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The Sydney Papers

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Edna Carew



Jim Bain

Photo – David Karonidis

Between 2003 and July 2007, the Australian Stock Market rose 140 per cent. On 20 July, the Australian Stock Exchange topped \$1.6 trillion. The question to be asked was if the top end of town had ever had it so good? To evaluate some of the highlights and reforms of Australia's financial markets over two decades, Jim Bain, retired stockbroker, banker and author of *A Financial Tale of Two Cities* (UNSW Press, 2007) and Edna Carew, finance writer, commentator and author of *National Market, National Interest* (Allen & Unwin) addressed The Sydney Institute on Tuesday 14 August 2007.

THE AUSTRALIAN

FINANCIAL SECTOR: A STORY OF GROWTH

EDNA CAREW

When I first met Jim Bain, close to 30 years ago, it never crossed my mind that he and I would one day share a podium such as this. Jim was then already a leading figure in stockbroking, and head of Bain & Co. At the time I was a fresh face at the *Australian Financial Review*, having gleaned some knowledge of financial markets during my four years with a major Sydney merchant bank. I was keen to write, and certainly envisaged writing a book or two, though not one that would cover matters financial. My credentials as a financial journalist were mixed: a degree in languages, the years in a merchant bank, one year of a Masters of Commerce and an eclectic portfolio of articles published in outlets ranging from the *Sydney Morning Herald* to *Woman's Day* and *Forum* magazine.

When, in late 1977, I marched into the *Australian Financial Review's* dingy Broadway offices, seeking to persuade someone to offer me a job, its then editor, Max Walsh, ever alert to an opportunity, said: "I'll give you a go." And so began a daily column which over time grew to be a section of several pages covering all aspects of the capital markets, overseas as well as domestic.

In the late 1970s ASX, whose history is the chief focus of *National Market*, *National Interest*, did not exist. The concept of a national exchange was a gleam in the eye of a few farsighted people, but the obstacles to achieving this were enormous, not least the type of state rivalry that Jim Bain alludes to in his latest book.

Also, at that time, Australia's financial markets consisted of a clutch of banks, merchant banks and finance companies; a sharemarket conducted on the trading floor of six capital-city based stock exchanges, an embryonic futures exchange, and an over-the-counter, telephone-connected market in cash and fixed-income securities such as bonds and company debentures. Some trading in fixed-income securities took place on the stock exchange. A currency hedge market was beginning to blossom.

In fact, in the late 1970s, the term “financial markets” was yet to be born. Successive mining booms and busts had brought the wider community into contact with the sharemarket, but the money market was unknown territory for the average investor. Banks were familiar, if unloved, institutions; merchant banks were yet to become known as investment banks and were just beginning to mushroom.

Share prices were widely and regularly publicised but, 30 years ago, daily coverage of money market activity met considerable resistance from market operators.

Details such as the interest rates paid and charged to clients, and the rates at which bills of exchange were traded, were shrouded in secrecy. It was not in the dealers’ interest to have a well-informed clientele; the vast amount of financial information now widely available through an ever-increasing variety of print and electronic channels did not exist.

After 25 phone calls during the course of an afternoon, I would have 30 different versions of the average bank bill rate for the day, and who had paid what for cash. Once published, these rates often drew a flurry of peevish, sometimes irate and abusive calls on the following morning, usually very early, from dealers who thoroughly resented such information being disclosed, or from clients who were now aware that they had been duded.

How that has all changed? Information that was once so hard to find is now literally at our fingertips.

An innovation that revolutionised the landscape was the introduction, in December 1980, of cash management trusts to Australia. The then merchant bank, Hill Samuel - now Macquarie Bank - brought the US concept to Australia. With the arrival of the cash management trusts, retail investors were able to earn something approaching the level of interest rates paid in the wholesale market.

The arcane world of financial markets was becoming less opaque, and increasingly sophisticated. More recently, derivatives added a further twist in the complexities of products, and continue to do so. As for the stock exchanges, they were a product of Australia’s history. Six self-governing colonies entered a federation in 1901 primarily to end inter-colony tariff wars and to provide for continental defence, foreign policy and communications. Several regional exchanges sprang up in response to a gold boom, for example, at Bendigo and Ballarat, or in industrial-oriented Newcastle which at one stage listed some 300 companies.

The saga of the maturing of Australia’s financial markets, spanning several decades, is truly a story of growth. Not only does Australia now have a securities exchange ranked among the top handful in the world, we also have a dynamic financial sector, a high-profile currency - not always hugely desirable - and just about every

investment bank, bank and fund manager in the world has a presence in this country.

In the early 1970s, Michael McAlister, the first full-time president of the Australian Associated Stock Exchanges, talked at great length on several occasions about Australia's need for a national exchange. And Sir Cecil Looker, chairman of the Stock Exchange of Melbourne, was writing about the inefficiency of a market as small as Australia's operating with six exchanges. Jim Bain was wont to say: "It's not a question of Sydney versus Melbourne, or Brisbane versus Perth, but Australia versus the world."

In the wake of the mayhem of the minerals boom of the early 1970s, a furious Perth investor, Dr Max Anderson, sent a letter to federal attorney general Lionel Murphy, alleging insider trading in Poseidon shares and complaining that neither the Perth nor Adelaide stock exchange had adequately responded to his correspondence. That one letter triggered a Senate inquiry - which produced the Rae Report - and a sequence of developments that ultimately brought Australia a national exchange and national securities legislation.

The landmark Rae Report documented in detail the chaos and malpractices of the minerals boom and bust. In the course of my research, it soon became apparent that the Rae Report was the logical starting point for the story of ASX. The boom, the bust, the investigation and its findings, revelations of shortcomings in regulation, the hopelessly inefficient system of state-based exchanges and state-based legislation in what was really one market, and the need for far greater cooperation and efficiency if Australia was to survive as an attractive, reliable market for investors - all these were cogent reasons for change.

Inseparable from the story of the development of this country's securities markets is the evolution of national regulation of these markets and how the development of communications technologies influenced, even dictated, some of the changes that occurred.

At the outset I knew the general outline of the story of how six exchanges were persuaded to swallow parochial state pride, bury decades-old hatchets and merge into one national organisation. But this narrative quickly broadened beyond just the creation of ASX to a broader story, involving debate over states' rights and federal power, advances in technology and how best they could be applied to securities markets as well as the optimum structure of a marketplace.

Ultimately, the story of how ASX came into existence, and how Australia's securities markets came to be national, involved much more than just - as one observer unkindly commented - bribing the stockbrokers into acquiescence.

In one of the more bizarre twists in this tale, the securities markets narrowly escaped a legislative straitjacket that could have resulted had

Lionel Murphy's proposed legislation become reality. The Companies and Securities Industry Bill – widely referred to as the Murphy Bill – was passed February 1975 in the House of Representatives and was due to be heard in the Senate on the morning of 11 November 1975. But that day saw the dismissal of the Whitlam government. The Murphy Bill died with the government of the day.

But change was in the wind. An early move was to try to merge the Sydney and Melbourne stock exchange trading floors. It sounds inconceivable in today's global environment, but stockbrokers in the 1970s were arbitraging the Sydney and Melbourne markets and thus very resistant to the proposal that members of both exchanges should have reciprocal access to each other's trading floor. Such an initiative would deprive several broking firms of lucrative income from working as agent for an interstate broker.

That Sydney and Melbourne managed to get together owes much to the efforts of two men. John Valder, who in 1973 became chairman of the then Sydney Stock Exchange, inherited a legacy of non-communication between the chairmen of the Sydney and Melbourne exchanges. Campbell Johnston, chairman of the Melbourne Exchange, shared Valder's wish to mend fences. Twenty years in age separated the outgoing Valder and the dour Johnston but the chemistry seemed to work and the two really did build a bridge.

The level of interstate rivalry was bewildering to an outsider. Ronald Coppel, who played a key role in forging a national exchange, had come to this country from Belfast, in the 1960s, and was stunned to discover the depth of petty rivalries in what he believed to be one country - Australia.

If stockbrokers fought against merging trading floors, they mounted a real fight against a subsequent proposal to introduce negotiable rates of commission. Chris Corrigan, then a merchant banker and later to make a name for himself as chief of Patrick Corporation, cut his teeth in the fight to bring an end to fixed rates of commission.

At the same time, developments were under way to create an electronic trading system, which would mean dispensing with the drama and colour of the hectic trading floors and trading using computers and screens. Again, there was considerable resistance to change. But it prevailed. On Budget night in 1985 the chairman of Melbourne's stock exchange, Ian Roach, shared with Ronald Coppel his concerns about how an electronic trading system would work alongside the prevailing fragmented structure of state-based exchanges operating under state rules.

That night, the seeds of what became ASX were sown. As Ronald Coppel relates, it was the pressure of a looming electronic market that forced the move to a national exchange - how could six

stock exchanges, each responsible to its state government, possibly govern one trading system? The states were incapable of agreeing on anything, big or small.

ASX was the solution to the problem of how six sovereign state stock exchanges could govern one market place, one trading system and one set of settlement arrangements. Securing agreement to a national exchange was no easy matter. Coppel and his team, known as the Group of Four, set about wooing the states, with Western Australia proving the most recalcitrant. A second crucial meeting took place later in 1985. The Gang of Four summoned to Sydney all the committee members of the six state exchanges and more or less locked them up in a room at the InterContinental Hotel until they agreed to form a national exchange. ASX was formally born 20 years ago, on 1 April 1987.

A few months later, the national electronic trading system SEATS was launched – coincidentally on Monday 19 October, the week of the worldwide stockmarket crash. Media summoned to ASX in Sydney, to watch history being made in electronic trading, found themselves witness to a different slice of history, as share prices tumbled. SEATS did not just survive, it thrived. The system owed much of its success to the skills of the late Ian Macaulay who had the good sense to remove his team far away from the politics of the stock exchange and install them to work in a basement in Chatswood.

The 1987 sharemarket crash highlighted once again the chaos in settlements, the logjam of paperwork, the long hours worked in back offices. Australia's reputation in settlements was woeful. After years of sheer hard slog, through various iterations and different systems, ASX finally in 1998 achieved the holy grail of three-day settlement - T+3.

CHESS, another world first for Australia, has been a triumph for Angus Richards and his team. There were ups and many downs along the way, especially the skepticism that Australia could achieve what the UK and London Stock Exchange had failed to make happen.

The UK's Taurus project was abandoned in March 1993 after several years' hard work by a team of more than 300. Several hundreds of millions of pounds were written off. This was a development that did not help perceptions of success at ASX. But Angus Richards and his tight team of 35 people soldiered on. So Australia owes much to Richards and his insistence on staging the work, saying calmly: "Yes, that is a good idea. But I'm not doing it now."

Over the years, progressively more sophisticated computer systems had changed the role of technology from one of assisting in the endless battle to stay on top of the paperwork and improve record-keeping to one where trading itself had become automated.

With SEATS demonstrably a success, the trading floors, which had been inseparable from stock exchange activity since the earliest

exchanges opened, were phased out. The role of the colourful “chalkies” came to an end. And electronic handling of securities also enabled improved tracking of transactions and hence better market surveillance and supervision.

Along the way, we have also had a progressive overhaul of corporate legislation. The Commonwealth took over the whole field of companies and securities law - just as had been proposed in Lionel Murphy’s ill-fated Bill of 1975 and was finally introduced under the guidance of Lionel Bowen. Another world first came in 1998 when ASX demutualised and listed, again not without several bunfights among those with vested interests. And last year ASX and SFE merged, to create the Australian Securities Exchange.

Over the past 30 years, industry associations have come and gone, for example the Australian Merchant Bankers’ Association became the International Banks and Securities Association and recently IBSA merged with the Australian Financial Markets Association, AFMA, whose constituents are primarily banks, investment banks and fund managers. Australia’s sophisticated capital markets trade all the increasingly complex products found in major world markets. And we are well regarded.

When launching a book, everyone involved naturally hopes it will be well received, that people will enjoy it, perhaps even learn something from it. I was astounded by the reception given *Fast Money* when it was first published in 1983. By describing the workings of the financial markets in everyday language, it truly broke down some barriers.

Sometimes a book flies marvellously, and sometimes it just sinks like a stone. To Jim Bain’s irritation, serious, rather than worthy books such as those under discussion this evening don’t catch the media’s attention these days. These books don’t lend themselves to short snappy sexy headlines. In fact, as one columnist candidly admitted to me, the newspaper’s preference was to bag people rather than write anything laudatory. In characteristic style, Jim decided to do something about this, and got into the ear of The Sydney Institute. Hence we meet tonight.

When, 30 years ago as a novice reporter, I queried Max Walsh for details of my role, he merely said that I’d be writing about the money market. He added enigmatically: “There’s more to the money market than you think”. I didn’t doubt that he was right - but I had only the vaguest idea at the time of what he meant.

As the years rolled on, the markets assumed increasing significance. During the 1980s they acquired some notoriety as casinos of capitalism but since then they have shifted from trading for trading’s sake to a more meaningful role as a sector of the economy which services large and small investors looking to manage

and increase wealth. Such progress has called for hard work and commitment on the part of many, including those in government, but the outcome is that Australia punches well above its weight in international markets. And our financial markets do indeed tell a robust story of growth.

A FINANCIAL TALE OF

TWO CITIES

JIM BAIN

You may well ask what is Jim Bain doing here. The reasons are: firstly, from about the time I reached the age of 74 years, in 2003, I found that many interesting jobs, even the voluntary ones, were disappearing. Secondly, I realised that there was no retiring age for authors and providing I did all the research and typing for this book this would satisfy my “workaholic tendencies” for the next four years. Thirdly, I felt our industry’s story had to be told as my first book published in 2001 was all about my personal business experiences and there seemed to be no other books about the finance industry in which I had spent 40 years.

You may also ask the question was my book going to make any money? I am afraid this is not very likely because in spite of the efforts of John Elliot, Heather Cam and their excellent staff at the University of New South Wales Press, under the terms of the contract, I had to subsidise the cost of the book because:

- (a) I insisted on having 70 photographs of the major personalities and the normal publishing contract only allows for a maximum of 25 photographs including illustrations such as charts, of which there were also 51.
- (b) I wanted my book to be produced at the same excellent standard and format as: *Australia’s First Bank – from the Bank of New South Wales to Westpac* by Davidson and Salisbury published by UNSW Press in 2005 but paid for by the Bank in that case, and
- (c) I wanted the book to be fully indexed and had to employ an indexing specialist.

Although my wife Janette had read the draft many times and cut out any contentious issues, my final version was still about 150,000 words in length, and the publishing contract had a limit of no more than 120,000 words. Fortunately, my friend Howard Gelman, a specialist in business writing from Macquarie University, did an excellent job in reducing the length of my book to about 98,000 words

and made it much more interesting reading. However, on the positive side, in case you are starting to feel sorry for me:

- As the author, I receive a 10 per cent royalty on all books sold up to 2,500 copies and 12 per cent on any sales above this figure.
- As a result of my careful study of the local banks, I decided about two years ago to buy significant parcels of shares in St George Bank and Macquarie Bank and I have done very well on both these investments.
- Howard Gelman, when editing, had removed the early history about Captain James Cook's discovery of the east coast of Australia, the First Fleet and governor Arthur Phillip on the grounds that these matters had nothing to do with the financial centres of Sydney and Melbourne. This unused material has formed the basis for my third book: *Uncertain Beginnings - how Australia might have been discovered by the Portuguese, Spanish, Dutch or French and it was only by luck that it was the British*. This book will include old maps and quotes from Cook's journals etcetera and will probably keep me busy for another two years although it is well underway.

Before my most recent book was published there was some drama over the design for the front cover. I had originally suggested having photographs of the financial districts of Sydney and Melbourne on the cover. This was rejected in favour of having the logos of the major banks, merchant banks and stockbrokers, say, nine from Sydney and seven from Melbourne but when I rang the institutions to get copies of their logos they refused on the grounds they had not approved the story about their institution, and in any case, they did not know what the "pecking order" would be!

After this setback, the designers decided to put a colourful artist's impression of the famous Commonwealth Bank's moneybox on the front cover of the book - many of you may remember this object from your early years. You can see an author's life was not meant to be easy.

I will now mention some interesting points of history from my book.

- Sydney was the only major town in the Colony for the first 45 years up to 1837 when Melbourne was established. Although the Bank of NSW was established in 1817, for its first 40 or 50 years it concentrated on business from Sydney and NSW. However, the Anglo Banks established in Melbourne, in 1835 and 1837, soon expanded to the other colonies.
- Melbourne overtook Sydney because of the great wealth coming from the Victorian gold discoveries which began in 1851. This position was strengthened by the Anglo banks and

the activities of the remarkable stockbroker Jonathan Binns Were.

- Melbourne's leading role was later expanded when J.B. Were's dominance was challenged by other leading stockbrokers: Ian Potter (later Sir Ian) from the 1940s and Arthur Goode from the 1960s.
- Sydney started to catch up with the arrival of Charles Ord, in the 1960s, and the expansion of Bain & Company, in the 1970s.
- From the 1970s, the Sydney Stock Exchange started to adopt more progressive and innovative policies and these assisted its members to compete more equally with the major Melbourne firms.
- From the mid 1980s the vast majority of merchant banks and the newly approved foreign banks chose to set up in Sydney.
- The growth of the Sydney Futures Exchange from the 1980s was also a significant factor in attracting more business to Sydney.

The overseas controlled merchant banks

In recent years it has really been the Australian operations of the larger overseas controlled merchant banks which have dominated the list of Australia's top merchant banks and stockbrokers, as shown below:

- Citigroup, led in the early days from 1985 by John Thom as its first managing director and later by Rob Thomas who has been its Chairman since 2003.
- Credit Swiss First Boston which was firmly established in Australia by Ross Bradfield.
- Merrill Lynch which opened for business in Sydney in the early 1970s managed by Bill Bhonsack.
- UBS, which acquired Potter Warburg in 1995-1996.
- Deutsche Bank, which had acquired Bain & Company in 1996, and whose Chief Executive, Ken Borda, had come across from Bain & Co.
- Goldman Sachs, who acquired J.B.Were in 2003 and is run by Terry Campbell from J B Were.
- J P Morgan, which had acquired Australia's first merchant bank Australian United Corporation in 1985, was managed by Scott Reid until 2002 and then Rob Priestly became its CEO.

Only Macquarie Bank is Australian owned and controlled in the list of the top ten stockbrokers/merchant banks.

The Sydney banks

Although the Bank of New South Wales was established much earlier in 1817, London controlled the Melbourne based Anglo banks: The Bank of Australasia, formed in 1835, and the Union Bank of Australia, formed in 1837, had adopted more expansionary policies and had overtaken the Wales by June 1872. The two Anglos later merged in 1951 to form the ANZ Bank. The Wales/Westpac Bank became by far the largest Australian bank after its frenetic expansion in the late 1980s. But after the drama of the huge write off and other losses in the period 1990 to 1992, Westpac is now a well run bank under David Morgan although ranked in fourth position in market capitalisation terms behind the Commonwealth Bank, the NAB and the ANZ. Earlier, the Commercial Banking Company of Sydney founded in 1834, had been a very successful bank with a very strong NSW based business until it was taken over, in a very important move, by the NAB in 1981. The Commonwealth Bank, after a slow beginning, really started to expand taking over numerous other savings banks, after the federal government sold its shares to the public. It has produced excellent results in recent years under the leadership of David Murray and has now overtaken the NAB to become Australia's largest financial institution.

The Melbourne banks

The big story is how the National Australia Bank grew from its position, in market capitalisation terms - from seventh place, in 1971, behind the three other major banks and two of the biggest finance companies to become our largest financial institution in 2004. This is because it came through the 1987 crash in much better shape than its competitors, largely because of the strong but conservative leadership of Nobby Clark from 1985 to 1990 and Don Argus from 1990 to 1999. The bank had made much larger provisions for the bad debts from the 1987 crash and had avoided much of the high risk lending embarked on by its major competitors. However, as mentioned earlier, the Commonwealth Bank has now overtaken the NAB to assume the number one placing. Melbourne's ANZ Bank has also performed very well in recent years under its managing director John McFarlane and Chairman Charles Goode and is now in third place behind the Commonwealth Bank and the NAB.

New banks

In recent years the Sydney based St. George Bank developed from the merger of several large building societies into a major player, particularly in the area of home lending. Since 2002, Gail Kelly has been the very effective CEO of St. George Bank and was strongly

supported by Frank Conroy, the bank's Chairman from 1996 to 2004. Frank had previously been the Managing Director of Westpac from 1991 to 1992. By June 2006, St George was ranked as Australia's sixth largest financial institution with a market capitalisation of \$15.4 billion and was our fifteenth largest listed company.

Sydney's Macquarie Bank is also quite a remarkable story because the senior staff were able to acquire the successful business from its owner, the UK based merchant bank Hill Samuel, after sixteen years of successful trading in 1985. Under the leadership of David Clarke and Mark Johnson, the business was further expanded by acquiring the best and brightest people available and not only paying them well but granting all the senior staff share options to buy into the thriving business. Macquarie Bank has developed into Australia's only really significant privately owned and controlled bank/merchant bank/fund manager and the creator of many independently listed infrastructure funds. Along the way Macquarie had acquired the ailing Bankers Trust's Australian investment banking business.

Macquarie Bank shares were listed in July 1996, and by June 2006 the bank was Australia's fifth largest financial institution and thirteenth largest listed company with a market capitalisation of \$16.8 billion, closely followed by St. George in sixth place. The incredible growth of this institution in total assets and profits over the last five years has astounded us all! No wonder they call it "the millionaire's factory"!

Fund managers

In the first part of this chapter I have selected four of the larger fund managers to discuss: Maple-Brown Abbott, Perpetual Trustee Company, Colonial First State and W.H.Soul Pattinson & Co. The next section covers selected boutique fund managers: Peter Matthews and his Matthews Capital, Andrew Sisson and Balanced Equity Management, Peter Morgan and his 452 Fund, Anton Tagliaferro and Investors Mutual, David Paradice and Peter Cooper of Paradice Cooper and Geoff Wilson of Wilson Fund Management.

All these boutique fund managers have certain things in common:

- They really live their job.
- They visit the management of the companies they invest in regularly.
- They can identify small stocks which are neglected and undervalued.
- They are usually very flexible in how many stocks they hold and the size of the holdings.

The fact that Sydney is the convincing winner in the struggle to become Australia's leading financial centre is mainly because we

adopted a much more welcoming approach to new merchant banks, foreign banks and fund managers over the years.

Finally, to illustrate the growth of Australia's financial sector, I have produced the following figures:

(a) The total market capitalisation of Australia's Listed Banks was

30 June 1972 - (The first available figures)	\$17.66 million (converted from £'s)
“ 1971	\$814.47 million
“ 1995	\$45.126 billion
“ 2006	\$241.525 billion

(b) The Annual Contribution of the Finance & Insurance Sector to GDP Growth.

Year to 31 December 1974	\$4.609 billion
“ 1984	\$6.045 billion
“ 1994	\$10.547 billion
“ 2004	\$15.514 billion
“ 2006	\$17.149 billion

(c) The Annual Turnover of the Stock Exchange.

Year to 31 December 1965 (Sydney only)	\$233.0 million
“ 1986	“ \$ 16.0 billion
“ 1996	(ASX) \$185.8 “
30 June 2006	\$ 967.3 “

The above remarkable growth figures show how important Australia's financial sector has become to our nation.



Photo – David Karonidis

Dennis Richardson

Dennis Richardson AO was appointed as Ambassador of Australia to the United States in June 2005. He joined Australia's foreign service in 1969 and has served in various senior public service roles in the Department of the Prime Minister and Cabinet, Foreign Affairs and Trade and Immigration. In 1992, he was Head of the Review of the Intelligence Community post Cold War and Principal Adviser to the Prime Minister from 1990 to 1991. On a trip back to Australia In August 2007, Dennis Richardson addressed The Sydney Institute on Monday 20 August 2007.

THE US AND AUSTRALIA

DENNIS RICHARDSON

Two hundred years ago, Thomas Jefferson was serving his second term as US president. Jefferson often thought aloud about the future, and considered that the United States would always be “puzzling and prospering beyond the imagination of mankind”. Two hundred years later, Jefferson's observation remains valid. The United States continues to be a great engine for global economic growth, scientific innovation, applied research and new investment. In addition the United States continues to puzzle constructively and purposefully about its role in the world; its role as a sole super power in the post cold war world and in a world of asymmetrical threats. It also puzzles about moral and other challenges.

A few blocks around the Australian embassy in Washington for instance, plays host to some of the most high powered and thoughtful puzzlers in the world - in the Brookings Institution, Johns Hopkins, the Carnegie Endowment, the Center for Strategic and International Studies and the American Enterprise Institute. The United States remains an indispensable country, that phrase is borrowed from Madeline Albright, the former US Secretary of State under Clinton. The point she expressed was, and still is, compellingly true. For whatever we want to do in the world, for our own national security, our own economic prosperity, our own foreign policy priorities and our own trade agenda, the United States is an indispensable nation as it is for the rest of the world. That fact neither diminishes our independence nor our identity. Overwhelmingly the US remains a force for good in the world whether it be fighting AIDS in the developing world, researching and fighting malaria, responding quickly to disasters globally or seeking further global trade and investment liberalisation; a critical issue for Australians.

There is often speculation from time to time about whether the US is losing its economic clout, a few facts provide the answer. The United States is the largest economy in the world with a GDP of nearly 14 trillion. Measured in purchasing power parity exchange rates, the United States produces about one fifth of the world's output. In terms of market exchange rates, it accounts for about a third of global output. The United States is the world's largest exporter and it is the

world's largest importer; it imports on average nearly 20 per cent of all internationally traded goods. The United States is also the dominant influence on world financial markets; its stock market capitalisation is over 40 per cent of the world's total. It issues around 40 per cent of the world's debt securities and its banks hold about one seventh of the world's total bank assets. With its large current account deficit, it imports well over 60 per cent of the world's capital. Given these strong trade and financial linkages, it is not surprising that economic and financial developments in the United States are felt world wide. Research published earlier this year by the IMF concludes that there are substantial spillovers from developments in the United States to the rest of the world and that these influences have not diminished over time, indeed they appear to have increased.

The United States is not only the largest economy in the world, it is also one of the most efficient. It produces nearly a third of global output with less than five per cent of the world's population. The LECD estimates the estimates of labour productivity show that the rest of the LECD is on average 25 per cent less productive than the United States, so the US is also a technological leader. While there has been some convergence between other countries and the US over the years and new economic powerhouses such as China are emerging, one should not lose sight of the large and continuing economic presence of the US. Longer term projections such as those of Goldman Sachs published in *The Economist* last year project that the US will remain the world's largest economy at least until 2040.

Australia's economy is about six per cent of the size of the US economy. In absolute terms, our economy is small compared to the US, but relative to others we are also big. Of the 191 members of the UN, 185 have a smaller land area than Australia, 140 have a smaller population than Australia and 178 have a smaller economy than Australia. It is important to be conscious of our size relative to most others as it is all too easy for Australians in the United States and elsewhere to become mesmerised by the size of the United States itself and to underestimate our own weight.

Equally, because it is so long established and works relatively smoothly, it is easy to underestimate the breadth and depth of our bilateral relationship with the US. Australia's economic relationship with the US encompassing both trade and investment is by far our largest. Two way trading goods and services is worth almost 47.5 billion in calendar year 2006, up 11.7 per cent on 2005, the US is our third largest trading partner, but it is in the investment arena which makes the big difference in the economic partnership as a whole. The US is Australia's largest single source of foreign investment and I think that would surprise no one. However, we are the eighth or ninth largest foreign investor in the United States. Of the 191

countries in the UN, we have more foreign investment in the US than all but another seven or eight countries, something which surprises many people but which shouldn't considering the size of our own economy. Indeed the US is the main destination for Australian foreign investment abroad, taking about 38.4 per cent of our investment going off shore. We now invest almost as much in the US as what the US now invests in Australia. In the free trade agreement which came into effect in January, 2005 is a positive in all of this.

In terms of breadth, a relationship with the United States has equal depth in matters of defence and national security which would surprise no one given the formal alliance. The same is true when it comes to culture, whether of the Hollywood kind or some other. Where it can be surprising is in the sheer scale of people dimension, with some 100,000 to 130,000 Australians living and working in the United States. Where ever you go in the United States, and in whatever field of endeavour, you come across Australians in senior and other positions across the full spectrum of business, academia, and the professions. And the vast people network has its emotional ties, such as through the 10,000 – 15,000 Australian women who married US service men during the Second World War. That Australians and Americans can work together so comfortably is in large part because of the simple things often taken for granted. Speaking the same language, and living in societies which however different share a common sense of what is right and what is wrong.

US global priorities and how it views the rest of the world is important to us all, whether we like it or not, because of its economic weight and because it is the sole super power. And there are issues of enduring importance to the United States, the perception of which is sometimes colored by the prism through which each of us might view the current administration. Those issues of enduring importance to the United States can be relevant to our own national interests and because of that we should have some understanding of them, and it is in this context that I want to say a few words about each of 9/11 and terrorism, proliferation, Iraq and Afghanistan, East Asia, energy and climate change and global trade and protectionism and you won't be here all night.

9/11 remains a basic reference point for the United States, not just for the Bush administration, and it will remain so for at least another generation. In the United States, issues of terrorism, weapons of mass destruction, and proliferation are fundamentally linked. For the United States, the possibility of nuclear terrorism is seen as a real threat to be addressed, not as an abstract notion. It is a concern driven not so much by fear, but by hard headed analysis, the certain knowledge that terrorists want to obtain weapons of mass destruction

and if they do, their target of first choice will be the United States. Listen to this from a recent article in the US press:

The probability of a nuclear weapon one day going off in an American city cannot be calculated, but it is larger than it was five years ago. Potential sources of bombs or the fissile materials to make them have proliferated in North Korea and Iran. Russia's arsenal remains incompletely secured, 15 years after the end of the Soviet Union. And Pakistan's nuclear technology already put on the market once by Abdel Kahn could go to terrorists, if the President, General Musharraf can not control radicals in that country. More nuclear materials that can be lost or stolen plus more terrorists aspiring to mass destruction equals a greater chance of nuclear terrorism.

If I said that that extract was from an article written by former Secretary of Defense Rumsfeld, I suspect there would be much less surprise. In fact this was written by Bill Clinton's former Secretary of Defense, Bill Perry, and it appeared as an op ed piece in the *New York Times* on 12 June 2007. Those concerns go across the US political spectrum and are not confined to one side of US politics. The depth of concern amongst Americans of all political persuasions is not, I believe, fully and properly appreciated in all countries, partly because such outsiders know the threat is not directed against them and therefore don't feel it the same way. This can play into a certain lack of urgency in the way some countries tackle the issues, and only heightens concern amongst US policy makers. It is not a good thing for any of us if the world's sole super power feels a certain insecurity in this way. The possibility of nuclear terrorism is one of the elements in the concern about proliferation, especially in respect of Iran and North Korea. This is understandable given North Korea's poor record on proliferation and Iran's support for Hezbollah and Hamas, the former being a terrorist organisation with global reach. As with nuclear terrorism, Iran and North Korea will remain US priorities beyond the current administration. Contrary to some media speculation, from time to time, the US remains committed to seeking diplomatic solutions, through the Six Party talks in respect to North Korea, and through the P5 and E3 in respect of Iran.

As in Australia, the war in Afghanistan is not a matter of partisan political difference; it remains identified in the US with the security of the Homeland because of 9/11. In respect of Iraq, it is important to distinguish the theatre of the debate in the United States from the substance of the debate. It is certainly a very unpopular war in the United States - that is clear from all the polling. However, while much attention is often on issues such as whether the Congress will supply funding for the war or impose timetables for withdrawal, the real substance of the debate in the United States is on the most appropriate mission for US forces in Iraq. The major presidential

candidates on the Democratic side agree with the need for a continued US military presence in Iraq to train and support the Iraqi security forces, to fight international terrorism, to provide force protection and to provide a rapid response capability. In other words, a continuing force of anywhere between 50,000 - 80,000 troops depending upon how one measures the need. All major Presidential candidates in the US consider that Iraq and the wider region remain essential to US national interest and cannot be walked away from.

For all the obvious reasons, China, Japan and India will remain key US interests for many years, and it is those relationships which will shape the broader political strategic context in which we in Australia live. In particular, how the US and China engage and manage their relationship will be fundamental. Going back to 1972, there has been a degree of strategic vision on both sides. Indeed, one of the overlooked achievements of the Bush administration has been the significant improvement in its bilateral relationship with each of China, Japan and India and this is in Australia's own national interest. A few months back in Washington, fifteen Chinese ministers and vice ministers met together with a majority of the administrations cabinet. That is now the intensity and level of the engagement and it's a reflection of the seriousness with which both Beijing and Washington approach their bilateral relationship.

As an Australian there is no singular view in the US of China, some are fearful, some are suspicious, some are hostile and some are hopeful and confident. There are obvious issues and points of friction ranging from trade to defence expenditure, force posture and transparency but steadily structure and machinery has been put in place enabling such issues hopefully in time to be addressed sensibly. That is something we should all welcome and encourage.

Energy, security and climate change are now bigger issues in the US political and policy debates. The administration remains philosophically committed to technology and the market as major elements in addressing greenhouse gas omissions. It is opposed to mandatory tax, but a new administration in January 2009 could have a different approach. In the meantime, the administration has become actively involved in the global dimension and the global debate of climate change as witness through its involvement in the P6 clean air and climate initiative in early 2006 involving also Australia, Japan, Korea, China and India. Through the G8, through APEC, the UN and its own initiative in bringing together in late September in Washington the worlds fifteen largest emitters. So there is a certain act of engagement internationally by the US on climate change. This will continue in my view as a permanent feature in US diplomacy. One comment in respect of any post Kyoto arrangement, in my view, is that no US administration of any colour will be able to be part of any post

Kyoto arrangement unless there is a clear pathway to the involvement of the major economies of China and India, especially China. US domestic politics would simply not allow the US to be involved in a post Kyoto arrangement that did not have a clear pathway for China's involvement.

As the world's largest exporter and importer, the US has a strong interest in a more liberalised, global trade and investment requirement, but Doha remains unfinished and the President's trade promotion authority expired in June and is yet to be renewed by the Congress. Within the Congress itself, there are renewed protectionist elements. This is something we shall need to watch. In the context of the farm bill, which can affect Australian interest, I suspect that any gain made by protectionist elements in the Congress will be limited. Fundamentally it would not be consistent with the United State's own national economic interest to go too far down the path of protectionism.

In conclusion, I can only say that if Thomas Jefferson was alive today he would be delighted with the amount of puzzling still going on about the US. At the Australian embassy in Washington, that is, of course, part of our role.

FUNCTIONS - 2008



Photographer: David Karonidis



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Peter Beinart

Peter Beinart is editor-at-large at *The New Republic*. He is also a senior fellow at the Council on Foreign Relations, a *Time* contributor, and a monthly columnist for *The Washington Post*. His book, *The Good Fight: Why Liberals - And Only Liberals - Can Win the War on Terror and Make America Great Again*, was published by HarperCollins in June 2006. In an address to The Sydney Institute, on Tuesday 21 August 2007, Peter Beinart challenged some of the orthodoxies around the use of the term “war on terror” and US involvement in the Iraq war.

THE GOOD FIGHT:

WHY ONLY LEFT-LIBERALS CAN WIN THE WAR ON TERROR

PETER BEINART

It's really a pleasure to be here at The Sydney Institute. My book *The Good Fight* has an unusual inspiration. It came from something George W Bush said in the 2004 presidential election campaign, something that I think was quite crucial to him winning. And he said it a lot. "You may not always agree with me," he said, "but at least you know where I stand." The implication was that you could not say the same about his Democratic opponent John Kerry. That line haunted me in the days and weeks after the 2004 election. It was so true. It wasn't only true about George W Bush and John Kerry, because it's true about the left and right in America more generally.

An experiment you can do with young American college students, activists of the right and left, is to turn to a group of conservative college activists and say "What is your intellectual history? What is your historical lineage? What are the books that have shaped what it means for you to be a conservative?" They'll rattle off a cataclysm of books and writers, particularly American twentieth century writers, names like Friedrich Hayek, Milton Friedman, William F Buckley, Russell Kirk, James Burnham. Whether they have actually read all those books I don't know, but they know the books and they have at least what we call a *Cliff Notes* version of what those books are. If you ask a corresponding group of liberal activist students, left activist students, to name the books that represent their intellectual tradition, by and large you would get blank stares and then maybe a mention of someone's autobiography. There will be very little familiarity with the people whom I think have created the twentieth century and the American liberal tradition; people like Herbert Croly, John Dewey, Reinhold Niebuhr, even more contemporary people like John Rawls. This is bizarre, given that the American left is considered to be the more intellectual side at American universities. In fact, liberals have spent far less time trying to understand what they believe at the level of first principles.

American conservatives have created a series of institutions over the past several decades dedicated to their intellectual traditions while liberals have not. You find then, in a classic debate between the left and right in the United States, that the conservatives will start discussions by saying, "I believe that your rights come not from the State but from God and I believe that the larger a State becomes, the more your freedom is diminished." The liberal response will be, "Well here's my seven part plan for how to get to universal health care." We saw that in the Kerry/Bush campaign; one side talking about policy, the other talking about principle. My book was my attempt, at least on foreign policy, to work out how we can talk about what the liberal foreign policy tradition is and what it means for today. So I'll start by talking about what I think the conservative tradition is because it helps to put the liberal tradition in relief. Then I'll talk about how you might implement it today.

I would contend that the fundamental divide on foreign policy for the last century, between left and right, in the United States has not been the willingness to use force. You could easily find moments in the last 100 years where it has been the left in the United States that was more willing to use force, at least the moderate left. The conservatives were quite opposed to military intervention in the 1920s. Presidents Harding, Coolidge and Hoover certainly were, and in the 1990s the conservative Republican congress was opposed to many of Clinton's military interventions. John F Kennedy was quite a militaristic president. The fundamental divide is over the idea of interdependence, or the question of whether America should give other nations some influence over the way it exercises its power. It's over whether to what degree, if at all, we should allow our prosperity and our security to be placed in the hands of others. Conservatives emphatically have said no, while liberals have been much more open to that idea.

From the time America became a great power after World War I, conservative foreign policy has had two forms, one more isolationist and one what I would call imperialist. In the 1920s, conservatives were famously isolationist, after America's rejection of the League of Nations. In the 1990s, conservative foreign policy was also quite isolationist. On the other hand, there is a second conservative type that you can find, running from the editors and founders of the *National Review* in the 1950s, through Barry Goldwater, through Ronald Reagan, and on to the policies of George W. Bush and Dick Cheney which I would consider imperialist. The isolationist, conservative foreign policy essentially contends that other nations will have no influence over American foreign policy because we will disengage from the world. Imperialist conservative foreign policy contends that America will engage very actively with the world, but we will still allow other countries no real influence over the terms of

that engagement. That's why even today's conservatives, people in the Bush administration, would disavow any intellectual connection with the isolationist conservative of the 1920s or even of the 1990s. In fact there is a fundamental connection between isolationist conservatism and what I would call imperialist or neo-imperialist conservatism. And this is the central point of rejection of interdependence. America may disengage from the world, America may be extremely active in the world, but in either case we will do it alone, we will do it unilaterally, we will allow international institutions and other nations very little influence over the terms of our interaction with the world.

Since 9/11, the United States has demanded more and more of other countries. We have demanded that other countries change their behaviour in a whole series of ways on anti-terrorism, on nuclear proliferation, on questions of democracy and human rights. And yet what has been so striking about that foreign policy is the disconnection, the radical unwillingness of the United States to allow other countries to have any reciprocal influence over our policies on questions of democracy, human rights, anti-terrorism and anti-nuclear proliferation. What is so remarkable about this is that it seems to be a perversion of the core conservative idea about human nature. Conservatism, classically, is pessimistic about human nature; conservatives believe that human beings are sinful, that human beings are fallen. To a conservative, you cannot make human beings perfect and the effort to try will have terrible results. That's the classic conservative contention and there's a lot of wisdom in it. Yet the kind of conservatism that took root in the US with the founding of the modern conservative movement and William F. Buckley's magazine *National Review* in the 1950s and which has progressively taken over the Republican Party, maintains extreme pessimism about human nature when it comes to the human nature of non-Americans. For instance, the behaviour of non-Americans is usually considered to be selfish, self interested and manipulative.

From this it is seen as a mistake to give non-Americans much influence over American behaviour, because even if they say they're doing it in our interest or for noble, high-minded reasons, they're probably not. They're probably doing it to try to weaken us in the world. That is the general conservative perspective. And yet, when it comes to perceptions of the human nature of Americans, conservatism has moved almost to the radical utopian vision in which our virtue is self evident; we act only in accordance with the highest ideals of behaviour, we are morally incorruptible, we can act with minimal international constraints on our behaviour and indeed the executive can act with minimal domestic constraints on its behaviour. But the more we are unconstrained, the more good we will do, because we are essentially angels who only act in accordance with some kind of

universal moral law. We saw this in George W. Bush's response to the human rights watch reports on America's anti detainee prison system, Guantanamo Bay. When they detailed in great volume the degree to which America was violating many of the human rights conventions, George W Bush's response was, "That's ridiculous, everybody knows that America stands for democracy and freedom around the world." In other words, democracy and freedom around the world are simply whatever America happens to be doing at the time and we, the US, define the meaning of those terms.

The liberal takes the idea of interdependence far more seriously, the idea that we have the right to make claims on the behaviour of other nations, but our ability to make those claims is dependent to some degree at least on our willingness to allow other countries to make claims on our behaviour as well. The genesis of this idea starts with Woodrow Wilson and the beginning of America's emergence as a great power in the second decade of the twentieth century. Woodrow Wilson very much did not want to enter World War I. Woodrow Wilson, like most Americans, saw World War I as a typical European disaster that God in His infinite wisdom had allowed us to stay clear of because he had given us the Atlantic Ocean. One newspaper in Iowa after World War I broke out, said that never had he appreciated Christopher Columbus more.

But Woodrow Wilson also recognised, over some years, that America's fate was also intertwined with Europe's fate, and that a war between the great European powers threatened American commerce. The blockade Britain and Germany were imposing threatened America's ability to prosper economically because we needed to trade with Europe. And, beyond that, the threat that one power, in this case Germany, would come to dominate the land map would even more threaten American security. This was famously embodied in the Zimmerman telegram where the Germans said to Mexico that if they came onto the German side in the European war, the Germans would help give them back the territories of Texas, Arizona and New Mexico. This made Americans realise that a German victory might have consequences for the US. So Wilson, who I would argue was the founder of liberal foreign policy, took America into World War I. But when the war was over he did not return America to a position of relative isolation nor did he try to dominate Europe. Instead he said that there was a need to have a set of rules for international relations, to bind the countries of Europe so they wouldn't get into such a conflict again. There should be a set of principles concerning free trade, freedom of the seas, national self determination and open diplomacy and he would ask the Europeans to abide by those principles, and America would abide by them as well.

Such principles were not to be simply whatever America happened to be doing at the time. They would exist above and beyond American behaviour, as they exist above and beyond other nations' behaviour. And they would allow other nations to have a role in defining the principles that would govern them as well as the US. This effort failed. Wilson's Fourteen Points and his League of Nations were rejected by the United States Senate, primarily because the United States Senate did not want to incur obligations to other countries. But they endured.

Then, in the 1930s, Americans again desperately want to avoid getting involved in another European war. Eventually, however, the US was brought into World War II but Franklin Roosevelt, who was an admirer of Woodrow Wilson, believed that America should try to help establish rules after it was over that would govern how other countries behaved so that another war or another depression might be avoided. And this was the true genius, I think, of FDR's and Truman's foreign policy at the dawn of the Cold War. Consider the amount of power the United States had at the end of World War II, when Europe was on its knees as well as much of East Asia. American power was probably more unconstrained than it had ever been. And yet Truman consciously decided to constrain American power, to give weaker nations some influence over our behaviour, to allow the destroyed countries of Europe some influence in defining the institutions that would govern not only their behaviour, but our behaviour. If we did that, we could make our power legitimate in their eyes. We could convince other nations that America's massive new found power was not only good for us, but good for them as well.

George Cannon who was the architect of Truman's early containment policies said the Soviet Union was an Empire because it governed in Eastern Europe based on coercion and brute force. And Empires, while they look strong, are brittle, and they always break from the periphery. Indeed, as early as the early 1950s the Poles started rising up against Soviet power because the Soviets couldn't convince them their annexation was good for the Poles. Cannon said that if the US gave weaker nations some influence over US power, and if we could avoid becoming an empire, we could develop an alliance system in Western Europe based more on persuasion and consent than on coercion. This sort of alliance would endure long after the Soviet Union was a distant memory.

This idea that moral progress in the world requires some degree of moral reciprocity, seems to me to be based on a more consistent idea of human nature than the conservative one. Liberals have historically been more optimistic about human nature, more optimistic about the prospect of human reason bringing human progress. Liberals remain more optimistic, I would argue, about human nature in general. But the important feature of the liberal foreign policy tradition is

the universality of its views on human nature. It does not argue that human beings become different animals when they leave the 50 states of America; it argues that this optimism about human nature is true for Americans as well. It rests its faith on believing we can act cooperatively and that other nations can act cooperatively. We believe that we can act idealistically and that other nations can act idealistically. And while some governments represent their people far more than others, it maintains at least the idea that other nations in fact can strive towards a moral law as well as us.

So what does this mean for today? The story of our time is the story of the spreading of this idea of interdependence from Europe and the Americas and the developed world to the entire world. When they were thinking about interdependence, Wilson and FDR were really thinking about America's interdependence with Europe and perhaps to some lesser degree with Japan and East Asia. They did not take the idea of interdependence as their prism for how America would deal with the then colonised world. In relation to the nations of the colonised world, what we call the developing world, they thought that America could either be isolationist or imperialist, and that we didn't have binding obligations to such nations, that those nations could not in fact make demands upon us. That is in some ways the genesis of how America got into the Vietnam War, where it essentially became a colonial power following the French into South East Asia. The very principles of interdependence that governed America's relationship with Europe and to some degree with Japan were absent in the way we treated Vietnam.

In a globalised world today, however, it is no longer just the most powerful countries in the world, the richest countries in the world, Germany, Russia or Japan, that can be a threat to the United States. The revolution in technology, in communication and transport means that now America is interdependent with even the most backward, poorest countries in the world. No one in the United States believed on 10 September 2001 that anything that happened in a county as remote and backward as Afghanistan would ever really matter to us, or that a village in China that Americans had never heard of could incubate a bird flu that creates a kind of fear of global pandemic around the world or that the collapse of the Thai banking system could almost send the world into global recession in the late 1990s.

In a globalised world, in which America is interdependent not just with powerful countries but indeed with the weakest countries of the world, we have a greater interest than ever before, it seems to me, in how those countries govern themselves. If they can provide public health, if they don't massively degrade the environment, if they can educate their young people so they don't go to extremist madrasses and become terrorists, if they can regulate their financial

system, they don't produce the pathology that in the globalised world can spread to our world, even from the poorest parts of the world, far faster than ever before. But, the critical reciprocity that is at the heart of interdependence means America also has to recognise that if other nations can be a greater threat to us than ever before, we can be a greater threat to them. In a smaller world, our contribution to global warming, our sale of small arms which fuels civil conflict in the Third World, our perusal of a whole new class of nuclear weapons which undermine the IEA regime, our treatment of terrorists in ways that fuels Islamic radicalism, destabilises other countries. Those are all ways in which we are not upholding our obligations to other nations, and if other nations have increased obligations to us, we also have increased obligations to them.

Historically, the way America has tried to respond to interdependence, has tried to hold other countries to a higher standard while allowing them to hold us to a higher standard, has been through international institutions and international law. The whole raft of international institutions that were built at the end of World War II - the UN, IMF, World Bank, World Trade Organisation, NATO - all of these institutions have atrophied in a globalised world. They have not kept pace with the massive changes, both on the security and economic side, that we have seen in recent years. That's why it seems to me that the great challenge for American liberal foreign policy in the coming decade, the thing that the next Democratic president (and I would hope Republican president) will have to address himself or herself to, in a fundamental way beyond just crisis management, is the rebuilding of the international institutions that once facilitated interdependence, and the building of new international institutions to deal with the new challenges, like climate change and public health and anti terrorism. We need to build institutions which America, with its close allies like Britain and Australia, can use as a vehicle to demand that other countries hold themselves to a higher standard, so they don't breed the pathologies that can threaten us.

But also, and this is critical, we should cede some degree of our own sovereignty to allow other nations to hold us to a higher standard as well. It seems to me that the more we do that, the more we can respond to the crisis of legitimacy that faces American power around the world today. The closer we can come to the historic dream of liberal foreign policy, which is the dream that America can be a super power without being an Empire, the closer we get to an America that can benefit not only us but other people as well. By recognising our common humanity, by recognising that Americans are no better, are no different from anyone else, we'll be allowing America to be a nation that can astonish and inspire the world.



Photo - David Karonidis

Chris Lowney

Chris Lowney, formerly a Jesuit, was made a managing director of J.P. Morgan & Co. while still in his thirties and held senior positions in New York, Tokyo, Singapore and London. Prior to joining J.P. Morgan, Lowney was a Jesuit seminarian for seven years. Today Chris Lowney serves part-time as Special Assistant to the President of the Catholic Medical Mission Board (CMMB), the leading US based Catholic charity providing health care programs and services to people in need around the world. On Wednesday 22 August 2007, while visiting Sydney, Chris Lowney addressed The Sydney Institute.

HEROIC LEADERS:

WHO THEY ARE, WHAT THEY KNOW, HOW THEY LIVE

CHRIS LOWNEY

I'll begin with a little mental experiment. Everybody just take a few seconds and think of the names of one or two living people that you would consider to be leaders. Now you might be thinking of political leaders here in this country or, in mine, President George Bush. But I wonder if any of you are thinking of your own name. Probably no one.

We're raised in a culture that prizes humility, a beautiful virtue. But this means we never think of ourselves as leaders. But I would suggest that, in this case, humility might be a little misplaced because it's connected to a broken idea that associates leadership only with being in charge - president, general, chief executive. But in many respects the people we need to think of as leaders are ourselves.

What do good leaders do to motivate the people around them? Let's make that part two of our little mental experiment and let's all take a few more seconds to think of the qualities or behaviour that we all associate with leading well. I have no doubt people are thinking of a rich list of qualities; ideas like honour, courage, decisiveness. But I wonder if anyone is thinking of someone of outstanding leadership qualities who said on retiring: "You must love those you lead before you can be an effective leader." What business do you think this guy was in? In fact, I just quoted General Eric Shinseki who, until a few years ago was, Chief of Staff of the US Army and the highest ranking military officer in the United States. That sentiment, love those you lead, struck me as quite strange coming from a military class that we associate with toughness. But the more I thought about it, the more I suspected that generals make wiser choices if they love the people they must place in harm's way. I also bet that soldiers perform better if they believe they are valued in some deep way by the people above them given the awful burden of sending them out, possibly to face their deaths.

So, who are leaders and how are leaders leading? Well, we're all leading, all the time. And our claim to leadership is not our status in

an organisation but who we are and the kind of values we are willing to role model. John Kotter, from Harvard Business School, used to talk about leadership as having three dimensions. First, leaders have a sense of vision, some idea of the future or where we need to go. Second, leaders get a group of people to buy in, to agree. Finally, leaders help people get past the obstacles that appear whenever you're trying to do something difficult. One of the dictionary definitions of leadership is very similar; it talks about leadership as, "The act of pointing out a way, direction or goal and influencing others."

Everyone here is living those words all the time. We're pointing out a way, a way of living just by virtue of who we hire or how we run meetings. Many people here are parents, and there could be no more obvious example of pointing out a way and influencing others than what parents do for children over a lifetime. So, by the dictionary definition, good parenting is good leadership. However, while all of us are leading, most of us are leading only subconsciously. And we all need to get a little more explicit, a little more purposeful, first about the fact that we're leading and second about the specific kind of leadership impact we want to make with our lives.

I want to talk about one model, not *the* model; one idea of leading that's drawn from two experiences in my own life. I was fortunate enough to work at JP Morgan for about seventeen years and, before that, I was a Jesuit seminarian. I could summarise my life for you this way; for seven years I struggled successfully to live as a celibate and ever since then I've been struggling not to be celibate. What struck me more than the obvious differences in mission between a religious order and an investment bank, were the underlying similarities. Isn't it true that all humans and all organisations have to accomplish the same kind of tasks? We have to figure out goals and meet them, we have to conceive ideas and sell them to other people; we have to motivate ourselves and others. And it struck me that these sixteenth and seventeenth century Jesuit priests did a lot of these things in ways that were more effective than the ways we're trying to do them today. Some of the values or principles we associate with leading well are enduring and relevant whether you're in a non-profit organisation or an investment bank – such ideals or values as self awareness, ingenuity, heroism and love.

First is self awareness. To lead well you have to know yourself – questions such as, what are my strengths and weakness, my values, my outlook in the world? Second is ingenuity. The world is going to keep changing and only people who are willing to adapt are leading. Third is heroism - that we motivate ourselves and other people with real ambition, with a passion to excel, with goals that are bigger than myself. And, finally, love; that we treat other people in a way that respects their human dignity and tries to unlock their potential.

Let me start with heroism. There are two dimensions to what it means to be heroic; one has to do with dedication, the other with a purpose bigger than itself. If we asked people to think of heroic moments, some would imagine saving comrades on battle fields and saving people in burning buildings. Of course that is a unique sort of heroism. But the only thing in life that none of us can control ultimately are the opportunities life presents us. None of us know if we will ever be called on to save someone in distress. The only thing we always control is how we react and behave in front of whatever opportunities we have. For most of us, our opportunities are small and our heroism is something we don't win in a spectacular moment of glory but over the course of a lifetime.

The Jesuits are educators, and teachers have no guarantee they will ever make a profound impact in a student's life. Teachers' heroism is living and working every day as if they might make this kind of impact. Teachers also appreciate that the school works when everybody tries to serve the overall mission or project that is a school. This is another dimension of heroism. To illustrate it further, let me draw on an anecdote about President Kennedy in the early 1960s when the United States was trying to get a rocket ship to the moon before the Russians. The story goes that President Kennedy made a tour of the space agency and ended up in an office where a janitor was cleaning up. The President asked the janitor what his job was and the man replied, "Mr President, I'm putting a man on the moon."

Some of you may be familiar with the book *Corporate Culture and Performance*, based on a Harvard study that looked at culture within a number of high performing and poor performing companies. One of the interesting findings in that study about high performing companies was that they involved a group of people who tended to be thinking always of someone else. How do we serve shareholders, how do we serve customers, how do I make the people on my team more productive? In poor performing companies, people by and large thought about themselves - how do I use my customers to extract the maximum profit, how I do I use my employees to look good myself? So, people do well with a purpose beyond self.

We now have mounting evidence that organisations doing well consist of people who adapt a mentality which I call heroic - this includes having a sense of purpose beyond your ego. So how do people cultivate this kind of mind set. The answer - with self awareness.

As a Jesuit, I did the Spiritual Exercises, a long and formal period of introspection. During this time, a person is taken away completely from job responsibilities - no telephone, no newspaper. The only task for a month is to think about oneself and one's religious vocation. It's a religious discipline, of course, but I also see a wonderful leadership boot camp in it. Each person is forced to think about who that person

is and what's ultimately worth doing in life. What am I good at? Bad at? Anybody who's managed a lot of people or worked in a human resources department has been mystified by the phenomenon of rising corporate stars who suddenly burn out. At JP Morgan we used to hire the smartest kids in America. They were the sort of people who joined investment banks to get rich and invariably they all would do very well when the only thing we asked them to do was move numbers around spreadsheets. But, invariably, some would fail spectacularly as soon as they were asked to do grown up things, like dealing with other human beings, or dealing with problems that don't have easy solutions. And there is a school of thought which attributes these spectacular flame outs to a lack of self awareness. In other words, what sometimes happens is that very smart people quite quickly figure out how to do school, how to master the rote set of tasks that often go with schooling, but they never figure out how to do life, because they've never really been exposed to the kind of challenges or failures or setbacks that would give them what in the corporate world we used to call learning agility.

There's an emeritus psychologist at Harvard, Abraham Zaleznik who worked with a lot of corporate CEOs and made a very interesting observation. A disproportionate share of those he knew were in his words "twice born". This is a very interesting choice of words although he didn't mean it the way we intuitively think. What he observed is how many of CEOs had suffered, in their early adulthood, some kind of a crisis - bankruptcy, addiction, job termination, marriage break down. This experience had knocked them down and made them ask questions about themselves, who they were, what they wanted out of life. Zaleznik's thesis, as a psychologist, was that it was exactly that moment that explained their ultimate success; it gave them a sense of direction and a sense of focus for the long term. What I am saying is that if life doesn't thrust on us through a crisis some moment of self scrutiny, we all need to manufacture for ourselves some way of foundationally coming to grips with who we are as adults, what we value and how we're going to work.

Jesuits also learn, during this month long period of the *Spiritual Exercises*, a wonderful tool for daily updating that anybody here could begin using tomorrow, less than ten minutes a day. Every day we need to make three small mental pit stops. When you wake up in the morning remind yourself of what you have to be grateful for as a person; think of some objective you want to achieve or some personal issue you need to work on. Twice more, during the day, you go through a similar process. At lunch time, say, for a few minutes ask yourself why are you grateful and what is it you want to be working on at that time. Then, replay the video tape of the last few hours,

mentally, and try to take away some lesson that will help you in the next few hours.

The genius of this very simple process is very obvious when we think about its origins. When the Jesuits were starting out, in the sixteenth century, almost all religious orders were what we would call today monastic in character. In other words, all the monks and nuns would go off to chapel multiple times each day together to pray in common. But the Jesuits wanted to be involved in activist occupations and this did not allow them to go off to chapel together. In Jesuit schools, for instance, how well would such schools work if three or four times a day the whole administration and staff just disappeared. But Ignatius, the Jesuits founder, had the great insight that we in the modern world are forgetting. Sure, we can dispense with routines like going off to chapel. But what we can't easily dispense with is the need to get ourselves recollected each day.

I'll talk a little less about ingenuity, our third leadership pillar. It's intuitively clear to people that the world is changing very fast and we all somehow need to be a little adaptive in order to survive. So what in the world are sixteenth century priests going to tell us in the twenty-first century about how to be adaptive. The answer to that question can be found in a meditation of Ignatius where he asks us to imagine we were to inherit a huge amount of money: what should we do with it. Well, we might guess the right answer is to give the money to poor people and rejoice piously. That may be a very good thing to do, but in fact it's the wrong answer for the meditation. Ignatius says the first thing we need to do is to make ourself free, we would say strategically free, to pursue all of the legitimate options: you can keep the money or give the money away. Only when you are free to pursue all alternatives, are you in a position to make a good choice and a good decision. That may sound a little abstract, so let me talk about it in a very concrete way. Some people in this room would have been involved in a merger or acquisition business at one point or another. Anybody who's been in that business knows there are wonderful mergers that never happen, deals that would be good for shareholders, good for customers. So what happens?

Imagine we're going through the negotiating process, and my friend here is Chief Executive of one of the companies and my friend over there is Chief Executive of the other company. It comes to a point where we have to decide who's going to be Chief Executive of the shared company, and nobody is willing to accept the fact that he or she is going to have to be number two. Each of these individuals is so attached to his or her ego that they can't make a good choice. In life, in all kinds of organisations we find all kinds of these attachments: to our own status, we're attached to fear. In some cases, we don't want to change because we've been doing something a particular way for ten

years, or we're attached to our prejudices about other people, or we've been with a company a dozen years and a new person arrives with new ideas challenging us to be more risk adaptive, more creative, more flexible. Part of the issue of being "change ready" is to understand what's inside, what kind of attachments are holding us back.

Finally, let's move on to love, the fourth leadership idea. I didn't wander the hallways of JP Morgan embracing my colleagues and telling them that I loved them. Nor am I suggesting you start showing each other that sort of love in your respectful enterprises. But Ignatius said love should manifest itself in deeds, not in words. So what kind of deeds could show the impact of love in a work place? Take this for starters – love in a work place with clear, bottom line impact. No Chief Executive who loved his or her employees would recklessly gamble their pensions and careers in order to prop up his stock option value through fraud. If you're entrusted with other human beings as colleagues or subordinates, what do you owe them?

Everyone here knows that children learn better and perform more effectively when they feel safe, when they know they're valuable, and when discipline is instilled. So why do we convince ourselves that our adult needs are different? The best teams at JP Morgan were teams where we trusted each other, where we were more interested in helping each other win than watching each other lose. We didn't stab each other in the back and we held each other very accountable to the kind of high standards that made each person in the whole team better performing.

Behaviour like this we would call love in a workplace setting if part of the motivation is that people alongside us are not just tools, like hammers that you use and throw away. Think of the very word company, which we tend only to associate with commercial enterprise. The Jesuit organisation is properly called the "company" of Jesus. Remember that the Latin roots of the word company are the word for "with" or "together" and the word for "bread". So who's your company? A group of people with whom you want to break bread, the group of people that gives you energy, not a group of people that takes your energy away. The word companion of course is the same word, from the same roots. The Jesuits' sixteenth century challenge is for us to make our modern places more companionable, to this original vision of what a company is and should be.

In the course of the last two decades we've gone through continuous rounds of stripping away layers to get more productive major enterprises. We've built companies where middle managers, for the most part, have a wide span of control, so much so that they don't know what their subordinates are doing all day much less give close guidance, supervision and support. We've built environments that call for a tremendous amount of self leadership but we really don't

have a lot of people who feel comfortable enough operating within the environments we've created. We need to rethink what it means to lead and help people perform better in such environments.

We all tend to associate leadership with status, the position we hold in an organisation. Or tactics, things we do to other people to manipulate them into doing what we want them to do. Certainly we can project leadership through status, but fundamentally it's about who we are. So we all should spend more time thinking about ourselves in order to lead better, and less time trying to imitate Donald Trump.

How do we lead well? We all need to make a foundational investment in ourselves as leaders; we all need to have a mechanism to keep ourselves updated everyday on how we're doing. It was my privilege to work with terrific leaders on four continents and, without exception, the people who are leading well are not people who know a few tricks and are treating us like trained animals. People who are leading well are people who have something much more profound going on inside. We need smart, virtuous, dedicated people who are willing to stand up and be role models of a different vision of what it could mean to lead. With this, let me wish you all the best of luck as we make ourselves, our families and our companies more self aware, more ingenious, more heroic and more loving.



Photo – David Karonidis

Kim Huynh

The stories of the diaspora of displaced Vietnamese from the 1980s are now told by younger descendants spread across the world, having grown up like most refugee children everywhere with their parents' experiences woven into their own modern and Western ones. Kim Huynh, an Australian of Vietnamese heritage is one intellectual who has sought to understand how the mix of tradition and modernity has shaped a generation of Vietnamese and the communities where they have settled. On Tuesday 28 August 2007, Dr Kim Huynh, lecturer in politics at the Australian National University and author of *Where the Sea Takes Us: A Vietnamese Australian Story* (HarperCollins 2007), addressed The Sydney Institute to discuss his own experience growing up as an Australian of Vietnamese heritage.

JOURNEY TO MODERNITY:

VIETNAM IN THE SUBURBS

KIM HUYNH

Where the Sea Takes Us can be understood on three different levels. It is foremost a book about people, my parents, and the events and experiences that lead to their decision to leave their homeland. It is also a book about a country, Vietnam, that attempts to capture not only the experiences of war and colonialism that are commonly associated with Vietnamese history, but also the culture and literature that constitute the soul of the nation.

Finally, *Where the Sea Takes Us* is about ideas. Particularly, it is about the ideologies that had such a profound impact on Vietnam and the world during the Cold War: Marxism, Leninism, Maoism, and liberal democracy. Through an illustration of how these ideologies were articulated and advanced in my parents' everyday lives, the book explores the tensions between tradition and modernity that shaped twentieth century Vietnam.

This talk will investigate the relationship between these three levels of the book. In particular, it looks at the relationship between everyday life and politics and how the experiences of my ordinary parents shed some light upon some of the most extraordinary events in modern human history and visa versa.

Everyday events and politics

To this end, it is necessary to recount a small part of my family's story. This section comes from Chapter 5 of *Where the Sea Takes Us* which is entitled, "Modernity made my father and aunt affluent without enriching them". Each chapter title refers to a major political phenomenon or idea that is subsequently explored through the prism of my parents' lives. For example, modernity, colonialism, totalitarianism and nationalism.

The chapters are prefaced by a contemporary conversation between my parents and me in which I try to illustrate some of the methodological difficulties of researching one's loved ones, or what can be regarded as the perils of navigating that space between the personal and political. This particular conversation takes place in

the study of my family home with my father, Thiet, and me gathered around the computer.

Kim: OK, let's go through this again Dad. There are two steps. First we have to dial up the internet service provider, the ISP. When we've done that you'll see those two little flashing boxes in the corner. That means we're connected. Then we use what's called a browser, a program on our computer that allows us to surf the net. Sometimes things go wrong. It's not perfect. For one reason or another, the internet site that we want to visit might be down or our ISP might not be responding. Nothing's exact or assured. Do you understand? Do you want me to go over it again? Obviously I went through it too quickly last time.

Thiet: I understand. Don't raise your voice and treat me like I'm a child. I taught you to ride a bike, do algebra and drive a car, remember? "Parents care for their children with patience as boundless as the sky and sea. Children care for their parents while counting the months and days." Do you remember that saying? Probably not. Doesn't matter, where's the internet right now? Where's my email. The two little boxes are there in the corner but I don't see anything on the screen.

Kim: That's because you just minimised the window! Do we have to go over this again? Here, give me the mouse. The internet window is currently minimised. You'll remember that this does not mean that the program is closed. You don't have to open it again. It's just down here out of the way. If we click on it, then it maximises. That means that it fills the whole screen. There's another choice, this button here called RESTORE allows us to adjust the size of the window. See, I can make it as wide or as long as I like by clicking and dragging the edges.

Thiet: OK. All I want to do is restore the window or whatever you call it and check my email.

Kim: What do you mean? Do you want to maximise it?

Thiet: No, I want to restore it. Where's that button that you just showed me.

Kim: Shit, Dad! It's already restored. When it's restored then the RESTORE button becomes the MAXIMISE button and when it's maximised the MAXIMISE button becomes a RESTORE button! How many times do we have to go over this?

Thiet: Don't yell at me! You don't like to help out your father, that's fine. But you will not yell at me. My friend's son taught him how to use the internet, send emails, type in Vietnamese and even organise his holidays over the internet. Do you think he ever yelled at his father? You can leave now. I'll figure it out myself. I've done far more difficult things in my time. I've got what it takes. I just have to work at it for a bit longer. I just have to strike a little bit of luck.

From this short extract, *Where the Sea Takes Us* stands somewhat apart from other Asian biographies such as *Mao's Last Dancer* and *Wild Swans* in the sense that it is not a Confucian homage from a child to his parents. It is very much about inter-generational conflict and personal angst. In this instance, the tension grows out of an insolent son's frustration with the knowledge that his father is getting old; that he is no longer invincible and perhaps even a little frail.

But what does this very personal exchange and the subsequent chapter have to say about politics and international relations? The Microsoft-sourced squabble between father and son symbolises a greater tension between tradition and modernity. It also offers an insight into the limits of technology and proposes a near infallible formula for success in life.

Tradition and modernity

Understanding how the epochs of tradition and modernity are represented in my book requires a recognition of the irony in the above extract in which my father struggles to come to grips with technological advancements. This element of irony grows out of the fact that the rest of Chapter 5 concerns his conquering of all things electrical. It is the story of how through curiosity and endeavour my father pulled himself out of his village and a predestined life as a peasant to become an electrical technician, a champion of light against darkness. And more significantly, it is about how he challenged the superstitious and old-fashioned ways of his ancestors and dared to know and then harness the powers that Westerners had imported to conquer the Vietnamese. So to comprehend this part of my father's life is to comprehend a little bit more about the ethos of the Enlightenment, as well as the avant-garde movement that swept the globe during the 1960s and the history of Vietnamese modernity.

These liberal forward-looking values also help explain my father's decision in 1978 to leave Vietnam. It was a decision that my conservative grandmother was initially opposed to. She could see no sense in us risking everything on a rickety boat and potentially destroying the family line – which she believed only passed through males – just to get out of the Socialist Republic of Vietnam. “Our life is not as good as before, but it has been worse,” she pointed out to my dad at the time. “Things aren't that bad. We have a house to live in and enough rice to eat and if things take a turn for the worse then we can survive on rice soup. But if you were to leave and never come back, the spirits of our ancestors would suffer no end.”

My dad understood my grandmother's position, but was forever frustrated with her. In his view, she was still living in the jungle, running away from the French and Viet Minh and preoccupied with the ghosts of the past. Perseverance, it seemed to Dad, was the only

option for his mother and so many other Vietnamese of her generation. In his view they were backward peasants who, as Confucius said, were like reeds in a stream that had no choice but to bend with the current. Dad on the other hand, as a beacon of modernity, could not lie down and accept his fate.

The limits of technology

So Dad's encounter with Windows XP echoes his and Vietnam's encounter with the forces of modernity. By and large, modernity greatly benefited my father and his country. It brought new ideas, technologies and opportunities. However, this computer story also alludes to the limits and crisis points that are inherent in the modernisation process. This is elaborated in Chapter 5 of *Where the Sea Takes Us* when my father gets his dream job.

After much effort and via convoluted means, my father became an electrical technician and at the tender age of 26 was sent back to his home province and was made head of the regional electricity authority. For the first time in his life, he was in charge of people – many of whom were much older than he, but who could only barely fathom his technical know-how. He was also admired by the country folk for extending the electrical grid to their homes and lighting up the countryside. He wined and dined with politicians and bureaucratic bigwigs. It was here that Dad became intoxicated with power.

Unfortunately, my father's hubristic bubble was punctured in 1968 when his older brother was killed while fighting for the South Vietnamese Army and he was once again reminded of the sorrow of war. He came to realise that life doesn't always head forward and upwards, that sometimes it can crash terribly in a heap, or revolve in perplexing cycles. My father suddenly came to grips with the fact that technological knowledge and power are not substitutes for wisdom and care.

Alongside the story of my dad's rise and fall, *Where the Sea Takes Us* depicts America's intervention and defeat in Vietnam. It looks at pivotal individuals like US Secretary of Defense Robert McNamara and General William Westmoreland, who like my dad, had a blind faith in technological might and statistical data as substitutes for human intelligence, prudent nation-building, historical insight and what the communists called a *chinh nghĩa* – a just cause.

That I continue to treat my old man with such disrespect every time we turn on the computer suggests how prone all of us are to not paying attention to the glaring lessons of history.

A formula for success

I have been trying to unravel and comprehend the significance of some of the events in my dad's life, let me now address his ideas. And

by doing this, I assert that everyday thoughts are not always mundane and that the most esoteric philosophies are in fact accessible and useful to us as ordinary people.

Specifically, I want to discuss my father's formula for success. According to Dad, success is made up of three components: hard work, talent, and a little bit of luck. When I was a teenager I tired of this dictum and thought it simplistic nonsense. But after years of studying philosophy, I have returned to it with a renewed appreciation. Indeed, I have not found a more sound and complete theory for living the good life.

The origins of my father's formula extend back to the empowering ideas of the great French Enlightenment philosopher, Voltaire, whose work he studied at school. In his *Philosophical Dictionary* Voltaire asserted that "we are equally the toys of destiny". But this does not mean that we should descend to fatalism or indifference. For some of us are destined to reason well while others are destined to reason badly. Some of us are predisposed to "much merit and great talent" and we shall never know if we do not live our lives proactively and to the fullest potential.

Building upon this Voltarean tradition, my old man contends that human agency (hard work) counts for a lot, as does our endowment of genes (talent). The balance between the two is for us to decide. However, even when put together, talent and hard work is not enough to guarantee success. There is also that element of luck, the acknowledgement of which provides some solace in times of abject failure.

Everyday ideas and politics

The utility and eloquence of everyday philosophy is further illustrated by introducing some of the wisdom and imagery that I have garnered from researching and listening to my mum.

While Dad is an exemplary modernist with a penchant for formulae, I have learnt from my mum the value of modesty and more subtle efficacy of metaphor. A few years ago, we walked to a pond every morning where my mother fed an adopted flock of ducks. One morning, when I asked her why she had such an affection for these birds, she raised an instructive finger and said:

When ducks paddle around in their ponds, they reveal a blissful calm that belies their frantic and tireless work beneath the surface. They are not graceful like swans (which I also like) or as dashing as eagles, and they have failed to evolve specialised traits like wide spoon-shaped bills or extra-long legs that might give them an advantage over other birds. Nonetheless, their coats are resistant to the heaviest downpour. Ducks can float on the water, swim in the sea, walk on the land, and fly in the

sky. They are incapable of doing any one thing very well, but are able to manage just about everything. That is why they flourish.

This marvellous metaphor outlines the virtue of modest living. And it is a reminder of the political imagery and rhetoric that great duckish figures like Ho Chi Minh, Gandhi and John Howard have so skilfully adopted to enamour themselves to the masses.

To continue the bird theme, in a letter to Vietnam that serves as a postscript to *Where the Sea Takes Us*, my mother makes an incisive and vivid case for advancing a rich Australian multicultural society. After describing how we had been helped by so many kind Australians in settling here as refugees, but also how we had been abused and mistreated by a few, Mum wrote in a letter to the niece whom she had left behind in Vietnam:

The bad things in Australia are no match for all that is good about it. Most Australians are generous and carefree. Sometimes they remind me of Canberra's colourful birds which fly around in loving pairs or mighty flocks. Springtime here is so much prettier than any garden or forest that I have seen. But there are also a few black-and-white birds that swoop and screech at passers by. They think that everyone wants to steal their eggs.

It is useful to associate the attributes of magpies with those who advocate the harshest and most inhumane border security measures. So often these people have black and white views of nationalism and identity, and don't fully realise the horrific consequences of their attempts to maintain their nests and protect what is dear to them.

Elitism of the masses?

It is important to note that by incorporating everyday life, values and ideas into our politics I am not advancing some form of crass popularism or Hansonite revival. On the contrary, big brother evictions, the elevation of the mediocre and poll driven politics are all antithetical to the lessons of *Where the Sea Takes Us*.

These political and cultural developments are highly mechanised, patronising, superficial and thereby tend to demean the people whom they purport to champion. What I am searching for in my research, writing and teaching are more considered rather than more calculating ways to conduct politics in which the ends don't always justify the means.

Conclusion: everyday inspirations

In considering what *Where the Sea Takes Us* has to offer contemporary Australians it is useful to consider the general objectives of biography. As far as I can see, a good biography achieves three goals: it takes us to another place; it evokes the familiar and – whether

through encouragement or caution – inspires us to be better. While it's not a masterpiece, *Where the Sea Takes Us*, does all of these things. It takes us to Vietnam in a far more meaningful way than a travel book might, because it gives us a sense of what it means to be Vietnamese. We learn about the stories, the songs, the tragedies and triumphs of a nation.

Most importantly, we learn about this exotic place through the eyes of people who we can relate to: my mum and dad. And we see how they deal with the same sort of physical and metaphysical trials that we have to confront on a daily basis. How are we going to keep our loved ones happy and healthy? How do we cope with the loss and rejection? How can we gain a little more change in our pockets and a little more pride in our hearts? What is the meaning of life and is there a god at the end of it whom we can know?

Since the book's publication several people have expressed how amazing they think my parents are. And at all times, I have maintained that they are in fact very ordinary. That if it weren't for my book, you would see my dad behind the counter of our bakery and think, "That's just another Vietnamese guy in another Vietnamese bakery." Or you might see my mum at the pool and think, "She really needs to work on her backstroke."

And I maintain this position because Mum and Dad remind us that we don't have to be extraordinary to commit ourselves to the values that we hold dear and to sacrifice everything for the people whom we love. It's my parents' ordinariness that makes them so inspirational.



Alison Broinowski



Alan Dupont

Photo – David Karonidis

In her new book, *Allied and Addicted* (Scribe, 2007), writer and former diplomat Dr Alison Broinowski has queried Australia's alliance with the United States. For Broinowski, Australia's close relationship with the US has harmed its interests and endangers Australia more than protected it. Professor Alan Dupont disagrees. He is director of the Centre for International Security Studies at the University of Sydney and the author of writings on defence and international security, including a path breaking book on the emerging non-military threats to East Asia. In a discussion of the issues facing Australia's US alliance, Alison Broinowski and Alan Dupont addressed The Sydney Institute on Wednesday 19 September 2007.

ALLIED OR ADDICTED?

TWO VIEWS

ALISON BROINOWSKI

May I thank Gerard and Anne Henderson for once again opening this forum to the discussion of controversial ideas, and at a highly appropriate time.

As we approach this election – perhaps the most important for many years – a question for voters in 2007 is one that rarely arises at elections, a cow of such holiness that it is usually avoided in polite conversation, the Australia/United States alliance. In fact, some people have reacted to my little book, *Allied and Addicted*, about the alliance as if I was a bomb-throwing traitor to Australia or worse, to America. But all it does is ask whether the alliance delivers security, or whether it endangers Australia more than it protects us, or whether we do for it what it's not in Australia's interests to do.

Alan Dupont has distinguished himself by departing from the conventional ways of considering Australia's security. Sharing this platform with him gives me the opportunity to do the same. So rather than going over my seven point "to-do" list to fix up Australia's dealings with its United States ally, that you can read for yourselves in my book, I would like to propose for your consideration this evening that Australia has become a more militaristic country, and ask what the implications of that are for our security.

Allied to the war on terror

Some of our regular columnists seem not to know why, apart from being perversely bored, a majority of Australian survey respondents now appear to want a change of government. The Prime Minister has said that meeting people is the best part of the job he's been doing for three decades, so he is very well placed to know what "most Australians" think, and it is something he often tells us about. Yet he too seems perplexed about what motivates voters now.

On the other hand, Mr Howard and Mr Downer can confidently tell us what is in the minds of all Islamist fundamentalists, without having met any terrorists as far as I know. Our leaders often explain that it is the terrorists' perverted interpretation of Islam and their

hatred of who we are, not of anything we have done, that motivates them to attack us. After the London terrorist attack in July 2005, Mr Howard said the bombings had nothing to do with Iraq. Later, evidence produced by UK police showed that they did.

Might some part of the answer to what motivates both voters and terrorists be: it's Iraq, stupid? The government defends the invasion, repeatedly saying there were terrorist plots to attack Australia before we went to war in Iraq. Certainly: and the first of many Al Qaeda attacks was against US forces going into Somalia in 1992. Later, targets in other countries included America's friends and allies, but only those that joined the United States in invading or occupying Muslim countries. Terrorism has a long history as a form of asymmetric warfare, like resistance and guerilla movements, that is waged against more powerful occupying or invading forces. So the United States and its supporters, as Al Qaeda has often explained, make themselves targets by invasion or occupation of Islamic sites.

In mid-2003, after President Bush had declared "mission accomplished" in Iraq, Mr Howard said "most Australians" had moved on from the war. Well, no, unfortunately, and the consequences of what's now called "the long war" are still emerging. Saddam Hussein fell, but the war has since contributed to the undoing of a German Chancellor, and Prime Ministers of Spain, Britain, and Japan. No leader has successfully invaded another country since Bismarck in 1870, and Iraq is unlikely to be the exception. Even if Iraq's effect on the elections in Australia is as small as our troop contribution, the scale of the United States' involvement there is already affecting the American economy and society, and with that, the standing of the United States and its allies in the world.

Waging war on terror, as if it were another state, will achieve nothing but endless war and more terrorism. Perhaps that is even what both sides want. It has strengthened Al Qaeda, as Abdel Bari Atwan (editor-in-chief of London-based Arabic newspaper *al-Quds al-Arabi*, and author of *The Secret History of al-Qa'idai*) said in Brisbane this week. Al Qaeda now has "franchises" in many countries, including European and Asian ones. Colin Powell has recently warned us of the growing "terror-industrial complex." But faced with the choice between getting long, getting large, and getting out of Iraq, and Afghanistan too, President Bush ducked his responsibility and went for smaller and longer. Mr Howard can offer us no solution, apart from staying the course, perhaps because the Americans haven't told us when we can leave.

Mr Howard persists in describing Islamic fundamentalism as if it were a state that can be fought until it surrenders. Victory for the Democrats, he told us before Bush's last election, would be a triumph for Al Qaeda. He proudly called the Iraq invasion the most bold and

defiant thing he had done in his prime ministership. By staying the course in Iraq, he said, Australia was encouraging the Americans to maintain their role in “the global struggle we now face at the start of the twenty-first century” to defend freedom and liberty¹. In the name of that global struggle, Australia’s defence expenditure has doubled since 1996. Perhaps it is this contribution of our military purchases to our widening trade imbalance with the United States, and our soaring current account deficit, that led “Washington insiders” to tell Greg Sheridan in 2006 that the alliance with Australia is “one of the great successes” of Bush’s foreign policy.²

Another reward for the closeness between Bush and Howard, reported in September 2005, was upgrading of intelligence access to the highest level.³ Later, we heard it hadn’t actually happened because of Pentagon resistance: so it was necessary for Bush and Howard, two years later, at the time of Sydney APEC, to sign an agreement for upgrading of intelligence access, again, to the highest level. Anyway, the value of US intelligence is dubious if all of it is as wrong as the Baker-Hamilton report found in December 2006. Worse, it has dangerous consequences: some 700,000 Iraqis have died as a result of it.

What is the value of all this access and intimacy if Australia is one of fewer and fewer countries on earth where the current US President is still warmly welcomed? Australia is seen abroad as guilty by association with the Bush administration. Moreover, Australia cannot own its foreign policy and at the same time fulfill Mr Howard’s 2001 pledge to offer “all the support that might be requested of us by the US in relation to any action that might be taken.” We may claim to be defending liberty against tyrants of our ally’s choosing, but we cannot take pride in the actions of an ally that imprisons and tortures people – including Australians – in defiance of the Geneva Conventions. Unconditional support of an ally, based on personal friendship, now identifies Australia with Bush’s disastrous policies: how can that advance our national interests with a new President?

Two foreign policy challenges

Australia has talked itself into a situation of foreign policy subservience that is – or should be – among the biggest issues for electors this year. The reasons go beyond Iraq. I will briefly mention two, China and Iran, that will challenge whoever forms our next government.

China is now our largest trading partner, and a country with which Australia appropriately seeks as much influence as possible, not only in our own interests, but as part of the development of a more cohesive East Asian region, which China will dominate. In APEC, on the other hand, the United States is still the dominant member.

The two bodies are not on a collision course, but when the US, Japan, and Australia held their security dialogue during APEC, the point was not lost on the Chinese. They must have been reminded of what Downer had said in Beijing in 2000: that “cultural regionalism” would outweigh “practical regionalism.” It was a smart move on China’s part to propose a military dialogue with Australia, but Beijing’s perception that the real agenda of the US and its allies is to contain China persists, and is not based in mere paranoia. If the US entered a conflict between China and Taiwan and demanded Australia’s support of Taiwan, we would for the first time in our history be challenged to make foreign policy on our own.

Iran, following the example of North Korea, India, and Pakistan in threatening to play the nuclear card, is also succeeding in making its presence felt. Leaving aside the hypocrisy of the nuclear weapons states that refuse to reduce their arsenals while demanding that other NPT signatories abide by their side of the 1970 bargain, Iran has been on a collision course with the US ever since 1979. In 2002, George W. Bush put Iran on his hit-list as a member of the “axis of evil.” UN sanctions now punish Tehran for its nuclear enrichment activities. If President Bush, looking for a way to redeem his place in history, were to use his “war on terror” powers to take out a series of targets in Iran, Australia would face another serious foreign policy challenge.

One rule for us and another for them

Belatedly, Australians realised in September 2007 something the Howard government has been doing in their name at the UN: opposing the draft declaration on the rights of indigenous people, and persuading Canada to join us. Most Australians know of our isolated stance against ratifying the Kyoto Protocol to the Intergovernmental Convention on Climate Change. But it comes as a surprise to many to learn that the list of our other activities in defiance of majority world opinion is much longer. It includes opposing various measures on the rights of the child, on the elimination of discrimination against women, on torture, refugees, indigenous people, racial discrimination, and cultural products, and even on development and the right to food. Australia has withdrawn from the International Fund for Agricultural Development. Last year, Australia joined tiny minorities resisting demands in the General Assembly to the end of the economic blockade of Cuba, cease the attack on Lebanon, and take down the wall in the Palestinian territories.

Interestingly, Australia ratified the International Convention Against Corruption in December 2003, at the height of AWB’s corrupt payment of kickbacks to Saddam Hussein’s government. That obliges member states to pursue those officials and businesspeople who are involved in paying bribes to other governments: and yet

no-one has yet been charged in Australia over Oil for Food. AWB has even been allowed to deduct the kickbacks it paid from its tax.

We have, it is true, contributed to tsunami relief, the Asian financial crisis, and the reconstruction of East Timor. Australia has recently supported moves in opposition to cluster bombs, and has increased our ODA, though not to the target level of the Millennium Development Goals. But given our record of rejecting the multilateral system for over a decade, it is not surprising that Australia has for a decade been unelectable to the UN Security Council.

The Howard Government's unilateralism, that makes the domestic national interest the basis of foreign policy, imitates the United States, but without its power. To assert the right preemptively to attack countries in our region that the government suspects of harbouring terrorists is not only as empty a threat as appointing ourselves as the region's deputy sheriff: it is internationally illegitimate.

Allied and militaristic

Most Australians would be surprised to know that in a survey in Japan Australians themselves were seen as militaristic, more so than Japanese.⁴ In May this year, Australia ranked 25th among countries rated for their "peacefulness" by the Global Peace Index, well behind the top five countries, Norway, New Zealand, Denmark, Ireland, and Japan.⁵ The US was 96th. In May, Australia fell to 35th place in the Reporters Without Borders index of press freedom. Amnesty International criticized Australia's role in the war on terror, on human rights, and in representing asylum-seekers as potential terrorists, lumping Mr Howard together with Presidents Bush, Mugabe, and Omar al-Bashir of Sudan as cowards who rule by fear.⁶

In June, when the UN Association of Australia put out its first Report Card, it gave Australia no As, some Bs for economic, social and peacekeeping efforts, and Cs and Ds for disarmament, development aid, refugees, and climate change.⁷ Australia, the Report Card concluded, had failed each of the three aspirations of the UN Charter, that rejects the use of force, supports global development, and promotes human rights. On the contrary Australia appeared, as it did in the Global Peace Index, as a nation that "endorses nuclear terror" and relies inappropriately on the nuclear protection of the United States: in other words, Australia supports militarism.

From its colonial outset, Australia has had a strong military streak in its character. With the tide of events, that has surfaced, then submerged, then surfaced again. But in the past decade, Australia has increasingly resorted to militaristic solutions, not only for problems in our region and further away, but even for domestic problems. Mr Howard misses no opportunity to praise the military and be photographed with them, and has overseen the expansion and overseas

deployment of a greatly expanded AFP. Avoiding the draft that turned Australian opinion against the Vietnam deployment, he has responded to a defence manpower shortage by proposing “gap year” recruitment. But the military are stretched thin by government demands. “Send in the troops” has been the government’s repeated response, first to trouble on the wharves, then to maritime surveillance, later to deterring and detaining refugees, and recently to dealing with problems in indigenous communities.

In a militaristic over-anticipation of protests during APEC, the head of the NSW Riot Squad expressed “absolutely no doubt that minority groups will engage in a level of violence not previously experienced in Sydney.” They didn’t, but still police, intelligence, and military took the opportunity to show they could bisect a city and to practice controlling crowds by fear. Sydney, that had been wide open for the Olympics, was locked down for a week. APEC guests travelled through caged, deserted “declared zones.” “How does taking away my rights and freedoms protect my rights and freedoms?” asked one protester’s placard.

While we might join the ABC’s Chaser in laughing at that, declared zones of one kind or another are to be a reality for at least five years on Aboriginal land in the Northern Territory, and indefinitely for military bases and parts of our coastline. So another question that voters might ask before the election is whether a militaristic Australia is one that makes us safer, or if it is only safer for some of us, then for who, and from what.

Endnotes

- 1 *Australian*, letters, 16 November 2006. Howard, “Australia must fight in global struggle for freedom and liberty,” *Sydney Morning Herald*, 4 October 2006: 15.
- 2 Greg Sheridan, *Australian*, 22 June 2006: 10.
- 3 Cynthia Bonham, *Sydney Morning Herald*, 3-4 September 2005: 3.
- 4 Yoshio Sugimoto, in Alison Broinowski, ed. *Double Vision: Asian Accounts of Australia*, Canberra: ANU, Pandanus Press, 2003, pp.123-130.
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- 6 <http://www.smh.com.au/news/world/howard-is-just-like-mugabe/2007/05/24/1179601>
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THE VIRTUES OF THE

US ALLIANCE

ALAN DUPONT

I am delighted to be here this evening to participate in this important debate about the US alliance. Let me begin by observing that one can be critical of a particular aspect of US strategic or foreign policy, but still be broadly supportive of the US alliance. Notwithstanding the failures in Iraq, and the hubristic unilateralism of the first Bush administration, I will argue that the virtues of the alliance continue to outweigh the costs by any reasonable calculation of Australia's national interest.

Nations generally form alliances for three principal reasons, and Australia is no exception. As a hedge or insurance policy against the predations of real or potential enemies; to influence other states; and to meet the challenge of common security threats. In short, alliances are all about strengthening national security. The eminent Australian historian, Peter Edwards, has written that Australian governments of all political persuasions have historically justified the alliance with the US on four main grounds – as a security guarantee; enhancing our capacity to shape US policy on issues that are vital to Australia; and the privileged access we are granted to US intelligence and defence technology.¹ These propositions remain valid today. Let me explain why.

The security guarantee

The 1951 ANZUS Treaty underpins the alliance although the two are not synonymous since the defence relationship today is far broader and more encompassing than the drafters of ANZUS could ever have envisaged. It is true, as sceptics aver, that the treaty does not obligate the US to come to our defence. ANZUS only requires Australia and the US to “consult together” whenever either party believes itself threatened in the Pacific (Article III). In which case each country would “act to meet the common danger” of an armed attack in the Pacific “in accordance with its constitutional processes” (Article IV).²

But no international treaty constitutes an ironclad guarantee. Despite its vagueness, there is little doubt that a formal, military pact

with the world's only super-power is a powerful disincentive against attacking Australia. Not only does it complicate the war planning of potential enemies; it also raises the stakes should they miscalculate. Few countries would want to risk today's equivalent of the US Seventh Cavalry arriving unannounced on their own shores. Especially if a US military response were to be combined with the enormous political and economic pressure Washington could bring to bear, should it choose to do so.

Allying with great and powerful friends is a classic security strategy pursued since time immemorial by small and medium sized powers to enhance their own military and deterrent capabilities. In a hostile world, there is no substitute for a robust defence relationship with a larger power. Multilateralists tend to forget that the United Nations and other international organisations do not have a reliable track record of protecting states' sovereignty and responding to aggression. Non-alignment or neutrality might work for Indonesia or Switzerland, but given Australia's history and geography, these options would be a poor substitute for an alliance which brings tangible and measurable strategic benefits.

Pound for pound, Australia's Defence Force is extremely capable and well-equipped. However, while it could mount an effective defence of the continent and immediate neighbourhood against most comers, the ADF would struggle to defend itself against a serious, military assault from a capable adversary. There is also the non-trivial matter of the US nuclear deterrent. Three other Asia-Pacific nations are nuclear weapon states and the prospect of others acquiring nuclear weapons cannot be ruled out, including terrorist organisations some of which have already declared Australia and Australians as legitimate targets. The US nuclear umbrella is a formidable deterrent against nuclear attack by hostile powers as well as non-state actors, and obviates the need for Australia to develop nuclear weapons which would be destabilising regionally, and contentious domestically.

The alliance with Australia helps ensure that the US maintains a strong presence in the Pacific and is able to more effectively balance the region's other major powers. The hub and spokes system of bilateral defence relationships is generally acknowledged as having been a major stabilising force in the region. It is supported by most other regional states as a hedge against the possible hegemonies of China or India, or the re-emergence of an aggressive Japan (particularly one with a nuclear capacity). As the second most important Asia-Pacific ally after Japan, the alliance enhances Australia's strategic weight and gives us greater authority when speaking on regional security issues. Without the US presence, Asia and the Pacific would almost certainly be a less stable and therefore less secure place for Australia.

There are of course costs. Australia has become more of a target for extremists groups such as Al Qaeda because of our support for the War in Iraq, and US security policy more broadly. But this is only a marginal strategic cost since the Al Qaedas of this world would probably have targeted Australia anyway even if we had not been a combatant in Iraq.

For a time, the Deputy Sheriff tag sullied our image in Asia. But the damage was short lived and there was no fundamental damage to our security posture. Indeed, most Asian states, including those critical of the closeness of our relationship with the US, also strive to stay on good terms with the region's dominant power. There is absolutely no evidence to suggest that our alliance with the US precludes us from having productive security partnerships with Asia. They are not mutually exclusive. As Kevin Rudd once quipped, it is perfectly feasible to walk and chew gum at the same time.

Knowledge of and influence over US policy

The alliance also provides the Australian government with regular, direct access to high ranking US officials and members of Congress. One cannot exercise influence without access and Australia has an unusually high level of access in Washington for a country of its size. This is not my judgement alone. Michael Green, former Special Assistant to President Bush and Senior Director for Asian Affairs to the US National Security Council maintains that "Australia has established a level of access and influence in Washington that is greater than any other middle power... I saw this clearly in the White House when dealing with issues ranging from the International Atomic Energy Agency Board of Governors meetings to Iraq and UN reform".³

Of course, some of this is a reflection of personal relationships. The enviable influence of former Australian Ambassador to the US, Michael Thawley, was in part attributable to Prime Minister John Howard's close working relationship with President Bush. But much of our influence in Washington is a function of the structural ties built up over the past six decades with the alliance being central and irreplaceable. The annual Australia United States Ministerial Talks (AUSMIN), which grew out of Article VII of the ANZUS Treaty, allows Australian ministers and senior officials to meet on a regular basis with their counterparts, including both the US Secretaries of State and Defence, as well as the Chairman of the Joint Chiefs of Staff. Without the alliance, it would be a difficult task indeed for a country of Australia's size and importance to engage the attention of the US at this level, on a regular basis.

Commensurate opportunities to shape US policy on critical security issues is rarely open to non-alliance partners, even if

Australian politicians and officials have not always capitalised on them. Our failure to dissuade the US from intervening in Iraq is a case in point. On the whole, however, the track record suggests that Australia's access to American officials has provided tangible benefits. Recent examples include persuading the US to support Asia's emerging regional architecture; convincing President Bush to attend the annual Asia Pacific Economic Cooperation (APEC) leaders meeting; creating new patterns of engagement with North Korea (such as the Six-party talks); and securing crucial US support for the successful Australian led UN intervention in East Timor.

While there is the potential for Australian politicians to overzealously support US policies, there are plenty of instances of Australia disagreeing with US Administrations. They include the trade dispute over US tariffs on Australian lamb and disagreements over ratification of the Comprehensive Nuclear Test Ban Treaty and aspects of President Reagan's Star Wars program. And let us not forget that there were significant differences of opinion over the utility of the ANZUS Treaty itself with the US initially reluctant to enter into the agreement. It was the astute diplomacy and persuasive skills of Australian Foreign Minister, Percy Spender, which eventually convinced the Truman administration to sign on the dotted line.

Privileged access to US intelligence

A further benefit of the alliance is that Australia has privileged access to US intelligence. The genesis of the intelligence relationship actually pre-dates ANZUS, going back to the UK-US-Australian Agreement (UKUSA) of 1947-48. But intelligence sharing has become a central element of the formal security structure linking the two nations. About 90 per cent of the intelligence flow is from the US to Australia, with Australia's contribution largely being the provision of intelligence on South East Asia and the Pacific.⁴ The intelligence relationship has been further strengthened by President Bush's decision to authorise that Australia be upgraded to the highest level of intelligence sharing, on a par with the United Kingdom. No other ally or country, including Japan, Germany and France, is privy to the vast collection of raw intelligence that Australia routinely accesses.

It is difficult for those outside this closed system to make informed judgments about the value of this intelligence which by definition is classified and therefore not publicly available. Of course there have been some notable failures of US intelligence in the past, of which Iraq is the latest and most obvious. What this indicates, however, is that US intelligence is not omniscient - not that it is useless. In regard to Iraq, it should be remembered the US was not the only country which failed to accurately assess the state of Saddam Hussein's weapons of mass destruction program. Virtually all other intelligence agencies,

including those of France and Russia, also got it wrong. Neither the Russians nor French could be accused of being over-reliant on US intelligence.

Based on my own experience as an intelligence analyst, the considered judgement of all Australian governments and the overwhelming body of academic literature on the subject, I would argue that despite its flaws, the US has a superior intelligence collection system to any other country and its analytical capabilities are invariably world class. That is why friends and foes alike, devote considerable energy and resources attempting to gain a fraction of the access Australia already possesses.

As to the argument that US intelligence distorts our own capacity for independent judgements about world affairs and security developments, I would much prefer to have this intelligence rather than be denied it, as would any academic or journalist confronted with the same choice. It is up to the Australian intelligence community to develop the filters and critical faculties necessary to make independent assessments.

Access to US defence equipment and technology

The fourth argument is a corollary of the third. The US is the principal supplier of much of the world's defence equipment and our alliance relationship also gives us special access to state of the art US weaponry and defence technology. While this has given rise to concerns that the structure and operational capabilities of our defence force is shaped more by US than Australian interests, such fears are exaggerated and unsupported by a close analysis of our procurement policies and strategic doctrine.

In recent years, there has been a substantial improvement in the defence procurement system. It is now a far more rigorous, contested process. With a few notable exceptions, recent defence purchases have been consistent with our defence interests as interpreted by the Department of Defence's strategic guidance. Systems compatibility and interoperable with key allies are important considerations when buying defence equipment, along with cost and capability, which is why most of the equipment comes from the US. It should also be remembered that the US is the number one producer of military equipment in the world. However, Australia also obtains key weapons systems and defence technology from non-US suppliers as evidenced by the recently signed contracts with Spain's Navantia to supply two large amphibious ships and three air warfare destroyers.

When we make defence purchases from the US, we do so as an ally, which confers a number of benefits. First, as a preferred buyer, we do not have to seek purchase approval on a case by case basis. Second, agreements with the US allow for priority resupply of munitions which

reduces the need for the ADF to maintain large, expensive stockpiles. Third, we are routinely able to purchase the latest, fully optioned export models that are denied to non-preferred purchasers. Fourth, having compatible hardware, protocols and operating procedures is a significant force multiplier when working with US forces and other US allies. Finally, US defence equipment and technology provides Australia with a technological edge over potential regional adversaries. Without the alliance, Australia would have to spend far more than two per cent of GDP to obtain comparable levels of technology from overseas and even more if we were to seek full self-reliance in defence.

In conclusion, it is my view that the US alliance is overwhelmingly beneficial to Australia's national security by any objective measure. However, we do need to regularly reassess the value of the alliance and this forum tonight is a welcome part of the process.

Defence self reliance and independence are commendable aspirational goals but they must be balanced by a realistic appreciation that no state, not even the US, can be completely self reliant or independent in a globalised, interdependent world. Accepting this reality does not mean that Australia is, or should be, subservient to the US, or any other country for that matter. We can have a robust alliance relationship with the US, without being a supplicant, accepting its demonstrable strategic benefits while resisting dependence. We have successfully maintained this balance for over half a century and I see no reason why Australia cannot continue to do so in the years ahead.

Endnotes

- 1 Peter Edwards, "Permanent friends?", *Lowy Institute Paper 08*, 2005, pp. 2-3.
- 2 The text of the ANZUS treaty is available from <http://www.austlii.edu.au/au/other/dfat/treaties/1952/2.html>.
- 3 Michael J. Green, "Alliance Maintenance", *The Diplomat*, September/October 2007, p.53.
- 4 Coral Bell, "East Timor, Canberra and Washington: a case study in crisis management", *Australian Journal of International Affairs*, vol. 54, no. 2, July 2000: 174.



The Sydney Institute
Annual Dinner
Lecture
Guest Speaker
for
2008 is

*Kevin
Rudd*

Australia's new Labor Prime Minister, The Hon Kevin Rudd MP, led Labor to an historic win in the 2007 federal election. The Sydney Institute's Annual Dinner for 2008 will be one of Kevin Rudd's first major speeches as Prime Minister.

Kevin Rudd was born in the country town of Nambour in Queensland in 1957, the son of a share farmer and a nurse. He was educated at the Eumundi Primary School, Marist College, Ashgrove and Nambour State High School, where he was Dux of the school. He joined the Australian Labor Party at the age of 15 in 1972. Prior to entering Parliament in 1998, Kevin Rudd worked as a diplomat, a senior official in the Queensland government and as a consultant helping Australian firms to establish and build business links in China.

In 1998 Kevin Rudd was elected to the federal parliament for the seat of Griffith. He was immediately elected Chair of the parliamentary Labor Party's

Committee on National Security & Trade and served on a variety of parliamentary committees and taskforces. Following the November 2001 election, he was appointed Shadow Minister for Foreign Affairs, subsequently adding responsibilities for International Security in 2003 and Trade in 2005. On 4 December 2006, Kevin Rudd became the nineteenth leader of the Australian Labor Party and on 24 November 2007 led the ALP to government, winning 24 seats.

Kevin Rudd has written extensively on Chinese politics, Chinese foreign policy, Australia-Asia relations and globalisation. He is married to Thérèse Rein and they have three children.

Speaker **KEVIN RUDD**

Date: **WEDNESDAY 16 APRIL 2008**

Time: **6.30 FOR 7PM**

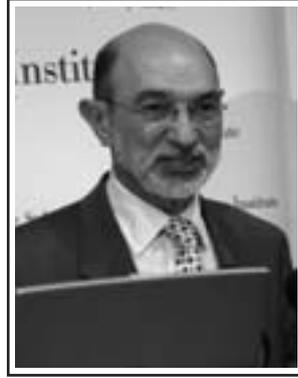
Venue: **GRAND HARBOUR BALLROOM, STAR CITY, SYDNEY**

RSVP: **(02) 9252 3366**

mail@thesydneyinstitute.com.au



Hugh MacKay



Sol Lebovic

Photo – David Karonidis

According to social commentator and researcher Hugh MacKay, “Australia has been going through a period of pretty radical change” None of this has to be bad news – it’s just a question of how to deal with it. MacKay’s new book *Advance Australia Where?* attempts to make sense of it all. Sol Lebovic, former head of Newspoll, has also assessed the national mood for years and on the eve of Australia’s election in 2007 commented: “A lot of the electorate aren’t paying much attention, they are quite cynical about the election and it kind of washes over them. So if you keep repeating a simple message over and over then eventually it will go through.” Sol Lebovic and Hugh MacKay addressed The Sydney Institute on Monday 24 September 2007 to consider what might be happening to the Australian electorate.

TWO VIEWS OF

AUSTRALIA - ADVANCE AUSTRALIA

... WHERE?

HUGH MACKAY

The past quarter-century has been a time not only of accelerating social, cultural, economic and technological change, but of rather kaleidoscopic change as well: just as patterns appear to have formed, they dissolve and re-form. Trend-lines have not been shifting so much as fracturing.

Here's one example. This has been the period in which we have seen the marriage rate fall to a record low, the divorce rate remain stubbornly fixed at a level where about 40 per cent of contemporary marriages will end in divorce, and the birthrate fall through the floor. Who could have imagined, just 25 years ago, that one million dependent Australian children would now be living with only one of their natural parents or that there would be a mass migration – often fraught with stress and pain – as 500,000 dependent children move, weekly or fortnightly, from one parent to the other?

As a result of the falling birthrate (I say “falling” in spite of the present brief upturn which I interpret as a temporary blip on a downward graph), we are producing, relative to total population, the smallest generation of children Australia has ever produced. This has created the phenomenon of “helicopter parenting” in a generation of over-zealous and over-protective parents who will probably succeed in producing the most rebellious generation of adolescents we have ever seen. Paradoxically, as the birthrate falls, we will become a less child-friendly society than we once were. The child-free restaurant, the child-free apartment block, the child-free resort (even the child-free zone of an international aircraft) will find increasing appeal in our medium-term future.

Here's another example of our swiftly changing society. Australian households have been shrinking to the point where the Australian Bureau of Statistics is now predicting that in 20 years, 34 per cent of households will contain just one person. What has happened to our fondness for the domestic herd? Has our herd instinct faded? Of course not: many factors (including the divorce rate) have contributed

to the shrinking of the Australian household, but it is not a sign that we are becoming a nation of hermits and isolates. One reason for the dramatic rise in solo households is that more of us are spending some part, or parts, of our lives living alone than was true for previous generations: a single snapshot of household composition includes many people who are only transiently lone householders.

The shrinking household implies painful feelings of loneliness and isolation for many people (particularly those who have been traumatised by the grief of a bereavement or divorce), but might also turn out to be good news for the neighbourhood: the herd instinct drives us to look for different herds to connect with when our domestic setting no longer offers us a herd-sized group to connect with. So we see the explosion in book clubs, bushwalking clubs, investment clubs, discussion groups, choirs and also in the phenomenon of “grazing with the herd” as the proliferation of coffee shops, cafes and food courts (a lovely euphemism for “public troughs”) coincides precisely with the decline in household size. The easiest way of connecting with the herd is to find a convenient paddock where you can graze in company.

Another radical change: the information technology revolution has transformed the way we live and work and, in the process, added new meanings to words like “communication” and “connectedness”. It has also revved up our lives and is in the process of shredding the veil of privacy among younger Australians who simply do not attach the same significance to privacy as older Australians do. We have just enacted new privacy laws in time for a generation who could hardly be less interested.

Our continuing economic revolution has certainly driven unemployment to record low levels, but we are conveniently overlooking the problem of under-employment. The ABS tells us that there are now 1.8 million Australians who are either unemployed or under-employed (that is, who want more hours of paid work than they can currently obtain). As work has been redistributed, with more Australians either overworked or under-employed than ever before, there is an inevitable redistribution of household wealth. In terms of household income, the top 20 per cent of Australian households now have an average annual income of \$225,000, while the bottom 20 per cent have an average annual *household* income of \$22,000.

As if all that were not enough to destabilise us and alter our perceptions of “the Australian way of life”, we are having yet another debate about multiculturalism, about the rather arrogant idea of “Australian values” and the question of Australia’s national identity. All of this is either premature or misguided, but it is a symptom of our general uneasiness about who we are and what kind of society we are becoming.

By the time we reached the turn of the century, many of us were feeling in need of a break. We were stressed (or, in many cases, distressed) by the well-documented phenomenon of “reform fatigue”. We were suffering the widespread pain of high divorce, high levels of under-employment and escalating debt. We were conscious of a growing rumble of anxiety about national security, border protection, and the threat of international terrorism, and we were reporting a widespread feeling of powerlessness.

That sense of powerlessness sprang from several sources: in 1998, voters had felt confident they had installed a Senate that would kill off the GST, but they turned out to be wrong. Those who marched in favour of Aboriginal reconciliation and had genuine hope that some symbolic and practical progress would be made, saw the issue go off the boil. Republicans had felt they were conned by the 1999 referendum. And, in the early years of the new century, the one million Australians who marched in protest against our participation in the invasion of Iraq felt their voices were no longer being heard.

Yet, in spite of a rather dark and daunting national agenda that was threatening to overwhelm us (or, perhaps to frighten us), we were simultaneously being lulled by sweet talk of a resources boom and another approaching golden age of economic prosperity. Not surprisingly, we decided to take the money.

It was as if we had seized on John Howard’s 1996 ruminations about Australia as a “relaxed and comfortable” society and decided to treat them as a Howardian “core promise”. As we entered the first decade of the new century, we began to switch off; to shut down; to disengage from political and social issues. We entered a period rather like a societal retreat – a period I describe in *Advance Australia ... Where?* as the “Dreamy Period”.

The essential characteristic of the Dreamy Period was that the majority of Australians (perhaps as many as 75 per cent of us) reached a point where so much on the national and global agenda seemed beyond our control that, in response, we narrowed the focus, turned it inward and concentrated on things we felt we could control.

Top of the list? Home renovations. As we moved away from news and current affairs TV programs in droves, we flocked to so-called “lifestyle” programs about home renovations and backyards. We entered into a national frenzy of home renovation, partly as an effective distraction from “the big picture”, and partly as a way of asserting our control over our immediate environment. (Is it any wonder *Spotless*, a book of household cleaning hints, became the runaway bestseller of 2006?)

Similarly, we felt we could control which school we would send the children to, so we began to obsess about that. We could control where

we would go for our holidays or for the weekend, so these became major preoccupations.

We felt we could control our bodies: the Dreamy Period coincided with the rise of interest in health and fitness, personal “wellbeing”, cosmetic surgery, tattoos and body piercing.

Similarly, the Dreamy Period’s characteristic disengagement from politics meant that incumbent governments – federal, state and territory – had a dream run. Incumbency was given unprecedented power by a disengaged electorate that felt this was one boat, at least, we didn’t have to rock.

In the Dreamy Period, we became politically acquiescent in the face of the invasion of Iraq (our opposition to the invasion having virtually collapsed within three weeks), the anti-terrorism laws, the Pacific Solution and the continuing dehumanisation (or perhaps worse) of asylum-seekers, the IR laws that removed the right to collective bargaining, the AWB kickbacks scandal in Iraq, the increasing secretiveness of governments and the mounting evidence (or at least the mounting community belief) of lying in high places.

Somehow, we managed to distract ourselves from all that by the quest for the perfect bathroom tile to top off those renovations.

All of this was bad news for the health of our democracy and the health of our society. During the Dreamy Period, we became more prejudiced, less tolerant, less compassionate. We became tougher in our attitudes to law and order, and more enthusiastic about the concept of mandatory sentencing. We yearned for black-and-white simplicity and certainty: the Dreamy Period witnessed another surge of support for fundamentalism – in religion, in economics, in politics, and even in medicine: we wanted simple, single-factor explanations for everything: “tell me the cause of the problem and give me the pill that will fix it”.

But there was good news as well. The Dreamy Period – like a personal retreat – led to a resurgence of interest in personal (not national) “values” and in the question of whether we are living in ways that are true to the values we claim to espouse. This has been a period of greater reflection on ways to simplify our lives and to restore some balance between our working and personal lives. It is a period in which we have shown greater interest in the *meaning* of our lives – sometimes expressed as a return to mainstream religion but, more generally, as an increased interest in non-material values or in the broader concept of “spirituality”. (There is some paradox here: as we have created record levels of personal and household debt and gone on a consumer spending spree to distract ourselves from daunting issues, we have simultaneously started to question whether rampant materialism is distracting us from some deeper, more significant questions about the

quality of our lives.) This has also been a time of greater yearning to connect with neighbourhoods and communities.

If this analysis is correct, the big question, of course, is this: are we emerging from the Dreamy Period? In *Advance Australia ... Where?*, I list eleven signs of our possible emergence, though I acknowledge that it is difficult to separate cause and effect. It is clear, for instance, that the water crisis has triggered a massive renewal of interest in the environment in general and the possibility of climate change in particular, but is that the main trigger for our emergence from the Dreamy Period, or are we attending to that because we have already emerged? Similarly, there is heightened interest in the question of job insecurity and the contribution which the Work Choices legislation might be making to insecurity (and even exploitation) in the work place: but are we re-thinking Work Choices because we have emerged from the Dreamy Period, or has some consideration of its implications been one of the things that has woken us up?

Perhaps ten years of rampant materialism would lead, inevitably, to a desire to look beyond the material and to face some deeper questions. Perhaps there are tidal movements in society and culture that we don't fully grasp. Perhaps we simply needed this retreat as relief from the turbulence of a revolutionary period of change. Whatever the cause, if we are indeed emerging from the Dreamy Period, there are certain things we can now expect.

For a start, no government – federal, state or territory – will feel as secure as it may have over the past seven or eight years. The potency will be leached out of incumbency, as voters become more focused, more skeptical and more demanding. Should Labor win the 2007 federal election, state and territory Labor governments – especially in NSW and Victoria – will feel the heat from voters who quite like to have governments of different persuasions in power federally and in the states.

The dream run will be over for advertisers and marketers, too. Consumers – like voters – will become more engaged, more sceptical and less acquiescent, and the period of somewhat excessive self-absorption and self-indulgence may be coming to an end.

The nature of bestsellers will change in the book market. On television, news and current affairs programs will appear, once again, in the Top Ten.

The level of involvement in local community activity will increase, and activists of all kinds will find their voices. Perhaps we will see our prejudices back on the leash, and signs of greater compassion. Noble sentiments might temper some of our more self-indulgent impulses.

Perhaps we will also find that, following this period of introspection and reflection, there will be some re-ordering of our priorities, including a greater willingness to accept personal

responsibility for the state of this thing called society. On that theme, I conclude with a few sentences from the final chapter of *Advance Australia ... Where?*

You'd like to see a more peaceful world? Join a protest march, by all means, but first make peace with your family, your friends, your neighbours, your colleagues. You're appalled by the idea that lonely people can die in their homes, undetected for days? Make sure there's no one in your street suffering that kind of isolation. You think we're becoming media-saturated at the expense of personal relationships? Watch less; talk more.

You're worried about the rise of fundamentalism – in religion, economics, politics and elsewhere? Reject facile answers and resist the tug of simple certainty. Hold on to your skepticism about everything.

You weep over homelessness, disadvantage and poverty? Ring up any of the charities responding to these problems and ask what you can do ... You think society is suffering from too much busyness, too little courtesy, too little eye contact? Or that loyalty and honesty are things of the past? You think it's outrageous that people don't even know their neighbours' names?

There's no magic wand. You exist in a circle. Join the dots.

CONTEMPORARY

AUSTRALIA - TWO VIEWS

SOL LEBOVIC

My address tonight is very much from a political perspective, not the broader social scene which Hugh has just presented. I will present some observations on the political scene in Australia as I see it, some of which are relevant for forthcoming 2007 election and possibly help to explain the dynamics going into this election.

Firstly I agree with Hugh that “yesterday’s Right/Left distinctions are losing their relevance in modern politics.” (p 312)

I’d go further and say this old left/right divide is no longer relevant *at all* to many voters. In the eighties Labor deregulated the financial markets, a move most would have expected the capitalist right to undertake, while the Coalition embraced a social safety net including schemes such as Medicare. Yet political systems in western democracies are still largely based on this old left/right paradigm. For the political parties this distinction is the reason for their existence so they still try to operate on this system yet often it is not relevant.

The system is “broke” yet no-one has been able to come up with an alternative. The dimension of workers versus capital is no longer relevant. The electorate knows it and is desperate for a new alternative, for political parties based on a new dimension.

A Newspoll taken in 1999 found that less than half, 47 per cent, of Australian adults agreed “...the Liberal and National Coalition and the Labor Party do an adequate job of representing the Australian people” while 37 per cent said “...they would like there to be another major party as well”. I suspect the number wanting an alternative would be greater today. I’m not sure if I’ll see this new dimension emerge in my lifetime but whoever finds it will probably achieve rapid electoral success.

Of course it is not only the lack of relevance of the old left/right divide that is affecting the major parties. As Hugh mentions in his book: “But esteem for politics and politicians is so lowthat something needs to change.’ (p312)

People are cynical of the political process and politicians. It is not surprising when so many promises are broken. Paul Keating’s “These

tax cuts will be L.A.W law” or John Howard’s no GST are to name just a few.

The disenchantment with the political system and politicians is evidenced by the many in the electorate who are negatively motivated in their voting. Based on Newspolls conducted after the election at both the 1993 and 1996 federal elections, just on a *majority* of voters said it was their “disliking of the other parties” than their “liking of the party” they voted for which was the stronger influence on the way they had voted. While the number of voters negatively motivated was lower in 1998, 2001 and 2004, it was still around four in ten voters who were choosing the lesser of two evils. Hardly a ringing endorsement of the current system.

Both the breakdown of the old left/right divide and the dissatisfaction with politicians explains why minor parties at times have grown so rapidly. In Australia we’ve seen the rise, and in some cases the fall, of parties such as the Australian Democrats, One Nation, the Greens and now Family First. A number of years ago in the US support for an independent presidential candidate, Ross Perot, grew from zero to 20 per cent in a few months. Many voters are happy to flirt with a new party in their quest for a new alternative.

Largely because of the breakdown of the system and the disenchantment with the political process, Australian voters are now less rusted on to a political party, less tribal, than they used to be. If we go back several decades most were either true blue conservatives or hardcore Labor, with fewer so called swinging voters. We often used to meet people who said they and their parents had always voted the same, either Labor or Liberal, but this occurs less often these days. It is now more likely for people to say they always have been swinging voters.

I get the feeling that we are now seeing more voters flirting with a different party. In between the 2001 and 2004 federal elections the widest Newspoll two party preferred voting intention difference was a 55/45 per cent split. In the last twelve months we have seen this split grow to 61/39 per cent. More voters are swaying in breeze, there appears to be a bigger pool of swinging voters.

The breakdown of the system I believe goes hand in hand with the rise in personality politics. In the absence of ideological differences between the parties the leaders become more critical. With voting compulsory in Australia, people have to make a choice, so they use the personality and competence of the leaders more often to make this judgment. Leadership is now critical with Australian elections far more presidential than they once were. People are often voting for the man rather than the party.

Let’s now have a look at the coming election in this context. It will very much be a battle between Kevin Rudd and John Howard or

should I now say Howard / Costello. I believe at the end of the day the voters who will decide the election outcome will make the decision on which leader they find has been most convincing in terms of making life better in Australia.

The polls currently have Labor and Kevin Rudd well ahead. If the current lead were to be repeated at the next election Labor would win in a landslide, recording the biggest swing, the largest gain in seats and the highest ALP two party preferred vote in the last 60 years. The seats won would be greater than Malcolm Fraser achieved in the 1975 dismissal election, Bob Hawke in 1983 or John Howard in 1996. Is there currently this kind of mood in the electorate? I'm not sure there is.

The polls are giving us contradictory evidence. While Labor's lead is strong, Kevin Rudd's satisfaction rating almost at a record high for an opposition leader and he maintains a comfortable lead on the better Prime Minister question, he is well behind John Howard on the question of who voters believe is more capable of handling Australia's economy, one of the most important issues for voters, and national security. For this reason I feel Labor's current lead is soft.

Also I do not see this coming election as a repeat of the 1996 election. While the Labor opposition this year has maintained a consistent and strong lead, just as the Howard led opposition did in the lead up to the 1996 election, other factors are quite different. Satisfaction with the then Prime Minister Paul Keating was low, consistently in the mid to low thirties. John Howard's satisfaction rating on the other hand has been in the forties all year and in recent months largely in the mid forties, a relatively strong level for a fourth term Prime Minister.

Howard was also competitive with Keating on the economic management question in the lead up to the 1996 election, leading in two and line-ball in a third of the four measures taken in the twelve months prior. Howard on the other hand has dominated Rudd on this question all year with two to one leads on two of the four measures taken and still leading by 16 points on the latest measure. The figures don't support the case that this coming election is a repeat of 1996 when voters were waiting with "baseball bats" to get rid of the government.

With Labor's strong lead early in the year not evaporating, as was the case in 2001 and 2004, we are definitely in uncharted territory. Maybe Kevin Rudd is going to win in a landslide and set new record highs for Labor. Or maybe the stability of the polling numbers this year is suggesting that people aren't thinking too much about who they will vote for. It may be that some voters liked what they saw in the Rudd leadership early on, liked the fact that federal arena was competitive and parked themselves on the Rudd side for the time

being. They'll give it much more thought closer to the election. In fact in each of the last four elections one in four voters or more said they finally decided who to vote for in the last week of the campaign with at least one in ten saying they decided on election day itself. Maybe the dreamy period Hugh has spoken about lives on.

Politics is certainly very different in the new millennium with voters less rusted on, searching for a new alternative and deciding late on whom to vote for. But the fascination with elections and who is going to win continues. The polls give us a snapshot of the current state of play with Labor & Rudd currently dominating. But the polls are not necessarily predictive. No-one knows the unknowable, that is who is going to win the next election. Only on election night will we know who our next Prime Minister will be.

FUNCTIONS - 2008



Photographer: David Karonidis



Tessa Wigney



Gordon Parker

Photo – David Karonidis

Depression has become one of the most challenging disorders of modern life. In *Journeys with the Black Dog*, Tessa Wigney, Kerrie Eysers and Gordon Parker canvass the wide range of experience and suffering of those who have known depression. Gordon Parker is Professor of Psychiatry at the University of New South Wales, Executive Director of the Black Dog Institute and the author of *Dealing with Depression* (Allen and Unwin, 2004). Tessa Wigney is a writer, with an honours degree in Sociology. She is currently undertaking a Ph D at the University of New South Wales, based at the Black Dog Institute. Gordon Parker and Tessa Wigney addressed The Sydney Institute on Tuesday 25 September 2007.

BRINGING DEPRESSION

TO HEEL

TESSA WIGNEY

Recovery has its own rhythm and it's a slow, slow dance. Forward back, cha cha cha. Back, back, cha cha cha. Side, side, cha cha cha.

Forward, back, cha cha cha. (Entrant 579, pg 128)

I speak as one of the editors of *Journeys with the Black Dog* (along with Kerrie Eyers and Gordon Parker), but I am also here to represent all the hundreds of anonymous writers whose stories make up this book, and I certainly hope to do justice to their work here tonight. I will briefly describe how the book came about, the challenges we faced in editing the material, what is different about this book, why it is important, and finish by hopefully convincing you that it is the best book on the market this year.

Journeys with the Black Dog originated from a writing competition the Black Dog Institute held in 2005 that invited people with depression, as well family, friends or carers to share their “stories of inspiration” on living with the black dog. The competition closed with a record number of entries – a staggering 634 essays.

These were judged by three independent professionals with an interest in mental health – writer and broadcaster Anne Deveson AO, former CEO of depressionNet Leanne Pethick and editor Margaret Meagher. The winning entries had awards presented by the Assistant Minister for Health, the Hon Cherie Burton MP and the top fifteen stories are published on our website: www.blackdoginstitute.org.au.

However, it was obvious that the quality, depth and raw honesty of each and every entry that had been entrusted to us deserved a wider audience. It was also clear that the majority of entrants had chosen to share their story, not in order to win the prize money, but because they saw the competition as a valuable opportunity to speak out about an illness that is often silenced in our society. Our essayists demonstrated great compassion in seeking to help others and we felt we had a particular responsibility to share the accumulated wisdom.

Many people wrote that having depression was like being catapulted into an alien landscape, with no blueprint or road map to point the way out. So we hope that this book provides some pointers,

some landmarks or signposts to lead the way through. As the stories attest, learning to manage depression is an unfolding process, but it is encouraging to see that people have many different coping repertoires and many different ways to sustain themselves on their journey.

We faced a number of editorial challenges putting this book together. The first was purely logistical: how to present 634 stories of depression in dynamic format, that did not risk being repetitive? Secondly, how to ensure we captured as many voices and varied viewpoints as possible, *without* imposing any professional opinions, or a “medical model of recovery” onto the text? Thirdly, we confronted certain ethical dilemmas that saw us having to balance our commitment to honestly portray the experience of depression, with confidentially issues and the educational merit of including discussion of topics such as suicide and drug and alcohol abuse.

And finally, how to compile a book on depression that is not too depressing to read! On this point, while this may seem a contradiction in terms, readers will discover that wit and humour abound in these stories, so this challenge was actually easy to resolve. To give you an example;

“Truth be known, my sofa deserves an Oscar. An Oscar for the best supporting furniture in a clinically depressed episode.” (Entrant 211, pg xiv)

“Reading Kafka is a symptom of your illness, not a treatment. It will never, ever cheer you up.” (Entrant 171, pg 208)

“My mother not only saw the glass as half empty; she also saw cracks, smudges and completely the wrong sort of glass.” (Entrant 537, pg 166)

“Take heart. History is full of honourable people, worthy of great admiration, who were stark, raving mad.” (Entrant 292, pg 110)

In the end, it did not take long to settle on the idea of the journey as a way of representing the most common stages identified. Obviously, each person is unique and they will experience depression according to their personality, beliefs and cultural background. We do not want to suggest that there is one “correct pathway” through depression. Each chapter simply provides a framework to discuss the most common elements, such as - what depression *feels* like, what are the warning signs, why it is important to seek help early, and the benefits of acceptance and responsibility. Also included are tips on what to do and probably more importantly, what *not to do* in order to minimise relapse. There is also a separate chapter offering advice from the carers’ perspective. And the final chapter touches on some of the positive outcomes of dealing with depression, which Professor Parker will talk more about later.

In practical terms, this meant that we made the decision not to publish stories in their entirety, but to choose passages that best

resonated with the theme of each chapter. In some cases, the writing was so evocative, that only succinct sentences were needed, for example;

“Feelings pass, so don’t act on them.” (Entrant 285, pg 70)

“It felt like my head was a hellish prison, a gloomy and frightening labyrinth alive with relentless, malevolent beasts; like someone had taken out my brain and put it back in sideways.” (Entrant 55, pg 2)

“Everything passes in time. My life, though often dark, has been interesting and rich. In the tapestry of life, dark threads have been as necessary as those of silver and gold.” (Entrant 241, pg 254)

I do have distinct memories of the period I spent working on the manuscript. I remember at the time Kylie Minogue was constantly in the news. She was returning to Australia to stage her “Homecoming Tour” – the much anticipated “comeback” event that not only celebrated her return to the stage, but also her return to health after a devastating diagnosis of breast cancer. And I must admit, even though I am secretly a fan of Our Kylie, the Showgirl Princess, I do remember feeling slightly disgruntled at the time.

Now this wasn’t because I was jealous that Kylie gets to wear sequins and feather bowers to work, or because she was dating a gorgeous Frenchman. It was because, while Kylie was being publicly lauded for her “brave battle” over cancer, for her strength and courage that helped in her triumph over the illness, I was in my office, sifting through hundreds and hundreds of stories that detailed a similar fight through depression, and it suddenly struck me how *rarely* this resilience – the everyday stories of coping and endurance – is publicly acknowledged.

And as my co-editors and I continued to sort through each individual’s words of fear, and grief and loss and pride and hope, we were very quickly humbled by the overwhelming courage and honesty evidenced in each and every entry. And we realised that it was time to hear from the so-called “depression survivorship”, time to tell this story, time not only to acknowledge, but to *celebrate* the sheer grit and reservoirs of strength that people exemplify in their daily – usually hourly – struggle through depression. Each story, vignette or quote included provides is a snapshot of one ordinary person’s “brave battle” through depression, is a testament to their willpower and tenacity to put one foot in front of the other and find a way to walk through the pain.

Stories of survivorship are about sharing wisdom, tips, insights and encouragement of how to live through, and beyond, an illness or an ordeal. And so it is with this book. Hundreds and hundreds of voices make up the chapters and it is through this richness, that the reader gains invaluable insight into depression. We believe *Journeys*

with the Black Dog is important in this respect. As one reviewer recently commented;

Most books [on depression] have almost always been written from the outside looking in - your book comes from the inside looking out, and that's what gives it a special resonance.

As editors, we wanted to achieve this unique perspective, to compile a book on depression from the ordinary person's point-of-view, one that would help bring readers a little closer to understanding the nature of the pain, as well as the nature of the fight. We hope that the book will help dispel some of the fear that still surrounds depression, to show that it is an illness like any other that requires acceptance, treatment, support, early intervention, vigilance and often lifestyle changes if it is to be successfully managed.

At this point, I would just like to clarify that in making a comparison with Kylie's personal battle with cancer, I obviously do not want to imply that her courage and strength is not legitimate, nor that the pain of cancer is somehow less or more worthy than that of depression. I have simply drawn this parallel in order to highlight the differences that still exist between mental illness and other diseases and to show that while we have made some advances in de-stigmatisation, we still have a way to go in accepting depression as a chronic illness like any other. For the simple fact remains that there is no shame in our society to say "I have cancer", but to publicly disclose depression is another issue.

This stigma is evocatively summed up by one entrant, who wrote:

The most difficult words I have ever had to speak are these: I have depression. In my eyes, these are the most powerful words in the English language. With these three words, you can lose friends that you have had for a lifetime, make enemies with people you have never met, and lose opportunities that would have been laid out in front of you had you not had the courage to speak these words. These three words can have you questioning your own sanity, have others question your sanity and have many assume you are insane. (Entrant 309, pg 103)

Unfortunately, the strength needed to withstand the full force of the suffering in depression is generally not understood. This may be because depression is still not accepted as a "real illness". The nature of the pain is hard to measure. There are no x-rays or blood tests to legitimise the symptoms, no tangible cause to observe. Essentially, the problem is that, to the untrained eye, most people with depression do not look sick. As one consumer once told us, there are no "Get Well" cards for people with depression. A dichotomy still exists in the way people respond to depression as an illness and the level of support that is offered.

But depression *is* an illness and it is one that assaults the individual not only physically, but also emotionally *and* mentally. And this is an important point to make: for when people talk about overcoming illness, they often say that maintaining a positive spirit and optimism is vital in helping them through.

When facing sickness, the *mind itself* becomes a valuable tool in the healing process – its power can be employed to help strengthen and visualise, endure symptoms, or simply maintain hope. But for people with depression, it is precisely this capacity – the ability to think positively about yourself and your future during your illness – which is compromised, as illustrated by the words of entrant 385;

I faded away to a shadow of my former self. It's a savage disease that destroys your very soul and the essence of your being. Depression takes away the one thing that you thought never could be taken – yourself. (pg 10)

We hope these stories show that the pain of depression is very real and we should recognise the grit people have in hanging on and fighting the fight. Like cancer, depression saps your strength. It can leave you immobilised, or crawling on the floor between the bathroom and the bed. Like cancer, it can force you to face mortality. And tragically, like cancer, depression can also be fatal. But unfortunately, unlike the cancer patient, the depression patient is often left to cope on their own.

But it is clear from reading these stories that simple encouragement and kind words of support make all the difference for the person battling through an episode. It helps to have someone stand *outside* the darkness and hold out a light: “Should we get stuck in depression, it is helpful to remember, or have someone point out to us, that it will not last forever.” (Entrant 583, pg 167)

It is understandable that people often find it hard to know what to do, or what to say to someone with depression. Typically, out of respect for privacy and dignity, the subject is not brought up. But why should there be such avoidance? What exactly is it about this illness that makes people so uncomfortable? After all, we acknowledge the hurt someone goes through when fighting cancer. We do not hesitate to ask how their treatment is going, how they are coping with medication side-effects, when they are going to see their doctor next, what plans they have to relax or spoil themselves. So it is regrettable that most people with depression are not extended the same concern, for such simple acknowledgement would surely help normalise the illness.

Although we have come a long way since the hysteria of Bedlam, we can do better. Depression is a frightening experience and one that is only made worse by the silence that still surrounds it. If

people with depression feel they cannot communicate what they are going through, out of fear or shame, they will be in danger of slowly withdrawing from all the support systems that are available to them. As the carers' stories point out, sometimes all that is needed is to sit with them, to keep them company as they gather strength to confront the darkness. As entrant 290 suggests:

Be prepared to just listen. It could literally be the difference between life and death. Far better to sit in silence and hold their hand than to offer a multitude of solutions that they are unable to emotionally and/or mentally, to grasp. Keep it simple. Be calm and encouraging. (pg 207)

Depression is a tough illness, so we do not deny that, in parts, this is a tough book to read. But taken as a whole, this collection offers companionship and *realistic* hope.

Deep inside, I know I will probably never be cured. But I can manage my disease. Instead of my life being a long, dark, relentless sentence, it now takes the form of a journey. It is my life. The choice is mine. (Entrant 381, pg 253)

Journeys with the Black Dog provides a *practical* guide and a way of moving forward. Ultimately, the key messages are, you are not alone. depression can be managed, it will pass – certainly vital advice for anyone hounded by the black dog and a good starting point for the journey ahead.

BRINGING DEPRESSION

TO HEEL

GORDON PARKER

Assessing and managing people with a mood disorder is not depressing. It is inspirational to see people – supposedly at their worst – dealing with such a mentally enervating condition. As clinicians, we are indeed privileged to be called on to assist people who have slid into an episode. For me, it is rather like the mother depicted in Steinbeck's *Grapes of Wrath*, where we observe the triumph of human spirit over adversity as our clients call on their own gritty resilience, and our professional advice, to see them through.

Journey with the Black Dog captures the journey experienced by so many people. It begins by detailing the chaos and confusion of initial impact, when depression infiltrates the individual's thoughts and takes over their mind. The first chapter powerfully illustrates the "landscape" of depression for what it is: a state of excruciating isolation that fuels the most negative emotions – excessive guilt, disabling sadness and crippling self-hatred.

The second chapter explores, quite viscerally, what it feels, smells and tastes like to become engulfed in a pitch-black void of all-encompassing despair, and shows how harrowing it is to feel one's own identity, the very substance of one's being, slip away. While these are powerful passages that may be confronting to some readers, such images and descriptions are necessary, as they clearly highlight the symptoms and early warning signs of the illness, which may help some readers to recognise the beginnings of the illness in themselves and encourage them to seek help before their lives spiral out of control.

The fourth chapter tackles the complex issue of suicidal feelings that tragically *can* emerge if depression is not successfully treated, or managed. We decided to include a discussion on this subject in order to make two vital points: suicidal thinking is a *symptom* of depression, not a solution, and self-destructive behaviours should be taken as a serious warning sign. All our writers addressing this issue made the point they did not want to die, but that they simply could not any longer bear to live with the pain, which shows how unrelenting and

encompassing the suffering in depression is and underscores the importance of early intervention.

The next chapter deals with the various stepping stones to diagnosis and disclosure, explores how people address the problem of stigma, and shows how people eventually manage to find their own ways to accept responsibility for the condition. The next chapters chart the multiple roads to recovery, the impact on family and friends and detail numerous, imaginative “wellbeing” strategies designed by the many writers.

The final chapter, entitled *Some Views from the Top*, is extraordinarily inspiring. Here, we capture the views of individuals who had found a positive side to living with the black dog. While the writers acknowledged that in the fight for sanity and peace, depression brought them to their knees, forced them to strip their lives, goals, and deepest truths down to the essentials, they also conceded that knowing this depth of pain, gave them an opportunity to experience joy.

As with any chronic illness, there are some positive outcomes to learning to live with depression, individuals recounted how they had re-evaluated their goals, were kinder to themselves, changed their priorities, learned to relax and discover new hobbies, got rid of negative people and influences, became more assertive, found their own peace and were brought closer to family and friends. Most were able to reach out to others – whether those others had a depression or another problem – and in their growth of compassion and empathy, they found their life enriched.

As we point out in the book, some precious gems are black, too. When the depression lifts and the fog recedes, when colours begin to sparkle again, people often feel a renewed self-respect, an intense appreciation for life and pleasure, and a new capacity for joy. Thus, for some people a journey shadowed by the black dog becomes life enabling:

No matter how alone you feel or how impossible it seems that you will ever be able to feel anything other than complete devastation, realise that you are surrounded by thousands who feel the same and who, in their different ways, know how to help. Use them; the world is better for you in it.

It's only in retrospect that I can feel incredible gratitude for my days of darkness, for the many insights and revelations that are so much a part of who I am and the work I now do. If we can embrace this awakening, we are bound to discover unfathomable joys and profound insights amongst the sadness. Over time, with patience and compassion for ourselves during this process, we can begin to live a more fulfilling and whole life.

This does not mean that the black dog will slink off into the distance, never to return. No, quite the opposite. I suspect the black dog will become a valuable friend, an insightful guide and an important reminder that we are all human, with the capacity for myriad shifting emotions and experiences. If we can embrace the times of darkness with interest and imagination, acknowledge and accept those parts of ourselves that are frightening or appear damaged, there arises an opportunity for deep healing. With this comes the possibility that we might contribute something unique and important to a fellow traveler, enhance our communities in unseen ways, and perhaps create something of value to the world. (Entrant 395, pg 254)

At the end of the book we provide a list of strategies that were reported as most useful (with just a few listed here);

- Exercise tires the dog out and makes him sleep.
- Do not set deadlines for your healing.
- Take one day, or hour, or minute, at a time.
- Be willing to “do the hard yards”.
- You need structure and meaning to keep in control of depression. It will not simply go away overnight. Control is the key to gaining balance.
- Avoid boredom. Be prepared.
- It’s essential to have a plan for the day, something to look forward to.
- Listen to ABC talks. Grow roses. Never be sorry for yourself. Keep a cat.
- Savour small moments. Bask in sunlight. Cultivate gratitude.
- Do not listen to talk-back radio. (pgs 261 – 266)

However, the commonest tip was to respect the mantra that – “This too will pass”. This is what families and friends need to respect and state *and restate* to those who are coping with the black dog. It is what guides clinical management – not merely providing a drug or a therapy that will assist the individual out of the depression, but stating and restating that it *will* pass, and that the individual should avoid any major life decision until they are out of that episode, to ensure that both personal and collateral damage is minimised.

As practitioners, most of us have reasonably succinct strategic advice for assisting people with a mood disorder. In reading these essays, it is cautionary to recognise how limited our professional knowledge base really is – the comparative richness, variety, flexibility and originality of many of the individuals’ strategies was leveling to read, and suggests the great advantage to accruing the views of multiple commentators. Being involved in this book was inspiring and a privilege.



Photo – David Karonidis

Scott Prasser

Over two decades, local governments, Australia wide, have fallen from 900 to just over 600. However, the Queensland Beattie Labor government's 2007 unilateral action to cut the number of local authorities by more than half caught national attention. Dr Scott Prasser, Senior Lecturer in Management at the University of the Sunshine Coast, maintains this was because of the way it was done - the Beattie Government's threatening behaviour to opponents, the unprecedented federal government intervention it provoked, the concerns it raised about the future of local government in Australia and how the issue would impact the federal election. To explain changes in local government, Scott Prasser addressed The Sydney Institute on Tuesday 2 October 2007.

DEMOCRACY AND

LOCAL GOVERNMENT – THE QUEENSLAND EXPERIENCE

SCOTT PRASSER

In August 2007 the Queensland Beattie Labor State government announced its decision to cut the number of local authorities from 156 to 72 and to sack 724 elected councillors. The decision sent a shock through local government in Queensland, and beyond. That the decision was rushed, involved minimal consultation, threats of dismissal by the Queensland government against those local governments wanting to hold a plebiscite on the issue, and provoked unprecedented federal government intervention, tell us a lot about the status of local government in Australia today and more importantly the state of democracy in Queensland. It also raises issues about the nature of Australian federalism.

Of course, state government initiated amalgamation of local government is not new in Australia. Over the years there have been many sporadic attempts by state governments to amalgamate local government authorities with varying degrees of success, effort and levels of compulsion.¹ That local government has no formal status in the Australian Constitution and is totally under the legislative power of the states makes such actions legally possible, but sometimes politically difficult. Local government has considerable on the ground networks of support and real organisational capacities to influence public opinion and to resist state government amalgamation attempts. In the past, local government has been able, if not totally to thwart state government amalgamation efforts, at least to delay or significantly moderate such proposals.

During the 1980s the Cain Labor government in Victoria, following strong opposition, abandoned its local government amalgamation attempts. Similarly, local government amalgamation in Tasmania during the 1990s was only partially achieved because of resistance from local government.² In Queensland, the Goss Labor Government achieved some, but limited, success with amalgamation. Indeed, these efforts were seen as a contributing factor to the Goss Government's poor 1995 election results and fall from office six

months later. The most successful, sustained and widespread effort in local government amalgamation was, until the Beattie Government's recent actions, the Victorian Kennett Liberal government's enforced amalgamation of almost half the state's local governments during the late 1990s. However, even here the Kennett Government suffered adverse political reactions about the way amalgamation was achieved and was seen as one of the causes of the government's surprise defeat in 1999.³

Nevertheless, despite the sporadic nature of these local government amalgamations there has been a gradual grinding down of local government numbers across Australia during the last three decades. Following the Beattie Government's amalgamation actions the total number of local authorities in Australia has fallen from nearly 900 in the 1970s to approximately 600 today. Moreover, there has been recent renewed interest in local government sustainability and inevitably amalgamation. While talk about reducing levels of government in Australia has focussed mostly on state governments, it seems, given these trends, that it is local government that is most under threat in the Australian federal system.

So, in summary, the Beattie Government's recent local government amalgamations should not be seen as an isolated or peculiarly Queensland phenomena, but deserve our attention for several other reasons. First, it informs us not only about Queensland government attitudes to local government, but also by implication possible state government attitudes in general to local government. That Queensland is, like *all* other states in Australia, run by a Labor government gives this assessment particular relevance. Although local government has long been talked about as a partner in Australia's federal system, and is now invited to many intergovernmental forums, recent events in Queensland highlights its subservient status in the Australian political system.

Second, assessing the processes employed by the Queensland government to achieve local government amalgamation provides another means to analyse the state of democratic governance in Queensland. Last, the Queensland government's apparent success in achieving local government amalgamation potentially provides important lessons for successful policy implementation and political management of what had long been seen as a difficult policy area. There may be lessons here for other governments not only in relation to local government amalgamation, but also concerning policy implementation in general.

Background

Renewed interest in local government amalgamations around Australia has been driven by several different influences. There has

long been the drive to improve “efficiency” and to cut costs caused by the perceived large number of local governments. The decline of many rural areas and industries and the long term drought have caused many local authorities to struggle with a declining rate and population base and renewed interest in amalgamation in these areas. Another driver, at the opposite end of the spectrum, has been rapid population growth and development in “sea-change” regions causing considerable pressures on local governments to keep up to date service and infrastructure provision. Consequently, there have been numerous reviews of local government across Australia with new proposals for amalgamation,⁴ while at the federal level there has been interest in local government in terms of resourcing and service delivery issues.⁵ However, no doubt for sound Constitutional reasons, the federal government has not sought to pursue a comprehensive review of local government as has occurred recently in the United Kingdom.⁶

In relation to Queensland, there were, as noted, a spate of amalgamations and other changes concerning local government electoral boundaries introduced by the Goss Labor government in response to reforms unleashed by the Fitzgerald Royal Commission into police corruption and the subsequent recommendations made by the Fitzgerald inspired Electoral Administrative Review Commission (EARC).⁷ The EARC proposed amalgamations across 16 local governments and the establishment of a Local Government Commission to oversee these and review other possible options.⁸ By 1994 this resulted in four amalgamations with several others following shortly afterwards. The most important of these amalgamations was the creation of the enlarged Gold Coast City Council which became one of Australia’s largest local governments.

However, because several of these amalgamations met with strong local resistance, involved rural areas and were seen as threatening the National Party’s power base, the Coalition government elected in 1996 sought to put limits on future local government amalgamation. Consequently, the Local Government Commission was abolished. Then the *Local Government Act* was amended so that amalgamations could only occur if the Minister for Local Government referred such proposals to a specially appointed Local Government Electoral and Boundaries Review Commission. It was clearly stipulated that the minister would only make such references if convinced there was both community and local government support for amalgamation. Community support is hard to assess, while gaining local government endorsement is rare given the vested interests involved. Also, any proposals for amalgamation would have to be supported by a referendum of the local community affected, and even then State parliament would have to pass the necessary changed legislation.

In other words, under these arrangements local government amalgamation would be hard to do.

The pragmatic and cautious Beattie Government, narrowly elected in 1998 and anxious to avoid the mistakes of the Goss Government in this area, continued with this restrictive Coalition policy. Even as the Beattie Government gained record majorities at subsequent elections, collaboration and co-operation with local government was the order of the day. This was shown by memorandums of understanding between the Queensland Government and the Local Government Association of Queensland (LGAQ), extensive consultation on matters to do with local government and statements by successive local government ministers that local government amalgamation was off the agenda. The Queensland Government's \$25 million financial support for the LGAQ's *Size, Shape and Sustainability* (SSS) review into the viability of local government and possible voluntary amalgamation, was another indicator of this co-operative approach.⁹

Thus, prior to 2007, it appeared that local government in Queensland, and especially the LGAQ, had real political clout. Indeed, actions by the LGAQ in 2002 had forced the Queensland government to reverse its proposed ambulance levy on local government rates.¹⁰ Such influence was reinforced by personal and political connections by key mayors, councillors and officials in the LGAQ with the Queensland government and the Labor Party. In public policy terms, local government seemed to be an area of 'settled policy' with no major proposals mentioned during the September 2006 state election.

2007 local government initiatives

However, this "hands off" approach to local government, and notions of partnership and co-operation vanished when the Queensland government unexpectedly announced in April 2007 the appointment of an external review of local government boundaries. Overnight this ended the SSS review process and immediately placed local government amalgamation on the policy agenda.

What followed, even by Queensland's executive government top-down decision-making standards, was breathtaking in the speed of its execution, breadth of impact, and lack of consultation. Within three months of its appointment the Review had reported and its recommendations were fully accepted overnight by the Queensland government. No further discussions or modifications were deemed necessary by the government. Legislation was rushed through Queensland's unicameral Parliament in a fourteen hour all night sitting. Further, in a display of undemocratic spitefulness, the Queensland government threatened to first fine, and then later to sack any council holding a referendum on the issue. No

previous Queensland government has treated its local government so contemptuously.

Understandably, these actions provoked considerable criticism from most of the affected local governments and the LGAQ in particular. Though there was debate about the rationale used by the Review that focussed on improving local government efficiencies by creating fewer and larger local governments, the main contention was the covert way the Queensland government had instigated the review and rushed the implementation process. After all, not only had the Queensland government and Labor Party not mentioned its intentions concerning local government during the 2006 state election, but also the government was publicly and in direct consultation with the LGAQ, supporting the SSS process until a couple of days before announcing the Review. Consequently, many in local government believed they had been duped by the Queensland government by a process of deliberate subterfuge and a false sense of participation. There was a sense of betrayal among local governments. As Councillor Paul Bell, President of the LGAQ lamented:

Why kill the Size, Shape, and Sustainability? Why not confide in local government if the State was unhappy with progress ... Why the deceitful charade over the first three months of the year (ie 2007). The LGAQ was deceived, so were mayors and council CEOs, even the Independent Review Facilitators (of the SSS process) right up to the very last day.¹¹

Furthermore, the seven-person external Review that had conducted the assessment was seen by many in local government as being neither as expert nor as independent as the government contended. The Review was chaired by a former state Electoral Commissioner with no direct experience in local government. Underlining these concerns has been the lack of discussion about the terms of reference, processes or timeframes. Also, the rushed process made the Review appear too contrived and its outcome predetermined. One local government constituent summed up the situation thus:

... the so called Independent Local Government Review Commission ... were given just three months to consider more than 36,000 submissions from 156 councils. The outcome was preordained as the Commission was under instructions to redefine boundaries, but not given time to conduct a rigorous "cost-benefit" analysis or a cultural impact study based on amalgamation experience in other parts of Australia.¹²

The Queensland government's aforementioned threat to fine and then to dismiss any local government holding a referendum on the amalgamation issue further highlighted the lack of real consultation about whole process. As then Local Government Minister, Andrew Fraser warned:

Staging a referendum will be an explicit trigger for immediate dismissal of individual councils. If a council has already started a poll they must take all necessary steps to ensure that the poll does not go ahead ... If a council declines to desist and goes ahead with plans for referendums, they will be dismissed without notice. Administrators will be appointed to any councils that are dismissed.¹³

Even the allegedly dictatorial National Party led governments under Premier Bjelke-Petersen had never threatened local government so crudely. It was this threat that caused great public outcry and gave the issue wider significance. In particular, it provoked unprecedented federal government intervention with then Prime Minister Howard announcing he would change the *Commonwealth Electoral Act* to override the Queensland government's "dictatorial" and "undemocratic" actions and allow the Australian Electoral Commission to conduct polls for participating local governments. That this action was supported by the then federal Labor Opposition that was openly critical of the Queensland government's undemocratic processes suggests that the Howard Government's actions were not totally driven by partisan considerations.¹⁴ Federal Labor was also concerned about the potential adverse impacts on the impending federal election results in Queensland. Given such pressures the Queensland government relented and subsequently altered its local government legislation yet again to remove provisions sacking councils holding plebiscites on amalgamations. However, the Queensland government expressed its intention to ignore the results of any local plebiscite on the issue!

Motivations

Of course, the issue remains of why the Queensland government after nearly a decade of pursuing a "hands-off" policy towards local government embarked on amalgamation in such a rushed way and so close to a federal election? For the risk averse Beattie Government it was seen as a highly provocative action.

Foremost amongst the Beattie Government's justification was the standard argument concerning local government amalgamation that it would create more efficient and stronger local authorities. However, such alleged efficiencies have long been hard to prove.¹⁵ Critics from within the LGAQ argued there were serious flaws in the Queensland government's evidence in this area.¹⁶ Academic experts also questioned the Queensland government's analysis on this issue.¹⁷ That there were to be no staff redundancies for three years further limits any potential efficiency gains. Also, those local authorities that had been found especially financially vulnerable in rural and western Queensland, were left largely untouched.

In addition, the Queensland government contended in its taxpayer funded advertisements promoting amalgamation that local government boundaries had not changed for a 100 years and therefore needed updating in the light of recent demographic changes. This argument was a fiction. There have been many local government boundary alterations over the years including the creation of the greater Brisbane City Council during the 1920s, incremental boundary changes under previous Coalition administrations, and as noted, major alterations by the Goss Labor government a decade previously.

Others have suggested that recent amalgamations were about payback given the way local government had forced the Beattie Government to back down on some major policy initiatives in the past such as the ambulance levy mentioned above. Also, local government councillors had been seen to upstage State Labor members in providing local grants and in gaining kudos for local projects.¹⁸ There were also elements of internal Labor Party faction deals with the ascendant left faction seeking to inflict damage on the Australian Workers' Union faction that had large memberships across local governments.

Yet another explanation was that the changes reflected a fourth term government's bid to be seen to initiate a major reform. Having assiduously avoided major institutional renovation except in reaction to crisis situations such as concerning the public hospitals, or the water situation for so long, and coming to the possible end of his career as premier,¹⁹ Premier Beattie was anxious to be seen to have introduced reform in at least one important area. Local government was chosen because state government had the power to implement such changes unilaterally while at the same time through clear promises of no sackings to local government staff union opposition would be minimised. Also, the targeted nature of the proposals meant limited opposition from rural shires. Local government gave the Beattie Government an area that it could proclaim as "reform" and where it had, for a change, taken the lead.

The rushed timeframe reflected the need for the boundaries to be in place so that the new amalgamated local governments would be ready for the Queensland local government elections scheduled for March 2008. Driving this rush further was the need to have matters resolved before the federal election that was due before the end of 2007.

Last, the recent amalgamations may be seen as nothing more than an excuse for the Queensland government to extend its power over local government because of its anxiousness to gain full control areas such as, water, housing, planning and environment, now becoming so politically important in Queensland's burgeoning urbanised south-east corner and coastal regions. Nor was it coincidental that taking over areas like water involved considerable revenue benefits for the state government. Also, by having greater control over town planning, as has now become the

case, places state government in closer proximity with the important property development lobby.

Conclusions

The lessons of the Beattie Government's amalgamations of local government and its apparent success in implementing these proposals are threefold. First, Queensland's recent amalgamation experience highlights the vulnerability of local government in our system of government. Unless amalgamation can be better achieved in the future by a more collaborative and democratic process, then local government can never aspire to becoming the third tier in our federal system. As a result of this latest round of amalgamations, local government's place in the Australian system of government has become more tenuous than ever. The real issue remains not whether some amalgamations were necessary as justifications for amalgamations can always be found, but whether local government now has any real role in our federal system except to do the bidding of state and federal governments? Years of gradually overcoming state resistance to inviting local government to federal forums, of seeking to be inclusive with local government on a host of different policy issues means nought if amalgamations are to proceed on the basis seen in Queensland during 2007. Local government around Australia should take heed and alarm at this recent Queensland experience.

Second, Queensland's methods of amalgamation tell us a lot about democratic governance at a state level in Australia. The Queensland government's actions effectively have meant that one level of government in Australia was able to abolish another level of government (or parts of it) that had been democratically and fairly elected. That this involved on the part of the Queensland government, covert actions, deliberate subterfuges, a lack of community consultation and even threats, hardly bodes well for the state of democracy in Australia. Indeed, such actions raise the issue of whether "national" democratic standards need to be imposed on miscreant state governments just as occurred in the United States during the 1950s and 1960s in relation to civil liberties or was suggested about National Party governments in Queensland in regard to its electoral voting system during the 1970s. Added to this problem is the particular Queensland issue of having no upper house to act as a possible brake on executive government excesses that were seen in the recent amalgamation issue. Furthermore, the Queensland experience gives additional impetus to the growing lack of trust and increasing cynicism by citizens about Australian democratic practice. It is no use seeking to have "partnerships" and community input on some policy proposals, while in a major area like local government completely ignoring any genuine consultation process if it does not suit the government's agenda.

Third, and last, there was the Queensland government's clear success in managing the amalgamation issue, though this was not immediately apparent at the time. Expected adverse federal political impacts from amalgamation did not eventuate as Labor's strong showing in Queensland at the November federal election and the continuing good opinion poll results for the Queensland Labor government showed. While this success was partly assisted by Premier Beattie's retirement in September some two months before the federal poll, this should not belie the Queensland government's real strategic and tactical success in launching amalgamation on an unsuspecting local government, and making the once powerful and politically well connected LGAQ almost redundant. The government was also able to deflect predictable criticisms from the Coalition Opposition.

Such success highlights how a government determined to get its way, willing to ride out short-term reactions and able to deploy a range of tactics involving secrecy, smokescreens of consultation, careful deployment of "evidence" to support its proposals, can achieve its aims. Furthermore, the amalgamations were highly targeted so as to limit protests. Most amalgamations were in metropolitan and coastal regional areas where local protest is often hard to motivate and where in most cases there was agreement from key players such as mayors and business leaders of the need for a realignment of boundaries. Only on the fast growing Sunshine Coast region, 100 kilometres north of Brisbane, which involved the amalgamation of the Noosa, Maroochy and Caloundra shires, were loud and consistent protests heard. However, this was mostly from Noosa Shire constituents and had little resonance with the residents or councillors of the larger Maroochy and Caloundra local government areas.

Finally, Beattie had given attention to internal party concerns. There was full government and cross-factional support for amalgamation. Moreover, the disciplined nature of the Labor Party caucus meant there were no maverick State Labor members leading any local campaigns of resistance. As noted, potential trade union resistance was neutralised by guarantees of no redundancies for three years for local government staff, and trade union representation on the implementation committees overseeing the establishment of the new larger amalgamated local government authorities. Queensland local government amalgamation was a perfect case of vertical, top down implementation involving apparent rational processes of information gathering and justification and minimal time or opportunities for protests to coalesce around any major areas of disagreements.

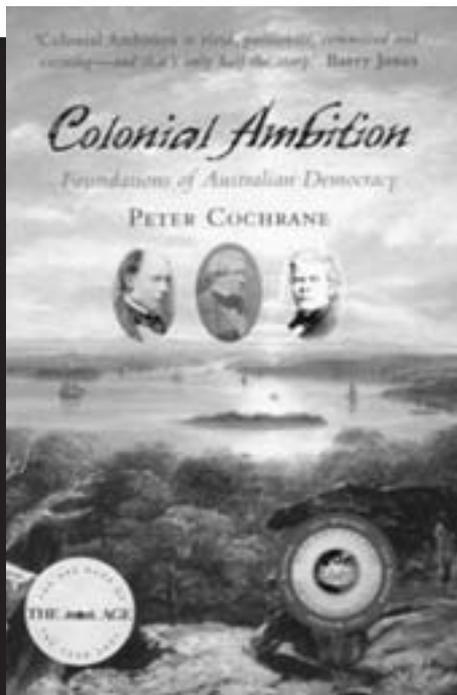
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Colonial Ambitions: Foundations of Australian Democracy
[MUP, 2007]



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Author

Bligh's Daughter
[Trafford Publishing, 2008]

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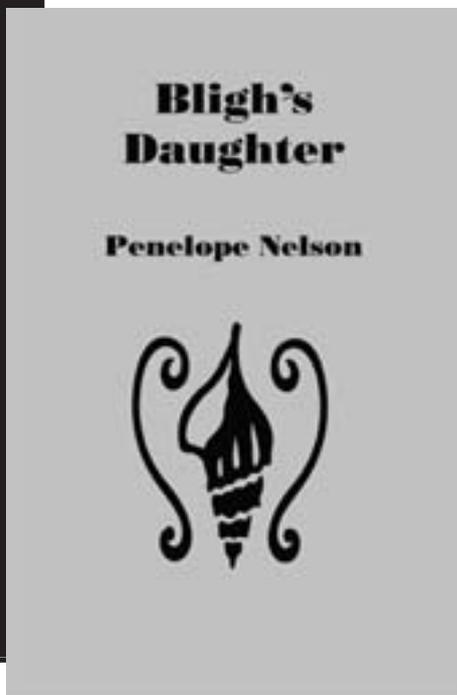




Photo – David Karonidis

Steve Fielding

The 2007 Senate election resulted in the Family First Party, led by Senator Steve Fielding, holding a potential balance of power in the Senate in the Rudd Labor government. How might this affect Labor's chances of passing its legislation and what might Family First seek to amend or not amend? Growing up, Steve Fielding believed he was part of a typical Aussie family. But today he sees family life values eroding. Steve Fielding stood as a Victorian Senate candidate for the Family First Party in the 2004 election and took up his position in the Senate on July 1, 2005. In an address to The Sydney Institute on Wednesday 10 October 2007, Senator Fielding outlined Family First priorities.

THE CLASH OF

ECONOMIC LIBERALISM AND SOCIAL CONSERVATISM

STEVE FIELDING

Australian politics is dominated by the ideology of market economics. Both the major parties embrace market fundamentalism at the expense of Australian families.

Sadly, the point that is not widely understood by the political class is that economic liberalism is incompatible with social conservatism. There is a clash in the values that underpin each. The major parties are at pains to reconcile their professed family values with their free-market mantra but fail, because the two cannot be reconciled.

Put simply, the free-market mantra of choice, competition and consumerism is in conflict with family and community. That is what I would like to talk to you about this evening.

Market values versus family values

May I stress at the outset that Family First supports free enterprise, but not unfettered free markets. In our market-driven world we are constantly told that we are individuals and that we have choices. We are told that we make rational decisions in our own interests. This philosophy overlooks the fact that we are also emotional human beings - members of families and communities - and very much influenced by our relationships with others. The number one question parents ask themselves when making decisions is: "What's best for the kids? What's best for our family?"

So why isn't the same thought process applied to the decision making of our elected political representatives across the country? It is fascinating to Family First that so many of the major public policy debates in this country over the last two years, such as *Work Choices*, Telstra and Trade Practices laws, have been seen as economic issues and debated as such when, in actual fact, they are family issues. The market focus completely overshadows the family focus which is why, so often, we end up with bad decisions, like *Work Choices* and Telstra. The mindset and language of the major parties which have swallowed the free market mantra is completely out of step with the attitudes and



language of Australian families. Family First strongly believes that economic policies should be reframed as family policies and seen in that light; so the focus is on what's best for the family and what's best for children, not what's best for the market and employers.

It is only when we ditch the lip-service paid to family values and begin to genuinely consider the needs of families, that we will produce good decisions that actually put families first.

Telstra, *Work Choices* and trade practices

When Family First delivered its speech in parliament opposing the full sale of Telstra, on the grounds that telecommunications is an essential service for families and not one that should be totally controlled by the market, we received an email from a Liberal backbencher, now a Minister, which referred to it as "a great fighting socialist speech".

This illustrates how the Telstra debate was not only black and white, but ignorant. There was no understanding of the complexities of the issue; the clash of values between economic liberalism or the market on the one hand, and social conservatism or family on the other. We have seen the struggle between the market and the family in the heated debate over industrial relations laws. Under the anti-family *Work Choices* legislation, workers on agreements or contracts are no longer guaranteed overtime and meal breaks, nor compensation for working on public holidays. Traditionally, industrial relations has been seen as a subset of economic policy; along with wages,

inflation, participation rates and so on. But IR actually represents the intersection of economic policy and social policy.

The 8-hour day has always been a social policy. Overtime and penalty rates were introduced to achieve the eight-hour day. They were not introduced to reward workers for working longer or anti-family hours. Rather, they were intended to discourage employers from employing workers for more than eight hours a day. From a family point of view, discouraging anti-family hours is surely a positive, which is why Family First called for an inquiry to examine the effectiveness of penalty rates and how such instruments might be adjusted to suit the needs of families and small businesses today.

Family First voted against *Work Choices* and, from day one, warned the government that it was going too far, yet the Government arrogantly dismissed the concerns of the Australian community and betrayed its so-called battlers. Sadly, it appears to Family First that Labor's approach is little different. I was startled to learn that a Rudd Labor government would also allow any worker to give up conditions such as overtime, penalty rates for working public holidays, weekends and anti-family hours, along with meal breaks and rest breaks, for more money. Public holidays and penalty rates are about family time, not about money. And they were never intended to be traded away for dollars. Sadly, neither of the major parties seems to understand this, as they both equate time with money.

Family First's concern is family values and family values are about time, not money. All the political parties talk about "family-friendly" policies but they are really market-friendly. And so, too often, is big business. Consider the managing partner of a leading national law firm who said of his employees, "You don't have a right to any free time." Or the workplace relations manager of the Victorian Employers' Chamber of Commerce and Industry, who believes that, "It's important individuals have their life in a reasonable balance so they are focused on the job." Take Qantas CEO Geoff Dixon, who says his workers should be grateful to have jobs and declares profits more important than staff: "I sometimes get criticised for this, but I have always seen shareholders as our most important stakeholders. I know some CEOs say look after your customers, look after your employees, and the returns for shareholders will follow. I do the exact opposite." And what about a Telstra executive who was quoted as saying: "We run an absolute dictatorship and that's what's going to drive this transformation and deliver results... If you can't get the people to go there and you try once and you try twice... then you just shoot 'em and get them out of the way."

Unlike the anti-business Greens, Family First does not want to turn back the clock, but Family First does want changes. This election will focus on the showdown between John Howard and Kevin Rudd.

But there is another battle looming – the contest for the balance of power in the Senate between Family First and the Greens. No government should have absolute control of both houses of parliament, but equally, Australia cannot afford to have the anti-family and anti-business Greens holding the balance of power, as they will hold the government to ransom and dictate their extreme agenda. This is why Australian voters need to be serious about the Senate. Let me stress, Family First will work with whichever party forms government to improve legislation and get the best outcome for families and small business.

On industrial relations, Family First will seek guarantees on penalty rates, public holidays, working hours and redundancy entitlements for all workers. As we said on day one: no Australian worker should be forced to bargain for extra pay for working at 2 am or on Christmas Day. But what Family First will also do is consider the needs of small business and how any changes will affect them, because the challenge is to strike the right balance between the needs of workers and small businesses.



Trade practices

May I now turn to the area of trade practices law, which has been a real focus for Family First in our quest to ensure decent protection for small business, most of which are family businesses, the interests of big business and small business are not always the same. In fact, they are often totally at odds with each other. And the policy drivers for this government are clearly big business.

But when push comes to shove and a conflict emerges between the two, the Labor Party doesn't appear to be much better. In September 2006, both the major parties supported the repeal of petrol marketing legislation, which meant even greater market dominance by the major players. Both the Coalition and Labor did over small business to keep sweet with the top end of town. Labor actually had the opportunity to sink the Bill, but didn't. The fact that both the major parties sided with the top end of town is a warning to small business that it cannot rely on either the Coalition or Labor to look after their interests.

The future of independent service stations is now under a cloud. They play a vital role in keeping petrol prices as low as possible for families. To have real competition, the market needs strong competition, which is why Family First has been strongly campaigning for changes to the *Trade Practices Act* to ensure adequate regulation.

Shop trading hours

It is useful to escape from the hothouse of Canberra and examine the views of everyday Australians in relation to these issues. Take the issue of deregulating shop trading hours. The mantra is that if people want to shop at 3 am you ought to let them.

It is interesting, however, that on the one occasion there was a vote, when people actually had to choose between being able to shop when they wanted and the impact on family businesses, they went for the family businesses.

In February 2005, 60 per cent of voters in Western Australia said no to late night trading during the week, and no to Sunday trading. The majority of people in the West knew that deregulating trading hours would not only punish small, family businesses, but damage family life by intruding into precious family time.

It is no surprise that large retailers like Harvey Norman were among the retail giants lobbying for change, which would have seen independents squeezed out of the market in their quest for greater market dominance. And it is no coincidence that while Coles and Woolworths control a thumping 80 per cent of the grocery market Australia-wide, that figure drops to 62 per cent in Western Australia. Western Australia's peak business group has recently relaunched its battle to free up trading hours, yet farmers have warned it would only intensify the dominance of Coles and Woolworths and restrict the market power of primary producers.

Relationships report

A recent report by Relationships Forum Australia sheds more light on the attitudes of everyday Australians. It refers to a study last year that revealed 77 per cent of surveyed Australians agreed with the statement: "A government's prime objective should be achieving the

greatest happiness of the people, not the greatest wealth.” And when asked, “What is the most important thing for your happiness?” almost 60 per cent cited their partner or spouse and family. A further eight per cent named community and friends. The report also examined the connection between working hours and family breakdown, and is disturbing reading.

The report concludes that Australia’s economic prosperity has come at a price. In fact, it says that Australia is now the only high-income country in the world that combines long average working hours, a strong tendency for weeknight and weekend work and a relatively large proportion of the population in casual jobs.

The harsh reality, it says, is relationship breakdown and dysfunction; which leads to health problems, strained family relationships, parenting marked by anger and ineffectiveness and reduced child wellbeing. I suppose it should not come as a surprise then that, in one study, only one quarter of respondents said that life in Australia was getting better.

Childcare

May I now turn to another important public policy issue, that of childcare, to highlight again how the pro-market policies of both the major parties are out of sync with the values of everyday families. Family First supports parents being in the paid workforce but also recognises the value of parents looking after their children, especially when they are young. Many parents want to be able to care for their children full-time when they are very young.

Earlier this year both the Prime Minister and the Opposition Leader spoke at a conference at the National Press Club. It is interesting that when the Prime Minister spoke about subsidies for employers to provide childcare at their workplaces he got no reaction. Opposition Leader Kevin Rudd spoke about Labor's policy to mandate 15 hours of preschool for every four year old – and got no reaction.

But when the Prime Minister spoke about his support for full-time parenting, there were cheers and loud applause. Full-time parenting is a cultural issue, not an economic issue. And there is widespread support for that sentiment. It is disappointing that both the major parties have adopted pro-market policies focused on commercial childcare centres. Yet how many people in Penrith can afford childcare centres, to be able to qualify for subsidies? I was interested to read, on Monday, former long-time senior Labor adviser Michael Cooney advising Kevin Rudd to make “a big education announcement linking childcare and early childhood development to the economy’s needs for skilled workers in the future”. Talk about a clash of values. So childcare is now about training up Australia’s two and three year-olds to take their rightful place as productive soldiers in the

skilled economy of the future? Why don't the major parties accept that families might prefer in-home care for their young children, from grandparents or friends, and support that? It reminds me how often our Treasurer trumpets the fact that the focus of the government's childcare policy is to get mothers back into the paid workforce.

The key question is not "How can we get more mothers back into the paid workforce?" but "What is best for our kids?". Currently, parents who pay for ABC Learning Centres and the like can receive up to \$4000 every year in tax rebates. Yet families who want grandma to look after their child get nothing. Instead of mandating pro-market childcare options, why not allow parents to choose alternative childcare arrangements and receive the same subsidy?

This is an important issue because if you ask the question is family policy turning around fertility, the research shows that family policies do work. A recent Australian Institute of Family Studies report revealed Australia is sixth among developed nations in terms of public funding for families, which has contributed to keeping our fertility rate above the average for these countries.

And Australia is almost certain to rank even higher today because policies introduced since 2003, such as the baby bonus, were introduced after the international comparison was done by the OECD. AIFS director and report co-author Matthew Gray was quoted in *The*



Australian earlier this month as saying: "The fertility rate ... is affected by financial incentives, but also I think there is a message to parents that runs alongside the actual policy that says their government believes having children is important." The AIFS research also shows that, overwhelmingly, Australians want children. In fact, less than 10 per cent of childless men and women said they did not want children. But about one in four women still in their reproductive years will never have children, which is a real tragedy.

This research reinforces the effectiveness of the types of policies Family First is

promoting. One such policy is a new \$4000 childcare payment to be paid to all Australian families with children under five. Families would get \$4000 every year until their children turn five – so parents themselves can choose the childcare they want for their kids. Family First also wants a \$10,000 Bumper Baby Bonus paid to families which have a third or subsequent child.

Australia's fertility rate has been below replacement level for more than 30 years and this is a serious issue for our future given our rapidly ageing population. So many families would like more children, but decide against it for financial reasons. They deserve special help and a \$10,000 payment would encourage many to consider having another child.

Today, it is virtually impossible for families to live on one income and making ends meet will be a huge election issue. Family First believes it is the government's job to provide an environment that reassures young people that they have community and employer support to marry and have children.

Clash of values

As I have said, for both sides of politics, the assumption is that they can be both economic liberals and social conservatives. People like the late Christopher Lasch did not accept that. The former Professor of History at Rochester University in the United States understood the importance of “the family business, the family farm, the family wage.” Lasch believed the heart of conservatism lay in:

Lower middle class culture, (which) now as in the past, is organised around the family, church and neighbourhood. It values the community's continuity more highly than individual advancement, solidarity more highly than social mobility. Conventional ideals of success play a less important part in lower middle class life than the maintenance of existing ways. Parents want their children to get ahead, but they also want them to be good: to respect their elders, resist the temptation to lie and cheat, willingly shoulder the responsibilities that fall to their lot and bear adversity with fortitude. The desire to preserve their way of life... takes precedence over the desire to climb the social ladder.

I suspect many of us would readily identify with these values. Yet I wonder how many of us have ever thought that the economic orthodoxy which dominates this country undermines these very values. To again quote Professor Lasch: “If conservatism is understood to imply a respect for limits, it is clearly incompatible with modern capitalism or with the liberal ideology of unlimited economic growth...” And again: “(t)he more closely capitalism came to be identified with immediate gratification... the more relentlessly it tore away the moral foundations of family life.”

The challenge for Family First is to pursue ideas which, in Lasch's words, "reject both the market and the welfare state in pursuit of a third way... (T)hese positions belong to neither the left nor the right, and for that very reason they seem to many people to hold out the best hope of breaking the deadlock of current debate.

Conclusion

The pressure on family life in Australia today is enormous. Australia is ranked the second worst country among industrialised nations for 50-plus working hours a week, working regular weekends and temporary employment.

Working long hours is good for the market. Working on weekends is good for the market and having temporary work also suits the market. But none of this suits the family, which is why family life is under threat. Often it seems we live in a country where few values matter except those of the market, which is dangerous and disturbing.

That is why Family First has such an important role to play, because Family First is Australia's only family party and because Family First understands the clash between economic liberalism and social conservatism. For Family First, the issue is simple. The market must always serve the family. The family must always come first.

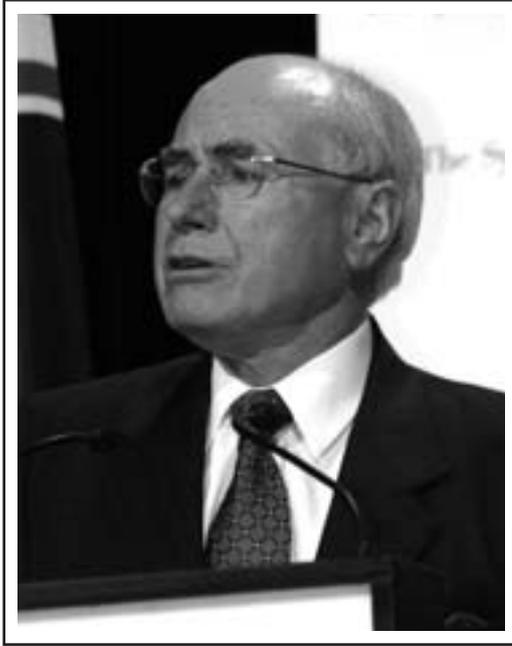


Photo – David Karonidis

John Howard

On Thursday 11 October, Prime Minister John Howard returned to The Sydney Institute, just days before calling the 2007 election, and spoke of his vision for reconciliation between white and black Australia. In his historically significant address, John Howard proposed “a new Statement of Reconciliation incorporated into the Preamble of the Australian Constitution”. In his speech, the Prime Minister also admitted to not always handling Indigenous policy well over his years as prime minister and expressed his regret for that. His statement proposing a New Reconciliation was strongly supported by Indigenous leaders Noel Pearson and Jackie Huggins of Reconciliation Australia.

A NEW RECONCILIATION

JOHN HOWARD

Earlier today I released a small document on a big topic – Australian History. It's a road map for the teaching of Australian History in Years 9 and 10. It takes forward a project I launched some 21 months ago, on Australia Day eve 2006. I called then for a root and branch renewal of the teaching of Australian History in our schools.

My sense – confirmed by work done for last year's Australian History Summit – was that Australian History in our schools had, to a worrying degree, fallen victim to neglect and complacency. In some cases, it had simply gone missing. Vast numbers of students had no exposure to a coherent and sequential understanding of our national story. I believed then, and I believe now, that if this country is to live up to its full potential and its highest ideals we must turn this around. We're not there yet. But I think we'll get there. I want to thank Gerard Henderson and many others too numerous to name who have devoted their time and intellectual energy to this task.

Tonight my focus is another topic of utmost national importance; one that transcends the past, the present and the future of Australia and that goes to the heart of our national identity and shared destiny.

For my generation – Australians who came of age in the 1950s and 1960s – it has been ever present; a subject of deep sorrow and of great hope. The challenge, and unfinished business, of our time.

It is the place of Indigenous people in the profound, compelling and unfolding story of Australia.

In the speech where I launched the Australian History project last year I spoke at length on the secret of the modern Australian Achievement – our national sense of balance. I said then that: “Balance is as crucial to a well-ordered society as it is to a full human life. It should not be mistaken for taking the middle road or splitting the difference. Nor does it imply a state that is static or a nation at rest. Quite the opposite. A sense of balance is the handmaiden of national growth and renewal. It helps us to respond creatively to an uncertain world with a sense of proportion. Keeping our balance means we reform and evolve so as to remain a prosperous, secure and united nation. It also means we retain those cherished values, beliefs and customs that have served us so well in the past”.

The sense of balance Australia has found in 2007 allows us now to go further and to aim higher. The time is right to take a permanent, decisive step towards completing some unfinished business of this nation.

A little more than 100 days ago I spoke at The Sydney Institute on the topic of the government's emergency intervention in Northern Territory Indigenous communities. This intervention – and in particular the public's reaction to it – has been a watershed in Indigenous affairs in Australia. It has overturned 30 years of attitudes and thinking on Indigenous policy.

The response from people around Australia has again highlighted to me the anguish so many Australians feel about the state of Indigenous Australia and the deep yearning in the national psyche for a more positive and unifying approach to Reconciliation.

A new paradigm

This new Reconciliation I'm talking about starts from the premise that individual rights and national sovereignty prevail over group rights. That group rights are, and ought to be, subordinate to both the citizenship rights of the individual and the sovereignty of the nation. This is Reconciliation based on a new paradigm of positive affirmation, of unified Australian citizenship, and of balance – a balance of rights and responsibilities; a balance of practical and symbolic progress. It is this balance which holds the key to unlocking overwhelming support among the Australian people for meaningful Reconciliation.

Some will say: Surely we've been here before. What's different now? Good question. I'm convinced we are dealing today with a new alignment of ideas and individuals; a coming together of forces I have not witnessed in 32 years of public life.

As always, the Australian people themselves are the best guide. Let me quote from just one of the many letters I have received since the government announced the Northern Territory intervention. It is from Mrs Terry Meehan, now living in Melbourne. Her late husband, Dr Ken Meehan, was the sole doctor of Yarrabah Aboriginal Community in Queensland for many years, looking after some 2,000 indigenous people. She writes that:

His whole life was dedicated to the welfare of mankind but especially indigenous peoples both in New Guinea and Australia. ... During my time as his wife in Yarrabah I watched with frustration and anguish at the devastation alcohol abuse caused.

The local canteen only served full strength beer and of course was run by the local council. The number of alcohol related deaths was great – but we weren't allowed to speak about it publicly at that time.

You have taken a much needed step in order to make a difference to help these wonderful people become a proud people.

A major catalyst for the new alignment I spoke about is the rise of the Indigenous responsibility agenda and the intellectual firepower which a new generation of Indigenous leaders has brought to Australian politics.

I've been reminded that, in fact, the Indigenous responsibility agenda is an old agenda; the agenda of Faith Bandler and Neville Bonner among others. At its core is the need for Aboriginal Australia to join the mainstream economy as the foundation of economic and social progress. This is at the heart of the work the Australian government is pursuing under the Federal Minister Mal Brough's leadership. The central goal is to address the cancer of passive welfare and to create opportunity through education, employment and home ownership.

We seek partnerships which respect communal land rights of Indigenous Australians, but with a view to encouraging wider economic opportunity based on those rights.

Towards a better balance

I'm the first to admit that this whole area is one I have struggled with during the entire time that I have been Prime Minister. My instinct has been to try and improve the conditions for Indigenous people within the framework of a united nation and unified Australian citizenship.

I have never felt comfortable with the dominant paradigm for Indigenous policy – one based on the shame and guilt of non-Indigenous Australians, on a repudiation of the Australia I grew up in, on a rights agenda that led ultimately and inexorably towards welfare dependency and on a philosophy of separateness rather than shared destiny. This nation spent (and wasted) a lot of time in the last 30 years toying with the idea of a treaty implying that in some way we are dealing with two separate nations. To me, this goal was always fundamentally flawed and something I could never support.

We are not a federation of tribes. We are one great tribe; one Australia. I still believe that a collective national apology for past injustice fails to provide the necessary basis to move forward. Just as the responsibility agenda is gaining ground it would, I believe, only reinforce a culture of victimhood and take us backwards.

I said a couple of years ago that part of my problem with the old Reconciliation agenda was that it let too many people – particularly in white Australia – off the hook. It let them imagine they could achieve something lasting and profound through symbolic gesture alone, without grappling in a serious, sustained way with the real practical

dimensions of indigenous misery. There had to be a fundamental correction to the unbalanced approach to rights and responsibilities. This in no way diminishes the importance of government responsibility in providing resources and services.

I acknowledge that my own journey in arriving at this point has not been without sidetracks and dry gullies. There have been low points when dialogue between me as Prime Minister and many Indigenous leaders dwindled almost to the point of non-existence. I fully accept my share of the blame for that.

On the night of the 1998 election I publicly committed myself to endeavouring to achieve Reconciliation by the year 2001. In the end, that did not happen. I recognise now that, though emotionally committed to the goal, I was mistaken in believing that it could be achieved in a form I truly believed in. The old paradigm's emphasis on shame, guilt and apologies made it impossible to reconcile the goal with the path I was required to tread.

The challenge I have faced around Indigenous identity politics is in part an artefact of who I am and the time in which I grew up.

I have always acknowledged the past mistreatment of Aboriginal people and have frequently said that the treatment of Indigenous Australians represents the most blemished chapter in the history of this country. Yet I have felt – and I still feel – that the overwhelming balance sheet of Australian history is a positive one. In the end, I could not accept that Reconciliation required a condemnation of the Australian heritage I had always owned.

At the same time, I recognise that the parlous position of Indigenous Australians does have its roots in history and that past injustices have a real legacy in the present. I believe we must find room in our national life to formally recognise the special status of Aboriginal and Torres Strait Islanders as the first peoples of our nation.

We must recognise the distinctiveness of Indigenous identity and culture and the right of Indigenous people to preserve that heritage. The crisis of Indigenous social and cultural disintegration requires a stronger affirmation of Indigenous identity and culture as a source of dignity, self-esteem and pride.

This is all the more so at a time when the blossoming of Indigenous art and dance – and the way it gives unique expression to Australian culture – is something we all celebrate and share.

A rare convergence

The Australian people want to move. They want to move towards a new settlement of this issue. I share that desire which is why I am here tonight. I announce that, if re-elected, I will put to the Australian people within 18 months a referendum to formally

recognise Indigenous Australians in our Constitution – their history as the first inhabitants of our country, their unique heritage of culture and languages, and their special (though not separate) place within a reconciled, indivisible nation.

My goal is to see a new Statement of Reconciliation incorporated into the Preamble of the Australian Constitution. If elected, I would commit immediately to working in consultation with Indigenous leaders and others on this task.

It would reflect my profound sentiment that Indigenous Australians should enjoy the full bounty that this country has to offer; that their economic, social and cultural well-being should be comparable to that of other Australians.

I would aim to introduce a bill that would include the Preamble Statement into Parliament within the first 100 days of a new government.

A future referendum question would stand alone. It would not be blurred or cluttered by other constitutional considerations. I would seek to enlist wide community support for a “Yes” vote. I would hope and aim to secure the sort of overwhelming vote achieved 40 years ago at the 1967 referendum. If approached in the right spirit, I believe this is both realistic and achievable.

I see this as a dignified and respectful Reconciliation process. It is founded on the notion that we are all Australians together; bound by a common set of laws which we must all obey and from which we are entitled to equal justice. It rests on my unshakeable belief that what unites us as Australians is far greater than what divides us.

A positive affirmation in our Constitution of the unique place of Indigenous Australians can, I believe, be the cornerstone of a new settlement. I sense in the community a rare and unexpected convergence of opinion on this issue between the more conservative approach which I clearly identify with and those who traditionally have favoured more of a group rights approach. It is a moment in time which should be seized, lest it be lost. Reconciliation can't be a 51-49 project; or even a 70-30 project. We need as a nation to lock-in behind a path we can all agree on.

I hope the steps on Australian History that I announced today can also make a practical contribution. As I said at the time of the Australian History Summit, you can't have a proper comprehension of Australian history without an understanding of indigenous history and its contribution to the Australian story.

Summit participant Jackie Huggins has written that an Australia where all our young are taught the continuing story of indigenous Australians as part of our nation's history “may not seem like such a remarkable outcome but it is”. Indeed, she argues, “the teaching of our shared story is the key to reconciliation because it allows us to

understand each other and to build healthy, respectful relationships". There is a window to convert this moment of opportunity into something real and lasting in a way that gets the balance right. But I suspect it is small.

Noel Pearson has made the point to me that Australia seems to go through 30 to 40 year cycles on Indigenous affairs: periods of reorientation and attempts to find new solutions (assimilation in the 1930s; equality and self-determination in the 1960s and 1970s) followed by decades of denial of the lack of progress in between.

Some will no doubt want to portray my remarks tonight as a form of Damascus Road conversion. In reality, they are little more than an affirmation of well-worn liberal conservative ideas. Their roots lie in a Burkean respect for custom and cultural tradition and the hidden chain of obligations that binds a community together. In the world of practical politics they owe much to the desire for national cohesion Disraeli spoke to in nineteenth century Britain – another time of great economic and social change. And in a literary sense they find echoes in Michael Oakeshott's conservatism and the sense of loss should precious things disappear.

In the end, my appeal to the broader Australian community on this is simpler, and far less eloquent. It goes to love of country and a fair go. It's about understanding the destiny we share as Australians – that we are all in this together. It's about recognising that while ever our Indigenous citizens are left out or marginalised or feel their identity is challenged we are all diminished. It's about appreciating that their long struggle for a fair place in the country is our struggle too.

Conclusion

I am a realist. True Reconciliation will become a reality only when it delivers better lives for Aboriginal and Torres Strait Islander people. That, quite frankly, will be the work of generations.

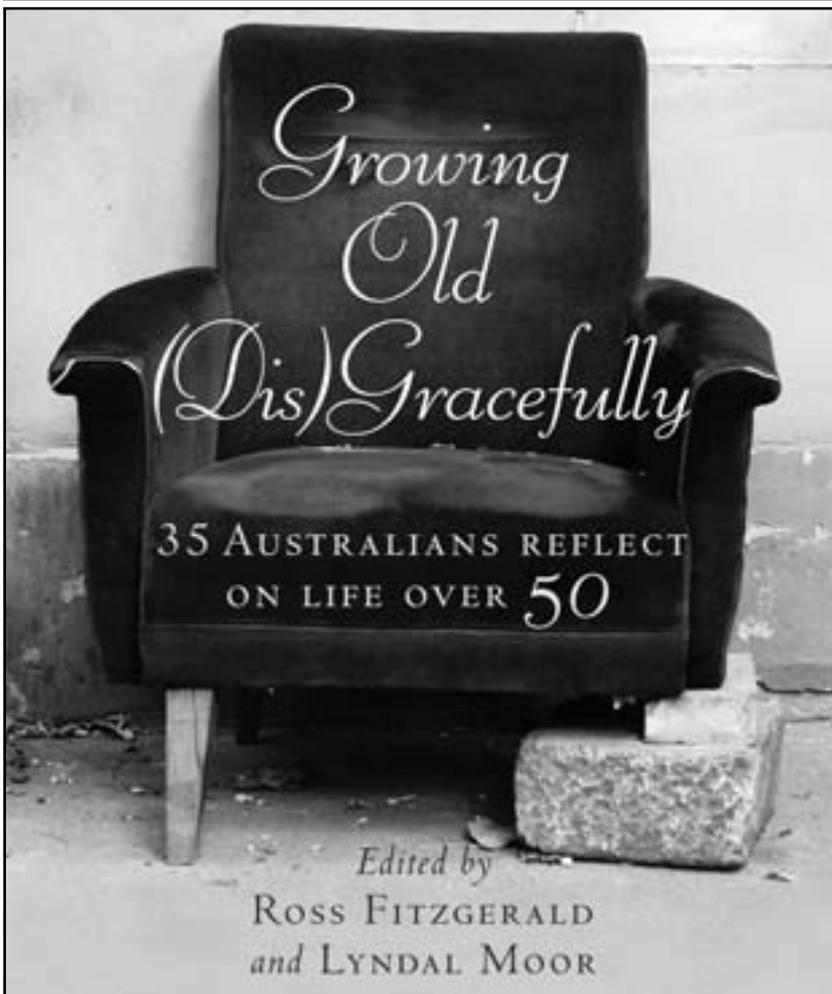
I'm also an incurable optimist about this country. I always have been. And I always will be. I'm in no doubt that if we continue to get the big things right Australia's best years are still ahead of us.

My optimism has always found its greatest nourishment in the character of the Australian people. Reconciliation – at its best – is, and must be, a people's movement.

Now, for the first time in a long time, we can see the outline of a new settlement for Indigenous policy in Australia.

It stands at a point of intersection between rights and responsibilities; between the symbolic and the practical. It is, to be sure, less an end point than a point of light that can guide us to a better future. We're not there yet. But if we keep our balance, we can get there soon.

"Being fifty and over is anything but easy - certainly not for wimps - but not as bad as you might think."



Comedian & actor - **GERRY CONNOLLY**
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Photo - David Karonidis

Susan Mitchell

Sonia McMahon, Tammy Fraser and Janette Howard are the subject of Susan Mitchell's latest book, *Stand By Your Man* - all spouses of former Liberal prime ministers and about whom Australians know very little. Yet they reached a position of strength and influence rarely attained by ordinary citizens because of the men they married. Susan Mitchell has probed and asked the questions we would like to have answered. To give some of the fascinating details that came to light in her research, writer and broadcaster Susan Mitchell addressed The Sydney Institute on Tuesday 16 October 2007.

SONIA, TAMMY AND

JANETTE - LIFE WITH THE PRIME MINISTER

SUSAN MITCHELL

Lots of people have asked me why I wanted to write about three conservative Prime Ministers wives. To me, there's a huge gap in our historical knowledge of our Prime Ministers' wives. Cherie Blair's written her story and there are biographies about her. Hilary Clinton's record could fill a library and she's not even President yet. But when I wrote Margaret Whitlam's biography, it was the first long, serious biography of an Australian Prime Ministerial wife, certainly since the war. I thought, what is it about these women? Do we think that they're not worthy to be written about? Do they play such a small role in our lives? Or is it they're all boring? Maybe they're just so keen to stand by their men and smile and do nothing. We assume there's nothing there. Certainly we don't think there's much political power there. Not even much political influence.

So I was talking to my agent about what I'd do next and she said, well you know, if this is a gap, why don't you try and fill it? I said why not Sonia, Tammy and Janette. Then I laughed because they sounded like a country and western trio, hence the little motifs of boots in the book. And then we decided on *Stand by Your Man* for the title.

Sonia McMahon is best known for wearing a white dress with slits up the side to the Nixon White House; it caused a sensation. That was about all I knew of her. Sonia McMahon is an immensely private woman. Her friends who have read my book say that they discovered things about her they never knew and they've known her for 40 years. I wondered whether she was just a dazzling ornament, a beautiful appendage on the arm of Billy McMahon. Robert Menzies had told him he'd never be Prime Minister without a wife. So he selected a very young, glamorous wife. This suggestion upsets Sonia who is very definite that she was in love with Billy when she married him and believes he was with her. Clearly this was a question I had to pursue.

I found a wonderful woman in the Southern Highlands, called Pat Wheatley. She had been Billy McMahon's private secretary for a very long time and was there when he first asked Sonia out. She was there

through the marriage, the births of the older children and had a good view of what went on. The brilliant thing about women, of Pat's age, and Sonia and Tammy, is their frankness. It's as if they feel, what the heck, they might as well tell the truth now.

Pat remembers when Menzies actually announced his retirement. Billy consulted his phonebook and looked up Sonia Hopkins and asked her out to dinner. Sonia Hopkins had come back from overseas where she'd been drifting around doing various jobs. Her affair with a film producer had ended. She'd met Billy McMahon briefly at a charity function and didn't think much about it. He said he'd give her a ring but she had already taken up with an old boyfriend. So Billy asked her out to dinner and by December they were walking down the aisle at St Marks. By January their honeymoon was shortened as Menzies resigned and Harold Holt took over with Billy McMahon federal Treasurer.

McMahon now had a glamorous wife by his side, which I am sure he thought would improve his image. I'm sure it probably did in many respects. That is not to say that it wasn't a genuine love relationship. There had been speculation as to why McMahon was not married. Pat Wheatley told me she knew the women he was having affairs with; she said that he had a filing system. He took certain women to certain events depending on who was appropriate at the time.

Cartoonists always had Billy shuffling across the floor of Parliament House like a very busy little mouse. He had a very fast walk, big ears and was deaf. His voice was high pitched. And now he had glamorous, young Sonia Hopkins on his arm. There's no denying that she was a great asset in his political goals. Prior to this, Sonia hadn't been interested in politics. She was more interested in parties and socialising with Liberal Party operatives although she had handed out a few how-to-vote cards before she'd gone overseas.

Sonia had a scarring experience in her early adulthood. After a traditional upbringing, she had met her first boyfriend, fallen in love, and was about to marry him. Then she was jilted virtually at the altar. The wedding presents had begun to arrive at the house and the groom said he had cold feet and couldn't go through with it. Sonia was left distrustful of men and very broken hearted. But with Billy, there was no chance he would leave her and she also knew he was genuinely committed to politics and she was his asset.

Billy taught Sonia everything that he knew; he schooled her in politics. Much to her surprise, she found it to be very interesting. She never, however, let on that she knew so much about politics. Instead she became a beautiful Barbie doll on his arm. She felt that she had to choose between her young children and joining her new husband travelling the world. She chose to go with her husband, and had a nanny to look after the children. Before long, she could read a budget,

and had developed a technique of working a room. She would single out the most powerful and important men exchanging information at morning tea. She'd get a cup of coffee and slide around the room - they wouldn't have looked past the hairspray or perhaps noticing her legs. She would listen in like a spy on information and take it back to Billy. I did check up on this and found that Australia did better in its borrowing capacity at the time partly I believe because of Sonia's morning tea sauntering.

As time went on, Billy depended more and more on Sonia. In time she advised him on his speeches and became his spin doctor; she was his political advisor, his political strategist and I don't think he ever made a political decision that he didn't run past her. Sonia McMahon never made any political statements. If anybody asked her a political question she would deflect it. She developed a disguise. Her glamour hid her political influence and the political knowledge that she had gained from Billy.

So there was Sonia McMahon, baby doll, a beautiful Barbie on the arm of an ageing Prime Minister with people believing she knew nothing. She was followed by Margaret Whitlam, an entirely different kettle of fish. The irony is that Margaret *was* outspoken. She would say to journalists, "ask me an outrageous question, I'll give you an outrageous answer," and she did. Margaret wasn't afraid to say she believed in legal abortion because she'd been a social worker and had seen too many backyard abortions and their destructive power. She thought marijuana should be legalised. She never saw herself as a spokesperson for the Labor Party or her husband; she was just Margaret Whitlam giving her opinion. In truth, she really wasn't all that fascinated with politics or its machinations. And the irony is, unlike Sonia McMahon, Margaret Whitlam had practically no political influence on the Prime Minister.

Then there was Tammy Fraser, so different again. When Malcolm married her, she was very young and had never worked. Having finished boarding school she had returned to her family property in the Western District of Victoria where she helped out and did a little charity work. Then she married Malcolm, who was a politician. She says she remembers seeing a photo of him and thinking he was quite dishy and wondered why someone who looked like that would go in to politics. She had no interest in politics at all and certainly didn't regard it very highly. But of course, given that Malcolm was in it, very ambitious and very keen to get on, she underwent a learning process and, like Sonia, adopted a disguise. She never revealed that she was always in very close consultation with her husband and involved in all his major political decisions.

Her image seemed giggly or bubbly on the surface, while underneath there was a steely strength in Tammy not often seen. She

would lose her contact lens and have people on the floor looking for them while she made silly little gaffs like “oh silly me”. People often did not take Tammy seriously except to see her as a good wife. They thought that Malcolm couldn’t be so bad if Tammy stuck with him. Tammy Fraser allowed this to happen. If asked a political question she’d stare at the floor or say she wasn’t interested in discussing politics. When I asked her why, she said this was to deflect the questions and hide the fact that she was very much engaged in every political decision. She would stay up until early hours of the morning when there were political discussions in their house, giving her opinion. She was the one person Malcolm trusted. She took part in discussions over blocking supply in 1975 and the dismissal of Gough Whitlam. She disliked the media and admitted to being quite vile to them. She’d just say yes or no, and if they didn’t want to talk about the children or family, she wouldn’t engage with them at all.

So we come to this problem of unelected power and our relationship to it. Are we happy that the wife of the Prime Minister has that amount of political power? We have elected the Prime Minister and not the wife. Are we happy that they’ve disguised the level of their political influence? Should they be more like Hillary Clinton, who was quite open and honest with the American people about the fact that she and Bill were a team and that Bill said when you elect me, you get two for the price of one? She got a bit of flack over that initially, but people knew that she meant it and she became known as an operative.

Now we come to Janette Howard who is different again. Janette Howard is very interesting, partly because she’s such a mystery and an enigma. She didn’t speak to me, even though I made three separate attempts to speak with her. Eventually Tony O’Leary the Prime Minister’s personal advisor, rang me and said look she’s not going to do the interview; it’s nothing personal, she just doesn’t do very many interviews. So I had to engage in journalistic investigation. I spoke to people, on and off the record, a lot of “deep throats” if you like. The picture that emerged from all of this was that Janette Howard is a truly political animal and an active and accomplished operative.

In the early days Janette was more willing to engage with journalists. Laurie Oakes remembers her at Liberal Party retreats; John would go to bed and Janette would be up to the late hours of the evening arguing the toss, talking politics, her eyes on fire. She loved every single minute of political discussions. Oakes remembers how perceptive, bright and incisive she was about politics. So we have this picture on the one hand of the young Janette in mini skirts, boots and long hair, driving a black sports car. Very cool for the 1960s. However, she was not part of the movement for change in the 1960s, against the war in Vietnam and later into feminism. Janette wasn’t into protesting. She was a conservative, even at that stage in her life a member of the

Liberal Party. She met John Howard on Valentine's Day but it was not love of which they spoke, it was politics. He realised that here was somebody who was as excited, committed and obsessed with politics as he was.

Janette had been an only child who always had her parents' attention. In John Howard she found a man who listened to her, and took her political views into account. She admitted to realising very early on that he had a "no quitting" resilience that would probably take him on to be Prime Minister - where he wanted to go. What's more, he wanted to take her with him. So there they were, the Bill and Hillary of Australia. If you voted for John Howard, you would get two for the price of one. But, unlike Hillary, Janette was not willing to tell us this.

Janette's image as the politician's wife quickly became a mature figure, smiling a lot but never giving interviews, never really talking about her political convictions or her political passions. She appeared to be quite happy to stay at home and look after the children, waiting for John to come home on weekends. One journalist, Christine Hogan, whom I spoke to, did get an interview with Janette prior to the 1996 election. She went to the Howard home in Wollstonecraft and was stunned that this was not a house run by someone who was in love with housework. There's nothing wrong with this (I hate housework myself), but it was not the house of someone who had spent her life making the home beautiful as Janette's image suggested. The dining room had seen better days, the dining room table hadn't been polished for years, there were piles of stuff in corners, kid's stuff everywhere. It was messy. Hogan was intrigued and when Janette left the room for a short while, she looked under the couch and saw two huge balls of dust.

The point is that if Janette was not doing housework, what was she doing? Well, she was monitoring the media. She was following her passion. She was leading a surrogate political life. When the kids came home she was there, but her real passion was politics. Hers was a different disguise from the others; she'd slipped into the shadows. But there was no doubt that Janette was someone whose political policy skills John Howard totally trusted.

I'm sorry that Janette didn't talk to me because I would liked to have judged these things for myself. Not that she would have necessarily told me a lot because Janette is also good at deflecting questions. But I know from my research that Janette is very keen on political strategising. Craig McGregor interviewed Janette at various stages and maintains that her eyes would light up if one of the Prime Minister's advisors walked into the room. She'd immediately ask how the Budget was going. She was right in to it. Janette is very bright and attended a selective school in Sydney but there was never any

chance she might become Prime Minister in her generation even if she'd wanted to be. So she did what women of her generation did; she married the man she wanted to become.

The general theme in this book is that Sonia, Tammy and Janette have done much more than stand by their men although my title *Stand By Your Man* does capture their essential approach to power. I uncovered so much more in this journey than anyone had ever realised but you'll have to read the book to get those details.

FUNCTIONS - 2008



Photographer: David Karonidis



Photo – David Karonidis

Christopher Hill

Christopher R. Hill, US Assistant Secretary for East Asian and Pacific Affairs, on a short visit to Australia in 2007, addressed The Sydney Institute on Tuesday 16 October. In February 2005, Christopher Hill was named as the Head of the U.S. delegation to the Six-Party Talks on the North Korean nuclear issue and has since then frequent visits to the Asia-Pacific region. Of the US involvement in the Asia-Pacific over decades, Christopher Hill said: “Sixty-two years is a historical blip, a blink of an eye, and some of you may even remember the terrible hardships and sacrifices of the last world war. Everything we have done in the region since has had the aim of avoiding the repetition of such a tragic conflict.”

THE UNITED STATES IN

THE ASIA-PACIFIC

CHRISTOPHER HILL

What an absolute delight it is to be back in Australia, and to be meeting with The Sydney Institute again. It is a real honour to be here with such a distinguished group and I am grateful for this chance to have a good exchange with you about a region that is, in my view, the world's most dynamic. Actually, when it comes to the Asia-Pacific, you can basically pick an adjective: complex, inspiring, blossoming, struggling in places, certainly modernising. And yes – occasionally frustrating. But it is always interesting, and in fact I am hoping our discussion today will be so interesting that some of you will forget the pain of the Rugby World Cup. I'd like to see how England would fare against Australia in a real sport, such as cricket. As you grieve for your rugby team, you can at least take comfort in your Cricket World Cup. Anyway, I would like to make a rugby prediction regardless: The Wallabies will be back in 2011!

What I want to do today is discuss some areas that the United States is focusing on in the Asia-Pacific region. Of course we have some sharp challenges, such as in Burma and North Korea. But the news headlines only just scratch the surface of the real Asia-Pacific story. There are dozens of countries and hundreds of millions of people in this area who are generating explosive economic growth and profound social change that is simply unprecedented. It truly is an exciting time to be working on Asia-Pacific issues – even beyond your upcoming election here. So after my remarks I'd like to open the floor to questions and comments so we can get a real exchange going.

US objectives: security and stability in the Asia-Pacific

Now, I have just come from a terrific conference at the US Pacific Command Headquarters in Honolulu. I invited US Ambassadors and chiefs of mission to come and discuss our regional challenges and opportunities with Admiral Keating and his excellent team there. Talking to this group, I was struck yet again by the fact that the US is truly a Pacific nation. Chinese environmental problems, Japanese political tumult, Indonesian natural disasters – all these things

influence the whole region. Disasters and political uncertainty are hardy perennials, but no challenge is insurmountable. In this sense, I believe that our positive efforts will result in the Pacific Ocean serving to join us all, rather than divide us.

With this in mind, United States strategy for the region is actually rather simple. We aim to ensure peace and prosperity by promoting the values of freedom, justice and human dignity and by supporting free and open markets. Our experience in the region – which has not always been easy and has, as you well know, sometimes been tragic – shows that the advancement of democracy and economic openness is the key to sustainable domestic stability and international order. Look at how South Korea has changed in the past generation. Look at how Burma has not. As part of this, we place tremendous value on our relationships with our treaty allies – Australia, Japan, South Korea, Thailand, and the Philippines – and with other partners who share these values. What in diplospeak we refer to as regional architecture – that is, ASEAN, the ASEAN Regional Forum and APEC – plays a huge role in promoting greater security and economic integration.

Let me take a moment here to compliment Australia for its flawless hosting of APEC this year, the The Chasers shenanigans notwithstanding. The United States saw this chapter of APEC as extremely successful. Together, we produced constructive action on climate change. We built support for advancing the Doha Round negotiations. We made significant progress towards a Free Trade Area of the Asia-Pacific. And we strengthened APEC as an institution, never an easy task when herding so many cats with so many disparate interests. Some of whom may have had their claws out.

Preserving regional stability and security

But such good cooperation can only occur in a region that is at peace with itself. We all know history and we must respect it. Sixty-two years is a historical blip, a blink of an eye, and some of you may even remember the terrible hardships and sacrifices of the last world war. Everything we have done in the region since has had the aim of avoiding the repetition of such a tragic conflict. Since World War II ended, the United States' military presence in Asia has been a vital source of stability and security. The US presence has guaranteed freedom of navigation in the Asia-Pacific sea lanes, which has underpinned the region's incredible economic growth. This American security guarantee has more or less obviated the need for countries in the region to spend vast sums on their militaries. There is no arms race in Asia. And we continue to hear from the overwhelming majority of countries in the region that they welcome the US presence and want us to stick around to play this stabilising role.

Against this backdrop, the region holds tremendous promise for the future. How the future plays out will be closely linked to developments in your big neighbor to the north – even farther north than Indonesia. I'm referring, of course, to China.

China

In Washington these days, everyone has an opinion about China. Some believe it is an emerging threat, if not militarily than at least because their kids' Chinese-made Transformers action figures may have lead paint on them. Others are more optimistic and see China as a potential partner. If we can manage China's emergence in a productive, positive way, the relationship could pay enormous dividends for our people and for the world. One thing I've noticed in dealing with China is the emerging confidence and skill it displays as it engages with the world community and gains familiarity operating within the international order. My experience working with my Chinese counterparts in the Six-Party Talks has strengthened my belief in China's potential for making a positive contribution to regional and global stability. Since the United States and China normalised ties in 1979, China has become more – not less – integrated with the international community, which is exactly what we have hoped (and worked hard) for.

That's not to say we don't have our differences with China. It's true that our strategic priorities do sometimes differ. China's leadership wants us to do more to rein in what they view as a provocative government on Taiwan. We want them to do more to press Iran, Burma and Sudan. They want us to sell them more advanced technology. We are concerned also about the pace, scale and transparency of China's military modernisation program. We think it is important that China, now a member of the WTO, adhere more rigorously to the norms of the international trading system that has allowed it to flourish, reform its financial sector and address its growing trade imbalance.

Within the PRC, Chinese citizens are moving from place to place and communicating with each other on a scale never seen in the country's history. At the same time, the United States would like to see China's government become more responsible – and more responsive to its people. The Seventeenth Party Congress is now underway in Beijing, and maintaining social stability is at the top of the leadership docket. That's understandable, considering that China's a country with 1.3 billion people, a yawning wealth gap, a creaky social services network and environmental problems galore. I am still convinced, though, that more openness in Chinese society and greater respect for human rights and freedom of religion and expression will make China a stronger and more stable nation.

Meanwhile, the breadth and depth of US exchanges and cooperation with China – in areas as diverse as the Middle East and Afghanistan, and on issues ranging from counterterrorism to nonproliferation to disaster relief – leave me in no doubt that will become ever closer partners, not adversaries.

Pacific Islands

I spend a lot of time in China, often doing enjoyable things such as sitting in smoky rooms negotiating with North Koreans. But I'm about to head to a place I've never been before. After my visit to Sydney, I will travel to Tonga, where I will participate in the Pacific Islands Forum Post Forum Dialogue. Like Australia, the United States has deep and long standing historical links and strategic interests in the Pacific Island region. The island states have been important sources of immigration to the United States and some islands provide needed peacekeeping forces for the United Nations. They also provide valuable natural resources, and sit astride important trade routes and commercially valuable but declining fish stocks.

Chronic political and social instability plague some of the islands, however. This is a continuing cause for concern for us and our Pacific partners. The military coup in Fiji and the problems that continue to afflict the Solomon Islands are two current examples.

There is a lot to juggle in the region. Enter Australia, which has assumed an invaluable and indispensable role in addressing the challenge of weak and failing Pacific Island states in its neighborhood. Australia provides aid programs that help the lives of regular people. Australia has intervened with military and police forces to restore law and order – when asked and when Australia's interests dictated such actions. We applaud Australia's leadership and admire its hard work. We are impressed by Australia's signal successes not only in the Regional Assistance Mission to the Solomon Islands (RAMSI) but also in leading the international peacekeeping mission in East Timor.

Despite US efforts alongside Australia and New Zealand to help Island nations achieve economic self-sufficiency and overcome poor governance, big obstacles remain. Competition between China and Taiwan for political recognition, which at times results in irresponsible assistance undermining sustainable development. The clearer term for this is dollar diplomacy, and it leads even the purest hearted politicians to be tempted by graft. In this context, the absence of civil law and order carries the risk of attracting transnational criminals, human traffickers, and potentially even terrorists. But any potential terrorists or troublemakers in the region will have to deal with a revamped American military presence, mainly thanks to our relocation of more than 8,000 U.S. troops and their families to Guam. This is a multi-year, multi-billion dollar effort – and one tangible benefit could be a

boost to economic development in the Pacific region via more jobs, increased commercial activity and a rise in tourism.

Fiji

Speaking of troublemakers, I want to single out Fiji as a case of special concern in the Pacific region. Fiji's military chief, Commodore Bainimarama, overthrew the lawfully elected government last December, and has perpetrated serious violations of human rights and civil liberties. The United States has imposed sanctions, including a cessation of military assistance and visa bans on interim government leaders. We join Australia, New Zealand and other Pacific Island countries in calling for early elections and a return to civilian rule, and we will work closely with the Pacific Islands Forum members to bring about a return to democracy as soon as possible. We are pleased that the PIF has taken a strong and unified stance, and I look forward to discussing this issue further in Tonga, which should make for an interesting session.

Burma

Another serious setback for stability and democracy in Asia was the recent violent suppression of peaceful dissent in Burma by the unelected military regime. Your foreign minister, Alexander Downer, puts it colorfully (and accurately) when he says that waiting for change in Burma is like watching glue flow up a hill. But Burma is now a hot topic in Washington. It has become a moral issue as well as a regional stability issue. Which is not surprising, really. You've seen the pictures on the front pages of the world's newspapers. The brave monks marching in front of a wall of riot police shields. The lines of protesters protecting the monks by joining hands. The bloody sandals in the streets.

The United States completely condemns the violent crackdown. We are appalled and saddened by the bloodshed. We have called on the regime to cease its raids on monasteries and arrests of suspected activists, release all political prisoners, and begin a genuine dialogue with pro-democracy and ethnic minority leaders, including Aung San Suu Kyi, to effect the transition to a civilian, democratic government. The UN Security Council Presidential Statement on Burma last week was a step in the right direction, but it was just a step. We support the early return to Burma of Mr. Gambari, the Special Representative of the UN Secretary General, to facilitate that dialogue. We are gratified by the strong stand that Australia has taken to maximise pressure on the regime through sanctions, while avoiding harm to the ordinary citizens of Burma.

North Korea

I want to shift for a moment and speak about an issue I spend just a tiny bit of my time on – North Korea. When I last spoke at The Sydney Institute, in late October 2006, it was a particularly bleak time for the Six-Party Talks. Earlier that month, the DPRK had announced the successful test of its first nuclear device. A lot has happened since then. We had unprecedented unity on the Security Council when we passed resolution 1718, condemning the test and imposing sanctions. Even China voted in favor, a first. After more painstaking negotiations, in February of this year, North Korea committed to shutting down the Yongbyon nuclear facility. In July, the DPRK announced they had done just that, along with shuttering a partially constructed reactor at Taechon. They invited IAEA inspectors to monitor and verify the shutdown and seal the sites. In response to the DPRK following through on its commitment, the ROK provided the first shipment of energy assistance to North Korea.

The Six-Party heads of delegation met in July to discuss implementation of the DPRK's next phase commitments, including its complete declaration of all nuclear programs and disablement of existing nuclear facilities. In the next two months, the five working groups met to continue discussing practical details for implementation of the next phase of the Initial Actions agreement. During the US-DPRK Working Group meeting in early September, North Korea invited representatives of the three nuclear states in the Six-Party process – the United States, China and Russia – to send experts to survey the sites to be disabled. In the newly-minted 3 October Second-Phase Actions agreement, North Korea committed to a complete and correct declaration of all its nuclear programs by 31 December, 2007. And, finally on 11 October, just five days ago, a team of US experts arrived in Pyongyang to begin technical consultations related to disablement.

There is still a long way to go in terms of getting a complete and satisfactory declaration and recovering the weapons grade plutonium that has been produced, and establishing to our satisfaction that all the nuclear facilities have been disabled. But there is progress. With more hard work, we can diminish the threat to the region the North Korean nuclear program poses. We can do a lot with North Korea if they give up their weapons and programs, and I think they are coming to understand that very little is possible if they cling to their unfortunate nuclear dream.

Australia

On North Korea, as on so very many other tough issues, I cannot tell you how much the United States appreciates the support

of Australia. Americans overwhelmingly like Australia. We are unreserved in our admiration of things Australian, even beyond Greg Norman and Men At Work. We are deepening our political ties. We are bolstering our trade relations. We cooperate closely on defence issues and intelligence sharing. In truth, it is no exaggeration to say that America has no closer friend and ally in the world than Australia.

We are especially appreciative of your advice and counsel. We listen carefully and with respect to what you say because we your reliability and friendship has been on display time and time again, from the twentieth century's most horrific conflicts to our current efforts in Iraq and Afghanistan. And may I say how sorry we were to hear of the death of Trooper Pearce in Afghanistan one week ago. Our hearts and prayers go out to his wife and children, and his many friends and admirers.

As Australians prepare to go to the ballot box – and as we enter our own (seemingly interminable) election season in the United States – I want to assure you that our long history together, our friendship and the Alliance have a foundation deeper than the policies or political parties of the day. In fact, when dealing with Australians both personally and professionally, I am struck by our common values, our common characteristics. Gerard, you put it very well in one of your recent columns. You wrote that “Modern Australia is an efficient, accepting and tolerant society with a strong economy.” That description could very well be applied to the United States.

You have all been very tolerant and accepting of my inefficient and long speech. I recognise that I have raised some unsettling issues, such as the military coup in Fiji and the strife in Burma. Increasingly, however, these reversals seem to be isolated exceptions to the trend towards greater openness, prosperity and stability that I see taking place throughout Asia. From California to Tasmania, across this ocean that I truly believe joins us, I remain optimistic about the future of the Asia-Pacific region.



Kay Ferres



David Adair

Photo – David Karonidis

Kay Ferres and David Adair are the authors of *Who Profits from The Arts? Taking the Measure of Culture* (Currency House, 2007). They are both researchers in Sustaining Culture, a government-funded research collaboration between Griffith University and the Sydney Opera House, the Adelaide Festival Centre, the Arts Centre, Melbourne, and the Queensland Performing Arts Centre. In their view, the old lines between producer and consumer in the Arts are being broken down and new lines of active interaction are being built via the internet. But the demands on our new cultural leadership need a fresh and subtle understanding of the nature of demand in this new world of connectivity. On Tuesday 23 October 2007, Kay Ferres and David Adair addressed The Sydney Institute on the future for the Arts.

WHO PROFITS FROM

THE ARTS?

KAY FERRES & DAVID ADAIR

Measurement of the economic and social impacts of the arts and culture is a complex undertaking. The sector has no clear, commonly agreed boundaries and it encompasses diverse activities, many of which do not follow an industrial logic. Employment data also presents problems, as involvement is typically underreported. Not all arts practitioners work in cultural organisations, while others are engaged in primary employment (a “day job”) outside the sector.

The economic, social and cultural benefits that flow from the sector to the broader community are similarly difficult to pin down. Internationally and within Australia, attention has lately focussed on the arts’ contribution to enhanced quality of life and living standards. Urban planners and regional economists have begun to see arts and culture as part of an ecosystem of creativity and innovation. The arts’ “intrinsic values” may elude measurement, but considerable energy and ingenuity is invested in establishing their links to economic innovation, urban regeneration, inward investment strategies, tourism and trade and social cohesion.

The arts operate across the public, non profit and commercial sectors, each of which has its own operating principles and values. For public policymakers and corporate sponsors, arts managers, artists and audiences alike, participation in the arts means crossing these fault lines. Many artists and audiences find festivals, small venues and arts companies easier to access than the larger venues and the “flagship” companies. Lower overheads mean they are generally cheaper to attend, while proximity to ever-changing street cultures makes them quick on their feet. They offer fewer and less formidable barriers to young audiences in particular. By contrast, the larger venues are designed to embody the values of artistic excellence, civic pride and prestige. They are major public assets that cost more to build and operate. In addition to being venues for hire they function as producers; Australia’s large public performing arts centres must recover a growing proportion of their operating costs through commercial activities. Like the more established arts companies, large

venues tend to have greater reach than the smaller arts organisations. They have bigger audiences and stronger and more extensive contacts, both inside and outside the arts and culture sector. These larger organisations often host artists and companies and typically take on a responsibility for building the artistic, financial and administrative capacities of small companies, as ways to contribute to the sector's development.

In order for artists, technicians and administrators to have careers in the arts they must navigate through this differentiated sector. Audiences make their own journeys through its public spaces and the physical and virtual retail spaces that give them opportunities to consume arts products. Designing and building the pathways that facilitate all of this traffic are important matters for public and private organisations to consider.

In twenty-first century Australia, as elsewhere, cultural institutions and precincts are centrepieces in urban renewal. These projects recognise the importance of culture and the arts in creating vibrant public spaces and productive flows of people and ideas. Melbourne's Federation Square links the Arts Centre performance venues and the National Gallery of Victoria to the city. It is now the home of the Museum of the Moving Image and the extension of the NGV. The Victorian-era and early twentieth-century spaces of the city are being rediscovered, reconfigured and revalued. The laneways of the Melbourne CBD are now widely recognised as contributing to the cultural life of the city; their cafes, speciality shops and cluttered ambience loom large in Melburnians' sense of their city and are promoted as cultural micro-hubs and tourist destinations in their own right. Some of these laneways function as informal art galleries: cultural capillaries coursing with street art.

Other Australian cities are also investing in a vitalising mix of cultural spaces, even if not all of these initiatives enjoy Melbourne's high profile or long history of public and private support. The Adelaide Festival Centre surrounds have been rebuilt to improve access from the cultural precinct along North Terrace where the Museum, State Library, Art Gallery of South Australia and University are all located. In Brisbane, the popular South Bank precinct combines commercial, residential, cultural and recreational uses. The Queensland Performing Arts Centre, museum, Queensland Art Gallery, recently rebuilt State Library, new Gallery of Modern Art and Griffith University's Queensland Conservatorium now anchor one end of a cultural precinct that extends along the Brisbane River to Griffith's Queensland College of Art and new Film School.

This is the national context for Sydney's recent interest in cultural planning issues. In May 2006 the Danish firm Gehl Architects was asked to prepare a Public Spaces and Public Life report for the City

of Sydney. The first stage of this study of Sydney's inner urban built environment and its impacts on quality of life was an audit of the CBD. In September 2007, the principal of the firm, Jan Gehl, wrote in the *Sydney Morning Herald* that when visitors venture beyond the impressive facade of the Circular Quay district they find a CBD that is more Kansas than Oz. Sydney's CBD, wrote Gehl, is merely utilitarian: it attracts people for work and shopping but offers few reasons to "linger for the pleasure of being in the city". In fact, Gehl identified numerous disincentives for people to experience the city by day and night: traffic lights that prioritise motor vehicle flow and access; a lack of public spaces, including pedestrian laneways with places to visit and things to do; an alienation of the city's streets from the harbour that produces a feeling that one might as well be in Kansas City; and footpaths which limit access for the elderly, the infirm and the very young. A civilised city, Gehl wrote, "let's vulnerable people feel safe".

In the language of cultural economics and urban planning, the Sydney CBD is falling short of being a "sticky place". This term describes a city's magnetism and dynamism, its urban core stability and cultural vitality. Culture's civic value comes from the way it gives us spaces for meeting friends, colleagues and strangers alike: spaces where we can discuss things not otherwise broached in the home or workplace, and be sociable. A vital urban culture depends on a healthy mix of small and large spaces, both formal and informal, where various kinds of encounters and exchanges can take place. Increasing global competitiveness means that a city's social and economic wellbeing can depend on public policymakers and the private sector getting the cultural mix right. Some firms and workers – those characterised by high levels of human capital – find the right combination of costs, amenities and networking opportunities particularly attractive. In Sydney's case, the recent government and media interest in the problem suggests a growing public anxiety about the city's claims to global city status.

From Brisbane we have watched with interest as the traditional Sydney-Melbourne rivalry has taken an unexpected turn. This inter-city competition seemed to have settled down somewhat after Sydney began to eclipse Melbourne as the nation's financial capital and staged a successful Olympics. Now these very achievements are being seen as working against Sydney successfully reinventing itself in an age when the economic value of amenity is widely recognised and culture's social role is being reconsidered. Factors like affordable real estate prices, an ability to provide skilled and highly mobile workforces with attractive amenities, and policies that encourage cultural organisations to develop effective partnerships are now the measures

of a city's cultural vitality. If Sydney is failing to measure up, how will it respond?

In July 2007 Sydney's Town Hall was the venue for a Creative Futures public debate on this problem. Some of the strategies aired at that meeting included tax breaks for professional artists and more public financial support for large arts and cultural institutions to help them lead a cultural tourism recovery. Over the following days the debate continued in the Sydney press. Since then, reform of Sydney's "plasma and pokies" club and pub culture – and in particular the issue of liquor licence reform – has joined public transport as a public policy priority area to be addressed if Sydney is to be a more liveable and globally competitive city.

Small cafes and cultural micro-hubs don't always need a liquor licence to open or even survive. They may, however, require one if they are to thrive and proliferate. For the small "hole in the wall" venue, the musician who performs there, the artist who designs a poster, flyer or website for the musician or the cafe, the young fashion designer who gets a toe-hold in the market by opening a tiny shop next door, success or failure can turn on a glass of wine.

Rationalising licensing laws is a legitimate response to the problem of how to ensure a city's cultural sustainability and vitality but it is only one part of the bigger picture. There are other factors with a part to play.

Studies of the impacts of the arts typically assume that all impacts are beneficial. In the process they overlook negative impacts such as noise pollution from music venues or the failure of some less formal arts spaces to meet health and safety standards. The economic and social benefits of arts participation – the "instrumentalist" values – are hard to identify and measure. There may be long time delays between attending a concert or play and deriving a noticeable social benefit, such as better inter-cultural understanding or an increased capacity for empathy. It is similarly difficult to trace higher levels of employment in cultural tourism back to a cafe manager's decision to start giving gigs to musicians. There is little evidence of links between cultural and social capital, though new studies are beginning to address this question.

Most economic studies of culture and the arts gauge their value in one of two ways: either as a percentage of GDP or through the calculation of multiplier effects. The former method involves adding together the amounts patrons pay for items like tickets to performances, transport, meals, and shopping in the cultural precincts where large cultural and arts organisations are typically located. The total dollar worth of cultural and artistic activities in a region is calculated by aggregating these amounts. This method can't account for opportunity costs: the benefits foregone when money is spent

on cultural responses to the problem of mental health, for instance, rather than, say, a local health centre. Calculating the total worth of the “arts industry” can also founder on the common assumption that statistical data are uniquely capable of capturing and conveying the value of the arts. There is a gap between measurement and value here that statistics cannot fill.

Multipliers are the second and more sophisticated method used to measure the economic value of cultural and arts spending. They calculate the financial flow-on effects of culture and arts expenditure on related activities and employment. Arts advocates now routinely factor these flow-ons into their rationales for public and private sector support, despite their inherent problems. Like total worth, flow-on methods don’t address the opportunity costs issue and likewise strain under a burden of proof.

Established approaches to understanding and measuring the contributions of the arts to growth and development are increasingly questioned by some regional economists, who challenge their emphasis on exports at the expense of local production and consumption, their focus on the “arts industry” rather than on occupations, and a tendency to confirm culture as a sort of optional infrastructure above the level at which real economic value is created. One such economist, Ann Markusen, argues that the economic value of the arts is not adequately captured by export-focused studies since most artists initially produce for local consumption. Only in a handful of the world’s largest cities do the arts attract significant income from outside their region.

Whereas traditional economic impact studies focus on the major organisations of the “arts industry” and the impacts of events associated with them, Markusen and her colleague David King focus on occupations and the individual artist. This approach recognises that as well as artists using their skill-sets to export their products beyond their region and thereby add to its income directly, they also contribute value to the region’s pool of human capital in a variety of ways: by teaching, freely sharing their talents, stimulating existing supply chains, or improving the products or working environments of local firms and organisations. Focusing on occupations also has the virtue of acknowledging that, with the possible exception of those who work in the performing arts, artists have high rates of self-employment and may therefore fail to fully register in organisational studies.

Even in the performing arts the relative importance of occupations and skill-sets is changing. As work becomes more contractualised and outsourced people and their talents are increasingly crossing over all types of arts activities and other sectors. Technicians who light the stages in a large performing arts centre are also likely to work in a film studio or a dance party; actors who work in a theatre also appear

in television advertisements; and computer programmers who set up a data management system for a theatre company will also find employment in the computer gaming and other “creative industries”. Occupations are therefore becoming the logical focus for efforts to understand and increase the cultural value of our cities. In fact, one of the indicators cultural geographers use to measure the “stickiness” of cities is the willingness of certain groups of workers – artists and other information professionals – to work and live in the urban core.

Richard Florida is one of the most recognisable names among the international researchers arguing for the importance of amenity in attracting and retaining a talented workforce to a city or region. Florida’s main point is that it is an ability to attract what he calls the ‘creative class’, rather than firms, that now determines a city’s ability to compete economically. This demographic is attracted to a location, argues Florida, because of its quality of life, including its cultural amenities. For Florida, the drivers of economic growth now coalesce around what he calls the “Three T’s”: technology (a critical mass of “creative industries” that offers a “thick” labour market with attractive employment options); talent (a significant number of “creative class” individuals possessing high levels of human capital); and tolerance (an inclusive society with high levels of inter-cultural understanding and cooperation that reduce entry costs). Florida has been a highly effective advocate for amenity’s central role in regional development, yet some aspects of his work attract criticism: his “creative class” is so broadly defined and skewed towards IT professionals that it has few direct applications to the arts; it fails to break from the export model of growth and development; and it has encouraged a simplistic “build it and they will come” view of cultural amenity.

Rather than take a vaguely defined “creative class” as their main proxy for the artistic dividend, Markusen and her colleagues use the incidence of self-identified artists in a region, as revealed in US census data. This allows them to adopt a broad definition of “artist” that captures the range of cultural work taking place across a variety of art-forms and the commercial, non profit and community sectors. By comparing these occupational data across metropolitan regions and between specific regions and the US economy as a whole, they are able to measure the relative size of the artistic dividend, even if that measurement errs on the side of caution, due to the fact that part-time artists who derive most of their income from other occupations are not counted as artists for census purposes.

In addition to census data on artists, artistic dividend indicators include the number, kinds and size of organisations, venues and support services available to artists in a region. Comparing these data makes it possible to identify the factors that confer relative advantages on regions. Many of these factors are alterable through a combination

of public policy initiatives and private sector efforts and can be guided and assessed by measurements of the available indicators over time.

While quantitative data can help represent the artistic dividend, for a fuller picture we must look to qualitative research techniques. This is why Markusen and others conduct qualitative interviews with artists to better understand how they conceive of their own work and its economic returns, the strategies they use to build careers, and the extent to which they market their creative skills and works of art to businesses, target markets and the general public.

It is now broadly accepted in Australia and internationally that the arts sector is in urgent need of more qualitative research to better understand its audiences and its public role. Statistics on attendance habits or the popularity of particular art-forms do not capture the quality of audience members' experiences. Statistical data do not provide adequate bases for identifying the value of the arts. Of course statistics do have legitimate uses. Figures on how many artists live in an area, the number of cultural and arts policies integrated into the broader public policy field, levels of public and private funding, the strength and extent of partnerships, or how many children play a musical instrument are all used to measure a locality's cultural vitality. These data nevertheless give only a partial picture of the health of a functioning cultural system. Similarly, we need more than figures on the costs of providing a good or a service to understand its public value. Arts and cultural organisations need more comprehensive and adaptable ways of representing the arts dividend: ones that combine indicators of inputs and outputs, data and knowledge, quantitative and qualitative research techniques.

SPEAKERS AT THE SYDNEY INSTITUTE

August 2007 – October 2007

Jim Bain (Retired Stockbroker & author, *A Financial Tale of Two Cities*)

Edna Carew (Finance writer & author, *Fast Money*)
National Market, National Interest

Dennis Richardson AO (Ambassador to the United States; former Director-General of ASIO)
The US And Australia

Peter Beinart (Editor-at-large *The New Republic*)
The Good Fight – Why Liberals and Only Liberals, Can Win the War on Terror

Dr Chris Lowney (Special Assistant to President of Catholic Medical Mission Board, NY)
Heroic Leadership

Dr Kim Huynh (Lecturer, Politics, Australian National University & author *Where the Sea Takes Us*)
Mum, Dad and International Relations

Dr Alison Broinowski (Academic & former diplomat)
Prof Alan Dupont (Director, Centre for International Security Studies, Sydney)
Allied and Addicted

Hugh Mackay (Psychologist, social researcher, columnist and author)
Sol Lebovic (Former managing director, Newspoll)
Advance Australia - Where?

Professor Gordon Parker (Professor Psychiatry UNSW)
Tessa Wigney (Black Dog Institute)
Journeys with the Black Dog

Dr Scott Prasser (Senior Lecturer, Management, University of the Sunshine Coast)
Democracy and Local Government – The Queensland Experiment

Senator Steve Fielding (Leader of the Family First Party)
The Clash of Economic Liberalism and Social Conservatism

The Hon John Howard (Prime Minister of Australia, 1996-2007)
A New Reconciliation

Susan Mitchell (Author and commentator)
Stand By Your Man

Christopher Hill (US Secretary of State for East Asian and Pacific Affairs)
The United States in the Asia Pacific

Dr David Adair (Researcher, Sustaining Culture project)
Professor Kay Ferres (Researcher, Sustaining Culture project)
Who Profits from The Arts? Taking the Measure of Culture