

A chalkboard with mathematical equations and a hand writing. The chalkboard is green and has white chalk markings. At the top, there are some faint equations like m^2 and x^2 . In the middle, there are more equations, including x^2 and $x/dt = cx$. At the bottom, there is a large equation $A = \frac{1}{2.0}$. A hand is visible in the bottom right corner, holding a piece of chalk and writing on the board.

February 2006 Issue 2
www.conservative.com.au

the conservative

a journal of reform

Brendan Nelson:
values as a basis for education

Gerry Wheeler:
the need for civics

John Phelan:
alternative funding options

the education reform issue

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articles

“Permitting the active destruction of embryonic human life is unacceptable in any circumstances, but when false expectations about the result of that destruction are cynically created, the moral turpitude is all the greater.”

Senator Hon. Nick Minchin, *Facts Don't Match Rhetoric in Embryonic Research Debate*, December 2005

“When Latham and Labor became pre-occupied by their dialogue with the elites, they became trapped in the elites' aloofness from the public. Soon, it was not Labor's policies or messages that were wrong, but it was the public. And Latham's disdain for the public became obvious.”

Chris Kenny, *Latham's Accidental Insight*, October 2005

“As we have seen with September 11 and the Oklahoma bombing, terror and extremism have profited by leveraging the seemingly ordinary tools of life: flight lessons, garden fertiliser or training as a security guard.”

Jason Wood MP & Hon. Greg Hunt MP, *Securing the Homefront*, September 2005



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Alastair Furnival
comments on the desire
for values-based policy
which runs through
this edition of *the
conservative*, and which
is reflected in the Prime
Minister's Australia
Day address.

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The next edition of *the conservative* will be published in April.

Anyone interested in writing an essay should e-mail us at: mail@conservative.com.au

Typical articles will be 1500 – 3000 words in length, and should either be topical, or show an in-depth knowledge of the history or philosophy of conservative thought and/or policy. Essays on articles of immediate significance will also be published at www.conservative.com.au

We are particularly interested in publishing articles by people involved in Australian politics.

editorial

In his 2006 Australia Day address to the National Press Club, Prime Minister Howard reflected on the common threads in the history and current development of Australian society.

He noted: “The great test of our policy balance in coming decades will be our ability to reconcile inexorable demographic change with demands of Australians for even greater choice in education, health, family support and work opportunities.”

These challenges coincidentally inform each of the articles in this second issue of *the conservative*. Our focus for this quarter's edition on the function of education in developing a constructive society emphasises the obvious relationship between the formation of individual character, and the formation of the character of a society.

Brendan Nelson's insistence that adherence to a code of values, rather than acceptance of abject relativism is a necessary condition of effective education, resonates with traditional conservative thinking about the institution of education, and the view that some ideas and some works of literature are inevitably of a higher quality (and instructional value) than others.

This examination of the moral force, and consequently the moral responsibility of educators, is further addressed by Gerry Wheeler's analysis of the current state of civics education: its capacity to provide a foundation of knowledge for those who would critically examine our society; its imperative role in describing our fundamental understanding of Australian law; and the comparative respect for civics in the government and educational systems of Australia and our allies.

John Phelan provides the final complement to this trio, through his examination of alternative approaches to education funding, to provide completion to the notion of parental choice. While it is recognised that some of these options are politically challenging, it is logical that a regular consideration of the full spectrum of funding mechanisms

will assist in finding a long-term policy balance between the optimal and the practical.

In his 25 January address Prime Minister Howard commented: “too often, history, along with other subjects in the humanities, has succumbed to a postmodern culture of relativism where any objective record of achievement is questioned or repudiated”; and added: “young people are at risk of being disinherited from their community if that community lacks the courage and confidence to teach its history.”

It is a measure of the unfortunate currency accorded to the proposition that values should be weighed as preferences rather than standards, that such statements are regarded as controversial, and more remarkably, courageous.

the conservative was established – at least in part – to contend against the view that the notion of common or absolute values is outdated.

We are consistently told that the assertion of traditional values, whether religious or secular, inevitably implies criticism or intolerance of individual choices. In particular, the view that the family unit should be a focus of government policy is criticised as insufficiently expansive, and implicitly demonizing of alternative private relationships.

This is why education matters, particularly education about history, civics and values. Creation of a novel code of ethics, values or public goods without understanding of, and respect for historical traditions, is no basis for public policy.

Simon Berger’s article on family policy, gay rights and the benefits of traditional goals as a basis for public policy is particularly instructive here. Similarly, Santo Santoro’s

examination of the need for a balance between the security benefits of citizenship registration and the traditions of a free society addresses this question of core values.

Finally for this quarter, we have three pieces which address Australian values from an economic perspective. Bob Day’s article on urban planning and Greg Hunt’s piece on the truth of interest rates illustrate the real impact of government on Australians’ tradition of home ownership. And David Stevens’s advice to re-examine the link between industrial and tax reform will be of great interest to those who recognise the inconsistency between differential company and personal tax rates, amid the trend towards self-employment.

the conservative relies on private sponsorship. We thank those who have supported our vision this quarter - both our sponsors, and the remarkable number of people who have taken out subscriptions since our launch.

To close, I would applaud one more comment from the Prime Minister’s Press Club address, where he said: “The permanent challenge for Australia is to avoid the extremes of big, overbearing government on the one hand, and laissez-faire indifference on the other.” This is the space which conservatism occupies with its companion liberalism, and which *the conservative* will continue to promote.

Bio

Alastair Furnival is the Managing Partner of political communications firm Australian Public Affairs. He is a former political adviser to both the Liberal and National Parties.



Brendan Nelson examines the potential for formal education to develop values and character, and to set standards, and laments the impact of relativist philosophy in our schools.

VALUES IN EDUCATION

“Youth is the time when the character is being melded and easily takes any impress one may wish to stamp on it. Then shall we simply allow our children to listen to any stories that anyone happens to make up and so receive into their minds ideas often the very opposite of those we shall think they ought to have when they are grown up?”

Almost four centuries before the birth of Christ, Plato recognised the power of education to make and mould a man. In doing so, he also saw the risk to a civil society presented by indifference to the teaching of values.

The ancient Greeks saw character as the impression made in wax by a seal stone. Character emerged as the unique personality possessed by each of us. It could be forged by Gods or emerge as an accident of circumstance. It was the latter Plato saw as a great risk to civil society and whimsical teaching as the greatest.

There are three institutions critical to the formation of character through the teaching of values. They also build resilience in young lives.

The first and most important is family. There is no substitute for a mother and father. That this is the ideal is not to suggest criticism of other family arrangements that also offer a loving and supportive environment. But history shows, families work.

The second are places of worship. Almost all of life’s misery and suffering comes from people making themselves the centre of their own lives. In the end, young people must believe in something greater than themselves and be taught to do so.

The third is of course, school.

For too many children, the only chance they have is what happens at school. While education is about inspiring them to learn how to learn, read, write, count and communicate, it is also about building character. As Ralph Waldo Emerson observed, “Character is higher than

intellect”. Whatever the academic, sporting or creative talents of our children, it will be character that will really count.

Without the explicit teaching of values, so called “critical thinking” represents little more than another fad in the educational food chain. Values-free education also risks producing values-free adults.

Barely a generation ago home, church and school shared the same values. The same messages were delivered to young people by the three institutions. There is less reason to be confident this is the case today.

Advocates of public education frequently argue the drift of students to the Catholic and independent sector is driven by “resources”. Ignoring the fact that the public resourcing of non-government schools is (significantly) less than that of state schools, they neglect to reflect on what parents are looking for.

Why is all the growth in the non-government sector in the low fee end? What are parents battling to feed kids, car loans and mortgages on modest incomes looking for that they will bypass good public schools to spend thousands of after tax dollars? Alternatively, why will others lie about where they live to get their kids into certain state schools?

From the complexity of the issues emerge discipline, identity and values.

Early in 2002 I was presented with what my teenaged son would call a “no-brainer”. At least I thought it was.

Mark “Chopper” Read who has built a career for himself visiting misery on other human beings, now seeks to profit from the experience by writing books. One, the storyline of which resembles his career, was recommended for reading in Queensland schools.

Given the queues of boys lining up for Read’s autograph matched that for Mark Scaife, and the role-model effect of authors, I believed a stand should be taken. It would not have mattered if Mr Read had written the second instalment on the New Testament, he should not be promoted in schools.

The cacophony of noise criticising my opposition to the distribution of Read’s book was deafening.

From the din emerged a theme. I was told that it was a matter for schools and parents to decide who would be read, that there was no place for leadership of this type. These, incidentally, are the same people now baying about the prospect of schools offering Intelligent Design in a religious or philosophical context.

But one irate teacher really exposed the problem gripping much of the education class. He wrote, “My job is to present young people with choices. To explain to them the consequences of their decisions and thereby equip them for life. But it is not my place to tell them what choice to make”.

Yes, as parents we do want teachers to present our children with their choices. But we also expect teachers to guide them to make the right choices. How can teachers assume

the ‘anything goes’ approach suggests that one set of values is no better than another. Combined with the material affluence of which our forebears could not dream, a new form of enslaving isolation emerges

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If you want to comment on any of the articles in this edition, to agree, disagree or just express your thoughts, please write to us. If there is a particular topic of Australian public policy on which you want to express a conservative (or anti-conservative) viewpoint, we also look forward to hearing from you.

a position of moral neutrality in relation to young people formulating their attitudes to relationships, the exploitation of others, sexual activity and drug use?

Doesn't this send a powerful subliminal message that what is right is what *I* think is right rather than having it subjected to any sort of external evaluation?

Freedoms are the bedrock of Liberalism. Benjamin Franklin observed that in order for men to enjoy freedom it requires them to be "virtuous". Each of us is required to be imbued with a deep moral compass- the kind of morality described by Immanuel Kant as "freedom" itself. When people do not behave appropriately, governments respond by legislating our freedoms from us.

while most teachers and schools are inspiring in the work they do to enable our children to find and achieve their own potential, elements of the educational class are not

Terrorism is one contemporary example. Another is the behaviour of adults at children's sport. Whereas it would have been unthinkable in my formative years to have a parent verbally, let alone physically abuse an umpire, today it is the norm. What has happened in the past 30 years that gives increasing numbers of parents a sense of licence to do this?

Mark Latham famously described away his own aggressive behaviour to the *Bulletin* in 2003 as being the "Australian way". He argued that abusive parents could be found "getting stuck into the referee" at any child's sporting match every Saturday.

It is into this educational milieu that so-called postmodernism has crept.

The 'anything goes' approach suggests that one set of values is no better than another. Combined with the material affluence of which our forebears could not dream, a new form of enslaving isolation emerges. It is one in which rights are more important than responsibilities, value transcends values and impatient preoccupation with oneself clouds respectful understanding of the past and visionary planning for the future.

The first study of values education in Australian schools undertaken by the Howard Government in 2002 produced impressive results.

One of the initial 71 schools involved was the Alice Springs High School. Year 10 was restructured using a team approach. Parents worked with teachers

to adopt and teach values in a changed physical environment as the "Real Justice" programme was implemented.

The school achieved 100% retention to year 10 and 95% beyond. Truancy dropped from 20% to 4%. Serious behavioural problems plummeted 30% along with incidents requiring management intervention.

Student confidence that bullying would be dealt with improved along with their connectedness to their school. As if to echo Benjamin Franklin, one girl remarked "We have more freedom."

The National Framework for Values Education evolved from this research and developed over a year of national consultation, is now required to be displayed in all schools. The nine core values have superimposed above them a silhouette of Simpson and his Donkey.

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Part truth and part myth, Simpson in an act of fatal selflessness, rescued the dead and dying over a three-week period at Gallipoli. Critics argue it “too blokey” and founded in a war setting. They miss the point.

Is it not at the heart of our emerging sense of national identity to help another human being? To place the interests of others ahead of our own, even at risk of our own life. Some call it “mateship”. Christ, Aristotle, St Luke and St Francis used other language, but it’s the same message.

The simultaneous shift in education away from a Syllabus to “Outcomes Based Education” (OBE) also threatens our future.

Whereas once we had sequenced content, core subjects and regular assessment by teachers required to impart knowledge, attitudes and values, OBE is a leap into the unknown.

This postmodernist philosophy is the educational equivalent of the “choices” argument. Lacking core content, OBE content is that which is most relevant or entertaining to students. Curriculum guide is a minimalist document, students progress at their own pace and are assessed as meeting particular outcomes.

Comparison of students is close to impossible and is frowned upon by educational ideologues who have taken control of the school bus.

One disturbing aspect of this is that Hardy, Shakespeare, Eliot, White, Austen and Twain are relegated to “optional” as students have “texts” promoted for study. Big Brother and Buffy the Vampire Slayer, book covers, ATSIK’s website and Australian Idol may be interesting, but is this really how we intend to pass the soul from this generation to the next?

In the world of OBE about to be imposed on unsuspecting Western Australian Year 12 students, there will be no marks.

Imagine Ian Thorpe on the blocks for the 400 metres freestyle. The swimmer next to him in lane three is doing backstroke, lane two the butterfly, and the swimmer in lane one the dog paddle. Each will swim the race, not be given a time and all will be told they are “achieving”.

What will be the long-term consequences to our society of failing to differentiate excellence at one end while falsely lifting mediocrity at the other?

We must never lose sight of the fact that there are always higher standards and the effort to reach them is worthwhile.

While most teachers and schools are inspiring in the work they do to enable our children to find and achieve their own potential, elements of the educational class are not. Their endeavours to marginalise excellence and diminish the teaching of specific values have crept up on us over 30 years.

As the president of the Australian Education Union recently remarked, “the conservatives have made inroads”. Whether such labelling is accurate, let us hope for the sake of our future that much more is made.

We live in vast ignorance of the consequences of changes in educational philosophy. It is hard not to believe that reforms of 30 years ago are hardwired into today’s societal norms.

Standards and values are important. Our destiny, both as individuals and as a nation, will be moulded by our values and beliefs, the way we relate to one another and see our place in the world.

None of us should profess Australia’s values to be any better than anyone else’s. But they are ours – shaped by our adversities, triumphs, people, institutions, heroes, language and history.

Plato’s observation was that what is taught to the young will shape a society. As such we owe it to our future to ensure ours be built on our agreed values and standards of educational excellence.

Bio

Hon. Dr Brendan Nelson MP is Member for Bradfield and Minister for Defence. He was Minister for Education, Science and Training from November 2001 through January 2006, and wrote this article while still serving in that capacity. Dr Nelson was first elected to the Australian Parliament in 1996, and was previously Federal President of the Australian Medical Association.



Gerry Wheeler compares the progress of recent Australian initiatives to teach our democratic history, with the institution of civics education in the USA, and calls for the establishment of an Australian Democracy Centre.

REVISITING CIVICS

The Campaign for an Australian Democracy Centre

“It seems to me that our nation, with its magnificent history of developing and safeguarding democracy should not become, potentially, as a result of complacency, the unwitting architect of its own civic decline.”¹

Major General Michael Jeffrey AC CVO MC
Governor-General.

Our Constitutional Indifference

The words of Australia’s Governor-General delivered in a speech earlier this year on the importance of civics education should resonate loudly with those concerned about the apparent lack of community understanding of our constitutional development as a nation.

There can be little doubt that most Australians are blissfully ignorant of the constitutional arrangements that have influenced the rights and responsibilities we enjoy today. Indeed, such a finding seems to be a recurrent theme of work undertaken by the current and previous Federal Government over the past twenty years.

In the 1988 report of the Hawke Government’s Constitutional Commission it was stated: “we are most concerned at the widespread ignorance of the Constitution and of the major impact it has on life in Australia. We believe there is a real need to educate people in at least its basic scheme and provision.”

The Keating Government’s Civics Expert Group reported in more alarming terms in December 1994 that “most Australians, it appears, are not aware that the Parliaments of Australia have a legislative role, nor do they understand the federal system and its history.”

In more recent years a public ballot for delegates to a Constitutional Convention, as well as a Convention itself, a Constitutional

referendum and celebrations for the Centenary of Federation all came and went with a minimum of fuss and certainly minimal disturbance to our collective constitutional indifference.

Then in 2003, a survey sponsored by the Federal Department of Education, Science and Training found that fewer than 55 per cent of young Australians (presumably out of ignorance rather than suspicion) agreed with the proposition that Australia is a democratic country.

Finally, the August 2004 Report of the Senate Legal and Constitutional References Committee noted a “general lack of understanding in the Australian community of our Constitution and the system of government.”

Whether these are the results of blissful ignorance or wilful blindness as to our constitutional arrangements, they almost certainly reflect the pragmatic nature of Australians – a citizenry more concerned with practical outcomes and tangible results for their families and enterprises than with esoteric, even elitist discussions of political and legal theory and practice.

Some would view this suggestion as a criticism of everyday Australians, but it is more likely a tribute to the abiding strength of our system that we are at ease with our constitutional arrangements and content that it delivers for the benefit of individuals and the nation.

Reasons for Optimism

What is curious, however, is that the apparent ignorance of our political system is often accompanied by a refreshing appetite to be informed. For example, the 2003 Federal Government survey conducted for the Education Department also found that more than nine in ten students felt that they should be taught more about Australia’s legal and political system.

To this end, the Federal Government has made genuine efforts that would be legitimately regarded as valiant. The *Discovering Democracy* programme was an important endeavour to adopt a national approach to civics education while Dr Brendan Nelson’s approach to values education is proving to be a worthwhile initiative.

One of the most exciting recent developments in civics education has not come from government but has been the establishment of Constitution Education Fund – Australia (CEFA), a charitable trust aimed at strengthening the understanding of the history and operation of the

Commonwealth Constitution as well as the Constitutions of the Australian States.

Far from being a cheer squad for one or other side of the republican debate, CEFA has brought together a distinguished, albeit eclectic group of Australians, united by a common mission to improve our understanding of Australia’s constitutional arrangements.

Those involved include the likes of Dame Leonie Kramer, Professor Greg Craven, Professor David Flint, Professor George Winterton, Sir David Smith, Professor George Williams and Mrs Kerry Jones. The passions of these and other participants in the republican debate have been productively turned to laudable activities that have included the establishment of the Governor General’ Prize Programme under the patronage of Major-General Jeffrey.

This programme has been designed to encourage young Australians from primary school to university to explore the ways in which we are governed and to gain a greater appreciation of our democratic values. In January of this year, the Governor-General awarded a \$20,000 Undergraduate Prize for essay writing and a pilot programme including 300 students from 12 primary schools is currently underway.

This has been a formidable undertaking but it is the higher ambitions of the Constitution Education Fund to create an Australian Democracy Centre that warrant particular consideration.

Origins of an Australian Democracy Centre

a. The Constitutional Centre of Western Australia

The former Western Australian Premier, Richard Court, established a Constitutional Committee to examine a range of issues arising out of the wreckage of ‘WA Inc.’. In response to the Committee’s call for greater civics education the Court Government established the Constitutional Centre of Western Australia in 1997 to raise public awareness of our federal system of government, encourage balanced public debate on constitutional issues and educate the public of Western Australia about their electoral and parliamentary systems.

The Centre, housed in a heritage building close to State Parliament House, conducts a number of permanent exhibitions relating to the interaction between the Commonwealth and WA Constitutions, the history of Federation, the evolution of responsible government in

Western Australia, the referendum process and the lives of WA Governors and Premiers.

Education programmes for primary and secondary school students are also carried out both in the Centre itself and in an outreach form to more distant schools while the Centre also develops materials to assist teachers and encourages academics to use the facility as a resource.

The Centre also provides a forum for public debates on topical constitutional issues, publishes a number of internal publications and offers research grants for papers that are subsequently published. There is also an extensive website that highlights the Centre's exhibitions, education materials and research papers.

The success of the initiative can be measured by the simple statistic that in 2003-04 more than 100,000 people visited the facility.

b. The National Constitution Center

In the United States there is a recognised tradition of encouraging the teaching of civics. Consistent with this practice the National Constitution Center was established by former President Ronald Reagan to carry out a range of functions including to:

- serve as a facility for exhibitions on the history and contemporary significance of the US Constitution;
- direct a programme of public education on the US Constitution including a series of travelling exhibitions, radio and television programmes and schools' information; and
- serve as forum for academic debate on constitutional issues.

In 2003 a permanent home for the Centre was opened in Philadelphia. Featuring 67,000 square feet of exhibition space the building includes a 350 seat theatre combining film, live actors and video projection on a 360 degree screen, an interactive, multimedia exhibition on the history of the US Constitution and a hall containing life-sized bronze statues of those who signed the US Constitution.

The Centre revolves around the powerful notion that people can enter the Centre as visitors and leave as citizens. As only the Americans can, interactive exhibitions invite children to

watch themselves take the presidential oath of office on the steps of the Capitol Building, put on the robes of a Supreme Court Justice then sit on a replica of the Supreme Court Bench and vote for their favourite President in American history.

One million visitors are said to visit the Centre each year including many teachers who attend an annual conference on how to improve the teaching of civics and constitutional history.

c. An Australian Democracy Centre

Responding to the demonstrated need for further civics education in this country and inspired by the Constitutional Centre of Western Australia and the US National Constitution Centre, the Constitution Education Fund – Australia has, for several years, been developing their proposal for an Australian Democracy Centre.

It is intended that such a centre operate as an independent, non-partisan, non-profit organisation to provide opportunities to exhibit our Constitution, explore our democratic history and debate the resilience of our civil society.

Sadly, much of the tangible manifestation of our constitutional history is dispersed throughout our many national institutions and museums and is either poorly displayed or poorly promoted. The original Commonwealth of Australia Constitution Act 1900 (UK) together with the desk on which Queen Victoria signed the document warrants only a glass case with limited description in the Members

Hall of Parliament House. Worse, one of only four surviving 1297 issues of the Magna Carta is dimly lit and dimly exhibited a few metres away.

Far from providing a democracy trail between national institutions in Canberra, each organisation, with worthy exceptions, jealously

guards their exhibits and tends to keep their collections to themselves.

For example, the National Archives of Australia houses a number of important documents dating back to Federation but which are separated from other documents and exhibits that reside in Parliament House. Other important relics housed by the Archives are virtually ignored – the records of the 1901 Australian Flag design competition, Burley Griffin's original drawings for Canberra on cotton cloth, the key with which the Duke York opened the Old Parliament House, archival records of our great Prime Ministers to name but a few.

much of the tangible manifestation of our constitutional history is dispersed throughout our many national institutions and museums and is either poorly displayed or poorly promoted

These all have a significant place in our constitutional and political development but are not displayed in a holistic and thematic way.

The logical home for an Australian Democracy Centre is in the Old Parliament House. Such a decision to house a Centre in this historic building would enable many areas of the building to be better utilised and would allow the incorporation of the old House of Representatives and Senate chambers.

The Government's decision to find the National Portrait Gallery a home of its own presents an ideal opportunity to create the new Centre in its place.

CEFA has proposed that the Democracy Centre perform several functions including to provide:

- an interactive historical public gallery and information centre;
- a focus for educating young Australians about our Constitution, system of government, electoral process, party system as well as the role of the Executive, Parliament and the Judiciary;
- production facilities for relevant educational television programming;
- a research centre to encourage scholarship and publication, consistent with an educational charter;
- multimedia assistance for teachers, schools and curriculum designers about the Australian Constitution, the nation's democratic history and civics;
- a forum to debate aspects of Australia's Constitution, its democratic history and heritage; and
- a mobile education centre to provide an emphasis on regional and rural outreach.

Central to CEFA's plans is a broad objective to train spokesman to promote the Constitution, present seminars and develop publications, videos and other material to support the educational process. Through scholarships and educational prizes the Centre would also seek to foster leadership amongst young Australians.

the logical home for an Australian Democracy Centre is in the Old Parliament House

An Opportunity Not to Miss

John Quick and Robert Garran wrote in 1901:

“Never before have a group of self-governing communities, without external pressure of any kind, deliberately chosen of their own free will to put aside their provincial jealousies and come together as one people, from a simple and sentimental conviction of the folly of disunion and the advantages of nationhood.”

Whether over a hundred years later, Australia's apparent collective constitutional indifference is a mark of an intellectually lethargic majority or, more likely, a sign of a system that continues to serve the people well, there is nevertheless the case and the demand to provide new opportunities to better understand and appreciate our constitutional inheritance.

Providing a permanent home for our social and democratic histories together with the wealth of archival material that exists around them is therefore the logical next step in building a better appreciation of the nation's constitutional heritage.

¹ Address by His Excellency Major General Michael Jeffrey, AC CVO MC (Retd) Governor General of the Commonwealth of Australia, Presentation of the Inaugural Governor General's Prize Programme, the Constitution Education Fund-Australia, Government House, 28 January 2005.

Bio

Gerry Wheeler has worked in several political roles, including as an adviser to Prime Minister John Howard, and is now employed in the defence industry.



John Phelan analyses alternative educational funding arrangements including vouchers and for-profit schools, and urges a continuing debate around the intersection of market forces and educational excellence.

A NEW REVOLUTION IN EDUCATION

One of the most publicised – and ultimately destructive – of Mark Latham’s 2004 Labor election policies was his plan to cut funding to private schools across Australia. Many people saw this as a return to class warfare, or at the very least an unhelpful foray into the politics of envy.

Latham produced a list of allegedly wealthy schools and their government funding, and pledged to slash the amounts provided to such schools – his so-called ‘hit list’ which instantly became a club that John Howard’s ‘aspirational’ voters would use to belt Latham senseless in the October poll.

In essence, Latham’s policy was to strip \$520 million from 178 private schools and redistribute the money to other schools. Public schools would receive an extra \$1.9 billion in funding. The analysis was simple – a large increase in funding to government schools, accompanied by massive cuts in funding for ‘elite’ private schools.

The public fight against the Latham plan was led by coalition politicians and the Catholic and Anglican Churches. The church leaders called the plan ‘potentially divisive’. In fact, the Latham plan was more complex than it appeared, with much of the money cut from elite schools to be redistributed to other non-government schools. But the die was cast – and Latham was cast adrift by an electorate long-tired of politicians intent on pitting Australians against each other.

In 2005, Labor has backed away from the ‘hit list’, though it claims there remains a need for equity in educational funding. Like all motherhood statements, it is hard to dispute that philosophy.

The Voucher Option

Unwittingly, however, Latham’s push for equity in education funding has unleashed a new movement – one that will be anathema to Labor politicians and supporters, as it would likely see funding to

government schools reduced, at the expense of increased funding to private schools.

In recent months, the push for ‘voucher funding’ of schools – both state and private – has increased, and is likely to continue to gather momentum.

At its heart, the idea of vouchers is entirely democratic and equitable. Simply put, the total funding of primary and secondary education in Australia would be calculated, and then divided by the number of students. Hey presto, a ‘per student’ cost of education is found. Each student (or more accurately, the student’s parent) would be given a voucher to the value of that amount, to be cashed by the school, which would then be able to convert its vouchers into its government funding.

In such a scenario, private schools would be free to accept the funding from the vouchers alone; or they could bill parents for an additional amount. Government schools would be in a trickier situation, as the concept of ‘free education’ would largely preclude them from requiring extra money from parents (the usual levies and ‘voluntary contributions’ aside).

Economists would see such a plan as entirely equitable, as it is based on market forces and individual choice; social engineers would not. To see just what effect this would have, we need to look at the landscape of Australian education.

The first point requiring clarification is that private schools receive their government funding from a combination of federal and state government sources. Teachers’ unions in each state have been known to argue – very misleadingly – that government schools are underfunded by comparing *federal* funding for private schools with *federal* funding for *state* schools. This is an ‘apples with oranges’ comparison – as the unions know full well – because the vast majority of government funding for state schools comes from state governments.

When both state and federal government funding for the schools sector is combined, the correct picture of total financial support by government is found. The most recent published figures are those in the Productivity Commission’s 2005 Report on Government Services. (The figures relate to the 2002-3 financial year).

teachers’ unions in each state have been known to argue – very misleadingly – that government schools are underfunded by comparing federal funding for private schools with federal funding for state schools

In that year, total government spending on recurrent grants for Australian schools was \$27 billion. Of this, \$21.8 billion (or 80.7%) was directed to government schools, and \$5.2 billion (or 19.3%) was provided to private schools.

Enrolment figures in 2003 show that 68% of students attended government schools and 32% attended private schools. So the 32% of students attending non-government schools attracted only 19.3% of available government funding – a substantial shortchanging of the private sector. Parents of students in non-government schools can well argue that their children are being discriminated against.

The proponents of the other side of the argument assert that these parents are forfeiting their right to government funding by choosing to send their children to private schools. Many will feel that such arguments were settled in the 1950s and 1960s, when the principle of government support for private schools was enshrined. But

this remains an emotive issue for parents (and politicians) on both sides of the divide.

How would a voucher system have affected the funding pie, if it had been introduced in 2003?

In that year, total government funding for the schools sector was \$27 billion. Total full-time student numbers were 3.3 million. This gives a per capita average expenditure of \$8182 per student (in fact, amounts vary from primary to secondary and at different year levels).

So a voucher would have been valued at \$8182, compared with the average amounts actually provided by government in that year: \$9605 per student in government schools, and \$4980 per student in private schools.

In other words, if such a voucher system had operated in 2003, the government schools sector would have been worse off by \$1423 per student, while the private schools sector would have received \$3202 more for each of its students.

Therefore, it’s clear that a voucher system – if implemented in its simplest and purest form – would increase funding to private schools at the expense of public schools. Detractors say this must not be allowed to happen (“*equity*”, they shout; “*subsidy*”, comes the cry from across the trenches) . But this misses the point.

The proponents of the voucher system argue that it would provide a very effective incentive to reverse the drift to private schools. Some 20 years ago, only 20% of Australian students attended non-government schools. Today, it is 32% and continuing to trend upwards.

The private schools sector likes to attribute its rising popularity to a combination of ingredients – values, discipline and academic results the main selling points. Prime Minister John Howard noted several months ago the trend towards ‘values-free’ education in the public sector – no doubt as part of the lowest common denominator approach to education in a society where we seem obsessed with not offending anyone else by actually standing for something. (The outlawing of nativity scenes in Christmas celebrations in some schools comes to mind).

From my own experience in the private education sector, it is clear that parents choose non-government schools for a wide range of reasons, but all of them perceive that it will be a ‘better’ experience for their child than he or she could have at a government school.

But what if a voucher system were introduced and government schools realised they needed to win back student numbers to hold or increase their funding? Common sense would tell us they would focus all their efforts on providing what the punters were seeking, whether that be better-defined values, diversity of offerings, or stronger academic results. It would be a real incentive to government schools to lift their game and attract greater numbers of students.

It would truly make both the government schools system and the private sector answerable to their parents, who would vote with their feet – one way or another. Surely that would not be a bad thing?

The political problem would be that – in the immediate term after the introduction of such a scheme, and on the figures above – government schools would see their funding drop to a limited degree, while per capita funding to private schools would increase substantially, making private schools even more attractive in the marketplace (especially those private schools not requiring parents to make additional contributions).

It would be a politically courageous action for a government

to adopt such a system – which means it is unlikely to occur.

Additionally, there is a series of practical problems which would need to be resolved – most notably the effective takeover by the federal government of all recurrent funding for schools. The states would not lightly hand over their power in this regard, and it would be a hugely complicated task to develop an alternative means of transferring funds from the federal coffers to the states and then to the schools.

parents choose non-government schools for a wide range of reasons, but all of them perceive that it will be a ‘better’ experience for their child

For-Profit Schools

The great attraction of the voucher model is that it is simple and fair and – provided the federal government took control of all education funding – comparatively easy to administer.

It is an issue with which most people can identify, and in which the basic concepts are fairly easily understood. The same cannot be said for another recent development in the educational funding debate – the emergence of the idea of ‘for-profit’ schools.

Early in 2005, Australia’s largest childcare operator, Queensland-based ABC Learning, floated a plan to open a school in the rapidly-growing Springfield development, in Brisbane’s south-west. ABC Learning is a publicly-listed company which operates some 800 childcare centres around the nation.

Bearing in mind that the childcare industry is hugely subsidised by the federal government (by means of the childcare benefit), it’s estimated that more than 30% of ABC’s income comes from the government. So it is a public, for-profit company, in receipt of millions of dollars of government subsidies. This is all quite legal and unremarkable.

But when ABC floated its idea of extending its reach into the mainstream schools sector, the sky started to fall.

There is nothing in any piece of legislation anywhere in Australia that prevents for-profit companies from operating schools. Indeed, all that is needed to open and operate a school is to receive accreditation from the relevant Office of Non-State Schooling in the appropriate state. These bodies check for suitable curriculum, facilities and staffing. The source of funding is irrelevant.

However, the dominant culture within the Australian education system is such that many considered it unthinkable that a for-profit company could operate a school and be in receipt of government funds.

Of course, the cry went up that a degree of government funding would be channelled – ultimately – into the pockets of shareholders. But, arguably, this already is the case with ABC's childcare operations. It is also the case with subsidies given to public or private companies to entice them to certain locations (the Queensland Government's handouts to Boeing and Virgin Blue come to mind).

Queensland's Education Minister, Anna Bligh, from the ALP's Left faction, was quick to point out that there is nothing in Queensland law to prevent for-profit companies from operating schools. But she added that they shouldn't be eligible for government subsidies to do it.

To try to manoeuvre its way through this minefield, ABC Learning established a non-profit entity, Independent Colleges Australia (ICA). ICA was funded by ABC, and ABC appointed all of its directors.

In short, the plan was for ICA to be the operator of the schools, and it would be eligible to claim government subsidies. However, it would not own its properties and facilities, or employ staff or carry out non-educational operations. These services and facilities would be provided by a new company, called ABC Education Services. This company would be a subsidiary of ABC Learning.

Thus, it's argued the money trail would go from the government to ICA, then to ABC Education Services, which would provide a return to ABC Learning. In fact, ABC Learning was touting publicly its expectation that it would make a 20% return on its investment in schools. This led to a public outcry.

In May 2005, Anna Bligh introduced new legislation to the Queensland Parliament, to ensure an arms length relationship between subsidy-eligible schools and their service providers. It had the effect of apparently scuttling ABC's plans, at least in the short term.

What remains is a situation which is hugely inconsistent. ABC, as a public company, can operate childcare centres and claim government subsidies for that, but is not allowed to do the same in the schools sector.

The Intersection of Market Forces

I share the concerns of many in the education industry that allowing for-profit companies to run schools and claim government subsidies could lead to a rash of fly-by-night operators coming into the sector. If these companies had the sole aim of making the highest possible return on investment, to the detriment of quality education, then clearly this would be a major problem.

But in the same way that introducing a voucher system would allow high quality and efficient operators to flourish, surely the same would apply to private companies operating schools. In the medium to longer term, those companies running schools which people wanted to attend would prosper, while those doing things on the cheap and cutting quality would be forced out of the market.

In both cases, the issue is whether market forces should be able to exert their influence in the education sector. It is a debate that will not go away, as parents continue to vote with their feet and increasingly choose schools which provide what the market wants.

Bio

John Phelan has more than a decade's experience in educational administration and marketing, and is a member of the Australian Council for Educational Leadership. He has also worked for senior Liberal and National Party Ministers and Shadow Ministers, and in local and State government in Queensland.



Simon Berger argues that conservative, family-based approaches to social and economic policy are most consistent with respect for the human spirit, and are a necessary complement to liberalism.

COMING OUT AS A CONSERVATIVE LIBERAL

As a young, feisty, colourful, agnostic, heavy metal fan from the Labor stronghold of Canberra, I have never fitted the conservative Liberal stereotype. When I “came out” five years ago, I became too much of a contradiction for those who like their people pigeonholed.

But contrary to another stereotype, I’ve encountered far less intolerance from conservatives than from gay activists, starting with the very first guy I dated who ended our brief relationship after learning of my political beliefs.

I’ve now spent so much time justifying my beliefs that it’s just as easy for me to write about them. In outlining my case for liberalism, conservatism and why the two ideologies are complementary, I hope to provide fuel for fire and food for thought for fellow conservative Liberals.

Why I’m a Proud Liberal

One of the misconceptions we encounter as *heartless right-wingers* is that we somehow care less about people and overlook humanity with our worldview. Liberals should argue this point to the hilt, for our ideology is the most “pro-people” one around.

The most powerful force for good and most important ingredient for a strong society is surely the human spirit. I hold this to be a self-evident truth for which confirmation is all around us, be it in the form of Lleyton Hewitt yelling “C’mon” as he makes a comeback, the severely disabled woman who hovers past my house each day on a motorised wheelchair she controls with her jaw, or the little things everyday Australians do to build productive and fulfilling lives.

Being a Liberal means believing in the ability of people to look within and draw upon their own initiative, intelligence, reliance and courage, to face life’s challenges and overcome obstacles. By backing the human spirit, we place ultimate faith in: the ingenuity and diligence that enables people to produce great things and earn a

living; the resourcefulness and resilience that enables us to solve problems and overcome adversity and; the compassion and need for belonging that motivates us to contribute to the wellbeing of others.

In contrast, left-wingers are dismissive of these qualities.

By advocating big government, they imply intervention is an inevitable consequence of people's limitations. By conditioning people to look outward, rather than inward for solutions to life's problems, they knock the human spirit off its pedestal, replacing it with a consequence-ameliorating substitute.

The more a government redistributes income, the more it diminishes the material consequences of personal responsibility, thereby diminishing productivity and wealth creation. The more a government redistributes virtue (through moral equivalence and political correctness for example), the more they diminish the social and emotional consequences of personal responsibility, thereby diminishing civility.¹ In short, I agree with the pithy generalisation that *big governments make for small citizens*² and consider a good government to be one that resists the urge to help until it has first deferred power and authority to a greater force.

Why I'm a Proud Conservative

Another misconception we encounter is that as *greedy, selfish, individualists* we lack a sense of community. Conservatives should argue *this* point to the hilt, for our belief in the pre-eminent role of family and other autonomous institutions (like neighbourhoods, small businesses, community groups and charities) represents the very essence of community.

If people were as noble as I've described them from the time they were born, I'd be a libertarian. However, I don't subscribe to the logic that (small-l) liberals³ want the government to be your mother, conservatives want government to be your father, libertarians want it to treat you like an adult⁴, because not all citizens are adults.

Unlike the Great White Shark for example, whose first act in life is swimming away from its mother lest it becomes her prey⁵, humans spend many years dependent on others for simple survival, let alone development into strong, resourceful and virtuous citizens. I also consider it to be

self-evident that the best source of nurture for children is the family and the best sources of support for families are the autonomous institutions to which they belong.

Why Conservatism and Liberalism are Complementary

A third misconception with which I am sometimes confronted is that liberalism and conservatism are contradictory: the former associated with freedom and the latter associated with imposition. I would argue the two philosophies are complementary, as they both promote independence from Government.

While conservative politicians sometimes make the mistake of sounding "preachy" in talking about values, their underlying intent is to be *less* imposing, by promoting the role of families and autonomous institutions to be a *buffer* against government dependency, rather than government being a buffer against people's dependence on themselves, their families and autonomous institutions. Furthermore, families and autonomous institutions provide the necessary breeding ground for the traditions, customs and codes of behaviour that enhance civility, thereby enabling liberty to work. In the words of Edmund Burke: "To love the little platoon we belong to in society is the first principle of public affections. It is the first link in the series by which we proceed towards a love to our country and to mankind".⁶

To draw an analogy, representing society as an onion:

- The human spirit represents the core and is strongest when wrapped within the family;
- The family should be wrapped within other autonomous institutions;
- Attempts to violate these layers can end in tears;
- The overall taste and consistency represents the *culture* – a product of the climate which when healthy, enhances the layers;
- The Government represents the skin, having little nutritional value, but providing a protective coating that seals the natural goodness within.

In this way, I would suggest that the natural structure of the onion is a strong metaphor for the natural structure of a healthy society.

the more a government redistributes virtue (through moral equivalence and political correctness for example), the more they diminish the social and emotional consequences of personal responsibility

How “Values” Reinforce Liberty

Once you consider the layers between core and the skin (the “little platoons”) a number of values causes are justified on the basis that they *enhance* freedom and independence.

For example, a libertarian may dismiss use of illegal drugs as an individual’s choice. In my view, conservatives should oppose drugs from a *parental rights* perspective. That is, governments should take the side of the majority who want to teach their children that drug-taking is wrong and to embolden their children’s pride and spirit to the point where they can reject peer pressure to take substances that artificially alter and endanger their brains and personalities – those very things that make them unique individuals.

When needle exchanges and heroin-injecting rooms are provided, when the police appear resigned to letting drugs be a feature at rave parties and when schools and publicly funded interest groups simultaneously promote anti-drug messages while telling children how to take them more “safely”, the government actively undermines the efforts of these parents. In doing so, it not only redistributes a family’s income, but also their virtue.

While those who advocate a harm-minimising approach presumably mean well, their good intentions don’t stack up against conservative logic. If we accept the categorisation of drug-users as “victims” (and I don’t doubt many addicts have faced difficulty and despair) we see a demonstration of what can go wrong when institutions that should support the human spirit break down. This observation can only bolster the argument for measures that will promote the deployment of “little platoons” to do what no government can – repair the human spirit.

However, many of the drug-takers I have known aren’t victims, but people who come from good families, with an abundance of opportunities, who view drugs as a consequence-free recreational indulgence.

When saying “no” requires a young person to feel like the odd one out (as I have on many occasions), we should be concerned not only for the wellbeing of young people and their families, but about the broader state of our culture. Unfortunately, for many young people, grown-up sophistication is equated with: asserting your *right* to do what feels good, rather than taking *responsibility* to do what’s right; of rebellion and self absorption, rather than taking pride in belonging to their families; much less showing any readiness or inclination to take responsibility for having a family of their own.

The Birth Rate Barometer

In post-industrial societies, greater economic freedoms and birth control options means there is, strictly speaking, less of an *imperative* for people to form families and have children. To understand why people in these societies *choose* to form families and nurture the next generation, we can invoke the aforementioned “society as an onion” model.

In the mid 1980s, the world’s most powerful post-industrial society, the United States of America, started bucking the western world’s post-1960s pattern of fewer women having fewer children. Having fallen to 1.8 children per woman in 1985, America’s birth rate rebounded to 2.1 by 2002, in stark contrast to Western Europe’s continued drop from 1.9 to less than 1.4 over this timeframe. The consequences of these trends will be substantial, with a 2002 report by *The Economist*⁷ estimating:

- by 2040, the USA’s population will have over taken Western Europe’s (having been about half the size in 1950);
- by 2050 America’s economy will be about twice as big as Europe’s;
- a two-year gap in median age (35.5 for America, versus 37.7 for Europe) could, by 2050, grow as large as seventeen years (36.2 versus 52.7);
- the resultant pressure on health and social security will make government debt equivalent to 100% of annual national income in the US compared to 150% in Europe and 250% in France and Germany.

What is it about America that, since the Reagan presidency, has made it such an outlier of demographic strength?

One might surmise that young celebrities like Britney Spears, Reese Witherspoon, Kate Hudson, Michelle Branch and Katie Holmes halting their careers at a young age to get married and have children both reflects and will further reinforce a *cultural shift*.

The Economist’s explanation (after noting an increased birth rate was common among native-born whites and African-Americans, so could not be explained away by immigration) is that higher fertility is the product of an economic boom (following tax relief and other pro-market reforms), combined with increased “social confidence”.

All these theories ring true when you compare America with its defeated Cold War rival, Russia, where according to their Federal Statistics Service a population of 143 million could plummet to 77 million by the middle of this century. A number of more disturbing facts suggest this demographic challenge is but a symptom of “mother” Russia’s crisis:

- last year there were more abortions performed (1.6 million) than live births (1.5 million);
- life expectancy for Russian men has dropped to 58.8 years. After heart disease (heightened by one of the world’s least healthy diets and a national weakness for vodka) death by “unnatural causes” is Russia’s second biggest killer, accounting for around 200,000 annual deaths;
- around 10 million Russians are sterile due to botched abortions, venereal diseases and exposure to radiation or harmful chemicals;
- an influx of immigrants in the 1990s (designed to halt the demographic decline) has led to episodes of violent xenophobic backlash, threatening Russia’s social stability⁸.

After seven decades of living under a system in which individuals were subservient to a government that suppressed enterprise, initiative, self-reliance, freedom of expression and religion (i.e. anything that nourishes the human spirit), Russia *peeled back the thick skin of dictatorship to find a crushed and decaying core*.

It’s Morning in Australia?

Two trends suggest the Howard Government’s conservative Liberal approach has not only delivered economic prosperity, but also a stronger and more confident society:

- Drug use is falling – the 2004 National Drugs Household Survey reports that the proportion of people aged 14 and over who had used illicit drugs in the previous 12 months has fallen from 22.0% in 1998 to 15.3% in 2004⁹;
- Our birth rate is rising – recent research from ANU demographer Professor Peter McDonald shows that our birth rate rose last year from 1.75 to 1.77 and that it will soon hit 1.8 and stay at a relatively high level for at least another 5-10 years¹⁰.

I am of course well aware of the apparent irony of someone like me trumpeting family values and an increased birth rate as a sign of a healthy society. Growing up, I had

always assumed that one day, I’d have children of my own. Reassessing this assumption was probably the most difficult aspect of coming to terms with my sexuality. And as I was doing so, the political issue of gay marriage represented the ultimate conflict of interest.

My Take on Gay Rights

I would note here that in all the arguments I’ve had with gay activists, the most frequently fired piece of ammunition is not related to gay marriage, but the fact that “John Howard won’t even write a message of support for the Mardi Gras”.

To this, my response is: so what? I doubt the Prime Minister has written a message of support for the Summernats Street Machine Car Festival either, but I’ve never heard a rev-head complain. No offence to Mr Howard, but I can’t understand why anyone participating in a ostentatious display of debauchery would want the Prime Minister’s approving smile in the program’s inside front cover anyway!

In declining this photo-op, the Prime Minister has cited amongst others the ridicule of Catholic nuns and concluded: “why should I endorse something that includes ridicule of people in the community for whom I have immense respect.”¹¹ I’ve never been to a Mardi Gras, but from glancing at the 2004 parade on TV, I saw plenty of ridicule of people I respect via that year’s theme: “Fashionism – Botox for Bush, New Hair for Blair and Liposuction for Little Johnny”. Perhaps if they’d featured “Urbane for Hussein” and “Gaydar for Al Qaeda” (each of whom consider homosexuality an abomination punishable by death), I would have been more enthused.

As someone who isn’t a stickler for censorship, my complaint with the Mardi Gras is not that it’s offensive, so much that it’s dumb. If you want to prance down Oxford Street dressed as a little pink soldier, dusting away the cobwebs of war, then all power to you. But to parrot the appeasement crowd I would ask: please – not in my name! Unlike the Prime Minister, who acknowledges the sincerity of opponents on contentious issues like Iraq, the Gay and Lesbian Mardi Gras, by definition, claims to speak for me. In doing so, they promote stereotypes I can’t relate to and a notion I reject – that my sexuality *defines* me.

When I was first exposed to the gay community, I couldn’t help but notice for example, the preponderance of sex venues and the rarity of long term, monogamous relationships and wonder why so many gay men’s lives seemed to revolve

around sex. Could there be a biological explanation – that when they are not “tamed” by women, men are more prone to hunt than nest? Is there a cultural factor – that when an entire community is defined by sex, the preoccupation becomes self-perpetuating?

If you subscribe to the biology theory, this could reinforce the argument that changing the institutions of marriage and family means tampering with forces we don't fully understand. If you subscribe to the “if it feels good, do it” cultural theory (which would also explain the disproportionately rampant drug use) the promotion of this culture through events such as the Mardi Gras could contradict gay activists' claims to equal qualification for the responsibility of nurturing the next generation.

Personally, my decision not to have kids is based on a more simple view, predicated on nothing more than my personal experience: I'd want my kids to have a mum.

While these theories and my personal choice are not beyond refute, the “conservative” in me nonetheless believes that the family is too important an institution for governments to tinker with and too important a cultural foundation for government to undermine. In the same way I argue “harm-minimising” responses to drugs have consequences beyond existing users by shifting cultural attitudes toward the taking of drugs, so could a legislative change to the definition of marriage do more than give relationship “equality” for gay couples, by shifting cultural attitudes toward the role of a mother *and* father in raising children.

In the absence of widespread consensus or a compelling case for social change, I believe it's a legitimate role of government to protect the privately evolved and traditional definition of marriage and the family from efforts by unelected courts and advocacy groups to change it.

Meanwhile, considering that new incidences of HIV are once again on the increase and that the Aids Council of New South Wales estimates as many as one in six gay men who associate with the gay community in Sydney are HIV-positive¹², I would suggest to gay activists that they should be focused less on rights and more on responsibilities.

In criticising modern-day gay culture and activism, I'm conscious there were many people in my lifetime who, at the

height of the AIDS hysteria, faced very real prejudice while simultaneously battling a debilitating disease. However, I'd argue that it's not me, but the “if it feels good do it” crowd who dishonour those people by not taking their suffering as a cue for greater responsibility.

the “conservative” in me believes that the family is too important an institution for governments to tinker with and too important a cultural foundation for government to undermine

Taking greater responsibility would also help address the one instance of discrimination I've been unhappy about when, notwithstanding a clean bill of health, I learned I wasn't able to donate blood because the Red Cross “profiles” gay men, who are deemed to represent an unacceptable statistical risk¹³.

Apart from blood donations and issues relating to raising children, I honestly don't know what other remaining areas of legal discrimination there are against gay people or couples. If there are still clear-cut cases of unfairness, then community representatives should by all means appeal to the fair-minded nature of Australians to address them. But in doing so, I'd ask them to please refrain from: putting gay people on a pedestal; promoting gay stereotypes; portraying us as helpless victims; or demanding any kind of special rights.

I'll give the last word on gay activism to Dave Allen, the 22 year old “roo-shootin', beer-drinkin' rednecked country bloke” who recently made headlines as the country's first campus “Heterosexuality Officer” at the University of New England. In the midst of his stunt to highlight the absurdity of Compulsory Student Unionism and the fringe causes funded by it, Dave made the most commonsense pitch to tolerance and inclusion I've heard in a long time: “It doesn't matter whether you're straight, gay, black, white or brindle, but when it starts getting ‘Oh, we need a space for us to hang out’, it's crap; just come down the pub and have a few beers with us.”¹⁴ Cheers to that Dave!

A Message for Conservative Liberals

For anyone in doubt, let me assure you that while being a conservative Liberal was my choice, being gay wasn't. At the age of fifteen I was confident enough of my views to join the Liberal Party. In hindsight, this was around the time I started to realise I was gay, yet it took another ten years of confusion and self-doubt before I was confident enough to come out. Although it has since been shown to be mostly unfounded, I must admit one of my hesitations was about how I would be perceived by political peers, now and into the future. That

conservative Liberals could be misunderstood by one of their own, confirms my view that the strength of our ideas is sometimes undermined by weaknesses in communication.

I believe conservative Liberals regularly make two mistakes. In extolling economic strength using technical descriptions of fiscal restraint, user pays systems, mutual obligation and welfare, workplace relations, tax or micro-economic “reforms” for example; they can sound responsible, but miserly and soulless. By being “preachy” in talking about values, their defence of traditional institutions and majority culture, conservatives can fall into the trap of sounding sheltered, narrow and/or intolerant.

In either case our ideology is made to sound uninspiring. As our population grows ever more worldly and adventurous, our ongoing challenge will be to make *small government a big idea*.

For inspiration, conservative Liberals should look no further than my hero, the “Great Communicator”. To quote his pollster and my former boss, Dr Richard Wirthlin, Ronald Reagan understood that by linking policies to values, you could not only *persuade by reason, but also motivate by emotion*¹⁵.

As a conservative, Reagan broke the mould, by: using humour, charm, analogies and anecdotes; being the first president to popularise the practice of inviting everyday people to be guests at major addresses and building speeches around their experiences, and; invoking America’s Founding Fathers more times than the previous nine presidents combined, linking their vision to one of the future which painted a picture and told a story, for which he was the curator and narrator. The result was the transformation of conservatism from a *balance sheet* into a *romance*¹⁶.

I haven’t given up hope that one day, one of his fans, who also happens to be a (not so) young, feisty, colourful, agnostic, heavy-metal-loving homosexual can also break the mould and demonstrate to sceptics and those who are merely *persuaded by reason* that conservative Liberalism isn’t the preserve of the narrow, sheltered, preachy and miserly, but an upbeat and optimistic philosophy, dedicated to empowering the human spirit, families and the autonomous institutions that support them and thereby, society.

If not (or, in the mean time), I’ll keep plugging away for our cause in the background while simultaneously striking the biggest blow I can for gay acceptance, through dismantling stereotypes – by simply being myself.

- 1 Language influenced by Dalrymple, T: “The Frivolity of Evil”; City Journal; Autumn 2004
- 2 Kennedy, JR & WD: “Why Not Freedom!”; Pelican Publishing Company; Gretna 1995.
- 3 In the USA, the term “Liberal” varies from its 18th century European origins and from the meaning in Australia, referring more to a belief in proactive government from a centre left disposition.
- 4 Paraphrased from Andre Marrou (US Libertarian Candidate for President 1992)
- 5 http://www.nationalgeographic.com/kids/creature_feature/0206/sharks.html
- 6 Burke, E: “Reflections on the French Revolution”; J.M. Dent & Sons Ltd, 1955, (Everyman edition), p 44.
- 7 The Economist: “Demography and the West – Half a Billion Americans?”; 22/8/2002
- 8 www.timesonline.co.uk : “Mother Russia now sees more abortions than babies born”; 24/9/05
- 9 Ministerial Council on Drug Strategy – National Drug Strategy: 2004 National Drug Household Survey
- 10 McDonald, P: “Has Australia’s Fertility Rate Stopped Falling?”; People and Place, vol 13 no.3; 2005
- 11 Interview with Mike Gibson: Radio 2GB; 25/2/1998
- 12 Clayton, S (ACON CEO): “Turning Back the Tide”, Addressing the Rise in HIV infections in Major Gay Communities – Sydney; Presentation 10/7/2004
- 13 The Red Cross questionnaire asks: “in the last 12 months have you had male to male sex”. Answering yes to this question results in disqualification, irrespective of answers to any other question.
- 14 “Roo shootin’ defender of heteros”: The Australian; 28/9/2005
- 15 Wirthlin, Dr. R: “The Greatest Communicator”; John Wiley and Sons, Inc; Hoboken; 2004
- 16 Invocation of Founding Fathers was tallied by the National Review’s Kate O’Beirne, cited by Mark Steyn in “We need you now, Ronnie”: The Spectator; 19/6/2004. Balance sheet / romance analogy is from this same Steyn article.

Bio

Simon Berger is a former pollster, who recently completed an MBA while serving as an Adviser to several Federal Ministers.



Santo Santoro reviews the historical circumstances in which Australians and other democratic societies have tolerated citizenship registration, and warns of the pitfalls and design challenges of such an initiative.

THE CHALLENGES OF A NATIONAL ID CARD

The Attorney-General has announced that there will be an inquiry into whether Australia needs a national identification card and its likely cost. Mr Ruddock has stated that the key issue is not whether an ID card should be introduced, but what information it should contain, what laws should be introduced around it and how much it would cost to implement.

From a conservative perspective, such a proposal is necessarily of some concern: not from an excessive concern about privacy, but because any form of registration implies a shift in the fundamental relationship between the government and the citizenry.

It may be presumed that the Government will engage in a comprehensive and logical debate before any decision is made on whether to proceed further. The core of that debate must focus on whether the proponents of a national identification card can satisfy one key test: are the costs in all their many forms of introducing a national ID card proportionate to the benefits that can be demonstrated will flow from its introduction.

Clearly there are significant advantages in introducing a national ID card, and it is also the case that the world is now far different than 1987 when the ill-fated Australia Card was floated by the Hawke Labor Government. It may be remarked in hindsight, how peculiar the notion of citizen registration appears in the relatively peaceful security climate of 19 years ago, and what it says about the Hawke Government's view of its constituency compared to comparable Western democracies of the time.

By comparison, since September 11, various Governments have quite properly put a number of policy proposals on the public agenda, and in the case of both Canada and the United Kingdom, identity cards have been floated.

As a conservative, I approach the issue of a national identity card with an open but sceptical mind. Conservatives philosophically view centralising

more power in the hands of government with the risk of the privacy of citizens being diluted with caution and concern.

Clearly there is a risk that the creation of a compulsory national identification card has the potential to fundamentally alter the relationship between citizens and the state. This is not a matter of theoretical rights or risks of a future authoritarian government, but an actual and immediate transfer of power from private citizens to the bureaucracy and those controlling the levers of power.

Most importantly, it implies a reinterpretation of the priorities of the political relationship, from a mutual dependence between the people and their institutions, to a more authoritarian role of Government - as the master, rather than the servant of the people. Such a shift should not be brooked lightly, and only in extreme circumstances. Whether the current security climate is sufficient to justify such a change in relationship should form the soul of debate on a prospective ID card system.

The prospect of this reorientation of the relationship between the Government and the governed, raises questions of balance and protection. In particular, those supporting an ID card model would do well to consider how such reforms might add weight to the arguments of those who support an Australian Bill of Rights. Such a document would inevitably invert the balance between individual "rights" and the public good, and we should hesitate before taking the risk of creating the conditions for such a plague.

I am also mindful that no major common law country has yet introduced such a system in peace time, and when proposals for such a system have been properly debated, compulsory ID card proposals were dropped in Australia (1987), Eire, New Zealand and Canada. The British Labour Government is pushing ahead with its own *Identity Cards Bill*, and while it narrowly passed the House of Commons in May 2005 (despite more than 40 Labour backbenchers crossing the floor to vote with the Conservative and Liberal Democratic Parties) key provisions were voted down in the House of Lords in mid January 2006. The fate of the UK Bill is, at the time of writing, still uncertain.

Both Australia and the United Kingdom had comprehensive national registration schemes during the Second World War.

those supporting an ID card model would do well to consider how such reforms might add weight to the arguments of those who support an Australian Bill of Rights

In each case they were introduced as a security measure and a means of enforcing adult male conscription. Likewise the Labor Governments of both nations kept the schemes going after the War as an aid in post-War rationing of food and fuel. The Menzies

Government dropped the national scheme in Australia when the Coalition gained power in 1949 and the Churchill Conservative Government dropped the UK system in 1952 shortly after its return to power.

It is clear that these schemes were designed to assist in the war effort and were never designed to remain a permanent part of the social fabric of either nation. Consequently, while there is a precedent of sorts in Australia for a form of national ID, this very precedent highlights that previously Government would only contemplate invading the privacy of its citizens in cases of national emergency and then for only short periods and for targeted and justifiable outcomes.

A further difference between these schemes and more recent proposals needs emphasis. The old national ID schemes were all paper driven and, while intrusive of privacy, were necessarily limited in terms of ease of access and matching of data. Modern schemes are limited only by the current state of technology and the terms of the legislation establishing them. Now the use that can be made of such schemes, the ease of access, the dissemination of information, is potentially unlimited. In short, the privacy, financial and civil liberty risks posed by a modern national ID scheme are of a different kind and magnitude than those posed by schemes that operated more than 50 years ago.

We would do well here to note the conservative/liberal tradition that registration is viewed as a temporary response to profound and immediate threats, to be discarded in more gentle times.

The corollary to this is evident in the post-war retention of registration by the Chifley and Attlee Governments demonstrates a different set of concerns on the Labor side. For those of us who are confident that a Coalition Government would manage a card system responsibly and only in exigency, we should reflect on the different priorities of our opponents.

Taking a contemporary view of bureaucracy, there is also the potential, if not the certainty, that registration arrangements introduced in good faith today will evolve and become ever more intrusive and costly. The public policy underpinnings

that were used to justify its establishment likewise have the capacity to change and evolve with future governments having the capacity to both expand its use and to broaden those who can access its data.

In the absence of a solid proposal, any debate on the merits of a national ID card in Australia must, necessarily, focus on matters of principle, the previous Australia Card model and the way in which national ID cards have been implemented and operated in other industrialised nations, particularly in the European Union. Necessarily, the experience of European countries is instructive in the context of properly evaluating whether the cost and regulatory burden that flows from such schemes results in commensurate or greater economic and social benefits.

Clearly the first issue in any debate about a national identification card is to clarify what benefits such a scheme will produce, or to put it another way, why is such a card needed.

In 1987 the Australia Card was said to be a key tool in fighting tax evasion, illegal immigration and social security fraud. More recently, the UK Government has argued in favour of its national ID scheme on the grounds that it will target, and help reduce illegal immigration, identity fraud and result in a more efficient and effective delivery of public services.

Since September 11 a further argument that has been floated, is that a national ID system will help in the fight against international terrorists and criminals.

Let me deal with a few of my concerns about these alleged benefits. On the issue of dealing with illegal immigrants, one of the main problems is that there are a small number of employers who either deliberately do not carry out the appropriate checks or who deliberately want to employ illegal immigrants. A national ID card will not deal with this problem, even though such a card may assist in the prosecution of such persons.

On a related point: would a national ID card have prevented the wrongful incarceration of Cornelia Rau? Almost certainly it would have had no impact whatsoever as she apparently hid her identity. An identity card at this technological point of time enables apparent proof of identity, but it is not an aid in discovering a person's identity.

Another issue is whether a national ID card would assist in the war against terror. The British Home Secretary stated last year that a national ID card would not have prevented the London bus and train bombings and the national ID scheme in Spain did not prevent the Madrid train bombing of March 2004. In the case of the London bombings, the terrorists made no effort to hide their identity. The mere storing of personal information on these terrorists would not have assisted law enforcement authorities in either predicting their behaviour or acting to prevent their criminal intent.

The recent Homeland Security Summit in Canberra was useful in producing a range of measures that may be useful in fighting terror. Some of these included funding, training and response plan proposals. Each I suspect would be much more appropriate and effective in protecting Australia against terror than an identification card.

Nonetheless, the British Home Office has estimated that 35% of terrorists use false or multiple identities and that in Britain, each year 390 million pounds is laundered through the use of multiple identities.

Conversely it has been estimated that of the 25 countries most affected by terrorism over the past twenty years, some 80 percent have identity cards, one third of which incorporate biometrics.

Likewise more than two thirds of known terrorists are said to operate under their true identity, and those who wish to use a false identity would almost certainly be able to access a range of technologies to forge their identity. Indeed, one concern constantly raised in Europe is whether a forged national ID card would actually provide improved legitimacy for such persons and inadvertently aid their criminal endeavours.

Consequently, the key issue that must be addressed in any review of a national ID card, is whether its introduction would significantly add to the armoury of law enforcement officers in tackling this sort of criminal activity. I would like any review ordered by the Federal Attorney-General to focus on the issue of whether there is any proof that a national ID card in any country of continental Europe has proved to be a deterrent to the commission of terrorist acts.

A related issue, is the alleged use of such a card in cracking down on identity fraud. This arises when a person uses a fictitious name or adopts the name of a third person without their knowledge or consent. For example, in Britain during

it has been estimated that of the 25 countries most affected by terrorism over the past twenty years, some 80 percent have identity cards, one third of which incorporate biometrics

2001 3,231 driving tests were permanently terminated because of doubts over the driver's identity. During the same period 564 cases of identity fraud were positively identified, a particular problem in the realm of illegal credit card usage.

Finally, another key generic benefit is said to be preventing the fraudulent claims for public services, particularly preventing social security fraud.

I concede that there are a number of attractions with a national ID card looked at from this perspective.

Indeed, how many times have you heard people say about this and other issues: "the only people who object to this are those who have something to hide".

Yet there is a flip side to this argument. Many persons argue that the creation of a comprehensive and centralised database of personal information will actually increase the risk and nature of fraudulent activity. Just last June the Attorney-General himself was quoted as saying: "*A national ID card could increase the risk of fraud because only one document would need to be counterfeited to establish identity.*"

Yet there is an even more disturbing possibility. The UK Computing Research Committee publicly expressed its doubts whether the UK system could ever be proofed against computer hackers. The Committee said: "*UKCRC believes that any sensitive database that is attached to the Internet (or otherwise available to a large and changing population of users) will almost inevitably be successfully attacked. If the system is built on commercially available products, we do not believe that it could be made secure against intelligent, resourceful and sustained assault.*"

If the national ID database was "hacked" in this way, not only is there the risk that the system would "crash", with no capacity for the system to be accessed, but also the added risk of data being corrupted and even false identities being created.

Critics of a national ID system quite rightly have contended that if such a scheme increases the chances and opportunity for fraudulent criminal activity, then serious doubts must necessarily hang over any such proposal.

Again, any review of the practicalities of a national ID card would need to comprehensively address this issue, specifically whether it is possible to create a "hacker proof" database, particularly if it is intended to use biometric technology.

On the last point, the debate in the United Kingdom has

shown that it is practically feasible to produce contact lenses to fake irises and to fake fingerprints. There appears to be a growing disjunction between the theory of a tamper proof ID card system and the reality of the use of technology by organised criminal elements.

It could, no doubt, be said that the chances of either "hacking" into the system or the misuse of stored data could be made much more remote if advanced biometrics were used and the system was constructed and maintained at the highest possible level of security.

For current purposes, let it be assumed that it is possible, if sufficient funds are expended, to render the risks of the system crashing or being corrupted, being rendered so remote that they are not a real chance or risk. The next issue which must arise is whether a national ID system is cost-effective and not a significant cost burden on both the national government and ordinary Australians.

The recent UK experience is both enlightening and sobering. It was originally estimated that the costs of introducing and operating a sophisticated smartcard over 13 years would be a staggering £3.145 billion. However, two years later the Regulatory Impact Assessment for the legislation estimated costs at around £5.84 billion. If that were not bad enough (and it is), the London School of Economics has estimated that the real costs will be between £10.6 – 19.2 billion, averaging at around £230 per UK citizen.

Even if the LSE figures are wrong, the official UK government proposal is that every UK adult (other than those above 75 years of age), and children under 16, will eventually be required to pay £93 for a ID card. This is £50 more than the costs of passport, and not every Briton (or Australian) has a passport.

The incontrovertible fact is that the introduction of a national ID card is enormously expensive. Some of the costs, necessarily, have to be passed onto the consumer. In the Australian context we are looking (based on the UK figures) at costs of around \$200 per Australian adult. At a time when conservatives should be working towards decreasing the regulatory and tax burden on ordinary Australians, this should give anyone proposing such a scheme pause for thought.

Proponents of a national ID scheme also need to spell out at the outset the nature of the proposal. Let me deal with a few issues which I suggest should be explored by the review being commissioned by the Federal Attorney-General.

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Firstly, is it proposed that the ID card be compulsory or voluntary? The UK proposal is that the scheme will be voluntary until 2013, by which time it is hoped that there will be public acceptance of ID cards. We might reflect here that the Blair Government, in keeping with historical Labor precedent, is not considering a temporary registration.

This incremental approach has practical and philosophical attractions, but fails to deal with one fundamental point. If ID cards are so important for tackling crime and assisting law enforcement, why stagger the introduction? One issue here is whether the UK government is not convinced that the technology it is proposing could handle the full and immediate introduction of a compulsory scheme, and that public anger would be so great that it is only possible to stagger the introduction of the scheme.

One might also ask here about potential incentives for early adopters: will there be efficiencies in accessing government services; will they be temporarily less subject to intrusive government scrutiny?

The second critical question is what information would be included on the card. Would it be limited to name and place of address, or would it also include a date of birth as well as biometric data, such as fingerprints etc? This is important, as presumably, the card would have to be kept up to date. Accordingly all ID schemes require citizens to report any change to “registrable facts”. In the Australian context that would mean that every time a person changes address they would have to report that fact to a central agency and acquire a new card. This sort of imposition in costs alone (assuming the payment of around \$200 for a new card) would be very hard to justify to ordinary hard-working Australians.

Third, would citizens be required to provide updates of information to the Register? Presumably they would to ensure the integrity of the ID card, but what if a citizen fails to do so, would that citizen then be penalised? Under the UK Bill fines of between £1000 and £2500 are prescribed for failing to register or failing to notify of changes to the registrable facts. So, for example, under that legislation a failure to notify of a change of address within a prescribed time (3 months) would result in a citizen being subject to a civil penalty of thousands of dollars. Criminalising this sort of inadvertence is a serious issue, and one would hope that any Australian proposal would not result in a Big Brother approach to criminalising inadvertent conduct.

Third, would citizens have to carry the card on them at all times? Presumably not, but for what purpose could the card be required. In the Australia Card legislation the Hawke Government proposed 15 types of compulsory production: deposits and accounts with financial institutions, investments, income from certain trusts, primary production income and rental income, foreign remittances, land transactions, safety deposit box services, shares in public companies, dealings in futures contracts, employment, prescribed payments system, income tax, medicare benefits, hospital patients and social security benefits.

Further, the compulsion was twofold: not only were citizens required to produce a Card at the time of the transaction, but the organisation in question was required to record the persons ID number. Failure by businesses to do so resulted in penalties ranging from \$5000 to \$20,000.

There are two issues here, assuming that any ID proposal would have a similar list of requirements for mandatory production of an ID card.

The first is a practical one. What happens if a citizen misplaces their card but wants (for example) to transfer their land, or to file their income tax assessment? What sort of extra inconvenience and cost will these law abiding people be put through. This is not a privacy issue at all. This is a core issue about the imposition of an all encompassing regulatory regime with potentially crushing consequences for the transaction of normal every day activities. Clearly this must be sorted out from the beginning.

The second is a commercial one. The compulsion is two way. There is a compulsion on the citizen to produce the ID and compulsion on the government or private sector agency to verify it. Private sector organisations will have to, presumably, carry out “on-line” checks, the costs of which will either be borne by the consumer proving their identity or by the service provider. If it is the service provider, those operating at the margin will have the difficult decision whether to pass the cost back to the consumer or bear them by reducing profitability. As the verification process will be regular, if not incessant, this may prove to be a significant cost burden to some small businesses, particularly those engaged in agriculture, construction and hospitality (motels, restaurants etc).

We might reflect here that the Australian Government, recognising the risk of counterfeit, does not regard our current passports as complete proof of identity - as anyone opening a bank account is aware. One wonders at the cost and administrative requirements to make an ID card that one step closer to perfect proof of identity.

The next issue is what use will be made of the information on the register. Under the UK Bill, there is a power to disclose information from the register without the individual's consent, to the police and security services, Inland Revenue, Customs and Excise and prescribed Government departments for specified purposes. However, there is also the issue of other agencies having access to information stored on the register.

there will inevitably be a power shift from the citizen to the state

In the Australian context there are at least two issues. The first of these is what Commonwealth government and private agencies will have access to any proposed Register and for what purpose. Under the Australia Card Bill it was clear that most Commonwealth agencies would have had access. The second is more complex and serious. Presumably the Commonwealth Register will be reliant, initially, on State Births, Deaths and Marriages Registers providing it with key information. In return the State's would have access to the central register. Under the Australia Card Bill this created a potential loophole by which key information could be disclosed by State agencies to third parties. It must be remembered that the States do not have the same time of privacy and data protection legislation that the Commonwealth has. Again care will need to be taken in assessing any proposed system to ensure that appropriate safeguards are written in from the outset.

These are but a few of the key issues that any national ID card proposal creates.

Clearly any national ID system, no matter how well intentioned, funded and appropriately drafted, will result in greater government intrusion into the lives of both private citizens and businesses. There will inevitably be a power shift from the citizen to the state, and any such system will need to compel Australians to do things that they would not normally have to do.

There is a key privacy issue at stake. Not just that people have to disclose certain information and not just that this information will be stored in a central register. But in addition what use can and will be made of that information and with what consequences for the citizen.

It seems to me that there is also a risk issue. At the moment there are a number of purpose built ID systems at the Commonwealth level. There are tax file numbers, medicare cards, passports etc. Each of these has its own in-built protections and is function built to achieve a particular purpose. A comprehensive all in one ID card carries with

it a number of risks. There is the risk of the system being corrupted by hackers. There is the risk that it will inevitably be subject to "function-creep", that is the system will be subject to the iron law of expansion. In fact the system will have to be built to be adaptable, and all national ID systems once created have expanded and become ever more intrusive.

There is the issue of regulatory burden and cost imposts on citizens.

Compliance costs will be significant – in fact they are bound to be if the system is state of the art. I am concerned that a range of totally innocent behaviour will potentially expose citizens to prosecution. Why should a busy citizen who inadvertently fails to notify a central ID register of a change of address be subject to prosecution? Is that fair and productive of a law abiding society, or the start of a break down of civic and civil society?

I approach this debate with healthy scepticism because as a conservative I believe the liberties of the subject should only be surrendered to the state reluctantly and for a good reason. Moreover, as a conservative, I view with concern any suggestion that the state should impose extra costs, regulatory burdens and criminal sanctions on citizens for other than well established and justifiable reasons. And I remain concerned about the symbolic shift in the proper role of government.

I am not against an national ID card per se. However, the task of selling such a proposal not just to me, fellow conservatives, but the broader Australian public, will be a difficult one. So, I am very pleased that the Attorney-General has started this journey by getting an independent person to do a review. I look forward to watching how this debate unfolds, because only by putting up front some of the issues and concerns addressed in this paper will the Government be able to sensibly sell any proposal to the very citizens who will bear the financial, personal and regulatory burden of a new national ID card.

Bio

Senator Hon. Santo Santoro was appointed in January 2006 as the Australian Government's Minister for Ageing. He has represented Queensland in the Senate since October 2002. Prior to that, Senator Santoro served in the Queensland Legislative Assembly from 1989 to 2001, including as Minister for Training and Industrial Relations between 1996 and 1998.



Bob Day calls for a re-examination of governments' overreach in urban planning, and identifies the financial impact of planning policy as hostile to family life and family formation.

CONSERVATISM AND URBAN PLANNING

One of the major problems with the word “conservatism” is hardly anyone tries to give it a precise meaning. It’s like “sustainability” or “family values.” A friend of mine was in the US in the weeks before the November 1994 election and driving through Maryland, he noticed an election poster urging support for a candidate who described himself as ‘A CONSERVATIVE DEMOCRAT.’ My friend was told that the label meant the candidate did not wish to be taken as a ‘Liberal’ Democrat. The term ‘Howard Battler’ came to mind.

The word “conservative” originally came from 19th Century UK politics and meant a person who supported the Monarchy and the Church of England. The philosopher/politician Edmund Burke gave conservatism institutional form and a doctrinal base when the then Whig party split over the French Revolution, leading to a Coalition headed by William Pitt. This Coalition went on to become the British Conservative Party.

Outside of the UK however, the word conservative is usually taken as meaning support for traditional values of morality and the family. A conservative, for example, would be opposed to the legalisation of euthanasia, drugs, abortion - particularly late term abortion and of course gay marriage. In the US, conservatives are also hostile to and suspicious of big government.

But there is more to conservatism than just issues associated with morality.

Just as the economists of the mid 20th Century - notably Keynes and his followers, believed in central control of most aspects of economic life, the socialists (together with conservatives like Harold Macmillan) accepted the arguments that urbanisation also needed to be controlled by central government and that the sort of houses that people lived in, and the way in which towns and suburbs grew and developed, were matters which needed to be decided by experts - government appointed experts of course.

That view is still dominant in Australia, and huge bureaucracies have grown up in each State capital whose role in life is to exert more and more control over where and how people live. The 2030 blue print for the city of Melbourne is a classic example of this sort of arrogance in Australian political life. Urban planning bureaucrats within State Governments control the supply of raw land for development through the drawing of urban growth boundaries (and other planning devices), and through the imposition of “development taxes”, force up the price of a new block of land on the urban fringes of our cities. Housing allotments now cost up to \$200,000¹ in Melbourne and more than \$300,000² in Sydney. These prices need to be compared with cities like Houston, Dallas, and Atlanta in the US where similar sized and style allotments cost just \$30,000³.

the cost of actually building a house in Australia has barely moved, in real terms, in 30 years⁴

It is important to note in this context that the cost of actually building a house in Australia has barely moved, in real terms, in 30 years⁴. The cost of the land to put the house on however has increased between six and ten fold. This extraordinary increase is the consequence of giving urban planners carte blanche to do as they will.

It is very instructive to compare residential real estate prices in our capital cities - particularly Melbourne and Sydney, with prices in American cities such as Houston, Dallas and Atlanta. These American cities are already big with populations of over four million people and are rapidly growing. Houston for example, attracts 150,000 new arrivals and builds 40,000 new homes each year and the destruction of New Orleans by Hurricane Katrina will doubtless give those numbers an even bigger boost this coming year.

So, why should house prices matter? Because the price of housing profoundly impacts family life, the fertility rate, and the political character on the nation. Until the 1970s the cost of a new house on the urban fringe was approximately three times the annual median wage¹. At this price most Australians could afford to buy and eventually own their own home. The home ownership rate was typically 70 percent. Young couples could afford to begin families in their twenties and the size of families was typically 3 - 4 children or more.

Today many women without children are approaching 40 and are increasingly anxious about problems of infertility. When house prices are between eight and ten times the annual median wage, it takes two full-time salaries to keep

on top of an average mortgage, so having children is delayed until sometimes, tragically, it is too late. As has recently been observed, mortgage repayments have become the new contraceptive. If conservatives stand for anything, they should be deeply hostile to policies and doctrines which are destructive of family life and family formation.

Now that the word “conservative” has returned to Australian political life we should take the opportunity to start building a conservative framework and a conservative vocabulary which not only encompasses traditional morality, but which also provides an understanding of the policies which are causing so much damage to our society. The past half-century has seen unprecedented changes in technology and standards of living throughout the Western world.

At the same time, the burgeoning growth of government and its intrusion into civil society, the decline of individual responsibility, the decline of Christianity and the collapse of intellectual integrity throughout much of (government controlled) academia are developments which need to be challenged if Western civilisation is going to survive and prosper. Of all Australia’s key institutions – politics, business, the media, academia, the judiciary, the military and the church, only the military has emerged relatively untarnished by this deterioration in public confidence.

This is a huge political and cultural agenda for conservatives to tackle. It is therefore important to prioritise and choose some particular battlegrounds where we can win some decisive victories. Urban planning would be as good a place as any to start. Because our urban planners have seriously over reached themselves in their ambitions to command and control where and how we live, a conservative assault on the fortresses of urban planning would bring both great benefits to the nation and confidence amongst conservative ranks in waging battles in other theatres of the culture wars.

1 Housing Industry Association.

2 Housing Industry Association.

3 Demographia.

4 Housing Industry Association.

Bio

Bob Day is the national president of the Housing Industry Association and is the founder and convener of nationbuild.com



David Stevens argues that the Australian Government should complement its use of the corporations power in workplace reform with parallel tax reform to give flexibility to small businesses.

THE MISSING LINK: TAXATION REFORM AND WORKPLACE FLEXIBILITY

The Federal Government's workplace relations reforms are a long overdue policy prescription to providing greater workplace flexibility through removing the shackles imposed on otherwise productive workplaces.

The link between high productivity, high wages growth and high economic growth is well established. Australia's economic reforms of the past 20 years, such as financial sector deregulation, reduction in industry protection, free trade agreements, taxation reforms, competition policy and workplace relations reforms to date, have been intended to deliver, and have by and large provided, these desirable outcomes – albeit not necessarily consistently over the period.

This article will not examine whether the workplace relations reforms go far enough in freeing up the labour market. It goes without saying that they do represent an advance in engendering greater flexibility into the system.

The focus of this article will be on the "missing link" with the taxation system. Unlike the industrial relations system, where the Commonwealth is limited by the use of the Corporations power, the Commonwealth has almost unrestrained constitutional authority to act on taxation.

Therefore this article will explore how the taxation system could, and should, be used to energise the workplace relations measures with the explicit objective of achieving a high productivity environment for business and individuals alike. In particular, this article will look at the smaller, innovative and entrepreneurial sector of business that can deliver employment, wages and new business growth – in other words, the future growth engine of a productive economy.

The Challenge for Small Business

The current taxation system has many drawbacks and pitfalls for small business. These problems will be accentuated by the pressure the IR reforms will place on small businesses. This is because they will need to incorporate in order to avail themselves of the Commonwealth's less rigid and regulated labour market environment. Without incorporation (or residence in Victoria or a territory) these people will be left in the State regimes.

There has unquestionably been a move over time towards small business incorporation. Between 1992-93 and 2002-03, the number of private companies filing tax returns grew by 160,000 (35%) to around 620,000 (of which 79% are classified by the ATO as "micro" as they have net business income below \$2 million)¹.

This trend has been strengthened by the increase in the numbers of independent contractors – a major business development that was partially a response to inflexible and unrewarding labour environments. This occurrence has altered the traditional employer/employee relationship to a business to business one.

Between November 2001 and November 2004, the ABS² has recorded an 8.5% increase in the number of independent contractors ("owner managers") overall – with almost a 10% increase for incorporated owner managers - compared to less than 6% for other employees. Independent contractors, including small business owner operators, constitute at least 20% of the paid workforce.

These independent businesses, together with small family-oriented businesses have, however, generally drawn considerable negative attention by successive Governments' taxation policies, including personal services income rules, shareholder loan restrictions, deemed dividend rules, family trust election requirements, and trust loss measures.

At the very least, the Federal Government should repeal the personal services income tax laws that run completely counter to fostering greater workplace flexibility as they attempt to dictate and override the form and nature of ordinary contractual relationships.

independent businesses, together with small family-oriented businesses have generally drawn considerable negative attention by successive Governments' taxation policies

Consequences of Incorporation

Incorporation has the well-known benefits of (some) limited liability, and of a flat 30% tax rate. The 30% rate, when used in the context of the large gaps with the progressive (and high) personal marginal tax rates, can operate as a de facto maximum tax rate and allow income averaging, income splitting and/or personal tax arbitrage and deferral.

However, corporations also have a number of drawbacks for smaller family businesses, investors and service activities. Specifically they:

- can be restrictive and inflexible on shareholdings;
- are onerous on reporting obligations and annual fees;
- impose additional directors' liabilities;
- lack access to the capital gains discount;
- include shareholder loan restrictions (at least for tax purposes);
- have no capacity to flow through losses to shareholders; and
- recapture the value of tax concessions on distribution, such as exempt foreign source income, and depreciation or qualifying research and development activities.

In other words, they often do not provide the same financial and taxation flexibility that is available to unincorporated entities, for example, partnerships or trusts.

According to the ATO, in 2002-03 (the last available data) there were almost 1.6 million companies, trusts and partnerships filing tax returns³. This was equal to around 25% of the number of individuals who were salary- and wage-earners filing returns (6.5 million). The growth in numbers and income of the alternative entities is shown in the table below.

The most interesting development has been the shift in the number of taxpayers using partnerships or sole trading structures in favour of companies and trusts. Small enterprises dominate the number of companies (90% private of which 79% are classified as micro), partnerships (83% micro), and trusts (39% micro businesses and 58% nil business income).

GROWTH IN DIFFERENT ENTITIES FOR TAX PURPOSES (Period 1993-94 to 2002-03) ⁴		
	Number reporting	Income reported
Individuals – Salary & wages	12%	60%
Individuals – Net business income	4% ⁵	75%
Individuals – Distributions from trusts & partnerships	19% ⁶	53%
Partnerships – Net business income	-20%	48%
Trusts – Net business income	22%	114%
Companies – Net operating profit	41% ⁷	59%

IR Reform Flow-On Proposals

As the Federal Government has had to rely on the corporations power to achieve workplace flexibility - and therefore anyone wishing to avail themselves of this newfound flexibility will be forced to incorporate - then it should simultaneously ensure corporate taxation is also reformed to allow (smaller) businesses to retain the current business flexibility they enjoy while also utilising workplace flexibility.

Requiring existing unincorporated businesses to incorporate is also likely to give rise to capital gains tax and stamp duty consequences.

The United States provides us with a good example, upon which Australia could develop a sufficiently flexible, adaptable, low-cost corporate entity model for the tax system. It is called the sub-chapter 's' (for small business) corporation.

Essentially the sub-chapter 's' corporation has 'flow through' tax treatment like a partnership. It only operates with the consent of all shareholders and otherwise does not alter the legal rights or relationships of the members. Tax is paid at the shareholder rather than the company level. Other than preventing foreign shareholders or a limit of no more than 75 shareholders, there are no restrictions on who can

be a shareholder: for example, other companies, trusts, partnerships, individuals, or tax exempt entities. It can even operate its own wholly owned subsidiaries.

In the Australian context, the 'flow through' tax treatment could be based on a modified version of that applying to partnerships. It could allow losses, tax preferences, franking credits, CGT discounts etc to flow through the corporate entity to the members (be they shareholders of a traditional private company, beneficiaries of a trust, partners of a partnership or a sole trader individual) in an unchanged form from that earned or deducted. Therefore, income would not change its nature and would not be subject to tax at the entity level.

This new entity, which could be called a 'simple' company under the corporations law should allow different forms of business (or investment) to become 'simple' companies and therefore avail themselves of the new workplace relations regime and these taxation arrangements.

The mechanism could be either through an election based on retaining the existing entity form (as the US uses for a sub-chapter 's' corporate) or a special creation based on preserving their existing entity form.

if pursuit of a high productivity economy is Australia's objective then similar taxation rates to those available to companies should be made available to all other taxpayers

If States refused to recognise this entity they may need to be incorporated in a Territory under Commonwealth authority. However, the preferred approach should be designed so as to not constitute a transfer or disposal of business assets ownership - so as to avoid the imposition of capital gains tax

and stamp duty. Alternatively, roll-over provisions may be required.

The registration (either through election or creation) of this company should be free of charge, with no annual fee or return required. Any relevant business details would be captured under the existing Australian Business Number system (if they were registered) or picked up in current tax return filing requirements.

Alignment of Tax Rates

Finally, if pursuit of a high productivity economy is Australia's objective then similar taxation rates to those available to companies should be made available to all other taxpayers. This may not be fiscally possible overnight, but is feasible as a short-to-medium term goal.

A 30% maximum income tax rate on all income – earned directly or indirectly, through any entity form, such as individual, partnership, trust, company, or co-operative, would turbo-charge greater workplace flexibility and encourage both individuals and businesses to seek to maximise the advantages of the freer system to generate higher wages and profits, without subjecting themselves to the present incentive-sapping tax rates of up to almost 50%.

It should be the aim of the Government to adopt a more facilitative and compatible taxation regime to coincide with the more flexible and responsive industrial relations arrangements. This would also allow other taxation measures that have complicated the system and hampered flexibility and productivity at the contractor and small enterprise level (as outlined above) to be simultaneously repealed.

The removal of onerous, complex, restrictive, and unrealistic taxation rules that limit choice for small businesses would be a welcome bonus from this proposed course of action.

If Australia is to continue to build the foundations of a highly productive, entrepreneurial, innovative, risk-taking, business-creating, high wage, internationally competitive and sustainably prosperous society, we urgently require a flexible workplace relations environment and a supportive pro-enterprise taxation system.

This ‘missing link’ is crucial and without addressing it, the workplace relations reforms will be unable to deliver fully their desired outcomes for the nation.

- 1 Australian Taxation Office, Revenue Statistics 2002-03.
- 2 Australian Bureau of Statistics, Forms of Employment, Australia, Nov 2004.
- 3 Approximately 664,000 companies, 471,000 trusts and 451,000 partnerships.
- 4 ATO Taxation Statistics 2002-03.
- 5 Note: the number peaked in 1999-2000 before the ANTS tax cuts and fell 12% the following year.
- 6 Note: this increase was 300,000 and 2 million individual taxpayers (approx 20%) receive this form of income.
- 7 Based on 2001-02 figures to remove effect of Consolidations based taxation. The growth is due mainly to private companies, with the number of public companies falling by 45%.

Bio

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The views in this article are his own and should not be attributed to KPMG.



Greg Hunt revisits the Coalition's 2004 election claims of consistently lower interest rates, and finds that Labor's assertions of equivalent economic management simply don't add up.

INTEREST RATES UNDER THE COALITION: EXPLODING LABOR'S "MYTH"

Comparative History of Interest Rates

One of the most hotly disputed claims during the last federal election was the Prime Minister's statement that interest rates will always be lower under a Coalition Government. The Opposition alleged that this was an extravagant claim with no economic support.

Post-election analysis reveals that the question of interest rates was perhaps the most significant issue in determining people's votes. The question is whether the claim and subsequent popular endorsement were based on fact.

The simple answer is yes. Economic history shows that interest rates have in fact been dramatically lower under Coalition Governments since the Liberal party first assumed Government in 1949. The latest economic research, since confirmed by the Parliamentary Library, reveals that from 1949 to the current day, housing interest rates under Coalition Governments have averaged 6.6%. This compares with average housing rates under ALP Governments of 12.1%.

In short, over a period of 56 years of hard economic data, housing interest rates under ALP Governments have been an average of 5.5% higher than under Liberal/National Governments. Significantly, the research confirms that the same conclusion applies to the 33 years since 1972. It also applies to a comparison of the Hawke/Keating and Howard/Costello eras, with the greatest difference being relative interest rates between the Hawke/Keating and Howard/Costello periods of Government.

Since 1972, interest rates under the 16 years of Labor have been 12.1% compared with the average rate under the Coalition of 8.6%. This represents a gap of 3.5% between the interest rate under the Coalition and that under the ALP.

If one wants just to compare the Hawke/Keating and Howard/Costello eras, the average housing interest rate under Hawke and Keating was

12.7% compared with 7.1% under Howard. This represents a gap of 5.6% in interest paid by housing borrowers under John Howard and Peter Costello as opposed to their predecessors.

Of course there will be reasons given as to why these discrepancies exist. The argument will run that it is unfair to compare different historical eras with one another. That may be true to some extent. However each of the comparisons - Menzies/Fraser/Howard with Whitlam/Hawke/Keating; or exclusion of the Menzies era thereby comparing Fraser/Howard with Whitlam/Hawke/Keating; or even just the Howard versus Hawke/Keating comparison – comes out resoundingly in favour of the Coalition. This in turn presents a compelling case to exclude bad luck as a factor in Labor’s defence and reveals a pattern of differing economic competency.

What About Real Interest Rates?

One explanation that may be given in defence of the ALP is that high inflation has meant that real interest rates under the ALP might be equal to the Coalition. Again, this is false.

In the period since 1949, real interest rates, which effectively remove the cost of inflation, have been 1.5% under the Coalition and 4.9% under the ALP. In effect, once inflation is removed (and that is hardly grounds for boasting) interest rates have still been 3.4% cheaper on average under the Coalition. Even if the period of comparison is shortened to commence in 1972, the difference between real interest rates under the Coalition (2.5%) and the ALP (4.9%) still shows the cost of housing interest rates as being 2.4% cheaper under the Coalition.

As for a comparison of real interest rates under the Hawke/Keating and Howard/Costello eras the real interest rate average since March 1996 of 4.6% compares with real interest rates under the Hawke/Keating era of 7.1% or post-inflation rates of 2.5% lower under the Howard/Costello Government.

in the period since 1949, real interest rates, which effectively remove the cost of inflation, have been 1.5% under the Coalition and 4.9% under the ALP

Again, under each of the three scenarios, from 1949 until now, from 1972 until now and from 1983 until now, there has been a real interest rate difference of 3.4%, 2.4% and 2.5% in favour of the Coalition. While at the commencement of the research it was expected that nominal housing rates would be strongly in favour of the Coalition, the extent of the real interest rate gap was something of a surprise.

Rather than higher inflation rates under the ALP being an

explanation and an excuse for higher interest rates, they have in fact masked the extent of the gap between post-inflation or real interest rates.

In short, as the accompanying table shows, it is indisputable that interest rates have in fact always been lower under the Coalition.

INTEREST RATE COMPARISON OF COALITION vs ALP				
COALITION		ALP	% by which Coalition rates are less than ALP	
1949-2005	Housing Interest Rate	6.6%	12.1%	-5.5%
	Real Interest Rate	1.5%	4.9%	-3.4%
1972-2005	Housing Interest Rate	8.6%	12.1%	-3.5%
	Real Interest Rate	2.5%	4.9%	-2.4%
1983-2005	Housing Interest Rate	7.1%	12.7%	-5.6%
	Real Interest Rate	4.6%	7.1%	-2.5%

There is a fascinating footnote in relation to historical interest rates. If one compares the average interest rate of 6.6% under the Coalition since 1949, against every monthly interest rate under the ALP over that period, there is a remarkable conclusion. On no occasion, not for a single month, have interest rates under the ALP ever dropped below the average rates of the Coalition. The best result for the ALP was 7.0% when Gough Whitlam first inherited Government in December 1972. However, within 18 months interest rates had jumped by 3.38% to 10.38%.

Interest Rates, Unemployment and Inflation

There are only two possible answers as to why such pronounced and persistent differences in interest rates exist between the periods of Government under the Coalition and under the ALP: Either the Coalition is simply a better economic manager, or the ALP has very bad luck. Either way there is no good answer from the ALP’s perspective.

In reality, a combination of fiscal management, labour market reform and micro-economic reform, coupled with constraints on government debt have provided the basis for lower interest rates and generally superior economic performance in the areas which affect the lives of ordinary Australians: interest rates, inflation and unemployment.

Again, a comparison of inflation and unemployment rates across the three periods from 1949 until now, from 1972 until now and from 1983 until now shows that inflation has respectively been 1.9%, 0.6% and 2.8% lower under the relevant Coalition Governments than under ALP Governance.

Perhaps most significantly, unemployment over the same periods of comparison show that between 1949 and now unemployment has been 3.6% lower under the Coalition than under the ALP.

Since 1972 unemployment under the Fraser/Howard years has been 1.0% lower than under the Whitlam/Hawke/Keating years. Significantly, in the era of deregulation, unemployment under Howard and Costello has been 1.8% lower than under the immediately preceding Hawke and Keating Government as the following chart shows.

between 1949 and now unemployment has been 3.6% lower under the Coalition than under the ALP

A further study will examine questions of relative growth, relative fiscal debt or surplus and historic micro-economic reforms, but with the exception of one period of growth, a similar story also emerges, in favour of the Coalition.

Of course, as we see with the current debate over labour force deregulation, vigorous debate exists over the value of particular reforms, but there is a clear trend in terms of economic performance under the each of the periods and on each of the areas of comparative economic performance.

The True Record

As the two tables contained within this article show, that there can be little doubt that historically the economy has simply performed better under the Coalition. In practice, the real impact on people’s lives in terms of interest rates, unemployment and inflation has been profound.

In political terms there are also two lessons from this economic history. First, when John Howard claimed that interest rates would always be lower under the Coalition he was correct - with the weight of history behind him. Second, when the people accepted the Howard claim, history also shows that they were right to do so.

INFLATION AND UNEMPLOYMENT RATE COMPARISON OF COALITION vs ALP				
COALITION		ALP	% by which Coalition rates are less than ALP	
1949-2005	Inflation Rate	5.0%	6.9%	-1.9%
	Unemployment Rate	3.9%	7.5%	-3.6%
1972-2005	Inflation Rate	5.9%	6.9%	-0.6%
	Unemployment Rate	6.5%	7.5%	-1.0%
1983-2005	Inflation Rate	2.4%	5.2%	-2.8%
	Unemployment Rate	6.7%	8.5%	-1.8%

Bio
 Hon Greg Hunt MP is the Federal Member for Flinders and Parliamentary Secretary to the Minister for Environment and Heritage. Prior to entering Parliament he served as a Fulbright Scholar to Yale University, an Engagement Manager with McKinsey and Company and as the Director of Global Strategy at the World Economic Forum

The Editors of *the conservative* wish to thank Prime Minister Howard for launching the first edition at Parliament House in Canberra on 8 September 2005. Thanks also to our Patron, Senator Minchin, and our Editor, Senator Santoro, for addressing the large gathering.



Prime Minister, Hon. John Howard MP



Minister for Finance, Senator Hon. Nick Minchin



Minister for Ageing and *the conservative* Editor, Senator Hon. Santo Santoro

Excerpts from the Prime Minister's speech at the launch include:

"To all of my colleagues, ladies and gentlemen, I am truly delighted to have been asked to launch this publication. And the most important reason why I'm delighted to be involved in this launch is that this is the latest piece of field evidence that when it comes to debating the great issues and the ideas that will shape Australia for decades into the future there's only one party in town, this town, that's involved in the debate of ideas.

"The Liberal Party is a broad church. You sometimes have to get the builders in to put in the extra pew on both sides of the aisle to make sure that everybody is accommodated. But it is a broad church and we should never as members of the Liberal Party of Australia lose sight of the fact that we are the trustees of two great political traditions. We are, of course, the custodian of the classical liberal tradition within our society, Australian Liberals should revere the contribution of John Stuart Mill to political thought. We are also the custodians of the conservative tradition in our community. And if you look at the history of the Liberal Party it is at its best when it balances and blends those two traditions.

"We carry the Burkean tradition of conservatism within our ranks. We believe that if institutions have demonstrably failed they ought to be changed or reformed. But we don't believe in getting rid of institutions just for the sake of change. We need to be persuaded that they are failed institutions. We shouldn't rise to the clarion call of radical change just for its own sake.

"As Liberals we support and respect and promote the greatest institution in our society, and that is the family. There is no institution that provides more emotional support and reassurance to the individual than the family. There is no institution, incidentally, which is a more efficient deliverer of social welfare than a united, affectionate, functioning family. It's the best social welfare policy that mankind has ever devised.

"We may have a debate about the appropriate balance between the central government and the states, we may talk about centralism and federalism. But there is one thing that Australians should never tire of talking about and should never tire of identifying themselves with, and that is the cause of Australian nationalism.

"Ladies and gentlemen, I think this publication will make a huge contribution to the debate on ideas."

The full text of the Prime Minister's speech can be found at www.conservative.com.au

"Without the explicit teaching of values, so called 'critical thinking' represents little more than another fad in the educational food chain."

Brendan Nelson

"Most Australians are blissfully ignorant of the constitutional arrangements that have influenced the rights and responsibilities we enjoy today."

Gerry Wheeler

"At its heart, the idea of vouchers is entirely democratic and equitable."

John Phelan