged was only \$245 million. Now it is close to \$2 billion – nearly a tenfold increase – and there has been “naked” cost shifting onto households directly or through private health insurance. The government had an opportunity with the Relative Value Study to put things right, but dropped the ball.

Let me put the effect on GPs into perspective. In 1991, the Medicare patient rebate for a standard GP consultation was around \$20. Today it is \$25.05. That is approximately a 25 per cent increase in the rebate in twelve years. Over the same period, the cost of running a medical practice has increased by at least 40 per cent. It just doesn't add up, does it? What other small business in Australia has been forced to operate in such a false and unfair economy? GP bulk billing rates fell below 70 per cent in the December 2002 quarter, the lowest level in more than a decade. The rate dropped 4.3 percentage points in the second half of 2002, with a fall of 5.6 percentage points over the whole year. Feedback from doctors and communities indicates that, in real terms, the rate is much lower and will get even lower very quickly. In short, bulk billing is on its last legs. The only question remaining is why so many GP services are still bulk-billed. The GPs' sense of altruism and community responsibility to provide affordable health care is now

outweighed by their need to survive so they can provide that care to their community.

Government inaction has meant Australians are forced to pay more from household incomes for their basic health care – not forced by doctors, forced by the government. Somewhere along the line, Medicare lost its original intent, which was a universal health insurance scheme. Gradually the Australian population was sold the line that Medicare entitled them to free health care. This is a big fat lie. Health has never been free. It has to be paid for out of our taxes. What taxes don't cover, household incomes must. The debate we now have before us is what that balance should be.

Without a plan of action, sadly, the poorest and the sickest will be the hardest hit. This situation will only get worse year after year unless the government decides whether it remains committed to Medicare and does something about it. Public hospitals creak under the pressure of budget austerity. Their teaching and research role is constantly under threat. This means that future generations of medical practitioners may not get the benefits of good training that today's doctors enjoyed.

To top it off, the competition watchdog – the good old ACCC – has turned its misguided attention to doctors just trying to do their job. Instead of chasing real threats to the Australian economy, the ACCC chooses to froth ideologically at the mouth at any prospect of persecution and prosecution of the medical profession no matter how trivial the supposed misdemeanour. In just the last year, ACCC intervention has literally destroyed the obstetric service in Rockhampton, but still they trumpet it as a victory. And don't the consumers just love that. Good one, Allan and the gang.

The government has had the chance to do something about this, too, but hasn't acted decisively. The Prime Minister commissioned an inquiry into the impact of the Trade Practices Act on rural health services. They found that there needed to be a significant culture change in the ACCC. No sign of that yet. Then there is medical indemnity. We still have a long way to go before this is resolved.

Would you be surprised if the top graduates from schools and Universities are not contemplating a medical career? That's the sad truth. Our brightest and best students are deserting medicine for other careers. Most of my colleagues try to talk their children out of applying for medical school. Let's hope tomorrow's IT consultants are adept at removing a gall bladder or replacing the odd hip joint.

In terms of access to medical services into the future, much of it is up to government. Government controls the number of university places for medical aspirants. They control the number of postgraduate training places, directly in the case of GPs and indirectly in the case of specialists. Government controls how much specialists are paid in public hospitals, they control total public hospital funding, and they

control the Medicare Benefits Schedule virtually unilaterally. This in turn limits all patients' rebates for medical services. They control the laws governing medical indemnity. They control virtually all aged care expenditure.

Governments contribute nearly 80 per cent of all medical and hospital expenditure, with the rest contributed by individuals. The only control doctors have is that, in relation to their private work (as opposed to their visiting medical officer work in public hospitals), they can set their own fees. God help them if they give that up. The future would indeed be bleak. In fact, many cannot even afford to switch over to work full time in the public sector because of the size of their medical indemnity payments. Their public work would not cover it.

In terms of quality, the basic critical relationship in the health system is between the doctor and the patient. Governments and insurers have been trying to elbow the doctor out of the way so they can control even more things. For this, you should read "cut costs and deny services". If governments and insurers are successful in achieving this, quality will decline and we are well and truly on the slippery slope.

So we have an underfunded MBS, an underfunded PBS, a struggling public hospital system, and a private system which is subject to great sovereign risk. The medical workforce is in undersupply, GPs in outer metro areas and rural areas are undersupplied, and nurses are a complete limiting factor on the level of care that can be provided. You can have the most contemporary shiny new, fully-equipped hospital ward. But without suitably qualified nursing staff the beds will stay empty.

Rationing is extensive and getting worse. Paying for your health care is regarded by nearly half the community as a sinful behaviour. We really need a rethink. One option is for the government to recommit to universal access principles. But the downside is, if it does, it needs to fund it and that will take a lot of money – a lot of taxpayers' money because it has fallen so far behind. Either that or it needs to acknowledge that it won't or it can't. In which case the principles of Medicare need to be redesigned to provide a safety net system for those who genuinely cannot afford to pay their own way. Integral to that is a way to encourage the private financing of health for those who can afford it. And, given the Australian demography, it seems highly uncertain that future health needs can be financed by taxation and will need to be financed by savings.

We need to stop sneering at private financing and work out ways to encourage and improve it. There is scope for further reform of the private health insurance environment. There is still a lot of work to do to encourage entry and innovation in the private health insurance sector.

There is a strong case for dismantling regulation of premiums, waiting times, reinsurance and gap cover. The important elements of the regulatory framework to keep are Lifetime Community Rating, prudential requirements, and for clear and succinct information about the products – supported by an effective complaints mechanism. Every consumer should have the option of being able to purchase comprehensive health insurance covering the full range of medical services. We are rapidly approaching a realisation that as the ratio of working to retired Australians changes, from 70/30 to 30/70 over the next 40 years, funding a universal health system via the taxation system becomes quixotic. We need to start the search for intelligent ways to incorporate a savings aspect into the private health insurance system.

So, we know a few things about the future of health financing and the future of medicine. The first and most important thing is that it will be different. The last thing we need is to be surrounded and advised by those who are rooted in the past – 1984 in particular. What we had in the 1980s seemed good at the time but those times are gone and will never come back. We need to take the best of that system and go on a search for new ideas, new advice, new options and new solutions. If we can resolve this sensibly and rationally and equitably, we can continue to provide access to high quality medical services.

We need some attitudes to change as well. Doctors are not part of the problem: they are a key to the solution. There are doctor shortages all over the world. Doctors could sit back and enjoy the economic benefits of undersupply. But doctors want to be able to provide services to patients. That's what we were trained to do. Governments need to loosen the controls on the profession to ensure doctors can provide quality care, and they need to seek and value the advice of the medical profession in resolving problems. Doctors just maybe know more about the issues at the coalface than bureaucrats in Canberra.

Ministers and politicians of all persuasions should cast their net wider when seeking health policy advice and debate. This has begun to happen with the working parties on the Australian Health Care Agreements. The Canberra gene pool of health advisers has grown stagnant. Meanwhile, many backbench politicians are getting free health policy advice from the patients and doctors in their electorates. The AMA has set up a GP network in every electorate so that elected representatives have a touchstone in their own communities. My theme for this network could be: "If you don't believe me, ask your local GP!" This advice is on the money. It is real, not theory. It's what I base my policy decisions on.

While government has a responsibility to provide an economic framework for health care, technological advances are proceeding with dizzying pace. The medical profession and the community have a responsibility to ensure an ethical framework for the implementation of

that new technology. In fact, Dolly the Sheep – God rest her cloned woollen socks – has given us a glimpse of what lies ahead. More on Dolly in a moment. Basically, there are two types of cloning techniques relevant to human beings – reproductive cloning, where the intention is to create a human being, and therapeutic cloning, where the intention is to produce human stem cells, tissues, and possibly organs. Stem cells are cells that are capable of developing into a variety of different types of cells – blood cell into a bone cell, for example. Adult stem cells are found in adults while embryonic stem cells are found in embryos. Reproductive cloning is generally considered to be unethical for reasons of safety, efficacy, and morality.

There are already serious concerns involving the safety and efficacy of reproductive cloning technologies in non-human mammals such as sheep, cows, mice, monkeys, and other mammals. Good old Dolly the Sheep is, or was, probably the most famous cloned mammal. Her death was announced by her creators at the Roslin Institute in Scotland on Valentine's Day this year.

Dolly was created using a technique known as somatic cell nuclear transfer. This technique involves transferring the nucleus from the cell of one animal into an unfertilised egg from which the nucleus has been removed. The egg is then stimulated to grow into an individual. Dolly was created from a mammary gland cell of a six year old sheep. Dolly's creators at the Roslin Institute in Scotland have compiled data on the efficiency of somatic cell nuclear transfer, and the cloning technique used to create Dolly. They found that the overall efficiency of cloning is typically between 0 per cent and 3 per cent – the number of live offspring as a percentage of the number of nuclear transfer embryos. Many of the animals born "successfully" experience problems and abnormalities like respiratory or cardiovascular dysfunction. Dolly herself experienced very early onset of arthritis in her legs and eventually succumbed to a lung disease at the age of 6 years (when she was euthanased). Sheep tend to live on average around 11 or 12 years. Such a "success rate" of 0-3 per cent is alarming for non-human mammals but abhorrent if applied to the intended creation of human beings.

And indeed, it appears as if there are factions in the world willing to take the chance anyway. Late last year, a company called Clonaid, related to a religious sect known as the Raelians who believe human beings were created by aliens, announced they had successfully cloned a human being. At this stage it seems their claim is somewhat exaggerated. Promised DNA tests never eventuated. In what appears to be a race to clone the first human being, an Italian reproductive scientist, Dr Severino Antinori, has also claimed that he knows of several women currently carrying cloned babies who are due to give birth soon.

But why all the fuss over reproductive cloning of humans? Besides the issues of a clear lack of safety and efficacy surrounding reproductive

cloning, there are moral and ethical concerns related to this technology. Now, to be fair, there are some potentially “good” applications of human reproductive cloning. For example, reproductive cloning could provide a viable alternative to current assisted reproductive technologies and would allow some groups of infertile couples to have a baby genetically related to at least one of the parents. Also, such technology could help couples conceive a child without passing on a life-threatening genetic mutation.

There are, however, serious moral and ethical questions, again aside from the current safety risks, that require debate in advance of that technology being implemented:

- For example, how would society treat a cloned individual? Would that individual have their own self-identity? Would we treat them as individuals or simply “copies” of their “donor parent”?
- Could cloned human beings be created as a means to an end? For example, creating a clone of yourself so that you have “spare parts” in the future should you need them – liver, heart, or kidney. Or creating a clone of a dying child so that individual “lives on”?

The moral and ethical considerations are almost endless but many hinge on society’s acceptance and treatment of cloned individuals as individuals – with their own personalities, desires, morals and values. There are also many question marks over the long-term health implications for the cloned individual. A human clone has an identical genetic blueprint to its “donor mother or father”, but that’s it. He or she will still have their own experiences, starting from in the womb, which will differ from their “parent”.

What makes human beings truly human is not their genetic makeup or what they look like, but their unique qualities...their “soul” if you like. In Australia reproductive cloning is currently banned by law and this ban needs to continue at least until more of the very valid ethical concerns are examined. In the near future, reproductive cloning is unlikely to be sanctioned by governments, the medical profession, and broader society (worldwide). At this stage, it is clearly unsafe in non-human mammals and there really does not seem to be any other strong justification for it, even when considering the possible alternatives it may contribute to assisted reproductive technologies.

Undoubtedly, there will be your radical “off-shore” groups such as Clonaid (the Raelians) who will do their best to claim to clone human beings or even do it. Not only is such “research” taking serious risks with the safety and health of any cloned babies – and probably the mothers – but it is also feeding the increasing worldwide mistrust in genetic research and the biotechnology industry. Even if the Clonaid cloned baby or babies is just a hoax, the perception of scientists as monsters and radical individuals who care nothing of ethics and societal values will prevail.

This perception can and will have serious implications for truly ethical, beneficial research such as ethical stem cell research. So what about therapeutic cloning? This technique uses the cloning procedure to produce a clonal embryo, but instead of being implanted in a womb and brought to term it is used to generate stem cells. Therapeutic cloning to create cells, tissues, and (possibly) organs has advantages over using non-cloned cells, tissues, and organs in that the clonal donor will not have to worry about his or her body's immune system rejecting "foreign tissue" harvested from another human being, because the tissue is created from his or her own tissue.

Australian law currently prohibits the creation, importation, or exportation of a human embryo clone. But the Research Involving Embryos Act 2002 does regulate the use of already existing excess assisted reproductive technology (ART) embryos for research purposes in very limited circumstances. An example is where an excess ART embryo may be damaged or destroyed in the research, the excess ART embryo must have been created before 5 April 2002.

Both Acts will be reviewed in approximately two years. But why all the fuss over therapeutic cloning and stem cell research, you may ask? Therapeutic cloning involves creating an embryo, which some would equate with reproductive cloning – thus going down the "slippery slope" towards reproductive cloning – and then destroying that embryo to derive the stem cells. Currently, stem cell research predominantly focuses on embryonic stem (ES) cells. They are more successfully directed into a preferred cell type than adult stem cells. The source of ES cells is an embryo and to derive stem cells from the embryo, the embryo must be destroyed. It is the destruction of the embryo that causes the most ethical and moral dilemmas for therapeutic cloning and stem cell research. It raises the age-old question of the beginning of life.

Many individuals, as well as religious groups, believe that life starts at conception and that deliberately destroying an embryo equates to murder. Both therapeutic cloning and stem cell research hold wonderful applications to treat diseases such as Alzheimer's, Parkinson's, and spinal cord injury. Unfortunately, the moral and ethical issues surrounding both technologies limit the amount of research that can actually be done.

Australia (as other countries) continues to face shortages in the blood and organ supply, and cloning and stem cell research could help alleviate these problems. Again, the major issue will always hinge on the moral status of the embryo and if one thing is for sure, it is that this is unlikely to be resolved in the near future. Meanwhile, other developments offer hope for patients.

Genetic testing, including predictive and predisposition testing – determining your genetic chance of developing a certain type of cancer

– and diagnostic testing to determine whether you have a genetic disease, such as Huntington’s, will help patients and doctors focus more on preventive health. If you know you have a “high risk gene” for colon cancer, you may make sure you have healthier habits and have regular surveillance colonoscopies. Patients will have more informed choices regarding reproductive decisions and even their own social and financial decisions like insurance.

But there is a downside to the great positive potential of genetic research, particularly the potential for inappropriate access to or demands for genetic tests imposed by third parties such as insurers and employers. Genetic information is very personal and not only reveals health-related information about the patient, but also, by its very nature, about the patient’s blood relatives as well.

The AMA’s fear is that patients will be coerced into undertaking genetic tests that they didn’t want to take – to get a job, for instance – or that they will forego genetic testing if forced into revealing existing genetic test results. This already happens with life insurance where insurers have the right to ask for existing test results but cannot make you take a genetic test. The AMA has already expressed these concerns in submissions to the current Australian Law Reform Commission/Australian Health Ethics Committee Inquiry into Human Genetic Information – which is due to make its recommendations in March. Along with genetic testing will be a greater demand, and a necessary one, for genetic counselling. General practitioners, in particular, will be the first port of call for genetic testing and will not only be required to be “up to date” on the latest test, but will be required to assist in pre- and post-test counselling.

Here’s an example. We discover the gene, and a way of identifying people who will in later life develop a hereditary neurological disorder, but there is not yet a cure. Do you tell the parents of that child? Do you tell the person? What effect might it have on their lives? Whose responsibility is it if that person takes their own life as a result of that information?

With the rapid pace of developments in genetic research, there is room for caution. Yes, there are great gains to be made...but the ethical framework must first be in place to anticipate the potential for problems. Genetic testing will only increase with time, and appropriate privacy protection and considerations such as adequate counselling are vital to ensure the health benefits from genetic testing are truly seen.

As with other areas of medicine, there will be increased challenges from alternative sources outside the medical profession of genetic testing kits. Currently, on-line genetic testing is on the rise, including paternity testing. On-line kits are widely available from overseas sources and take little or no consideration for counselling, interpretation of results, and sometimes even verification of the source of the genetic

material. For example, the AMA spoke out a few years ago against an on-line paternity testing company that encouraged women to take a sample of their partner's and child's hair to send in for DNA testing! You can see the PR spin...less expensive than seeing your doctor in some cases, more convenient because you can just sit at your computer to order the materials, and more private. It is therefore reasonable to predict that patients/consumers will increasingly be tempted to go on-line for these overseas resources.

Another application of genetic research will be pharmacogenetics where patients can have their treatment "personalised" from a DNA analysis. This has the promise of overcoming unexpected side effects that some patients might get, but others do not. Basically, the individual's own genetic variations are tested for their individual drug response without having to actually take the drug first. This will have a fantastic application and will ensure greater efficacy of treatment regimes, fewer side-effects, and should be ultimately much more cost-effective.

In the meantime, we have to gear ourselves for the challenges of an ageing Australian population. While one school of thought says that the "baby boomer" generation will place an enormous strain on the health system, there is another school that says this may not be the case...at least not immediately.

Ageing has been commonly cited in Australia as a potentially large factor for increases in health and other social expenditure. However, it may not contribute to a growth in outlays of the magnitude that is often suggested. It is definitely a factor, but according to one report, "overseas experience witnessed by countries that currently have a demographic profile similar to that which Australia is heading in the next 20 years suggests that the consequences of an ageing population on health expenditure are manageable".

Why? Because our so-called "older generation", more particularly those entering retirement, are fitter and healthier than any comparable age group before them. The increased cost to the health system kicks in as older people near their death age – the last two years of life – but life expectancy is improving and the average death age is getting higher. So, for now – and perhaps the next decade – the biggest cost burdens to the health system will remain improvements in technology, increased consumer demand, and pressures on medical workforce such as medical indemnity.

The "big hit" of our ageing population with the increases in demand and costs will come, but the thinking is that it will be later rather than sooner. Only time will tell whether this is true but it is clearly in the national interest to have a healthy population – particularly a healthy elderly population. Keeping people healthier longer must

be a national priority. Central to this is managing chronic disease in the community.

The effective management of chronic diseases is a major challenge affecting medicine in Australia in the coming years. As we have more people living longer we are going to have more people living with chronic diseases. Chronic diseases and conditions lead mortality, morbidity and disability statistics in Australia and are responsible for a large proportion of the burden of disease. Their rapid rise is one of the major health challenges of this coming century, with chronic diseases now of epidemic proportions. Chronic diseases occur at higher levels and earlier in socio-economically or otherwise disadvantaged communities. Risk factors include:

- low birth weight
- inadequate living environments that fail to promote healthy lifestyles;
- poor nutrition;
- educational disadvantage;
- alcohol misuse,
- tobacco smoking cluster in poorer communities.

Most people with chronic illness require additional help and the cost of this alone has a major effect on their income. For those people with chronic illness on lower incomes this additional help is a very expensive. The cost of care and treatment varies with the extent and severity of an illness, more than the individual diagnosis.

Some illnesses are costly because they are rare and the medication is not on the PBS or not available in Australia. Traditional medical care through general practice that is patient and illness-centred has managed most of the chronic disease in Australia. Although outcomes of individual patients and disease is difficult to identify, Australian health outcomes for chronic disease are among the best in the world, giving testament to this model of care. And it gives testament to the importance of a properly funded and managed PBS, but that is a topic I will pursue another day.

Research shows that GP care that is patient, and family, focussed reduces costs and mitigates against the effect of social inequalities. Yet in Australia we have seen an emphasis on disease management incentives which have been introduced in general practice in recent federal budgets. Disease management payments for general practice currently are for asthma, diabetes, cervical cancer, and depression/mental health. Most GPs I know say, “thanks very much but I was doing that anyway”. It just adds another layer of administrative red tape to report back to government.

Australian health care should continue to focus on care for individuals in the context of broad patient-centred care rather than provide services around specific and limited disease management. General

practice should remain just that – general practice – and the bedrock of our health system. GPs are the window to our health system and should be supported, not forced out of the system as is happening now.

The future of medicine in Australia is all about challenges and ideas. I have touched on just a few of them this evening. We need vision and political courage if we are to have a health system to support all of us as we grow older and our health becomes more vulnerable. We need vision and political courage to put in place a system that will provide care for future generations of Australians. Sadly, I see no vision on the horizon at the moment.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid



Photo – David Karonidis

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DEALING WITH

NORTH KOREA

James Cotton

On first acquaintance, North Korea appears to be a miraculously surviving variant of that otherwise extinct species, Stalinism – grey in physical aspect as well as in political and social character. While Stalinist architecture and iconography are much in evidence in Pyongyang, what is quite unique is the fact that the core of the regime is not the leader only but the leader’s entire family. Kim Il Sung, according to the present North Korean constitution, is “the eternal president”, and his eldest son, Kim Jong Il, has succeeded to the position of supreme authority in the state. But any visit to North Korea’s many museums and monuments demonstrates that nothing less than the whole Kim clan is the focus of the regime’s mythology.

The historical exploits of Kim Il Sung’s father and great-grandfather figure prominently, and a cult has been created around the life of his first wife (the mother of the present leader) who is now celebrated with the title, “mother of Korea”. As North Korean ideologists have frankly observed, with a sentiment that must have Marx and Engels turning in their graves, “revolutionary families have the best thoughts”. The present North Korean government is a family firm, relatives and in-laws as well as the descendants of the elder Kim’s small band of guerrilla associates from his days in the anti-Japanese resistance therefore hold many of the most senior positions. It is nothing less than extraordinary to reflect on the fact that otherwise serious scholars, some prominent Australians among them, for many years considered this regime to be an authentic revolutionary and socialist creation, rather than the third-rate dictatorial travesty it has been from its inception.

Pyongyang’s predicament

North Korea has fallen on hard times indeed. On the one hand the capacity of the system to meet the day-to-day material needs of the population has been so far degraded that without comprehensive reform North Korea will be dependent upon international aid indefinitely. The reasons for this failure are complex, but include the

economic sclerosis typical of established socialist systems, the loss of external patrons with the end of the Cold War and the consequent disappearance of subsidised energy supplies, and also specific failures of policy on the part of the administration when faced with the famine of 1996.

On the other hand, having introduced some limited and experimental reforms in parts of the country, the leadership drew the conclusions that wider reforms would entail a degree of openness that would ultimately threaten their stranglehold on political power. It should be recalled that China's economic reforms within the communist institutional framework were accomplished only by way of a selective adaptation and critique of the existing political structures. This was the task of Deng Xiaoping, under the slogan "seek truth from facts." However Kim Jong Il occupies the supreme leadership on the basis of filial piety, and thus cannot openly repudiate any features of the system inherited from his father for fear that this will strike at the rationale of his rule.

North Korea is therefore in a condition of permanent food deficit, as is evidenced by the fact that about 100,000 refugees have fled to China and the internal supply network for necessities for the population has collapsed. In this disordered and dangerous environment, Kim has turned to the military to prevent popular challenges to his rule. This is the most likely explanation for the rise to prominence of military personnel in the regime's hierarchy, and the emphasis that has been placed, from 1998, on the notion of "army-centred politics" as the key to the system's survival. At the same time he must go through at least some of the motions of engagement and external accommodation in order to maintain some international interest in his country and thus secure the 1-2 million tonnes of food aid needed to keep the entire edifice from collapse. In these circumstances Kim Jong Il has no long-term game plan. Regime security is his prime, perhaps his sole objective.

There is one additional point to make about the character of North Korea. It should not be regarded as a well-lubricated and efficient mechanism staffed by automatons all boundlessly loyal to the leader. It is a hopeless, ramshackle affair – even in the capital these days, though there are efforts to keep it as a showcase, the infrastructure is obviously failing. It may be, as President George W. Bush contends, an evil system but it is dedicated to its own preservation, and those most likely to suffer from its evil predilections are the people of North Korea themselves.

The first nuclear crisis

In the early 1990s, however, it did appear that North Korea was adopting a new and more constructive approach to its place in the

world. With agreements between the two Korean states to initiate new economic and political contacts and introduce military confidence building measures negotiated in 1991-92, the prospects arose of a new climate on the peninsula for rapprochement and reconciliation. In this context, the United States began considering the withdrawal of troops from South Korea. However, the nuclear crisis of 1992-93 then developed, with the discovery that North Korea, contrary to its international obligations under the Nuclear Non-Proliferation Treaty (NPT) had engaged in the production of plutonium with the intention of assembling a nuclear device. Overt conflict became a real possibility. US policy makers contemplated a military strike on North Korea's nuclear facilities, a step which would surely have provoked a new Korean war.

The nuclear crisis was resolved, at least on an interim basis, by way of the October 1994 "Agreed Framework", the negotiation of which was a major watershed in US Korea policy. In order to reach this agreement – which mandated the US to organise an international consortium to reconstruct North Korea's nuclear facilities, in exchange for transparency and confidence-building – Washington was required to treat Pyongyang as a legitimate international actor. The Agreed Framework became the basis for the contemplation of a policy of broad engagement with the regime in Pyongyang, that was projected to culminate in mutual diplomatic recognition. It also signaled the beginning of a strategy of coalition building, which aimed to elicit cooperation from other international actors in seeking to produce a new peace regime on the peninsula.

In South Korea, the election of Kim Dae Jung appeared to portend a deepening of the regional commitment to engagement. Towards North Korea, President Kim espoused a "Sunshine Policy", committed to supporting and helping the North Korean system while not demanding immediate reciprocity for such actions nor aiming at the eventual absorption of the system in the North. The eventual result of the policy was the 2000 Leaders' summit, regarded at the time as epoch making in inter-Korean relations. Ministerial and other meetings followed the Pyongyang summit, but even within months it was clear that there was a lack of substantive progress, especially on the most urgent of all issues, military confidence building.

The advent of the second Bush administration introduced a complicating factor into inter-Korean dynamics. Some of the key personnel now in government were associated with the advocacy of a much tougher line towards Pyongyang, having criticised their predecessors in the Clinton administration for adopting a strategy which, in effect, rewarded Kim Jong Il's "bad behaviour". The events of 11 September 2001 then shifted the government's focus to the "rogue states" of the "axis of evil", and the prospect that these states may

develop nuclear, chemical or biological weapons which could be passed to terrorist groups. This prospect seemed to be at hand with the admission by the North Koreans, in October 2002, that they had been engaged in a new clandestine program to produce highly-enriched uranium, the essential raw material for nuclear weapons.

The second nuclear crisis

The North Korean acknowledgement of this program (as distinct from the program frozen under 1994 “Agreed Framework”) did not elicit on the part of the United States the agreement to negotiate evidently sought by Pyongyang. Rather, the suspension by Washington of its obligations under the Agreed Framework – notably the shipment of fuel oil to North Korea – led to an escalating crisis. North Korean actions seemed designed to raise tensions in the region in a graduated manner just as attention became more and more focused on events in Iraq. In December the DPRK announced that it would resume operations – for the “generation of electricity” – at its Yongbyon nuclear plant. International Atomic Energy Agency seals were broken and resident monitors from the Agency were expelled. The North Korean government then announced on 9 January 2003 that it was withdrawing from the Nuclear Non-Proliferation Treaty, “effective immediately”. Two short-range surface to surface missiles were tested, one on the eve of the inauguration of President Roh Moo Hyun, and an unarmed US surveillance aircraft was intercepted over the Sea of Japan (East Sea) and an attempt was made to force it to land in North Korea. All the while, the North Korean media continued to blame the US for the crisis and to insist that bilateral negotiations were the only way forward.

That North Korea would carry out such a systematic policy of escalating tensions indicated the execution of a deliberate plan. But there were differences amongst observers regarding Kim Jong Il’s real intentions. Two hypotheses were most favoured. The first contended that the North Koreans were in pursuit of an ambitious and comprehensive deal with the US. They were using their nuclear program as a bargaining chip, but in the right circumstances it would be expendable. The second hypothesis held that North Korea fully intends to produce a nuclear deterrent against possible intervention by the US to secure “regime change”. Post-September 11, only nuclear weapons provided credible deterrence, and Pyongyang’s calls for negotiation were a façade designed to buy time to complete this development. In general, the first hypothesis has been espoused by those associated with the Clinton policy of engagement with Pyongyang, the second is supported by important figures in the current administration.

Now, these hypotheses imply, respectively, very different assessments of the regime’s intentions, and thus appear to recommend sharply distinct policy responses. If the North Koreans are willing to

cut a deal, negotiations are necessary to see what common ground exists. But if talk of negotiation is mere rhetoric, then negotiations might actually facilitate Pyongyang's intention to become a fully-fledged nuclear power. Determining what occurs within the black box of North Korean policy-making is a most inexact science. However reviewing the factors that might have led the North Korean leadership to choose these policy options should help to determine which is the more plausible.

As to the first hypothesis, the scenario that posits the leadership to be in pursuit of a comprehensive bargain, the following reasoning might apply. The Agreed Framework has been a disappointment. The promised reconstructed nuclear reactors are not likely to be available before 2008 and even when built will not be as useful to North Korea as was thought in 1994. Meanwhile the aid, trade and official recognition that was part of the package has not materialised. Nevertheless, this process has demonstrated that in principle a deal is possible. In light of the hostility of the current US administration, only a new and more comprehensive understanding with Washington will deflect that hostility, and North Korean pronouncements have already hinted at a preparedness to offer "special inspections" as a means to assuage US concerns. In particular, North Korea requires an unqualified security guarantee as the basis for mutual confidence building. And the negotiation of a comprehensive understanding is an urgent task. Various economic and other "reforms" have not been effective, and Pyongyang desperately needs international capital and assistance. Food shortages are again a major problem and there is now significant resistance in the donor community to the provision of further unconditional relief. In short, North Korea's leaders consider a deal is possible, and the need for such a deal is much more acute than was the case in 1994.

Regarding the second hypothesis, the scenario that assumes that North Korea is aiming to develop a nuclear deterrent, the reasoning behind it might proceed as follows. Rather than viewing the "Agreed Framework" as a model for a more successful arrangement, North Korea's leaders might consider its failure to prove the bad faith of their American counterparts. Charges of deliberate delays and sabotage have been a staple of North Korean complaints ever since the Bush "review" of policy towards North Korea conducted in the first half of 2001. With the naming of North Korea as an "immediate contingency" in the Nuclear Posture Review, the "axis of evil" pronouncement, and the characterisation of North Korea as a "rogue state" in the 2002 National Security Strategy, it is only a matter of time before the United States pursues the "pre-emptive" or "anticipatory" strategy prescribed in the latter document.

But a window of opportunity has opened with the succession to office of the Roh Moo Hyun administration in Seoul, since it is

committed to an even more conciliatory policy towards Pyongyang, as indicated by one of its first initiatives which was to offer an extensive and apparently unconditional package of food aid to the North. This government is bound to hold any US inclination to pre-emptive action in check. Meanwhile, with the promotion (from 1998) of the ideology of “army-first politics”, which prescribes a strong and self-sufficient military as the foundation for a prosperous state, North Korea is in no position to accommodate the intrusive and permanent inspection regime that the US has already indicated would be needed if mutual confidence is ever to be established. But the most important consideration of the leadership is the precedent of Iraq – Saddam Hussein’s failure to develop nuclear weapons led to the destruction of his regime. In the context of such reasoning, a “security guarantee” from the Bush administration would hardly be credible.

These distinct hypotheses present some stark choices for policy-makers. But there is a degree of improvisation in the execution of North Korea’s strategy which suggests that perhaps no really firm choices have been or could be made regarding the final outcome sought by the regime. On these grounds a third hypothesis regarding North Korea’s behaviour can be advanced. The leadership’s principal and overriding goal is personal survival. North Korea is not viable in the longer term as an economic and political entity without significant and continuing externally derived inputs of capital and food. The opening, liberalisation and confidence-building necessary to induce those inputs from such presently resistant partners as South Korea and the US would, however, undermine the grip on power of Kim Jong Il and his associates. North Korea is therefore fated to fluctuate between apparently liberalising phases which trigger aid and investment alternating with militant and threatening postures designed to reinforce and restate the unwavering and complete control of the leadership.

Evidence for this proposition would include North Korea’s perennial practice of the tactic of brinkmanship, which abruptly shifts the ground and/or raises the stakes in any area of potential engagement. Such a conception of North Korean dynamics is also consistent with the bureaucratic personalism of the North Korean system which depends on a degree of unpredictability and caprice from the leadership. Divided and competing policy arms and a lack of horizontal coordination and information transfer keep the rulers of such systems in power. All of these considerations militate against the setting of enduring goals (beyond mere survival). And here it must be allowed that “army-first politics” is a supreme example of improvisation since it entails no program to address the many and urgent needs of the population and over time offers very little as a source of support and legitimacy for the regime beyond brute force. The period from the beginning of the first nuclear crisis in the early 1990s to the present can

be interpreted, on this view, as a cycle of improvised policy fluctuation. The price has been high, with the North Korean economy shrinking by possibly one-third in that period, but the ultimate aim of maintaining Kim Jong Il as the uncontested ruler has been attained. The Agreed Framework has neither succeeded nor failed in its ostensible objective, but it has gained the regime ten years and to that extent is an encouragement that a further ten years may yet be won.

If this depiction of the North Korean system is closer to the mark, then far from the leadership executing a grand design it is floundering. Here it cannot be denied that the “market” reforms of mid-2002 have not produced the desired result, but instead have led to price inflation and shortage just as the final elements of the old state system of essential commodity supply has been abandoned. Similarly, the attempt to establish a new free trading zone in the border city of Sinuiju has been a fiasco, with the arrest in China of the designated chief executive of the zone, Yang Bin, on charges of tax evasion and embezzlement. The complete breakdown of the public health system and the looming food crisis also suggest a regime adrift, with no solutions beyond continuing international mendicancy. The rising numbers of refugees who have crossed the border into Northeast China with their stories of hardship and death indicate that conditions for ordinary people have grown intolerable. All of these factors would imply that the biggest threat posed by the North Korea leadership is to its own people.

If the first hypothesis on North Korean behaviour supports the logic of engagement, and the second that of quarantine and pressure, then the proposition that North Korea is a system fated to improvisation might entail a different response again. On this last view North Korea is less of a danger than a failing system in the throes of a major humanitarian crisis. External actors should therefore focus firstly on this crisis, rather than on programs and aims that Pyongyang lacks the capacity to deliver.

An Australian response?

What are the implications of the second North Korean nuclear crisis for Australia? Any serious confrontation or conflict on the Korean peninsula would have a serious impact on Australia, given the importance of all the regional states for the national economy. Even if an outright conflict can be avoided, actions that North Korea has taken to date may have degraded global security irretrievably. North Korea has been the first state to withdraw from the NPT, thus raising the risks of the proliferation of weapons of mass destruction just at a time when the Australian government has determined that this is so serious a problem that it warrants involvement in a war.

The regional security balance – presently relatively benign from the Australian perspective – may also be profoundly affected if the

Japanese government decides to push ahead with a program of nuclear deterrence of its own, thus generating an arms race with China and perhaps simultaneously a crisis in the US-Japan alliance. Non-existent North Korean intercontinental weapons are no threat to Australia at present, but Japan is undoubtedly within range of a currently deployed missile force that could wreak immense damage. Even if the latter scenario does not occur, US pressure on Pyongyang may well place the security relationship with Seoul under great strain.

In short, under various conceivable circumstances, the US role as strategic regional 'balancer' may be undermined. And as Korea is of the greatest strategic significance for China, and Beijing continues to have an alliance relationship with Pyongyang, there is a strong possibility of heightened US-China tensions. For a range of ideological, historical and strategic reasons, Beijing continues to underwrite the North Korean system, providing considerable food aid and much of the energy imports that sustain its activity, albeit at a very degraded level. These reasons may still persuade in Beijing, even despite the expressed Chinese aversion to a "nuclearised" Korean peninsula. It should be recalled that successive Korean states were fiefs of China over a period of two millennia, and at the cost of an immense number of Chinese casualties (possibly well in excess of 200,000) the communist regime was sustained in North Korea in 1950-53. Australia's greatest security dilemma would be posed by a regional confrontation between China and the United States, the one the enduring great power of the region, the other the source of the nation's dominant alliance. The Korean issue, if not handled creatively, might provoke such a confrontation.

In recent Australian pronouncements, the phrase "disciplining North Korea" has become prominent. The Prime Minister has said, in support of the proposition that Iraq should be invaded, that failure to confront Saddam Hussein will convey the message to North Korea that its tactics have succeeded. The problem entailed in the expression by Australians of this sentiment is that it comes from the leaders of a nation with an armed forces of 50,000, whereas the North Korean military number more than a million. The playground retort of 50 years ago comes to mind, "you and whose army?" The identity of the army in question is of course well known, but this suggests that Australia is already a member of a coalition that has otherwise yet to be publicly acknowledged. As most political leaders from Menzies onwards have understood, the alliance with the US only serves the Australian national interest as long as it is not affirmed uncritically. If Australia becomes a mere cipher, policymakers in Washington will have seen no need to consult Australian opinion or address Australia's particular interests. The Iraq commitment will have done little to convince them otherwise.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid



Photo – David Karonidis

Kaliopate Tavola

The Hon Kaliopate Tavola is Fiji's Minister for Foreign Affairs and External Trade. On visit to Australia in March 2003, Kaliopate Tavola addressed The Sydney Institute on Wednesday 5 March. He challenged his audience to rethink the Fiji-Australia relationship which, like any long term partnership, could become stale if not considered afresh at important stages. The Minister welcomed the restoration of normal Fiji-Australian and Commonwealth relations since the domestic crisis in May 2000, and acknowledged that the relationship could only "contribute to Australia's hegemony in the region".

FIJI-AUSTRALIA

BILATERAL: SHIFTING INTO A HIGHER GEAR

Kaliopate Tavola

If I were to ask the question: “Has the Fiji-Australia bilateral arrangement gone cold?” or “Has it lost its gloss?” I would certainly receive a number of answers, both in the affirmative and negative, and perhaps in between. The problem, therefore, in posing either of these questions is that, in the first place, I get different answers as I have just mentioned, depending of course on who I am talking to. Admittedly, that is not going to help me in any way in advancing knowledge about this bilateral arrangement. And I will not be the wiser in effectively rationalizing it.

Another problem in posing these questions, is that they lend subjective attributes to this bilateral arrangement as indicative in their metaphorical configuration; to the extent that one is tempted perhaps to analyse it in purely prejudiced and abbreviated terms – in yes and no or, possibly, for instance. I subscribe to the view that more weighty criteria ought to be used to ensure propriety and political reality in our evaluation of such a bilateral arrangement. I am convinced of this because of my firm view that a bilateral arrangement such as ours should respond additionally to the higher challenges of geo-politics, grander regionalism and even pan-Pacific affiliations. As such, a purely subjective positioning of the status of this arrangement falls far short of the ideals and will only tend to blind us from seeing the much broader picture.

In the third place, the other problem of course is that these questions presuppose that this bilateral arrangement has had its heyday. This, I dare say, is far from the truth. The Fiji-Australia bilateral arrangement is an evolving relationship. It has evolved through thick and thin, and it will continue to do so. I submit that this bilateral arrangement has yet to see its *raison d'être*. Having said that, I admit that these questions have indeed been asked. You may wonder why! I would like to submit that there have been numerous bilateral instances, whose impacts have been interpreted unfavourably to depict a bilateral arrangement that may be finding difficulty in generating its own

momentum and vitality, leading instant detractors of the arrangement to questioning its benefits.

I hasten to add, however, by way of a qualification, that bilateral benefits can be relative in the eyes of casual observers. What is an advantage to one party may not necessarily be so to the other party.

You will of course realize that I can only speak authoritatively as far as Fiji is concerned. I cannot speak for Australia. You might say, therefore, that my views are prejudiced, and I probably see bilateral benefits where they are not, and vice versa. Perhaps! However, I submit, and I do run the risk of being presumptuous, that bilateral benefits need not necessarily be a zero-sum game situation. Bilateral benefits should be a win-win situation for both parties. Furthermore, the sum of both winnings should generally be augmentative, allowing gains of broader dimensions, which may have not come about on any one party's initiative.

I will briefly discuss the instances that have led to some commentators concluding that the gloss may have gone out from the bilateral arrangement between our two countries. Prior to that, however, I wish to underline that my own assessment of the situation is that our bilateral arrangement is evolving, but still trying to find its own niche. The testimony to that is that, notwithstanding the general negative perceptions that have emanated from the bilateral activities of the past, there have always been, by necessity, consequential developments, or subsequent common understanding aimed at further promoting our bilateral interests.

Yes, much has happened, and much is happening now. I am charitable to acknowledge that. And I do so with humility. However, given the great potentiality that still beckons us, I would like to submit that our bilateral process, if I may be forgiven for saying so, is still idling in low gear. It needs to shift to a higher gear. It needs a new philosophy. It needs a re-assessment of priorities, a re-focusing on new objectives, new values, new alignments and new targets.

The Fiji-Australia bilateral is, I believe, a relationship that will contribute effectively to Australia's core interests in foreign policy of both security and prosperity. I hasten to add that it can also contribute to Australia's hegemony in the region; a situation which will give further incentives towards regionalism beyond the Pacific region.

You all know that Australia applied "smart sanctions" in the aftermath of the political upheaval in Fiji on 19 May 2000, and I do not need to remind you of the stated rationale of this action. I, for one, under my previous interim ministerial hat, spoke out against this. However, as the name may denote, the sanction was selective only. It did not jeopardise assistance aimed at "health and education projects, which assisted grass roots development and would benefit the

dispossessed and the disillusioned,”¹ to borrow from H.E. Susan Boyd’s paper, “Fiji – Social and Political Upheaval”.

You will realise, therefore, that the sanction was calculated and pitched at the level to ensure that diplomatic engagement was maintained. Perhaps that was the genesis of the term: smart sanction. That window of diplomatic engagement certainly did come to good use when the Australian government intervened to lift the trade sanctions that were applied by the Australian and New Zealand trade unions. Had the trade sanctions been prolonged, the Fiji economy would have been devastated beyond recognition. Thank God, that did not take place. Australia was also the first country to lift the smart sanctions when Fiji returned to parliamentary democracy after the general elections late in 2001.

The lifting of the smart sanctions led to other restorative developments. Fiji’s full membership of the Commonwealth was restored in time for us to be invited by the Australian government to attend CHOGM, which was held in the beautiful surroundings of Coolum. I acknowledge that the timing of our return to the Commonwealth fold was perfect, since it took place during Australian stewardship of the Commonwealth. Even though fate did have a hand in it when the events of 11 September in New York delayed CHOGM from 2001 to 2002, a situation that gave Fiji more time to bring its politics in line with the Harare Declaration and the Millbrook Action Program, I believe that I can still offer credit where credit is due.

The resumption of full bilateral cooperation between our two countries also marked the launching of new bilateral programs.

The institution of a “Look North Policy” by Fiji’s interim government prior to our general elections was not original. It had been tried out in the post-coup period of 1987. This was seen in some quarters as an expression of Fiji’s disenchantment with Australia and New Zealand. Moreover, it was further speculated that this was going to be the start of a slippery slope in our diplomatic relations. As an architect of this policy, albeit a re-incarnation of a previous one, I can assure everyone that that is not the intention at all.

The policy is essentially diversification, or an expansion, of our foreign policy. The centrality of our foreign policy remains intact. Despite its directional specificity, it is not even intended for any one country in particular, contrary to popular belief. The *raison d’être* of this policy, therefore, needs to be looked at from the perspectives of a small island developing state (SIDS) or a vulnerable small economy (VSE). Our smallness and vulnerability in the global scheme of things dictates, to some extent, the modality and direction of such diversification. Our close and valuable association with both Australia and New Zealand is inextricably linked to our common geography and history, and this, by necessity, forms the core of our foreign policy. Not even

dramatic and violent shifts in the tectonic plates under the Pacific Ocean is going to change that!

The rapprochement between our two countries since the lifting of the smart sanctions and the building of an over-arching infrastructure in our bilateral relations is, unquestionably, based on a foundation, firmer, I would like to believe, than those capricious tectonic plates under the Pacific Ocean.

Not long ago, what was termed, and still is, “The Pacific Solution”, regarding the treatment of people smuggling and illegal people movements, hit the news headlines with regularity to the point of being disconcerting – for me anyway! And when it was reported that Fiji declined the Australian request to host an offshore processing centre, the newsmongers once again renewed their polemics of the “slippery slope” to diplomatic oblivion, for as far as our bilateralism was concerned.

As the co-negotiator on this subject on the Fiji side, I can safely say that the decision reached on this matter was most amicable. “The Pacific Solution” turned out, in this case, to be “The Negotiated Solution” between the two parties. Notwithstanding the negativity that this bilateral issue generated, I am convinced that the decision reached jointly was a win-win situation for both parties.

I admit that Australia did lose a possible offshore site for a refugee processing centre, and Fiji may have lost out in millions of dollars, if existing Pacific Solution arrangements are of any indication. However, given the various initiatives that have emanated from that “Negotiated Solution”, and subsequent enhancement of bilateral and regional cooperation on this alarming issue and other transnational issues threatening global peace and stability, including international terrorism, drug trafficking and money laundering, I can safely say that our bilateralism has not been undermined in any way at all. On the contrary, it has been strengthened as our small contribution to global preparation aimed at responding to the new menace.

In the context of the recent bombings in Bali and the reality of threats from these transnational crimes that have begun to inexorably invade our shores, I am sure that you will agree with me that the enrichment of our bilateral cooperation that has evolved, is, inevitably, the way forward. I would even go further. The deepening of our relations, based on the premise of a solid win-win situation for both parties, and beyond the scope of the parties’ bilateral interests, is a process that has been long overdue. Such deepening process of our bilateral cooperation in these transnational crimes will go a long way in ensuring that Fiji does not become a strategic threat to Australia. It can be envisaged also that such an arrangement can be a role model for others in the region. Additionally, this arrangement can be a source of acquired relevant competence and technical assistance to benefit the

region as a whole. From that perspective, I can see great prospects in this kind of phased development. As such, we can both be working towards the stability of this region.

An analysis of “The Pacific Solution” or “The Negotiated Solution”, as I have termed it, and the series of consequential developments that emanated from it, exemplify to me a possible modality of how we can secure the great potentiality that still beckons us, and to which I alluded earlier.

Specifically, the fact that we disagree on any issue is not necessarily the end of the road for that issue. Such disagreement is only motivation for a joint search for more imaginative alternatives for addressing the issue. The search, in itself, is incentive enough for utilizing our collective intellectual capacity for the conceptualisation of new solutions, even if these solutions impinge on related issues. What would be critical here is that the broader picture that begins to emerge, when we allow ourselves to be imaginative and innovative in our joint search, should be the ubiquitous signposts for the way forward.

This intellectual process, if and when appropriately incentivised to allow continuity and widest participation by competent individuals and relevant institutions, can even reverse the decline in the number of Australian academics that work on the Pacific, a point which H.E Susan Boyd referred to when she last spoke to you from this rostrum.

In the area of trade, especially in the TCF industry, much has taken place consequent on SPARTECA, the deregulation of the Australian TCF Industry, the expired Import Credit Scheme, and the current SPARTECA-TCF Scheme. The SPARTECA-TCF Scheme was intended to sustain and increase the benefits that accrued from the now expired Import Credit Scheme. The latter was an Australian own scheme, but through the working of its internal dynamics, it favoured Fiji exporters of TCF products to Australia. The Import Credit Scheme came in handy when further derogation from SPARTECA’s Rules of Origin, aimed at increasing the benefits of the scheme to exporters from Forum Island Countries, was disallowed.

Notwithstanding these various schemes, especially the SPARTECA-TCF Scheme, there are areas of great concern. The value of trade between our two countries is declining. The real concern is that such a decline is not only in terms of proportionality as would be expected under increased total globalised trade in a country situation, but as a decline in absolute terms. That is, our bilateral trade is not being consolidated nor expanded as was intended under these schemes. In other words, whilst there is market access available, the rules of origin as they currently stand, do not facilitate, create or sustain trade. They act, as a matter of fact, an obstacle to trade. They are not welfare enhancing.

Clearly, the SPARTECA-TCF Scheme is not working. It is not working since, apart from its inherent complexity, its benefits do not offer a strong incentive for operators both in Fiji and in Australia. These benefits are only a fraction of what accrued under the ICS.

The question that arises therefore is: should we just leave it to the machination of the WTO to redress this matter, if at all possible? I think not. The rules of origin, explicit in the SPARTECA-TCF Scheme, should be changed instead. A vulnerable economy like Fiji will always struggle to be competitive in global trade. Many other small island states are in the same boat. To ensure economic and political stability, therefore, a degree of trade distortion and development-oriented bilateral measures is essential. It makes sense for me, therefore, that a review of the SPARTECA-TCF Scheme, or the formulation of new imaginative ones, should be the order of the day in order to reverse the decline in our bilateral trade.

There have been, as a matter of fact, joint efforts in reviewing the scheme's structure and operational dynamics. The questions being asked are: How can it work, or how can it be simplified in order to make it work? How can its outcome be fashioned in a way that it is similar or greater to that of the expired ICS in order to be acceptable to the Australian TCF industry? To date, there are still rigidities in the system that are constraining a move forward on this matter. A comforting thought, however, is that there seems to be divided views on the matter, and with more commitment and consultations, Australia can move to increasing market recovery and increased access for TCF products from Forum Island Countries, through the modification of this scheme or through the formulation of a new one based on strategic partnership between the relevant industries. Having said that, I do acknowledge that LDCs within Forum Island Countries may already be benefiting from a scheme announced by Australia recently to open its markets to products from all LDCs; similar to the European Union's "Everything But Arms" (EBA).

Whilst discussing market access, it seems logical for me to speak about Fiji's lapsed membership of the Cairns Group, which has been under Australia's chairmanship since inception. For your information, Fiji was a foundation member of the Group. The schism in our membership may have been interpreted as schism in our bilateralism. Not so. Earlier on, I spoke of "The Negotiated Solution" when referring to the issue of offshore processing centres for refugees. The decision for our membership to lapse from the Cairns Group is what I would term as "The Amicable Solution".

Fiji has had to struggle in balancing its global trade interests between increasing its market access through trade liberalisation and maintaining its current market access through preservation of preferential arrangements, like the Sugar Protocol of the ACP-EU Cotonou

Agreement, under which Fiji exports most of its sugar at preferential prices. As you can imagine, therefore, we have had to ask questions during our membership of the Group on the unprecedented and unadulterated push for globalised free trade. More specifically, we have had to fight to preserve our current market access guaranteed to us through preferential means.

The Cairns Group is aware of our ambivalence in global trade. There is sufficient degree of empathy for our problem. It is comforting also to know that most or all of the members of the Group do share this sentiment. Fiji's situation in the Group, however, was somewhat unique; it being the only small island developing state and also a vulnerable small economy, and before South Africa joined, it was the only ACP country in the Group's membership.

The Sugar Protocol is of course a multilateral issue. You may ask what is it to do with our bilateral arrangement? To that I would say: should there be a premature end to the Sugar Protocol, Fiji's biggest agricultural industry will be jeopardised. The adverse repercussions of that possibility throughout the economy will certainly impact, in many ways, our bilateral cooperation.

This puts into perspectives the reasons why we have been lobbying various Australian authorities not to pursue its challenge of the EU Sugar Regime with Brazil in the WTO. The Sugar Protocol is part of the EU Sugar Regime. Its inherent coherency reflects the mechanism of the EU Sugar Regime itself. Undermine the Regime, and you set in train a series of destabilizing modifications that removes the coherency in the Sugar Protocol. As you know, the consultations on this challenge under the WTO Rules have been conducted. The ACP sugar group, including Fiji, had hoped that the matter would have ended there. It seems that this is not the case. I understand that the challenge is proceeding to its second stage, i.e. to the panel stage. This is the zone of great discomfort for the ACP sugar group and for Fiji.

There is comfort, however, in the offing. Australia has been consistently saying that it is not its intention through this challenge to undermine the preferential market access for Fiji's and ACP sugar. As such, what is called for, therefore, is a committed intellectual exercise by all concerned to formulating arguments aimed at safeguarding the Sugar Protocol, within the context that is likely to emerge when the structural elements of such a protocol are likely to be declared unsustainable if the panel decision favours Australia. Under this scenario, it is clear to me that any argument on just basic technicality is already negated. There is a need therefore to re-formulate new parameters as to what constitute technicality itself. The importance of consistent and forceful political arguments in this case cannot be over-emphasised.

In the investment area, Australia has huge interest in Fiji, to the tune of more than F\$2 billion worth. There was, at one time, tax

sparing provision, which benefited Australian investors in Fiji. This however has expired. This is another area where greater imagination and commitment is, again, needed in the interest of stepping up our bilateral cooperation. It has been put to me that Australia can resuscitate this scheme, as a one-off scheme with its own sunset clause built in to kick-start investment in Fiji. Fiji has not escaped from the declining global trend in Foreign Direct Investment.

When it comes to investment, you will obviously be asking the critical question: Has Fiji created, or is it creating, the enabling investment environment that will attract Australian investment capital and investors? The recent Australian Travel Advisories clearly indicate, from Australian perspectives, that Fiji is still unsafe and is a sure candidate for further political destabilisation.

I took exception to this when it came out. We protested to the Australian High Commission in Suva. I believe that our points were given due credit. We took exception to a number of points, including the lack of fairness in assessing our situation compared to other island destinations in the Pacific. We also pointed to the fact that some of the threats that the Travel Advisories mentioned as existing in great abundance and regularity in our streets are not any different from what can be experienced in some of the streets in the sprawling urban centres of Australia.

I did wonder whether the 100,000 or so Australian tourists who visit our shores annually were ever asked for their opinion. It did strike me though that if the intention for such a skewed advice was to create the justification for greater bilateral assistance for our police force and for the judiciary, then I take back my criticism.

But joking aside, Fiji is committed to creating the enabling economic, social and political environment with which Australians can feel comfortable. The long-awaited Supreme Court case on the Multi-Party Cabinet is now scheduled for June this year. Prime Minister Qarase is committed to honouring the decision of the court regardless of how it all pans out. This is reflective of our collective endeavour that we have to take the country forward. The country cannot afford another major setback. Our society and economy, if further destabilised, will surely tumble headlong down the same precipice, towards which we were propelled by the events of 19 May 2000. We have been counting our lucky stars since those heady days in that a number of circumstances and factors combined seamlessly to prevent us falling down that precipice at the time.

We still have big issues to resolve. The land issue and the restructuring of our sugar industry are linked but can still be resolved separately and not necessarily simultaneously. As regards the sugar industry, some of the stakeholders still cannot see the dire necessity for restructuring. Government is convinced of the need for restructuring.

We have to remove politics out of the industry if we are to move forward.

Moving forward in our bilateral relations from a low gear into a higher gear is what this paper is proposing. This proposal is not being made lightly. There is much to gain. With enhanced bilateralism, the stage will be set to take full advantage of Australia's nascent leadership in the region, and of Fiji's entrepôt status and also as a staging-post and a commercial and business centre in the South Pacific. Any free trade area that will be negotiated under the provisions of the Pacific Closer Economic Relations (PACER) Agreement can only bring great dividends to such a situation. PACER has already come into force.

Fiji itself will probably be the biggest beneficiary from the Pacific Island Countries Trade Agreement (PICTA), which only needs one ratification in order to come into force. Fiji and the other thirteen Pacific ACP countries will be negotiating an Economic Partnership Agreement with the European Union. Australia needs to use its influence, authority and leadership to start focusing on the possibility of a Pacific wide Economic Community, for instance, or some other forms of affiliation, and to include of course the non-ACP Pacific Island states. This initiative would fit in naturally in the current trend to establishing Regional Trade Areas (RTAs) or Sub-Regional Trade Areas (SRTAs), and even a fresh concept of Cross-Regional Free Trade Areas (CRFTAs). There is a multiplicity of them even around the Pacific Rim. Graeme Dobell said something about the prospects of a pan-Pacific affiliation recently. I believe that he was commenting on Australia's Foreign and Trade Policy White Paper. And what about the possibility of Fiji joining ANZCERTA? The prospects, may I add, are indeed exciting.

But first thing first! An enhanced Fiji-Australia bilateralism is, I believe, the avenue to greater heights. Having said that, I am realistic enough to admit that it may not be the only avenue. But it is one that I am promoting here. And in doing so, I am suggesting that we need to formulate policies and principles that are inclusive rather than being exclusive, those that are far-reaching in their impact rather than those that are restrictively chauvinistic.

An area that will greatly enhance our bilateral relations in the future is in the area of skills transfer in the various sectors of specific bilateral significance, e.g. security, judiciary and in sectors where Strategic Products (SP) for Fiji, for instance, will be sourced. The transferred skills must be in lines of production, for instance, with significant potential for global demand expansion, high value added and rapid productivity growth.

The preferred modus operandi is to institute a new scheme that will allow skilled personnel from Australia to work in Fiji over specified timeframe but on secondment. The secondment arrangement will

ensure that the secondee will not lose out in his/her promotion opportunities on return to Australia. The new scheme is to be more versatile than the current technical assistance program and the AESOP scheme.

This scheme can then provide the necessary skills, for instance, in the restructuring of Fiji's sugar industry, in the identification and development of new alternative industries aimed at utilizing the physical and human resources that will be made redundant as a result of the restructuring. A distinct possibility that was put to me recently, and in which Australia has the skills and technology, is manufacturing of recycling bags made from cassava. This new development would revolutionise the very serious litter situation in the Pacific region. Other candidates for skills transfer are in exploration in the mining industry, in physical resource data quantification, and in up-market construction finishing.

This secondment scheme can easily be brought under the existing Fiji-Australia Trade and Economic Relations Agreement (FATERA), which needs to be operationalised. Too much time has lapsed since the signing of this Agreement. Its provisions need to be brought to life. This framework agreement can be made more dynamic and versatile by appending specific sector-oriented functional protocols to it.

This arrangement for skills transfer, I believe, is most justified because of the sizable brain drain that has taken place from Fiji to Australia over the years. Moreover, your restrictive visa conditions, requiring hundreds of thousands of dollars to be in married students' bank accounts prior to the granting of visas have disqualified a lot of our students from training here. Another idea put forward by Graeme Dobell aimed at enhancing Australia's hegemony of a pan-Pacific alliance is what he termed as "labour mobility from the islands". He added that such should not be regarded as migration but as "aid-security-economic policy". I couldn't have put it any better. The idea of temporary "work schemes", in the agricultural sector for instance, can certainly be considered under this concept. This matter has been featuring in our bilateral agenda, and the idea is certainly not dead. Graeme Dobell may have given it a new leash of life, I believe. However, it does not have to be restricted to temporary schemes only. Permanent schemes can also be considered – for example, farm tenants who cannot renew their leases and need relocation abroad.

Now, I know that I am going to be shot down for suggesting this. But if we were to remove the ethnicity aspect from landownership-tenancy arrangement in Fiji, we could envisage a situation where a growing population of landowners would want to lease their own limited land for their livelihood. There is bound to be tenants that will lose their tenancy and will need to be relocated. Our bilateral arrangement can indeed come to the rescue here.

I have spoken at length. I may have strayed onto areas of great sensitivity. However, the title I chose for this presentation allows for

such deviation. For if we are focusing on elevating our expectations, ambitions and visions and levels of performance onto unprecedented heights, then we are duty-bound to explore all possibilities even to the outmost range of our potentiality.

Any exercise of this nature on the Fiji-Australia bilateral arrangement is not an exercise in futility. On the contrary, it is an exercise in diplomatic prognosis, the validation of which is the realisation that it can all be a reality tomorrow.

Endnote

- 1 "Fiji – Social and Political Upheaval," paper presented by Susan Boyd to The Sydney Institute. *The Sydney Papers* Vol. 14 No. 2, Autumn 2002



Photo – David Karonidis

Linda Duxbury

Linda Duxbury is a Professor at the School of Business, Carleton University in Ottawa. She is also the principal investigator of a three year university team which recently completed a major study on balancing work and family – the 2002 National Work-Life Conflict Study – conducted on behalf of the Canadian government. During a visit to Australia in March, Linda Duxbury addressed The Sydney Institute on Monday 10 March 2003 to review some of the studies' findings.

WORK–LIFE CONFLICT

IN CANADA IN THE NEW MILLENNIUM – A STATUS REPORT

Linda Duxbury

As we enter the new millennium, Canadian governments, employers, employees and families face a common challenge – how to make it easier for Canadians to balance their work roles and their desire to have a meaningful life outside of work. The research initiative summarised in this report was undertaken to address this issue. This report conceptualises work-life conflict broadly to include role overload, work interferes with family, family interferes with work, spillover from work to family, and caregiver strain (throughout this paper the term work refers to paid employment). Answers to the following specific questions are provided in this report:

- How prevalent are the various forms of work-life conflict in Canada at this time (reference year of 2001)?
- Has the prevalence of the various forms of work-life conflict changed over the past decade?
- What is the impact of the various forms of work-life conflict on:
 - Canadian organisations?
 - Canadian families?
 - Canadian employees?
- How does gender, job type, sector of employment and dependent care status affect these issues?

Demographic profile of respondents

The sample consists of 31,571 Canadian employees who work for medium to large (i.e. 500 or more employees) organisations in three sectors of the economy: public (federal, provincial and municipal governments), private and not-for-profit (defined in this study to include organisations in the health care and educational sectors). In total, 100 companies participated in the study: 40 from the private sector, 22 from the public sector and 38 from the not-for-profit (NFP) sector. The sample is distributed as follows:

- 46 per cent of the respondents work in the public sector; 33 per cent work in the NFP sector; 21 per cent are employed by a private sector company;
- 55 per cent of the respondents are women;
- 46 per cent of the respondents work in managerial and professional positions while 54 per cent work in other positions (e.g. clerical, administrative, retail, production, technical); and
- Just over half (56 per cent) of the respondents have dependent care responsibilities (i.e. spend an hour or more a week in either childcare or eldercare). The rest (44 per cent) do not.

The 2001 survey sample is well distributed with respect to age, region, community size, job type, education, personal income, family income, and family's financial well being. In many ways, the demographic characteristics of the sample correspond to national data suggesting that the results from this research can be generalised beyond this research. Approximately half of the respondents to the survey can be considered to be highly educated male and female knowledge workers. The majority of respondents are part of a dual income family and indicate that they are able to live comfortably (but not luxuriously) on two full-time incomes.

The sample includes a substantial number of employees who may be at risk with respect to work-life conflict. The mean age of the respondents to this survey was 42.8 years old which puts them in the mid career/fast track stage of the career cycle, the full-nest stage of the life cycle and the 40's transition stage of adult development. Each of these stages is associated with increased stress and greater work and family demands. Three-quarters of the respondents are presently married or living with a significant other and 69 per cent are part of a dual-income family. Eleven per cent are single parents. Twelve per cent live in rural areas. One in three is a clerical or administrative employee with a lower level of formal education (i.e. reduced job mobility) and lower personal and family income. One quarter of the respondents indicated that in their family money was tight; 29 per cent of respondents earned less than \$40,000 per year and just over one quarter lived in families with total family incomes that were less than the Canadian average. One in three of the respondents had a high school education or less.

The majority of respondents have responsibilities outside of work. Seventy percent are parents (average number of children for parents in the sample is 2.1); 60 per cent have eldercare responsibilities (average number of elderly dependents is 2.3); 13 per cent have responsibility for the care of a disabled relative; 13 per cent have both childcare and eldercare demands (i.e. are part of the sandwich generation). The fact that these data on non-work demands correspond closely to national

data provided by Statistics Canada suggests that the findings from this study can be generalised to all Canadians working for large firms.

Role overload

Role overload is having too much to do in a given amount of time. This form of work-life conflict occurs when the total demands on time and energy associated with the prescribed activities of multiple roles are too great to perform the roles adequately or comfortably. The following key observations can be drawn regarding role overload from the data reviewed in this report:

High levels of role overload have become systemic within the population of employees working for Canada's largest employers: The majority of employees in our sample (58 per cent) are currently experiencing high levels of role overload. Another 30 per cent report moderate levels of role overload. Only 12 per cent of the respondents in this sample reported low levels of overload.

The percent of the workforce with high role overload has increased over the past decade: Almost 60 per cent (58 per cent) of the respondents to the 2001 survey reported high levels of role overload – an increase of 11 percentage points over what was observed in the 1991 sample. This increase in role overload is consistent with the fact that employees in the 2001 sample spent more time in work and family activities than their counterparts in the 1991 sample. Other data from the 2001 survey would suggest that much of this increase in role overload can be linked to new information and communication technology (e.g. laptops, e-mail, cell phones), organisational norms that still reward long hours at the office rather than performance and organisational anorexia (downsizing has meant there are too few employees to do the work). While a full discussion of workload issues can be found in Report One in this series, it is worthwhile to note the following:

Comparisons done using the 1991 and 2001 samples suggest that time in work has increased over the course of the decade. Whereas one in ten respondents in 1991 worked 50 or more hours per week, one in four do so now; during this same time period the proportion of employees working between 35 and 39 hours per week declined from 48 per cent of the sample to 27 per cent. This increase in time in work was observed for all job groups and all sectors.

Work interferes with family

Work interferes with family occurs when work demands and responsibilities make it more difficult for an employee to fulfill family role responsibilities. The data reviewed in this report support the following deductions regarding work interferes with family:

Work interferes with family is a real problem for one in four Canadians working for larger employees: one in four Canadians report

that their work responsibilities interfere with their ability to fulfill their responsibilities at home. Almost 40 per cent of Canadians report moderate levels of interference. The proportion of the Canadian workforce with high levels of work to family interference has not changed over the past decade.

What do we know about the prevalence of family interferences with work from this study?

Family interferences with work occur when family demands and responsibilities make it more difficult for an employee to fulfil work role responsibilities. The following key observations can be drawn regarding family interferences with work from the data reviewed in this report:

Family interferences with work are not common in Canada at this time: Only 10 per cent of the Canadians in this sample reported high levels of family interferences with work. Another third reported moderate levels of family interferences with work.

Very few Canadians allow their family demands to interfere with the fulfillment of responsibilities at work: family interferences with work have a very different distribution than was observed with role overload and work interferences with family. While role overload is positively skewed and work interferences with family have a normal distribution, family interferences with work are negatively skewed. Three times as many Canadians give priority to work at the expense of their family as do the reverse (i.e. give priority to their family).

The percentage of working Canadians who give priority to family rather than work has doubled over the past decade: This increase can be largely attributed to the fact that the number of employees with eldercare responsibilities has increased over the past decade.

What do we know about the prevalence of caregiver strain from this research?

The term caregiver refers to anyone who provides assistance to a disabled or elderly dependent. Caregiver strain is a multi-dimensional construct which is defined in terms of “burdens” or changes in the caregivers’ day-to-day lives which can be attributed to the need to provide care for this dependent. Four types of caregiver strains resulting from stress have been identified: emotional (e.g. depression, anxiety, emotional exhaustion), physical, financial and family strain. The data reviewed in this report with respect to caregiver strain support the following assertions:

Approximately one in four working Canadians experience what can be considered to be high levels of caregiver strain: While the majority of the respondents to this survey (74 per cent) rarely experience caregiver strain, 9 per cent find eldercare to be a strain (physically, financially or mentally) several times a week or daily. Another 17 per cent experience such feelings approximately once a week.

What do we know about the prevalence of work to family spillover from this study?

Spillover from work to family arises when work experiences impact an employee's ability to perform non-work roles. Traditionally, researchers have assumed that work will have a negative impact on family (i.e. negative spillover between domains). The concept of spillover included in this study is more comprehensive in that it allows for the possibility that conditions at work might have a positive, a negative, or no impact on the family. The following observations arise from the data on work to family spillover reviewed in this study:

Almost half of the Canadians working for larger firms (44 per cent of this sample) experience negative spillover from work to family: very few Canadians working for larger firms (only 9 per cent of this sample) perceive that their experiences at work have a positive impact on their family life.

Almost half of the Canadians working for larger firms (47 per cent) are able to compartmentalise – such employees feel that work and family are quite separate domains and that work does not affect their family life. Employees with fewer demands either at work (i.e. those in other jobs) and/or at home (i.e. those without dependent care, men) are more likely to report that work and family are separate domains.

Work-life conflict in Canada

The conclusions one reaches with respect to the prevalence of work-life conflict in Canada depends on what measure of work-life conflict is used and the characteristics of the group being studied. Looking at the data optimistically (i.e. taking prevalence of work to family interference and caregiver strain as our measure of work-life conflict), we estimate that one in four Canadians working for medium and large organisations experience high levels of conflict between work and family. This is the best case scenario. The worst case scenario (i.e. estimates calculated using role overload data) is that almost 60 per cent of Canadians who are employed outside the home cannot balance their work and family demands.

Who has more problems balancing work and family responsibilities? The evidence is quite clear – employed Canadians with dependent care responsibilities. Employees who have child and/or eldercare responsibilities reported higher levels of work-life conflict than those without such responsibilities regardless of how work-life conflict was assessed (i.e. reported higher levels of role overload, work interferes with family, family interferes with work and caregiver strain and were more likely to report negative spillover). None of the other factors examined in this study were associated with all five work-life conflict measures. Employees without dependent care responsibilities are more able to separate work and family. This greater ability to balance can be

attributed to two factors: fewer demands outside of work and more degrees of freedom to deal with work issues (i.e. more control over their time).

Job type was associated with all but one of the measures of work-life conflict. Employees with higher demands at work (i.e. managers and professionals) were more likely than those in other jobs to experience high levels of overload; work interferes with family and negative spillover (women managers in particular reported higher levels of negative spillover). Those in other jobs, on the other hand, were more likely to report higher levels of caregiver strain due to the financial stresses associated with eldercare.

Gender was associated with two out of five of the measures of work-life conflict. Women were more likely than men to report high levels of role overload and high caregiver strain. As noted in Report One, women devoted more hours per week than men to non-work activities such as childcare and eldercare and are more likely to have primary responsibility for non-work tasks.

It is interesting to note that when job type is taken into account and when work-life conflict is broken into its component parts many of the gender differences in work-life conflict referred to in the research literature disappear. This suggests that many of the gender differences in work-life conflict may be attributed to the fact that women are typically compressed into a different set of jobs than men.

Sector of employment was associated with three out of five of the measures of work-life conflict. Respondents working in the NFP sector were more likely than their counterparts in the public and private sectors to report high role overload, high work interferes with family and negative spillover. The elevated levels of work-life conflict in this sector can be attributed to higher work demands (respondents in this sector spend more hours per week in employment related activities and are more likely to have to spend week nights and weekend nights away from home on job related travel) and how work is arranged (shift arrangements, rigid work schedules). It should be noted that the women in the NFP sector sample had the most difficulties balancing work and family. The data indicates that the women in this sector have three challenges to meet – heavier demands at home, heavier demands at work, and work arrangements that give them little ability to combine work and non-work demands.

Why should organisations care about work-life conflict?

The majority of Canada's largest employers cannot be considered to be best practice employers: the data reviewed in this report paints a disturbing picture for Canada's larger employers. Only about half of the

employees who participated in this study were highly committed to their employer, satisfied with their job and viewed their organisation as an above average place to work. One in three reported high levels of job stress and one in four were thinking of leaving their current organisation once a week or more. Absenteeism (especially absenteeism due to physical and mental health issues) also appears to be a substantial problem for Canadian employers with half of the respondents reporting high levels of absenteeism (defined as three or more days of absence in the six months prior to the study being conducted). One in four respondents missed three or more days of work in a six-month period due to physical health problems, while one in ten missed a similar amount of time due to physical, mental or emotional fatigue.

Conditions within Canadian organisations have declined over time: high job stress and absenteeism due to ill health have become more problematic over the past decade. Almost three times as many respondents reported high job stress in 2001 (35 per cent) than in 1991 (13 per cent). More than half (56 per cent) of those in the 1991 sample did not miss work due to ill health in the six months prior to the study being conducted, while just under one in four (24 per cent) missed three or more days. In 2001, the number of respondents missing three or more days of work due to ill health had increased to 28 per cent of the sample while the proportion reporting zero days absence due to ill health had declined to 44 per cent.

During the same time period, job satisfaction and organisational commitment have also appeared to decline. Whereas almost two-thirds of employees in 1991 were highly satisfied with their jobs (62 per cent) and committed to their organisation (66 per cent), approximately half reported high satisfaction (46 per cent) or high organisational commitment (53 per cent) in 2001. Such findings are not surprising given the fact that workloads (see Report One) and work-life conflict also increased over the same time period. Taken as a whole, these findings suggest that many of the management practices instituted by Canada's larger organisations over the past decade (i.e. downsizing, re-engineering, focus on hours not output, pay freezes, restructuring) have had a negative impact on how Canadian employees perceive their job and their employer.

How an employee feels about his/her organisation (i.e. commitment, view of the organisation as a place to work, intent to turnover) and job (i.e. job satisfaction, job stress) has more to do with the type of work being done and the work environment (i.e. job type and sector) than demands outside of work (i.e. gender, dependent care status): the data reviewed in this section of the report indicates that an employee's view of both an organisation and job as well as the amount of job stress they experience and their intent to turnover can be linked to the type of work being done and the work environment (i.e. job type and sector of

employment) rather than gender or dependent care status. In other words, it is what you do within the work setting and how you are treated at work rather than responsibilities outside of work or gender (i.e. men and women react in similar fashions to the same work stimuli) that influence key organisational outcomes. Taken as a whole, the data indicates that managers and professionals are more committed to their organisations and satisfied with their jobs than their non-professional counterparts, despite the fact that their jobs are associated with higher levels of stress. The data also indicate that, generally speaking, employees in the private sector feel more positively about their employer and their jobs than their counterparts in the public and NFP sectors.

Absenteeism due to childcare and eldercare problems is associated with the number of demands an employee has outside of work (i.e. gender, dependent care status) while absenteeism due to physical and mental health problems is associated with sector of employment. (A negative association means that as the levels of work-life conflict increase, the levels of the outcome decrease (i.e. as overload increases, commitment decreases). A positive association, on the other hand, means that as the levels of work-life conflict increase, so do the levels of the organisational outcomes, i.e. as overload increases, so does job stress.)

The link between absenteeism and the context variables under examination in this study (i.e. gender, job type, sector of employment, dependent care status) is more complex. Absenteeism due to childcare and eldercare (and total absenteeism because it is made up of these two kinds of absenteeism) is strongly associated with demands outside of work (women and employees with dependent care responsibilities are more likely to report high levels of these types of absenteeism and, as noted in Report One, high family demands). Absenteeism due to poor physical, emotional and mental health, on the other hand, is associated primarily with sector of employment (i.e. work environment) with Canadian public servants reporting the highest levels and private sector employees reporting the lowest levels of absenteeism due to these causes.

High work-life conflict is associated with increased absenteeism and substandard organisational performance: The data reviewed in this study leave little doubt that high work-life conflict is associated with a number of indicators of substandard organisational performance and increased absenteeism costs. In other words, high work-life conflict negatively impacts an organisation's bottom line. The data reviewed in this report indicate that the four components of work-life conflict examined in this phase of the study have different impacts on the organisation. (The spillover measure is not used in this report to calculate the costs of imbalance. The way this variable was quantified

(negative spillover, no spillover, positive spillover) makes it inappropriate for these kinds of data analysis.) These differences are worthy of note in that they provide quite different motivations for addressing this issue as well as different prescriptions with respect to change.

Role overload is positively associated with physical and mental health problems: Employees who have high role overload are less committed to their organisation, report higher work stress, are less satisfied with their jobs (due largely to dissatisfaction with workloads, hours worked and work schedules), are more likely to be absent from work (due largely to physical and mental health problems) are more likely to be thinking of leaving the organisation (to escape frustrating and non-supportive work environments and to get more time for themselves and more recognition for their efforts), and have a less favourable view of their employer. In other words, organisations who have a higher proportion of their work force with high levels of this form of work-life conflict are likely to have difficulties recruiting and retaining employees and increased costs associated with poor physical and mental health (i.e. greater absenteeism, higher prescription drug costs, greater EAP use). The dimensions of the problem can be assessed by considering the following data. Compared to their counterparts with low levels of role overload, employees with high role overload are:

- more likely to report high levels of job stress,
- 3.5 times more likely to have high levels of absenteeism due to physical, mental or emotional fatigue,
- 2.3 times more likely to report high intent to turnover,
- 1.6 times more likely to have high levels of absenteeism all factors considered, and to miss three or more days of work in a six month period work due to ill health,
- 1.8 times more likely to miss work due to childcare problems,
- half as likely to report high levels of job satisfaction, and
- half as likely to have a positive view of their employer.

In addition, employees who report low levels of role overload are 1.3 times as likely as those with high role overload to be highly committed to their employer.

Work interferences with family are negatively associated with recruitment and retention. The impact of work interferences with family on the organisation is very similar to that observed with respect to role overload. This is not surprising given the high correlation between these two constructs. It should be noted, however, that the respondents with high levels of work interferences with family reported the lowest levels of commitment (only 44 per cent with high commitment), the lowest levels of job satisfaction (only 24 per cent were highly satisfied with their jobs), the highest levels of job stress (66 per cent reported high job stress), and the highest intent to turnover (44 per cent are thinking of leaving weekly or more, with 24 per cent thinking

of leaving several times a week or daily!) of any of the respondents in the study. Organisational commitment, intent to turnover and view of the employer have all been found to be strongly associated with recruitment and retention issues.

The data indicates that work interference with family affects how people feel about their employer. Taken as a whole, these findings suggest that employees who perceive that they have to put work ahead of family (e.g. feel that they have to make a choice between career advancement and family or between job security and family) are not as loyal and committed as employees who do not perceive that such a choice is necessary.

Family interference with work is positively associated with absenteeism due to childcare problems. From the organisation's perspective, the main consequence of high family interferences with work is higher absenteeism due to childcare problems. Respondents with high levels of family interferences with work were seven times more likely to miss three or more days of work in a six month period due to childcare than those with low levels of this form of work-life conflict. These findings indicate that the organisation can reduce this form of absenteeism by making it easier for employees with dependent care responsibilities to vary when and where they work.

Caregiver strain is positively associated with absenteeism due to eldercare problems and physical, mental or emotional fatigue. Employees with high caregiver strain were 13 times more likely than those with low caregiver strain to miss three or more days of work in a six month period due to eldercare problems and 1.8 times more likely to miss work because they were mentally, emotionally or physically fatigued.

Employers could substantially decrease absenteeism in their organisations if they reduced work-life conflict. Our calculations indicate that employers could reduce absenteeism in their organisation by:

- 23 per cent if they eliminated high levels of role overload,
- 6.3 per cent if they eliminated high levels of work interferences with family,
- 3.6 per cent if they eliminated high levels of family interferences with work, and
- 8.6 per cent if they could eliminate high levels of caregiver strain.

The direct costs of absenteeism due to high work-life conflict are approximately \$3–5 billion per year. The data collected in this study provides us with the opportunity to estimate the potential financial cost of work-life conflict to Canadian organisations. Our estimates suggested that, in 2001, the direct costs of absenteeism due to work-life conflict was roughly \$3–5 billion. When both direct and indirect costs

are included in the calculations, work-life conflict costs Canadians approximately \$6–10 billion per year. Specifically:

- the direct costs of absenteeism due to high role overload was estimated to be approximately \$3 billion per year. Direct and indirect costs of absenteeism due to role overload was estimated to be between \$4.5 (conservative estimate) to \$6 billion per year.
- the direct costs of absenteeism due to high levels of work interferences with family was estimated to be one billion dollars per year in direct costs alone (costs increase to \$1.5–2 billion if one also includes the indirect costs of this absenteeism).
- The direct costs of absenteeism due to high levels of family interferences with work was estimated to be just under half a billion dollars a year in direct costs (approximately \$1 billion per year when indirect costs are also included in the total).
- the direct costs of absenteeism due to high levels of caregiver strain was calculated to be just over one billion dollars per year (indirect costs are estimated at another \$1–2 billion).

Why Should Families Care About Work-Life Conflict?

The data in this report paint a mixed picture with respect to the health of the families in which Canadian employees live. On a positive note, the majority of respondents are satisfied with their families and their performance as a parent and engage in behaviours associated with positive parenting several times a week or more. On a more cautionary note, only 38 per cent of respondents are completely satisfied with their families' well-being and only one in four frequently engages in activities which have been linked to family stability.

Women are less satisfied than men with their performance as a parent. Men were more likely than women to indicate that they were satisfied with their abilities as a parent. This gender difference is particularly interesting given the fact that women spend more time in childcare than men. These findings suggest that many women judge their performance as a parent using dated and perhaps unrealistic standards (e.g. compare themselves to their own mothers).

Family outcomes decline as family responsibilities increase. In other words, family well being and stability decline as family responsibilities increase. Neither job type nor sector is associated with any of the family outcomes examined in this study.

High work-life conflict is associated with diminished levels of family and parental satisfaction and impaired family functioning: The data reviewed in this study leave little doubt that high work-life conflict is associated with a number of indicators of impaired family functioning (i.e. lower levels of family well-being and stability, poorer performance

of parenting roles) and reduced satisfaction with the family domain (lower levels of family and parental satisfaction). In other words, high work life conflict negatively impacts employees' abilities to enjoy and nurture their families.

Role overload and work interferences with family have the most negative impact on the family. In both forms of work-life conflict, employees with high levels of conflict are less satisfied with their family life and their ability to parent, less likely to feel that their families are well (i.e. report lower family adaptation) and less likely to feel that their families are stable and work well together.

Family interferences with work are negatively associated with family life satisfaction, parental satisfaction and family well-being. Surprisingly, employees who put family ahead of work are also less likely than those with low levels of family interferences with work to be satisfied with their families and their abilities as a parent. They are also less likely to be happy with their family's well being. In fact, this group reports the lowest levels of family life satisfaction, parental satisfaction and family well being in the study. The fact that family interferences with work is not associated with family integration suggests that either people who put family ahead of work are doing so to keep their family units intact or the strategy of putting family first maintains family integrity. The costs of this strategy is clear however – lower levels of satisfaction with the family domain.

Caregiver strain is negatively associated with positive parenting behaviours: Employees with high caregiver strain are less likely to engage in positive parenting behaviour. This suggests that the time and energy devoted to eldercare activities are interfering with the time available for ones' children.

Why should employees care about work-life conflict?

Many Canadians working for Canada's largest employers are in poor mental health: Over half of the employed Canadians who responded to our survey reported high levels of perceived stress; one in three reported high levels of burnout and depressed mood. Only 41 per cent were satisfied with their lives and one in five were dissatisfied. Almost one in five perceived that their physical health was fair to poor. This data is disturbing as they can be considered to be a best case scenario as these data reflect the mental health status of employed Canadians, many (if not virtually all) of whom can be considered to have a good job, in one of the best countries to live in the world! This begs the following question. If a substantial number of employed Canadians can be considered to be in poor mental health, what is the prevalence of mental health problems in those groups who are considered to be at risk with respect to stress, depression, and poor physical health (i.e. contingent workers, the unemployed, those on social assistance)?

The physical and mental health of Canadian employees has deteriorated over time: Overall, the 1990s appears to have been a tough decade for Canadians working for medium and large organisations. Comparison of the 1991 and 2001 samples indicate that the prevalence of high levels of perceived stress and depression in the Canadian labour force has increased in the past decade. In 1991, 44 per cent of the respondents to our survey reported high levels of perceived stress; this had increased to 55 per cent with high levels of perceived stress in 2001. In 1991, 24 per cent of the respondents to our survey reported high levels of depressed mood compared to 36 per cent in the 2001 sample. This decline in mental health over the past decade is not surprising given the increase in work demands noted in Report One! Taken as a whole, these data suggest that the increase in work demands over the past decade as well as the proliferation of work-life conflict are having a negative impact on the mental health of employees.

Women report higher levels of stress, burnout and depressed mood than men. The data is unequivocal – women are more likely than men to report high levels of perceived stress, burnout and depressed mood. The fact that these gender differences in perceived stress, depressed mood and burnout were observed when job type, dependent care status and sector of employment were taken into account suggest that such differences have more to do with gender differences in socialisation than in either work or non-work demands. These findings may, for example, be due to the fact that women are more likely to self-examine their emotional feelings and acknowledge problems with respect to their mental health. Alternatively, it may be that women are less able to cope effectively with multiple stressors within their environment. Finally, these gender differences in mental health may be due to the fact that women who work for pay outside of the home have added stressors associated with paid employment to their lives with little concomitant decrease in the stressors associated with their family roles.

Managers and professionals are in better mental and physical health than are employees working in clerical, administrative, technical and production positions within the organisation. Managers and professionals can be considered to be in better overall mental health (i.e. less likely to be depressed, more likely to be satisfied with their lives) and physical health (i.e. more likely to describe their health as very good to excellent) than employees who occupy blue and pink collar jobs (i.e. clerical, administrative, production positions). This finding is particularly striking given the fact that the managers and professionals in our sample were more likely than the blue and pink collar employees to work long hours, take work home with them and report high role overload, high work interferes with family, negative spillover from work to family and high job stress – conditions which are generally a recipe for poorer mental health. Taken in concert, these

findings suggest that managerial and professional employees are more able than their non-professional counterparts to cope with these higher work demands. These findings are consistent with the literature presented in Report One which suggests that employees in professional positions have a greater perception of control than non-professionals and that it is these higher levels of control that helps them cope with heavier work demands. Unfortunately we still don't know what contributes to this increased sense of control. Possible explanations include better working conditions, more interesting work, higher levels of flexibility, higher job security, increased job mobility (linked to their higher levels of education), and higher socio-economic status (i.e. more formal education, higher incomes). These data also suggest that the physical and mental health issues we observed in the other group may be more a function of their work environment, the types of jobs they do and their working conditions rather than the time spent in work itself.

Female managers and professionals are more likely than females in other positions to report high levels of burnout. The data suggests that managerial and professional positions and motherhood are not compatible in that they both impose heavy demands. Females who work in managerial and professional positions are more likely to experience symptoms of burnout than any other group of employees. These higher levels of burnout can be attributed to the fact that this group of women appears to be in a "no win" situation with respect to work and family – they have heavier work demands than other women and heavier family demands than men. In other words, female managers and professionals are more likely than workers in any other group to try to "burn the candle at both ends" – succeed at a high level job while not sacrificing standards at home. Such a strategy appears to be unsustainable over time.

Employees who have no dependent care responsibilities are in better physical and mental health than are employed Canadians who spend time each week in child and/or eldercare. The data are also unequivocal with respect to the impact of parenthood and/or eldercare on employee physical and mental health. The greater the number of non-work demands assumed by an employee, the more likely they are to report that they are stressed, burnt out and that their health is fair to poor. In other words, the job of parent/eldercaregiver can be considered to be a high demand, low control position – one which we know challenges an individual's ability to cope. Individuals or couples without children or eldercare responsibilities can act relatively independently, as they do not have the constraints or the demands of caring for children or elderly dependents. The addition of the parent/eldercaregiver role complicates an employee's life situation as it places greater demands on them at the same time as it adds constraints. These data suggest that efforts to more pro-actively manage a more diverse workforce and

implement policies and programs to help working mothers and fathers and those with eldercare issues have had no appreciable impact on this group of employees.

Motherhood presents more mental health challenges than fatherhood. Parenthood appears to have a different impact on the life satisfaction of mothers than fathers. Fatherhood is not associated with life satisfaction for men. Mothers, on the other hand, are less satisfied with their lives than women without children. Similar findings were observed with respect to depressed mood. Mothers were more likely to report high depressed mood than women without children/eldercare. Having either childcare or eldercare responsibilities was not, however, associated with depressed mood for men.

These findings support the research literature in the area which suggests that the role of working mother is qualitatively different from the role of working father and that the "quality" motherhood as a role is not as fatherhood (i.e. dads do the "fun" family tasks while mothers do the "hard stuff"). Further research is needed to determine if these differences are due to social, workplace or family factors (or some combination) so that targeted policies are developed and supports implemented. More equitable sharing of childrearing within the family may lead to better mental health outcomes for working mothers.

Men who work in the public sector report poorer mental health. Men in the public sector sample appear to be exposed to a fairly unique set of stressors. They are more likely than any other group of men to report high stress and depressed mood and less likely to report they are satisfied with their lives. Further research is needed to determine what conditions within the public sector work environment are impairing the mental health of these men.

High work-life conflict is associated with declines in employee physical and mental health: The data reviewed in this study leave little doubt that high work-life conflict is associated with a number of indicators of physical and mental health problems at the employee level. Employees who are stressed, depressed and burnt out are not as productive as those in good mental health. Stress, depression and burnout are also linked to increased absenteeism, greater use of prescription medicine and EAP and lower levels of creativity, innovation and risk taking, which, in turn, can all be expected to negatively impact an organisation's bottom line.

The four components of work-life conflict have differential impacts on the physical and mental health of employees: These differences are worthy of note in that they provide quite different motivations for addressing this issue as well as different prescriptions with respect to change.

- Employees with low levels of role overload are in better mental health: Respondents with low role overload appear to be in the

best mental and physical health of any of the respondents in the survey. Only 20 per cent of those with low role overload report high stress, only 4 per cent are burnt out and only 14 per cent report high levels of depressed mood. Furthermore, 60 per cent of the respondents with low role overload indicated that they are very satisfied with their lives. These data suggest that the mental health of employed Canadians would be significantly improved if organisations ensured that work demands were more manageable (e.g. hire more staff, reduce travel demands, put limits on the use of technology to support after hours work).

- Employees with high levels of role overload are more likely to report high levels of burnout: Role overload is positively associated with high stress, high burnout, and high depressed mood and negatively associated with life satisfaction and perceived physical health. Examination of the data indicates that employees with high role overload were 12 times more likely than those with low role overload to report high levels of burnout. These findings indicate that the long hours that employers expect from their workforce are not sustainable over time.
- Work interferes with family is associated with higher levels of perceived stress, depressed mood and burnout: The respondents with high work interferes with family can be considered to be “at risk” with respect to burnout and perceived stress (62 per cent of the respondents with high work interferes with family report high levels of burnout and 77 per cent report high levels of perceived stress). Employees with high work interferes with family were 5.5 times more likely than those with low levels of work interferes with family to report high levels of burnout, 2.4 times more likely to report high levels of depressed mood and twice as likely to report high levels of perceived stress. These findings suggest that the strategy of “trying to do it all” and “meeting heavy demands at work at the expense of ones personal life” impairs ones mental health.
- Family interferes with work less problematic for employees than other forms of work-life conflict: The alternative strategy – putting family ahead of work – does not appear to be as harmful to one’s mental health as putting work ahead of family. It is, however, still cause for concern.
- Employees with high caregiver strain are most likely to be depressed: Respondents with high levels of caregiver strain appear to be at the highest risk with respect to perceived stress (80 per cent with high caregiver strain report high stress), depressed mood (60 per cent with high caregiver strain report high depressed mood) and impaired physical health (28 per cent with high

caregiver strain report that their health as fair/poor). They are also the least likely to be satisfied with their lives.

Recommendations

There is “no one size fits all” solution to the issue of work-life conflict. The data from this study show quite clearly that different policies, practices and strategies will be needed to reduce each of the five components of work-life conflict: role overload, work interferes with family; family interferes with work, caregiver strain and negative spillover from work to family. That being said, the data would indicate that there are a number of strategies and approaches that the various stakeholders in this issue (i.e. employers, employees, families, unions and governments) can use to reduce of work-life conflict. Forty-five such recommendations are provided in the main body of the report. The recommendations fall into two broad groupings: reduce demands (at either work or home) or increase the amount of control the employee has over the work-life interface. Either of these strategies should yield positive results. These recommendations are summarised below.

What can employers do?

Employers who wish to address work-life balance need to:

1. Identify ways of reducing employee workloads. Special attention needs to be given to reducing the workloads of managers and professionals in all sectors.
2. Recognise that unrealistic work demands are not sustainable over time and come at a cost to the organisation which is often not recognised or tracked. Accordingly, we recommend that the employer start recording the costs of understaffing and overwork.
3. Identify ways to reduce the amount of time employees spend in job related travel.
4. Hire more people in those areas where the organisation is overly reliant on unpaid overtime.
5. Collect data which reflect the total costs of delivering high quality work on time (i.e. paid and unpaid overtime, subsequent turnover, EAP use, absenteeism).
6. Change their accountability frameworks and reward structures.
7. Tangibly reward and recognise overtime work.
8. Develop an etiquette around the use of office technologies (i.e. e-mail, laptops, cell phones).
9. Reduce their reliance on both paid and unpaid overtime.
10. Give employees the opportunity to say “no” when asked to work overtime. Saying “no” should not be a career limiting move.

11. Make alternative work arrangements more widely available within their organisation.
12. Implement time off in lieu of overtime pay arrangements.
13. Provide a limited number of days of paid leave per year for childcare, eldercare or personal problems.
14. Provide appropriate support for their employees who work rotating shifts.
15. Measure the use of the different supportive policies and reward those sections of the organisation that demonstrate best practices in these areas. Investigate those areas where use is low.
16. Implement cafeteria benefits packages which allow employees to select those benefits which are most appropriate to their personal situation on a yearly basis.
17. Offer childcare and eldercare referral services.

What can employees do?

Employees should:

18. Say “no” to overtime hours if work expectations are unreasonable.
19. Try and limit the amount of work they take home to complete in the evenings. If they do bring work home, they should make every effort to separate time spent in work from family time (i.e. do work after the children go to bed, have a home office).
20. Try and reduce the amount of time they spend in job-related travel.
21. Take advantage of the flexible work arrangements available in their organisation.

To reduce work-life conflict within their constituencies governments (federal, provincial and municipal) need to:

What can governments do?

22. Implement legislation:
 - which stipulates that an employer’s management rights do not include an implied right to require an employee to work overtime except in the case of an emergency
 - that gives employees the right to time off in lieu of overtime pay
 - that entitles employees to up to five days of paid personal leave per year
 - includes specific language around long-term unpaid leave for the care of an elderly dependent.
23. Take the lead with respect to the issue of childcare by determining how to best help employed Canadians deal with childcare issues (i.e. develop appropriate policies for parents of children of various ages, identify and implement relevant supports).

24. Take the lead with respect to the issue of eldercare by determining how to best help employed Canadians deal with eldercare issues (i.e. develop appropriate policies, identify and implement relevant supports).
25. “Lead by example” with respect to the availability and accessibility of flexible work arrangements and supportive policies.
26. Investigate ways to increase Canadians’ awareness of how social roles and responsibilities have changed over the past several decades, what changes still need to happen, and why (i.e. social marketing campaign, education programs in schools, advertisements).
27. Examine how they can reduce the “financial penalties” associated with parenthood (i.e. determine how to concretely recognise that this group of employees have higher costs).

What can unions do?

Unions need to:

28. Become advocates of employee work-life balance by undertaking public campaigns to raise awareness of work-life issues and suggest ways in which the situation can be improved. This advocacy should be done outside the collective bargaining process.
29. Include work-life provisions (i.e. flexible work arrangements, family friendly benefits) in negotiations during the collective bargaining process with the objective of gaining new accommodations in collective agreements.
30. Set up educational campaigns to:
 - increase individual worker’s knowledge of work-life balance issues, and
 - give employees the tools they need to effectively deal with situations as they arise.



Photo – David Karonidis

Julia Gillard

Shadow Minister for Immigration and Multicultural and Indigenous Affairs, Julia Gillard, believes that “the challenge for progressives within the ALP and beyond is to work out how they will contribute to defining the new transformative ideal and the new Labor vision for Australia”. In a major address to The Sydney Institute on Tuesday 11 March 2003, Julia Gillard evaluated the impact on Australia of the Howard Government’s reforms and offered her own views of what Labor needs to do to win back the national agenda.

WINNING THE

CULTURE WAR

Julia Gillard

May I acknowledge the traditional owners of this land, the Gadigal people, of the Eora nation.

A year ago, the newspapers were filled with the culture war inflamed by Don Watson's "Rabbit Syndrome" and Tony Abbott's "Feeling Better about Australia" speech to the Young Liberals. In the ensuing debate, the culture war was boiled down to the "three Rs" – Reconciliation, Refugees and the Republic. In the hands of Tony Abbott the "three Rs" become an acidic jibe against Labor. The "three Rs" were what Labor stood for and why Labor lacked relevancy. To the amusement of conservatives and to the electoral cost of Labor, the "three Rs" were the issues on which Labor had been wedged between its educated rights focussed constituency and its traditional blue-collar constituency.

A year later, I address you tonight as Shadow Minister for two of these Rs, or in Labor's terminology as Shadow Minister for Population, Immigration, Reconciliation and Indigenous Affairs. Given these responsibilities, I intend tonight to discuss the culture war, in which the three Rs have become emblematic, and the nature of Labor's and the broader Australian Left's response. In this context, by Australian Left I mean all those who identify as from liberal left to radical left.

The culture war

The culture war has been going on since John Howard became Opposition Leader in 1995. The culture war has two aims. First, John Howard has sought to maintain power by portraying himself as the embodiment of the values of ordinary Australians. In doing so he has sought to disguise the jarring discontinuity between the actions of his government and Australian values. He trumpets his agenda as "mainstream", when in fact it is the agenda of an extreme conservative minority.

The idea of economic egalitarianism – "the fair go" – has always been a central, perhaps the central Australian value. Pulling together to help others has been part of our national psyche from Gallipoli to

Changi, and part of our national institutions from arbitration to the welfare state. Egalitarianism is part of our national culture. It's in our bones. John Howard has deliberately set out to undermine it by elevating other values that appeal to him.

The populist appeals to “border protection”, “individual responsibility” and “family values” have been part of a deliberate strategy to split Labor’s “blue-collar” and “tertiary-educated” support base – a strategy modelled on Richard Nixon’s “southern strategy” of the 1960s. The second aim of the culture war is square up, pure and simple. John Howard has never forgotten the wilderness years, the years when he was derided by elements of the media, when he was humiliated by Labor in government, when he was rejected by his parliamentary colleagues and when he was consigned by his own “Lazarus with a triple bypass” crack to the dustbin of history.

Like all good square ups, John Howard’s culture war is fuelled by bile and venom. The tactics are well known:

- Label anyone who disagrees with you as “politically correct”, undemocratic, part of the “elite”, or simply “un-Australian”.
- Denounce those with alternative views of Australia’s identity as “black armband” historians.
- Blow the dog whistles of race and xenophobia.
- Question the legitimacy of certain people running for parliament – like trade union officials or people from families with a background of political service.
- Stack public bodies with your friends.

This is all dressed up in intellectual clothes to lend it respectability, but it’s really an attempt to delegitimise criticism and impose your views on the community. John Howard likes to step back and allow his hit men like Tony Abbott to do the public muggings for him, but the fact is, he’s in the culture war up to his neck. He’s been there from the start, subtly and sometimes unsubtly inciting the culture war on talkback radio, in public lectures and in neo-conservative magazines like *Quadrant*. In fact, the call to arms to conservative commentators came from the very top. In 1994, the then Shadow Minister for Industrial Relations, John Howard, gave his call to arms to his troops (*Quadrant*, July-August 1994, p.21):

In fighting the battles of history with the Labor Party, the Liberals must remember George Orwell’s proposition: “Who controls the past, controls the future. Who controls the present controls the past.”

There are still far too few Liberals who fully comprehend just how committed Paul Keating and many in the Labor Party are to the quite ruthless use of history – or more particularly their version of it – as a political weapon. Not only do they wish to reinterpret Australian history to promote their contemporary political objectives, but they also wish to marginalise the contribution of the conservative-liberal side of Australian

politics and entrench the Labor Party as the only true product of Australia's political soil.

There are signs of increased Liberal willingness to join battle with the Labor Party over both history and ideas. This is a trend which must be "enthusiastically encouraged."

And it has been.

Howard's spear carriers

One of the biggest claims of Howard's culture war is that the press is biased towards Labor. It's anything but. The fact is, whenever anyone criticises Howard from the left they are instantly howled down by his backers in the tabloids, on talkback and in the opinion page of *The Australian*. The pure and simple propaganda produced by Christopher Pearson, Piers Akerman, Andrew Bolt, Les Carlyon, together with the hyperbole of Janet Albrechtsen, combine with the shock jocks John Laws and Alan Jones to create an environment in which progressive views are lampooned as soon as uttered.

Like the 2000 Essendon football team, John Howard's right-wing commentators operate on the "one-percent" theory: chase down every loose ball, make every tackle hard and victory will be yours. Their critique goes beyond politics. It takes on every aspect of our culture that could possibly give succour to an anti-Howard position. They've accused filmmaker Philip Noyce of being an anti-American communist fellow traveller and of stealing Aboriginal children. They've forced a politically charged review on our national museum. And one is now trying to do the same with the national Museum of Victoria. They've forced an external complaints unit on the ABC to try to further intimidate its management. Despite the overwhelming pro-Howard bias in the commercial media, Howard's supporters are still unwilling to countenance any attempts at balance. They want total victory.

In contrast, those in the Australian media who belong to Australia's Left tend to focus criticism on Labor. There is no Labor equivalent of the consistent advocates of the Howard Government. Alongside the domination and intimidation of Australia's media by the Howard Government there has been a ruthless stacking of public bodies. Take the following stark examples:

- "Capital C" conservatives like Ian Callinan and Dyson Heydon have been appointed to the High Court.
- Thirteen of the 15 Howard appointments to the Industrial Relations Commission have been from employer backgrounds.
- The ABC Board has been inundated with Howard's hacks. And if Sunday's News Ltd papers are to be believed, the next board member will be a former Howard speechwriter and bona fide "right wing Phillip Adams", Christopher Pearson.

- In the welfare field, the extremely conservative Major Brian Watters from the Salvation Army was appointed as Chairman of the Australian National Council on Drugs. A man who believes in zero tolerance towards alcohol.
- Merit selection processes were by-passed to allow the appointment of new censors at the Office of Film and Literature Classification.
- Conservation bodies like the Australian Heritage Commission, the Great Barrier Reef Marine Park Authority and the Australian Landcare Council are now headed by former Coalition MPs or Coalition insiders.

This list could go on and on. It exposes the breathtaking nature of John Howard's attempt to dominate the centres of decision-making, advice and political criticism in Australia. The scope for dissent from government policy and the definition of acceptable public policy is being narrowed and, in extreme cases, freedom of political expression itself is under threat. This is bad for our democracy and it must be challenged.

Who is winning?

Last year the editor of *Quadrant*, P.P. McGuinness, described John Howard's opponents as "a baying political lynch mob" and proposed the establishment of a new movement of John Howard supporters called "anti-anti-Howardism". While Paddy still nurses a case of acute paranoia, generally the tone of the cheer squad has changed. Gone is their claim to be the voice of the underdog, bravely speaking out for unpopular causes against the smelly little orthodoxies that poison our public life.

Populist right-wing resentment is so twentieth-century. It's been replaced by a tone of triumphalism. Since the beginning of this year Les Murray, Christopher Pearson and others have been acknowledging that they're now on top. The paradigm has changed. They're the new orthodoxy. Peter Ryan writing in *The Australian* on January 10 probably put it best:

...the minority rule of trendoid ratbaggery is ending, and we are returning our attention to less exciting matters, such as national survival in an envious and hostile region, and to the everyday sort of Australia that most people truly want... This has not been done by the unaided effort of John Winston Howard, yet somehow one can't imagine it happening without him... After years of venomous bias, the media are now changing their tone. Even journalists can see that Howard's political ascendancy is total... Fifty years from now, when impartial history can be written, and the archives can be unlocked, the two decades straddling the millennium will be known as the Age of Howard.

My message today is that it's time for those who oppose Howard's agenda to admit that he and his helpers have succeeded spectacularly.

The nation is in the grip of a neo-conservative political correctness that is out of touch with the values of the majority of the Australian people. It's a political correctness that has elevated values that most Australians don't share: individual selfishness and a strange envy of the less fortunate because they are receiving government assistance. It's a political correctness that has produced greater divisions in our society between the haves and the have nots, indigenous and non-indigenous, new migrants and old. And it is a political correctness that puts winning before all else, where ethics, integrity and values like equality and looking after others less fortunate don't rate.

John Howard has won his culture war, for now. My argument is that it's time for Australians of all political persuasions who don't like this new political correctness – from Green on the left, to small-L liberal on the right – to wake up to the fact that they have lost the culture war.

Australia has been changed... for the worse... by John Howard. We can make it better again.

The war with Iraq

Tonight of all nights, we can feel the importance of charting a different course, a different course from John Howard's neo-conservative political correctness and from John Howard's drive for war. Nothing could show more starkly the differences between the political parties capable of governing than the biggest issue this nation faces tonight, the looming war with Iraq. John Howard has consistently treated national security as a cost-free forum for domestic politics. This year we've seen this reduced not so much to absurdity as to banality, with the rash of "Sunday stories" leaked from the government. So the national anti-terrorism mailout became a Sunday story, previewed in the Sunday papers and running as a lead on Sunday night news. Then there was the announcement of the John Howard doctrine of regional military pre-emption on the *Sunday* show, courtesy of Laurie Oakes. And most recently the expulsion of the Iraqi spy is reported – you guessed it – on a Sunday. I mean if you're going to kick out a spy, you wouldn't want to miss the news cycle, would you?

Labor has consistently supported the United Nations in its attempts to disarm Saddam peacefully. John Howard, by contrast, has been the sycophantic echo of the American President as he pushes for war at all costs. Labor opposed the forward deployment of our troops. John Howard's government sent them.

Labor opposes the "Son of Star Wars". The Howard Government backs it. And the Liberals' failed former leader, Alexander Downer, has been cheap enough to use the prospect of war, of large numbers of men, women and children dying, as a new battering ram in the culture

war with his labelling of Labor as “appeasers” and Simon Crean “as talking like Saddam Hussein”.

As we have dealt with the Iraq debate, too often those opposed to war have succumbed to Labor being the target. To do so is to fall into the trap of allowing the differences of opinion between progressive people to become the issue rather than the appalling agenda of John Howard and his conservative chorus.

I understand the position of those who advocate “no war” though I do not agree with it. In the world in which we live the body that deals with conflict and disarmament is the United Nations. I know that the United Nations has its flaws, indeed to deny that would be risible, but the United Nations is the only mechanism that the world has to deal with conflict and to make peace. In my view, it is right to back it. For those not convinced by this argument I simply say, who should be the target of your anger – John Howard who stands shoulder to shoulder with George Bush or Simon Crean and the Labor Party who have supported the United Nations from the days of Doc Evatt?

Time to win the culture war

It’s time Howard’s values were exposed and his government driven from office. This will require unity on the part of all those who despair over where the Coalition is leading the country. I want to make an appeal to those commentators and everyday Australians who are worried about the direction in which our nation is heading. Many Australians opposed to John Howard’s agenda have been reluctant to support Labor, because they have disagreed with our stance on a number of issues.

Despite the fact that Labor won 49 percent of the two-party preferred vote at the last election, it’s hard to find supporters of ours in the newspapers or on the airwaves. I’m prepared to acknowledge that Labor bears some of the blame for the disillusionment among our traditional supporters. But building a progressive majority requires us all to admit that there are potential tensions between Labor’s “blue collar” and “tertiary-educated” constituencies.

That’s not new. I recently read an interview in which Simon Crean was asked about how Labor could resolve the tension between what the interviewer called “middle-class trendies” and “working-class conservatives”. How could Labor possibly hope to build a national majority on these twin constituencies? Wasn’t this a fundamental contradiction in its voting base? The interview was recorded by the ABC in 1979.

It should have been clear for at least the last 25 years that these two constituencies must hang together or be hanged separately. The centre and left must build an agenda that offers a win to both. It’s time for everyone to the left of John Howard to put our differences aside,

meet half way and recognise that the only way to defeat John Howard's reactionary agenda is to reunite all those who care about preserving Australia as a tolerant, outward-looking and egalitarian country. The answer to a swing to the extreme right is not to swing to the extreme left. History shows that this approach is doomed to failure.

Just look at the experiences of the British Labour Party and the Democratic Party in the US in the 1980s. In 1983 British Labour swung hard to the left and won 29 percent of the vote. Under Mondale the Democrats won only one state. Progressive forces must build a majority coalition. Let's learn this lesson the easy way – from history – rather than the hard way – another victory for Howard.

Labor can't govern from the extreme left in the way the Howard Government can from the extreme right by exploiting prejudice and fear. In short, I'm saying that the Australian Left must give up taking the easy shot against Labor and shape up, dare I say muscle up, for the hard task of winning the culture war and creating a new vision for this nation.

I want people to come back to Labor. The fact is we are the only party capable of defeating Howard and gaining a majority in the House of Representatives. You can't get rid of Howard if you keep relentlessly attacking Labor. "Teaching Labor a lesson" and constantly claiming we're opportunists only plays into Howard's hands.

The new vision

It would be too simplistic to ascribe left disillusionment with Labor as arising because of an individual policy position. This phenomenon is global and has been best described by Michael Jacobs, the Secretary of the British Fabian Society. He writes:

Until at least the mid-1980s most members of the Labour Party, in common with its sister parties throughout Europe, believed in a different kind of social and economic order, with institutions and social relationships founded on morally superior values. This was socialism, and belief in it infused the whole of left-of-centre politics. Socialism was not merely the end-point towards which those on the left believed themselves to be working. For large numbers of activists and politicians, it was an animating force in their lives. People were socialists in the way that others (sometimes the same people) were Catholics or Jews: it was part of their identity. "Socialist" did not just describe a set of views you had. It was something you were.

Michael Jacobs then contends that British Labour needs to find a new animating force, which he rightly describes in the following terms:

Radical idealism does not require a belief that modern economies and societies could be run under fundamentally different principles, merely that the present system could be made to generate fundamentally different outcomes. For its root is a very simple impulse. It is the feeling that many people must surely have when looking at the world: that too much in the

present order is morally wrong. A billion people living in absolute poverty, species and habitats being wiped out, many groups subject to systematic violence and discrimination, some people consuming vast amounts while others starve. The impulse is not complex, nor does it carry self-evident prescriptions. It simply says: the world does not need to be like this.

These words should resonate with the Australian Left. It does not need to be like this – triumphalism by the conservatives as the progressives turn on each other.

We need to find and define the new animating force. Our failure to do so is one of the reasons that we are losing the culture war. In the face of a conservative onslaught, Labor and the Australian Left have not been able to articulate an answering guiding philosophy. As a result, those on the left of centre have turned inwards, preferring to fight with each other over individual issues, preferring the assumed “purity” of criticising Labor, preferring self-righteous disillusionment over working together to find the new vision.

Even worse, we have let the conservatives define the agenda on which we will fight each other. It was the conservatives who selected the “three Rs”. And having selected them, the conservatives have laughed all the way to electoral success as those in the Australian Left have set about destroying each other over whether you are pro-refugee enough, whether you are or aren’t a minimalist Republican, whether you agree or disagree with the statements of Noel Pearson on indigenous welfare dependency. There is no real future for progressive politics if all we do is fight each other on the issues defined by the conservatives. There is no real future for progressive politics if the definition of what it is to be Left is to be solely defined by a series of disconnected causes.

If we are to address the deep malaise so correctly identified by Michael Jacobs then it is time to put the work in to defining what he refers to as “today’s transformative ideal”. The transformative ideal needs to be founded on a fundamentally global perspective. Progressive people throughout the world now know intuitively that addressing global inequality and finding a new way for global conflict resolution requires a new vision of global architecture and relationships. This is the positive side of the anti-globalisation street movement and has the potential to harvest the community goodwill that exists around issues like the Third World debt campaign.

The transformative ideal also needs to have a view about democratisation and empowerment. Within the context of liberal democracy we need to build a vision of what can be done to find a new way of including individuals and communities within decision making, a new way of renewing the bonds between us. The transformative ideal also needs to have an ethical component, a set of values about how we are to treat and respect each other.

The transformative ideal also needs to challenge current economic power structures. Even within the context of a market economy there is so much more that can and should be done to share and to empower.

Labor is starting to shape this new transformative ideal in this period of Opposition by developing a vision for the Australia over the next 20 years. It is time to show that in modern politics you can get people to lift their eyes from the next three years to the next 20.

The challenge for progressives within the ALP and beyond is to work out how they will contribute to defining the new transformative ideal and the new Labor vision for Australia. The challenge for progressives is to understand that the agenda of the three Rs needs to be sited within a broader vision of Australia, which is inclusive of those who rightly worry about jobs, health, education, roads, border security and the like.

And in relation to the three Rs, some may want more than the position Labor adopts, but it's time to admit that a Labor agenda with the capacity to speak to both our tertiary-educated and blue-collar constituencies is far preferable to a continuation of Howard's culture war against the Australian values of equality and tolerance.

Conclusion

Labor can use government to build a future for Australia, where the now much derided elites can be proud of our independence, our reconciliation with our indigenous peoples, our diversity and tolerance and our leadership of global and regional debates at the same time that all Australians enjoy economic growth, an improving environment, better infrastructure, world class health services and real educational opportunity. No one needs to be left behind. But we do need to leave behind the lack of unity and lack of purpose that has characterised the Australian Left's response to the culture war.

I'm issuing a call to arms to the centre and the left. It's time to put aside our differences. Stop running down Labor's standing. And realise – to use a cliché much abused by John Howard – that what unites us is stronger than what divides us. And by working together we can build a future based on the values of fairness and tolerance that survive in the hearts of the great majority of Australians.



Photo – David Karonidis

Richard Woolcott

Richard Woolcott is a former Secretary of the Department of Foreign Affairs and Trade and a former Australian Ambassador to the United Nations. His book, *The Hot Seat: Reflections on Diplomacy from Stalin's Death to the Bali Bombings*, (HarperCollins, 2003) is his memoir and account of life as a diplomat. In an address to The Sydney Institute on Tuesday 18 March, 2003 Richard Woolcott made a few considered observations about the art of diplomacy

REFLECTIONS ON

DIPLOMACY: AUSTRALIA'S ROLE IN AN EVER-CHANGING WORLD

Richard Woolcott

I would like to reflect this evening on half a century of Australian diplomacy. First, however I would like to thank the Executive Director, Gerard Henderson and Anne Henderson, for inviting me to speak again at The Sydney Institute which has established itself as an important centre of intelligent debate and discussion in this city. This is, in fact, the fourth time I have addressed the Institute and I am proud of the fact that I was its first speaker when it opened its doors in July 1989.

Like Macbeth, Australian Public Servants are “cabin’d, cribb’d and confin’d” not by the survival of the murdered Banquo’s son but by section 34 of the public service act. This evening, however, eleven years after my retirement as Secretary of the Department of Foreign Affairs and Trade, I am free of such restraints.

I would like to start by asserting that the need for effective Australian diplomacy has never been greater. It is important to recognise that foreign policy in its broadest sense, which includes security, trade and immigration policies had become before the end of the twentieth century, a fundamental part of Australia’s national life, the conduct of which affect the whole community.

The days when foreign policy was seen as an esoteric pursuit, conducted largely in secret from mysterious establishments called Embassies, which could be handled on behalf of the nation by a relatively small number of trained diplomats and their defence counterparts are well and truly past. The contemporary reality is that a durable Australian foreign, security and trade policy must rest on the understanding and acceptance, or at the very least the acquiescence, of a clear majority of the community.

Having looked back on more than four decades of Australian diplomacy, its objectives, the instruments that can be used to attain these objectives, the qualities which Australian diplomats need and the pitfalls to be avoided, I feel I should share my reflections on these important issues with you this evening.

It is incontrovertible that Australian diplomacy must serve a trading nation of just under 20 million people, the markets of which stretch across the globe; a nation situated in or on the edge of the East Asian and South West Pacific region and occupying a continent almost the size of continental America. Isolationism is not a policy option for Australia. We are not powerful enough to oblige most countries to do what we may want them to do. We are not rich enough to indulge in buying our objectives by what is called "cheque book diplomacy", except perhaps in the case of neighbouring mini states like Nauru. Nor is Australia a member of any powerful bloc or group of linked countries like the EU. In fact Australia and New Zealand are somewhat isolated and alone except for each other and some small South Pacific states at the Southern end of the world. These realities create a special and demanding framework for the formulation of Australian foreign, trade and defence policies.

It is a cliché to say we live in a period of dramatic and extraordinarily rapid change. But it is true. The recent symbols of division – the Berlin wall and the Cold War – have given way to new symbols of linkage – the computer and the internet. The wall has been replaced by the web. Instead of being divided we can all be interconnected. The two great and linked challenges of the previous four decades – the challenge of communism and the challenge of Soviet expansionism – were simultaneously overcome in the early nineties. This, along with the rise of East Asia, especially China, the thrust for international trade liberalisation, globalisation and the information technology revolution are the seminal developments of the last decade of the twentieth century. These developments have radically changed the framework within which countries must conduct their international relationships. On the 11 September a new dimension was added with a new focus on the need to combat terrorism.

There are, of course, different views about where the current trends are likely to lead. Some observers – optimists I would suggest – argue that growing international convergence and cooperation, driven by the interdependence of the global economy and the liberating influence of information technology – in other words globalisation and the communications revolution – will lead to a more stable and unified world. Many foresee the ascendancy of market economies ushering in further political liberalisation and democracy.

On a more pessimistic, or perhaps realistic, note there are those who see the end of the Cold War opening the way to instability, to terrorism, the fragmentation of states, and localised clashes rooted in border disputes, ethnicity and religious tensions. Others foresee some breakdown of social and political cohesion in developed countries, caused by widening resentment of the pain of economic restructuring and growing income disparities.

Of the international trends in play at present, three stand out as of great significance for Australian foreign policy in the future. They are the preoccupation of a pre-eminent America with the war against terrorism; the globalisation of the international economy underpinned by a communications and information technology revolution that will increasingly influence the way in which Australians will work and live; and the rise of Asia, especially China and India, notwithstanding the recent economic crises in some countries of the region and the implications of this for the relativities of economic and political power and influence.

Moreover, there are three other important political trends in our region to which Australia is going to need to develop diplomatic responses. The first is the growing challenge to the established concepts of the unified state and the territorial integrity of countries, fuelled by secessionist movements seeking independence, usually based on ethnicity or religion. We see this trend clearly in, for example, Aceh and Irian Jaya in Indonesia, in Bougainville in Papua New Guinea, in Taiwan and Tibet in China, with the Tamil Tigers in Sri Lanka, the Moros in the southern Philippines and possibly in the future, the Dyaks and the Ibans in Sabah and Sarawak in Malaysia. The independence of East Timor has already had a catalytic effect on some of these movements, especially in West Papua.

The second trend is the growth of support across borders for what is called “humanitarian” or “moral intervention” in the affairs of a sovereign state. This is mainly driven by the West claiming to be the “international community” – or what is often said by the media to be the international community – opposed, when it is, to the course of events in a particular country. The most recent examples are Kosovo and East Timor. I doubt, however, whether this trend will continue for very long because of the failures or compromised outcomes in recent cases of such intervention in Somalia, Haiti, Cambodia, Sierra Leone and Kosovo.

The third and most recent issue is the need for a more acceptable way to handle the influx of refugees and asylum seekers including boat people. Clearly the chequebook diplomacy “Pacific solution”, born of political expediency during the November 2001 election campaign, is not an appropriate long-term solution.

While it is argued that there is an inherent tension in the world today between the pursuit of national interest and the growing interdependence of countries, my practical experience and my recent observations clearly suggest that national interest and the defence of the integrity of the sovereign state are still, in 2002, the touchstones of modern diplomacy. It is a curious fact that while the economic situation has never been more globalised and interdependent, the international political situation continues to be firmly focused on often

divisive national sovereignty issues, for example China and Taiwan, India and Pakistan over Kashmir and North and South Korea. Closer to home there are no less than seven claimants to the Spratley Islands in the South China Sea.

The definition of Australia's national interest must be the starting point of policy formulation. This will always be a combination of our economic and trade interests, our geopolitical and strategic concerns and the extent to which our interests are served – and not eroded – by participating in multi-lateralism and what has been called “good international citizenship” activities. Despite the seminal changes in the last decade, one thing has remained constant. That is Australia's basic objective is to preserve ourselves from attack or the threat of attack and to advance the economic and social wellbeing of all Australians.

It follows that countries, except those few powerful enough such as the United States, or those ideologically motivated to seek hegemony over their neighbours such as the former Soviet Union, and who are willing to apply military power, or the threat of force to achieve their objectives, have a national interest in pursuing policies designed to ensure that neighbouring countries are peaceful, stable and well disposed towards them.

Australian governments must have a clear understanding of what they want to achieve in foreign affairs and trade policy. Once we have defined our interests and objectives, the issue then is how best can we advance them? The options Australia has to secure a policy objective are in fact fairly limited. There are some eight weapons in the armoury of modern diplomacy. They range from the use of force at one extreme, to the threat of the use of force, economic pressures such as erecting tariff barriers or imposing trade embargoes and sanctions, financial pressures such as freezing overseas accounts or the withdrawal of aid, pressure or the threat of pressure on another State's vulnerable points, the offer of diplomatic incentives such as promises of aid and, of course, negotiation and persuasion, which are generally the most used options, especially in a country like Australia.

The domination of communication and information technologies – such as space based surveillance, global direct broadcasting, high speed computers and the capacity to integrate complex information systems – in all of which the United States is now leading the world – should also be regarded as a new source of power and influence. This is why Australia must maintain and expand its expertise in information technology.

There has also been some recent emphasis on what is called “soft power”, that is the ability to achieve desired outcomes through cooperation and attraction, rather than through threats and coercion. Soft power involves the appeal of one's ideas, such as Democracy in Australia or Confucian value in Singapore, and an ability to set the

agenda by example in ways that can influence or shape the attitudes of others.

Napoleon reputedly once said “you can do anything with bayonets except sit on them”. When Stalin was questioned about Catholic opposition to Communism he is reported to have asked “how many troops does the Pope have?” We do need to recognise that the use of force remains a foreign policy option. In a world of sovereign states, a country can, in the last resort, defend what it interprets to be its vital interests only by the willingness to use force. In fact the absence of an ability to call upon force can neuter diplomacy in a world that still does not accept an overriding central authority, a role the United Nations has so far proved unable to play. For example, Israel may have ceased to exist if it had not been willing to use force and if the credibility of this option had not been accepted by other countries in the Middle East. America has made it clear that it is prepared to use force against states that harbour terrorists or against what it considers “rogue states” with weapons of mass destruction.

It is, however, important not to make empty threats, even in the case of a power with the might of the US. Empty threats can be of little value. From Serbia to Haiti, a parade of hollow threats have hobbled American statecraft. Australia was guilty of this diplomatic sin when, following the successful deployment of our forces in East Timor, senior defence officials said this could be a model for intervention in other Asian trouble spots. When trouble erupted in Fiji and the Solomon islands, the emptiness of these statements became clear. In fact, the credibility of any state’s foreign policy depends on its willingness to follow threats with effective action. If the mouse roars but cannot act, its adversaries are unlikely to take it seriously.

All my experience suggests that the conduct of foreign policy is really about responding, in a practical manner, to the world as it is, rather than expecting to reshape it according to one’s own idealistic prescriptions. States have to balance their perceptions of international principle and morality with the acceptance of the realities on the ground and with an acknowledgement of what is achievable.

It is very difficult to pursue a foreign policy based solely on principle as even the strongest power on earth, the United States, has found on numerous occasions and as Australia found in relation to Indonesia and East Timor. Foreign policy is often a matter of balancing conflicting interests. The United States has always maintained it has an idealistic approach to foreign policy, seeking to promote free markets and democratic societies. During the Gulf War President Bush spoke of making the Middle East “safe for democracy”.

Although Iraq’s invasion of Kuwait was rolled back, America’s need for Saudi Arabia’s and Kuwait’s support meant that it could not press those governments to make democratic and social reforms.

As one Washington wit put it to me once, the Gulf War actually, "made key countries in the Middle East safe, not for democracy but safe for feudalism". However idealistic foreign policy intentions may be they have to be tested against the outcomes achieved. Noble rhetoric is easy. Implementation, that is getting the results a Government may seek, is much harder.

I also want to touch on the relevance of what we understand by traditional diplomacy. In the age of the internet, faster jet aircraft and e-mail, are Ambassadors and Embassies outmoded? Zbigniew Brzezinski once said Ambassadors "don't count anymore". My experience is that faster communications have enabled an effective ambassador or a good embassy to become more direct participants in the policy making process. This can be of benefit to that process.

A sound foreign policy needs to be based on accurate information, continuous review and an understanding of likely external reactions to decisions taken in Canberra. The best way to assure effective diplomacy is the placement of well-qualified, culturally sensitive persons in key positions overseas. So, I believe that advances in technology and communications have actually enhanced, not diminished, the need for Australia to have a competent well-trained, culturally sensitive foreign service. A critical matter for diplomats in the field is to identify the real attitude of a country, as distinct from its public rhetoric towards a situation and its real intentions, as distinct from what it says it intends to do. For example, in 1975 Indonesia maintained it would not use force in East Timor, that when it was decolonised it should become part of Indonesia through an act of self-determination. In reality, however, Indonesia was prepared to use force if it became necessary to achieve the overriding objective of incorporation. This was correctly identified by the Australian Embassy in Jakarta in 1975.

The instruments Australian Ministers and Diplomats need in our efforts to secure our national future are in the main the capacity to persuade and to influence. In other words we need competent, professional and effective advocacy and diplomacy backed, of course, by public support for the government's policy, as well as a credible defence capability in the background. Diplomacy is really the art of persuasion and accommodation and of building support in other countries for one's policies. Very rarely can diplomacy be used to impose any purely national pattern of activity on the international community in which it functions as America, despite its enormous military might, is experiencing.

It follows that one of the principal tools of a diplomat is the ability to negotiate with representatives of other countries. In my career I have been given many opportunities to negotiate in multi-lateral and

bi-lateral situations, including with diplomats of the former Soviet Union, China and Indonesia.

Unlike American diplomats, who have behind them the military might and influence of the United States or diplomats from China who feel a pride in a civilisation stretching back 5000 years, Australian diplomats have no such crutches to support their negotiating efforts. We have to sustain our negotiations with focus on the outcomes we wish to achieve, with patience, persuasiveness, tact and, at times, stamina.

The former Prime Minister of Singapore, Lee Kuan Yew, once said to me that the communist technique of negotiation was to put forward a set of demands then continue the negotiations until the other side was exhausted and agreed. It was a process of attrition. As a negotiator to deal with this approach, Lee said, you needed stamina. You had to remain intellectually focused on your objectives and physically fit in order to withstand a protracted negotiation.

My first experience of negotiation with the Chinese came in November 1973 with the negotiation of the joint press communiqué to be issued at the end of Gough Whitlam's first Prime Ministerial visit to China. Lee Kuan Yew's advice was sound and during that long night I often recalled his words. The negotiation of what reads as a rather bland document, actually took some fourteen hours and was concluded at 4.30 on the morning of our departure from China. Our negotiators were myself, David Anderson, the Head of our North Asia Division, Philip Flood who in 1996 became Secretary of the Department of Foreign Affairs and Trade and Roger Brown, a Chinese linguist at our Beijing Embassy at that time. The Chinese side was led by Lin Ping, the Director of the Ministry of Foreign Affairs Department of American and Oceanic Affairs which handled relations with Australia. Australia was presumably seen by China politically as a satellite of the United States and geographically as part of Oceania.

Lin Ping's starting point which foreshadowed fourteen hours of intensive negotiations over words their meanings in both Mandarin and English, was to assert that the word "joint" in the heading of the document "Joint Press Communiqué" was "superfluous" because both sides would obviously have been involved in its drafting, a minor point which curiously he only conceded at 4.15 am the following morning when agreement on the text was on the verge of being reached.

I have often reflected on why the Chinese negotiators behaved in this way. One reason, suggested by Roger Brown, was that in addition to their normal style of negotiation the Chinese side wanted to study how Australian government officials operated.

This was the first prime ministerial visit since we had recognised the People's Republic of China. They would have had virtually no experience of us. I believe, however, that it was helpful that we were

able to show the Chinese side that we had our own independent views, we could perform and we could bargain hard and successfully in their chosen form of protracted negotiation. Otherwise, I suspect Australia might have been relegated in the Chinese scheme of things to a minor pigeon hole with other countries of little consequence.

At times the marathon negotiation had its comic moments. At one point a Chinese negotiator left the room, returning with what looked like a small wheelbarrow containing large Chinese and English dictionaries. During one particular impasse at about 3.00am Lin Ping said the Chinese side simply could not agree without consulting the Premier. Lin Ping may well have telephoned Chou En Lai who had a reputation for working into the small hours of the morning. I said that I too would need to consult my Prime Minister. I entered the phone booth and pretended to telephone Gough Whitlam. I felt the next morning when with the agreed "Joint Press Communiqué" behind us and as we were leaving Beijing I should confess this to Gough. I outlined the situation to him. "Comrade," he said "You were correct on both judgements: to hang tough on the wording and not to wake me up at three o'clock in the morning over such a matter."

Another tool of diplomacy is the use of the United Nations, despite its limited effectiveness, to endorse through a resolution in the Security Council or the General Assembly, a policy for which a government wishes to secure international support. Security Council resolutions are binding although they are sometimes ignored or unenforceable. General Assembly resolutions are not legally binding and are often disregarded. A General Assembly resolution, if passed by a very large majority does, however, have a certain moral authority. It can be used as a means of pressure on a country, and it can underpin one's diplomatic objectives. For example, Australia was able to use the United Nations, especially the General Assembly in the 1980s, to defend effectively the Antarctic Treaty and its interests under that treaty. We were also able to use the United Nations to advance our interests in disarmament, especially the banning of nuclear testing, and to endorse the Cocos Islands becoming a part of Australia through an act of self-determination.

In today's world, security and economic interests are more closely linked than they were in the past and the more sophisticated states, including Australia, place great emphasis on the effective coordination of defence, foreign and trade policies. Safeguarding security in its widest sense now includes promoting economic cooperation, development assistance, cooperation in science, information technology and education and cultural exchanges. As an island continent, Australia needs to promote closer cooperation, especially with its neighbours on maritime surveillance covering the illegal movement of drugs, weapons

and people. All these activities are now seen as parts of a coordinated and comprehensive approach to a relationship.

The evolution of Australia's relationship with Indonesia until the end of 1998 is a good example of how all these strands could be woven together. Political cooperation on regional and international issues, development assistance; legal cooperation and the negotiation of important treaties; economic cooperation, defence cooperation, and an accelerated program of cultural, scientific and educational exchanges were all part of that relationship. Conversely, the deterioration of our relations with Indonesia over the last few years is an example of how years of patient diplomacy can be undone by a heady mix of hasty action, insensitivity, domestic political opportunism and a failure to anticipate outcomes.

There are also other techniques, such as "people to people" contacts and what has been called informal "second track" or "back channel" diplomacy and the use of special envoys to advance particular policy objectives. Australia should make more use of the special envoy role in Asia. Asian countries are likely to be responsive to the importance of the dispatch a special envoy demonstrates, especially if the personality of the envoy is understanding, respectful and friendly. Personal chemistry can be important in facilitating outcomes.

A relatively new factor to which Australian – indeed all – diplomacy must respond is the pervasive influence of television, especially in a Western democracy. Public opinion can be manufactured more readily now than it could be in the past. The influence of television on foreign policy was underlined in the movie "Wag the Dog". While this was a satire it had serious undertones of how a government can, through digital imaging and the manipulation of the media, create an "enemy" for which domestic support for action against that invented threat is gained. As Dustin Hoffman said in two of the most memorable, if cynical lines, in that film, "these days war is show business" and "the President is a product".

Television brings events into the home in a more dramatic way than radio and newspapers did in the past. It has been argued that the United States and the United Nations became involved in Somalia, rather than in other equally demanding or worse trouble spots in Africa because of the dramatic and sustained television coverage of the situation in Somalia. CNN, it has been argued, had more influence on the US decision to become involved in Somalia than the State Department. There is also no doubt that CNN had an influence on the NATO decision to bomb Yugoslavia.

The growing impact of modern media means that the Australian government must devote greater efforts to gaining public understanding for its national goals and to correcting biased and inaccurate media reporting, rather than permit itself to be manipulated by manufactured

public opinion. At the same time to maintain credibility the government needs to avoid itself creating a public attitude that is manipulating the media to manufacture supportive opinion.

The essential point is, that one of the tools of diplomacy, to which more emphasis must be given, is the capacity to influence and respond to foreign and trade policy issues in the media, especially television. The Australian Foreign Service now needs to devote more, rather than less, resources to public affairs, including Radio Australia and Australian television programs in our neighbourhood and to dealing with the media, than was the case in the past. Foreign and trade policy cannot be conducted in a vacuum. Policy cannot be expected to endure now unless it attracts community support.

In working out how to advance Australian foreign policy objectives it is important to avoid three pitfalls. The first is overextension. That means it is necessary to differentiate between what is essential and what may be desirable. Second, is important to avoid bombastic comments and what is often called megaphone diplomacy for domestic consumption. Thirdly, in shaping a policy, it is important to find a sound balance between what is seen as an immediate need to respond to a situation – sometimes driven by domestic political considerations – and the longer-term outcome it is hoped to achieve.

Unfortunately good short term domestic politics, which can appeal to prejudices especially during election campaigns, sometimes leads to flawed foreign and trade policies. Moreover, there is a need, often overlooked in this country, to differentiate between indulging in rhetoric and political grandstanding and what is most likely to advance the objectives we are seeking. It is one of the tasks of leadership to avoid, playing domestic politics with foreign policy.

In East Asia, Australia was always in danger of being the “odd man out” in the region in which it is situated. Our cultural and historical background remains largely Anglo-Celtic although our demographic make-up is changing. Our background, the ugly legacies of the white Australia policy and the treatment of the indigenous inhabitants of this continent, mean that Asian regional neighbours tend to be watchful of our attitudes and policies. We are on a good behaviour bond and they still ask themselves, do we seriously want to engage with them or are we more comfortable as an Anglo-American outpost in Asia?

We had, I believe made substantial progress in consolidating our standing and acceptability as a partner of the region in the 1980s and early 1990s. We had virtually become “the odd man in”. We were in fact constructively engaged with our Asia Pacific neighbours economically, politically, in security matters and even culturally to a greater extent than before.

As a diplomat who devoted a considerable part of his career to promoting this national interest I have been saddened to see this

position, built up over decades of bipartisan political effort and successful diplomacy, eroded over the last six years. Confusion has developed about the Australian government's real approach to the region. The perception is quite widespread that the present government has stepped back from the bipartisan priority accorded to East Asia for decades and, indeed, endorsed in its own 1997 White Paper.

The Australian newspaper noted in a feature series in 2000 entitled "Adrift in Asia" that Australia was now adrift and seen "as distinctly less engaged with the region than before". My impression is that this is, unfortunately, true. But how did it come about? Was it due to a failure of diplomacy? Is it due to the cumulative effect of a number of events?

The Howard Government denies that this has happened. The perception in the region that it has is, however, quite noticeable. One cause of this problem lies in domestic politics. When it came to office in March 1996 the Coalition felt a need to differentiate its foreign policy from that of the Keating Government. To do so it argued that the former government's policy was obsessed with Asia, which it was not. But in pretending publicly that it was it sent the wrong message to Asian countries, namely that they would be less important to Australia than they had been.

The Pauline Hanson/One Nation aberration, the support it received initially in the community and the widespread publicity it attracted here and in Asia, the publicity given to Aboriginal issues and more recently the handling of the refugee, asylum seekers and boat people issues have also rekindled concerns in the region about our attitudes to race and to engagement with Asia. Then, when the East Asian economic crisis struck in 1997 and the Australian economy continued to grow, we congratulated ourselves rather fulsomely for avoiding the crisis and we allowed ourselves to believe that East Asia was less important to us economically than it is and will again be in the future.

The Republic is not simply a domestic issue. It has important foreign policy implications. The vote in November 1999 to retain Queen Elizabeth as our Head of State gave the impression that we wanted to preserve our anachronistic links dating from our colonial days with the British Crown.

Moreover, foolish talk at the Cabinet level about Australia having had a "frantic obsession" with Asia and having "over-appealed" Indonesia; as well as Australia acting as some kind of patrol officer or "deputy sheriff" in support of US interests in the region; suggestions that the East Timor deployment could be a model for future Australian military interventions in other unspecified "Asian trouble spots"; the assertion of Australian values in a way suggesting that they were superior to those of neighbouring countries; the triumphalism and

jingoism displayed by some politicians and sections of the media over our otherwise successful East Timor deployment; public criticism by senior business figures here of Singaporean investments in Australia; and most recently our immediate public support of a range of American policies without proper prior consideration or public discussion have collectively risked reviving the image of Australia as an Anglo-American outpost, a regional misfit, uncomfortable with its location in its own neighbourhood. This drift is contrary to our defined national interests.

The main challenge now for those who shape Australian diplomacy, especially the Prime Minister, Ministers, the Leader of the Opposition, shadow ministers, senior officials and influential academics and writers is to arrest this drift and reassert Australia's role as a fair, tolerant multi-ethnic society, comprehensively engaged and comfortable with countries of the neighbourhood of the world in which it is situated. This is in no way incompatible with the importance we attach to our relations with the United States or Europe. It is not an either or situation. We are part of the global village and we have an alliance with America but we also live in the South East Asian and South West Pacific region of the world.

It is not easy to reflect on the lessons of 40 years of diplomacy relevant to a wide range of policies in just half an hour. I confess I have barely scratched the surface.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid

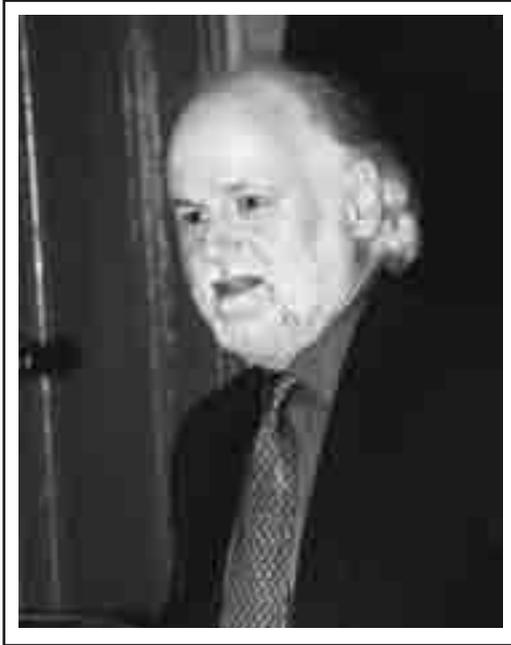


Photo – David Karonidis

David Day

David Day's histories of Australian politics during the Second World War have been widely recognised, including his biographies of Australian prime ministers of that time – John Curtin and Ben Chifley. Australia's involvement as an ally of the United States in the Second Gulf War, has provoked renewed interest in Australia and the politics of war. To discuss some of the historical perspectives, David Day addressed The Sydney Institute on Tuesday 1 April 2003. David Day's *The Politics Of War Australia at War 1939-1945: From Churchill to MacArthur* (HarperCollins) was republished in 2003.

THE POLITICS OF WAR

David Day

For a relatively small island nation, situated far from the scene of most wars over the last century, Australians have done a lot of dying in distant battlefields. About 100,000 Australians all told. And it is likely that we will add to that sad tally in Iraq. We are “participants”, as our prime minister so memorably put it a few days ago. It certainly sounds a whole lot better in the present circumstances than “invaders” or “aggressors”. Despite Mr Howard’s protestations, our forces are neither liberating Iraq nor defending Australia by bombing Baghdad and killing its citizens. And while our contribution to that war of unjustified aggression is relatively token, the cost to Australia of its participation will be paid for decades to come.

The Second World War was different. It was the only war in which Australia faced a realistic possibility of invasion when the Japanese surged southward toward our shores. Like the present war, it was a coalition war in which Australia was a relatively minor player. Until the fall of Singapore in February 1942, Australia fought as part of the British Empire and largely under the control of London. It was an order from the British Admiralty that sent Australian naval ships to war stations, rather than an order from the Australian government. With the arrival of General Douglas MacArthur in March 1942, Australia fought mainly alongside the Americans and under the control of Washington. For all that, there were times when Australian governments could and did defy their great power partners, even to the extent of occasionally withdrawing Australian forces from battle.

The obvious example of this was the refusal by John Curtin to have Australian troops that were being returned from the Middle East diverted to the hopeless defence of Burma. To his enduring credit, Curtin faced down intense pressure from Churchill and Roosevelt, as well as from Menzies, with Churchill threatening that the Americans might not reinforce Australia if Curtin refused to comply with the British demand. But Curtin stood firm, even when Churchill peremptorily diverted the Australian convoy towards Burma without informing Canberra. The Australians had no chance of changing the outcome in Burma, where the Japanese were on the verge of capturing Rangoon.

They did, though, have an overriding responsibility to defend their own endangered country.

Menzies too had his moments of defiance. Although he succumbed to Churchill's pressure to send Australian troops off to Greece in 1941, where they were quickly and soundly defeated, Menzies refused to allow Australians to be used as garrison troops on Cyprus, fearing that the island could not be defended and would go the way of Crete. But it was over the relief of Australian troops in Tobruk that Menzies made his most defiant stand. The combined British and Australian garrison in the Libyan port had been surrounded by Italian and German forces for some months and had successfully resisted all attempts at being overrun. When medical reports suggested that the Australian troops were at the end of their tether, Menzies demanded that they be relieved from Tobruk and non-Australian troops be sent in their place. The demand prompted outrage in London, with Churchill, his ministers and his generals angered beyond belief at the notion of a garrison being partially withdrawn during the heat of battle.

Despite threats from Churchill, Menzies held firm to his demand, partly because he feared the political effect of Tobruk falling and the Australians being captured. Coming so soon after the evacuation from Greece and Crete, the fall of Tobruk could have caused Menzies to fall from power. Of course, he fell from power anyway in August 1941, with Churchill hoping that his departure might allow the Australians to remain in Tobruk. But Menzies' successor as prime minister, Arthur Fadden, reiterated the demand for the relief of the troops. As did Curtin when he took over from Fadden at the beginning of October 1941. Only then did Churchill finally submit to the Australian demand. So, when people called for the withdrawal of Australian forces from the battles in Iraq, it is important to remember that there are good precedents for making such a move, even at the cost of incurring the temporary displeasure of our great power protectors.

We can learn many other lessons from the Second World War. Among the reasons for Australia participating in the American invasion of Iraq is our supposed obligation to support the United States in order that it will support us in turn should the need ever arise. Just as with Vietnam, it is argued that our participation in Iraq is the premium that has to be paid on our Anzus insurance policy. However, the events of the Second World War cast serious doubt on the worth of any such insurance policy from a great power "protector".

Prior to the Second World War, Australia was comforted by an all-encompassing alliance with Britain that was much stronger than the present-day military alliance with the United States. After all, Australians regarded themselves as British and they thought of Britain as home. Australia was a dominion of the British Empire and saw itself as a sturdy "son" of the distant "mother country". The feelings seemed

to be reciprocated. Repeated promises emanated from London during the 1920s and 1930s about Britain's commitment to defend Australia in the event of a hostile Japan threatening invasion. The construction of a naval base at Singapore seemed to give concrete expression to those promises. And the promises were repeated once war began in 1939, with Britain being keen to secure Australian troops for the war in Europe. It could only do so by repeating the earlier promises about reinforcing the Pacific in the event of Japan entering the war. Churchill was naval chief at the time and made the promise in the confident expectation that it would never have to be acted upon and in the belief that Australia would never require the use of its own land forces to repel an invasion.

As Australian prime minister, Menzies accepted the British promise as sufficient assurance to send off Australian troops to the Middle East. He could take confidence from the American presence in the Philippines, the French in IndoChina and the Dutch in the East Indies. And there was Britain's Singapore "fortress". However, no British naval fleet was ever sent to Singapore. Not when war began in 1939, not when France fell in 1940, and not even when the Japanese moved into French Indo-China in 1941. Of course, Churchill had hedged his promise with a condition that the ships would only abandon the Mediterranean and head east if Australia was subject to a serious invasion. In the face of the deteriorating situation during the first two years of war, and with Churchill now as prime minister, Britain continued to stick by his promise. And Australia continued to rely upon it in sending their forces off to fight in Europe and the Middle East. In one of the many big lies of the war, Churchill declared that the defence of Australia came before the defence of the Mediterranean in the order of British priorities.

When Menzies went to London in 1941, he passed through Singapore and saw the poor state of its defences. However, Australia was now in a bind that was at least partly of its own making. As Menzies realised when he went on to visit the Australian troops in the Middle East, any call for Britain to send a fleet to Singapore would see the Mediterranean denuded of ships and those three divisions of Australian troops consequently endangered. It was no good having Singapore secured if the cost was to be the 100,000 or so troops in the Middle East. Instead of ships, Menzies now called for aircraft to be sent instead. He wanted Hurricane fighters, made famous by their role in the battle of Britain, to be based at Singapore. Churchill ensured that Menzies did not get his Hurricanes either. Instead, he was fobbed off with a few second-rate aircraft and another British promise to reinforce Singapore with modern fighter aircraft once a threat from Japan had actually appeared.

As late as November 1941, just a few weeks prior to the Japanese attack on Pearl Harbor, Churchill was continuing to proclaim Britain's "supreme responsibility" for Australia's defence and repeating the promise about abandoning the Mediterranean if Australia was under threat of invasion. John Curtin, who had just become prime minister, took confidence from Churchill's belated dispatch to Singapore of the naval squadron comprising the new battleship *Prince of Wales* and the battle-cruiser *Repulse*, declaring that it "altered the whole position". Curtin was led to believe that they were the first echelon of the long-promised fleet for Singapore. How wrong he was. With a Pacific war looming, Churchill meant for the ships to be the first echelon of an Eastern fleet that would be based in the Indian Ocean, rather than the Pacific Ocean. They would be modern flag-bearers of a fleet that would be comprised largely of vessels that were outdated and outclassed by Japanese equivalents. The core of the fleet would be four Royal Sovereign battleships of First World War vintage and designed for use in the North Sea. Churchill himself conceded that they would become "floating coffins" if they ever had to confront the Japanese. But then he did not intend that this fleet would ever come up against the Japanese, or at least not the Japanese main fleet. They were meant to protect that part of the Indian Ocean that was vital to Britain's war in the Middle East – the triangle between India, South Africa and Suez through which flowed the supplies and reinforcements and oil for that struggle. Singapore only figured in British calculations as a gateway that had to be barred against Japanese entry into the Indian Ocean rather than as a base from which to launch British naval power into the Pacific.

It was a reflection of the British hold on Australia, that even Curtin was slow to comprehend the lowly place that Australia occupied in the minds of British defence planners, and particularly with Churchill. Although Curtin had warned during debates in the 1930s of Australia being abandoned by Britain in the event of it being confronted by both Germany and Japan, he was loath to let go the Australian attachment to the Singapore fantasy. It was not surprising when Britain was continuing to assure Curtin that he could count upon a fleet being sent there. Just a month before the Japanese attack on Pearl Harbor, a British cabinet minister visited Canberra as an emissary from Churchill and was questioned closely by his Australian counterparts about British plans in the event of a Pacific war. The war cabinet minutes record the minister proclaiming that Britain would "abandon the Mediterranean altogether if this were necessary in order to hold Singapore". But he gave no specific details as to how Britain would manage to do this when it had a huge Middle Eastern garrison that would be endangered by the departure of the ships.

Reinforced by such assurances, the Australian government refused to consider the idea of evacuating its forces from Singapore once the

war had begun. Moreover, it warned Churchill that any British attempts to do so would constitute an “inexcusable betrayal”. Indeed, just a few weeks before Singapore fell to the Japanese, the Australian government was still sending additional Australian forces there. Despite this, one British cabinet minister privately dubbed Australia in January 1942 as the “most dangerous obstacle in the path of this Gov[ernment]”. It was an extraordinary description of a dominion that had contributed so much to Britain’s war effort. The comment reflected a fear in London that Australia might divert American resources away from the war in Europe and towards the war in the Pacific. Australia was also calling for the Soviet Union to join the war against Japan, which was a move that Britain strenuously opposed.

This was the gulf that separated Australia and Britain. While Churchill was determined to concentrate on fighting the European war to a finish before turning to the Pacific, Curtin was equally determined that the war against Japan should not be considered as part of the existing war but as a new war altogether and that it should rank equally with the European war when resources were being allocated. This was never conceded either in London or Washington, exacerbating the rancour in Anglo-Australian relations. The bitterness was a reaction to the deep division between Canberra and London as to how a war on two fronts should be fought. It was also a reaction to Australia’s desperate situation in early 1942 following the fall of Singapore. Because ten years of conservative defence policy had placed all Australia’s faith in Singapore, the country confronted the prospect of a Japanese invasion without having little means to repel it. There were no modern fighter aircraft, no bombers and no tanks. As well, there were shortages of a wide range of essential defence equipment, ranging from binoculars to naval mines. And the best of Australia’s troops were in the Middle East or still on their way home.

Britain was repeatedly made aware of Australia’s vulnerability to invasion but did little to guard against it. The promised fleet was never sent; the armada of fighter aircraft remained in the Middle East. Just 50 Hurricanes were sent out in crates by ship. They were too few and they arrived too late to change the fate of Singapore. As for Australia, there was little forthcoming from Britain during those vital six months or so when a Japanese invasion was widely expected. There were no ships, no aircraft, no tanks and certainly no troops. When I tackled Britain’s naval historian some years ago about this, he exploded, pointing out that he in fact was there. I discovered that he was the captain of a British cruiser serving with the New Zealand navy. That was the extent of the British presence in the Pacific following the fall of Singapore, although Churchill continued to promise that British forces would be forthcoming in the event of an invasion of Australia actually occurring. That, of course, would be too late since it would take months to

assemble a British fleet and dispatch it across the world, by which time the Japanese would be securely lodged in Australia and probably in control of the continent. Curtin's military advisers certainly did not think the poorly-equipped Australian forces could hold out for more than month or so.

When the Australian government pressured Churchill to send reinforcements and soon, he simply dismissed Australians as coming from "bad stock" – Irish and convicts – and passed the responsibility for Australia's defence to the Americans. With the situation as dire as it could be, the arrival of General Douglas MacArthur in March 1942 could not have been more timely. Two months after Curtin had announced that Australia was turning toward the United States, the Americans had shown up in the person of MacArthur. Although his arrival made little immediate difference to Australia's defence position, it made an immense difference to Australian morale. In the manner of the matinee Westerns, the cavalry had come over the hill, flag flying and bugle blowing. Although MacArthur's forces in the Philippines were facing defeat, Australia suddenly seemed safe. The British protector had been replaced with an American one.

While Australian forces provided the bulk of the defence forces in Australia throughout that year and did most of the fighting on land in New Guinea that prevented its fall, the arrival of the Americans left an enduring impression of Australia being saved by a great power protector. Britain too has been largely excused for leaving Australia exposed during those vital months after Pearl Harbor. Yet MacArthur made clear that the Americans were not sending forces to Australia for its own sake. It was just that Australia seemed to provide the best base from which to launch an offensive against Japan. In the event, while MacArthur did use Australia as a base, the US Navy found that it could mount an even more effective attack using an island-hopping campaign from Hawaii across the central Pacific. Had this been realised in early 1942, General MacArthur might never have been sent to Australia and the battle for the Coral Sea might never have taken place. Australians would have been more conscious of being let down by Britain and would not have been misled into feelings of gratitude towards the United States. We might not have felt so impelled as a consequence of that gratitude to become "participants" in Vietnam, and now in Iraq.

There is a final lesson that we can draw from the war. Historically we have always felt more imperiled than we have needed to be. Perhaps the most important thing for Australians to remember from the Second World War is not how close we came to invasion, but that Australia was not invaded. Despite the paucity of our defences, despite the British and American navies having been largely swept from the Pacific, the Japanese still held back from invading Australia. At the end of the

day, when the decisive meeting was held in Tokyo in March 1942, it was decided that Australia was simply too far and too big for Japan to conquer. That lesson should encourage us to shake off the lingering insecurities, that the Howard government has done so much to re-install in us, and adopt a more independent stance in the world, buoyed by the confidence that we can have in our long-term defence position.



Photo – David Karonidis

Ian Macfarlane

The issue of household debt in Australia has been of interest to Australia's Reserve Bank for some years. While remaining positive at the levels of household consumption and investment in owner occupation, the Bank's research indicates some reservation at the levels of investment housing. In an address to The Sydney Institute on Thursday 3 April 2003, Reserve Bank Governor Ian Macfarlane analysed the data to reach some conclusions.

DO AUSTRALIAN

HOUSEHOLDS BORROW TOO MUCH?

Ian Macfarlane

Tonight's subject is one that has attracted increasing attention over recent years – namely, the growth of household debt. There is no doubt that this debt has grown quickly over the past decade, and this has prompted a number of people to suggest that it is too high and that it presents a threat to the future health of the economy. What I would like to do tonight is to examine household debt from several perspectives in order to form a judgement on whether its current level poses risks for the economy, and what those risks might be. My broad conclusion is that a proportion of households have clearly taken on more risk, which has increased the risk profile for the sector as a whole. This is likely to make household consumption more sensitive to changes in economic circumstances than it formerly was, but the overall risk for the economy has not gone up to the extent that would be indicated by the rise in the level of debt or in the debt to income ratio.

The subject of household debt is one that we at the Reserve Bank have been thinking about, and writing about, for some time. Over the past year, we have produced a number of studies on debt and housing, which have laid out the main facts. I will summarise them briefly, before moving on to the more difficult task of making judgments about their economic significance. Those who want more detail can consult the studies listed below.¹

What has happened?

1. Most studies concentrate on movements in the ratio of household debt to household incomes. Over the past decade, this ratio in Australia has risen from a level that was low by international standards (56 per cent) to one that is in the upper end of the range of other comparable countries (125 per cent).
2. The rise in household debt was mainly due to increased borrowing for housing. Housing debt accounts for 83 per cent of total household debt, and that percentage has risen slightly over the decade. The story of household debt is largely a story about

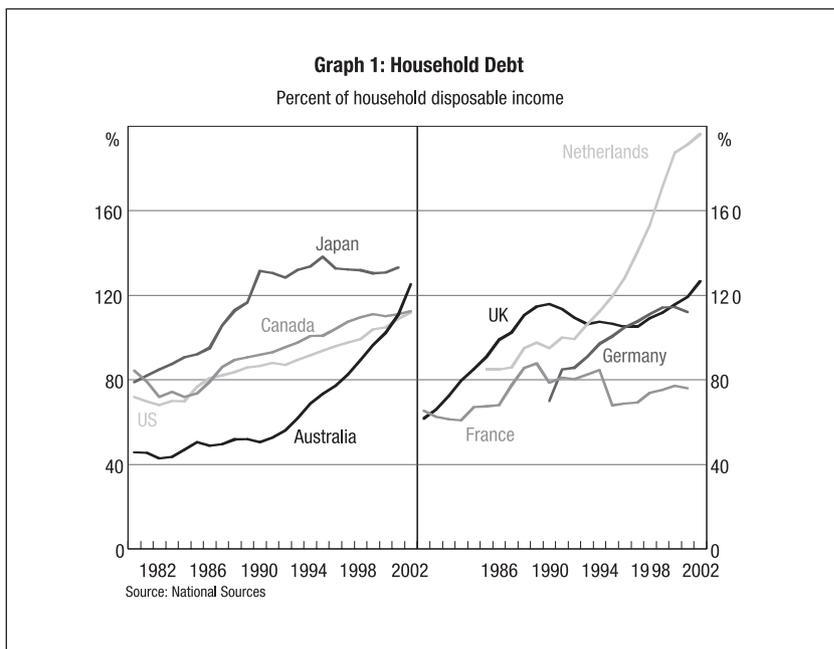
housing and, of course, is intimately tied up with the subject of rising house prices. In the remainder of my talk I will deal only with housing debt and ignore other forms of household debt.

3. While borrowing for owner-occupation is still the largest part of housing debt, the fastest growing component has been borrowing for investor housing, which now represents 30 per cent of the stock of housing loans (compared with 18 per cent a decade ago).
4. The main reason that debt has risen is that households can afford to borrow more in a low interest rate environment like the past decade than in a high interest rate environment like the previous two decades. Allied to this is the fact that in a low inflation environment, the real value of the debt is not eroded as fast as it was in a higher inflation one. So each household that takes out a loan can borrow more at the start of the loan, and will run down the real value of the loan more slowly than formerly was the case. Analysis published by the RBA last month shows that these two related explanations could account for an approximate doubling in the debt to income ratio when their effects had fully worked through the system.²
5. Financial deregulation and the associated increase in competition among lenders has also played a role by making loans cheaper, easier to obtain, particularly to investors, and providing innovations such as home equity loans and redraw facilities.
6. Over 70 per cent of households either own their homes outright or are renting and therefore have no housing debt. Owner-occupied housing debt is concentrated in about 30 per cent of households, as it has been for decades, but that 30 per cent have considerably higher debt levels now.³
7. For those households with mortgages, there is a pronounced pattern in the debt to income ratio and the debt-servicing ratio over the life cycle. Both these ratios peak in the 35-40 year age group and decline thereafter, usually to zero.
8. Other measures of household balance sheet health such as the debt-servicing ratio and the gearing ratio show considerably less of an upward trend than the debt to income ratio.

What can we learn from the debt to income ratio?

Does the sharp rise in the household debt to income ratio over the past decade mean that it is now too high, or, as some commentators put it, that it has reached an unsustainable level? Unfortunately, it is impossible to answer this question by looking at the aggregate ratio, even if we supplement our analysis by international comparisons (Graph 1). There does not appear to be a level at which bad things start to happen – Japan's ratio levelled off at about 130 after the equity and property bubble burst, but it was corporate debt rather than household debt

which fuelled the bubble. In the United Kingdom the ratio fell in the early 1990s after it reached 115, but has now resumed its upward path to be in the mid 120s, while in the Netherlands the ratio exceeds 180 and is still going up.



The debt to income ratio is only one measure of the health of household balance sheets, and, as will be argued below, not the best measure. We have to ask why the debt to income ratio rose, before we can draw any conclusions. As we demonstrated earlier, the main reason it has risen is that interest rates have fallen: mortgage rates halved between the second half of the 1980s and the past five years. As a result, a household which borrowed up to the point where debt servicing equalled 30 per cent of gross income (a common yardstick used by banks and other mortgage lenders) would be able to nearly double the size of the mortgage and still make the same monthly repayments as before.

In order to judge whether the resulting increase in debt represents an increase in risk, we have to go through the following mental exercise. Compare two households – one in 1993 and the other in 2003 – that have the same percentage of their income used in debt service, and have the same gearing ratio (level of debt as a percentage of value of house), but with the 2003 household having a debt level nearly twice as high as the 1993 household. Is the 2003 household taking more risk than the 1993 household?

My judgment is that the 2003 household is riskier in only one respect. For a given rise in interest rates, it will be more affected because the rise will apply to a larger loan. But it is probably not right to make the assumption about “a given rise in interest rates”. That is because in the low inflation/low interest rate environment we have today, interest rates do not move about as much as before. In the late 1980s, on one occasion the mortgage rate rose by $3\frac{1}{2}$ percentage points in a year, in the 1990s we have had nothing like that (the largest rise in a year was $1\frac{3}{4}$ percentage points). So the answer to the question I posed above is that, provided the variability of interest rates has also fallen in proportion to the fall in the average interest rate level – which it has – the hypothetical household in 2003 is in no riskier a position than the hypothetical household in 1993.

Does this mean that the large rise in housing debt that we have seen in practice has not made the household sector more vulnerable? No, it merely means that we cannot draw this conclusion from looking at the rise in the debt to income ratio without enquiring into its cause. If, as in the hypothetical example above, it is entirely due to a fall in the level of interest rates and a commensurate fall in the variability of interest rates, then risk has not increased. This is important because *most* of the rise in the debt to income ratio in Australia is of this type. But this does not mean that we can dismiss all concerns about the rise in household debt. This is because some of the rise in the debt to income ratio was due to factors other than the fall in interest rates, and these factors may well have resulted in households taking on more risk, and in many cases a lot more than they recognise. The rest of my talk will attempt to spell out these factors.

Other factors behind the rise in the debt to income ratio

Lower inflation: The other variable that has a quantifiable and mechanical effect on the debt to income ratio is the rate of inflation or, more precisely, the rate of increase of household incomes. Not surprisingly, this is highly correlated with the rate of interest, but it has an identifiably separate influence. When the rate of growth of incomes slows, the debt to income ratio of each borrowing household is eroded more slowly than in a higher inflation environment.

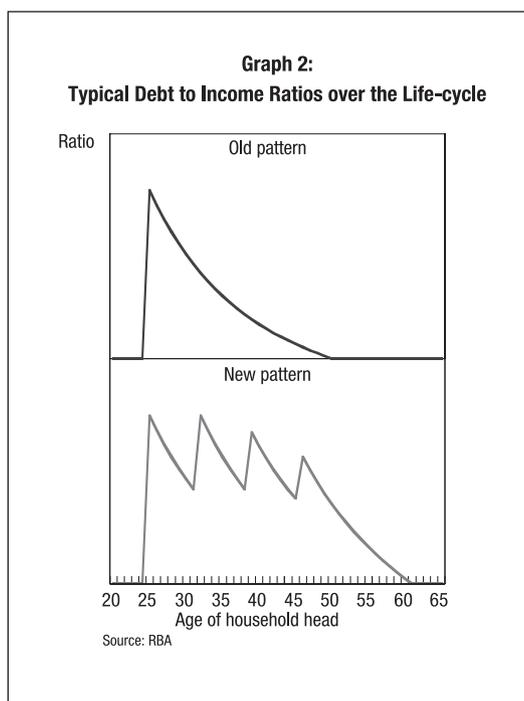
When a household first takes out a mortgage, it places itself in a somewhat vulnerable position in that its debt is a multiple of its income, and its debt-servicing ratio is at its maximum. It accepts the risks involved because it is a necessary part of the path to home ownership. In the past, the typical household only remained in this relatively “risky phase” for a few years, mainly because its nominal income rose quickly (partly due to inflation), and secondly because its

debt was reduced by principal repayment. In a low inflation environment, nominal incomes rise more slowly and so households remain in the “risky phase” for longer. If they have fully factored this into their financial decision-making, it should not present a major problem, but if they are still operating on the assumption that inflation will quickly reduce debt burdens, they would be taking more risk than they perceive.⁴

Financial deregulation and increased competition : A range of other factors has allowed households to maintain higher levels of debt for longer periods than previously, and most of these are, at least in part, attributable to innovations brought about by financial deregulation and increased competition among providers of credit. It is now much easier to refinance and so take out a larger loan either on an existing property or to purchase a more expensive one. Banks and mortgage brokers now actively encourage these activities, and so loan turnover has risen sharply. A similar process is seen with new lending products such as home equity loans and mortgages with a redraw facility.

These developments have allowed borrowers to go back and top up their debt over their lifetime rather than simply allow it to decline through principal repayment. The contrast between the two types of behaviour is shown in Graph 2: the older pattern is shown in the top panel, and the newer one in the lower panel. Like the effect of lower inflation described earlier, this allows households to remain in the “risky phase” for longer than was the case in earlier decades.

The special case of lending for investor housing: So far the analysis has implicitly assumed that we are talking about households that borrow for owner-occupation or, at the margin, for consumption. But the biggest single change over the past decade is the rapid increase in borrowing in order to



purchase a dwelling for investment purposes. The annual growth rate in this type of borrowing has averaged 21.6 per cent over the past decade, compared with 13.4 per cent for borrowing for owner-occupation. To put this in another perspective – if borrowing for investment purposes had only risen at the same rate as borrowing for owner-occupation, the aggregate debt to income ratio would only have reached 109 per cent, not the 125 per cent that actually occurred. At the former figure, Australia would still be in the lower half of the countries shown in Graph 1.

So borrowing for investor housing is a large part of the story of rising household debt in Australia. It is also different to borrowing for owner-occupation in several respects. First, it is a pure investment decision, not a lifestyle decision. Many people would choose to become owner-occupiers even if they understood that it might not be particularly profitable; it is hard to see why anyone would be an investor in housing other than because they expected it would be a profitable commercial decision (hence, the widespread use of “investment seminars” to encourage this type of activity). Second, for a high proportion of these investors, tax considerations drive the profitability calculations and so provide an incentive to maximise debt. Thirdly, borrowing for investment purposes is inherently riskier than for owner-occupation, in that the investor cannot be sure of who is going to occupy the dwelling and on what terms, but the owner-occupier knows the answer to that question.

There are additional risks that now accompany investor housing as a result of how the industry has changed. A high proportion of investment is now in multi-unit apartment buildings, where developers pre-sell to investors, usually on 10 per cent deposit. They have, therefore, effectively transferred the first 10 per cent of price risk onto investors.⁵ Because the building may take about 18 months to complete, that means the investor will not know whether the risk has eventuated for 18 months. In economics, a lag between when a decision to increase supply is made and when the price effect occurs can lead to what is colloquially known as a “hog cycle”, and can be associated with large overshootings in prices. It is conceivable that at some point in time there could be a large reduction in investor demand for apartments, perhaps because of fears of over-supply. But because of the production lag, there would still be an 18-month supply of partly-built apartments to come onto the market and to be digested by it. With the trend towards large-scale developments which take longer to complete, it is possible that this lag has been lengthening in recent years.

For these reasons, we at the Reserve Bank have been concerned about investor housing for some time. We are concerned not only because it has been a very large factor in explaining the growth of

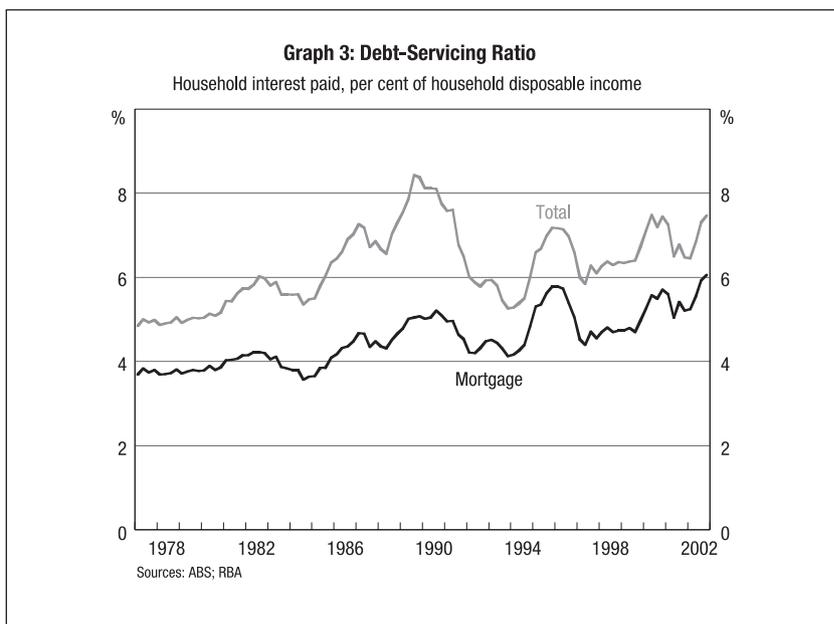
household debt, but because the risks involved are greater than in borrowing for owner-occupation, and are unlikely to be fully understood by the many newcomers to this activity.

What do other financial ratios show?

The most important financial ratio from the household perspective is the debt-servicing ratio – the ratio of interest payments to disposable income. Understanding the movements in this ratio is difficult, as shown in the appendix to this speech. Two measures of debt servicing are shown in Graph 3 – the bottom line shows only interest on mortgage debt and the top line adds in the interest on all other household borrowing. Both lines show a gradual upward trend, although their cyclical movements differ.

By 2002, the debt-servicing ratio on mortgages had reached 6 per cent of household income, while total debt servicing reached 7½ per cent. If we were to add the required repayment of principal on to this line, there would be a larger tendency for the line to slope upwards. Our estimate is that households currently pay about 2½ per cent of income in required principal repayment, which brings their total debt servicing to 10 per cent of disposable income.

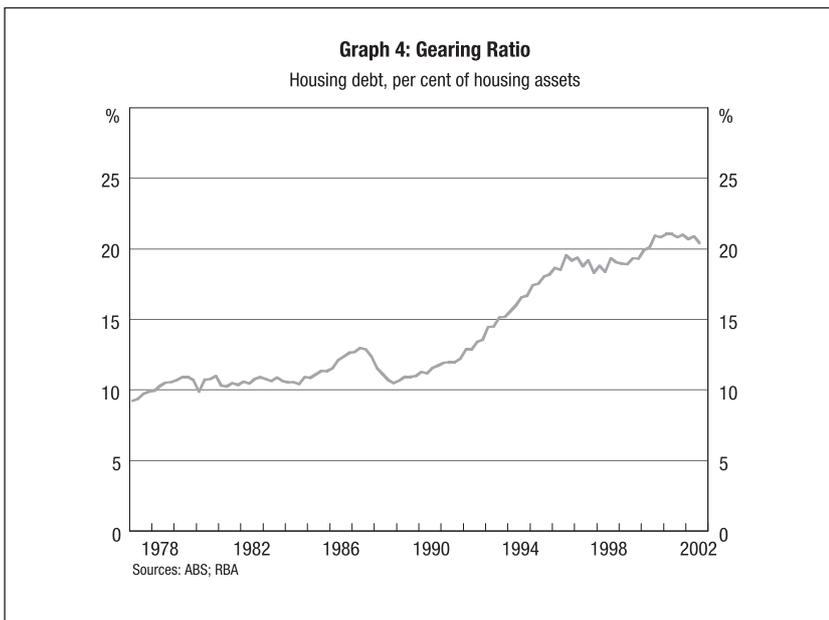
These aggregate ratios sound quite low, but we should recognise that they are held down because they include all those households which have no debt. When we adjust for this, our estimate is that for households with housing debt, the total servicing payment (interest



plus required payment of principal) averages 20 per cent of disposable income, compared with about 14 per cent 10 years ago. Thus, although interest rates have trended downwards through the period covered by Graph 3, debt servicing has trended upwards. Households have increased their borrowing by more than interest rates have fallen, an outcome consistent with the developments discussed in the previous section.

Another financial ratio that is important in order to evaluate risk is the gearing ratio, which is the ratio of the value of housing debt to the value of the stock of housing assets (Graph 4). In Australia this has risen over the past decade from 13 per cent to 20 per cent,⁶ and therefore means that households as a whole have increased their risk. But most households hold no housing debt, so the average gearing ratio for those that do is about 43 per cent.

One other fact that we can deduce is that the average gearing ratio for investors has risen a lot faster than for owner-occupiers over the past decade, although the level is not as high. It appears that there are two main classes of owners of investment properties: those that wish to live off the rental income and therefore hold little or no debt; and those that are mainly concerned with capital appreciation and tax minimisation and therefore aim for a high level of debt. Over the past decade, the sharp rise in the gearing ratio suggests that the second group have expanded a lot faster than the first.



Response to shocks

I would now like to return to the question of whether the rise in household debt will result in a reaction which will be disruptive to the economy. Some commentators have suggested that the debt to income ratio is now so high that it is unsustainable. If they mean by this that it will start to fall under its own weight, I think that this outcome is very unlikely. It is far more likely that the ratio will continue to rise for some time, even if more slowly. For a start, the effects of the lower interest rates and lower inflation have not yet fully worked their way through the system and, additionally, it is likely that over time more households will take advantage of the newer and more flexible debt products now on offer.

A more fruitful approach to analysing the effects on the economy of the higher household debt level is to ask how it will affect the response to economic shocks. In other words, how differently will a “high household debt” economy behave in the face of some temporary adversity compared with a “low household debt” economy? Is it more likely now, for example, that an adverse shock to the economy will mean more households are forced into selling their homes, or having their banks foreclose on their mortgages? This is the sort of scenario which we would all dread because it would impart a sharp contractionary force to the economy.

In principle, this could happen if the shock in question was a deep enough recession accompanied by a large enough rise in unemployment. If someone loses their job altogether or is forced to accept one at a much lower income, they may not be able to meet their debt-servicing obligations. However, the crucial variable here is the debt-servicing ratio – it is this which determines whether a household can keep its property when there is an interruption to its cash flow, not the absolute level of debt (or the debt to income ratio). And we know that the debt-servicing ratio has risen moderately – from about 14 per cent to 20 per cent. So our judgement would be that although the incidence of this type of extreme reaction would increase, it would not increase by a lot.

Even if we judge that the incidence of this extreme reaction will still be relatively low, are there other forms of behaviour which are likely to have changed as a result of the higher debt-servicing ratio and higher gearing among indebted households? In other words, are households *that can afford to meet their debt-servicing requirement* likely to change their behaviour in other ways now that they have a higher debt level than formerly? It seems to me that the answer to this is yes. Households are bound to become more cautious if the prospect of an economic downturn increases, and this would show up as weaker consumption and a rise in precautionary savings. Thus, as a general

conclusion, we should assume that consumption will become more sensitive to economic conditions.

A related aspect is that it is often said that consumption is now more sensitive to a change in monetary policy. This is clearly true if we define a change in monetary policy as a given absolute rise in interest rates, say 50 basis points. Obviously, if households have more debt, a rise in interest rates will affect them more than if they had less, and so income after mortgage payments would fall more, and so would consumption. This has not gone unnoticed, and at the Reserve Bank we are aware that the heightening sensitivity of consumption means that to achieve a given change in the economy, a smaller change in interest rates will be required.

What about the response to falling house prices? For those households that could afford to meet their debt-servicing obligations, one would have to assume that they would continue to do so, regardless of the fact that the price of their house was falling. Even in the extreme circumstance where the price fell below the debt level – referred to as negative equity – it is likely that owner-occupiers would endure the situation stoically because there would be little alternative. Again, the higher the gearing, the more their wealth would be affected and the more cautious they would become in their consumption spending. The behaviour of investors in this situation, however, could be quite different to owner-occupiers in that there would be a strong temptation to get rid of the troublesome investment, especially if the fall in price was caused by a difficulty in finding tenants. So for investors, there could be a flow-on from falling housing prices to increased selling pressure and hence further downward pressure on housing prices.

Another channel through which the increased sensitivity of consumption could work is the phenomenon of housing equity injection/withdrawal. As we have seen, in the good times households can augment their consumption by effectively tapping into the increased equity in their homes (housing equity withdrawal). But if they become apprehensive about their economic prospects, they could easily cease this activity or go back to the old pattern of equity injection, which would involve reducing consumption. There is evidence from the United Kingdom that such a switch occurs when house prices fall.

Apart from the heightened sensitivity of consumption, are there other risks that we have overlooked? In particular, are there risks to the lenders as well as to borrowers, and hence a possibility of some sort of financial crisis due to failure of financial institutions? Obviously, if the shock was large enough, we could not rule this out, but my guess is that it is highly unlikely. Throughout our work on household debt, we have assumed that lending standards of financial institutions, as typified by maximum debt-service ratios, have not been relaxed. This might be an

over-simplification but, if it is, it is not a large one.⁷ I know APRA have been looking at this situation closely and have been subjecting banks to stress tests based on quite onerous scenarios – for example, a 25 per cent fall in house prices. Even under these extreme assumptions, even though bad debts rise markedly and there would be a lot of personal distress, it is very hard to conclude that there would be large-scale financial failure.

Conclusions

Although I started with the intention of keeping my talk simple, I am afraid that the subject matter ended up being far more technical than I thought. I will therefore attempt to compensate for this by keeping the conclusions as simple as possible.

There is one important factor that should give us some reassurance about the large increase in household debt. That is, most of the increase was due to the halving in the mortgage rate and the inflation rate as we moved from the 1980s to the 1990s. If this was all that was at work, I would be comfortable, given the greater stability in interest rates, in concluding that there had not been a significant increase in the risk profile of the household sector.

But other factors have also been at work, and I cannot help but think they are the result of the over-confidence that follows the experience of a strong and sustained economic expansion. Much as I think the expansion has a good deal further to run, I suspect that a significant number of households have chosen a debt level which makes sense in good times, but does not take into account the fact that bad times inevitably will occur at some time or other.

The other factors that have been at work show up as a modest rise in the aggregate debt-servicing ratio and a similar rise in the aggregate gearing ratio. These are not because the maximum risk a typical household faces during its life cycle is larger than it formerly was, but because many more households are now staying at or near their maximum risk position for a longer period. The other development that has clearly increased risk is the exceptionally fast increase in borrowing for residential property for investment purposes, and the accompanying rapid expansion in apartment building, which show all the signs of a seriously over-extended market.

As far as we can judge at this stage, the rise in household debt does not pose a significant danger of a financial crisis, i.e. the failure of significant financial institutions such as occurred in the early 1990s after the build-up in corporate debt. But it does suggest that household consumption will be a lot more sensitive to economic conditions than hitherto. Thus, we should expect a more pronounced cutback in consumption if adverse economic conditions occur. This increased

sensitivity also has implications for monetary policy, a development we have been aware of for some time.

At present, there are some tentative signs that both household borrowing and residential property development may be levelling out. There is no doubt that those developments, followed by a further scaling back, would be in the longer-term interest of the Australian economy.

Endnotes

- 1 See “Recent Developments in Housing: Prices, Finance and Investor Attitudes”, *RBA Bulletin*, July 2002 pp1–6j, “Innovations in the Provision of Finance for Investor Housing”, *RBA Bulletin*, December 2002 pp 1–5j, “Housing Equity Withdrawal”, *RBA Bulletin*, February 2003, and “Household Debt: What the Data Show”, *RBA Bulletin*, March 2003.
- 2 See *RBA Bulletin*, March 2003, op cit. In principle, this would not be completed until the last loan taken out before the fall in interest rates was paid off, i.e. 25 years. But in practice it would be a lot shorter because on average mortgages are paid out or refinanced well before maturity.
- 3 Unfortunately, we have no detailed information on the distribution of household debt for investment housing. In what follows, we assume that investment properties are owned by households that already own or are paying off their owner-occupied property, i.e. renters do not own investment properties.
- 4 See G.R. Stevens, “Some Observations on Low Inflation and Household Finances”, *RBA Bulletin*, October 1997, pp 38–47.
- 5 This sentence is reproduced as it was delivered. Subsequent to the delivery of the speech, it was pointed out by a member of the audience with more legal knowledge than the author, that the risk is even greater than the 10 per cent mentioned in the text. This is because off-the-plan purchasers have a legal obligation to bury at the contracted price, i.e. they could not walk away if the market price fell by more than 10 per cent.
- 6 An alternative measure of gearing, the value of total household debt to total household assets (which includes equity holdings, superannuation, etc.), has risen from 10 per cent to 15 per cent over the same period.
- 7 There is some anecdotal evidence of a small relaxation in lending standards in that the proportion of “high loan to valuation” loans has risen somewhat, and the emergence of the non-conforming lenders has meant that some borrowers who could not meet the standards of the traditional lenders can now obtain housing loans.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid



Photo – David Karonidis

Nick Minchin

In May 2003, the Howard Government handed down its eighth consecutive Budget. Addressing The Sydney Institute, on Tuesday 8 April 2003, the Minister for Finance and Administration, The Hon Nick Minchin, reflected on the continuing pace of economic reform the Howard-Costello Budgets had delivered over that time. And while, in the wake of the horrific tragedies of 11 September 2001 and the Bali bombings, there was no doubt that the Australian government, like many Western democracies, had become significantly more concerned with national security. In the view of the Minister for Finance, this only strengthened the case for strong, disciplined fiscal policy.

PRESSURES ON THE

BUDGET
Nick Minchin

I saw Gerard Henderson say on ABC TV “Insiders”, two days ago, that Defence and Foreign Affairs were now much more important federal issues than the economy, and this was likely to be the case for some time to come. I grant that 11 September 2001 and all that has flowed from that abominable crime have dramatically escalated our focus on Defence and Foreign Affairs. For Australia, the Bali tragedy six months ago has only reinforced that escalation.

Our government, and in particular our Prime Minister, have dealt with these dramatic events and their consequences with calm and steadfast resolve. Our standing domestically and internationally has been enhanced by the way we’ve responded to an extraordinary sequence of international occurrences, including East Timor. Nevertheless, I caution in the strongest terms against allowing these issues to diminish the importance of and our focus on economic management and especially sound fiscal policy.

I say this unashamedly as Federal Finance Minister jointly responsible with the Treasurer for preparing the nation’s most important single document, the annual Federal Budget. I have just emerged from several weeks of Budget preparations in the Cabinet Cave in Canberra to speak tonight about the central and ongoing importance of rigorous, responsible fiscal policy to the nation’s welfare and the enormous pressures that must be resisted to ensure the requisite rigour.

Yes, it is true that Defence and Foreign Affairs have become much more important – but our substantial response to these recent events, involving as it has the commitment of billions of dollars to defence and national security, has only been possible because of the rigour of our approach to government finances over our seven years in office. Without the five surplus budgets, the asset sales and massive debt reduction, the nation would have been in a much weaker position to respond effectively and appropriately to those international abominations.

In other words, these unforeseen and horrific international events have only heightened the central importance of strong, disciplined fiscal policy. The government is bringing that same discipline to bear in our eighth Budget due to be announced next month.

The starting point of any budget is the economic circumstances of the nation. There can be no question that Australia is in better fiscal and economic shape to face the future than nearly any other economy in the world. I say this for four basic reasons:

- Our level of public debt is extremely low by international standards;
- Our economy has shown considerable resilience to international shocks and downturns;
- We remain one of the world's most free economies in terms of regulation and the size of government; and
- Our population, whilst ageing, is ageing at a slower rate than many of our OECD counterparts.

Turning to the first, our most recent mid year economic and fiscal outlook projected cash surpluses in the forward estimates of \$16.6 billion over four years. We have also managed to reduce Commonwealth net debt from \$96 billion in 1996 to a projected \$34 billion at June 2003. That takes our public debt burden from 19.1% of GDP in 1996 to just 4.5% today. That figure of 4.5% compares with an OECD average of 44% and an EU average of just below 50% (e.g. Belgium has debt to GDP of 98%). In fact, the OECD recently praised Australia for our low public debt and stated that as a result, "Australia seems to be well placed to cope with the challenges of an ageing population."

The second piece of good news is that the Australian economy continues to outpace the industrialised world in terms of productivity and GDP growth. Over the past ten years, Australia's average annual growth rate has been 3.5%, compared with an OECD average of 2.7%. *The Economist* magazine forecasts that Australia will achieve 3% growth in 2003 and 3.6% in 2004, higher in both years than any other developed country. In fact, the 6 March edition of the *Economist* carried an article titled "*Australia's economic miracle*", which highlighted the fact that:

- We are in our twelfth year of uninterrupted economic expansion;
- We have shrugged off the Asian financial crisis and the recent international downturn; and
- Our productivity growth has averaged 2.7% over the past decade, compared with the much vaunted 2.2% growth rate achieved by the US.

The OECD also described our economy as "one notably resilient to shocks, both internal and external." And a report released by the OECD last month stated that: "The government's commitment to reform, its willingness to commission expert advice and to heed it,

to try new solutions and to patiently build constituencies that support further reforms, is also something that other countries could learn from.”

Our third key advantage is that our economy is recognised internationally as being lightly regulated, with a relatively small government sector, sound legal systems and strong enforcement of property rights. That was the conclusion of the Washington-based Heritage Foundation, in its Index of Economic Freedom which ranks national economies according to the level of government intervention. Australia came ninth in the rankings, accompanied in the top 10 by the US, Britain, New Zealand, Singapore and Hong Kong among others. France, by contrast, came in a tie for 40th place with Thailand and Kuwait.

Finally, whilst we face demographic challenges associated with the ageing of the population, our challenges are less significant than those faced by most other OECD countries. The OECD categorises Australia as a “slower ageing” country (along with the US, UK, Netherlands, Canada and New Zealand), whereas Japan, France Germany and Italy are faster-ageing countries. We can measure this by looking at the old-age dependency ratio – the ratio of people aged over 65 to those aged between 20 and 64 (i.e. the retirement age population relative to the working age population).

Our dependency ratio will rise from 20 per cent in 2000 to a projected 47% in 2050. Germany’s, by contrast, will be 53%, Japan’s 65% and Italy’s 67%. The USA is in the strongest position – their dependency ratio will rise from 21% in 2000 to 38% in 2050.

You can see the emerging pattern: there is a group of developed nations, including the US, Britain and Australia, which have relatively young populations, relatively free economies, and (particularly in Australia’s case) low debt to GDP. Then there is another group of Western European economies, notably France, Germany, Italy and Belgium, which have rapidly ageing populations, highly regulated economies and high levels of public debt. They are also achieving barely positive levels of economic growth and have double-digit unemployment.

So there can be no doubt that Australia is better positioned than most to face the future pressures on our budget. Moreover, our relatively favourable position is no accident – it is the direct result of an economic reform agenda which has required great political courage and constancy of effort. However, our key challenge is to maintain and entrench these hard-won advantages, and to avoid going down the path of some of our European counterparts.

Of course, the surest way to go down that path would be to become complacent in our policy approach and give in to the various institutional pressures on our budget. I will briefly outline some of

those pressures, their consequences and a few possible strategies to deal with them.

Institutional Pressures

Interest groups

There are substantial inherent and institutional pressures on governments always to spend more taxpayers money. Society is increasingly organised along interest group lines. The driving force behind each interest group appears to be to claim a greater share of the Commonwealth cake – be it the social welfare lobby, health lobby, education lobby, environment lobby, and of late the tourism lobby.

The Opposition parties devote most of their energies to thinking up new ways to spend more money – and attack the government if there is even a hint at any attempt to slow down the growth rate of government spending. The nature of modern election campaigns is such that every three years both major parties find it impossible to resist the pressure to promise greater spending.

Campaigns are about favourable media coverage, which you now only achieve by a daily commitment to spend more on a particular activity or in a particular region. We did well to win our third election in 2001 promising to spend only \$1b more per year, about half what Labor promised. We're also developing a culture where industry groups and the media consider portfolio Ministers a failure unless they secure substantially more funding for their portfolio.

The net result of this is that lobby groups put enormous pressure on Ministers to think up new ways of spending money, but almost never identify ways for government to save it. Ministers must be ever vigilant against the temptation to become nothing more than taxpayer-funded lobbyists for the special interests in their portfolio area.

Irreversibility of new spending

New spending programs will almost always *sound* compelling. You could often be forgiven for thinking that if only this or that new spending were approved we could rid ourselves altogether of age-old social problems and achieve a kind of Utopian ideal. Parties of the Left are especially prone to believing that Utopia can be brought closer by politicians deciding to spend more taxpayers' money. On the other hand, as American commentator George Will so elegantly wrote recently, "It is the conservatives' vocation to prepare the public to be comfortable with imperfection."

Our job as conservatives is to scrutinise all new proposed spending and ask whether it really will achieve its stated aim and whether it is the least cost way to do so. And indeed, whether it has all been tried before. One thing is for sure: once new spending is approved, it will prove very difficult to cut in the future. Once government gets involved in a new area, it will find it near impossible to retreat in future years.

That's why it is important to be vigilant about scrutinising the value for money offered by potential new spending programs before they are introduced. Unfortunately, that task is complicated by the fact that media comment tends to dwell on the dollars spent on a program, rather than the output or the outcome that money is meant to achieve. Thus governments tend to highlight their commitment to an issue by claiming to spend more money, not by patiently explaining how they can achieve more for less.

The States

The pressure on the federal government to get involved in new areas is buttressed by the historic tendency for the Commonwealth to gradually expand its role relative to the states. Our government has made an important contribution to containing that trend by distributing all of the GST revenue to State and Territory governments in the form of untied grants.

What is more interesting is the attitude of the states. It was once the case that State governments would fight the centralisation of power in Canberra and demand greater autonomy, including greater taxing powers. These days, State premiers spend more time requesting (or demanding) that the Commonwealth take on a greater role in a whole range of traditional State responsibilities.

Given that we now have all Labor States and Territories, the federal government is an easy target. In the case of the bushfires this summer, we saw Premiers call for a "national approach" to the issue (and of course, more money from the Feds).

I admit to being an old-fashioned Federalist, but I do believe land management is and should remain a State responsibility. The same story has been repeated in relation to hospital funding, water rights, drought assistance – almost every major area of State expenditure. But we now have several State governments whose entire political strategy appears to consist of trying to cost-shift and blaming the federal government for their own budget woes.

The Senate

The Senate has also become something of an institutional constraint on fiscal discipline. As we finalise this year's Budget, there are two key measures from last year's Budget which have been blocked in the Senate. Both measures are aimed at controlling rapid growth in key spending programs – the Pharmaceutical Benefits Scheme and the Disability Support Pension. I won't go into the detail of those proposals, but suffice to say that neither is draconian or harsh, and both programs are currently growing at levels which are simply unsustainable. And it should be noted that when people talk of a "cut" to the PBS or disability pension, this is misleading – both programs will continue to grow considerably, albeit at a lesser rate, if our reforms were implemented

Nonetheless, the Opposition and minor parties in the Senate have so far blocked these attempts to ensure the long-term sustainability of these programs while we still have a chance to do so. Political opportunism is nothing new, of course, but oppositions have often in the past taken the principled decision to support difficult reforms.

Much of the Hawke Government's economic reform agenda (reduced tariffs, privatisation, competition reforms) was made possible by the support of the Coalition Opposition. But the Senate, and the political strategy adopted by our opponents, has become an institutional impediment to bringing runaway spending programs under control. It also creates a significant distortion in government policy, because governments will tend to seek savings in those areas where legislation is not required, often to compensate for a more compelling saving which cannot get through the Senate.

Moreover, when various reforms do pass in an amended form through the Senate, it is common for there to be substantial additional dollars attached to the proposal in order to ease its passage. So the Senate places strain on the Budget in two directions – by opposing sensible new controls on spending, and by insisting on significant new money as the price of other reforms.

Deficits

With all these challenges, it requires great vigilance on the part of the government, the Treasurer and the Finance Minister to ensure that the interests of taxpayers have not been forgotten altogether. And of course, there is one group – future taxpayers – who are systematically under-represented in our democracy. Hence the pressure to overspend, in an attempt to please today's voters and leave tomorrow's taxpayers to foot the bill. Happily, the Howard Government has struck a blow for inter-generational equity by reducing debt by \$60 billion (or two thirds). As I mentioned earlier, future taxpayers in Belgium are in for a nasty surprise.

Public expectations

One final institutional pressure comes in the form of public expectations. In a way, policy makers can become a victim of their own success. When the Budget is in surplus, there is a perception that it should all be spent on new programs. There is limited understanding of the desirability of surpluses in growth years to compensate for possible deficits in non-growth years.

The effect of institutional pressures

What this all means is that without ongoing vigilance, and without clear strategies to combat them, these institutional pressures will exert themselves on the budget such that

- Government spending will tend to rise in real terms over time – and so, as a consequence, will taxation

- Debate will focus on inputs not outputs
- Governments, and the Commonwealth in particular, will involve themselves in new programs without reviewing existing spending
- The budget will sink closer to chronic deficit
- The general interest will become lost in a maze of special interest pleading

Possible Responses

There are no easy answers to these pressures apart from the sort of discipline and vigilance demonstrated by our government. Politicians must avoid the arrogance of thinking they inherently know better than taxpayers how to spend taxpayers' money.

The Senate impediment to fiscal responsibility is particularly difficult to deal with. I remain of the view that ultimately something must be done to resurrect the mathematical possibility that a government can win a Senate majority – a possibility lost when the Hawke Government increased the number of senators.

In relation to State government demands for more Commonwealth expenditure, I believe there is a responsibility and an opportunity for State oppositions – all anti-Labor – to call State governments to account. The State oppositions should articulate a vision of federalism which clearly defines State responsibilities funded by State revenues without the bleatings for federal funding that amount to a concession to creeping centralism.

I think every major new spending proposal should be tested against the alternative option – reducing the tax we compulsorily acquire from ordinary Australians. I see the proposal for taxpayer funded paid maternity leave in those terms – the issue for the government is if we had half a billion dollars p.a. available, should we devote it to a new spending program like paid maternity leave, or should we give back to Australians half a billion dollars that we take from them in the form of taxation? The government is still considering that question.

Finally, I think our government, the Liberal Party and the business community face a big task in the art of persuasion – in persuading Australians that if we want to avoid an ever-growing income tax burden, we will gradually need to take more personal responsibility for our lives and not always look to the federal government – that is, other taxpayers – to meet all our wants and needs.

Critical to that task is the work of centre-right think tanks like the Sydney Institute in taking on the vested interests in their voracious demands for more taxpayers' money. All those concerned with keeping the size of government – and therefore the level of taxation – under control, must take the fight up to those groups that shamelessly demand greater government spending without regard for the interests of current and future taxpayers. The national interest in disciplined fiscal policy and containing the size of government must

be championed in contrast to the demands on the public purse by vested interests.

Can I conclude by congratulating The Sydney Institute, and in particular Gerard Henderson, on their contribution to public policy debate in this strong and vibrant democracy which we are privileged to call home.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid



Photo – David Karonidis

Yehuda Bauer

Leading Holocaust scholar Professor Yehuda Bauer was closely associated with the trial which came about when historian Deborah Lipstadt was sued for libel by David Irving. In Bauer's view, the case, which Lipstadt won, had "considerable impact" on Holocaust research in helping to expose the methodology of Holocaust deniers and forcing historians to focus on previously ignored details of the period. On a visit to Sydney in April 2003, Yehuda Bauer elaborated on this opinion in an address to the Sydney Institute on Monday 14 April 2003.

HOLOCAUST DENIAL

– AFTER THE DAVID IRVING TRIAL

Yehuda Bauer

The trial of David Irving, about two years ago, was not a trial *against* David Irving. In fact, he was the plaintiff. It was Deborah Lipstadt who was sued for libel by David Irving because she mentioned in her book that David Irving was a denier of the Holocaust and so on, which he objected to. And, as he saw it, as English trial procedures are slanted in the favour of the plaintiff, he might well win that battle.

I was then the Head of the International Institute for Research into Antisemitism at the Hebrew University and I thought that the time had come for somebody to write an academic study of denial. In my view, there was nobody better than Deborah Lipstadt, then about to be a professor at Emory University in the United States. When she came to Jerusalem, I asked her to do the book and she said “no”. Later, with a close colleague, we went to her again and so on. In the end we convinced her to do it. Her book is called *Denying the Holocaust*.

I saw the manuscript before it was published and there was some mention in it of David Irving. I wrote to Deborah Lipstadt saying, more or less, why don't you take on that bastard a little bit more? And it was this letter that David Irving was able to get hold of, because there is the discovery process when you go to libel trial in England, the mutual discovery of all documentation. This caused two things to happen. First, I suddenly became famous; secondly, I didn't have to attend the trial because I was an object of the trial, so to speak.

As you all know, Irving lost that case. In a famous verdict, Justice Charles Grey branded Irving for what he is: a denier of the Holocaust. Justice Grey added a few points to that. It's a judgment you should read, those of you who haven't. It's a marvellous piece of analysis and a clear statement. There is no doubt that, as a result of the Irving trial, Holocaust deniers in the West have had a very bad press.

So, why is there such a thing as Holocaust denial? Can you deny that Mr. John Howard is the Prime Minister of Australia? Or can you deny that Mr. Bob Hawke actually exists? Obvious truths, can you deny them? The answer is: of course you can. People have done that since

the beginning of time. The fact that something happened doesn't mean to say that it cannot be denied. The next question, of course, is: Why? In order to be able to answer that question, I should go into some of what Deborah Lipstadt addressed and some of what she didn't address.

In the United States there is an historical background to the denial of the Holocaust that precedes World War II. After World War I, a group of American historians (chief among them was Charles Beard, a socialist or pretty much to the left) argued: "We should never have entered World War I. This was a tragic mistake. To go, together with a Russian Tsar and the British Empire, against another empire, the Germans, was wrong. There was no American interest in that. We should never have done that." Among Beard's pupils were not only people on the Left but also people on the Right. One of them was Harry Elmer Barnes, a very solid historian, who wrote a series of theses as the crisis progressed, saying: Keep out of Europe. The National Socialists in Germany are finally putting an end to that horrible waste of time called the Weimar Republic; they are returning law and order to Germany. They are anti-Communist and we are anti-Communist, so why not desist from any intervention there? If we do have to intervene in some form, it's not against Germany, it's against the Soviet Union.

That argument found quite a number of adherents in the United States in the 1930s. And then World War II came along. Barnes continued his writing and speeches and had quite a number of pupils. It made sense to a lot of people to say, well, we are an anti-Communist society and these people in Germany are in fact anti-Communist. We have a traditional historic argument against the British, we Americans, and we can see no reason why we should support the British against the Germans. If anything we should support the Germans against the Communists.

It is that background which provided the beginnings of what we know of Holocaust denial. Because, when the war ended, Barnes' message was even stronger: What a terrible mistake we have made. Look at the Soviet Union. These are horrible people. Look at the tortures there, look at the lack of any kind of civilisation. Compare this to this wonderful society that Hitler wanted to create.

A wonderful society? It was a ruthless regime. In retrospect, how could you justify it? One of the ways to justify it was to deny the existence of the fact regarding the most prominent of its horrors. The Nazis, of course, caused the murder of millions upon millions of people. But this post-war attack on behalf of Nazi Germany was concentrated increasingly on the case of the murder of the Jews, the genocide of the Jews. It was that, really, that formed the beginnings.

Parallel to that, a man by the name of Willhelm Oven, who had worked with Goebbels in the propaganda ministry of the Nazi Reich, managed to flee to Argentina, and he wrote the first pieces saying there

never was a mass murder of the Jews. This echoes the statement of a survivor who reported that in Dachau in the last days of the war a guard had told him: Even if you survive, nobody will believe what you are telling them.

From those two points, came the starting point. The deniers develop a very contradictory picture because the Nazis were extremely proud to have murdered the Jews. Then the Nazis who survived tried to deny that of which they had been so proud. That created new problems. But in the United States there arose a lobby of such deniers, it took a long time and there are sort of stations in between that I don't have time to go into. A situation developed whereby people said: We don't like the democratic society, we want a different type of society. We want a well ordered, law and order, anti-Communist regime that will abolish this business of parliamentarianism and political parties. It's a big chaos and we don't need that. In the 1970s and 1980s, movements developed in America that combined those people who were denying the facts in order to justify German National Socialism and those who sought to justify their attack on the democratic society they were living in.

These people then founded, in Los Angeles, the Institute of Historical Review, a supposedly academic group. Several academics belonged to it. Such as William App, who was a professor of English on the East Coast, and several others including Arthur R. Butz, who wrote a book called *The Hoax of the Twentieth Century* in which he analyzed "the stories" of the Holocaust and argued that this has been vastly exaggerated. He argued that there were only some hundreds of thousands of Jews who died in World War II, like many more millions of people, that the Auschwitz gas chambers never existed, that Zyklon B, the gas, was used for disinfection and similar arguments. And there is a segment of American society that was then, and to a certain extent is even now, willing to listen to this. If you are born John Smith in Iowa or Tennessee or New Mexico or Arizona, what will you believe? That people were shoved into gas chambers and murdered in pits just because they belonged to different belief systems or had a different tradition? Or are you going to believe a person who says, look don't worry it never happened. You might well go the second way. The deniers' organisation pretends to be an academic group examining the truths of the story about the genocide of the Jews, which they say never happened.

David Irving joined them; his career is a slow development into the denial family. He pretended that he was a legitimate historian. He doesn't have a degree and he was never accepted by a university, but he was a freelance historian. The question which came up at the trial was: Is he actually an historian? Are his writings of such a nature as to justify his being called an historian? In other words, does he examine the

history in the terms that are acceptable to the art or science, whatever you want to call it, of history? And a brilliant British historian, by the name of Richard Evans, analyzed a number of David's Irving's early books and found he was mishandling evidence, distorting fact, misquoting documents and mistranslating documents from German, which he knows perfectly well, and so on and so forth. In other words, he is not an historian; he is a charlatan. Are all the others charlatans? Yes, they are. If you take the book by Arthur R. Butz, it's the same story. The book is full of footnotes and looks very academic and scientific but, as they say in London, "it ain't". It's just a pretence.

Parallel to the United States, there grew a denial in other countries. First and foremost in France where it was founded immediately after World War II by a Socialist deputy in the French parliament who changed his politics and had been a prisoner of war in Germany in a concentration camp. He took the side of the persecutors. His name was Paul Rassinier. He wrote a book called *Le Mensonge d' Ulyssee (The Lie of Ulysses)* and several other books in which he denied that there had been a Holocaust. Like Arthur Butz and David Irving, he said there were Jews who were killed in World War II but there was never any intention of the Germans to kill the Jewish people. They died because many people died in World War II. He developed this slowly into a position where he denied the story and quotes about the Auschwitz gas chambers. Rassinier was followed by others, perhaps first and foremost by Robert Faurisson who was, he no longer is, a professor of French literature at a French university. He was followed by others throughout Europe – not in Germany, because in Germany this is forbidden. So the Germans who favored this kind of interpretation of history had either to publish outside of Germany or go out of Germany in order to publish.

In France, too, it didn't work because the French courts had a different policy from the American courts. In America, the idea is to let everyone argue as long as they don't *act*; you can argue whatever you wish. The theory was that by arguing against the deniers, you will marginalise them. To a certain extent it worked. If you ask me, whether you can stop Holocaust denial by passing laws against it, in all the countries we have talked about, the true answer is: I don't know, because in some countries it works one way and in some countries it works the other way. It depends on the local culture, the local tradition, which is more effective. In America, a long argument against the deniers actually produced a kind of partial marginalisation of the denial of the Holocaust. And especially after Deborah Lipstadt published her book, because one of the arguments in her book was that when you argue in favour of Holocaust denial it is your *right* to do so but there is no *obligation* by anyone to publish it.

There was a total misunderstanding by many students at American universities in this regard. When they were told by their elders and betters you don't have to publish Holocaust denial, they said but there is free speech here! The argument of Deborah Lipstadt and others was, well, if somebody wants to publish a sexist article in your paper or an article attacking blacks, will you publish it? Of course not. It is your choice! The first amendment of the American Constitution doesn't say you must publish everything that people submit to you, it just says they have the right to free speech. You have the right of refusal to publish what they say. When slowly, quite slowly, student organisations all over America accepted that, then the people who wanted to publish this stuff in student newspapers, found one door after the other closed: you have the full right to publish it wherever you will but not with us.

The denial spread. Holocaust deniers argued everywhere for the same reason – the attack on democratic society, the idea that the Nazi regime wasn't that bad, that it was much better than other regimes, and then of course you have to deny that it did the most horrible crime of all of the many crimes that it was accused of, namely the murder of the Jews. The fact that people who thought like that were antisemites, helped a lot because they could more easily deny the murder of the Jews. If they didn't start with that position, they ended up with it. It spread into Scandinavia, into Latin America, into Central America, and it is still there. You can find it all over the place. In a situation where the world was not undergoing a major crisis, as it is at the moment, it was easier to fight Holocaust denial. When you are experiencing a period of serious crises, as we are now, with all that is going on, not only in the Middle East but elsewhere as well, there arises a possibility that the denial of the Holocaust will take hold of people. For these people, it is a way out of accusing others of ills and problems in their own civilisations.

Remember that the basic motive of all people who deny the Holocaust is to attack the democratic societies they live in. However, we have the denial of the Holocaust in non-democratic societies too. This is of another quality altogether and I'm referring now, largely, to the Muslim countries. This example is fascinating: there is a Holocaust denier in Switzerland by the name of Juergen Graf who in Switzerland couldn't publish any more because they wouldn't publish his stuff, so he went to the Middle East where he was welcome. An Austrian Holocaust denier by the name of Gerd Honsig, is exactly the same. He couldn't publish in Austria (in Austria you can do all kinds of things but you can't publish Holocaust denial outright) so he left. Now he is flourishing in the Middle East. Then there is Roger Garaudy, a Frenchman, who published a very important book, *The Founding Myths of Israeli Politics*. In that book, I figure quite prominently as a *bete noire*

of Monsieur Garaudy. He wrote that the Holocaust never happened, that this was a Jewish invention to squeeze money from the poor Germans to build up a racist, anti-Arab and anti-Muslim society in the Middle East. Roger Garaudy converted to Islam and became part of the radical Islamic world. He got a terrific reception in some of the Arab countries that he visited. His work was, of course, translated into local languages, mainly Arabic. He occasionally visits France, he's a French citizen, but he lives mostly outside of France.

In the Muslim world today, the attack on Western civilisation, or what is inaccurately known as Western civilisation, is the overall project of radical Muslims – not of Islam, because Islam is legitimately interpreted as a peace-loving universalist religion. Radical Islam sees any attack on the Jews as being legitimate because it sees them as the major spearhead of Western civilisation, which has to be overthrown. So Holocaust denial flourishes, and one can offer any number of quotes from Muslim and Arabic newspapers and the electronic mainstream media. It's a legitimate discourse in that world. Some Arabic intellectuals are in opposition to the deniers, in the Arab world, in the Muslim world. A meeting of the Holocaust deniers from all over the world, which was supposed to have taken place in Lebanon about a year and a half ago, didn't happen because many Arab intellectuals opposed the denial of the Holocaust and they said "no."

There are arguments in Arab papers and in papers identified with Islam about this. In this kind of argument there is no outside voice; it's an internal argument. There are people who say: Look, we are making ourselves ridiculous in the world if we support denial of the Holocaust. Then this kind of argument can become somewhat differentiated, a little bit more complicated because of something I would call "soft denial." You don't actually deny that there was, well, let's call it a holocaust. You just say that it wasn't several million Jews who were murdered; it was a few hundred thousand maybe and, oh yes, there were lots of atrocities against Jews, that's quite true but there were atrocities against others, there was no particular reason to single out the Jews. And then, of course, there is the argument that the Jews are responsible for their own persecution. This is an important argument because the victim is always responsible for what happens to the victim. This is soft denial: No, we are not anti-Semitic. We are not against Holocaust deniers and we are not in favour of the Holocaust deniers. We are just saying it wasn't exactly like *that*."

The Irving trial exploded much of this. You can never say again that it was just a few hundred thousand – as though a few hundred thousand would have been better. You can never say any longer in polite society that there were no gas chambers. Where there is no polite society, in other words, where there is no democracy, then you can still say it. But publicly to make such statements in Britain or in Germany

or in France or in Poland, you can't do that anymore. And when you do you are immediately ostracised and pushed aside like the lecturer at Lublin University not so long ago who tried to publish denial and he was immediately fired from the university. Polish intelligentsia, almost as one person, said no, this man doesn't belong to us.

There is a qualitative difference between the Holocaust deniers in what we call the West and the Holocaust deniers in non-democratic countries in the Islamic world. And we seem to be impervious to the fact that we should support those many Muslims, and amongst them many Arabs, who oppose Holocaust denial, who are willing to fight against that. It's not easy to do that in their world. We leave it alone and we should not.

And the \$64,000 dollar question is: how do you fight it? The answer really is not that complicated. You fight it short term and long term. You fight it short term by public discussion – but not with them. I will never go on the same platform with a Holocaust denier just as I will never go on the same platform as somebody who argues that the earth is flat and the moon is made of white cheese; I am not going to argue with them. But I will argue publicly against Holocaust denial, on TV, through any kind of media. That's the short term.

The long term is education. The long term is to tell those who don't know or are not particularly interested in this, that there was such a thing and it cannot be denied. In the long term one can inject people with a medicine against denial simply by providing them with the necessary, not just information, but with the necessary knowledge. It's a long, long, hard process.

But denial is not particular to the Holocaust. The Armenian genocide was denied and had been denied and is being denied to this very day by the Turkish government. In order for Turkish society to become healthy, to be able to proceed in its development in the future, they have to realise that their great grandparents, and not all of them but some of them, committed the genocide. The Turks didn't do it alone, there were Kurds involved. But it was mainly Turks. And there are others who deny what they did, you find it all the time. Do Indonesians recognise what they did in East Timor? Some of them do, many of them don't. Denial is not particular to this genocide but it is the best known genocide because it's an extreme case of genocide and therefore it becomes essential. Denial is everywhere: denial of facts, denial of atrocities, denial of the fact that we are, all of us humans, capable of mass murder. Fighting against that I think is the obligation of every one of us.



Margo Kingston



Imre Salusinszky

Photos – David Karonidis

The end of the Cold War, the era of economic reform and the military success of the US led invasion of Iraq has led many to wonder what has happened to the Left. In pursuit of some answers to the suggestion that the polarisation of politics is no longer relevant, *Sydney Morning Herald* journalist Margo Kingston and staff writer for *The Australian* Imre Salusinszky addressed The Sydney Institute on Wednesday 16 April 2003 to present two differing views.

THE LEFT: TWO VIEWS

– *WHERE THE LEFT'S AT*

Margo Kingston

I guess some of you assume I'm here as a representative of the beleaguered left, taking up defensive position number 123 to ward off a rampaging member of the triumphalist right about to stick the boot in one more time.

Could we start again please?

The world, the allied and Iraqi troops, the Iraqi people, and all of us who watched it and read about this war have just been through a traumatic experience which will continue for a long time, perhaps for my lifetime.

That experience sounded, please God, the death knell for the traditional left-right dichotomy, which lost its utility a long time ago and now survives, it seems to me, as a convenient means by which commentators accuse each other of being disgusting, idiotic ideologues to the cheers of fans who stopped thinking because it got too hard. The labels are an excuse not to engage, to reassure adherents there is a certain truth, an instinctive escape from genuine conversation in an era of profound uncertainty.

I know a few people for whom expressing dissent by way of rallies and protest marches is a part of their lives. Without exception, their experience of the big weekend of protests before the war was one of awe – to a man and woman they said, in wonder, “I didn't see anyone I know!” Humanity – all shapes, sizes, addresses, incomes, world view – cared enough to come together, in peace, to ask our leaders most sincerely if they could please find an alternative to war. Even if you supported the war, surely there was joy in seeing so many Australians, so many people around the world, having a say, trying to make a difference?

The war debate saw the traditional left split. The traditional conservatives split. The nationalists split. The realists, in general, were against a unilateral US war. No, that's too simplistic. Australians, like peoples around the world were in many camps. No war in any circumstances. War only if the UN agreed that the weapons inspections could

not disarm Iraq. Support for a US led war, but not Australia's participation. In my case, opposition to a US war without prior disclosure of a just and democratic transition to peace by a genuine act of self determination by the Iraqi people and, ideally, a unanimous resolution of the Security Council to establish an independent state of Palestine as a top priority. BUT, if by whatever means and even if under no constraints the UN gave the green light, yes to Australia's participation due to our reliance on the American alliance for our national security.

So the people who marched had many reasons, and represented many strands of political belief. Remember this from a letter to *The Sydney Morning Herald* way back in September last year – “We put this conviction directly and unequivocally: it would constitute a failure of the duty of government to protect the integrity and ensure the security of this nation to commit any Australian forces in support of the US military offensive against Iraq without the backing of a specific United Nations Resolution.”

That letter was signed by former Labor Prime Ministers Gough Whitlam and Bob Hawke, former Liberal Prime Minister Malcolm Fraser, former Liberal opposition leader John Hewson, two former chiefs of the Australian Defence Force – General Peter Gration and Admiral Alan Beaumont – former navy staff chief Admiral Michael Hudson and the head of the RSL Major-General Peter Phillips.

Let's be honest here. In my view, the fundamental split was between those who thought a US invasion would make the world a safer place, and those who thought it would make it more dangerous. For each nation, the question of its national security within a changed world was paramount. And hovering over the debate was the desperately difficult fact that the world's only superpower had decided that, on the basis of its national interest, it would decide which nation to invade, the circumstances in which to invade it, and how the invaded country would be shaped after regime change. It was that issue, more than any other, which saw a strange new alliance formed between France, Germany, Russia and China, and which saw “right wing” leader Jacques Chirac oppose the invasion and Labour leader, Tony Blair, give it his backing.

We do not know who is right and who is wrong. We will not know for many years. Most importantly, the question is not predetermined, merely requiring revelation in time. It will depend on how the world's nations and the world's peoples act and react from now on.

What we've just been through, for the first time in my lifetime, is the peoples and the nations of the world engaged in a tumultuous, deeply unsatisfactory debate about the world's future through the prism of one nation.

Every sensible person knew as they watched those two planes crash into the World Trade Centre on 11 September 2001 that the

world changed irrevocably at that moment. Since then, we've watched the world unite, then divide bitterly and destructively as America launched a preemptive war without disclosure of its blueprint for peace and proved to the world, starkly, that might is right.

Now, the rules of the old security order have fallen over and with them, in my view, the supposed "inevitability" of world economic globalisation, which the collapse of the World Trade Centre towers also symbolised. So also, the globalisation of environment protection and human rights – which struggle to keep up with economic globalisation – are at grave risk.

As the UN, as we know it – and thus the power of the forces of internationalisation of world governance – collapsed, what the world began debating so imperfectly were the greatest, deepest and most confronting questions of all. In many types of discourses, we began discussing the values and beliefs to which we – as individuals, nations, and collective custodians of this world, our home – subscribe, and the costs we are prepared to pay to meet the demands of those values and beliefs.

For me, a piece by novelist Walter Kirn in *The New York Times*, summed up my experience watching the war:

Lately what the polls seem to be demonstrating is their own pathetic inadequacy in the face of events that cut deeper than the cranium – events that can be processed only in the soul. What's your opinion of a soldier with a head wound staggering through a sandstorm at 3 a.m.? What's your opinion of a missile blast that collapses eight stories of reinforced concrete on top of an unknown number of civilians who were either inside the building by accident or because they'd been herded into it at gunpoint? What's your opinion of mass panic brought on by the noise of unrelenting artillery fire and a chronic shortage of clean water? What's your opinion of nerve gas?

... Sorry, not playing. I'm turning in my card. What's more, I'm turning off the polls. To keep tabs on what "we" think before I know what I think, and perhaps to risk shaping my own thoughts in the process, whether out of some secret longing to fit in or an unconscious desire to stand out, strikes me as a form of spiritual cheating, of shirking my obligation before the cosmos to pass through this fire naked and alone, without checking to see who's with me and who's not and by what magnitude and over how many days.

Hard choices, each one having a terrible cost. No referee. No consistency. No level playing field. Shifting arguments. Fake evidence. And the certainty of all thinking people, surely, that the stated rationales for the war were untrue, that there were deeper, more fundamental reasons in play, reasons which those who rule us believed could not be openly discussed because they were ashamed of them, or because they were too confronting for us to face, or because we might interrogate them

and they might discover (or do they already know?) that the peoples of the world just don't support them.

Then war. Scenes of horror, dismemberment, liberation, anarchy, joy, hope, unimaginable pain and loss, fear, hatred, hubris... Name your adjective – list them all through the prism of the experience of the people of Iraq, blessed and cursed with its abundance of oil, torn asunder by wars of empire over thousands of years. We stared at the human condition, blinkers removed.

And then – too quickly – many of us put the blinkers back on. The debates resumed as before, only more bitter, angrier, even more divisive.

But it can't be, can it? It doesn't matter what your walk of life, your wealth, your philosophical or political bent – an unsafe world where bombs or other mechanisms of random death can hit anyone, anywhere, anytime means we're all in the same boat in a world rent with terror, aren't we? We were all able to emphasise with the tragedy of the war and the fragility of hope for the Iraqi people, weren't we? There *must* be common ground, mustn't there?

What is the value of a human life? What is the responsibility of those who decide they will sacrifice some innocent lives for a larger purpose? What place does Australia have in the world and what place can it realistically aspire to? What values does Australia stand for? What compromises must Australia accept to those values to keep us as safe as possible?

Left and right. Black and white. Good and evil. All or nothing. These binaries are methods of escapism from the need to examine who we are and where our society is failing us with clear, honest eyes. The left-right debate in Australia reinforces prejudice on both sides, and is both an avoidance mechanism and a dangerous tool of fanatical political tribalism. It destroys. It is hopeless. It does not reflect the diversity and nuances of the views we hold, or the extent of our common ground. It does not facilitate constructive conversation. It is an admission of the failure of public debate to achieve anything of value for society.

I suggest those of us lucky enough to be paid to think about our nation and its values, and those interested in reading and participating in that discourse take a deep breath at this momentous moment in Australian and world history, and make the assumption that each of us is in good faith and has the best interests of Australians and Australia at heart.

Let's then explore where we differ, and why. Let's first focus on what are our core beliefs about the individual, our society and the role of government. Then let's see what common ground we've got, both in our core beliefs and principles and in our assessment of the weaknesses in the way our society and our democracy are working. You know,

it's just possible that most of us will share more core beliefs and principles than not. Most of our disagreements may well be about the best means to fulfil our common principles, and on whether we are inherently pessimistic or optimistic about the human condition.

But pessimistic or optimistic, we must find the hope in this, and nurture it for all it's worth.

So let's do what we always promise we'll do next time but never do when the time comes, and look at the history of this war from 11 September, when fanatics invaded America and a group of Americans called neo-cons had the clear-eyed, bright-light, absolutist, fundamentalist vision ready to put in place in response.

And let's look back on the wreckage of the rules now gone, and consider in hindsight what could have been done differently, and how, by all the players, to achieve a more satisfactory, less brutal, less uncertain result for all of us. If we all had our time again, what would we do differently, and what would we have liked our leaders to have done differently?

And when we've done that, let's dream about what a new world order might look like, that we think gives the world a better chance to survive and to maximise human freedom, happiness and dignity.

I don't know about you, but I feel humbled by this war. It brings into sharp relief the urgent work to be done in finding a useful mechanism by which the world tackles the world's problems, the ones no country can tackle alone. Amid destruction of the rules must come renewal, and I'm trying to think, as many of us are, about what my role could be in that, in my little world, in my little country, as a citizen of the world committed to doing my best to leaving it in the best shape I can to the children of my relatives and friends.

I've got lots of thoughts – too many – jumbling around my head, competing with each other for attention. Maybe some people in the audience need what I do – a process – a means by which I can converse with other people of good faith, who care about our land, our people, our country, and our world, to settle on a few basic values, to be honest about the constraints individuals are under, in their individual circumstances, in giving them full rein, and to work across old political divides to find, encourage and support leaders who will help us all nurture our hope, and put the energy that gives to good purpose.

No-one has "the truth" any more. We all know it, in our hearts, though so many of us pretend not to, for fear of what that means, and the consequences that might follow for our careers if we dropped our pretence. And partly because of these left-right barriers, we can't seem to get together and talk things through any more. And agree, politely, to disagree on some matters, and have the courage to agree, with relief, on others, and put our heads together to push those common ideals along.

When an old order falls, there is the chance to rebuild a better one. This is a time of vulnerability and fear. Thinkers can exacerbate those feelings, or facilitate honest conversation with each other to do our bit to rebuild community spirit and regenerate a shared value system.

The people in this country and this world need to trust, and need to hope. The left-right debate doesn't engender either. Could we start again, please?

THE INTELLECTUALS,

BABY

Imre Salusinsky

When Gregory Melleuish and I published a book of new essays by various hands, *Blaming Ourselves: September 11 and the Agony of the Left*, in May, 2002, we were repeatedly told that we had exaggerated, or even invented, the America-hating, anti-Western attitude of the left intelligentsia in Australia. This didn't bother me at first. After all, most of the reviewers of our book were, in the way these things seem to happen in Australia, the very people who were roundly criticised in it. But when a man I admire and respect, Gerard Henderson, wrote of our book that "only a small number of local leftists are successfully linked with the 'blaming ourselves' allegation", I was shaken. Had I simply imagined all those colleagues, at the university where I still worked in 2001, telling me that America "had it coming"? Had I dreamed up the rally that the academics' union summoned me to, a week after 11 September, to denounce the United States? Was I going mad?

Reassurance was not long in coming. It was only a few months after the publication of *Blaming Ourselves* that the first anniversary of the 11 September tragedy rolled around, and the response of the local left commentariat confirmed, in spades, the argument of our book. According to Doug Anderson, the endlessly moralising television reviewer for the *Sydney Morning Herald*, and a reliable guide to what ageing lefties in Melbourne and Sydney are thinking, America's observation of the anniversary of the slaughter of nearly 3000 of its innocent civilians "should define, once and for all, just how badly America does grief". This deeply offensive statement was followed by the claim that the extensive television coverage of the anniversary in the United States and Australia – not really such an extraordinary phenomenon, when you stop to think about it – was really designed "to reinforce hatred of the Iraqis".

Writing in *The Age*, columnist Janet McCalman (a leftist writer and academic) reported that she found herself responding to the anniversary of the 11 September attacks with "mixed feelings":

Part of my unease is the affront this focus on September 11 implies to others in the world who this past year have died gratuitous deaths at the hands of political enemies or at the ever-incomprehensible hand of fate. Are Manhattan lives that much more valuable than Indian or Chinese or Chechnyan or Afghan or Middle Eastern ones? In strict moral terms, of course, they are not. In political terms, however, it seems that they are.

This is, in any terms, utter rubbish. When we lay special emphasis on the loss of those close to us, or those with whom we have a special cultural or historical bond, we are expressing a fundamental human feeling, not any “valuation” of different people’s lives. (When, years after their deaths, I still mourn my parents, is that an “affront” to others who have lost their parents?) The only “political” element in all of this has been the attempt by the intellectuals to short-circuit the natural fellow-feeling of Australians towards the Americans who lost their loved ones in New York and Washington.

McCalman then turned her attention to what, in the new age of international terror, she saw as the real threat to world security. After praising the minority of Americans who are “appalled at the losses of civil rights, press freedom and open debate that the war on terror has licensed” and who are “ashamed by the squalor and misery in their own back yard”, she turned her sights on the rest:

But there are a lot of other good folks who don’t read quality newspapers or watch public broadcasting or travel overseas unprotected by tourist buses. These are the folks enveloped in the bubble of American insularity. These are the folks who know almost nothing about the outside world and far too little about their own. Great danger for the world lies in their ignorance and naivety. But the shocking events of September 11 may have served some good purpose if they awakened the complacent in the world’s greatest democracy to their lowly place in the affections of the poor and struggling.

We were not told just what is so threatening about people who do not watch public broadcasting and travel in tourist busses, but once again the arguments of the Islamist murderers were being strangely counter-signed by a privileged Western intellectual: 11 September had a “good purpose” if it reminded stupid, complacent Americans that they were the cause of suffering elsewhere. This did not seem light years away from the “blaming ourselves allegation” in our book. And Anderson and McCalman were not writing in unread hyper-left magazines like *Arena* or *Overland*, but in two of our leading broadsheet newspapers. There were many similar examples of how intellectuals in Australia “observed” the anniversary of the slaughter of 11 September.

The other claim that Gregory Melleuish and I made, in the Introduction to *Blaming Ourselves*, was that, post- 11 September, we would see a widening chasm opening up between the mainstream political left – which performed with great honour and commonsense after the terror attacks – and the intellectual left that we were writing about so critically. The political left has made enormous gains in the last two

decades by steadily moving along the path of reconciling progressive politics with market reality: and at every step of this path, the left intelligentsia has condemned the mainstream political left for its “sellout”. This division, we argued, would become irreconcilable after the wedge of 11 September. When we referred in our subtitle to the “agony of the left”, by “left” we meant the intellectuals, and by “agony” we intended one of that word’s less common meanings: “the throes or pangs of death”.

There had to be something portentous in the fact that, when the liberal-democratic, pluralist world, as represented by America, found itself under attack from a pack of woman-hating, gay-bashing religious fascists, the left intellectuals could not bring themselves, even then, to identify with liberal society. Instead, as Peter Saunders wrote in our book, what they did was “break the habit of a lifetime and agree to blame the victim”. Thus, to me, it seemed that the logic of “my enemy’s enemy” would prove fatal for the intellectuals, who had watched Pauline Hanson appropriate their bitter antagonism towards free markets and deregulation (or “economic rationalism”), only then to see Osama bin Laden appropriate their bitter hatred of the Great Satan. Finding yourself caught between the facing mirrors of One Nation and al-Qaeda had to be an unraveling experience.

When they responded to bin Laden’s slaughter by blaming America, the left intellectuals seemed to be confirming the poverty of ideas that Avishai Lergalit and Ian Buruma had spoken about in the *New York Review of Books* in January, 2002: “With some on the left, hatred of the US is all that remains of their leftism.” Knee-jerk opposition to the US, even when the US is battling out-and-out fascism, is hardly a very *dialectical* position (which I take it is why some of the more consistent Marxists, like Albert Langer, broke ranks over the War on Terror, and supported the US position). In terms of Australian leftist thought, anti-Americanism is a tired cliché stretching back at least 30 years. As long ago as 1972, in his hilarious book of stories, *The Americans, Baby*, Frank Moorhouse ridiculed the anti-Americanism of the university/arts community axis as shallow and ridiculous, showing how slavishly the intellectuals imitated American styles – including in their very anti-Americanism, which was lifted wholesale from the 1960s American New Left (a tradition that continues today in the Cult of Chomsky).

The jury is still out, as we say, on this second claim in the Introduction to *Blaming Ourselves* – that we are watching the endgame of the far left. Certainly, when anti-war protestors trashed the car of the Labor Premier of NSW, Bob Carr, or when Mr Carr himself trashed the *Sydney Morning Herald*’s Margo Kingston for implying that the Bali bombing had occurred because we “colonised” Bali, we were seeing a

widening of the great divide between the political left and the intellectual left.

But there is evidence that the far left has some life in it yet. For example, by making it impossible for Simon Crean to take the position on the war in Iraq that he knew deep down was both right in principle, and right politically, the left rump in the ALP showed that it still has mischief to do, and can still pursue its historical mission of making Labor unelectable. It must have struck Mr Crean as ironic that the world's leading progressive political figure, Tony Blair, received more support over the war from his Tory opponents in Westminster than from his social-democratic comrades in Canberra.

When a project like that of the left intelligentsia persists, despite lapsing into cliché and irrelevance, we must look for an underlying social basis. I think that we can find the explanation in a social phenomenon that is at least as old as the rise of mass culture: snobbery. In his 1993 book *The Intellectuals and the Masses*, John Carey, Merton Professor of English at Oxford, used snobbery to explain the attraction of fascism to the modernist intellectuals of the 1920s. According to Carey, there is a consistent response among the intellectuals of the late-nineteenth and early-twentieth centuries to the rise of mass culture, the spread of literacy, and the emergence of media like the newspaper to satisfy the new mass market. Writers like H.G. Wells, W.B. Yeats (who loathed what he called "democratic vulgarity"), D.H. Lawrence, T.S. Eliot, and Ezra Pound all, to a man, detested mass culture and democratic man, and fantasised about a plague, or a war, or an apocalypse, that would recreate an older order in which there was a tiny educated elite serviced by a vast army of illiterate serfs. In the arts, this disgust at ordinary mankind, this snobbery, produces the avant-gardeism according to which, says Carey, "the mass is, in art and literature, always wrong." I believe that Carey's argument serves equally well to explain the attraction of communism for Western intellectuals in the second half of the twentieth century. In a fantasy that is still not fully extinguished, the dream of a centrally planned society embodies the intellectual snob's last best hope of being able to dictate to ordinary people how they should live their lives.

And even today, I would argue, snobbery remains the lynchpin of the intellectuals' responses to mass culture, and helps to explain why, as Stephen Matchett put it in a recent issue of *The Sydney Institute Quarterly*, "the moral middle class holds the United States accountable for the world's ills." Deep down, could it have been anything other than snobbery that motivated Janet McCalman to denounce Americans who travel on tacky organised tours, or Doug Anderson to sneer at how badly America "does grief"? And what of the fact that the most popular leftist tract of our times has the extraordinary title, *Stupid White Men*? Can this, too, be anything but snobbery?

Peter Saunders took up this theme in *Blaming Ourselves* when trying to explain the dismissive attitude of university intellectuals towards American popular culture. Just as John Carey suggests that artists felt threatened a century ago by the rise of a new kind of culture that didn't really need or appreciate or reward them, Saunders suggests that today's intellectuals continue to feel marginalised by capitalism, which does not need visionaries to make it work, nor planners to give it direction. In our own day, says Saunders, the devotion of the intellectuals to the concept of "critique", which did not allow them to identify with their own culture's cause even after 11 September, reflects "a hatred born of a righteous sense of defeat".

Let me demonstrate the efficacy of this concept. I would suggest that one of the main arguments of the intellectuals about 11 September has snobbery as its spark-plug: I mean the consistent claim that the mass of the population, aided and abetted by the mass media, has failed to analyse the "root causes" of terrorism. In fact, blinded neither by anti-Americanism nor bourgeois self-loathing, ordinary people saw much more clearly than the intellectuals what the "root cause" of terrorism is: a cold-blooded fanaticism that can neither tolerate our freedom and diversity, nor bear to contemplate the success and prosperity that freedom and diversity have brought us. For the intellectuals, of course, "root causes" are a euphemism for the sins of the West. But instead of casting the debate between differing accounts of "root causes," they prefer to cast it between themselves, the analytic intellectuals, and people who are too dumb or shallow or brainwashed to ask themselves why, after all, they have been attacked. This again is snobbery, pure and simple.

In one of Frank Moorhouse's stories, a group of Australian writers is hosting a visit by a famous American poet, who asks them whether Australian writers are free to write what they wish. One of the local writers assures him that "Australians wrote with the greatest freedom there is – writing without fear of being read". Little, in that regard, has changed in the last 30 years. The quality that rescues the left intelligentsia's project is its essential half-arsedness. There is no fear of being read, or of being taken seriously. For all of their cavils about the capitalist system that clothes and feeds them, Australian intellectuals did not migrate to the Soviet Union in the 1950s, just as they do not migrate to Cuba today (although there is anecdotal evidence of an exodus to Princeton). Nevertheless, it is worth thinking about the possible benefits to the community if more intellectual work – rather than just the part of it produced by private think-tanks – addressed itself to the values and worldview of the mainstream, rather than "critiqueing" them.

In addition, one hangover of provincialism and a small population is that the left intelligentsia, albeit tiny in number, has been able to get

its teeth well and truly into certain key institutions, including the universities, the ABC, and even, bizarrely, sections of the “quality” commercial press (where its progress may be conveniently tracked through an inverse reading of the circulation figures). If, on my argument, the left intelligentsia is busily consigning itself to irrelevance, the question becomes: how many potentially worthwhile institutions will it drag down the historical gurgler with it?

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid



Photo – David Karonidis

Kate Jennings

Shortly before winning the New South Wales Premier's Award for her novel *Moral Hazard*, expat Australian writer Kate Jennings gave The Sydney Institute's Annual Dinner Lecture for 2003 – on Tuesday 29 April at the Grand Harbour Ballroom, Star City, Sydney. Challenging her audience of 700 guests to rethink the “generations flowering triumphantly”, Kate Jennings presented her personal journey from the outback of soldier settler Australia to the markets of Wall Street. Kate Jennings was introduced by Meredith Hellicar, Chairman of The Sydney Institute, and the vote of thanks was given by Linda Nicholls, Chairman of Australia Post. The Sydney Institute's Treasurer, Frank Conroy, was MC for the evening. The dinner was sponsored by Australia Post.

ADVERTISEMENTS

FOR MYSELF

Kate Jennings

*Old pirates yes they rob I
 Sold I to the merchant ships
 Minutes after they took I
 From the bottomless pit
 But my hand was made strong
 By the hand of the almighty
 We forward in this generation
 Triumphantly
 All I ever had, is songs of freedom
 Won't you help to sing, these songs of freedom
 Cause all I ever had, redemption songs
 Redemption songs
 Emancipate yourselves from mental slavery
 None but ourselves can free our minds
 Have no fear for atomic energy
 Cause none of them can stop the time
 How long shall they kill our prophets
 While we stand aside and look
 Some say it's just a part of it
 We've got to fulfil the book*

*Won't you help to sing, these songs of freedom
 Cause all I ever had, redemption songs*

I thought I would live up to my billing and begin with Bob Marley. Couldn't resist. Lively up ourselves. Thank you, Meredith. And thank you Gerard and Anne Henderson for your adventurous choice of speaker for your annual dinner. You must have a streak of mischievousness in you. I recognise it because I have one myself. I've promised not to bend ears – or only a bit. Nothing worse than an expat coming back and telling you how to straighten up and fly right.

That Bob Marley song is one of the great – and sweetest – freedom anthems. Forget the Rastafarian parts about prophets – I want, as I go along, to talk about mental slavery. And possibilities: generations flowering triumphantly.

When I hear this song, I think of my grandmother. She lived her adult life in a typical, tiny, primitive NSW farmhouse – timber frame, corrugated iron roof, hellishly cold in the winter, unbearably hot in the summer – halfway between Temora and Aria Park at a place called, unbelievably, Quandary. The house is abandoned now, termites all through it; hippies and truckers have lived there, wrecking it. The house is on a stony ridge that ran through the soldier-settler farm given to my grandfather after World War I. Not much in the way of arable land. Unlucky in the ballot that gave it to him.

My grandmother started out religious, with redemption songs, might even have believed in prophets. By the end of her life on that ridge she believed in *nothing*. Allow me the vanity of reading a poem I wrote about her, called “Her Garden”:

*Near the rainfall gauge, under a spindly eucalyptus
which cast a meagre shadow, she had a conservatory of sorts,
constructed out of chicken-wire and left-over lumber,
and utilizing in clever ways rusted machinery parts.
The soil was stubby with quartz stone and dry as meal,
so she lugged buckets of red earth from a distant paddock,
recycled the bath water, and, eventually, in that unsteady cage,
tended bravura-green succulents and asparagus fern.
She dreamed of the day when they would give up farming
and move to a bungalow at the edge of town. All the comforts.
And a garden of irises, camellias, and roses. She forgot
that farmers never retire; they die with their boots on.*

When I saw the house again for the first time in thirty-some years, I wanted to burn it down, burn away the hardship, the unhappiness. (I show this picture to New Yorkers, and they think, cute, a fixer-upper.) This house and the life lived in it had much more effect on me than my maternal grandparents’ on the North Shore of Sydney at Warrawee. It was the kind of life that bred wariness about motives, an ingrained skepticism, an abiding pragmatism, an indestructible and sometimes destructive pessimism, all of which I’ve inherited in spades: It’s not a universal Australian rural trait, but you come upon it often enough, expressed mainly in an unsurpassable ability to dig in our heels and say, Don’t tell me what to think; I’ll make up my own mind.

And so it was that, when I came to spend the nineties on Wall Street as a speechwriter, isolated – I didn’t have a guide as my character, Cath, does in *Moral Hazard* – and in a seductive environment – heaps of

power, money, energy – one part of my mind did what it was told to survive. Another part reserved the right to have my own opinion. (Both reactions were, in their way, a legacy of that stony ridge.) Yet another part was just *damn* curious. What I observed was this:

- A demonic focus on quarterly earnings and share price, with a widespread, implicit understanding, even among Corporate Communications personnel who can be dense about this kind of thing, that books were fudged and rules bent to get the desired result.
- CEOs paid a king's ransom regardless of performance and against all commonsense and what we know about human psychology. This is still happening, as an examination of CEO pay this last year shows. (I'd recommend all board members take a course on the psychology of behaviour, read up on B.F. Skinner and his theory of operant conditioning. If the rat gets through the maze and presses the right lever, *then* it gets the cheese. If the rat sits in the middle of the maze as it falls down around it doing nothing except making sure the lever is in good repair, no cheese.)
- Bulimic hiring and firing practices that involved earnestly recruiting MBAs at great cost and giving them big ideas about themselves and then vomiting them up when the share price dipped. Also a systematic effort to spin off anyone over fifty. As a result firms had no institutional memory, employees no loyalty. One can only conclude management wanted it that way: Disposable employees, no one to question their actions.
- Armies of lawyers who had the sole purpose of finding loopholes and armies of lobbyists pushing an anti-regulation agenda, invariably sacrificing long-term prospects for short-term profits, and winning the day. [As one financial biz old-timer remarked to me, "We've got regulation by loophole."]
- Chinese walls coming down with nary a trumpet blast.
- Lip service on everything from promoting women to free markets. Free when we want them to be free.

I could go on. Down the rabbit hole AND through the looking glass. The only rule of thumb, the only moral guide, was that if another bank was doing it, it was okay for us to do it, or we'd get left behind. Not all banks, but most of them. I saw all this and doubted my observations, because if anyone I worked with was thinking the same they weren't sharing it. Hardly my place to ask, Isn't this a little shortsighted? When I did ask pesky questions of the big guys, the response, was, "There, there, dear girl, you don't get the big picture." That *elusive* big picture.

I have certainly come to respect businesspeople and bankers who have an obvious genius and passion for what they do and to admire many of my old colleagues who have moral compasses and an exemplary work ethic. I hold in the highest regard thoughtful capital-

ists, such as Warren Buffet, Felix Rohayton, Muriel Siebert, and Francis Finlay, as I also do the tireless, uncompromising critics – regulators, economists, journalists – such as Arthur Leavitt, Elliott Spitzer, Paul Krugman, Robert Wade, Jeff Madrick, Gretchen Morgenson, Martin Mayer, and in Australia, Pamela Cawthorne, Gavin Kitching, Dick Bryan – who reserve the prerogative to make up their own minds, who are interested in the health of the system not the destruction of it, who champion fairness, who have imagination, who understand cause and effect. People who are as appalled by the simplistic generalisations of the Left – globalisation is bad, markets bad – as they are of the Right – any market and copyright or patent is theirs to exploit. In sum, people who are not mental slaves.

A footnote here on Warren Buffet. His letter to shareholders is mandatory reading. This year, he's great on boardroom dynamics. Corporate governance, now there's a topic. *Smoking*. (One fed-up and highly ethical friend who is on several boards commented to me that we have to stop appointing the token academic, token woman, token person of color, token celebrity, retire the old boys, and get six *people* who know what they are doing and who will kick ass. The kind of people who can tell a liar and a clown from a dedicated businessperson.) But the most troubling part of Buffet's letter is his account of his experience, a man steeped in insurance and its numbers, of buying General Re after years of following the company closely, only to find it crammed with dicey derivatives contracts. If he couldn't see it, who could? No wonder he's calling derivatives weapons of mass destruction.

Some of my Wall Street bosses are angry with my novel – indeed, I'm blacklisted at the major banks, an achievement of sorts, you might say – others tell me that I got it exactly right. You write something, you put yourself on the line, you take the potshots along with the plaudits. But at least you are putting yourself on the line, the only to place to be.

I'm getting ahead of myself. Back to that stony ridge. It's also, if I'm not being perversely sentimental, why I write books singularly lacking in redemption. I believe in neither redemption nor freedom, only in kindness, in responsibility, in the persistence of the seven deadly sins, in the unpredictability of human nature. In outliers. And the need for *sensible* curbs, the emphasis on "sensible."

After World War II, my father went to his father-in-law's orchard at Griffith. Irrigation. Water. For the longest time, I didn't think to write about this experience; I thought it wasn't worthy. The Australian desert, the red dirt country, that's where the romance was, that represented the rural experience, not irrigation, and yet water is our holy grail, an important part of the Australian story.

All that water, I must say, didn't wash away the skepticism. Although it added the counterbalance of optimism, the awareness of possibilities. Nothing like irrigation to do that. Much easier to be

curious about the world if you grow up surrounded by green and not desiccation. My brother, Dare, Phil Noyce, Frank Sartor, and Peter Barter and his chooks – all Griffith alumnae – are among those who could testify to this. My novel *Snake* is set in this environment. You might not read fiction – more about that in a moment – but this novel is not what you would expect any more than *Moral Hazard* is. And they are both very short. My generation from Griffith: Whether we flowered *triumphantly* is a matter of opinion, but we certainly flowered and keep on doing so.

When I was fifteen, my father got his own farm at Coleambally, in the same manner as his father: a lottery. A good deal luckier. There was no town, no electricity, at Coleambally when we went there. The farm was four white surveyor's pegs. We were late Australian pioneers. And pioneers don't give up.

Coleambally was too far for me to live at home, so I continued at Griffith High boarding with a widow. (My brother went to Yanco Ag High, which hardly predicted his garmento success; it just left him with an undying hatred for tractors.) I had a bed and desk on a spartan louvered verandah. The widow was a racing fan; her daughter had married, as I remember, Tommy Smith. She spent her days with a transistor radio pressed to her ear listening to the races – quite deaf – while I read everything in the town library from A to Z. I can't speak more strongly in favor of libraries in country towns; certainly my salvation. Computers and those travelling libraries are no substitute for bricks and mortar. Sounds corny, but libraries, the old-fashioned type, multiply serendipity.

Whoever bought books for the our library did so without fear or favor because I was able to borrow Norman Mailer's *Advertisements for Myself*. In-your-face, bold, alive; *huge* impact on me. Imagine this: a gangly, freckled, country schoolgirl in a bottle-green pleated uniform, straw hat, parents at home clearing land inch by inch to grow rice, clutching Norman Mailer's book in its plastic cover and thinking, "This is how I will write, this is who I want to be." Such is the mind, magnificently, of a fifteen-year-old. I could not, in my wildest dreams, have anticipated the shape of my life – I feel like a cat with many lives – or that I would write a novel like *Moral Hazard* with its parallel themes of banking and Alzheimer's and live the experience on which it is based. Or that I would be standing here, with an audience such as yourselves.

It took me a while to understand that Mailer had a streak of misogyny running through him as wide as a football field and that if a woman had written a book with that title, in that style, she would have been laughed off the planet. At that time, I didn't see myself as either male or female, just someone who wanted to be a writer. (Some years later Germaine Greer famously took on Mailer at the Town Hall in New York City, creating a mighty advertisement for herself.)

Norman Mailer has been on my mind because he has just released a collection of essays called *The Spooky Art*. None of the brashness of *Advertisements for Myself* but a terrific read all the same, with all his virtues and faults. I miss the time when writers like Mailer, Gore Vidal, Mary McCarthy, and Elizabeth Hardwick were at their peak. They could write a *mean* essay. Not only has the literary world become dangerously segmented, it's also become, in large part, sissified, homogenised, ingrown, irrelevant. (I'm not going to win friends with that statement. Sawing off the branch I'm sitting on is a favorite activity of mine.)

I was attracted to this recent statement by Mailer: "...Novelists are over-familiar with the sensitivity of the sensitive and relatively ignorant of the cunning of the strong and the stupid. We remain one – it may be fatal – step removed from an intimate perception of the procedures of the corporate, financial, governmental, Mafia, and working-class establishments." You will laugh at the inclusion of the Mafia in that list, but that's Mailer. Perhaps he doesn't like "The Sopranos."

Another usually astute critic, James Wood, has made similar observations about the lack of fiction set in the business world, giving as reasons both the sameness and the specialisation of our workplaces. "We gape at screens," he wrote. No story there, was the implication, or one that's too technical to tell. I could not *disagree* more. Before we gaped at screens, white collar workers pushed pencils, lifted ledgers, pounded typewriters, clacked adding machines – no different from gaping at screens; novelists write about human nature, not computers. To be sure, the speed at which information can be transmitted has changed whole sectors of work in complex and fascinating ways, but it's still explicable. And the seven deadly sins certainly remain the same. Stories – *important* stories – abound. And, clearly, Wood has never spent time on the executive floor of an investment bank. As many of you know, look beyond the trappings and you find conflict and emotion Shakespearean in its dimensions.

When I wrote *Moral Hazard*, I didn't think I was writing a business novel, but that's how it was labelled in the US by puzzled reviewers. Having been told I had written a business novel, I began reading books that fell into the category and found a marvellously varied vein of literature. However, Theodore Dreiser, William Dean Howells, Sinclair Lewis, HG Wells, and Emile Zola, to start a long list, didn't see themselves as writing business novels, either, just novels. They wrote about everyone and everything, but business people figure large as subject matter because they were fascinated by them. They found them absorbing. And to ignore moguls, executives, bureaucrats, working stiffs – their sorrowing, enthusiasms, contradictions, frustrations, scheming – is to ignore a large chunk of our world.

Not only had I written a supposed business novel but also a topical one, a mixed blessing if there ever was one. When my agent was selling the book, we were told by editors that the banking part was a yawn. And then Wall Street, as we well know, did a Humpty-Dumpty, a spectacular one, balance sheets spilling open to reveal all kinds of nonsense – still spilling open, in fact – and banking was suddenly front and center of people’s consciousnesses. In the US, I found myself invited on business shows for my prescience, although, truly, anyone with half an eye open could have predicted what was coming. Some of the shows, when the interviewer was acquainted with Trollope or Tom Wolfe, I enjoyed. Others were plain awful. I found myself fielding questions about Martha Stewart, of whom I don’t have an opinion, and about my investing habits which are, heretically, non-existent. Yet, I have to say one of the most pleasing things that came of the business shows is that men began reading the book. It’s a well-known fact that men don’t read literary fiction by women; this is like breaking the sound barrier.

From conviction and also to get my name “out there,” I wrote some op-ed pieces for the *New York Times* and the *FT* about the hollowness of the speechwriting I had done, the ruthlessness of corporations, the powerlessness of employees. This was difficult, a moment of truth. To have my characters mouth off was one thing, to do it myself was another. Op-ed writing is useful in clarifying issues, but it’s also polemic. Hard to be subtle in 800 words. If I wasn’t radioactive to my former bosses for writing the book, I certainly was now.

It all sat on me uneasily. I didn’t get to talk about my literary influences, how I had teethered on Samuel Beckett, admired J. M. Coetzee for his preoccupation with morality, or believed, as, Hannah Arendt wrote in her essay on Bertolt Brecht that “poets... must be careful not to talk too much about things that all talk about.” Instead, I was swept up in the hot topic of the day, business ethics, and expounding on the danger of unregulated derivatives.

Here’s Molly Ivins on my book: “One of the best books written about Enron & Etc. is a novel, ‘Moral Hazard’ by Kate Jennings. How often do you finish a sensitive, well-written book, look up and say, ‘Good Lord, let’s regulate derivatives.’” Even though she used that awful word, “sensitive,” I laughed when I read that and felt honoured: Molly Ivins is one of the best, funniest, and most astute political commentators in the US.

And then I remembered a conversation an economist friend had with a famous author at a dinner party. The conversation was about novelists who have business themes. Such writers were shooting themselves in the foot, the author opined; they would never be taken seriously, never be literary contenders. And she gave Louis Auchincloss as an example. Now, I would trade Louis Auchincloss’s *The Embezzler*,

a nuanced novel about the peculiar ethics and loyalties of Wall Streeters, for that famous author's entire and very copious body of work, but her point of view is a common one. I remain deeply interested in Wall Street – both in its issues and in the people who populate it. But if I write another book with that background will I be branded as a business novelist and shunted into a siding? Probably.

I agree with Mailer that the ignorance of and often willful disengagement from the “procedures” of the business world – it's more than one step removed – by literary novelists could be fatal. Fatal to all of us, but especially to you, fed management books, ghost-written CEO wisdom, and Tom Clancy thrillers – and denied full-blooded, serious, questioning fiction about yourselves.

I'm making leaps here. While I like digressions, like my mind to leap, I have hated the skittering it's been doing since the start of the war in Iraq. To write this talk at this time has been hard. War and its aftermath not only makes body and mind queasy, it also overwhelms everything else. Blots out the sun.

I don't want to get into the war, except to say there had to be a better way. (I could give the peace sign here, but it would make me feel like Susan Sarandon.) Operation *Piss Off the Planet*, as *The Onion* newspaper has called it. A quagmire of polarizing opinions. I grieve for Iraq under Hussein, I grieve for it bombed and looted. But I grieve more for the United States, a country that's given me shelter and encouragement for twenty-three years. A country I respect and love for its many institutions and people that are on the side of the angels.

A big, clumsy democracy that swings from the right to, well, the middle, but a democracy nonetheless, the excesses of either side cancelled out in time. A big, clumsy democracy that has always been, paradoxically, powered by autocratic, secretive, self-referential corporations, but whose activities were tempered by democratic procedures. Now the equation has changed in a way we've never seen before. We have a government that is also corporate in style: autocratic, secretive, self-referential. That's hardly ideal. Worse, the Democrats have gone AWOL. Every government needs a healthy opposition.

If you hadn't guessed it already, this is the part where I bend your ears a bit. [Gerard, after reading this part, said his ears were not just bent but pinned back.] I'm a Democrat, I'm of the Left, although Lefties are always disowning me for having contrary opinions. Anyway, you can take what I'm about to say with a big grain of salt if you wish. But in the last months I've found not just people of my political stripe but from across the spectrum disturbed about developments on the US domestic front.

Because this is an administration that is not particularly responsive to its constituents, only, it so often seems, to well-funded lobbyists, there are murmurings that the US is becoming a dysfunctional

democracy. Paul Krugman from the *Times* has gone so far as to call the US a banana republic in its current reckless disregard for the poor, children, veterans, small investors, the middle and working-classes, the environment. While no-one wants to go back to millions of families on welfare rolls for generations, neither do they want ordinary social programs and safety nets dismantled. The kinds of things you enjoy and take for granted in Australia.

You've been preoccupied with Bush's big decision – the war. In the meantime the freedoms the Bush administration wants to export have been undermined at home. The Constitution, the judicial process, freedom of information, separation of church and state, a woman's right to choose – all these are under siege by a government that didn't come to power with a mandate, didn't have the popular vote, was elected by the Supreme Court. I can't say I was crazy about Al Gore, but his voting record was more humane. However, if he instead of Bush had been elected by the Supreme Court, I would have felt the same way. We don't elect the Supreme Court. Not only were people obstructed from voting, but votes in troubled states other than Florida needed to be recounted and weren't. If you want to look for tipping points, look not at 9/11 but at that judicial decision. It fractured something fundamental in the society.

Sometimes it seems nothing is too small for Bush to squash. The first thing Bush did when he came to power – and this was a tiny thing but a harbinger of what was to come – was to reverse Clinton plans and allow snowmobiling in national parks. Snowmobiling is noisy and polluting, and these are, after all public parks, for all of us to enjoy. You can't help but think he was cocking a snook.

Another tiny thing, because the money involved is small. At the same time that the administration is easing tax bills for the wealthy – \$90,000 a year for millionaires – it is also raising the minimum rent for people living in public housing. Thousands upon thousands of families will be on the streets, at a time when state and city spending is in dire decline.

And now, unnoticed because of the war, Bush has signed an executive order to make it easier for government agencies, including the White House and the CIA, to keep documents classified and out of view. And for the first time Vice Presidents have been granted the power to classify information. The VP, as you know, is Dick Cheney, and he has successfully stonewalled in *brilliant* corporate fashion – shock and awe, that's how I feel about Cheney – on just about everything but especially the Energy Taskforce and Halliburton. Clinton was making it easier for documents to be declassified, so that we, the vaunted people, could make informed decisions.

One more example: While the troops fighting in Iraq are being valorised, the current budget requires a \$14 billion reduction in veterans' programs, already stretched.

Now for Bush's economic policy, generally acknowledged to be nonexistent except for tax cuts which – *déjà vu* all over again – are supposed to trickle down to the rest of us. (Late-night comics like to crack that the cuts are supposed to “vaporise” down to us.) Even the Congressional Budget Office is predicting a \$1.8 trillion deficit over the next ten years and beyond. Demonstrably unsustainable. Tax cuts that can't begin to pay for themselves, barring an economic growth miracle. Even economic fence-sitters are having major qualms: *Whoa there, George!* Remarkably, less than 10 per cent of *Republicans* think they will work. Greenspan, God himself, doesn't think they will work.

An independent study at the Brookings Institution add \$700 billion to that estimate, *not* including war expenditures. Deficits and tax cuts aren't always bad – in moderation, they can stimulate an economy – but these are whoppers. The diabolical part is that if the tax cuts don't work, that also will be fine for this administration because an important part of its agenda will have been successful: the destruction of social programs that don't have a Christian component. There are rumblings that the intent is to roll back the New Deal.

All these figures, by the way, are *optimistic* estimates. They don't take into account outliers. For example, what if foreign investors get spooked by these fiscal forecasts and take their money out of the US? This would be disastrous because the foreign holdings of Treasury securities amount to one third of the total Treasury debt.

And what, also, if nations begin to lose faith in the international monetary organisations? What if the role of these organisations – the IMF, the World Bank, and so on – is weakened by the US attitude in the same way the United Nations' role has been diminished in recent months? The US attitude can be summed up easily: “We'll cooperate provided we set the rules and can veto outcomes we don't like.” (I'm indebted to Robert Wade for this insight.)

Be worried, really worried – the US economic knee bone is connected to your economic thigh bone. But worry even more about the health of the US financial system. Usually what follows a bust is a bout of fiscal hygiene, but instead we've had some large fines, promises to be good “going forward,” and a few perp walks. That's it; nothing of real substance. The Sarbanes-Oxley Act notwithstanding – that's the act that was supposed to set accounting on the right path – nothing of substance has been done. Bankers, accountants, and lawyers have resisted, *squealing*, even sophisticated regulation of their activities.

I've never understood this. We need rules of the road; why not rules for the financial markets? The financial markets are no longer the equivalent of a manageable two-lane highway; we're talking a hundred

lanes and more. One person or firm careering down that highway or even just driving distractedly can cause a god-almighty pile up.

If you think *I'm* jaundiced, here's what Barbara Roper from the Consumer Federation of America has said: "The speed with which we have returned to business as usual in the financial markets is mind-boggling." She said this in response to a move, initiated by – you guessed it, industry lobbyists – to *reduce* the quality of disclosure in the commodities market by the Commodity Futures Trading Commission. She went on to point out that, "To be moving to less transparent disclosure and less information is the wrong direction. And it really calls into question the commitment of the industry and certain regulators to take the steps necessary to restore investor confidence."

New York Times reporter Gretchen Morgenson's trenchant comment on this was: "What the commission does not seem to recognise is that investors increasingly view deregulation not as a boon but as the best way to propel the fox *into* the henhouse." [As the bonuses, options, perks, and trust funds for execs show – the American Airlines situation is a stunning example but not the only one – the fox is still living it up in the henhouse.]

And here's part of a letter to clients from Francis Finlay, CEO of Clay Finlay, an asset management company: "It is noteworthy that in the three-year (so-far) bear market there has not been a *major* financial crisis-event. The heightened volatility stimulated by CNN-driven markets or a sudden sharp market recovery on a possible satisfactory outcome in Iraq could finally provoke one. No progress has been made getting to grips with monitoring participants in the OTC derivatives markets since LTCM and the \$130 trillion total derivative exposures are concentrated in less than five global institutions. Hedge funds are under relentless pressure, with only 25% reportedly back above their high-water marks and 800 (20%) closing their doors in 2002. Unwinding positions of defunct funds raises risks further. Fat-tails, markets which are not continuous, and moral hazard, which is alive and well, add to the Molotov Cocktail."

By the way, the Commodity Futures Trading Commission also, just as Congress is finally considering increasing scrutiny of hedge-fund advisers, wants to increase the number of advisers who are exempt from registration.

Commodities. A story for you. I've always been interested in commodities, perhaps because I've seen a pork belly; it's not an abstract notion. A banker friend who specialises in mining told me about a conversation he had with an old-time commodities trader. I had asked my friend if commodities traders were like farmers, with memories that stretch back years. [You know, twenty-two years ago in the spring the clouds were the same as they are now and the wind was coming from the north; that means it will rain in a week's time.] My

banker friend replied that the generation with that kind of knowledge – the ones who went through Cargill – were dying off. And he told me about a legendary commodities trader who had begun his career at the age of eleven taking silver from Constantinople to Baghdad by camel with the Bedouins. He had to get street-smart – or desert-smart – very quickly. He stopped the Bedouins from stealing his silver by telling them that the next shipment coming through was much bigger than his. He learned on the job, by experience and increments. His son was sent to Hong Kong to oversee the family's operations there and was imprisoned in a Japanese prisoner of war camp.

“How terrible,” said my friend.

“No,” the old-timer replied. “He survived. It was the making of him. He learned about human nature. He learned humility.” A pause before he continued. “But we made a big mistake with the grandchildren.”

“Oh, what was that?”

“We sent them to Harvard Business School.”

At business school, as many of you know, students learn by the case-study method. They are given all the facts. Yet life never gives us the facts; if anything, it continually and spectacularly blindsides us. MBAs these days – it wasn't always so – graduate with a false sense of omnipotence – everything can be quantified – not to mention a massive sense of entitlement. They are taught that making money is the *sole* measure of their worth, that asocial individualism is morally okay. They aren't encouraged to think for themselves; they follow, submissively, the current business fads. Needless to say, the old-timer's commodities firm isn't what it used to be. (By the way, I would make the exact same criticisms of writing schools.)

We are in what is called euphemistically “an unclear economic environment”, the result of sticking to antiquated ways of thinking, a willful mental slavery to simplistic economic models and creaky paradigms.

When I visit Australia, I am always taken aback when I hear business people using American “value-added” business jargon. It's not a good fit – Australians have a great way with language. We're direct and laconic, everything that American business language isn't. It's as if an African-American hip-hop rapper suddenly started rhyming about thinking outside the box or pushing the envelope.

To state the blindingly obvious, Australians are not Americans, although Americans, romantically, like to think we are, and for our part we sometimes come off, unfortunately, as American wannabees. We don't have to follow American business models as if they were handed down on a tablet. Our corporations don't have to be clones of American ones. The US might speak loudly and carry a big stick, but it doesn't have *all* the power. If you look at world foreign currency

reserves that are held in US dollars, a huge chunk is held by East Asian governments. That's leverage, a big negotiating stick.

It would be unwise to copy the US model on a number of counts:

- Take this statement made *not* a year ago when Enron and Worldcom were headlines but *only* a few weeks back. It's from the President of the North American Securities Administrators Association, and she was commenting on ongoing investigations of companies: "My sense among regulators and prosecutors is that we're really rather surprised as to how much fraud is out there." Something is wrong, and it's not a few bad apples; it's systemic.
- My next reason is anecdotal. I have many friends in corporations. Good company people who want only to do a job well, raise families, feel part of worthwhile enterprise. Very few of them wake up in the morning and go to work with a spring in their step. Instead, they are knocking back the tranquilizer Klonopin to get through days that are freighted with uncertainty and anxiety. (If I were the investing type, I would invest in the drug company that makes Klonopin.) Not only do my friends spend nearly all their waking hours on the job – Americans now work 200 hours a year more than they used to do – meaning their quality of life is shot to pieces, but also their membership in the middle classes is no longer a given. Healthcare, education, housing, retirement – none of these can now be taken for granted. In other words, the American middle-class family is in trouble. (A note: Interestingly, Europeans work many less hours than their American counterparts but are just as productive.)
- If you knew the disparaging comments I've heard from my old bosses about Australia, you'd be less prone to imitate or admire them. It goes something like this: Not enough people, no scale to the markets; too far away; good tennis players, golfers, and swimmers; end of discussion.

I like the idea of stakeholder capitalism, where all constituents – employees, vendors, pensioners, the community, as well as executive management and shareholders – have a say, a *real* say. We've seen stakeholder capitalism run into trouble in Japan and Germany but that doesn't disqualify it from being adapted in some form to Australian conditions and to suit our national psychology.

Perhaps The Sydney Institute will get someone more qualified than I am to speak in detail on the subject at another dinner. Many *are* thinking about alternative models of capitalism. I can recommend the work of Ronald Dore, Michel Albert, Adrian Turner, and Jeff Madrick, for starters. The point of the Institute is to spread ideas to the wind, like dandelion spores, to take root somewhere. Invaluable function.

My job as a novelist is to explore human behaviour, the personal and public, to join intellect with emotion, in a way that nonfiction

writers and documentarians can't. But I do know we are in a new century, a new millennium, and we're spinning our wheels, bogged to the axles. The time could not be more propitious, with the faults in the American system becoming obvious, for hard thinking about economic and financial structures, or for the thinking that has been done to make its way from theory to practice – and make its way quickly, not at snail's pace as is usually the case – all of which is possible in a country the size of Australia. The time is ripe to be proudly and independently Australian, to adopt *progressive* capitalism as opposed to the *aggressive*, take-no-prisoners variety, to speak the language that fits us, if generations are to flower triumphantly.

Enough already, as we say in New York, of politics and economics. To finish, let's return to the closed-in verandah in Griffith in the early sixties, to the schoolgirl in the bottle-green uniform. I not only had the town library but I was allowed to send away for books from Dymocks. Can you imagine my excitement as the little packages arrived? *Over the moon*. They usually contained a paperback from the Penguin Modern Poets series. These slim, flimsy books are my madeleines. I'd like to read a poem from one of the books. It's Number 10, quaintly titled "The Mersey Sound", and the poem is by Roger McGough.

AT LUNCHTIME A STORY OF LOVE

*When the bus stopped suddenly to avoid
damaging a mother and child in the road, the
young lady in the green hat sitting opposite
was thrown across me, and not being one
to miss an opportunity I started to make love
with all my body*

*At first she resisted saying that it
was too early in the morning and too soon
after breakfast and that anyway she found
me repulsive. But when I explained that
this being a nuclear age, the world was going
to end at lunchtime, she took off her
green hat, put her bus ticket in her pocket
and joined in the exercise.*

The buspeople, and therewere many of them, were shockedandsurprised and amused-andannoyed, but when the word got around that the world was coming to an end at lunchtime, they put their pride in their pockets with their bustickets and madelove one with the other. And even the busconductor climbed into the cab and struck up some sort of relationship with the driver.

Thatnight, on the bus coming home, wewere all a little embarrassed, especially me and the younglady in the greenhat, and we all started to say in different ways howhasty and foolish we had been. Butthen, always having been abitofalad, i stood up and said it was pity the world didn't nearly end every lunchtime and that we could always pretend. And then it happened...

Quick asa crash we all changed partners And soon the bus was aquiver with white mothballbodies doing naughty things.

*And the next day
And everyday
In everybus
In everystreet
In everytown
In everycountry*

People pretended that the world was coming to an end at lunchtime. It still hasn't. Although in a way it has.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid

Supplementary Speeches Annual Dinner

Introduction to Kate Jennings

Many of you will know about Kate Jennings, having been prompted to find out more about her after reading her pieces in the *Australian Financial Review*, *Financial Times*, *New York Times*, *Vogue*, *Time*, etc or any of her eight books. But for those of you who need a little background. ... She grew up on a farm in outback Australia in the 1950s, attended Sydney University in the 1960s where she began her career as a poet, essayist and fiction writer, was part of the early feminist movement and was a Vietnam War activist. As she herself commented, "I spent the first half of my life getting on a high horse, the second half trying to get off fit...They were wild years. We went at everything full tilt. I lived by Jane Austen's motto: 'Run mad as often as you choose but do not faint'".

In the early 1970s she edited an anthology of poetry by Australian women and her own poetry has been described by fellow poet Les Murray as "full of the graces of accuracy and resource". Amanda Lohrey in *The Age* described her as "a writer of rueful, acerbic intelligence who fired off relatively few arrows but seemed to score more direct hits than some of her more prolific peers". Her book of short stories, *Women Falling Down in the Street*, won the Steele Rudd Award. She has also won the Philip Hodgins Memorial Prize for Literary Excellence.

Kate moved to New York in 1979 where, amongst other pieces, she wrote two volumes of essays. Of her eight published books, only two are novels – I do hope she writes more. Her first novel, *Snake*, depicts a desperate post war rural marriage and is firmly rooted in Australia. In the early 1990s Kate's husband Bob Cato, was diagnosed with Alzheimer's. To pay for his care, she took a job as an executive speechwriter for Merrill Lynch and JP Morgan, inspiring her latest novel, *Moral Hazard*. And whilst her observations about the parallels between Wall Street and Alzheimer's are piercing, *Moral Hazard* has even broader appeal than a "business book". As *The Age* notes, it is "a reading of the perennial problems of youth, idealism and loss and the ways in which compromised middle-aged characters might contrive to nurture a remnant poetry of their youthful selves, both literally and figuratively, while renting out their souls to the devil.

It is also a work of considerable formal beauty, playing as it does off two parallel models of chaos, the so-called free market and the degenerative brain....Like the best poetry it makes subtle and suggestive connections with an economy of method that says little and reveals

much.” More akin to Kate’s own economic writing style is the review in the *San Francisco Chronicle* which says simply “Kate Jennings is a remarkable writer – insightful, compassionate, lyrical and artful – and *Moral Hazard* is bloody good, all of it”.

Critics have noted how short her two novels are – they’re one sitting reads. Whilst one critic described them as “spare”, having read them both in between eating some wonderful meals over the recent holiday period, I would rather describe them as like a superbly rich jus which has been reduced and reduced so that only the full flavoured essence remains. They made me look forward to meeting her and I’m thrilled to now introduce her to you.

Previous speakers at this dinner have set a tremendously high standard in stimulation, observation, entertainment or provocative thinking or all of the above. Some have also been controversial and left whole tables of guests talking, glued to their chairs arguing with one another or reinforcing each others’ support for or attack upon the speaker’s views. I suspect we’ll experience this again tonight!

Vote of Thanks – Linda Nicholls

Thank you Frank. As chairman of Australia Post I’m honoured to propose a vote of thanks tonight. We don’t have a post office in Quandary – being chairman we get to know these bits of trivia. But Kate, we did bring your grandmother the mail and it was also Australia Post that brought that school girl, in the bottle-green uniform at the porch in Griffith, her paperback copies of the Penguin Modern Poets.

Kate, listening to your remarks tonight, I feel very honoured at a personal level to be qualified to propose the vote of thanks. I have an MBA from Harvard and my executive career was in investment banking. And I was brought up to believe that if I didn’t vote Republican, God would surely strike me down. Kate, I must say I clearly have some explaining to you and perhaps we can take this up a little later.

Those who have come here for dinner tonight, no matter where we sit in the political spectrum, no matter where we sit in the economic debate, and no matter which seat we wished we sat in on that bus at lunch-time, Kate you gave us three messages that I think we can all embrace. You urged us to think that not one of us wants to be a mental slave. You impressed upon us again the importance of values. If we don’t stand for something, we risk falling for anything. And you reminded us to care, because it is kindness and responsibility that define our humanity.

Good writers, Kate, have the tools of the trade. Remarkable writers have the tools of the mind, the soul and the heart to bring those tools to life. Kate, you are a remarkable writer. Thank you for your warmth, thank you for your humour, your candour, your insights and your perspective. Ladies and gentlemen, will you join me in thanking Kate Jennings.

DINNER MOMENTS - 2003



Photographers: David Karonidis, Annette McDaid

GUEST SPEAKERS AT THE SYDNEY INSTITUTE January 2003 – May 2003

Richard Butler AM (Author & Commentator; executive chairman UN Special Commission on Iraqi Disarmament – 1977-99)
Weapons of Mass Destruction: The Iraq Case and All the Others

Sarah McDonald (ABC Journalist and Author, *Holy Cow – An Indian Adventure*)
My Life in India

Keith Windschuttle (Author, *The Fabrication of Aboriginal History* [Macleay Press])
The Fabrication of Aboriginal History

The Hon Alexander Downer MP (Minister for Foreign Affairs)
Weapons of Mass Destruction: Tackling the Greatest Threat to Global Security.

Dr. Kerryn Phelps (President, Australian Medical Association [AMA])
The Future of Medicine

Prof. James Cotton (Professor of Politics, Australian Defence Force Academy)
Dealing with North Korea

The Hon Kaliopate Tavola (Minister for Foreign Affairs and External trade, Fiji)
Fiji-Australia Bilateral: Shifting Into a Higher Gear

Dr Linda Duxbury (Professor, School of Business, Carleton University, Ottawa)
Balancing Work and Family: The Canadian Report

Julia Gillard MP (Member for Lalor)
Winning The Culture War

Richard Woolcott AC (Former Secretary, Foreign Affairs, author *The Hotseat*)
Reflections on Diplomacy: Australia's Role in the World

Dr David Day (Academic & Author)
The Politics of War

Ian Macfarlane (Governor, Reserve Bank of Australia)
Do Australian Households Borrow Too Much?

Senator the Hon. Nick Minchin (Minister for Finance & Administration)
Pressures on The Budget

Dr Yehuda Bauer (Author & Chairman of the International Institute for Holocaust Research, Jerusalem)
The Holocaust – After the David Irving Case

Imre Salusinszky (Former Academic & Staff Writer, *The Australian*)

Margo Kingston (Political Editor, *smh.com.au*)
The Left: Two Views

Kate Jennings (Author, *Moral Hazard* [Picador])
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