“The World is Ruled by Little Else”: Australian Neo-liberal Think Tanks During the Howard Years

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Abstract

This thesis examines the manner in which those affiliated with Australia's neo-liberal think tanks critiqued the broadly pro-free-market Government led by John Howard between 1996 and 2007. It comments upon the work of three privately funded groups – the Sydney-based Centre for Independent Studies (CIS), the Institute of Public Affairs (IPA), which has its headquarters in Melbourne, and the H.R. Nicholls Society, a discussion group focused on industrial relations reform. This thesis examines neo-liberal views and debates on the role of markets, the state and civil society during the Howard years, and questions how neo-liberals have viewed their own successes and failures. In short, this thesis asks: how did Australian neo-liberals understand, develop and affirm their own identity during the Howard years?

It is argued that Australian neo-liberals have a surprisingly mixed attitude regarding their own successes. Their celebration of the enormous political progress that has been made from a free-market perspective since the end of the Cold War is tempered by a recognition of the intractable nature of the problems they associate with the continued growth in the size of government. Notably, the political and policy challenges of the Howard years caused Australian neo-liberals to reconsider the extent to which, on the one hand, free-markets develop of their own volition, and, on the other, the extent to which a liberal society rests on fragile foundations and requires organised, ideological and even interventionist defence.

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Lastly, my thanks go to Susie for her love and wisdom. Life would be worth nought without you.

Introduction

"Economics are the method; the object is to change the heart and soul" – Margaret Thatcher, May 1979.[1]

This thesis examines the nature of neo-liberalism in Australia by considering the work of key Australian-based neo-liberal think tanks during the Howard Government's tenure (1996-2007). These think tanks (specifically, the Institute of Public Affairs (IPA), the Centre for Independent Studies (CIS) and the H.R. Nicholls Society) have published a substantial but accessible array of journals, papers, monographs and books that, along with a series of interviews, form the primary source base for this study.[2] At times, the work of other neo-liberal think tanks, groups and individuals is also drawn upon.

Rather than examining the causative policy impact of think tanks, this thesis seeks to convey the complexity and diversity of neo-liberal identity in Australia. In short, the ideas and debates generated by neo-liberal think tanks are regarded as worthy of study in their own right. The choice of the Howard years as a focus of attention is deliberate. The existing literature on the Howard years often emphasises the strong influence of neo-liberal ideas and groups upon the Government's policy agenda. While it may be possible to uncover evidence of this influence, the focus of this thesis lies elsewhere. Specifically, this study concentrates upon the mixed attitude of neo-liberals regarding the policy outcomes of Howard's Government.[3] It is asked: what does the ambivalence of neo-liberals towards the Howard Government tell us about contemporary free-market ideology[4] and identity?

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[1] 'Mrs Thatcher: The First Two Years', *The Sunday Times,* 3 May 1981, http://www.margaretthacher.org/document/104475, accessed 4 February 2011.

[2] Dieter Plehwe argues that "the Mont Pèlerin Society and related networks of neoliberal partisan think tanks can serve as a directory of organised neoliberalism because it is part of a rather novel structure of intellectual discourse. It has been designed to advance and integrate various types of specialised knowledge within and across the confines of philosophy, academic research in economics, history, sociology, and applied policy knowledge in its various forms": Dieter Plehwe, 'Introduction' in Philip Mirowski & Dieter Plehwe (eds.), *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*, Harvard University Press, Cambridge, 2009, pp. 2-3.

[3] References are made throughout this thesis to 'neo-liberal intellectuals'. Unless otherwise indicated such references relate to the subject of this thesis - intellectuals employed by neo-liberal think tanks - rather than neo-liberal intellectuals more broadly.

[4] The word 'ideology' is not used in this thesis in a pejorative sense. Rather it is simply used to refer to "a system of ideas and ideals" that tend to form "the basis of economic

The history of neo-liberalism in Australia did not begin and end with the Howard Government. Previous Labor governments (particularly those led by Paul Keating and Bob Hawke) played a very significant role in liberalising the Australian economy. However, by examining the debates that occurred within neo-liberal think tanks during the Howard years this thesis will throw light upon the nature of the relationship between free-market advocates and centre-right governments. This relationship, it is argued, does not simply manifest the often-noted 'gap' between ideological advocacy and political practice, but more broadly highlights some of the key tensions that inhere within neo-liberalism itself.[5]

Think tanks such as the Centre for Independent Studies were not short of criticisms of the reigning Liberal-National Coalition that Howard led, nor where they shy in expressing their views publicly. Specifically, this thesis argues that the challenges and contradictions of the Howard years caused Australian neo-liberals to re-consider the perennial question of the extent to which, on the one hand, free markets develop of their own logic, and, on the other, the extent to which a liberal society is dependent upon fragile cultural and political foundations that call for an organised, ideological and even interventionist approach. While the implications of the Hawke/Keating era for politics and society have been explored in detail elsewhere,[6] the meaning of the Howard Government as part of the broader story of neo-liberalism has yet to be considered from a detailed and historically-minded perspective.

Following on from this argument, this thesis demonstrates that though neo-liberalism is an ideology with global origins and reach, and therefore must be studied and understood in this context, the debates that have occurred within the free-market think tanks in question have been inflected by local and national considerations. In attempting to

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and political" theories and polices: Oxford Dictionary Online, http://oxforddictionaries.com/definition/ideology, accessed 12 June 2012.

[5] Plehwe observes that "much like welfare state capitalism during the postwar era of Fordism, hegemonic neoliberalism needs to be thought of as plural in terms of both political philosophy and political practice… the need is to explore the numerous and sometimes confusing ways in which neoliberal ideas have been historically related to each other, to social classes, and to political and economic regimes": Plehwe, 'Introduction', pp. 2-3.

[6] See, for example, Andrew Charlton, *Ozonomics: Inside the Myth of Australia's Economic Superheros*, Random House, North Sydney, 2007; Paul Kelly, *The End of Certainty: The Story of the 1990s*, Allen & Unwin, St Leonards, 1992.

resolve some of the tensions that are inherent in their ideology, neo-liberals have often been responding to domestic political developments.

A history of ideas that focuses on the work of privately funded neo-liberal think tanks has not been written in Australia. Existing scholarship in this area (largely the work of political scientists or economists) has mostly focused on the influence of various think tanks in bringing about economic or public policy changes,[7] the institutional structures or power dynamics of these groups,[8] or the political and institutional processes by which significant economic changes (such as the floating of the Australian dollar) have been brought about.[9] No major study has been written attempting to situate neo-liberalism in Australia within a broader history of political thought.

This thesis thus offers new insights into the history of neo-liberal ideology in Australia. By re-interpreting existing literature on think tanks and neo-liberalism from a historical perspective, this study provides an original contribution to the body of scholarship on Australian intellectual history. By closely examining the primary literature produced by neo-liberal think tanks and how the ideas and arguments contained in this literature addressed the political and policy developments of the Howard years, this thesis will develop an intellectual history of neo-liberal thought that moves beyond simply interrogating the power and influence of such bodies.

This study remains firmly grounded in the methodologies of political and intellectual history, in particular the approach of intellectual historian Quentin Skinner of seeking to understand the intended meaning of words, arguments and ideas by considering the

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[7] See Sharon Beder, 'The Intellectual Sorcery of Think Tanks', *Arena Magazine,* No. 41, June-July 1999, pp. 30-32; Damien Cahill & Sharon Beder, 'Neo-liberal Think Tanks and Neo-liberal Restructuring: Learning the Lessons from Project Victoria and the Privatisation of Victoria's Electricity Industry', *Social Alternatives*, Vol. 24(1), 2005, pp. 43-48; Jerry Courvisanos & Alex Millmow, 'How Milton Friedman Came to Australia: A Case Study of Class-Based Political Business Cycles', *Journal of Australian Political Economy*, No. 57, 2006, pp. 112-136.

[8] See, for example, Ian Marsh, *The Development and Impact of Australia's "Think tanks"*, Centre for Economic Development Australia, Melbourne & Sydney, 1995.

[9] See, for example, Gregory McCarthy & David Taylor, 'The Politics of the Float: Paul Keating and the Deregulation of the Australian Exchange Rate', *Australian Journal of Politics and History*, Vol. 41(2), 1995, pp. 219-238; and Pusey's seminal study on the commitment of Australian public servants to free-market agendas: Michael Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes Its Mind*, Cambridge University Press, Melbourne, 1991.

wider context within which they sit.[10] Looking beyond the political influence of groups such as think tanks, it is clear that ideas are crucial to the study of the free market in that that they have intimately shaped the lived reality of those at the centre of debates about the nature and prospects of neo-liberalism. As John Maynard Keynes stated in a passage often cited by neo-liberals: "the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else".[11] Though conscious of the significance of political and economic events and, at times, sceptical about their own influence, neo-liberals (like other ideological activists) cling to the power of ideas.

As will already be readily apparent to the reader, this thesis makes frequent use of heavily contested terms largely derived from the world of political science. One of the great challenges the historian faces is to examine political, ideological or social groupings, along with the changes that shape them, in a manner that is cognizant of their diversity and complexity. The significance of groupings and commonalities needs to be illuminated without paying the price of superficiality or banality. With this challenge in mind, this thesis makes use of key contested terms only where they reveal more than they conceal, and provides clear, concise definitions.

No term used in this thesis is more heavily contested than 'neo-liberalism'. Neo-liberalism is a complex school of thought that draws on a number of philosophical traditions. Broadly, however, neo-liberalism is a philosophy that champions the economic and moral benefits of free markets and a strong (clearly defined and carefully defended) but minimal state. Liberalism more generally is a philosophy focused on individual autonomy and liberty. In contrast to some branches of liberal thought, neo-liberals focus particularly on systems of voluntary market exchange and tend to define liberty as freedom from restraint (as opposed to a positive right).

'Neo-liberalism' was originally deployed as a self-descriptor. As political scientist Andrew Gamble suggests:

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[10] See Quentin Skinner, 'Meaning and Understanding in the History of Ideas', *History and Theory*, Vol. 8(1), 1969, pp. 3-53.

[11] John Maynard Keynes, *The General theory of employment, interest and money*, Macmillan, London, 1936, p. 383.

> The term was first used in the 1930s by the German economist, Alexander Rüstow, to describe the new currents of liberal thought which were hostile to the forms of statism and collectivism which have been so dominant in the first half of the twentieth century… and sought a new form of political economy which would give priority to market rather than bureaucratic or hierarchical means of ordering the economy, within a framework of law.[12]

Contemporary free-market advocates often view the term 'neo-liberal' as one of abuse.[13] Oliver Marc Hartwich of the CIS argues that the ideas advanced by Rüstow and embraced by other thinkers were really "an attempt to formulate an anti-capitalist [opposed to the earlier 'Manchester' school of free-market liberalism], anti-communist, but half-socialist third way".[14] Indeed, he appears to find the early neo-liberals to be too illiberal.[15] Hartwich's key point, however, is that contemporary critics of neo-liberalism overlook its historical richness for the sake of political polemic.

Andrew Norton (formerly of the CIS) summarised think tank objections to the use of 'neo-liberal' neatly in a 2001 essay in *Quadrant* arguing that, "using 'neoliberal' is code for 'I am a left-winger who does not like markets'. It is a leftist version of the secret handshake; a signal that the reader is with fellow travellers".[16] Essentially Norton argues that the term 'economic rationalism' is a better fit when analysing the free-market right as "'economic rationalism' caught on as a term used by economic rationalist themselves".[17]

Unsurprisingly, however, any term (including 'economic rationalism')[18] used in such an ideologically charged area of debate attracts both supporters and detractors. Simply

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[12] Andrew Gamble, 'Two Faces of Neo-Liberalism', in Richard Robinson (ed.), *The Neo-Liberal Revolution*, Palgrave MacMillan, Houdmills & New York, 2006, p. 21. See also John F. Henry, 'The Historic Roots of the Neoliberal Program', *Journal of Economic Issues*, Vol. 44(2), June 2010, p. 548.

[13] See Gamble, 'Two Faces of Neo-Liberalism', p. 21. For contemporary free-market criticism of the use of the term 'neo-liberalism' see, in particular, Oliver Marc Hartwich, *Neoliberalism: the genesis of a political swearword,* Centre for Independent Studies, Occasional Paper No. 114, Sydney, 2009; Andrew Norton, 'What's in a name? Brand confusion muddles writing on think-tanks', *On Line Opinion,* 26 August 2003, http://www.onlineopinion.com.au/view.asp?article=646, accessed 17 June 2012.

[14] Hartwich, *Neoliberalism*, p. 20.

[15] Hartwich, *Neoliberalism*, p. 23.

[16] See Andrew Norton, 'Naming the Right', *Quadrant,* Vol. 45(12), December 2001, p. 65.

[17] Norton, 'Naming the Right', p. 62.

[18] Patrick Morgan, 'The Anti-Business Mentality', *IPA Review,* Vol. 51(3), September 1999, p. 16.

because a term has been adopted more frequently than others by some proponents of free-market thought does not mean it offers the best fit for succinctly describing their views. Further, because 'neo-liberals' such as Rüstow may have held views that differ from those of contemporary free-market advocates, it does not follow that the term 'neo-liberalism' is defunct.[19] Rather than forestalling scholarship, the fact that schools of ideological thought and associated labels evolve over time merely serves as a reminder of the need for both clear definitions and an awareness of the complexities of political and intellectual movements.

Why, then, is 'neo-liberalism' a useful label for the historian? Firstly, the term references the historical traditions associated with liberal thought that incorporate a broad ethical worldview (emphasising, for example, the significance of non-government associations). In other words, neo-liberalism is about more than simply free-market economics. Norton has noted that one of the common problems in interpreting 'economic rationalism' in Australia "is that in the focus on economic policy the significance of the broader intellectual and political concerns of economic rationalists is being missed".[20] Unlike other terms, 'neo-liberalism' points to the wider context.

Secondly, 'neo-liberalism' clearly draws attention to the relevance of the contemporary context within which free markets operate. Norton argues that there is nothing new about neo-liberalism. Certainly what are commonly referred to as the 'classical liberal' ideas associated with its philosophy (drawing on Locke, Adam Smith and others) are centuries old.[21] But the 'neo' in neo-liberalism points to the changed context within which these ideas of freedom from government restraint have been applied – specifically, the way in which figures on the political right targeted, from the 1970s onwards, what they believed was the rise of a new left-leaning class (thought to be employed by or reliant upon the state); and were empowered by the rise of global financial markets and the collapse of communism. Peter Saunders of the CIS, while

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[19] On the error of concluding that difference and disagreement within the school of 'neo-liberalism' invalidates the use of the label see Philip Mirowski, 'Defining Neoliberalism', in Philip Mirowski & Dieter Plehwe (eds.), *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*, Harvard University Press, Cambridge, 2009, p. 418.

[20] See Andrew Norton, 'Revitalising Civil Society: The Theme of Recent Australian Liberal Thought', Unpublished paper for the Centre for Independent Studies, Date unknown, copy supplied by Norton to the author, p. 3.

[21] See Norton, 'Naming the Right', p. 64.

noting the tendency for 'neo-liberalism' to be used as a term of abuse in Australia, has stated that it is quite apt as a descriptor of "the dusting down and reworking of classical 18th and 19th century liberal principles, stripping away the statist wrong-turn of the 20th century".[22]

At times throughout this thesis the term 'free market' may appear to be used in conjunction or interchangeably with 'neo-liberal'. Given the centrality of free-market ideas to neo-liberals, this usage is both logical and convenient. It is not intended, however, to imply that 'neo-liberalism' consists solely of free-market thought – rather the diversity of both free-market ideas and neo-liberalism itself is a pervasive theme in this thesis. While all neo-liberals adhere to a belief in the value of the free market, free-market thought itself is diverse and, at times, can encompass ideas (such as those associated with 'social market' ideology) that appear to conflict with neo-liberal positions.[23] The use of 'free market' in this thesis thus points to the need to position neo-liberal ideas within broader debates on the role of markets and the state.

The term 'New Right' is also used throughout this thesis. This usage is a reflection of the adoption of this term in a number of British, American and Australian studies of free-market thought. Given this study's preference for the term 'neo-liberal', the use of 'New Right' is largely confined to references to the historical moment in the 1970s and 1980s when scholars began to notice the re-emerging political influence of free-market thinkers.[24]

'Neo-conservative' is yet another contested term used in this thesis. This term is used (particularly in the United States) to describe those who are generally supportive of the

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[22] Personal correspondence between Andrew Thackrah and Peter Saunders, 28 June 2010. The term 'neo-liberal' was also adopted as a self-descriptor at a famous meeting of European free-market thinkers that included Friedrich von Hayek in 1938: Henry, 'The Historic Roots of the Neoliberal Program', p. 547.

[23] The embrace by Prime Minister Paul Keating of compulsory superannuation policies was clearly driven by a faith in free (or, at least, 'freer' markets) and their ability to achieve social equality. Compulsory superannuation, however, clearly does not sit easily alongside neo-liberals' belief in minimising state regulation of individual behaviour. See David Love, *Unfinished Business: Paul Keating's interrupted revolution,* Scribe, Melbourne, 2008.

[24] In Australia this time saw the emergence of the Centre for Independent Studies and the H.R. Nicholls Society, yet the term 'New Right' has also been used to refer to other developments (such as the rising national influence of Queensland Premier Joh Bjelke-Petersen) that were more loosely influenced by neo-liberal thought.

free market but combine this position with a strong advocacy of socially conservative positions and, commonly, a value driven, militarily interventionist foreign policy. As Francis Fukuyama suggests, strictly speaking, 'neo-conservatism' refers to a particular stance within American foreign policy and has limited wider utility.[25] The term also needs to be understood in the American context where 'conservatives' stand opposed to the economic interventionism of 'liberals'. Following scholars such as Robert Manne, the term is largely used in this thesis with the former, wider meaning in mind. The relevance, however, of neo-conservative thinking more narrowly defined (particularly in relation to the occurrence of the War in Iraq) is also discussed and clearly sign-posted.

Lastly, this thesis focuses upon a number of organisations that are commonly labelled as 'think tanks'. While a detailed discussion of the different types and functions of think tanks follows, it is possible to define this key term from the outset. Diane Stone, a leading scholar of think tanks, notes that the Anglo-American understanding of the term usually attaches to "relatively autonomous organizations engaged in the analysis of policy issues independently of government, political parties and pressure groups".[26] She explains that, "it is a 'relative autonomy', as think tanks are often in resource-dependent relationships with these organisations", yet "they try to influence or inform policy through intellectual argument and analysis of policy issues rather than direct lobbying".[27]

Stone's definition of 'think tanks' is adopted in this thesis. It encompasses all of the main groups considered in this study.[28] This definition also enables a distinction to be made between the work of think tanks (focused on influencing policy with a distinct ideological focus) and groups such as the Liberal Party run Menzies Research Centre or the Sydney Institute. The latter, while run by an individual with free-market sympathies, "has no agenda beyond supporting debate and discussion".[29] As this thesis reveals, the

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[25] Francis Fukuyama, *America at the Crossroads: Democracy, Power and the Neoconservative Legacy,* Yale University Press, New Haven & London, 2006.
[26] Diane Stone, 'Introduction: think tanks, policy advice and governance', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas,* Manchester University Press, Manchester, 2004, pp. 2-3.
[27] Stone, 'Introduction', p. 3.
[28] Such a definition could arguably include the H.R. Nicholls Society, which given its minimal research output (limited almost entirely to the publishing of annual proceedings) is often regarded as not strictly constituting a 'think tank'.
[29] See http://www.thesydneyinstitute.com.au, accessed 13 April 2011.

study of think tanks that have a defined neo-liberal stance offers an ideal 'way in' to a wider consideration of the nature of neo-liberalism during the Howard era.

This study adopts a thematic structure. It begins by providing an overview of several relevant fields of secondary literature. The first chapter examines both the global and Australian literature focused upon the concept of 'neo-liberalism'. Particular attention is paid to the need to distinguish between neo-liberal theory and the manner in which free-market ideas have been implemented in political practice. The limitations of the existing Australian literature are also highlighted - in particular, the reality that a detailed study has yet to be completed focusing upon the manner in which neo-liberals have responded to the policies adopted by centre-right governments such as that led by John Howard.

The second chapter of this thesis examines the literature on 'think tanks', focusing, in particular, on those that have adopted a neo-liberal perspective. In contrast to the conclusions of some existing studies, it is suggested that the relationship between think tank financiers, the bodies they support and particular policy outcomes reveal a complexity that belies the assumption of direct relationships of influence. Think tanks, it is argued, form part of an 'epistemic' intellectual community that can advance radical ideas with the potential to challenge their own constituency. As political scientist Diane Stone explains: "an epistemic community is made up of a network of specialists from a variety of positions who share a common world view and seek to translate their beliefs into public policies and programs".[30]

While other organisations (such as the Business Council of Australia or the policy and business-focused Committee for Economic Development of Australia) have, over time, helped advance free-market causes, it is independent think tanks such as the IPA and the CIS that have explicitly set out to champion neo-liberalism without the distraction of other goals or requirements. The chapter concludes by providing a narrative history of these think tanks.

The third chapter goes to the heart of the neo-liberal belief system, considering the way in which neo-liberals have conceptualised the role of market mechanisms. The

[30] Diane Stone, *Capturing the Political Imagination: Think Tanks and the Policy Process*, Frank Cass, London, 1996, p. 3.

dynamic, entrepreneur-based variant of free-market capitalism supported by neo-liberals is outlined and the differences with business that this paradigm can generate are explored. While a faith in the power of free markets is foundational in neo-liberal thought, it is also a source of ideological tension. This chapter sets out how neo-liberals tend to emphasise the inevitable, evolutionary nature of free markets, yet also endorse a radical political program that requires the reshaping of society. As Thatcher noted, a free-market outlook, far from constituting a bland economic position, in fact calls for a transformation of both the heart and soul.[31] The chapter concludes by outlining some of the key differences between the perspectives of neo-liberal think tanks in Australia and that of the Howard Government.

The fourth chapter of this thesis examines the views adopted by neo-liberals regarding the role of the state.[32] The minimal-nightwatchman model of the state that most neo-liberals aspire to is detailed. It is argued, however, that the state occupies a contested position in neo-liberal thought. Ironically, advocates of the free market commonly recognise that a strong and interventionist state may be required to bring about a more liberal society. During the Howard years this tension arose in a number of controversial policy areas leading to debate within Australia's neo-liberal think tanks. In particular, in the area of social policy, differences are apparent between socially conservative and libertarian free-market advocates. Such differences, it is suggested, are a symptom of neo-liberal doubts about whether free markets develop of their own accord.

The fifth and penultimate chapter of this thesis addresses neo-liberal views regarding the health and role of civil society. It is suggested that neo-liberal concerns in this area arise directly from their consideration of the pervasive nature of state intervention and the power of vested interests. How can a liberal society develop and be preserved, they ask, given current and historical illiberal tendencies? In particular, can a truly free civil society emerge from the ashes of state-centrism? Focusing, in particular, upon the IPA's efforts to regulate non-government organisations, it is suggested that neo-liberals retain an ambivalent attitude towards civil society – embracing its potential to incubate values outside of the state, but wary of its ability to undermine the fragile cultural foundations of freedom.

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[31] 'Mrs Thatcher: The First Two Years'.
[32] In this thesis the term 'state' generally tends to be used to refer to organised political units, while 'government' pertains to more specific political administrations.

The sixth chapter concludes this thesis by summarising its major arguments and making some key observations about the self-identity of Australia's neo-liberal think tanks. The views of significant think tank players regarding their role and the extent to which progress has been made for their cause are explored. It is argued that the considerable uncertainties neo-liberals display regarding the future prospects of free markets are symptomatic of a conflicted relationship with modernity itself. Wracked by uncertainty regarding the social and cultural foundations of markets and, ironically, the appropriate role of the state, neo-liberals find themselves decidedly uncomfortable in the modern, western world.

Chapter One: At Home and Abroad: Reviewing the Literature on Neo-liberalism

Introduction

In a lecture delivered at the London School of Economics in 1995, the late British political economist Susan Strange feared for the health of the state.[1] She stated that

> the political choices open to governments these days have been so constricted by those forces of structural change often referred to as 'globalization' that the differences that used to distinguish government policies from opposition policies are in [the] process of disappearing.[2]

For Strange, processes of 'globalization', such as the weakening of national systems regulating finance, had destroyed the state's ability to perform basic functions.[3]

Writing two years later, political scientist Stephen Bell claimed that

> in Australia's case, a heavily traded currency, a weak economic structure and associated current account and debt exposure, as well as small size, leave us highly vulnerable to neoliberal pressures at the *macroeconomic* level [Bell's emphasis].[4]

Yet Bell went on to reject what he described as the "neoliberal policy convergence"[5] argument – the notion that global economic forces inevitably cause the policy options of state political players to converge upon a certain point. In Bell's opinion, while Australia would "be stuck with neoliberalism for some time yet", the state still possessed real power and significant policy change

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[1] Susan Strange, 'The Limits of Politics', *Government and Opposition*, Vol. 30(3), 1995, pp. 291-311.
[2] Strange, 'The Limits of Politics', p. 291.
[3] Strange, 'The Limits of Politics', p. 291.
[4] Stephen Bell, *Ungoverning the Economy: The Political Economy of Australian Economic Policy*, Oxford University Press, Melbourne, 1997, p. 276.
[5] Bell, *Ungoverning the Economy*, p. 276.

would be possible.[6] In 2001, the French sociologist Alain Touraine went a step further, noting that "the assertion that an essentially liberal world society is being created and that it is impervious to national political interventions, is purely ideological".[7] In Touraine's opinion not only did the state have real power and policy options but political leaders were searching for alternatives "beyond neoliberalism".[8]

The contributions of Strange, Bell and Touraine highlight an elusive quality found within the literature on neo-liberalism. At one moment the political, economic and social triumph of neo-liberalism appears inevitable – sweeping all before it, including the traditional roles and powers of the state. At other times it is maintained that the state remains strong while political leaders look to move beyond neo-liberalism with its apparently limited levels of popular support.[9]

This elusive quality points to the need to consider neo-liberalism in all its complexity and recognise, in particular, the difference between neo-liberal theory and the free-market political practice. The distinctive approaches that scholars have adopted towards neo-liberalism also need to be acknowledged in order to critique their explanatory power. The distinct (though not mutually exclusive) notions of neo-liberalism as an (in some versions, inevitable) product of technological determination; as an ideological product of a political and intellectual movement; and lastly, as a class project are all outlined below.

This chapter constitutes a review of the literature that has addressed the ideology of neo-liberalism, focusing both on key works that have reflected upon the trans-national and globalised nature of this ideology and those that have discussed its Australian manifestations. This chapter largely focuses upon accounts by critics

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[6] Bell, *Ungoverning the Economy*, p. 279.
[7] Alain Touraine, *Beyond Neoliberalism*, Polity Press, Malden (USA), 2001, p. 6.
[8] Touraine, *Beyond Neoliberalism*.
[9] Touraine, for example, acknowledges that, "unfortunately, some countries, and especially France, have to resolve two very different problems at the same time. They must get away from neoliberalism at a time when they have scarcely set foot in it": Touraine, *Beyond Neoliberalism*, p. 20.

of free-market ideology – discussion of more fervently neo-liberal studies occurs throughout later chapters that address neo-liberals' self-understanding.

This chapter will argue that the general body of literature on neo-liberalism has largely been written in the context of what authors have viewed as the broad political ascendency of free-market policies. While the political successes of neo-liberalism (including in Australia) are not disputed in this thesis, it is emphasised that scholars and commentators have rarely reflected on the way in which neo-liberal thinkers have themselves responded to the apparent tension between free-market ideology and practice.

Further, this chapter will suggest that many of the disagreements in the literature on neo-liberalism (such as that between Bell and Strange) result from a failure to distinguish between ideology and political practice, and to think through the significance of this distinction. In contrast to some of the more recent literature on free-market capitalism,[10] this thesis will not only explicitly acknowledge this distinction but go on to explore how neo-liberal thinkers have responded to the often contradictory manner in which their political ideas have been implemented.

This chapter begins by reviewing the literature that has examined the thought and politics of two of the twentieth century's leading proponents of free-market policies: Margaret Thatcher and Ronald Reagan.[11] By starting with an analysis of this body of literature the tensions between neo-liberal ideology and practice will be immediately highlighted. It will be argued that the literature on Thatcher and Reagan has addressed some of the key tensions that arise both in the broader work on neo-liberalism and contributions focused more specifically on the Australian context. The key tension between the anti-state rhetoric of neo-liberalism and its actual political reliance upon government is highlighted.

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[10] See, for example, Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, Allen Lane, Camberwell, 2007.

[11] Greater attention is paid in this section to the literature on Margaret Thatcher, given the centrality of the arguments advanced by the likes of geographer David Harvey and political scientist Andrew Gamble to the rest of this thesis.

The chapter then moves on to analyse the wider body of literature on the nature of neo-liberalism. This literature includes academic works that have debated how best to define this ideology in the context of the realities of how free-market policies have been implemented throughout the world. It will be suggested that this literature comments more broadly on some of the tensions discussed in works on Reagan and Thatcher.

Lastly, this chapter will review academic works that have discussed neo-liberalism in the Australian context. This literature again addresses the key tension between neo-liberalism as ideology and in practice. It will be suggested, however, that an extensive study of how Australian neo-liberals have responded intellectually to the manner in which this tension became increasingly apparent during the period of the Howard Government has yet to be conducted.

Thatcher and Reagan: debating the political realities of neo-liberalism

In 2007 the political scientist Colin Hay suggested that:

> The term Thatcherism has largely disappeared from the lexicon of British political analysis because it has given rise to so much controversy and dispute that the combatants in the Thatcherism debates have simply shouted themselves hoarse.[12]

Despite Hay's assertion, studies of Thatcher and Thatcherism continue to roll off the presses.[13]

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[12] Colin Hay, 'Whatever Happened to Thatcherism?', *Political Studies Review*, Vol. 5(2), 2007, p. 199.

[13] Some of the more prominent contributions include Simon Jenkins, 'Thatcher's Legacy', *Political Studies Review*, Vol. 5(2), 2007, pp. 161-171; James Thomas, '"Bound in by History": The Winter of Discontent in British Politics, 1979-2004', *Media, Culture & Society*, Vol. 29(2), 2007, pp. 263-283; Simon Jenkins, *Thatcher and Sons: A Revolution in Three Acts*, Allen Lane, London, 2006; Robert Rowthorn, 'The Thatcher Revolution', in Peter Groenewegen (ed.), *Australian Economic Policy, Theory and History: R.C. Mills Memorial Lectures 1958-2003*, Faculty of Economics and Business, The University of Sydney, Sydney, 2005; E.H.H. Green, 'Thatcherism: An Historical Perspective', *Transactions of the Royal Historical Society,* 6th Series, Vol. 9, 1999, pp. 17-42.

This chapter does not attempt to discuss the whole of the vast body of literature covering Thatcher or Thatcherism. Rather, the key texts that have studied the social, political and economic significance of Margaret Thatcher's term as Prime Minister of the United Kingdom (1979-1990) are singled out. Some of the literature examining the presidency of Thatcher's ideological and political ally, United States President Ronald Reagan (1981-1989), is also discussed.

Political scientist Andrew Gamble has noted that there are those who criticise the use of the term 'Thatcherism',

> firstly because it directs attention to what is trivial and relatively unimportant, and secondly because it attributes to the actions and ideas of the Thatcher Government a degree of coherence and purpose that does not exist.[14]

Gamble's broad categorisation of those who do or do not view 'Thatcherism' as a helpful political or historical category of analysis can also be applied to those who have studied Reagan and his milieu. Authors and commentators have placed a different emphasis on the extent to which a focus on the politics and personalities of Reagan and Thatcher is helpful when examining extensive and complex economic, social and political changes.

According to Gamble, a number of individuals from the left of the political spectrum (such as veteran Labour politician Tony Benn) have fallen into the first category of critics as they have questioned the emphasis on the need to politically oppose Thatcher rather than the interests of capitalism that they claim the British Conservative Party has consistently represented.[15] To Benn could be added Phillip Armstrong, Andrew Glyn and John Harrison who, in their 1984 book *Capitalism Since World War II*, discussed Reagan and Thatcher's policies, yet

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[14] Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism*, MacMillian Education Ltd, London, 1988, p. 21.
[15] Gamble, *The Free Economy and the Strong State*, p. 21.

concluded that a focus on the logic of capitalism reveals a significant degree of consistency in the post-war economic picture.[16]

More recently David Harvey, in his *Brief History of Neoliberalism,* chose to discuss the rule of Thatcher and Reagan in the context of a "political project [developed in response to the economic troubles of the 1970s] concerned both to re-establish the conditions for capital accumulation and the restoration of class power".[17] For Harvey, the history of Thatcher and Reagan's time in power is subsumed within a broader narrative of neo-liberalism as a "reconstruction of the power of economic elites" that was not unique to Britain or the United States.[18] Elsewhere, Harvey has noted that the economic policies of Thatcher and Reagan were first tested in countries such as Chile.[19] In the narratives of authors such as Armstrong, Glyn, Harrison and Harvey, leading neo-liberal political figures are seen as significantly structured by (as well as shaping) the world around them.

As Gamble indicates, a second category of authors is sceptical about the use of the term 'Thatcherism' "because they doubt that the Thatcher Government set out to pursue clear and consistent ideological objectives, and they think that even if it had it would never have achieved them".[20] The theme of inconsistency and incoherency pervades the literature focused on Thatcher and Reagan, challenging those who argue that these two individuals can be characterised as fitting within a particular ideological or political tradition. For example, scholars have pointed to Reagan's inability to put into practice his promise of smaller government, and in particular his expansion of defence spending and unwillingness to scrap some non-means tested social welfare payments.[21]

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[16] See Philip Armstrong, Andrew Glyn, John Harrison, *The Making and Breakup of the Boom*, Fontana Paperbacks, London, 1984, p. 449.
[17] David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, Oxford & New York, 2005, p. 19.
[18] Harvey, *A Brief History*, p. 19.
[19] David Harvey, 'Neo-Liberalism as Creative Destruction', *Geografista Annaler, Series B: Human Geography*, Vol. 88(2), 2006, p. 146.
[20] Gamble, *The Free Economy and the Strong State*, p. 21.
[21] Michael Meeropol, *Surrender: How the Clinton Administration Completed the Reagan Revolution*, The University of Michigan Press, Ann Arbor (USA), 1998, p. 90ff. Gregory Albo, in reviewing Meeropol's book, has commented that "the characteristic features of economic stagnation continued during the Reagan

In relation to Thatcher's period in power, historians and political scientists have noted that despite the Conservative Party extolling the virtues of the free market and government non-intervention throughout the 1980s, they did not succeed in cutting the overall tax burden and often centralised and extended the power of the state (most famously by imposing the policy of a poll tax upon local governments).[22] Political scientist Dennis Kavanagh, for example, has argued that, "[w]hat made her [Thatcher] a novel Conservative was that she was a crusader about changing attitudes and restructuring society and economy – social engineering."[23]

While there are those who deny or de-emphasise the historical utility of examining Thatcher and Reagan as the embodiment of distinctive ideological positions, most contributors to the debate surrounding their period in office have rejected this approach. Not all, however, have admitted that Thatcher and Reagan's period in office is best explained with recourse to ideology. Shirley Letwin, a former director of the Centre for Policy Studies, co-founded by Margaret Thatcher, has argued that Thatcherism

> has not ever been based on a theory. A theory requires theoreticians to articulate it. Mrs Thatcher herself never had the time, aptitude or

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years": Gregory Albo, 'Neoliberalism from Reagan to Clinton', *Monthly Review*, Vol. 52(11), 2001, p. 84. See also Francis Wheen's discussion of how government intervention and regulation saved Wall Street from experiencing greater losses on 'Terrible Tuesday' in 1987: Francis Wheen, *How Mumbo-Jumbo Conquered the World: A Short History of Modern Delusions*, Fourth Estate, London, 2004, p. 38.

[22] See, for example, E. A. Reitan, *Tory Radicalism: Margaret Thatcher, John Major, and the Transformation of Modern Britain, 1979-1997*, Rowman & Littlefield, Lanham (USA), 1997, pp. 91, 208; Eric J. Evans, *Thatcher and Thatcherism*, Routledge, London, 1997, p. 116; Jenkins, 'Thatcher's Legacy'.

[23] Dennis Kavanagh, *The Reordering of British Politics: Politics after Thatcher*, Oxford University Press, New York, 1997, p. 22. See also Simon Jenkins' discussion of the importance of the centralisation of state power to Thatcherism: Jenkins, 'Thatcher's Legacy'. John N. Smithin has also argued that while Thatcher and Reagan championed the removal of government involvement in micro-areas of the economy, their macro policies (specifically fiscal and monetary policies) had substantial effects on their nation's economies: see John N. Smithin, *Macroeconomics after Thatcher and Reagan: The Conservative Policy Revolution in Retrospect*, Edward Elgar, Aldershot (UK), 1990, p. 23.

> inclination to act as her own theorist…. [Thatcherism's]… concern has been with action. Thatcherism has not got what it takes to be a theory.[24]

According to Letwin, what makes Thatcherism distinctive is its focus upon what she believes commentators have dismissed "as a trivial obsession with 'Victorian values'".[25] Letwin claims that Thatcher emphasised the need for the state to foster particular 'vigorous' virtues. She comments that "the individual preferred by Thatcherism is, to begin with, a simple list: upright, self-sufficient, energetic, adventurous, independent-minded, loyal to friends, and robust against enemies."[26]

Letwin's account, as Kavanagh has indicated,[27] provides a contrast to the usual emphasis that historical works place on the economic aspects of Thatcher's rule (such as her championing of the technical benefits of monetary policy) and her views on the role of the state.[28] Yet, Letwin's work is a reminder that the literature on Thatcherism and Reagan (written by both critics and courtiers) frequently emphasises the way in which a moral vision complemented the technical and economic vision of the two politicians.

Robert M. Collins, in his 2007 book *Transforming America*, argues that Reagan's initial electoral appeal was partly a result of his optimism about

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[24] Shirley Robin Letwin, *The Anatomy of Thatcherism*, Harper Collins, London, 1992, p. 27.
[25] Letwin, *The Anatomy of Thatcherism*, p. 32.
[26] Letwin, *The Anatomy of Thatcherism*, pp. 32-33.
[27] Kavanagh, *The Reordering of British Politics*, p. 14. Writing in the *New Left Review* in 1994, Radhika Desai suggested that Letwin's contribution to the debate about Thatcherism needed to be understood in the context of the failed attempt by neo-liberals to triumph over more conservative elements within the British Conservative Party. Desai wrote that "Shirley Letwin's book on Thatcherism can be seen precisely as an attempt to claim its legacy for the neo-conservatives": Radhika Desai, 'Second-Hand Dealers in Ideas: Think-Tanks and Thatcherite Hegemony', *New Left Review*, No. 203, 1994, pp. 58-59.
[28] See, for example, Smithin, *Macroeconomics*; Evans, *Thatcher;* Andrew Adonis & Tim Hames, 'Conclusion', in Tim Hames & Andrew Adonis (eds.), *The Thatcher - Reagan Decade in Perspective*, Manchester University Press, Manchester & New York, 1994.

America's future grounded in a moral vision of what the country 'stood for'.[29] Collins, conceding that Reagan (who he describes as an "event-making hero")[30] was driven by ideology, concludes that he developed an America in the 1980s that was

> at once more competitive and efficient *and* more tolerant and inclusive; a country that worked hard and well *and* that allowed its citizens the freedom, within the broadest of boundaries, to be themselves.[31]

In both Collins' and Letwin's accounts, the authors' sympathetic focus on the vision of the two political protagonists is a convenient device that explains away ideological inconsistency. In Collins' mind, Reagan's mix of "ideological zeal and pragmatic calculation" delivered "precisely what the majority of Americans wanted",[32] while Letwin's 'vigorous virtues' are broad and flexible enough to explain away any contradiction. Letwin's work, in particular, stands in contrast to that of philosopher John Gray, a previous supporter of Thatcherism who came to lament the destruction of British conservatism at the hands of "the crude abstractions of economic liberalism".[33]

However, the importance of moral or non-economic vision to the political philosophy of Thatcher and Reagan has been emphasised by those more attuned to the tensions within these philosophies. Historian E.H.H. Green, for example, argues that the contradictions of Thatcherism and the politics of the British Conservative Party generally can be better understood and even resolved if one

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[29] Robert M. Collins, *Transforming America: Politics and Culture in the Reagan Years,* Columbia University Press, New York & Chichester, 2007, p. 238ff.
[30] Collins, *Transforming America*, p. 5.
[31] Collins, *Transforming America*, p. 254.
[32] Collins, *Transforming America*, p. 57.
[33] John Gray, 'The Strange Death of Tory England', *Dissent*, Vol. 42(4), 1995, p. 449. See also John Gray, *Beyond the New Right: Markets, Government and the Common Environment*, Routledge, London & New York, 1993. For a discussion of Gray's tendency to change political positions over time see also Wheen, *How Mumbo-Jumbo Conquered the World*, p. 187ff.

focuses upon the significance of civil agencies and associations in Conservative ideology.[34] Rejecting a state-centred approach, he notes that

> Essentially, if agencies of civil society have been seen to be fulfilling a valuable and effective social role, then the Conservative predisposition has been to keep the State from intervening in their sphere of activity; but if they have been seen as failing, then Conservatives have supported State intervention either to support or supplant them. Similarly, if the State has been seen to be intervening to the point where valuable agencies of civil association and action have been unnecessarily undermined, then demands for the State's withdrawal have been made.[35]

The importance to neo-liberals of private associations and other aspects of civil society is outlined later in this thesis. An examination of Thatcher and Reagan's period of rule is a reminder, however, that such views are historically contingent. The notion of societal decline prevalent in America and Britain in the 1970s and 1980s greatly shaped political policy and rhetoric in those two countries. Oil shocks in 1973 and 1979 and the associated occurrence of stagflation (the combination of high unemployment with high inflation) challenged traditional Keynesian economics. This point is almost universally emphasised by scholars[36] including by those who suspect that politicians in the United States and the United Kingdom played up the element of decline and crisis for political advantage.[37]

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[34] See E. H. H. Green, *Ideologies of Conservatism: Conservative Political Ideas in the Twentieth Century*, Oxford University Press, Oxford & New York, 2002; Green, 'Thatcherism'.

[35] Green, *Ideologies of Conservatism*, p. 279.

[36] See, for example, Peter Riddell, 'Ideology in Practice', in Andrew Adonis & Tim Hames (eds.), *A Conservative Revolution?: The Thatcher-Reagan Decade in Perspective*, Manchester University Press, Manchester & New York, 1994; Andrew Adonis & Tim Hames, 'Introduction: History, Perspectives', in Andrew Adonis & Tim Hames (eds.), *A Conservative Revolution?: The Thatcher - Reagan Decade in Perspective*, Manchester University Press, Manchester & New York, 1994; Joel Krieger, *Reagan, Thatcher and the Politics of Decline*, Polity Press, Cambridge, 1986.

[37] James Thomas of Cardiff University, for example, has recently suggested that an exaggerated view of the economic and social effects of strike activity in Britain in the 1970s was not only apparent in the British media throughout the 1980s and 1990s but was also fostered by the Conservative Party for political advantage: see Thomas, 'Bound in by History'.

While a politics of decline dominated in both the US and the UK during this period, those who have compared and contrasted Reagan's and Thatcher's time in power have highlighted that there were significant differences in the policy agendas of the two leaders. For example, while Thatcher maintained the need for a balanced budget, Reagan's administration subscribed to the technical theory represented by the Laffer curve - suggesting (incorrectly) that substantial tax cuts would boost government revenue.[38]

Among those who believe that 'Thatcherism' and 'Reaganism' were distinct phenomena there is little agreement as to their defining characteristics. Gamble has argued that there are three broad interpretations of Thatcherism. He has described these three interpretations as: Thatcherism as a hegemonic project; as a class or accumulation strategy; and as statecraft.[39] While these approaches are not mutually exclusive, it is possible to group the authors discussed so far in this section based on the degree to which they emphasise the value of one approach over another. Gamble believes that Thatcherism is distinctive because of Thatcher's adoption of a New Right agenda and her willingness to use a 'strong state' to defend a 'free economy'.[40] Yet he also suggests that Thatcherism is best understood as a limited hegemonic project: "the most appropriate framework for explaining Thatcherism and charting its development is that of hegemony, because this alone allows proper weight to be given to ideology, economics and politics".[41]

Gray has endorsed the notion that the 'New Right' achieved a transitory hegemony in Britain,[42] while, as noted above, Harvey has recently examined both Reagan and Thatcher's politics in the wider context of the emergence of

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[38] For a discussion of taxation policy during Reagan's rule see Robert Lekachman, *Greed Is Not Enough: Reaganomics*, Pantheon Books, New York, 1982. For a comparison of Reagan and Thatcher's economic policies see Smithin, *Macroeconomics*. Also, see generally, Adonis, 'Conclusion'.
[39] Gamble, *The Free Economy and the Strong State*.
[40] Gamble, *The Free Economy and the Strong State*, p. 22ff. Gamble's argument about the 'free-economy' and the 'strong state' is explored in detail in chapter four.
[41] Gamble, *The Free Economy and the Strong State*, p. 25.
[42] Gray, 'The Strange Death'.

neo-liberalism as a hegemonic mode of thought.[43] Harvey also falls into the second school of thought outlined by Gamble: those who view Thatcher's (and by extension Reagan's) politics as a cover for an attempt to reestablish the class dominance of those who control capital.[44] Alongside Harvey, in this respect, can be placed the Cambridge economist Robert Rowthorn, who argued in 1989 that Thatcherism was, above all else, a counter-revolution against collectivism led by petit bourgeois (rather than traditional upper class) elements within the British conservative party.[45] A similar approach was later adopted by journalist Richard Cockett who discussed Thatcher's rule in the context of a consciously planned counter-revolution against collectivism in Britain.[46]

Lastly, Gamble argues that some of the literature that has discussed Thatcher has argued that she embodied a Conservative Party tradition of 'statecraft' that, following the work of philosopher Michael Oakeshott, emphasised the need for a strong but limited state that eschews rational planning and exists as a civil association to merely enforces rules of conduct. Gamble has suggested that it may be possible to reconcile Thatcher's politics with an Oakeshottian conception of British conservatism, but stated that, "grave doubts remain… as to how far the actual statecraft of the Thatcher Government is in realizing that aim".[47] He acknowledged, in particular, philosopher Roger Scruton's concern that the Conservative tradition of statecraft was being eroded by the championing of individual freedom.[48]

A number of texts on Thatcher and Reagan have emphasised that while they may have had planned ideological agendas, their primary concern was the need to implement a successful political strategy. Kreiger, for example, has argued that both Reagan and Thatcher used 'de-integrative' or divisive political techniques

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[43] Harvey, 'Neo-Liberalism as Creative Destruction'; Harvey, *Neoliberalism*.
[44] For Harvey's discussion of class power see: Harvey, *Neoliberalism*, especially pp. 12-19.
[45] Rowthorn, 'The Thatcher Revolution'.
[46] Richard Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution 1931-1983*, HarperCollins, London, 1995.
[47] Gamble, *The Free Economy and the Strong State*, p. 161.
[48] Roger Scruton, *The Meaning of Conservatism*, Penguin, Harmondsworth (UK), 1980, cited in Gamble, *The Free Economy and the Strong State*, p. 162.

to maintain political power.[49] Similarly, Eric Evans has argued that Thatcher was a politician first and an ideologue second, who was personally more popular than the ideology that bore her name.[50] Indeed, although Evans adopts the term 'Thatcherism' he describes it as a largely negative ideology and argues that, "the 'newness' of Thatcherism was personal and political, not ideological. Thatcher was not an original thinker".[51]

The body of literature on Thatcher and Reagan explores some of the key tensions that emerge in broader studies that deal with neo-liberalism. In particular, the conflict between neo-liberal theory and political practice (particularly in relation to the use of state power) is a feature of the Thatcher-Reagan literature that is discussed extensively elsewhere. The Thatcher and Reagan era clearly indicated that attempts to implement free-market, minimal state ideology can entail significant government intervention and practical complexity. It is to the broader literature on neo-liberalism that takes up this and other themes that this chapter now turns.

Ideology without borders: The literature of global neo-liberalism

As the 1980s wore on and Reagan and Thatcher were rewarded with reelection, a number of academics became increasingly interested in the ideological substance underpinning the Anglo-American political right. Discussions of the successes and failures of Reagan and Thatcher were frequently enveloped within a broader analysis of what had commonly become labeled the 'New Right'.[52] As political scientists Kenneth Hoover and Raymond Plant noted in their 1989 study *Conservative Capitalism in Britain and the United States,* this term was

[49] Krieger, *Reagan, Thatcher*.
[50] Evans, *Thatcher.*
[51] Evans, *Thatcher*, p. 5.
[52] See, for example, David G. Green, *The New Right: The Counter Revolution in Political, Economic and Social Thought*, Weatsheaf Books Ltd, Brighton (UK), 1987; Nick Bosanquet, *After the New Right*, Heinemann, London, 1983; Ruth Levitas (ed.), *The Ideology of the New Right*, Polity Press, Cambridge (UK), 1986; Norman P. Barry, *The New Right*, Croom Helm Ltd, Beckenham (UK) & North Ryde (UK), 1987; Desmond S. King, *The New Right: Politics, Markets and Citizenship*, Macmillan Education Ltd, Houdmills (UK) & London, 1987.

generally used to describe the manner in which morally conservative and economically liberal philosophical strands had become mixed in political practice:

> The term was introduced in the United States by Kevin Phillips in 1974 and referred primarily to the moral dimension of the conservative movement, though in later usage on both sides of the Atlantic it came to stand for an amalgam of modern conservative political prescriptions.[53]

Despite the focus of many scholars of the New Right in the 1980s upon Anglo-American political developments, they often implied that the phenomena they were examining could have a significant global impact. British sociologist Ruth Levitas, for example, argued that "there are parallels to the British experience [of the New Right] throughout the capitalist industrialised world, especially in France and the USA".[54] In 1987, the political scientist Norman Barry discussed the successes of the New Right in the context of the intellectual challenges facing the social sciences. He argued that:

> In the last ten years the social sciences and political thought have been in their greatest ferment this century, with a number of competing explanations of the present political and economic 'crisis' and a equal number of prescriptions for its resolution.[55]

According to Barry the post-war welfare state faced sustained public intellectual assault during the crises of the 1970s.[56] It is implicit in Levitas and Barry's work that as the New Right gained momentum from the breakdown of the widespread post-war political and economic consensus, the political influence of this movement could become widespread. It was not simply in Britain that a post-

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[53] Kenneth Hoover & Raymond Plant, *Conservative Capitalism in Britain and the United States: A Critical Appraisal*, Routledge, London & New York, 1989, p. 12. Hoover and Plant preferred the term 'conservative capitalism' to the 'new right', believing that the later term "conceals… the sense in which the belief in moral restraint is finally inconsistent with a programme of unrestrained economic liberty – a contradiction which is left open for consideration by the phrase 'conservative capitalism'" (p.12).
[54] Ruth Levitas, 'Introduction: Ideology and the New Right', in Ruth Levitas (ed.), *The Ideology of the New Right*, Polity Press, Cambridge (UK), 1986, p. 1.
[55] Barry, *The New Right*, p. 19.
[56] Barry, *The New Right,* pp. 19-21.

war political consensus was challenged by new variants of pro-free market political ideology in the 1970s. As detailed later, critics also began to note the emergence of a New Right at the same time as the Australian post-war consensus (characterised by protectionism, arbitration and union influence) was being dismantled.[57]

The sense that the New Right's economic agenda could a have worldwide impact was bolstered by the political realities of the 1990s. A shift occurred in the literature critical of free-market capitalism – discussions of the 'New Right' were replaced with an increasing level of debate relating to 'neo-liberal' ideology.[58] This terminological shift was a logical product of the adoption of free-market agendas by parties beyond what had traditionally been regarded as the political right. In 1993 international relations experts Henk Overbeek and Kees van der Pijl pointed out that

> the neo-liberal counter-revolution was indeed a transnational phenomenon, actually enveloping not just the heartland of world capitalism but also outposts such as Chile and Australia, and not just countries ruled by conservative political formations such as Britain but also countries ruled by Christian Democrats (Belgium, Germany) or by Social Democrats (Spain).[59]

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[57] See, for example, Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982; Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/ Penguin Books, Ringwood (Victoria), 1987; Laurie Aarons & Bruce Petty, *Here Come the Uglies : The New Right : Who They Are, What They Think, Why They're Dangerous*, Red Pen Publications, Ultimo (New South Wales), 1987, p. 95. On the notion of 'Australian settlement' see Paul Kelly, 'Labor and Globalisation', in Robert Manne (ed.), *The Australian Century*, The Text Publishing Company, Melbourne, 1999, p. 262.

[58] See the comments of Verity Burgmann, *Power, Profit and Protest: Australian Social Movements and Globalisation*, Allen & Unwin, Crows Nest, 2003, p. 22. For examples of the adoption of this new focus on global 'neo-liberalism' or the international face of free-market ideology as opposed to the ideology of the 'New Right' see: Christopher Colclough & James Manor (eds.), *States or Markets? Neo-Liberalism and the Development Policy Debate*, Clarendon Press, Oxford (UK), 1991; Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Traditional Neo-Liberalism in the 1980s*, Routledge, London, 1993; Strange, 'The Limits of Politics'.

[59] Henk Overbeek & Kees Van Der Pijl, 'Restructuring Capital and Restructuring Hegemony: Neo-Liberalism and the Unmaking of the Post-War Order', in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Traditional Neo-Liberalism in the 1980s*, Routledge, London, 1993, p. 2.

As the early 1990s saw the end of the Cold War, those who studied the global free market became preoccupied not simply with explaining the adoption of free-market agendas by political parties across the traditional 'left-right' political spectrum but by the broader question of whether there was any alternative to liberal capitalism. Francis Fukuyama's *The End of History?*,[60] published in 1989, is the most prominent historical artifact of a renewed interest in the extent to which ideologies of the free market had become 'hegemonic'.[61]

It should be noted that the way in which authors have defined and described the ideology of neo-liberalism has been strongly influenced by their views on how one explains the political advance of the free market and whether it is either politically possible or desirable to develop alternatives to liberal capitalism. Ideology and analysis become closely entwined in studies of neo-liberalism.

In explaining the political successes of free-market agendas almost all authors incorporate a discussion of the economic and political crises of the 1970s.[62] Differences have emerged, however, over how to interpret the significance of these crises to the rise of free-market policies. On the one hand some scholars,[63]

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[60] Francis Fukuyama, *The End of History?*, National Affairs Inc, Washington D.C., 1989. See also Francis Fukuyama, *The end of history and the last man*, Free Press, New York, 1992.

[61] For some contributions to this debate in the 1990s see Meeropol, *Surrender*; Colin Crouch, 'The Terms of the Neo-Liberal Consensus', *The Political Quarterly*, Vol. 68(4), 1997, pp. 352-360; Stephen Gill, 'Neo-Liberalism and the Shift Towards a US-Centred Transnational Hegemony', in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Traditional Neo-Liberalism in the 1980s*, Routledge, London, 1993; Overbeek & Van Der Pijl, 'Restructuring Capital'; Kees Van Der Pijl, 'The Sovereignty of Capital Impaired: Social Forces and Codes of Conduct for Multinational Corporations', in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Traditional Neo-Liberalism in the 1980s*, Routledge, London, 1993; For more recent contributions see: Klein, *The Shock Doctrine;* Harvey, *Neoliberalism.*

[62] For a rare example of an account of the political successes of free-market capitalism that places little to no emphasis on the macroeconomic crises of the 1970s see: Klein, *The Shock Doctrine*.

[63] See, for example, the discussion below of Robert Reich, *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life*, Alfred A. Knopf, New York, 2007; Richard Sennett, *The Culture of New Capitalism*, Yale

while acknowledging the flaws in the implementation of neo-liberal policies, have argued that they are a product of predominantly systemic economic developments that have delivered substantial benefits to many. On the other hand there are those scholars[64] who (often influenced by the Marxist critique of capitalism) have argued that the crises of the 1970s led to a *political reassertion* of economic power by a group of individuals (at times characterised as a 'class') at the expense of others. Those belonging to the first school of thought tend to emphasise the extent to which it was necessary to find solutions to the genuine economic problems of the 1970s; at other times, however, their focus has been upon the technological roots of changes in the global economy.

Perhaps the most prominent representative of the first school of thought is the Nobel- prize winning economist Joseph Stiglitz. In his bestselling text *Globalization and its discontents*[65] (first published in 2002) Stiglitz advanced a critique of how the International Monetary Fund had dealt with the significant economic crises of the 1990s, in particular the bailout of post-Communist Russia and the Asian financial crisis.

For Stiglitz, capitalism is not a politically or ethically flawed system.[66] Stiglitz acknowledged that there were serious economic problems in the 1970s and 1980s (particularly in Latin America) that required a new policy approach.[67] Stiglitz's objections to the 'Washington Consensus' (the label he provided for the notion that "free, unfettered, 'liberal' markets work perfectly")[68] related more to its method of implementation (particularly the pace of financial market deregulation) than its capitalist substance. As the French economists Gérard Duménil and Dominique Lévy have noted, Stiglitz is the most prominent

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University Press, New Haven & London, 2006; Joseph E. Stiglitz, *Globalization and Its Discontents*, Allen Lane, London, 2002.

[64] See, for example, the discussion below of Harvey, *Neoliberalism*; Gérard Duménil & Dominique Lévy, *Capital Resurgent: Roots of the Neoliberal Revolution*, Harvard University Press, Cambridge (USA) & London, 2004.

[65] Stiglitz, *Globalization and Its Discontents*.

[66] Stiglitz, *Globalization and Its Discontents*, p. 4.

[67] Stiglitz, *Globalization and Its Discontents*, p. 53ff.

[68] Stiglitz, *Globalization and Its Discontents*, p. 74. He acknowledges that the policies associated with the 'Washington Consensus' are sometimes labelled "neo-liberal" (p. 74).

member of a number of 'new Keynesians' whose solutions to the ills of globalization involve regulation rather than a questioning of the underlying logic of capitalism itself.[69]

Stiglitz has been joined by other scholars who have pointed to the economic or cultural problems arising from the implementation of neo-liberal policies while simultaneously acknowledging the benefits that free markets have brought to citizens as consumers. In 1997, for example, the British political scientist Colin Crouch, commenting upon the embrace of free-market policies by the incoming Labour government in Britain, noted that the collapse of social democratic alternatives to neo-liberalism in Europe "had been triggered by the crises of the 1970s"[70] and also brought about by a productive shift to a more entrepreneurial, dynamic economy.[71] Crouch argued that Britain was "thoroughly embedded"[72] in a neo-liberal system and that issues such as the instability caused by capital markets would not be solved, "by attempting a major [political] reversal".[73]

A decade later professor of public policy and Secretary of Labor under President Bill Clinton, Robert B. Reich, critiqued the effect of 'supercapitalism' upon democratic societies.[74] Reich did not dispute the benefits that economic recovery had brought to those in the United States and the broader world. On the contrary,

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[69] Duménil & Lévy, *Capital Resurgent*, p. 202. See also sociologist Ronaldo Munck's comments regarding the limits of a partial critic of neoliberal practices: "The augmented or revamped Washington consensus now being pursued by the World Bank and others is a tacit recognition that actually existing neoliberalism has to some extent failed. The 'good governance' measures now being extolled are not, however, the same as democratic development, still singularly underdeveloped in the majority of the world. While recognising that markets are not self-regulating or self-legitimising, the new neoliberal agenda is still only building institutions to regulate the market (to deal with externalities, for example) and to legitimise the market (social partnerships and social protection, for example)": Ronaldo Munck, 'Neoliberalism and Politics, and the Politics of Neoliberalism', in Alfredo Saad-Filho & Deborah Johnston (ed.), *Neoliberalism: A Critical Reader*, Pluto Press, London & Ann Arbor, 2005, p. 68.
[70] Crouch, 'The Terms of the Neo-Liberal Consensus', p. 354.
[71] Crouch, 'The Terms of the Neo-Liberal Consensus', p. 354.
[72] Crouch, 'The Terms of the Neo-Liberal Consensus', p. 354.
[73] Crouch, 'The Terms of the Neo-Liberal Consensus', p. 354.
[74] Reich, *Supercapitalism*.

he began his book by noting that the expansion of the United States economy since the 1970s had been "a triumph, by almost anyone's definition".[75]

Reich's concern was with the manner in which the inherent logic of global capitalism – requiring corporate executives to engage in ruthless competition in order to win better deals for consumers – can subvert democratic and political processes. The solutions he proposed at the level of the nation state – like those of Stiglitz at a global level – involve further regulation, particularly the introduction of reforms (such as changes to political campaign finance rules) designed to bolster the ability of democratic systems to address the wider negative effects of global capitalism.[76]

In a similar vein to Reich, sociologist Richard Sennett has also pointed to the negative impacts of the technological developments that have become synonymous with contemporary global capitalism.[77] He has demonstrated a particular concern with the heightened personal anxiety that individual workers experience due to increasingly unpredictable changes in productive processes and corporate structures.[78] The solutions proposed by Sennett, however, primarily relate to the cultural rather than the economic domain. He has suggested, for example, that improvements in the way in which unions are run, job sharing programs and increased public service employment may assist individuals to develop more 'anchored' personal identities.[79] He did not seek to return to the "rigidities" of "old-style social capitalist organization".[80]

Unsurprisingly, given the regulatory nature of their solutions to the ills of global capitalism, this group of authors does not view neo-liberalism as a product of an

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[75] Reich, *Supercapitalism*, p. 4.
[76] Reich, *Supercapitalism*, p. 209ff.
[77] See Richard Sennett, *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism*, W.W. Norton & Company, New York & London, 1998; Sennett, *New Capitalism*.
[78] Sennett, *New Capitalism*, p. 187.
[79] Sennett, *New Capitalism*, p. 179.
[80] Sennett, *New Capitalism*, p. 187. The French sociologist Alain Touraine has also pointed to the social and economic "damage being done by an unbridled capitalism" while recognising the need to acknowledge and retain the positive features of contemporary global capitalism: Touraine, *Beyond Neoliberalism*, p. 24.

organised political effort to protect the interests of a distinct group (or 'class') of individuals. Reich specifically rejected the notion that the ideology of neo-liberalism[81] gained political prominence throughout the world due to the influence of its, mostly academic, intellectual advocates. These advocates, according to Reich, "did not cause the shift; at most they legitimized it".[82] He has argued that "stories about heroic or villainous CEOs and financiers, brilliant or corrupt politicians, or diabolically powerful merchants of ideas… should be surrendered to reality".[83]

Avoiding emphasizing the significance of ideological programs, Reich thus eschewed the use of the term 'neo-liberalism', favoring the term 'supercapitalism' in order to describe contemporary economic realities. He is interested in economic practice, rather than political theory. The crises of the 1970s are present, though not emphasised in his account; the key features of 'supercapitalism' (income inequality and heightened job insecurity) are all results of a shift that "began when the technologies developed by government to fight the Cold War were incorporated into new products and services".[84] Similarly, Sennett has focused upon economics, rather than ideology or politics. The roots of what he has labeled "new capitalism" (characterised by inequality and social dislocation) are "internally complex"[85] economic developments that include the shift away from managerial and towards shareholder-based corporate power and the development of new technologies.[86]

Sociologist Zygmunt Bauman's *Work, Consumerism and the New Poor*[87] is an example of how a focus upon the significance of systemic change can lead to a downplaying of the politics associated with the crisis of the 1970s. In this work,

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[81] Reich associates 'neo-liberalism' with "free trade, deregulation, privatization, and, in general, more reliance on markets than on government and more concern for efficiency than equity": Reich, *Supercapitalism*, p. 11.
[82] Reich, *Supercapitalism*, p. 12.
[83] Reich, *Supercapitalism*, p. 12.
[84] Reich, *Supercapitalism,* p. 7.
[85] Sennett, *New Capitalism,* p. 37.
[86] Sennett, *New Capitalism*, p. 37. Sennett places somewhat greater emphasis than Reich on the crises of 1970s.
[87] Zygmunt Bauman, *Work, Consumerism and the New Poor*, Open University Press, Maidenhead (UK), 2nd Edition, 2005.

Bauman was primarily interested in explaining how the position of the poor has been affected by the rise of consumerist culture. As the Australian academic Boris Frankel has explained:

> According to Bauman, the welfare state has imploded, and the explanation for this cannot be found in arguments about the fiscal crisis of the state and the triumph of neo-liberal ideologues… the support for neo-liberal governments by electorates is the result of the transformation of a producer society into a consumer society. The poor are redundant because they are not consumers.[88]

The solutions offered by Bauman to the 'problem' of the place of the poor in contemporary capitalism – particularly his suggestion that individual income become decoupled from market processes[89] - are arguably more radical than those found in the work of Stiglitz, Reich and Sennett. However, while he challenges prevailing market logic, he also explicitly acknowledges the diminished utility of class as a conceptual category.[90]

Clearly, the process of describing and analysing contemporary capitalism is bound up with authors' own views on the necessity of political and economic reform. This point is further highlighted in political scientist John Gray's work *False Dawn.*[91] For Gray, global capitalism has not developed along a single trajectory. According to Gray:

> We have seen a large shift from manufacturing and the provision of services as the central economic activities to the trading of financial assets. Financial engineering, not production, has become the most profitable activity…. The United States, Britain and the New Zealand stand out as standard-bearers of the new species of capitalism.[92]

He goes on to note, however, that

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[88] Boris Frankel, *When the Boat Comes In: Transforming Australia in the Age of Globalisation*, Pluto Press, Annandale, 2001, p. 237.
[89] Bauman, *Work, Consumerism and the New Poor*, p. 118ff.
[90] Bauman, *Work, Consumerism and the New Poor*, p. 115.
[91] John Gray, *False Dawn: The Delusions of Global Capitalism*, The New Press, New York, 1998.
[92] Gray, *False Dawn*, p. 73.

> the belief that capitalism everywhere will lead to similar disorder is a basic error. The ability to trade globally and rapidly tends to project these features of disorganized capitalism into every country; but how they impact on social and economic life varies deeply and widely.[93]

Gray's use of the term 'disorganized capitalism' highlights his belief that the global economy has not been shaped by a single narrative of neo-liberal triumph. According to Gray, the notion of a global free market, developing independently of state support, is a product of a particular brand of enlightenment thinking that has special historical resonance in the United States.[94] Gray emphasised in *False Dawn* that "a global single market is very much a late twentieth-century *political* [his emphasis] project".[95] However, in common with those who have focused upon systemic economic factors, Gray has recognised that neo-liberalism arose as a political (although not inevitable) response both to genuine post-war economic problems and technological innovations associated with the process of globalization that is now our 'fate'.[96]

Gray adopts a conservative suspicion of established, socially reformist ideologies of both the left and the right. In Gray's view the Anglo-American ideology of neo-liberalism will never become globally hegemonic as it will undermine key features of the social fabric, such as the family, upon which market processes rely and thus will struggle to gain popular support.[97]

The tearing of the social fabric of Britain under the pro-free-market reign of Prime Ministers Thatcher and Major shifted Gray away from his earlier philosophical commitment to classical liberalism.[98] His conservative approach to dealing with the threats posed by neo-liberalism (essentially emphasizing the need to wait for the notion of unrestrained free markets to politically defeat itself) is logically supported by his description of the ideology itself as a

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[93] Gray, *False Dawn*, p. 73.
[94] See, in particular, Gray, *False Dawn*, chap. 5.
[95] Gray, *False Dawn*, p. 23.
[96] Gray, *False Dawn*, p. 23ff.
[97] Gray, *False Dawn*, p. 29.
[98] See John Gray, *Liberalism*, Open University Press, Milton Keynes, 1986; Gray, 'The Strange Death'.

peculiarly Anglo-American phenomenon that has impacted upon the world in a diverse and anarchical fashion.

In contrast to those authors who advance conservative or social democratic critiques of neo-liberalism, some scholars examine this ideology through the prism of class. As in some studies of Thatcherism and Reaganism, a number of scholars of global neo-liberalism have argued that neo-liberalism is an ideology that has been developed in political practice as part of a class-based counter-revolution against the post-war economic consensus. In such accounts neo-liberal policies have served to protect the interests of individuals who have a particularly privileged relationship with global capital (often through their control of financial markets). For this school of authors, the reaction of capital to the crisis of the 1970s is pivotal to understanding contemporary capitalism. In 1993, as the global 'balance of power' continued to adjust to the post-Soviet era, Henk Overbeek and Kees van der Pijl suggested that "neo-liberalism is the concept of control of transnational finance capital".[99] In the same year political scientist Stephen Gill wrote of the privileged position of the United States, reflecting on how its dominant role in world financial markets enabled it to fulfil the role of "the political and military guarantor of disciplinary neo-liberalism".[100]

All three authors, again paralleling a trend in the literature on Thatcher and Reagan discussed above, made use of the notion of neo-liberalism as hegemony.[101] Overbeek and van der Pijl, for example, stated that "history conceived of as a struggle of ideologies has come to an end, as Fukuyama (1989) would have it".[102] For Overbeek and van der Pijl the crises of the 1970s were crucial to the development of neo-liberal hegemony on a global scale. They argued that: "in the crisis of the 1970s, finally, a struggle ensued which resulted

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[99] Henk Overbeek, 'Preface', in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Traditional Neo-Liberalism in the 1980s*, Routledge, London, 1993, pp. x-xi.
[100] Gill, 'Neo-Liberalism and the Shift Towards', p. 278.
[101] Gamble has noted that one of the main approaches to analysing Thatcherism emphasises the notion of counter-revolution: Gamble, *The Free Economy and the Strong State*, p. 14. He also makes use of the concept of hegemony. See also Rowthorn, 'The Thatcher Revolution'.
[102] Overbeek & Van Der Pijl, 'Restructuring Capital', p. 2.

in the triumph of *neo-liberalism.* The paradigmatic scale of operation of industrial capital today is global, at least in tendency".[103]

The themes explored by these authors in the early years of the post-Soviet era are still emphasised by scholars. In particular, some studies continue to describe neo-liberalism as a class-driven phenomenon. For example, French economists Gérard Duménil and Dominque Lévy began their 2004 work *Capital Resurgent* by defining neo-liberalism as "the term now used to describe the transformations capitalism underwent at the turning point of the 1970s and 1980s".[104] They noted that the US Federal Reserve decision to lift interest rates in order to 'fight inflation first', "can only be understood as one of many components of a change whose principal trait was restoring many of the most violent features of capitalism, making for a resurgent, unprettified capitalism".[105] Duménil and Lévy argue that neo-liberalism "is fundamentally a new social order in which the power and income of the upper fractions of the ruling class – the wealthiest persons – was re-established in the wake of a setback".[106]

Geographer David Harvey is one of the more prominent members of the 'neoliberalism as class-based counter-revolution' school of thought. In his 2005 *A Brief History of Neoliberalism* Harvey acknowledged that:

> Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.[107]

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[103] Overbeek & Van Der Pijl, 'Restructuring Capital', p. 6.
[104] Duménil & Lévy, *Capital Resurgent*, p. 1.
[105] Duménil & Lévy, *Capital Resurgent*, p. 1.
[106] Gérard Duménil & Dominique Lévy, 'The Neoliberal (Counter-) Revolution', in Saad-Filho Alfredo & Deborah Johnston (eds.), *Neoliberalism: A Critical Reader*, Pluto Press, London & Ann Arbor, 2005, p. 9. See also their analysis of the role of both local and global ruling class elites in the Argentinian financial crisis: Gérard Duménil & Dominique Lévy, 'Imperialism in the Neoliberal Era: Argentina's Reprieve and Crisis', *Review of Radical Political Economics*, Vol. 38(3), 2006, pp. 388-396.
[107] Harvey, *Neoliberalism*, p. 2.

Harvey's analysis of neo-liberalism (like that of Duménil and Lévy) is closely linked to political practice. He endorses Duménil and Lévy's observation that neo-liberalism has effectively protected the power of economic elites, arguing that the political project "to re-establish the conditions for capital accumulation and to restore the power of economic elites"[108] has in practice prevailed over the utopian and theoretical aspects of neo-liberalism. For Harvey, the crises of the 1970s threatened the political position of ruling economic elites.[109] The substance of neo-liberal theory matters little to Harvey – it merely serves to hide a class-driven economic process:

> neoliberal theory and rhetoric (particularly the political rhetoric concerning liberty and freedom) has also all along primarily functioned as a mask for practices that are all about the maintenance, reconstitution, and restoration of elite class power.[110]

Harvey acknowledges that neo-liberalism in practice has not constituted a single, uncomplicated process of restoring class power. He recognises that ruling class power was not simply restored but transformed by the neo-liberal political project, with new financial interests, for example, ascending to a special privileged position.[111] However, to move beyond neo-liberalism, according to Harvey, we must fundamentally recognise its class-driven nature.[112]

While Harvey's solutions to the ills of capitalism involve strengthened democratisation, rather than Marxist revolution,[113] his work is again a reminder of the close relationship between definition, diagnosis and cure in studies of neo-liberalism. Although this relationship is perhaps unsurprising, there is a danger in either failing to distinguish between neo-liberalism as theory and as practice or paying attention to one at the expense of the other.[114] This danger is highlighted in anti-corporate activist Naomi Klein's study *The Shock Doctrine.*[115]

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[108] Harvey, *Neoliberalism*, p. 19.
[109] Harvey, *Neoliberalism*, pp. 14-19.
[110] Harvey, *Neoliberalism*, p. 188.
[111] Harvey, *Neoliberalism*, pp. 31-33.
[112] Harvey, *Neoliberalism*, p. 202.
[113] Harvey, *Neoliberalism*, p. 198ff.
[114] See Ronaldo Munck's suggestion that this distinction is "often conflated in critical accounts of neoliberalism": Munck, 'Neoliberalism', p. 61. See also

Klein's book is an account of how disasters (both man-made and natural) have been manipulated by ideologues (particularly within the International Monetary Fund and the key political institutions of the United States) to forcibly implement policies that have been to the benefit of some trans-national business interests and, according to Klein, to the detriment of most citizens. However, by drawing a clear link between economic ideas (particularly those of Milton Friedman) and current political realities, Klein could be accused of calling neo-liberals to account on a reality that does not match their theoretical 'paradise'. Her frequent use of the term 'corporatism', for example, to emphasise the extent to which the state is currently involved in doing the bidding of corporations throughout the world (often by using violence against citizens) calls for a recognition that the ideal neo-liberal state plays a minimal rather than a prominent role and, as a respecter of individual liberty, should not repress individual freedoms.[116]

Klein's focus on a single process - the use of both physical and psychological 'shock' policies - comes at the expense both of an appreciation of the different ways in which free-market policies have risen to prominence throughout the world and the varied and complex political forms they have taken.[117] Neo-liberal

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Wendy Larner, 'Neoliberalism in (Regional) Theory and Practice: The Stronger Communities Action Fund in New Zealand', *Geographical Research*, Vol. 43(1), 2005, pp. 9-18.

[115] Klein, *The Shock Doctrine.*

[116] See, for example, Klein, *The Shock Doctrine*, pp. 15, 18-20, 86, 295-296, 298-301, 316-317, 354-359, 392-395, 397-405. Klein had earlier published a now well-known work on the marketing power of multinational corporations: Naomi Klein, *No Logo*, Flamingo, London, 2001. As Michael Hardt noted in a recent review, *Shock Doctrine* raises the key question of whether "disaster capitalism [is] only an aberration, a moment of excess that has distorted a more virtuous form of capital or…. the core of contemporary capital itself": Michael Hardt, 'The Violence of Capital', *The New Left Review*, No. 48, 2007, p. 160. Hardt remarks that, "Klein insists at several points in the book that it is the former, but her theoretical argument points more strongly towards the latter" (p. 160). See also Stephen Holmes, 'Free-marketing', *London Review of Books*, Vol. 30(9), 8 May 2008, http://www.lrb.co.uk/v30/n09/holm01_.html, accessed 18 July 2011.

[117] It is worth questioning, as Hardt does, the extent to which Klein's emphasis on the 'shock doctrine' accounts for the rise of free-market policies in the Anglo-American countries where so called 'third way' policies have been adopted. It has been suggested by one historian that in the United Kingdom an emphasis by

ideas have not simply been taken off the ideological shelf and implemented without being transformed in the process.

Klein's work stands in contrast to Gray's emphasis on the extent to which Anglo-American free-market capitalism has not had a uniform single impact upon the world.[118] On a smaller scale, her work also stands in contrast to a body of anthropological literature that has warned that focusing upon neo-liberalism as a hegemonic project can overshadow the complex nature of how neo-liberal ideology can become manifest.[119]

Unlike Klein, many practitioners of the 'neo-liberalism as political counter-revolution' school of thought carefully distinguish between the theory and practice of neo-liberalism. Their focus upon political practice has the advantage of illuminating the manner in which ideology and political economy have interacted in the formation of contemporary capitalism and the role of the state in this process. In particular, they believe that the state has been directly co-opted to protect the position of those with a privileged relationship to capital. In 2002, Gregory Albo, when arguing that neo-liberalism should be viewed as "a particular social form of class rule within capitalism",[120] suggested that

> it is entirely misleading to see neoliberalism as an attack on the state in favor of the market, or as a hollowing out of the state to the global and

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Thatcher upon the need to avoid a repeat of the crises of the 1970s partly explains her political success: Thomas, 'Bound in by History'. Klein's account could perhaps be improved by placing a greater emphasis on perceived crisis and the rhetoric of crisis avoidance, especially in the context of the 1970s.

[118] Gray, *False Dawn*.

[119] See, in particular, Larner's emphasis on the "hybrid multi-vocal configurations" of neo-liberal projects: Larner, 'Neoliberalism', p. 9. Larner's general approach has been endorsed in the Australian context by anthropologist Martin Forsey. See: Martin Forsey, *Challenging the System?: A Dramatic Tale of Neoliberal Reform in an Australian High School*, Information Age Publishing, Charlotte (USA), 2007. See also Nikolas Rose's emphasis on the development of new 'techniques' of defining individual identity under 'advanced liberalism': Nikolas Rose, *Powers of Freedom: Reframing Political Thought*, Cambridge University Press, Cambridge, 1999, chap. 4.

[120] Gregory Albo, 'Neoliberalism, the State, and the Left: A Canadian Perspective', *Monthly Review*, Vol. 54(1), 2002, p. 48.

> local, or a bypassing of the state by corporate power. Neoliberalism has operated through the institutions of the nation-state.[121]

Similarly, political economists Alfredo Saad-Filho and Deborah Johnston, in an introduction to their 2005 collection *Neoliberalism: A Critical Reader*, argued that "[t]he most basic feature of neoliberalism is the systematic use of state power to impose (financial) market imperatives, in a domestic process that is replicated internationally by 'globalisation'".[122]

There is perhaps less emphasis upon the role of the state in the work of those, like Reich and Sennett, who have focused upon the structural and economic roots of contemporary capitalism. However, the regulatory and other solutions that have been suggested by Reich, Sennett and Stiglitz to the ills of global capitalism implicitly suggest that the state still has political power.[123] Similarly, while Gray has rejected both the Marxist analysis and 'cure' for the ills of global capitalism, he acknowledges that "free markets are creatures of state power".[124]

The frequent emphasis upon the significance of the role of the state in the actual implementation of free-market policies again highlights the need to differentiate between the theory and political practice of neo-liberalism. Too often, however, this distinction is noted merely to highlight the supposed political opportunism of the supporters of 'small' government. For example, those who view neo-liberalism as a political phenomenon designed to bolster the power of ruling interests often suggest that politicians have used the conservative rhetoric of

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[121] Albo, 'Neoliberalism', p. 51.

[122] Alfredo Saad-Filho & Deborah Johnston, 'Introduction', in Alfredo Saad-Filho & Deborah Johnston (eds.), *Neoliberalism: A Critical Reader*, Pluto Press, London & Ann Arbor, 2005, p. 3. See also Mike Davis and Daniel Bertrand-Monk's suggestion that "what has characterized the long boom since 1991 (or 1981, if you prefer) has been the massive, naked application of state power to raise the rate of profit for crony groups, billionaire gangsters, and the rich in general": Mike Davis & Daniel Bertrand Monk, 'Introduction' in Mike Davis & Daniel Bertrand Monk (eds.), *Evil Paradises: Dreamworlds of Neoliberalism*, The New Press, New York & London, 2007, p. x. The role of the state as the driver of the neo-liberal project is also recognised by Duménil and Lévy: Duménil & Lévy, *Capital Resurgent*, p. 15.

[123] See Sennett, *New Capitalism*, p. 192; Stiglitz, *Globalization and Its Discontents*, chap. 9; Reich, *Supercapitalism*, p. 7.

[124] Gray, *False Dawn*, p. 17.

values and nationalism in order to gain electoral support for free-market policies that counter the interests of voters.[125] These scholars essentially view the political combination of conservatism and economic liberalism as an act of deception. Overbeek and van der Pijl, for example, have stated that:

> Neo-conservatism provides the neo-liberal bourgeoisie with an effective 'politics of support': moral conservatism, xenophobia, law-and-order, the family, are the themes which provided the basis for a relatively stable electoral coalition, which even today seems to have relegated social-democracy to the past for good.[126]

Harvey has also noted the manner in which individuals in the United States have been persuaded to support policies "against… [their] material, economic, and class interests for cultural, nationalist, and religious reasons".[127]

By exploring the link between conservatism and neo-liberalism scholars can further illuminate the political realities and strategies that accompany free-market policies. There are, however, limits to an approach that focuses on the political face of neo-liberalism. The extent to which neo-liberals have recognised and sought to address the ideological tensions within free-market ideology can be overlooked. In addition to the benefits of exploring the position of neo-liberalism within the tradition of liberal thought in Western countries[128] and within other traditions such as libertarianism and conservatism,[129] there are significant intellectual insights to be gained by examining the way in which neo-liberal thinkers themselves have responded to both the theoretical and practical tensions that exist within their school of thought.

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[125] For an examination of how the Republican Party in the United States combined conservatism and neo-liberalism for political purposes see Thomas Frank, *What's the Matter with Kansas?: How Conservatives Won the Heart of America*, Metropolitan Books, New York, 2004.
[126] Overbeek & Van Der Pijl, 'Restructuring Capital', p. 15.
[127] Harvey, *Neoliberalism*, p. 50.
[128] This is generally the approach taken by Gray: Gray, *False Dawn*. See also Paul Treanor, 'Neoliberalism: Origins, Theory, Definition', (2005), http://web.inter.nl.net/users/Paul.Treanor/neoliberalism.html, accessed 13 May 2008, cited in Harvey, *Neoliberalism*, p. 2.
[129] See, for example, in the American context, Amy E. Ansell (ed.), *Unravelling the Right: The New Conservatism in American Thought and Politics*, Westview Press, Boulder (USA) & Oxford (UK), 1998.

Specifically, a focus upon how neo-liberal intellectuals have reacted to the varied ways in which free-market policies have been implemented throughout the world can draw attention to the complex relationship between ideological thought and political practice. Such a focus reveals that neo-liberal policies are as much the product of a long fought intellectual project, as of shorter-term political trends. Arguably, by becoming preoccupied with the apparent successes of free-market policies, few scholars of neo-liberalism have examined in detail how the intellectual champions of this ideology have viewed and reviewed their ideology in the light of what others have regarded as its political ascendency.[130]

The remainder of this chapter will review the literature on neo-liberalism in Australia, while also exploring some of the scholarship on the Howard Government.

On the home front: Neo-liberalism, Australia and the Howard Government

In 2001, the historian Gregory Melleuish wrote *A Short History of Australian Liberalism*[131] as part of the CIS's *Occasional Papers* series. Melleuish began his history by noting "the misleading nature of the studies of Australian liberalism that have been produced to date".[132] He argued that

> The dominant theme of these studies has been to trace the history of liberalism from the protectionists of 19th century Victoria to the Deakinites of the early 20th century and then via Menzies into the current Liberal Party.[133]

According to Melleuish, the focus in previous studies upon the notion that Australian liberals have sought to use the state in order to "pursue something

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[130] In the context of British free-market thinkers, Richard Cockett's work (discussed further below) remains an exception: Cockett, *Thinking the Unthinkable*. See also Richard Cockett, 'The Road to Serfdom - Fifty Years On', *History Today*, Vol. 44(5), 1994, pp. 11-13.
[131] Gregory Melleuish, *A Short History of Australian Liberalism*, Centre for Independent Studies, Occasional Paper No. 74, Sydney, 2001.
[132] Melleuish, *A Short History*, p. vii.
[133] Melleuish, *A Short History*, p. vii.

called 'social justice'"[134] has brought about an intellectual climate in which "[r]ecent developments in Australian liberalism, such as economic rationalism, can be defined as aberrant and not in line with the best traditions of Australian liberalism".[135]

In his earlier more detailed study, *Cultural Liberalism in Australia,*[136] Melleuish sought to describe a tradition of liberal thought existing in Australia from federation until the 1960s. This tradition was "an amalgam of rationalism, a spiritualised humanism and liberalism".[137] Its adherents, according to Melleuish, included the writers John Woolley and James McAuley and it "was more closely related to civic humanism than to *laissez-faire*",[138] nurturing a strong interest in spirituality and universalism among its adherents. Melleuish's main concern in this study was to analyse liberalism as a living tradition in Australian history – shaping individual lives in a broad and dynamic rather than dogmatic ideological fashion. The subjects of his study were thus 'cultural liberals', rather than narrow economic and political theorists. In adopting this approach he concluded that an exploration of the history of liberalism had the potential to provide more stable foundations for the "somewhat shallow and harsh philosophy of contemporary liberalism".[139] In his 2001 study he adopted a more sympathetic tone towards the contemporary face of liberalism in Australia, criticising protectionism as "bankrupt" and "selfish" and emphasising the need to defend liberal values in the present.[140]

Melleuish's work reminds us that the contemporary literature in Australia regarding neo-liberalism and liberalism more broadly is shaped by both present political realities and interpretations of the past. We are also reminded that this body of literature is divided as to the extent to which it is logical to analyse these

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[134] Melleuish, *A Short History*, p. vii.
[135] Melleuish, *A Short History*, p. vii.
[136] Gregory Melleuish, *Cultural Liberalism in Australia: A Study in Intellectual and Cultural History*, Cambridge University Press, Cambridge & Oakleigh (Victoria), 1995.
[137] Melleuish, *Cultural Liberalism*, p. 17.
[138] Melleuish, *Cultural Liberalism*, p. 17.
[139] Melleuish, *Cultural Liberalism*, p. 189.
[140] Melleuish, *Australian Liberalism*, p. 43.

ideologies through either the lens of particularist national traditions or trans-national political and ideological trends.

Melluish in *Cultural Liberalism* acknowledged that there were European and British equivalents to the ideological phenomenon he was studying.[141] He decided, however, that 'Cultural Liberalism' should be viewed "as an essentially Australian phenomenon which is best understood within the context of the Australian experience of modernity".[142] His decision was perhaps influenced by his desire to counter the work of a number of other scholars (such as Tim Rowse) who had developed alternative (and more state-centric) histories of the liberal philosophical tradition in Australia.[143]

Rowse, according to Melleuish, was too heavily indebted to Marx and mistakenly defined liberalism as a philosophy characterised by an individual's allegiance to the state - a product, in turn, of the fact that "he saw Australian liberalism as primarily an offshoot of English social liberalism".[144] According to Melleuish, historical accounts such as Rowse's failed to discuss the liberal free trade tradition in New South Wales.[145] The 'true' meaning of 'liberalism' needed to be reclaimed as an ideology supporting individual development and opposed to an extension of the powers of the state.[146]

Clearly Melleuish has endeavoured to demonstrate that there is a unique tradition of liberalism (as he defines it) in Australia that has ongoing relevance. In doing so he has sought to discredit alternative accounts that, upon his reading, have

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[141] Melleuish, *Cultural Liberalism*, p. 19.
[142] Melleuish, *Cultural Liberalism*, p. 19.
[143] Tim Rowse, *Australian Liberalism and National Character*, Kibble Books, Melbourne, 1978.
[144] Melleuish, *Australian Liberalism*, p. vii.
[145] Melleuish, *Australian Liberalism*, p. vii.
[146] Melleuish, *Australian Liberalism*, p. viii. Earlier, Melleuish had suggested that both Rowse and Docker failed to account for liberalism as a living and breathing ideology in Australia, and thus downplayed this ideology's relevance to the present. He wrote that, "Docker and Rowse recovered many of the basic important ideas of Australian intellectual life only to consign them safely to 'history', thereby demonstrating their irrelevance for the contemporary world": Melleuish, *Cultural Liberalism*, p. 6.

overemphasised the extent to which foreign ideologies have been adopted directly by Australians. Together with political scientist Geoff Stokes, he noted in 1997 that "Australian political thinkers have avoided slavishly copying other people's models, preferring to adapt ideas intelligently to solve Australian problems".[147] In short, Melleuish contends that Australia has its own tradition concerned with individual fulfilment that can be drawn upon by liberals in the present.

Marian Sawer's 2003 book *The Ethical State? Social Liberalism in Australia*[148] indicates how the work of critics of contemporary neo-liberalism is also shaped by present political realities. Sawer commenced her study by noting with concern "the erosion of social-liberal political traditions in Australia and New Zealand".[149] She proceeded to examine the tradition of 'social liberalism' in Australia – a philosophy that she equates with the 'new liberalism' of the 1880s and 1890s in Britain[150] that, in order to eliminate barriers to individual fulfilment such as poverty, was concerned with "social reform rather than social revolution".[151] For Sawer the benefits that 'social liberalism' might deliver in the present were clear. She noted that:

> in today's world of global markets and economic rationalism, its [social liberalism's] concept of the ethical state is not unattractive. It involves much higher expectations on the part of citizens concerning the duties of the state than our governments have been anxious to encourage in recent times. The goal that all citizens, regardless of market bargaining power, should have equal opportunity for self-development is surely a

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[147] Gregory Melleuish & Geoff Stokes, 'Australian Political Thought', in Wayne Hudson & Geoffrey Bolton (eds.), *Creating Australia: changing Australian history*, Allen & Unwin, Crows Nest, 1997, p. 119.
[148] Marian Sawer, *The Ethical State?: Social Liberalism in Australia*, Melbourne University Press, Carlton (Victoria), 2003.
[149] Sawer, *The Ethical State?*, p. 1.
[150] Sawer, *The Ethical State?*, p. 3.
[151] Sawer, *The Ethical State?*, p. 2. Sawer implies that Melleuish, in an effort to find intellectual precursors to contemporary liberal thought, inaccurately classifies NSW Attorney-General Bernhard Wise as a supporter of laissez-faire (p. 56). See also Frank Bongiorno, 'Whatever Happened to Free Trade Liberalism?', in Paul Strangio & Nick Dyrenfurth (eds.), *Confusion: The Making of the Australian Two-Party System*, Melbourne University Publishing Limited, Carlton, 2009, p. 253.

> legitimate goal and one on which the legitimacy of the state should rest.[152]

Like Melleuish, Sawer also addresses the issue of the extent to which liberal philosophies in Australia have been shaped by domestic rather than international trends. Sawer emphasised the strong historical influence upon Australians of some English branches of social liberal thought. Sawer, however, describes how such 'foreign' ideas became 'Australian' in the sense that they shaped the processes of nation-building at the time of federation and created a 'path dependence' influencing later moments of institutional design.[153] Interestingly, at around the same time as she published *The Ethical State?,* Sawer was also noting how 'new class' discourse, imported from America, was assisting the dismantling of the very institutions of the Australian state that social liberalism had helped create.[154] Thus both Melleuish and Sawer have been keen to demonstrate that their understanding of the 'true' meaning of liberalism is supported by Australia's past.

The literature on more contemporary variants of free-market thought in Australia replicates some of the features found in the contrasting works of Melleuish and Sawer. For instance, a concern with the distinction between international philosophical and policy influences and 'domestic' factors is apparent. As indicated throughout this thesis neo-liberalism is a global ideology, yet its tensions and complexities have seen it inflected by local and national concerns.

Complementing the approach of their Anglo-American colleagues, Australian critics of free-market capitalism in the 1980s focused upon the emergence of the so-called 'New Right'. As early as 1982, Sawer edited a volume entitled *Australia and the New Right.*[155] In 1987, Ken Coghill released the collection *The*

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[152] Sawer, *The Ethical State?*, p. 2.
[153] Sawer, *The Ethical State?*, chap. 2.
[154] See Marian Sawer, 'Populism and Public Choice in Australia and Canada: Turning Equality-Seekers into 'Special Interests'', in Marian Sawer & Barry Hindess (eds.), *Us and Them: Anti-Elitism in Australia*, API Network, Perth, 2004.
[155] Sawer (ed.), *Australia and the New Right*.

New Right's Australian Fantasy.[156] These volumes appeared during a period when a 'New Right' faction of economic liberals, who disparaged Malcolm Fraser for failing to live up to some of his initial free-market rhetoric, was asserting its dominance within the Liberal Party.[157] The Party went through a period in which the very meaning of 'liberalism' became so heavily contested[158] that a lack of unity undermined its electoral chances.[159] By 1988, however, after divisive debates on the Hawke Government's proposed equal opportunity and immigration legislation, the New Right faction had become dominant within the federal Liberal Party.[160] Indeed, Howard and National Party leader Ian Sinclair were the authors of *Future Directions* – a 1988 liberal policy manifesto that drew on New Right ideas.[161]

The contributors to the literature on the New Right in the 1980s in Australia thus had contemporary political events clearly on their minds. Sawer, in 1982, explored the history of libertarian thought in Australia, pointing to the significance of the intellectual 'free thought' tradition inspired by the Sydney philosopher John Anderson and the influence of Hayek and Friedman upon the individuals who established new groups such as the CIS.[162] Friedman made a

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[156] Coghill (ed.), *The New Right's Australian Fantasy*.

[157] See Geoffrey Bolton, *The Oxford History of Australia*, Vol. 5, Oxford University Press, Melbourne & Oxford, 1990, p. 279; Paul Kelly, *The End of Certainty: The Story of the 1990s*, Allen & Unwin, St Leonards, 1992, chap. 13.

[158] In response to the rise of the Dries, for example, the 'Wets' formed the Liberal Forum group in order to revive social liberalism: see George Brandis, Tom Harley, Yvonne Thompson (eds.), *Australian Liberalism: The Continuing Vision*, Liberal Forum, Melbourne, 1986. According to Liberal Senator George Brandis, the Forum still exists, principally in New South Wales: George Brandis, 'We believe: the Liberal party and the liberal cause', *The Australian*, 26 October 2009, http://www.theaustralian.com.au/news/opinion/we-believe-the-liberal-party-and-the-liberal-cause/story-e6frg6zo-1225791120808, accessed 2 July 2011.

[159] See Kelly's discussion of the Queensland Premier Joh Bjelke-Petersen's New Right inspired push for Canberra: Kelly, *The End of Certainty*, chap. 15.

[160] Guy Rundle, *The Opportunist: John Howard and the Triumph of Reaction*, Quarterly Essay No. 3, Black Inc, Melbourne, 2001, pp. 10-11.

[161] The Liberal Party of Australia, *Future Directions: it's time for plain thinking*, The Liberal Party of Australia, Barton, 1988.

[162] Marian Sawer, 'Political Manifestations of Libertarianism in Australia', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982.

well publicised visit to Australia in 1975.[163] The philosophical origins of the New Right lay in the past: according to the sociologist Allan Patience they were found in the British tradition of laissez-faire,[164] while Sawer located them in the seventeenth and eighteenth century Lockean emphasis upon individual property rights.[165] Yet Sawer and others also viewed the rise of the New Right as a primarily political phenomenon related to the position of capital during the economic troubles of the 1970s.[166]

The contributors to both Sawer and Coghill's collections were keen to point to the New Right's contradictions. For the philosopher Peter Singer tensions existed within the political theory championed by the New Right.[167] For most critics at this time, however, the contradictions of the New Right really emerged in political practice. Sawer pointed to the electoral failure of libertarian parties in Australia[168] and acknowledged that, "in Australia, outside the purist libertarian groupings, libertarian ideas have most success among those who are

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[163] See Jerry Courvisanos & Alex Millmow, 'How Milton Friedman Came to Australia: A Case Study of Class-Based Political Business Cycles', *Journal of Australian Political Economy*, Iss. 57, 2006, pp. 112-136.

[164] Allan Patience, 'The Liberal Party and the Failure of Australian Conservatism', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982, p. 83.

[165] See Marian Sawer, 'Philosophical Underpinnings of Libertarianism in Australia', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982.

[166] Ken Davidson, 'Redistributing to the Rich', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982; Marian Sawer, 'Introduction', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982, p. viii; Rodney Maddox, 'Economic Policy and the New Right', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982, p. 50. Indeed, confronted with economic troubles, business had begun to pay greater attention to the need to intellectually justify free-market policies, supporting the foundation of groups such as the CIS and academic publications, such as *Australia at the Crossroads: Our choices to the year 2000*, that sought to promote free-market ideas among the general population: Wolfgang Kasper, Richard Blandy, John Freebairn, Douglas Hocking, Robert O'Neill, *Australia at the Crossroads: Our choices to the year 2000*, Harcourt Brace Jovanovich Group, Sydney & Melbourne, 1980.

[167] Peter Singer, 'Individual Rights and the Free Market', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982.

[168] Marian Sawer, 'Political Manifestations', pp. 4-6.

simultaneously moral conservatives".[169] Similarly, the political activist and commentator Bernie Taft noted that

> The public, populist appeal of the New Right lies in its ability to bring together two inherently contradictory strands: a neo-liberal view on economic matters and an authoritarian, neo-conservative attitude on social and moral questions. These contradictions show up as soon as the New Right theories are put into practice.[170]

The failure of the Fraser government to cut the total quantum of Commonwealth government spending, despite its rhetoric of fiscal discipline, was pointed to by some as evidence for the view that the laissez-faire New Right lacked genuine political support.[171] Few acknowledged that either the anti-state rhetoric of the New Right (that incorporated a critique of a 'new class' of self-interested bureaucrats that fed off the state),[172] or its rhetoric of individual freedom and responsibility, had electoral resonance.[173] Only later, as they sought to explain

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[169] Sawer, 'Introduction', p. x.

[170] Bernie Taft, 'The New Right in Practice', in Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/ Penguin Books, Ringwood (Victoria), 1987, p. 28.

[171] See Ardel Shamsullah, 'Fraserism in Theory and Practice', in Brian Costar (ed.), *For Better or For Worse: The Federal Coalition*, Melbourne University Press, Carlton, 1994; Alex Carey, 'Conspiracy or Groundswell?' in Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/ Penguin Books, Ringwood (Victoria), 1987, p. 3; Grant Elliott, 'The Social Policy of the New Right', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982, p. 121.

[172] For a discussion of the use of New Class discourse by the neo-liberal right see Damien Cahill, 'New-Class Discourse and the Construction of Left-Wing Elites', in Marian Sawer & Barry Hindess (eds.), *Us and Them: Anti-Elitism in Australia*, API Network, Perth, 2004. New class theorists consider more than simply the role of bureaucrats, examining the role of others (such as state-subsidised university students) who they believe have privileged relationship with political and bureaucratic power. It should also be noted that apparent emergence of a 'New Class' has also been a concern for those on the left and cultural conservatives. See Tim Dymond, 'A History of the 'New Class' Concept in Australian Public Discourse', in Marian Sawer & Barry Hindess (eds.), *Us and Them: Anti-Elitism in Australia*, API Network, Perth, 2004; John Carroll, 'Paranoid and Remissive: The Treason of the Upper Middle Class', in Robert Manne (ed.), *The New Conservatism in Australia*, Oxford University Press, Melbourne, 1982.

[173] Taft concluded that some of the New Right's political success stemmed from its ability to tap into people's everyday frustration with the way government bureaucracies are run: see Taft, 'The New Right', p. 36.

the apparent initial electoral popularity of John Hewson's *Fightback!* policy, would some critics begin to recognise the ability of the ideas behind the New Right to gain electoral traction.[174]

By the early 1990s, however, it was the Labor Government under the leadership of Prime Minister Bob Hawke that was stamping its political mark upon the process of free-market economic reform. Scholars faced the challenge of explaining why the major Australian party of the social democratic left had embraced free-market ideology.[175] In Australia the term 'economic rationalism' (rather than 'neo-liberalism') gained widespread currency at this time.[176]

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[174] See Ian Barns, 'The Fightback! Vision: 'Warm and Dry' or a Mirage in the Desert?', in John Phillimore, Peter Vintila, Peter Newman (eds.), *Markets, Morals & Manifestos: Fightback! & the Politics of Economic Rationalism in the 1990s*, Institute for Science and Technology (Murdoch University), Murdoch (Western Australia), 1992, p. 22; Peter Vintila, 'Markets, Morals and Manifestos', in John Phillimore, Peter Vintila, Peter Newman (eds.), *Markets, Morals & Manifestos: Fightback! & the Politics of Economic Rationalism in the 1990s*, Institute for Science and Technology, Murdoch (Western Australia), 1992, p. 6ff. The second chapter of *Fightback!*, entitled 'The Roots on National Decline', provides a contextual justification for the neo-liberal agenda advanced throughout the document: The Liberal Party of Australian, 'The Roots of National Decline', in The Liberal Party of Australia, *Fightback!*, Liberal and National Parties, Canberra, 1991.

[175] See, for example, Jonathan Paul Swarts, 'The Politics of Economic Policy Transformation: Neoliberalism in the Anglo-American Democracies', Unpublished PhD Thesis, University of Ohio, 2000; Shaun Goldfinch, 'Remaking Australia's Economic Policy: Economic Policy Decision-Makers During the Hawke and Keating Labor Governments', *The Australian Journal of Public Administration*, Vol. 58(2), 1999, pp. 3-20; William D. Coleman & Grace Skogstad, 'Neo-Liberalism, Policy Networks, and Policy Change: Agricultural Policy Reform in Australia and Canada', *Australian Journal of Political Science,* Vol. 30(2), 1995, pp. 242-263; Ed Kaptein, 'Neo-Liberalism and the Dismantling of Corporatism in Australia', in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Traditional Neo-Liberalism in the 1980s*, Routledge, London, 1993; Ian R. Harper, 'Why Financial Deregulation?', *The Australian Economic Review*, 1st Quarter, 1986, pp. 37-49.

[176] See, for example, Greg Whitwell, 'Economic Ideas and Economic Policy: The Rise of Economic Rationalism in Australia', *Australian Economic History Review*, Vol. 33(2), 1993, pp. 8-28; Tim Battin, 'A Case of Mistaken Identity: A Reply to Dollery', *Australian Journal of Social Issues*, Vol. 27(3), 1992, pp. 213-214; Brian Dollery, 'What Is This Thing Called Economic Rationalism? Comment', *Australian Journal of Social Issues*, Vol. 27(3), 1992, pp. 209-212; Michael Muetzelfeldt, 'Economic Rationalism in Its Social Context', in Michael Muetzelfeldt (ed.), *Economic Rationalism*, Pluto Press, Leichhardt (New South

A number of scholars have viewed economic rationalism as a betrayal of some admirable features of Australia's past. Sociologist Michael Pusey, for example, suggested that the state had turned its back on an Australian tradition of government-led nation building.[177] In Pusey's mind economic rationalism was "an ideological convulsion and a primitive throwback to the irretrievable and exhausted earlier moral cultures of two nations, Britain and the United States".[178] Historian Stuart Macintyre suggested in 1992, as Australia recovered from recession, that the economic rationalist policies found in *Fightback!* went against an Australian tradition of state fostered social democracy.[179] Also writing in that year, sociologist John Carroll argued that the solution to the apparent failures of economic rationalism was simply to preserve the Australian way of life.[180] Carroll suggested that there was a healthy Australian tradition of successful management and the mastering of risk.[181]

The term 'economic rationalism' was replaced in much of the later academic usage by references to 'neo-liberalism'.[182] However, like their fellow

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Wales), 1992; Tim Battin, 'What Is This Thing Called Economic Rationalism?', *Australian Journal of Social Issues*, Vol. 26(4), 1991, pp. 294-307; Michael Pusey, *Economic Rationalism in Canberra: A Nation-Building State Changes Its Mind*, Cambridge University Press, Melbourne, 1991.

[177] Pusey, *Economic Rationalism.*

[178] Michael Pusey, 'Canberra Changes Its Mind: The New Mandarins', in John Carroll & Robert Manne (eds.), *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia*, Text Publishing, East Melbourne, 1992, p. 43.

[179] Stuart Macintyre, 'Social Democracy: Australia's Record', in John Phillimore, Peter Vintila, Peter Newman (eds.), *Markets, Morals & Manifestos: Fightback! & the Politics of Economic Rationalism in the 1990s*, Institute for Science and Technology Policy, Murdoch (Western Australia), 1992.

[180] John Carroll, 'Conclusion: The Role of Government', in John Carroll & Robert Manne (eds.), *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia*, Text Publishing, East Melbourne, 1992, p. 186.

[181] Carroll, 'Conclusion', p. 192.

[182] In the Australian context see, for example, Forsey, *Challenging the System*; Browyn Davies, 'Winning the Hearts and Minds of Academics in the Service of Neoliberalism', *Dialogue*, Vol. 24(1), 2005, pp. 26-36; Ian Marsh, 'Neo-Liberalism and the Decline of Democratic Governance in Australia: A Problem of Institutional Design?', *Political Studies*, Vol. 53(1), 2005, pp. 22-42; Burgmann, *Power, Profit and Protest*; Philip Mendes, 'Australian Neoliberal Think Tanks and the Backlash Against the Welfare State', *Journal of Australian Political Economy*, No. 51, 2003, pp. 29-56; Swarts, 'The Politics of Economic

commentators overseas, those who have debated the ascendency of free-market policy in Australia, regardless of what label they have adopted to describe this process, have frequently commented upon the role played by the state.

The term 'economic rationalism' may have gained traction in Australia due to the particular focus, around the time of the 1991 recession, upon the role of the state in 'nurturing' neo-liberalism. A number of commentators defined economic rationalism as an ideology of governance that had become dominant within political and bureaucratic circles. Pusey in his 1991 study *Economic Rationalism in Canberra*[183] argued, based on a survey of 215 senior Canberra civil servants, that the Canberra bureaucracy – particularly its members trained in university economics departments – had been influential in convincing Australia governments to embrace free-market policies. According to Pusey, "[a]long with elected politicians and some types of intellectuals, top public servants are the 'switchmen of history'; when they change their minds the destiny of nations takes a different course".[184]

Pusey's study was criticised by some for adopting a mono-causal explanation for the political rise of economic rationalism.[185] His account, however, was just one of the many explanations for the ascendency of economic rationalism in Australia that described the significant role of the state in this process. In 1992, for example, Ann Capling and Brian Galligan in their study of the dismantling of industry protectionism in Australia argued that the state in Australia "has always

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Policy'; Mark Beeson & Ann Firth, 'Neoliberalism as a Political Rationality: Australian Public Policy since the 1980s', *Journal of Sociology*, Vol. 34(3), 1998, pp. 215-231.

[183] Pusey, *Economic Rationalism.*

[184] Pusey, *Economic Rationalism*, p. 2.

[185] The economist Fred Argy, for example, suggested in 1998 that although in some ways Pusey's work proved prophetic, his account overlooked the sections of bureaucracy that continued to favour government involvement in industry development and 'nation building': Fred Argy, *Australia at the Crossroads: Radical Free Market or a Progressive Liberalism?*, Allen & Unwin, Sydney, 1998, p. 233. A subsequent study suggested that the influences upon the Hawke government's decision-making processes were much wider than Pusey had suggested: Goldfinch, 'Remaking Australia's Economic Policy'.

been deeply involved in accumulation precisely in order to legitimate itself".[186] They believed that the Labor Government under Hawke, although embracing free-market industry policy through the reduction of tariffs, continued to seek legitimacy by using the tools of the state by, for example, negotiating agreements with business and labour.[187]

The role of the state in the process of fostering free-market policies continues to be emphasised by scholars writing more recently on the rise of 'neo-liberalism'.[188] As with the international literature on neo-liberalism, the view that Australian scholars have taken towards the relationship between the state and the rise of free-market policy can be closely related to their broader views on the necessity of economic reform.

Paul Kelly has been a firm proponent of the position that economic liberalisation was a necessity. The reforms instituted by the Hawke Government, such as the floating of the Australian dollar and the phased reduction in industry assistance, were, in his opinion, a result of a necessary embrace of economic realism. According to Kelly, although these policy decisions reflected "the free market orthodoxy in the English speaking world",[189] the decisive factor was a desire by government to avoid economic crisis by, for example, improving Australia's foreign trade performance.[190]

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[186] See Ann Capling & Brian Galligan, *Beyond the Protective State: The Political Economy of Australia's Manufacturing Industry Policy*, Cambridge & Oakleigh (Victoria), 1992, p. 40. The role of the state in both implementing free-market policies and finding solutions to some of the negative effects of globalisation was also emphasised by Capling, along with her co-authors, in Ann Capling, Mark Considine, Mark Crozier, *Australia Politics in the Global Era*, Longman, Melbourne, 1998. Capling, *Beyond the Protective State*, p. 40.

[187] Capling, *Beyond the Protective State*, p. 54.

[188] See, for example, Damian Grenfell, ''Getting the Government Off Our Backs?': The Ruling Class and New Trends in the State's Management of Dissent', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class*, Australian Scholarly Publishing, Melbourne, 2004, p. 70; Burgmann, *Power, Profit and Protest*, p. 325.

[189] Kelly, *The End of Certainty*, p. 14.

[190] Kelly noted that "the 1980s campaign to re-invent the Australian political tradition was driven by economic crisis…. The 1980s economic crisis has left the recognition that the solution lies not in addressing the symptoms but in basic institutional change": Kelly, *The End of Certainty*, p. 14.

Kelly has subsequently been joined by others who, though expressing clear reservations regarding the social effects of free-market policies, have acknowledged that it is not desirable to return to a protectionist economy. Economist Fred Argy, for example, titled a chapter in his 1998 study of Australia's economic policy options "Why old-style state paternalism (statism) will not work".[191] In their 1998 work *Australian politics in the global era*, Ann Capling, Mark Considine and Michael Crosier drew attention to the ideological content of Kelly's position, suggesting that *The End of Certainty* "implies that Australia's past has been all a dreadful mistake and he champions globalization as the act of 'creative destruction' that Australia had to have".[192] Yet the authors also noted that that they were "not advocating any kind of retreat into the past"[193] and acknowledged the benefits of free markets. More recently, economist Andrew Charlton, although pointing to the advantages that social democracy has over laissez-faire free-market economics, has argued that it is neither just nor economically sensible to return to a protectionist 'sandbagging' of the Australian economy.[194]

By and large, these authors have not viewed the rise of free-market policies in Australia as being the product of a politically driven exercise by sections of society to protect their privileged relationship to capital. In Argy's view neo-liberalism (or 'hard liberalism')[195] had created a myth of poor economic performance in Australia in order to justify radical reform.[196] However, 'hard liberalism' was not viewed by Argy as the product of a class-based conspiracy; rather this school of thought constituted a flawed philosophy that failed to take

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[191] Argy, *Australia at the Crossroads*, chap. 4.
[192] Capling, *Australian Politics*, p. viii.
[193] Capling, *Australian Politics*, p. 15.
[194] See Andrew Charlton, *Ozonomics: Inside the Myth of Australia's Economic Superheros*, Random House, North Sydney, 2007.
[195] 'Hard liberalism', according to Argy, "….involves a strong philosophical commitment to individualism, self-reliance and responsibility and a contempt of collectivist, communal or societal ideas": Argy, *Australia at the Crossroads*, p. 54.
[196] Argy, *Australia at the Crossroads*, p. 7.

into account the "distributional effects and adjustment costs of economic reform and structural change".[197]

Capling, Considine and Crozier viewed the rise of neo-liberalism as the product of structural economic factors, rather than political manipulation. They acknowledged that "by the late 1970s neo-liberalism had become very influential among certain elites in Australia".[198] This influence, however, was seen by the authors as a result of the break-down in the Keynesian consensus. While Capling, Considine and Crozier suggested that policies such as the abolition of government controls of the movement of capital were heavily influenced by business elites,[199] the economic problems of the 1970s, which led to a call for new 'post-Keynesian' policy responses, were, in their mind, a product of two underlying structural problems: protectionist policies and reliance on primary exports.[200] The significance of such economic structural factors was also emphasised by Charlton who noted that:

> When Labor won office in 1983, the problems of the Australian economy went much deeper than the bad cyclical management that had accommodated 'stagflation'. The fundamental cause of the malaise was that Australia had been milking its profitable mining and agricultural sector for too long and had allowed the fundamentals of the rest of the economy to become badly misaligned.[201]

Journalist George Megalogenis has also pointed to the link between the liberalization of the economy and the break-down of the Keynesian policy consensus with the advent of stagflation in the 1970s and 1980s.[202]

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[197] Argy, *Australia at the Crossroads*, p. xi.
[198] Capling, *Australian Politics*, p. 53.
[199] Capling, *Australian Politics*, p. 44.
[200] Capling, *Australian Politics*, p. 34. Most recently, economist and journalist George Megalogenis has provided an account of the economic reforms implemented by Australian government from the 1980s onwards, recognising that they were a response to genuine economic problems and condemning (at page 18) protectionist policies as "cultural arrogance by another name". See George Megalogenis, *The Longest Decade*, Scribe, Melbourne, 2006, p. 8ff.
[201] Charlton, *Ozonomics*, p. 129.
[202] George Megalogenis, *The Australian Moment: How We Were Made for These Times,* Camberwell, 2012, p. 42ff.

Those who have emphasised the significance of structural economic factors in the rise of free-market policies in Australia have, at times, pointed to the significance of other influences. In 1998, sociologists Mark Beeson and Ann Firth, for example, argued that, "neoliberalism may best be thought of as representing a distinctive 'political rationality'".[203] In their opinion neo-liberalism had come to constitute the new political 'commonsense' in Australia. They argued that

> the emergence of a neoliberal political rationality in Australia is a manifestation of new ways of thinking about national economies and their possible management; ideas which have had a profound influence on Australian public policy.[204]

Beeson and Firth suggested that the development of a new neo-liberal political rationality was a complex process in which "the development of a new economic paradigm is only a part, albeit a conspicuous and influential one".[205] Political rationalities are, according to the authors, "amalgams of political expediency, policies, 'common sense', responses to public opinion, economic doctrines and notions of human rights".[206] Political scientist Martin Painter has adopted a similar approach.[207] Others, as noted above, have emphasised the way in which neo-liberal policy in Australia was shaped by the particular nature of our political system.[208]

At the root of their analysis these authors shy away from the notion that neo-liberalism simply emerged as a result of a political program. Structural changes brought about policy shifts to address real economic problems. Such policies may have coincided with or even reflected the economic interests of certain

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[203] Beeson, 'Neoliberalism as a Political Rationality', p. 216.
[204] Beeson, 'Neoliberalism as a Political Rationality', p. 216.
[205] Beeson, 'Neoliberalism as a Political Rationality', pp. 226-227.
[206] Beeson, 'Neoliberalism as a Political Rationality', p. 217.
[207] See Martin Painter, 'Economic Policy, Market Liberalism and the "End of Australian Politics"', *Australian Journal of Political Science*, Vol. 31(3), 1996, pp. 287-299.
[208] See, for example, Jonathan Swarts' defence of the role that partisan political differences have played in influencing the shape of neo-liberal policy outcomes in Australia, New Zealand, Britain and Canada: Swarts, 'The Politics of Economic Policy'. See also, as discussed above, Capling, *Australian Politics*.

influential groups,[209] but they were not simply a product of their dominance of political processes.[210]

Unsurprisingly, like their overseas counterparts, these scholars have largely avoided radical solutions to the ills of neo-liberalism. Kelly was reluctant to concede any need for improved government regulation of the economy at the conclusion of *The End of Certainty*.[211] Charlton concludes *Ozonomics* by noting that social democracy provides helpful solutions to the threats to Australian prosperity ("international competition, climate change, global poverty, terrorism and social alienation")[212] posed by globalisation. According to Charlton "the public has come to recognise that modern challenges require collective action".[213] Social democracy, in Charlton's opinion, has "a greater understanding (though it may be far from perfect) of the complex interaction between government, people and markets".[214] However, like his mentor Joseph Stiglitz, with whom he has collaborated,[215] Charlton has not sought to radically challenge the nature of the capitalist free-market system. In discussing the decline of manufacturing in Australia, for example, Charlton has argued that Australian companies must adjust to the realities of global production.[216]

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[209] See, for example, Capling, *Australian Politics*, p. 44.

[210] Painter, for example, argues that "market liberal economic doctrine… provided an effective organising framework for collective choice": Painter, 'Economic Policy, Market Liberalism and the "End of Australian Politics" ', p. 288.

[211] Kelly merely conceded that the moral of the bursting of the financial bubble of the 1980s was that "markets are not perfect and do not necessarily advance the national interest". He maintained that "[t]he realistic free market reformers never pretended that markets were perfect; they just said that markets, on balance, would deliver a better result than governments": see Kelly, *The End of Certainty*, p. 682.

[212] Charlton, *Ozonomics*, p. 225.

[213] Charlton, *Ozonomics*, p. 225.

[214] Charlton, *Ozonomics*, p. 225.

[215] See Joseph E. Stiglitz & Andrew Charlton, *Fair Trade for All: How Trade Can Promote Development*, Oxford University Press, Oxford & New York, 2005.

[216] Charlton, *Ozonomics*, p. 55.

Protectionism, Charlton maintains, offers neither a sustainable nor a globally just solutions to the domestic insecurities associated with free-market capitalism.[217]

Writing earlier than Charlton, Argy has also adopted a similarly pragmatic approach to reforming the capitalist system in Australia. While arguing that "economic policy should give higher priority to social, quality of life and employment goals",[218] he noted in *Australia at the Crossroads* that his approach to finding the appropriate mixture between government and the private sector was

> essentially pragmatic: go for smaller government only if it leads to better government; for example, if it allows markets to work more efficiently, helps to better define and target objectives and leads to better social welfare outcomes for the community at large (not just one group of taxpayers and users).[219]

The 'progressive liberalism' advocated by Argy involves a greater emphasis than 'hard liberalism' on social equity and dealing with the negative externalities of free- markets (such as pollution), but also places greater faith in the benefits of free markets than those who possess a fundamental suspicion of the capitalist system.[220]

In contrast to Kelly, Argy and Charlton, others have adopted the more radical view that the rise of economic rationalism or neo-liberalism in Australia can be accurately viewed as the product of a (ruling) class-based revolution against the terms of the post-war settlement. While generally acknowledging that there were genuine economic problems in the 1970s and 1980s that required policy responses, such scholars (like their counterparts who have studied Thatcherism, Reaganism and global neo-liberalism) point to the fundamentally unpopular

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[217] Charlton, *Ozonomics*, p. 226. In relation to social democratic parties and the tackling of poverty, Clive Hamilton has argued that it makes little sense for the Australian Labor Party to continue to frame its political platform, in an era of relative affluence, on the basis that there is widespread structural poverty in Australia. See Clive Hamilton, *What's Left? The Death of Social Democracy*, Quarterly Essay No. 21, Black Inc, 2006.
[218] Argy, *Australia at the Crossroads*, p. xi.
[219] Argy, *Australia at the Crossroads*, p. 86.
[220] Argy, *Australia at the Crossroads*, p.109.

nature of free-market reforms and the extent to which they have benefited class interests.[221]

Political economist Damien Cahill, for example, suggests that in order to maintain support for neo-liberal free-market policies governments have had to adopt neo-conservative agendas.[222] Scholar and activist Verity Burgmann, in the context of the anti-globalisation protests of the 1990s (including those held in Melbourne during the World Economic Forum in 2000), has pointed to the significance of the state's use of coercive power in order to protect the interests of multinational corporations.[223] Burgmann and Cahill's work (along with that of R.W. Connell) reflects a feature of the broader Marxist-influenced literature on neo-liberalism: the primary role of the contemporary state is seen to be defending the interests of capital. This position contrasts with that adopted by the non-Marxists discussed above.[224]

Unsurprisingly, an analysis of neo-liberalism as a class-based revolution by Australian scholars has often been accompanied by support for a relatively radical political program. Burgmann, for example, suggested that the emergence of new social protest movements challenging aspects of globalization (along with the rise of computer and communications technology) was an indication that "the precondition is there for a socialist world order, of a sort not yet tried, to

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[221] Damien Connolly Cahill, 'The Radical Neo-Liberal Movement as a Hegemonic Force in Australia: 1976-1996', Unpublished PhD Thesis, University of Wollongong, 2004, p. 91; R.W. Connell, 'Moloch Mutates: Global Capitalism and the Evolution of the Australian Ruling Class 1977-2002', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class*, Australian Scholarly publishing, Melbourne, 2004, p. 16; Burgmann, *Power, Profit and Protest*, p. 322ff.

[222] Cahill, 'The Radical Neo-Liberal Movement as a Hegemonic Force in Australia: 1976-1996', p. 91.

[223] Burgmann, *Power, Profit and Protest*, p. 325.

[224] See, for example, Kelly's comment that "the 1980s campaign to re-invent the Australian political tradition was driven by economic crisis... the 1980s economic crisis has left the recognition that the solution lies not in addressing the symptoms but in basic institutional change": Kelly, *The End of Certainty*, p. 14. Charlton has suggested that much of the prosperity of the Howard years was a result of necessary economics reforms, the bulk of which were introduced by the Labor Government between 1983 and 1996: see Charlton, *Ozonomics*, pp. 123-53. See also Capling, *Beyond the Protective State*, p. 55.

emerge".[225] Cahill has indicated that the hegemony of contemporary global neo-liberalism cannot be challenged unless an alternative political economy is developed.[226] Stephen Bell has adopted a less aggressive position than Burgmann but has still acknowledged the need to address the class nature of capitalism in order to remedy the ills of neo-liberalism.[227] Although influenced by the Marxist critique of capitalism, Bell was more clearly motivated by the desire to demonstrate that real policy alternatives to neo-liberalism exist.[228]

Aside from the Marxist school of critique and that advanced by others who advocate less radical reforms to market processes, neo-liberalism has also been critically examined from a philosophically conservative perspective in Australia. In 1992, Robert Manne and John Carroll led a charge against neo-liberalism with their book *Shutdown.*[229] Manne and Carroll's reservations about 'economic rationalism' were similar to those held by John Gray with respect to global free-market capitalism. Carroll and Manne noted that "economic rationalism is abstract and rarefied theory, with a poor grasp of reality".[230] In Carroll's opinion the new economically trained bureaucrats brought to their jobs an ideological

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[225] Burgmann, *Power, Profit and Protest*, p. 345.

[226] Damien Cahill, 'Contesting Hegemony: The Radical Neo-Liberal Movement and the Ruling Class in Australia', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class*, Australian Scholarly Publishing, Melbourne, 2004, p. 101. See also Connell's discussion of how the 'progressive liberalism' championed by Keynes and Galbraith, that sought to regulate, rather than undermine, capitalism, was itself undermined by the new social movements of the 1960s and 1970s and by the "global politics of capitalism": Connell, 'Moloch Mutates', p. 14.

[227] Bell, *Ungoverning the Economy*, p. 278.

[228] Bell, *Ungoverning the Economy*, p. 276. Similarly, in 2001 Boris Frankel maintained that "feasible alternatives to neo-liberalism can be developed without recourse to politically impossible or improbable demands for the end of capitalism": Frankel, *When the Boat Comes In*, p. 7. These two authors, although at times influenced by more radical critiques of capitalism, embrace political pragmatism and thus propose solutions to what they perceive to be the disadvantages of neo-liberalism that involve improved government management of the market economy, as opposed to the undermining of the capitalist system.

[229] See John Carroll & Robert Manne (eds.), *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia*, Text Publishing, East Melbourne, 1992.

[230] John Carroll & Robert Manne, 'Preface', in John Carroll & Robert Manne (eds.), *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia*, Text Publishing, East Melbourne, 1992, p. 2.

fervor that defied reality.[231] Manne noted that economic rationalists "are more willing than the older-style conservatives to go wherever their arguments might lead. They are untroubled by the problem of the unintended consequences of political reform".[232]

Manne and Carroll were clearly suspicious of abstract and rationalistic ideological political programs. Charles Kemp (the former director of the Institute of Public Affairs), the philosopher Hugh Emy, and the prominent Catholic activist and intellectual B.A. Santamaria have also advanced critiques of capitalism in Australia that generally share this suspicion.[233]

During the Howard era Manne's ongoing analysis of contemporary free-market economics[234] became enveloped within a broader critique of capitalism by the social democratic left. This critique embraced what may traditionally be regarded as 'conservative' causes. Historian David McKnight, for example, in *Beyond Right and Left*, pointed to the validity of conservative concerns for the health of the natural environment and the public weal and suggested that they should help shape a new humanist brand of political thought.[235] McKnight, acknowledging the critique of capitalism advanced by Gray and others, argued that the free-market agenda of the Howard Government had the potential to undermine the social fabric upon which capitalism depends.

In McKnight's opinion it is incoherent for governments to adopt the approach he attributes to Hayek of attempting to foster free markets on the one hand whilst

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[231] John Carroll, 'Economic Rationalism and its Consequences', in John Carroll & Robert Manne (eds.), *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia*, Text Publishing, East Melbourne, 1992, p. 13.
[232] Robert Manne, 'The Rift in Conservative Politics', in John Carroll & Robert Manne (eds.), *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia*, Text Publishing, East Melbourne, 1992, p. 57.
[233] See David McKnight, *Beyond Right and Left: New Politics and the Culture Wars*, Allen & Unwin, Crows Nest, 2005, p. 78; Hugh Emy, 'From Liberalism to Conservatism?', *Quadrant*, Vol. 35(12), 1991, pp. 10-19; B.A. Santamaria, *Australia at the Crossroads: reflections of an outsider*, Melbourne University Press, Carlton, 1987.
[234] See Robert Manne (ed.), *The Howard Years*, Black Inc Agenda, Melbourne, 2004.
[235] See McKnight, *Beyond Right and Left*, p. 85ff.

standing up for the interests of families and private associations (such as sporting clubs) on the other. According to McKnight:

> Hayek's intellectual paradigm has turbo-charged the privatised, marketised economy, which is relentlessly encroaching on the life-world of family, friends and community. The invisible hand [of the market] is clutching at the invisible heart and slowly choking it.[236]

McKnight argues that it increasingly makes little conceptual sense to classify such critiques of capitalism using the traditional left-right political spectrum. He notes, for example, that concerns regarding the effect of free-market capitalism upon the environment and the family can incorporate both a conservative scepticism of the unpredictable effects of ideologically driven political programs and a 'progressive' or humanistic concern for the ability of individuals to support and nurture others.[237]

McKnight's critique of the impact of neo-liberalism is arguably representative of a broader focus upon the limits of a free-market focused political paradigm in dealing with widespread public policy challenges such as global warming. The political scientist Judith Brett, for example, accounting for Howard's electoral defeat in late 2007, suggested that Howard's partisan style of politics struggled to adapt to a new political environment in which collective public policy concerns had gained importance in the public consciousness.[238]

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[236] McKnight, *Beyond Right and Left*, p. 242. Social commentator Anne Manne has placed a similar emphasis upon the manner in which free-market policies have the potential to undermine the collective social fabric. Focusing upon the area of family policy in Australia, she has argued that the political focus upon the availability and affordability of childcare has, in fact, worked in the interests of free-market capitalism. Manne has suggested that this policy focus has come at the expense of a consideration of the evidence regarding the best practice in caring for children and the views of those women who wish to spend more time caring for their newborns in a home environment following birth. See Anne Manne, *Love & Money: The Family and the Free Market*, Quarterly Essay No. 29, Black Inc, Melbourne, 2008.

[237] For McKnight's comments on the redundant nature of the left-right political spectrum see McKnight, *Beyond Right and Left*, pp. 1-18.

[238] Judith Brett, *Exit Right: The Unravelling of John Howard*, Quarterly Essay No. 28, Black Inc, Melbourne, 2007, p. 56.

In an essay published in *The Monthly* in 2007 before his ascent to the role of Leader of the Parliamentary Labor Party and the office of Prime Minster, then Labor Foreign Affairs spokesman Kevin Rudd, appearing to borrow from McKnight, suggested that Howard's championing of free-market rhetoric threatened conservative values.[239] In a later newspaper article, Rudd suggested that Howard's failure to confront the problem of climate change stemmed from that fact that he was wedded to free-market ideology.[240]

Howard responded to this attack by simply defending his government's record of improving the welfare of Australian citizens.[241] But Greg Lindsay, the director of the Centre for Independent Studies argued that the Howard Government's lavish spending and efforts to nationalise the family through the welfare system would have appalled Hayek.[242]

It is easy to dismiss the criticisms leveled at the Howard Government by neo-liberal intellectuals as resulting from their utopian, unrealistic expectations. However, as will be detailed later in this thesis, the reality is that in a number of ways Howard's premiership fell well short of the neo-liberal ideal. This point was explored by a number of commentators during the Howard years. George Megalogenis has noted, for example, that Howard's election victories in both 2001 and 2004 came at the 'cost' of a massive expansion of targeted government payments to the elderly and families.[243] Journalist Mike Steketee also remarked in 2006:

> These days the Prime Minister rarely invokes the conservative touchstone of small government. In 2006 government tax, including GST, accounts for 25.6 per cent of income, which is hardly a basis to argue for smaller government. In fact, during Howard's 10 years in

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[239] See Kevin Rudd, 'Howard's Brutopia: The Battle of Ideas in Australian Politics', *The Monthly*, November 2006, pp. 46-50.
[240] See Kevin Rudd, 'Child of Hayek', *The Australian*, 20 December 2006, p. 12.
[241] John Howard, 'Kevin Rudd Is Wrong: I'm No Market Zealot', *The Australian,* 18 December 2006, p. 8.
[242] Greg Lindsay, 'Hayek Would Not Have a Bar of Howard', *The Australian*, 22 December 2006, p. 10.
[243] Megalogenis, *The Longest Decade*, pp. 94, 262ff.

> office, revenue as a proportion of national income has risen, not fallen.[244]

Although a respect for free enterprise and individualist endeavour has been part of Howard's psyche since he was young, as his most recent biographers Wayne Errington and Peter van Onselen have pointed out, "[h]owever much he may have engaged with the ideas promoted by the New Right, Howard was too much of a pragmatist to implement radical reform".[245]

To point to the limitations of viewing the Howard era as the triumph of neo-liberal ideology is not to deny that the period 1996-2007 saw the federal government continue to implement a largely pro-market deregulatory agenda begun by the previous Labor Government. To acknowledge such limitations, however, is to highlight the need to explore how the tensions that emerge within neo-liberalism at the practical level (as governments attempt to implement free-market policies) have been discussed and debated at the level of political theory and ideology by neo-liberals themselves.

A number of scholars have recognised that the neo-liberal movement confronts and seeks to address internal philosophical dilemmas and debates, rather than simply questions of political strategy. McKnight developed his argument regarding the impact of the free market upon the social fabric in the context of what he saw as the political and ideological ascendancy of neo-liberalism both internationally and within Australia.[246] He did point, however, to the tensions within Hayek's work between the different principles he applies to the economic and family/private spheres.[247] Andrew Gamble, contributing to the debate regarding the influence of Hayek upon Howard, has also pointed to the philosophical tensions within Hayek's work and the diversity of neo-liberal

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[244] Mike Steketee, 'The Carrot and the Stick', in Nick Carter (ed.), *The Howard Factor: A Decade That Changed the Nation*, Melbourne University Press, Melbourne, 2006, p. 76.
[245] Wayne Errington & Peter Van Onselen, *John Winston Howard*, Melbourne University Press, Melbourne, 2007, p. 69.
[246] See McKnight, *Beyond Right and Left*, chap. 3; David McKnight, 'Modern Australia: The Ascendancy of the Right in Modern Australia', *The Sydney Papers*, Vol. 18(1), 2006, pp. 201-205.
[247] McKnight, *Beyond Right and Left*, p. 71ff.

thought, whilst arguing that "in specific areas" the Howard Government "pursued, not resisted, the logic of neoliberalism".[248]

The limitations of viewing the Howard era as the triumph of neo-liberalism are clearly visible in the work of those who have adopted a Marxist critique of capitalism. For Burgmann, a direct line of influence can be drawn between neo-liberal political philosophy and the contemporary reality of free-market capitalism. In *Power, Profit and Protest* she argued that a

> distorted version of classical liberal economic theory, starting from a position of marginality in economics faculties prior to the 1970s, became accepted wisdom in most of these faculties during the 1970s. From here it spread to government departments and political parties, to newspaper editorialists and columnists.[249]

The Howard era was, for Burgmann, a similar tale of neo-liberal triumph. She argued in 2003 that:

> In Australia, no political party currently capable of forming government is resistant to the neo-liberalism that causes the remorseless trend towards increasing inequalities….Time and again, both major parties have indicated they would prefer to maintain the confidence of the markets than the confidence of the people.[250]

Cahill has argued that between 1976-1996 a radical neo-liberal movement in Australia (incorporating think-tanks and mainstream media) was able to utilise its close relationship to capital in order to have a 'hegemonic' impact upon Australia.[251] He has also suggested that the championing of neo-liberalism continued during the Howard era despite public opposition.[252] The tensions and contradictions between neo-liberal theory and the politics of the Howard era are absent or underplayed in these accounts.

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[248] See Andrew Gamble, 'Hayek & Market Fundamentalism: Howard Vs Rudd', http://evatt.labor.net.au/publications/papers/192.html, accessed 30 May 2008.
[249] Burgmann, *Power, Profit and Protest*, p. 257.
[250] Burgmann, *Power, Profit and Protest*, p. 323.
[251] Cahill, 'The Radical Neo-Liberal Movement', p. 8.
[252] Cahill, 'Contesting Hegemony', p. 90.

A number of non-Marxist commentators have examined the complex manner in which neo-liberalism shaped peoples' lives during the Howard years. Anthropologist Martin Forsey, for example, has drawn attention to the manner in which neo-liberalism has impacted upon the public school system.[253] Forsey suggested that in practice the neo-liberal support for the devolution of publicly held power actually amounts to a transformation of governance in which the paradox arises that the "center is charged with empowering the periphery to take greater control".[254] Forsey's account emphasised that, contrary to neo-liberal rhetoric, central governmental bodies remain significant, often precisely as agents of neo-liberalism.[255]

Accounts such as Forsey's that point to the tensions within neo-liberalism were especially pertinent in the Howard era as the Government resorted to using extensive powers in order to reshape individuals as marketised consumers. Gender studies specialist Rebecca Stringer, for example, has argued that the Howard Government's 'intervention' into Aboriginal communities in the Northern Territory from 2007 onwards highlighted the tension between neo-liberalism's rhetoric of individualism on the one hand and the actual reliance of the 'strong' hand of the state to 'free' the individual on the other.[256] However, as

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[253] Forsey, *Challenging the System?*.
[254] Forsey, *Challenging the System?*, p. 157.
[255] Forsey, *Challenging the System?*. Political scientist Dennis Woodward has also pointed to a paradox highlighted by Forsey, arguing that "neo-liberal views are based on assumptions that do not accord with reality….constant government intervention has proved necessary to maintain the levels of competition that the 'free competitive market' is supposed to deliver by itself": Dennis Woodward, *Australia Unsettled: The Legacy of 'Neo-liberalism',* Pearson Education Australia, Sydney, 2005, p. 177.
[256] Rebecca Stringer, 'A Nightmare of the Neocolonial Kind: Politics of Suffering in Howard's Northern Territory Intervention', *Borderlands*, Vol. 6(2), 2007, http://www.borderlands.net.au/vol6no2_2007/stringer_intervention.htm, accessed 30 March 2010. The Intervention is discussed further below. Forsey also endorsed the approach of Wendy Lerner (Lerner, *Neoliberalism*), pointing to the way in which neo-liberal ideology is contested in local settings and produces new and complex power dynamics: Forsey, *Challenging the System?*, p. 17. See also Johanna Bockman's emphasis on the need to understand the networks and intellectual hybridisation that characterise neo-liberalism, and avoid embracing grand narratives: Johanna Bockman, 'The Origins of Neo-liberalism between Soviet Socialism and Western Capitalism: "A galaxy without borders"', *Theory & Society*, Vol. 36(4), 2007, pp. 343-371; Johanna Bockman & Gil Eyal,

with other contemporary accounts of neo-liberalism in Australia, these studies could be enhanced by examining how neo-liberal intellectuals have viewed contemporary political developments. Such an examination would reveal whether the tensions that emerged when some neo-liberal ideas were put into political practice during the Howard years led free-market thinkers to debate and reexamine their ideology.

As with the wider scholarship on neo-liberalism, scholars who have contributed to the literature on the Howard era have debated the relative influence of international and domestic factors. Burgmann has clearly shown an interest in the extent to which Australians might participate in a global struggle against a neo-liberalism that is transnational in nature and impact.[257] Both Damien Cahill and Marian Sawer have pointed to the particular influence of American neo-conservatism upon the Australian political scene.[258] Sawer, in particular, has pointed to the extent to which Howard's political championing of the 'mainstream' resonated with public choice theory (developed in the US and the UK in the 1950s).[259]

Judith Brett, citing Sawer's work, has recently criticised the approach of "left commentators" who

> write essays which explain how Howard borrows his arguments about special interests and the power of the elites from right-wing American think-tanks and public choice theory, giving little or no consideration to the Australian sources of his ideas.[260]

'Eastern Europe as a Laboratory for Economic Knowledge: the Transnational Roots of Neoliberalism', *American Journal of Sociology*, Vol. 108(2), 2002, pp. 310-352.

[257] Burgmann, *Power, Profit and Protest*, p. 322.

[258] See Cahill, 'New Class Discourse'; Sawer, 'Us and Them'.

[259] Sawer, 'Us and Them', p. 41. Public choice theory is discussed further below.

[260] Judith Brett, *Relaxed & Comfortable: The Liberal Party's Australia*, Quarterly Essay No. 19, Black Inc, Melbourne, 2005, pp. 23-24.

For Brett, an historian of the Australian Liberal Party, the political approach of John Howard is understandable in the context of the foundational ideas of that party. In particular, Brett points to the significance of the fact that Howard

> inherited the idea of a polity divided between, on the one hand, good representatives of the national interest and, on the other, bad vested interests pursuing their selfish designs with scant regard for the wellbeing of all.[261]

Neo-liberalism, Brett had earlier argued, put a huge strain on the traditional supporter base of both major Australian political parties. In particular, she noted that

> [t]he cynical realism of neo-liberalism's model of human behaviour was a direct affront to the role of principle and value in public life, and so to what this book has been arguing is one of Australian Liberals' core beliefs.[262]

However, Brett returned to Australian-specific factors in seeking to explain how Howard managed to address contradictions in his political program. Howard, according to Brett, did

> what Liberals have always done. He made his stand firmly at the centre, and fought Labor from there, renewing the opposition between the Liberals' claim to the consensual centre and Labor as the party of the illegitimate section.[263]

By focusing upon the manner in which aspects of Australian political history and traditions may help account for the political success of Howard's government one need not abandon any notion that trans-national neo-liberal ideology had any impact upon the then Prime Minister's political outlook. The influence of neo-liberal thought upon Howard cannot simply be dismissed on the basis that he

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[261] Brett, *Relaxed & Comfortable*, p. 24.
[262] Judith Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard*, Cambridge University Press, Cambridge, 2003, p. 173.
[263] Brett, *Relaxed & Comfortable*, p. 22.

struggled through only a few chapters of Hayek's *The Road to Serfdom* and has been criticised by the Centre for Independent Studies.[264] Nor, however, is Australian political thought and practice an entirely derivative product of trans-national neo-liberal ideology. Brett is correct to note how a focus upon the Liberal Party tradition of defending the interests of 'middle Australia' may explain some of the Howard Government's political successes. Her notion of the Liberal party and 'middle Australia', for example, may help account for why, when deploying the public-choice theory of 'elites' developed by the international New Right, Howard met with political success for so long.

Again both Brett and Sawer's accounts of Howard's approach to government would be enhanced if they considered the process of self-reflection undertaken by neo-liberal intellectuals themselves. An examination of how neo-liberal intellectuals (within Australia's free-market think-tanks) responded to the political happenings of the Howard era would highlight how they viewed the relationship between domestic and international influences and how global ideology became inflected with local concerns.

Conclusion

In the 2006 edition of *The Longest Decade* George Megalogenis concluded that, with the assistance of economic growth spurred on by a housing boom and the expansion of household debt, "Australia got over its distaste of deregulation".[265] Megalogenis's conclusion was in contrast to that of Dennis Woodward who suggested in 2005 that after the 'longest' decade of reform "Australia remains very much 'unsettled'".[266]

In November 2007, the Howard Government was defeated and a new Labor Government repealed many aspects of the controversial free-market *WorkChoices* legislation. However, a 'fiscally conservative' Labor government has arguably seen Australia continue to grapple with the realities of neo-liberal

[264] Errington & Van Onselen, *John Winston Howard*, p. 393.
[265] Megalogenis, *The Longest Decade*, p. 287.
[266] Woodward, *Australia Unsettled: The Legacy of 'Neo-Liberalism'*, p. 179.

policies.[267] There is perhaps, though, increased questioning, both in Australia and abroad, of the extent to which unrestrained free-market policies are capable of tackling pressing structural problems such as climate change and financial crises. As the virtues and vices of free-market policies continue to be debated increasing attention will need to be paid to the relationship between neo-liberal theory and political practice. Neo-liberalism will need to be analysed seriously and thus treated historically. This chapter has argued that an analysis of the way in which neo-liberal intellectuals (within free-market think tanks) have responded to and rethought the tenets of their ideology in the light of contemporary political developments has been largely absent from the Australian literature on neo-liberalism and the Howard years.

Three distinct bodies of literature have been examined in this chapter. Firstly, it provided an overview of the literature that has commented upon the period of political rule of Margaret Thatcher and Ronald Reagan. It was argued that this body of literature has discussed some of the key issues that are raised within the broader literature on neo-liberalism. In particular, it was suggested that the literature on Thatcher and Reagan highlights the tension between neo-liberal theory and political practice.

Secondly, this chapter reviewed some of the more general literature on neo-liberalism. It was suggested that the manner in which scholars define and analyse neo-liberalism and, further, the solutions they propose to address the perceived aporias of this ideology are intimately connected. In particular a distinction was made between those who have not sought to challenge the underlying fundamentals of market capitalism (and have mostly suggested that neo-liberalism emerged in response to genuine structural/ economic problems)

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[267] The Labor Opposition throughout the 2007 election campaign attempted to claim the mantle of 'fiscal conservatism'. Following their election the Labor Party sought to put 'inflation first' by cutting government spending in order to run a large budget surplus. In the early days of his Government Rudd suggested that he had no interest in debating whether or not the private sector should be contracted to deliver government services – what mattered, according to Rudd, was results: see Matthew Franklin, 'Rudd says no to Left agenda', 1 March 2008, http://www.news.com.au/top-stories/rudd-says-no-to-left-agenda/story-e6frfkp9-1111115684614, accessed 2 July 2011.

and those who have adopted a more radical approach, viewing neo-liberal ideology as a class-based program in which the state has been complicit in protecting the interest of capital. Further, it was argued that literature on neo-liberalism has often confused theory and political practice.

This chapter also discussed the literature on neo-liberalism in Australia. It started by highlighting how debates about the more distant Australian past have been inflected with a concern for the contemporary state of liberalism. It was then argued that the literature on neo-liberalism in Australia contains a number of key features found both within the scholarship on Reagan and Thatcher and the more general literature on global neo-liberalism. In particular Australian contributors to the scholarship on neo-liberalism have also explored the gap between neo-liberal theory and practice and the differing roles that domestic and international factors have played in shaping contemporary political and economic realities.

Lastly, this chapter reviewed the scholarship on neo-liberalism during the Howard era. The tension between neo-liberal theory and practice became particularly apparent during 1996-2007 as the Howard Government failed to significantly reduce the overall size of government and resorted to using extensive powers to 'neo-liberalise' individuals. This chapter, however, argued that the Australian literature has not paid sufficient attention to the manner in which neo-liberal intellectuals have viewed and critiqued the Howard era. This thesis will address this gap in the existing literature.

A historically informed examination of neo-liberal think tanks in the Howard era is required in order to treat the study of neo-liberalism with the seriousness it deserves. Such a study needs to question the extent to which the tensions that emerge when free-market policies are implemented at the political level are replicated (and possibly resolved) at the level of intellectual debate. If one is to take the study of ideology seriously, it is necessary to look at how proponents of particular philosophies have rethought their ideas in response to practical political developments.

No ideology is historically stationary and neo-liberal think tanks have not exercised influence in a vacuum – the way in which they have thought through and 'marketed' their ideology has adapted to contemporary events. A history of neo-liberal thought thus must be as concerned with present as with the past.

Chapter Two: More than a Matter of Influence: an Overview of the Scholarship on Think Tanks

Introduction

In August 2003, journalist Wilson Da Silva described the influence that a number of Australian think tanks, adopting ideas from the Austrian school of free-market economics, have had upon the Australian political scene. Da Silva wrote that:

> Operating behind the scenes, they influence elected officials, bureaucrats and rising politicians from both sides of politics and they populate the opinion pages of newspapers. Australia's neo-conservative think tanks wield extraordinary influence over government policy.[1]

According to Da Silva, such was the influence of this group of think tanks (including the CIS and the IPA) that they regarded themselves as "the fifth estate".[2]

Later, as the Howard era drew to a close, Wayne Errington and Peter van Onselen argued in *The Australian* that "Howard is certainly an ideologue, but not a pro-market ideologue. He is a creature of the Liberal Party, not a creature of right-wing think-tanks, steeped in an anti-Labor politics rather than conservative thought".[3]

In an earlier newspaper article Errington and van Onselen attacked Dennis Glover (a former speech writer for the once-leader of the Federal Opposition Mark Latham) and political scientist Marion Maddox for emphasising the extent to which the CIS and IPA shaped Howard Government policy.[4] "Think tanks are a small but important part of debate over political ideas, nothing more", they

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[1] Wilson Da Silva, 'The Austrian School of Thought That Packs a Massive Political Punch', *The Sydney Morning Herald,* 13 August 2003, p. 13.
[2] Da Silva, 'The Austrian School of Thought'.
[3] Peter Van Onselen & Wayne Errington, 'Destiny Date for Howard', *The Australian,* 21 July 2007, p. 26.
[4] Peter Van Onselen & Wayne Errington, 'Like Minds Don't Make Ideas Work', *The Sydney Morning Herald,* 4 March 2005, p. 11.

argued, adding that, "while they have persistence on their side, ideological rigidity is political poison".[5]

This chapter will argue that the scholarly literature on think tanks (including on those adhering to neo-liberal ideology) both globally and within Australia has largely focused on the extent to which they exercise political influence. It will be argued that this literature, mostly written by political scientists interested in contemporary processes of public policy making, has revealed few universally applicable insights into how influential think tanks are and the actual nature of any influence that they may wield.

This chapter also suggests that the work of those who have examined the history of Australian neo-liberal think tanks during the Howard era has often been closely shaped by the differing approaches to analysing neo-liberal ideology that were outlined in the first chapter of this thesis. In short, the study of Australian based neo-liberal think tanks, focusing largely upon their operations and possible influence, has become significantly enmeshed with broader analysis (and often critique) of contemporary capitalism.

This chapter will argue that a number of scholars have adopted one of two general approaches to analysing the influence of Australian based neo-liberal think tanks. Firstly, some scholars have viewed neo-liberal think tanks as forming part of a broader political vanguard that has sought to defend certain interests with a privileged relationship with capital.[6] Unsurprisingly such an approach is often accompanied by a radical critique of neo-liberal ideology and free-market political polices. Secondly, some scholars have focused their attention squarely on the tensions between government policies and the free-

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[5] Van Onselen & Errington, 'Like Minds', p. 11.

[6] See, in particular, Damien Cahill & Sharon Beder, 'Neo-Liberal Think Tanks and Neo-Liberal Restructuring: Learning the Lessons from Project Victoria and the Privatisation of Victoria's Electricity Industry', *Social Alternatives*, Vol. 24(1), 2005, pp. 43 – 48; Damien Connolly Cahill, 'The Radical Neo-Liberal Movement as a Hegemonic Force in Australia: 1976-1996', Unpublished PhD Thesis, University of Wollongong, 2004, chap. 3; Verity Burgmann, *Power, Profit and Protest: Australian Social Movements and Globalisation*, Allen & Unwin, Crows Nest, 2003.

market ideology espoused by think tanks.[7] Authors who have adopted this second approach have either not concerned themselves directly with the issue of how neo-liberal policies have become politically ascendant in Australia or have adopted the perspective (discussed above) that such a change has occurred because of broad economic and geopolitical trends.

Although the two approaches outlined briefly above are distinct, the authors who have adopted them have often done so in order to explore the question of how (if at all) neo-liberal think tanks have exercised political and policy influence in Australia. This thesis seeks to highlight the value of looking beyond the matter of think tank influence and towards treating ideology and ideological movements as worthy of study in their own right. This chapter thus highlights the limitations of the existing literature on think tanks (both in Australia and beyond) and the value of those few approaches that have used think tanks as an historical 'window' into studying the tensions and debates that inhere in neo-liberal ideology.

This chapter will begin by reviewing the general, global literature on think tanks as distinct entities. It will then focus on the literature that has examined neo-liberal think tanks beyond Australia, highlighting the two distinct approaches outlined above. The literature on think tanks in Australia will then be considered with a particular focus on the works by those authors who have examined neo-liberal groups. A basic narrative history of the main Australian neo-liberal think tanks will also be provided. It will be concluded that a detailed history of neo-liberal think tanks in the Howard era has yet to be written and that the study of such groups in this particular timeframe is likely to offer a particularly fruitful way of exploring the substance of neo-liberalism as ideology.

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[7] In the Australian context see, in particular, Ian Marsh & Diane Stone, 'Australian Think Tanks', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004; Diane Stone, 'The Development and Discourse of Australian Think Tanks', in Diane Stone, Andrew Denham, Mark Garnett (eds.), *Think Tanks Across Nations: A Comparative Approach*, Manchester University Press, Manchester & New York, 1998.

A brief history of the literature on think tanks

Diane Stone, one of the leading scholars of think tanks, noted in 1996 that "the study of think-tanks is not as extensive as the proliferation of labels".[8] Stone commented that the labels 'imperial brain trusts', 'public policy research institutes', 'policy discussion groups' and 'research institutes' have all been used to describe what are more commonly known as 'think tanks'.[9]

The confusion in the contemporary literature, observed by Stone, as to what actually constitutes a think tank is partly explicable by the fact that many of the most prominent groups that currently have this label attached to them (such as the Heritage Institute in the United States of America or the CIS in Australia) are significantly different from their older counterparts. 'Think tanks' have evolved through a number of distinct historical phases. The political scientist Donald Abelson, for example, in outlining the history of think tanks in the United States, noted the way in which a number of contemporary bodies have diverged from the practices of their predecessors. Abelson wrote that:

> Breaking with the traditions established by Robert Brookings, Andrew Carnegie and founders of the other early twentieth-century think tanks who were determined to insulate their scholars from partisan politics, several organizations often described as 'advocacy think tanks', because of their ideologically derived policy agendas, have consciously avoided erecting a barrier between policy research and political advocacy.[10]

Firmly in Abelson's mind were the think tanks that emerged in the United States from the 1970s onwards, a number of which actively sought to promote free-market ideological agendas.[11] Abelson contrasted the practices of advocacy think tanks (such as Heritage) with those groups representative of earlier US think-tank traditions. According to Abelson (who has elsewhere defined think

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[8] Diane Stone, *Capturing the Political Imagination: Think Tanks and the Policy Process*, Frank Cass, London, 1996, p. 9.
[9] Stone, *Capturing the Political Imagination*, p. 9.
[10] Donald E. Abelson, 'The Business of Ideas: The Think Tank Industry in the USA', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004, p. 220.
[11] Abelson, 'The Business of Ideas', p. 220.

tanks as public policy groups with a particular emphasis on research and education)[12] think tanks emerged as significant policy research institutes in the United States in the first two decades of the twentieth century.[13] Groups such as the Hoover Institute on War, Revolution and Peace and the Russell Sage Foundation attracted scholars whose "primary goal and that of their institutions was not to impose their political agenda on policy-makers, but to improve and help rationalize the decision-making process."[14]

In Abelson's narrative the second wave of American think tanks, lasting from 1947-1970, featured the rise of government contract research organisations (such as RAND) that, through their reliance on public money, may have created the perception that their policy advice was "slanted".[15] A third wave (between 1971-1989) saw the emergence of the political advocacy think tanks mentioned above, while a fourth has led to the development of 'vanity' or candidate-based bodies that seek simply to provide political candidates with electoral credibility.[16]

Abelson's approach of dividing the development of think tanks into a number of distinct phases or 'generations' has also been adopted by a number of other scholars. Political scientists Andrew Denham and Mark Garnett noted in 1998 that

> for most of the past 25 years, "think-tank" has usually been synonymous in Britain with one particular "policy planning and research unity" *within* [their emphasis] central government…. As the 1980s progressed, however, the phrase acquired a different meaning, closer to the American usage; it was increasingly applied to ideologically-charged, free-market bodies which were outside government.[17]

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[12] Donald E. Abelson, *Do Think Tanks Matter? Assessing the Impact of Public Policy Institutes*, McGill-Queen's University Press, Montreal, 2002, p. 11ff.
[13] Abelson, 'The Business of Ideas', pp. 216-217.
[14] Abelson, 'The Business of Ideas', p. 217.
[15] Abelson, 'The Business of Ideas', p. 219; Abelson, *Do Think Tanks Matter?*, p. 18.
[16] Abelson, 'The Business of Ideas', p. 221; Abelson, *Do Think Tanks Matter?*, p. 18.
[17] Andrew Denham & Mark Garnett, *British Think-Tanks and the Climate of Opinion*, UCL Press, London, 1998, p. 9.

Similarly, in seeking to highlight the increasingly trans-national context within which contemporary think tanks operated, Diane Stone has argued that

> The first policy research institutes were established as state-based entities catering to elite national audiences in response to growing levels of literacy and pressures for public debate…. The second wave from 1945 was characterized by more extensive think tank development, but institutes remained state-centric, given the sources of financing and the domestic character of their audiences… The third wave of development is the phase in which think tanks are more clearly acting transnationally – that is, extending their activities to function within the domestic political system of more than one state – and in global and regional fora.[18]

As privately funded think tanks continue to proliferate,[19] scholars have questioned whether the notion of 'think tanks' has been stripped of all

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[18] Diane Stone, 'Think Tanks Beyond Nation-States', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004, p. 35. See also, Evert A. Lindquist, 'Three Decades of Canadian Think Tanks: Evolving Institutions, Conditions and Strategies', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, p. 270; R. Kent Weaver & James G. McGann, 'Think Tanks and Civil Societies in a Time of Change', in James G. McGann & R. Kent Weaver (eds.), *Think Tanks & Civil Societies: Catalysts for Ideas and Action*, Transaction Publishers, New Brunswick (USA) & London, 2000, p. 9ff.

[19] In 2004 Diane Stone, adopting the Anglo-American understanding of think tanks as "relatively autonomous organizations engaged in the analysis of policy issues independently of government, political parties and pressure groups" (pp. 2-3) suggested that by the year 2000, 1,200 think tanks existed in the United States and that even in non-multiparty states, such as China and Malaysia, think tanks rapidly increased in number during the 1990s: see Diane Stone, 'Introduction: Think Tanks, Policy Advice and Governance', in Diane Stone & Andrew Denham (eds), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004, pp. 5-7. Political scientist Andrew Rich has suggested that "the number of think tanks more than quadrupled between 1970 and 2000, growing from fewer than 70 to more than 300. More than half of the new think tanks that formed in this period were identifiably ideological": Andrew Rich, 'War of Ideas: Why Mainstream and Liberal Foundations and the Think Tanks They Support Are Losing the War of Ideas in American Politics', *Stanford Social Innovation Review*, Vol. 3(1), 2005, p. 20. For a discussion of the proliferation of think tanks beyond Anglo-American countries see, among others, Miguel Braun, Antonio Cicioni, Nicholas J. Ducote, 'Think Tanks in Developing Countries: Lessons from Argentina', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004; Mark

intellectual value. Andrew Denham and Mark Garnett have commented upon the rise of post-New Right 'fourth wave' think tanks (such as the Social Market Foundation) whose chief characteristic is "a refusal to be confined by traditional ideologies".[20] They have commented that "the nature of the fourth wave also suggest [sic] that the British polity has entered a post-modern era in which all belief is in constant flux"[21] While earlier studies expressed concerns that ideological think tanks were politicising policy expertise,[22] more recent studies, such as those by Stone and political scientist Andrew Rich, indicate that this process may be accelerating as the field of policy contributors becomes more crowded.[23]

The literature on think tanks analyses bodies that often have little politically or structurally in common. As the United States historian James Smith has noted, while some bodies are well known, "despite the grandiose titles they give themselves, most think tanks are tiny and often ephemeral operations".[24]

However, despite the definitional issues that hamper scholars, the analysis of the rise, operation and influence of think tanks has often centred around a number of

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Sandle, 'Think Tanks, Post Communism and Democracy in Russia and Central and Eastern Europe', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004; Stone, 'Think Tanks Beyond Nation-States'. The continuing proliferation of think tanks in Australia is noted below.

[20] Andrew Denham & Mark Garnett, 'A "hollowed-out" Tradition? British Think Tanks in the Twenty-First Century', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004, pp. 238-239.

[21] Denham & Garnett, 'A 'Hollowed-out' Tradition?', p. 245.

[22] See, for example, David M. Ricci, *The Transformation of American Politics: The New Washington and the Rise of Think Tanks*, Yale University Press, New Haven & London, 1993, p. 221; Frank Fischer, 'American Think Tanks: Policy Elites and the Politicization of Expertise', *Governance*, Vol. 4(3), 1991, pp. 332-353.

[23] See Stone, 'Think Tanks Beyond Nation-States', pp. 48-49. Rich suggests that the successes of conservative think tanks in the United States in a field in which they compete with progressive think tanks is due to the manner in which they package and market their ideas, rather than simply their generally strong funding base: Rich, 'War of Ideas'.

[24] James Allen Smith, *The Idea Brokers: Think Tanks and the Rise of the New Policy Elite*, The Free Press, New York & Toronto, 1991, pp. xiv-xv.

distinct schools of analysis. As with the study of the phenomenon of neo-liberalism, definition and analysis become enmeshed in the study of think tanks. The pluralist school of analysis, for example, is closely linked to the diverse Anglo-American understanding of think tanks as key contributors to public policy analysis. As Stone explains,

> the various pluralist approaches to political science focus on observable conflict and overt use of power. Accordingly, policy research institutes are an object of analysis when they compete among themselves and with other groups to influence the policy process…. In most pluralist accounts, the growth and diversity of think-tanks is a positive feature of democracy. Their proliferation allow government and other decision-makers to become better informed of diverse views.[25]

Stone notes the applicability of this model to the United States where "the number and diversity of… think-tanks reflects strong competition in ideas as well as competition to win funding".[26] A number of the main studies of think tanks in the United States remain preoccupied with the extent to which the ideal of pluralistic debate is borne out in American public-policy reality. Political scientist David M. Ricci, for example, concluded his 1993 study of the proliferation of Washington based think-tanks by noting that a healthy 'market-place' for ideas remained in the US capital where Washingtonians "test everyone's ideas constantly".[27]

The pluralist approach is often paired with an analysis of think tanks that questions the organised nature of their influence or, if acknowledging their impact upon the public policy process, de-emphasises the question of whether

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[25] Stone, *Capturing the Political Imagination*, pp. 27-28.
[26] Stone, *Capturing the Political Imagination*, p. 27.
[27] Ricci, *The Transformation of American Politics*, p. 219. In other studies the pluralist model has been implicitly adopted when suggesting that Anglo-American think tanks either offered a further voice in the public policy debates of the Reagan and Thatcher years, or presented a diverse range of policy prescriptions: Robert M. Collins, *Transforming America: Politics and Culture in the Reagan Years*, Columbia University Press, New York & Chichester, 2007, pp. 57, 254; Tim Hames & Richard Feasey, 'Anglo-American Think Tanks under Reagan and Thatcher', in Andrew Adonis & Tim Hames (eds.), *A Conservative Revolution: The Thatcher-Reagan Decade in Perspective*, Manchester University Press, Manchester & New York, 1994.

they may have developed powerful, and perhaps inappropriate, relationships with those in positions of power. Ricci, for example, concludes that competition and professionalism push the activities of think tanks back into the realm of the public interest.[28] More recently, political scientist James G. McGann and Brookings Institution Senior Fellow R. Kent Weaver have argued that while think tanks are "by definition elite institutions"[29] they also "are an integral part of the civil society and serve as an important catalyst for ideas and action in emerging and advanced democracies around the world".[30]

Those who question the pluralistic perspective on think tanks often deploy 'elite theory' or neo-Marxist interpretations. As Stone has explained "elite theorists analyse the social backgrounds and interconnections of different elite groups, interlocking directorates, who is recruited and how, and whom they meet"[31] in order to work out how they interact and to "infer a casual relationship between social and economic status and political power".[32] A number of think tank scholars have expressed concern that increasingly these groups are increasingly run by and serve the interests of political and economic elites.[33] Recently historian of Russia and the Soviet Union, Mark Sandle, has queried the role that think tanks have played in promoting democracy in Eastern Europe, arguing, for example, that in the instance of post-Soviet Russia, research institutes have exhibited the "same tendencies of exclusion, elitism and expertism" as Soviet era think tanks.[34] These scholars have shown a particular interest in 'advocacy tanks' and their role in promoting New Right or neo-liberal economic policies.[35]

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[28] Ricci, *The Transformation of American Politics*, p. 221. See also Hames, 'Anglo-American Think Tanks under Reagan and Thatcher'.
[29] Weaver & McGann, 'Think Tanks and Civil Societies', p. 17.
[30] Weaver & McGann, 'Think Tanks and Civil Societies', p. 3. Their analysis is based on a broad definition of 'think tanks' as policy research organizations with significant autonomy from government and other societal interests.
[31] Stone, *Capturing the Political Imagination*, p. 30.
[32] Stone, *Capturing the Political Imagination*, p. 30.
[33] See, for example, Fischer, 'American Think Tanks', p. 346; Smith, *The Idea Brokers*; Joseph G. Peschek, *Policy Planning Organizations: Elite Agendas and America's Rightward Turn*, Temple University Press, Philadelphia, 1987.
[34] Sandle, 'Think Tanks, Post Communism and Democracy', p. 136.
[35] See, for example, Denham and Garnett's concern for the extent to which British think tanks associated with the political New Right have posed a serious threat to democratic pluralism by legitimising policies that have little public

Stone has distinguished the pluralist school of think tank analysis from the work of those (including herself) who have been influenced by Marxist thought. She has pointed, however, to the methodological difficulties that elite theorists have faced in trying to demonstrate the influence of think tanks and noted that:

> The assumption that elite consensus and cohesiveness is translated into strategies of control through think-tanks is also problematic. Not only are policy research institutes very diverse in their political and philosophical dispositions but even those that sympathise with a particular administration or social group do not always confirm elite policy preferences.[36]

Stone has suggested that neo-Marxist studies of think tanks tend to point to their role in identifying and countering issues affecting the security of elites.[37] Other scholars have also focused on the manner in which think tanks can provide the intellectual support for hegemonic political projects.[38] For example, Australian political economist Damien Cahill (whose work on think tanks is discussed below) has adopted this approach.[39]

For Stone the concept of hegemony only throws light on the endeavours and influence of think tanks when deployed in a very particular manner. She notes that "confounding notions of hegemonic control is the degree of ideological

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support: Denham, *British Think-Tanks*, especially at p. 202. See also Hames & Feasey, 'Anglo-American Think Tanks'; Peschek, *Policy Planning Organizations.*

[36] Stone, *Capturing the Political Imagination*, pp. 30-31.

[37] Stone, *Capturing the Political Imagination*, p. 32. See also Peschek, *Policy Planning Organizations*.

[38] See, for example, Radhika Desai, 'Second-Hand Dealers in Ideas: Think-Tanks and Thatcherite Hegemony', *New Left Review,* No. 203, 1994, pp. 27-64; Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism*, Macmillian Education Ltd, London, 1988. Commenting upon the work of Antonio Gramsci, Tony Bennett helpfully defines the struggle for 'hegemony' as one "for moral, cultural, intellectual and, thereby, political leadership over the whole of society", noting that, as opposed to notions of domination, 'hegemony' entails co-option and articulation in order to transform opposition: Tony Bennett, 'Popular Culture and 'the turn to Gramsci', extracted in John Storey (ed.), *Cultural Theory and Popular Culture: A Reader*, Harvester Wheatsheaf, New York & London, 1994, p. 225.

[39] See Cahill, 'The Radical Neo-Liberal Movement'.

conflict and competition among policy institutes",[40] as well as the disputes that can arise between different sections of capital, and the lack of political motivation within some think tanks.[41] In short, Stone, drawing on the work of political scientist Andrew Gamble, suggests that it is appropriate to speak of 'hegemonic projects' rather than hegemony as "aspiring to hegemony is a continual struggle".[42] As members of an epistemic community of neo-liberals, think tanks debate and work together in order to make free-market ideas hegemonic. This thesis reaffirms, however, Stone's observation that for neo-liberals this effort is challenging and unending.

To review the literature that has focused on the different traditions and influence of think tanks is not to perform a purely academic exercise. Generally the individuals who run the bodies studied in this thesis draw upon earlier think tank traditions in order to provide legitimacy for their present endeavours. Greg Lindsay, for example, the founder and current director of the CIS, has suggested that the only way in which that body has exercised influence is by generating and disseminating ideas.[43] The neo-liberal think tanks being studied almost always avoid accepting direct government funding and pursue vigorous criticism of nearly all activities of government. Despite the CIS's strong links to big business, its supporters are able to appeal, by implication, to an earlier tradition of independent and beneficial public research.[44]

The often-formulaic names of neo-liberal think tanks (such as the Centre for Policy Studies in Britain and the CIS in Australia) reference this tradition in which the public policy focus of think tanks was perhaps less commonly alloyed with overt politics and ideology. As Australian political scientists Marcus Smith

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[40] Stone, *Capturing the Political Imagination*, p. 33.
[41] Stone, *Capturing the Political Imagination*, p. 34.
[42] Stone, *Capturing the Political Imagination*, p. 34.
[43] Andrew Norton, 'The CIS at Thirty', *Policy,* Vol. 22(1), 2006, p 45. In the American context, "ostensibly nonpartisan advocacy groups" with tax exemptions have become significant ideological players on both the left and right: see Jane Mayer, 'State for Sale', *The New Yorker*, 10 October 2011, pp. 90-103.
[44] On the CIS's links to business see Damien Cahill, 'Funding the ideological struggle', *Overland*, No. 168, Spring 2002, p. 21.

and Peter Marden have argued, the "carefully maintained image [of neo-liberal think tanks] as independent research institutes actively engaged in the search for truth through economics is designed to enhance their intellectual credibility and shield them from criticism".[45] While neo-liberal think tanks cannot be pigeon-holed as unreconstructed mouth-pieces for business, as members of a movement striving for ideological hegemony, they are part of a more complex story than the benevolent advancement of the public good.

So far in this chapter it has been argued that the way in which think tanks have been defined and examined by scholars has often been closely related to the manner in which the issue of think-tank influence has been explored. However, by focusing too much on the apparent influence of think tanks some scholars have risked oversimplifying their relationship with capital and the complexity that their ambitions entail. This thesis now turns to the literature on the emergence of neo-liberal think tanks worldwide.

Neo-liberal Think Tanks Worldwide

Turning to the study of pro-free market think tanks, it can be seen that the approach taken by scholars to exploring the influence, motivation and history of these groups has been closely shaped by their views on the phenomenon of neo-liberalism itself. In 1985, Edwin Feulner, then President of the Heritage Foundation presented the eighteenth Latham Memorial Lecture in Sydney. Feulner used the lecture to clarify what neo-liberal think tanks actually do. Accordingly to Feulner:

> They [the intellectuals] are the *first-hand* dealers of ideas. But, it takes an institution to help popularize and propagandise an idea – to market an idea. Think-tanks are the *second-hand* dealers of ideas [Feulner's emphasis].[46]

[45] Marcus Smith & Peter Marden, 'Conservative Think Tanks and Public Politics', *Australia Journal of Political Science*, Vol. 43(4), 2008, pp. 699-700.
[46] Edwin J. Feulner, 'Ideas, Think Tanks and Governments', *Quadrant*, Vol. 29(11), 1985, p. 22.

Feulner acknowledged that neo-liberal think tanks are in the business of marketing ideas that accord with their ideological views, stating that, "we have learned how to activate the ideas and policies necessary to move a society toward greater individual freedom."[47] Yet Feulner also made clear that the process of "activating" ideas and policies does not simply entail the production of propaganda – ideas themselves have an inherent power. Feulner described Heritage and other think tanks as "practitioners of policy politics" who "help to translate the works of academics into background papers, issues briefs, monographs, journal articles, congressional testimony and conference topics."[48] The ideas championed by Heritage, particularly anti-elite New Class theory, were, according to Fuelner, inherently popular with the American people.[49]

For Feulner think tanks could thus fulfil the role of second-hand dealers of ideas while also living up to the older established image of 'universities without students' – promoting expert research that in some sense can be seen to serve the public interest. Scholars have, however, noted the tensions that can evolve between the two styles of free-market think tank activity that he outlined. American academic Joseph Peschek, for example, highlighted in 1987 the manner in which the increased marketing efforts by bodies such as the Heritage Foundation and the American Enterprise Institute coincided with higher levels of corporate sponsorship and the adoption of increasingly pro-business perspectives.[50] Other scholars have also pointed to the way in which business interests in the United States and the United Kingdom have been increasingly shaped by the free-market agendas of existing and newly established think tanks.[51]

The narrative accounts of the rise of neo-liberal think tanks almost all recognise the fact that these groups benefited from a supportive financial relationship with

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[47] Feulner, 'Ideas, Think Tanks and Governments', p. 26.
[48] Feulner, 'Ideas, Think Tanks and Governments', p. 24.
[49] Feulner, 'Ideas, Think Tanks and Governments', p. 26.
[50] See, for example, Peschek's comments on the pro-business agenda of the American Enterprise Institute: Peschek, *Policy Planning Organizations*, p. 27.
[51] See, for example, Abelson, 'The Business of Ideas', p. 220ff; Richard Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution 1931-1983*, HarperCollins, London, 1995, p. 308.

sections of business. In particular, those scholars who have characterised neo-liberalism as a political process directed by sections of capital have often viewed neo-liberal think tanks as a part of a broader, elite driven, movement. Peschek, for example, has suggested that

> What developed in the 1970s was a political mobilization of business and allied elites to redefine the terms of political debate and redirect the ends and content of policy. In this campaign, policy-planning organizations played no small part.[52]

Later, scholars Jean Stefancic and Richard Delgado in their study of conservative think tanks and foundations in the United States described how these groups "deployed a series of shrewd moves, orchestrating one campaign after another with the aid of money and brains"[53] in order to attack affirmative action, those on welfare and the poor and wage a cultural war on university campuses. The successes of the "conservative elite"[54] were largely put down to successful strategising rather than significant electoral support for their policy agenda. The authors published their study with the stated belief that an unhealthy balance between conservative and progressive political forces had emerged in American and "to encourage the left to get busy and counter it before it is too late".[55]

As noted above, James Smith has also expressed concern about the elite-driven agendas of public policy think tanks. Although his study *The Idea Brokers* focused on the broad history of research and public policy development in the United States, he expressed particular concerns regarding neo-liberal (or what he labelled 'conservative') think tanks. He suggested, for example, that

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[52] Peschek, *Policy Planning Organizations*, pp. 59-60.
[53] Jean Stefancic & Richard Delgado, *No Mercy: How Conservative Think Tanks and Foundations Changed America's Social Agenda*, Temple University Press, Philadelphia, 1996, p. 139.
[54] Stefancic & Delgado, *No Mercy*, p. 3.
[55] Stefancic & Delgado, *No Mercy*, p. 3. See also Chip Berlet's comments on the link between the organisational and political successes of the political right in America and the need for the left to respond in turn: Chip Berlet, 'Following the Threads', in Amy E. Ansell (ed.), *Unravelling the Right: The New Conservatism in American Thought and Politics*, Westview Press, Boulder (USA), Oxford (UK), 1998.

> The long-term success of the conservative think-tanks [such as the Heritage Foundation] lay less in their efforts to persuade and exhort the public – market metaphors notwithstanding – than in helping to shape a conservative policy elite that could claim that it was capable of governing…. Think tanks of the Right did not make a revolution; rather, they prepared the revolutionary cadres who ascended to power in 1980 [with the rise of the Reagan administration].[56]

The linking of the activities of neo-liberal think-tanks to the need to protect the position of the politically and economically powerful remains one of the key scholarly approaches to explaining the number and financial strength of these groups. David Harvey, for example, has recently argued that neo-conservative ideas (that he specifies are consistent with and supportive of neo-liberalism) in the United States have developed out of universities, influential publications and "well-funded think tanks".[57]

The link between the activities of neo-liberal think tanks and the interests of capital is central to the analysis of those scholars who deploy the notion of 'ideological hegemony'.[58] However, not all such scholars have suggested that there is an unproblematic link between neo-liberal theory and political practice. Diane Stone, for example, has argued that

> Although the role of knowledge and expertise in the service of, for example, the corporate sector is recognized, it is not always the case that these communities serve the interests of capital. Epistemic communities have some autonomy.[59]

Stone's recognition that think tanks can, but do not always, serve the interests of a capitalist ruling class is in contrast to the more firm position on class-basis of neo-liberalism adopted by Peschek, Stafancic, Delgado and, more recently,

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[56] Smith, *The Idea Brokers*, p. 203.

[57] David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, Oxford & New York, 2005, p. 82. For a further account of how free-market think tanks in the United States have participated in a project of protecting capitalist class elites see Brian Goss, 'Teeth Gritting Harmony: The Ideology of Neo-Liberalism', Unpublished PhD Thesis, University of Illinois at Urbana-Champaign, 2000, chap. 4.

[58] See in particular Desai, 'Second-Hand Dealers in Ideas'; Gamble, *The Free Economy and the Strong State*, p. 25.

[59] Stone, *Capturing the Political Imagination*, pp. 36-37.

Harvey. Free-market ideas, while often matched to elite interests by think tank activists, have, according to Stone, some power in their own right.[60]

A number of scholars have been critical of the activities and influence of neo-liberal think tanks while also acknowledging that tensions have arisen between the ideology they champion and reality of free-market politics. The British political scientists Andrew Denham and Mark Garnett, for example, have argued that the success of 'New Right' think tanks in "creating the impression that the wider climate of opinion… had changed"[61] in Britain towards an acceptance of the inevitability of free-market policies "must be considered an alarming development for believers in pluralist democracy".[62] Yet they conclude that these groups overestimated their level of success in converting the British public to the tenants of New Right ideology.[63] Elsewhere, Denham, in his 1996 study *Think-tanks of the New Right,* pointed to the tensions that developed between pro-free market think tanks and the Thatcher government.[64] Like Stone, these authors have been reluctant to draw a direct line of influence between the activities of neo-liberal think tanks and specific public policy outcomes.

Some scholars who have been sympathetic towards neo-liberal policies have also adopted a sceptical attitude towards the impact of think tanks upon the political agendas of governments. Journalist Richard Cockett in his history of pro-free market think tanks in the United Kingdom argued that the revival of the philosophy of economic liberalism in Britain was the result of the "individual intellectual and entrepreneurial initiatives" of key individuals such as Hayek and

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[60] For Stone's conclusion on the impact of the ideas produced within think-tank communities see Stone, *Capturing the Political Imagination*, pp. 219-220. See also Andrew Rich's argument that the comparative political success of conservative over progressive foundations and think tanks in the United States is not simply a result of the former's larger financial resources: Rich, 'War of Ideas'.

[61] Denham, *British Think-Tanks*, p. 202.

[62] Denham, *British Think-Tanks*, p. 202.

[63] Denham, *British Think-Tanks*, p. 202.

[64] Andrew Denham, *Think-Tanks of the New Right*, Dartmouth Publishing Company Limited, Aldershot, 1996. Similarly, writing on the turn to neo-conservatism in the United States, political analyst Chip Berlet has suggested that Reagan's failure to adopt many of the policies of the New Right caused a significant split within the political right: Berlet, 'Following the Threads', p. 26.

the businessman and founder of the Institute of Economic Affairs (IEA), Antony Fisher.[65] Yet Cockett was circumspect about the influence that think tanks actually had upon the policies of British political parties, noting that levels of public spending hardly changed during Thatcher's period in office and that free-market advocates bemoaned the slow speed of Thatcher's reforms.[66] Ultimately, Cockett endorses the notion that the main contribution of neo-liberal think tanks in Britain has been as part of an intellectual counter-revolution, rather than as a politically powerful class-based political movement.[67]

Scholars such as Cockett have often shown an acute awareness of the tensions between the ideas promoted by neo-liberal think tanks and the political realities faced by governments.[68] However, few scholars, having recognised these tensions, proceed to examine the manner in which neo-liberals may have subsequently debated and reexamined their own ideological positions. Denham, in *Think-tanks of the New Right,* does point to the internal debates that have arisen as a result of the conflicts inherent within neo-liberal notions of welfare dependency.[69] Further, RM Hartwell's sympathetic history of the Mont Pelerin Society (an key group of neo-liberal thinkers established towards the end of the Second World War) points, albeit briefly, to some of the initial ideological

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[65] Cockett, *Thinking the Unthinkable*, p. 325. Cockett's book was praised by Australian political scientist Georgina Murray for providing "the evidence to show that economic rationalism is a formidably well organised, penetrating and successful force in pushing the ideologues' point of view": Georgina Murray, 'The Intellectual Dynamics of the New Capitalism: A Review Article', *Social Alternatives*, Vol. 15(1), 1996, pp. 63-64.
[66] Cockett, *Thinking the Unthinkable*, p. 315.
[67] He has written, for example, of "the intellectual movement inspired by *The Road to Serfdom*": Richard Cockett, 'The Road to Serfdom - Fifty Years On', *History Today,* Vol. 44(5), 1994, p. 13. He has also adopted a Hegelian dialectical model suggesting that, with the break down of post-war collectivist policies, the main contribution of neo-liberal think tanks was to supply ideas whose time had come: Cockett, *Thinking the Unthinkable*, p. 6ff. Ricci, like Cockett, also adopts a relatively sympathetic attitude towards the activities of pro-free market think tanks, pointing to the publicly beneficial intellectual role they have played and downplaying the extent to which they have bolstered the interests of capital: Ricci, *The Transformation of American Politics*, p. 221.
[68] Cockett, *Thinking the Unthinkable*, p. 319. See also Eric Evans' argument that Thatcher was first and foremost a politician and only then an ideologue: Eric J. Evans, *Thatcher and Thatcherism*, Routledge, London, 1997, p. 33.
[69] Denham, *Think-Tanks of the New Right*, p. 155.

differences that were revealed in debates at the Society's meetings.[70] The detailed adoption of such a scholarly approach is, however, largely uncommon.

This thesis indicates that the debates that have taken place within neo-liberal think tanks have not simply resulted from the natural tension between the utopianism of intellectual movements and the pragmatism of political parties - rather they reflected genuine tensions that are evident within neo-liberalism at the level of ideology. Think tank communities have been on the intellectual front line in rethinking the ideology of neo-liberalism in response to the political developments around them. Indeed, expanding on the notion of 'epistemic communities', Dieter Plehwe has argued that the "international academy" that von Hayek sought to create and that included think tanks was a "thought collective" that

> was actually designed to create a space where like-minded people who share philosophical ideas and political ideals could mingle and engage in a process of further education and collective learning dedicated to advancing a common neoliberal cause.[71]

This process of refining and rethinking, albeit within certain ideological bounds, has been a long-standing feature of the trans-national neo-liberal movement.

Yet in order to understand the way in which the ideology of neo-liberalism has been continually rethought it is necessary to examine the intellectual as well as the institutional history of neo-liberal think tanks in both a national and trans-national context.[72] After examining the global literature on both think tanks in

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[70] R.M. Hartwell, *A History of the Mont Pelerin Society*, Liberty Fund, Indianapolis, 1995, p. 36.

[71] Dieter Plehwe, 'Introduction' in Philip Mirowski & Dieter Plehwe, *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*, Harvard University Press, Cambridge, 2009, p. 5.

[72] See, for example, Johanna Bockman, 'The Origins of Neoliberalism between Soviet Socialism and Western Capitalism', *Theory & Society*, Vol. 36(4), 2007, pp. 343-371; J. Bockman & G. Eyal, 'Eastern Europe as a Laboratory for Economic Knowledge: the Transnational Roots of Neoliberalism', *American Journal of Sociology*, Vol. 108(2), 2002, pp. 310-352; Jesus Velasco, 'Reading

general and neo-liberal groups in particular, this thesis now returns to the Australian context.

Discussing Australian Think Tanks

In May 2008, the ABC Radio program *The National Interest* suggested that Australia was "drowning in think tanks".[73] The program's host, Peter Mares, referred to the joint establishment by the University of Melbourne and the recently elected Labor Government (led by Kevin Rudd) of the Australian Institute for Public Policy (AIPP). The federally funded AIPP was, as Mares put it, designed to serve as "a Brookings Institute on the Yarra".[74]

In 1980, Ian Marsh, then a doctoral student at Harvard and later a researcher for the Liberal Party of Australia, suggested that the federal government could partially fund the establishment of a public policy think tank that "might undertake activities such as studies of medium-term policy issues, evaluation of current programs, counsel to parliamentary committees [and] publication of a journal".[75] Marsh ultimately hoped that Australia would head down what he perceived to be the American public policy path and develop "a marketplace of public policy ideas fortified by independent organizations which are vigorous in promoting their influence and their ideas".[76] Yet Marsh argued that such a 'marketplace of ideas' could only develop in Australia if public policy processes became, along American lines, "more accessible to external influence".[77]

Mexico, Understanding the United States: American Transnational Intellectuals in the 1920s and 1990s', *Journal of American History*, Vol. 86(2), 1999, pp. 641-667.

[73] Radio National (Australian Broadcasting Corporation), 'Drowning in Think Tanks', *The National Interest*, first broadcast 9 May 2008, transcript, http://www.abc.net.au/rn/nationalinterest/stories/2008/2240596.htm, accessed 3 July 2008.

[74] Radio National, 'Drowning in Think Tanks'.

[75] Ian Marsh, *An Australian Think Tank?*, New South Wales University Press Ltd, Sydney, 1980, p. 91.

[76] Marsh, *An Australian Think Tank?*, p. 37.

[77] Marsh, *An Australian Think Tank?*, p. ix.

Marsh's suggestion that the federal Government should fund a public policy think tank did not, until 2008, meet with any success. Yet his review, covering groups such as University-based research bodies, specialised institutes, as well as ideologically-driven privately funded groups, serves as a reminder that in Australia (as overseas), a wide variety of organisations have been regarded as 'think tanks'.[78] Indeed one of Australia's oldest established think tanks, the Australian Institute of International Affairs, differs, particularly in its lack of a notable political ideology, from the organisations considered in this thesis.[79] At times, partly or fully funded government bodies have themselves been considered as constituting think tanks.[80]

Estimates of the number of think tanks in Australia have varied given the diverse array of groups that have been given this label. Diane Stone, for example, has suggested that in 1994, 20 independent institutes existed in Australia and spent a total of $20 million.[81] Australian academic Georgina Murray has suggested that "there is an identifiable consensus amongst think tank writers and think tank members that they are predominantly non-partisan, public-spirited, fragmented and charitable bodies" and that estimates of the number of bodies in existence in Australia in the 1990s have varied between 83 and 90.[82]

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[78] See Marsh, *An Australian Think Tank?*, p. 86.

[79] See Diane Stone, 'A Think Tank in Evolution or Decline?: The Australian Institute of International Affairs in Comparative Perspective', *Australian Journal of International Affairs*, Vol. 50(2), 1996, pp. 117-136; Diane Stone, 'Old Guard Versus New Partisans: Think Tanks in Transition', *Australian Journal of Political Science*, Vol. 26(2), 1991, p. 203.

[80] Susan Oliver, the then Managing Director of Australia's Commission for the Future, argued in 1993 that over 80 percent of funding for think tanks in Australia comes from government: Susan Oliver, 'Lobby Groups, Think Tanks, the Universities and Media', *Canberra Bulletin of Public Administration,* Iss. 75, 1993, p. 135. Marsh's 1995 review of think tanks in Australia cast a wide net, covering "organisations in the private, public and academic sectors dedicated to applying disciplinary skills or perspectives to practical issues": Ian Marsh, *The Development and Impact of Australia's Think Tanks*, CEDA Information Paper, Committee for the Economic Development of Australia, Melbourne, 1995, p. 3.

[81] Stone, 'The Development and Discourse', p. 148.

[82] Georgina Murray, *Capitalist Networks and Social Power in Australia and New Zealand*, Ashgate Publishing Ltd, Aldershot (UK) & Burlington (USA), 2006, p. 155.

Despite the existence of a number of traditions of think tank activity in Australia, the rise of privately funded groups that have primarily supported a neo-liberal political agenda has attracted particular attention. Indeed, by the 1980s a small group of academics and commentators from the political left turned their attention to explaining the rise of a group of think tanks associated with the New Right and to discerning the causative links between the activities of these groups and the political rise of free-market policies in Australia.[83]

A number of scholars have noted that the scholarly literature on neo-liberal think tanks in Australia remains small.[84] However, the role that such groups have played continues to attract academic and popular interest compared to lower profile bodies such as the Australian Institute of International Affairs. The ways in which Australian scholars have analysed New Right or neo-liberal think tanks have largely reflected the key patterns in the international literature on these bodies (discussed above). The view that think tanks are politically non-partisan, civic-minded groups is present in differing degrees in a number of studies. These studies contrast with scholarly approaches that have emphasised the significance of the relationship between think tanks and elite sections of capital or the strategic role that such groups have played in protecting narrow class interests in Australia.

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[83] See Dennis Altman, 'Tilting the Globe', in Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/Penguin Books, Ringwood (Victoria), 1987; Alex Carey, 'Conspiracy or Groundswell?' in Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/Penguin Books, Ringwood (Victoria), 1987; Ken Coghill, 'Regrouping to Win Hearts and Minds', in Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/Penguin, Ringwood (Victoria), 1987; Bette Moore & Gary Carpenter, 'Main Players', in Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/Penguin Books, 1987; Marian Sawer, 'Political Manifestations of Libertarianism in Australia', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982.

[84] On the necessity for further research in this area see, for example, the comments of Sharon Beder and Georgina Murray: Sharon Beder, 'The Intellectual Sorcery of Think Tanks', *Arena Magazine,* No. 41, June-July 1999, p. 30; Georgina Murray, 'Think Tanks, Economic Liberalism and Industrial Relations', *Proceedings of the 18th Conference of the Association of Industrial Relations Academics of Australia and New Zealand*, Noosa, 2004.

In the work of Australian political scientist Ian Marsh the influence of the older 'civic' and benevolent tradition of think tank activity is apparent. In 2005, Marsh argued that the neo-liberal view of the role of the state gained increased currency in Australia "following strong domestic advocacy by newly established neo-liberal think tanks and by international agencies such as the OECD".[85] In Marsh's view the ideology of neo-liberalism has been "projected to elites by crusading think tanks".[86] Yet, neo-liberalism has merely served to hide problems with the institutions of Australian democracy. As Marsh has explained, as new political identities based around "gender, sexual orientation, concern for nature and animals, and ethnicity and indigenous presence" gained popularity from the 1960s onwards, the traditional major parties remained in office yet saw their power contract. He argued that:

> the capacity of political institutions to mediate the public conversation about collective choices was weakened at a time when the multiplication of identities required a significant strengthening of this process. This gap has however been masked by the rise of neo-liberalism. Indeed, there has been a kind of 'happy' juncture between weakened political institutions and the rise of neo-liberalism since the latter has given political elites of both major parties reasons to be blind to the former.[87]

The story of the rise of neo-liberalism in Australia and the role of think tanks in this process was thus, according to Marsh, intimately related to the institutional limitations of the Australian system of governance that call for a strengthening of political participation and civil society. The activities of neo-liberal think tanks, although seen as serving the interests of elites in Marsh's account, are not linked to a broader critique of the political economy of neo-liberalism. Indeed, in a 1995 report on think tanks for the Centre for the Economic Development of Australia Marsh suggested that "at the macro-policy making level, think tanks

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[85] Ian Marsh, 'Neo-Liberalism and the Decline of Democratic Governance in Australia: A Problem of Institutional Design?', *Political Studies*, Vol. 53(1), 2005, p. 34.
[86] Marsh, 'Neo-liberalism', p. 28.
[87] Marsh, 'Neo-liberalism', p. 35.

are important participants along with other organizations, in the wider policy making system".[88]

Those who have associated with these groups have adopted an openly sympathetic view of the civic and public value of the activities of privately funded Australian- based think tanks. David Kemp, for example, a son of the IPA founder Charles Kemp (and a Minister in the Howard Government) has suggested that "by the mid-1980s conservative industrial and labour interests and the left in Australia were increasingly on the defensive".[89] This development, according to Kemp, was not the result of the corporate funding received by free-market think tanks or the flexing of political muscle by business enterprise, but rather the growing strength of the liberal social sciences and the increased insecurity of "Australia's international economic position".[90]

Neo-liberal think tanks in the 1980s were, according to Kemp, engaged in an important process of advocating necessary public policy reforms rather than improperly exercising power on behalf of an elite.[91] In this sense the motivations of these groups varied little from when they were operating in the immediate post-war era. In Kemp's mind, the tradition of think tanks being seen to healthily contribute to public life thus lives on.[92]

In contrast to those who have dealt in a largely sympathetic manner with the activities of neo-liberal think tanks in Australia, some scholars have emphasised that the sucess of these groups has resulted from political strategy rather than

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[88] Marsh, *The Development and Impact*, p. 14.
[89] David Kemp, 'Liberalism and Conservatism in Australia since 1944', in Brian Head (ed.), *Intellectual Movements and Australian Society*, Oxford University Press, Melbourne, 1988, p. 353.
[90] Kemp, 'Liberalism and Conservatism', p. 354.
[91] The role of neo-liberal think tanks is given brief but sympathetic treatment in a work by political scientist Gregory Melleuish and published by the Centre for Independent Studies: Gregory Melleuish, *A Short History of Australian Liberalism*, Centre for Independent Studies, Occasional Paper No. 74, Sydney, 2001, pp. 37ff.
[92] Kemp has also commented on the earlier role of the Institute of Public Affairs in defending the free enterprise system in Australia: Kemp, 'Liberalism and Conservatism', p. 328.

intellectual rigour. As outlined earlier, a number of responses from the political left to the emergence of the New Right in the 1980s commonly pointed to the strategic political value for this group of marrying economic liberalism with social conservatism.[93] For example, Cahill suggested in 2005, for example, that "neo-liberalism in Australia has always had a socially conservative hue" and suggested that "the mental gymnastics required to sustain the marriage of these two contradictory ideologies is achieved by identifying a common enemy".[94] Neo-liberal think tanks are seen to have played a part in this process. Marian Sawer has argued that new class discourse was popularised in English speaking countries, including Australia, at least partly as result of the activities of these groups:

> The think tanks took up Milton Friedman's challenge to 'sell ideas like soap' – by dint of constant restatement, re-endorsement and repackaging. The model was the UK Institute of Economic Affairs, founded in 1955. In Canada, the Fraser Institute (1974) and, in Australia, the Centre for Independent Studies (1976) were to wield similar influence.[95]

Cahill and Sawer, in contrast to Marsh's emphasis on the particular features of Australian political institutions, examine the role of neo-liberal think tanks in the context of trans-national political and ideological trends – in particular, the rise of new-class discourse and neo-conservative thought in the United States.[96]

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[93] See, for example, Marian Sawer, 'Introduction', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, Sydney, 1982, p. x.

[94] Damien Cahill, 'The Right Values in Education: Neo-Liberal Think-Tanks and the Assault Upon Public Schooling', *Overland,* No. 179, 2005, p. 12.

[95] Marian Sawer, 'Populism and Public Choice in Australia and Canada: Turning Equality-Seekers into "Special Interests"', in Marian Sawer & Barry Hindess (eds.), *Us and Them: Anti-Elitism in Australia*, API Network, Perth, 2004, p. 38.

[96] Cahill, 'New Class Discourse', p. 79; Sawer, 'Populism and Public Choice'. See also Tim Dymond's conclusion that "the 'new class' concept in Australian political discourse owes its appearance to cold-war era international intellectual networks" and demonstrates "Australia's responsiveness to overseas intellectual trends, particularly from the liberal political culture of the United States": Tim Dymond, 'A History of the "New Class" Concept in Australian Public Discourse', in Marian Sawer & Barry Hindess (eds.), *Us and Them: Anti-Elitism in Australia*, API Network, Perth, 2004, p. 74. See also Aubrey Belford, 'The Formation of Right-Wing Anti-Elitist Discourse Amongst Australian Intellectuals: 1972-1988', Unpublished Honours Thesis, The University of Sydney, 2006. The role of think tanks in promoting 'neo-conservative' ideas

A number of scholars writing on Australian neo-liberal or New Right think tanks have suggested that the explicitly ideological agenda of these groups has served to undermine the older civic tradition of think tank activity. Diane Stone noted in 1991 the rise of 'New Partisan' think tanks in the Anglo-Saxon world since the 1970s.[97] According to Stone, in the United States these groups were "distinguishable from older varieties by promotional tactics and aggressive marketing, notably, for example, that of the Heritage Foundation".[98] Later, commenting upon Australian think tanks, Stone explicitly rejected the view that these groups are made up of "decision-makers with the best available knowledge and social scientific research".[99] With the role of free-market think tanks firmly at the centre of her analysis, Stone argued that

> think tanks supposedly introduce 'greater rationality', perform an 'enlightenment' function, and offer 'alternative views' to enhance the democratic functioning of policy debate…. Australian think tanks rarely achieve these ambitions. Instead, it is more appropriate to consider think tanks as strategic organisations for policy entrepreneurship and networking.[100]

Others scholars have been more categorical than Stone in their rejection of the 'enlightenment' function of think tanks, suggesting that Australian neo-liberal groups do little but peddle propaganda. Sharon Beder, of the University of Wollongwong, for example, has suggested that

> Think tanks are generally private, tax-exempt research institutes which present themselves as providing impartial disinterested expertise. However they are generally partisan, politically or ideological motivated, practise the art of 'directed conclusions', tailoring their studies to suit their clients or donors.[101]

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during the Howard years is discussed below: see, for example, Marion Maddox, *God under Howard: The Rise of the Religious Right in Australian Politics*, Allen & Unwin, Crows Nest, 2005, chap. 8.

[97] Stone, 'Think Tanks in Transition'.

[98] Stone, 'Think Tanks in Transition', p. 203.

[99] Stone, 'The Development and Discourse', p. 156.

[100] Stone, 'The Development and Discourse', p. 155.

[101] Beder, 'The Intellectual Sorcery', p. 30.

Beder pointed to environmental policy as one area where the IPA has effectively promoted views that defend the worldview of their donors.[102] Similarly, Georgina Murray has argued, with reference to groups such as the H.R. Nicholls Society, that

> The key think tanks here [in Australia] are just like the main ones in the US: they are really ad and PR agencies who are in the business of word branding. They make a pitch on behalf of the brand, and they do it relentlessly so that eventually the word or the term they are pitching assumes a new meaning and is accepted.[103]

Since the emergence of New Right or neo-liberal think tanks in Australia in the 1970s and 1980s a number of scholars from the political left have drawn a direct link between their public policy influence and the interests of sections of capital. In the 1980s the close relationships between think tanks such as the Centre for Independent Studies and the Institute of Public Affairs and big business (in particular the mining industry and the figures of Hugh Morgan and Ray Evans, respectively the Chairman and Chief Executive Officer of Western Mining Corporation) attracted attention. Alex Carey, then of the School of Psychology as the University of New South Wales, for example, citing comments Hugh Morgan made in an article in the *Sydney Morning Herald*, noted that early in 1985

> Mr Morgan made it clear that generous business funding for the Centre for Independent Studies, the Institute for Policy Research and other think-tanks reflected a decision to use them as a means to 'reshape the political agenda' and 'change public opinion' until these matched New Right preferences. He expressed total confidence that this strategy would succeed.[104]

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[102] Beder, 'The Intellectual Sorcery', p. 31ff.

[103] Murray, *Capitalist Networks and Social Power*, p. 160. See also the suggestion by medical practitioner David Scrimgeour that most publications produced by the Centre for Independent Studies, the Institute of Public Affairs and the Bennelong Society lack academic rigour: David Scrimgeour, 'Promoting Health or Promoting Corporate Profits?: Neo-Liberal Think Tanks and Indigenous Affairs', *New Doctor*, No. 85, 2007, p. 5.

[104] Carey, 'Conspiracy or Groundswell?', p. 14. See also Paul Sheehan, 'The Right Strikes Back', *The Sydney Morning Herald,* 2 March 1985, pp. 37, 39.

Political staffers Bette Moore and Gary Carpenter pointed to the 1987 publication, *Mandate to Govern* (a joint effort by the Australian Chamber of Commerce and the free-market Australian Institute for Public Policy[105] to influence the policies of the Liberal Party in the lead up to the Federal Election) as an example of how business interests (represented through employer groups) and think tanks "have combined to change the political agenda".[106] They also noted the influence of Hugh Morgan.[107] Laurie Aarons (the general secretary of the Communist Party of Australia between 1965 and 1976) argued that the New Right was ushering in a new era of robber-baron capitalism that was witnessing the destruction of small businesses at the hands of larger corporations.[108] According to Aarons

> the crude prejudice [of the New Right] masquerading as political ideas need much more polishing before they could convince most people, which explains the sudden suifeit of New Right thinktanks [sic] springing up all over Australia.[109]

The relationship between capital and the activities of neo-liberal think tanks has remained a consistent theme in a substantial body of Australian literature that has focused upon these groups. In 2006, Murray studied Australian and New Zealand based think tanks in the broader context of the reproduction of hegemonic pro-capitalist ideas.[110] She argued that

> The key role of think tanks and their subset, business lobby groups, is to identify business needs and to market these needs as the public good and subsequently just common sense. They change our language in the process, so that key economic liberal words and phrases…. are accepted

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[105] Not to be confused with the more recent group of the same name.
[106] Moore & Carpenter, 'Main Players', p. 155. See John Nurick (ed.), *Mandate to govern: a handbook for the next Australian government*, Australian Institute for Public Policy, Perth, 1987.
[107] Moore & Carpenter, 'Main Players', pp.149-150.
[108] Laurie Aarons & Bruce Petty, *Here Come the Uglies: The New Right: Who They Are, What They Think, Why They're Dangerous*, Red Pen Publications, Ultimo (New South Wales), 1987, pp. 77-78.
[109] Aarons & Petty, *Here Come the Uglies*, p. 4.
[110] Murray, *Capitalist Networks and Social Power*, chap. 6.

> into the lexicon and into the popular culture and thereby making key ruling class 'truths' everyone's truth.[111]

Cahill has also examined Australian neo-liberal think tanks in the context of the maintenance of the hegemonic position of ruling class ideology and political interests. Cahill's 2004 thesis is one of the most comprehensive studies of neo-liberal think tanks in Australia. Cahill argued that think tanks have provided "the organizational back bone of the radical neo-liberal movement" in Australia.[112] Yet, in Cahill's analysis, neo-liberal think tanks merely form one part of a broader effort by capital to influence public policy in their favour. His analysis of what he labels the 'radical neo-liberal movement' also incorporates an examination of the role of the media and the state in supporting neo-liberal 'hegemony'. The role of think tanks is considered directly in only one chapter of his thesis[113] (although he has developed his analysis of their role in a number of articles)[114] and the role of these groups during the era of the Howard Government only peripherally.[115]

In the conclusion to his thesis Cahill pointed to the importance of the close relationship between the radical neo-liberal movement and sections of capital, yet emphasised that the role of think tanks was not politically determinative. He noted that

> while the movement's various strategies and the development of its think tanks allowed it to capitalize upon this advantage, it is the movement's relationship with class power rather than its specific organizational form that was most responsible for its impact.[116]

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[111] Murray, *Capitalist Networks and Social Power*, p. 171. See also Scrimgeour, 'Promoting Health'; Beder, 'The Intellectual Sorcery', p. 31.
[112] Cahill, 'The Radical Neo-Liberal Movement', p. 102.
[113] Cahill, 'The Radical Neo-Liberal Movement', chap. 3.
[114] Damien Cahill, 'Contesting Hegemony: The Radical Neo-Liberal Movement and the Ruling Class in Australia', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class*, Australian Scholarly Publishing, Melbourne, 2004; Cahill & Beder, 'Neo-Liberal Think Tanks and Neo-Liberal Restructuring'; Cahill, 'The Right Values in Education'; Cahill, 'New Class Discourse'.
[115] See Cahill, 'The Radical Neo-Liberal Movement', p. 108ff.
[116] Cahill, 'The Radical Neo-Liberal Movement', p. 321.

It was suggested earlier in this thesis that those scholars who have emphasised the significance of the close relationship between neo-liberal think tanks and capital have been more inclined than others to adopt a radical critique of neo-liberalism. This observation holds true when applied to the work of scholars who have focused upon Australian-based neo-liberal think tanks. Murray, for example, has examined the activities of neo-liberal think tanks in the context of trying to understand "how a few people can gain control of power within the Australian or New Zealand nation".[117] Murray, endorsing R.W. Connell's criticism of the notion that 'class is dead',[118] concludes her study by arguing that "class, and its pernicious complexities and limiting possibilities, has to be brought back squarely on to the agenda"[119] and pointing to the politically radical implications of her analysis:

> Rising class inequality, not just between nation states but also within nation states, ensures that class struggle is maintained. Whilst there is the necessity for class struggle, capitalism is never safe.[120]

Similarly, Cahill's thesis sought to "understand neo-liberalism as a manifestation of class struggle, and an attempt to transfer greater power to capital and shift resources from the public to private sectors".[121] Elsewhere Cahill pointed to the "need [for] an alternative political economy to supplant neo-liberalism".[122]

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[117] Murray, *Capitalist Networks and Social Power*, p. 2.
[118] Murray, *Capitalist Networks and Social Power*, p. 7ff. See also R.W. Connell, 'Moloch Mutates: Global Capitalism and the Evolution of the Australian Ruling Class 1977-2002', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class*, Australian Scholarly Publishing, Melbourne, 2004; R.W. Connell & T.H. Irving, *Class Structure in Australian Society*, Longman Cheshire, Ringwood (Victoria), Second Edition, 1992.
[119] Murray, *Capitalist Networks and Social Power*, p. 218.
[120] Murray, *Capitalist Networks and Social Power*, p. 218.
[121] Cahill, 'The Radical Neo-Liberal Movement', p. 10.
[122] Cahill, 'Contesting Hegemony', p. 101. As discussed in chapter one of this thesis, Verity Brugmann, although not directly addressing the topic of think tanks, has drawn a direct link between the ideology of neo-liberalism and the interests of capital and, like Cahill and Murray, has unequivocally rejected the entirety of the neo-liberal agenda: Burgmann, *Power, Profit and Protest*, p. 345.

Cahill and others have tempered their analysis of the class-based neo-liberal movement. Cahill, in pointing to efforts by the radical neo-liberal movement to maintain hegemony, has noted that "there hasn't been a neat convergence of interests between the radical neo-liberal movement and the ruling class as a whole".[123] In particular he has pointed to the hostility felt by many in the manufacturing industry towards neo-liberals.[124] He has suggested that although an appreciation of the radical neo-liberal movement's relationship to class power is crucial to understanding its impact,[125] it is best understood as a non-class movement as its members (such as those individuals sitting on the advisory boards of think tanks) mostly occupy "contradictory locations within class relations".[126] Similarly Murray has suggested that, while the work of think tanks has supported the hegemony of neo-liberalism, the relationship between neo-liberal ideologues and the ruling class is not built entirely on shared interests. Pointing to the H.R. Nicholls Society's disappointment with aspects of the Howard Government's industrial relations agenda, she has argued that

> The H.R. Nicholls Society think tank ideologues write these things not because they are capitalist (many are not) or even ruling class (many are not), but because they unquestionably believe this hegemonic discourse… Like the rest of us, think tanks members have been socialized and educated into this type of thinking.[127]

Cahill concluded his thesis by alluding to the tensions that inhere within neo-liberal ideology.[128] However, both he and Murray emphasise the gap that exists between utopian ideologues and pragmatically minded politicians rather than focusing in detail on the diversity and complexity of neo-liberal thought.[129] Murray concluded her examination of think tanks by emphasising the paucity of

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[123] Cahill, 'New Class Discourse', p. 96.
[124] Cahill, 'Contesting Hegemony', p. 95.
[125] Cahill, 'The Radical Neo-Liberal Movement', p. 321.
[126] Cahill, 'The Radical Neo-Liberal Movement', p. 123.
[127] Murray, *Capitalist Networks and Social Power*, p. 160. See also Philip Mendes' suggestion that the ideas promoted by neo-liberal think tanks favour the interests of trans-national capital rather than local businesses: Philip Mendes, 'The NGO Wars', *Social Alternatives*, Vol. 24(3), 2005, p. 43.
[128] Cahill, 'The Radical Neo-Liberal Movement', p. 321.
[129] See Cahill, 'Contesting Hegemony', pp. 96-97; Murray, *Capitalist Networks and Social Power*, p. 166.

liberal intellectual thought, noting "how few…[economic liberal] ideas are, and how internally and historically consistent their marketing has been".[130] Contrary to Murray's assertion, the diversity of opinions and ideas within neo-liberal think tanks will be explored in this thesis.

Some scholars, in contrast to the approach of those who have emphasised the significance of the close relationship between think tanks and the interests of capital, have combined a critique of neo-liberalism with an acknowledgement that the success of these groups is primarily a result of the power of the ideas they have promoted. In his 2005 book *Beyond Right and Left* political historian David McKnight sought to explain the rise of neo-liberal thinking in Australia and globally.[131] He argued that

> Critics have consistently under-estimated the depth of the revolution on the neo-liberal Right and have rather exaggerated ideas about the power of the think-tanks, which are portrayed as influential and shadowy organizations. But damning the think-tanks has been a substitute for grappling with the ideas and policies generated by them. The most blindingly obvious (and hence most often misunderstood) fact is that the think-tanks were crucial because the Right was undergoing a genuine rethinking of its most basic philosophy and outlook.[132]

McKnight was also critical of the approach (apparent in Cahill and Murray's work) that has linked the influence of neo-liberal think tanks to corporate funding, suggesting that

> it was not money that made the real difference with the think-tanks. They were supplied with something more powerful in the long run – a radical new way of looking at the world and the energy of true believers.[133]

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[130] Murray, *Capitalist Networks and Social Power*, p. 171.
[131] David McKnight, *Beyond Right and Left: New Politics and the Culture Wars*, Allen & Unwin, Crows Nest, 2005. See also David McKnight, 'Modern Australia: The Ascendancy of the Right in Modern Australia', *The Sydney Papers*, Vol. 18(1), 2006, pp. 201-205.
[132] McKnight, *Beyond Right and Left*, p. 58.
[133] McKnight, *Beyond Right and Left*, p. 58.

In seeking to explain the successes of neo-liberal think tanks Monash University social work academic Philip Mendes has acknowledged the important role that the corporate funding of these groups has played.[134] Yet he has also explained their successes in the context of the absence of viable progressive political alternatives at a time of global financial crisis. The left, in Mendes' opinion, was a victim of its own intellectual failings: it "has failed to match the neo-liberals in offering tangible and creative alternatives to existing policies".[135] Diane Stone has also suggested that the primary achievement of neo-liberal think tanks has been at the intellectual level. In reviewing the Australian think tank scene in 1998 she noted that

> rather than having a decisive impact on policy development or political influence on politicians or legislation, think tanks have played a greater role in shaping the climate of opinion or establishing the terms of debate.[136]

A number of scholars who have looked beyond the relationship between neo-liberal think tanks and businesses have also adopted a comparatively less radical critique of neo-liberalism than writers such as Burgmann and Cahill. McKnight, for example, has advanced a thorough critique of neo-liberalism centering on the negative effect free markets can have upon the social fabric.[137] Yet in advocating the adoption of a 'new humanism' to challenge the ascendancy of neo-liberalism, McKnight critiqued a "crude class analysis [that] continues to define part of the Left".[138] Rather than seeking to challenge the underlying tenants of capitalism, McKnight suggested that "the market mechanism is

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[134] Philip Mendes, 'Australian Neoliberal Think Tanks and the Backlash Against the Welfare State', *Journal of Australian Political Economy*, No. 51, 2003, p. 47.
[135] Mendes, 'Australian Neoliberal Think Tanks', p. 49.
[136] Stone, 'The Development and Discourse', p. 155. Michael Cebon has advanced a similar argument regarding the influence of think tanks in Australia. See Michael Cebon, 'Intellectual Armaments in the War of Ideas', Unpublished Honours Thesis, University of Melbourne, 2005, pp. 46-47. For an earlier example of this argument relating to the Institute of Public Affairs see J.R. Hay, 'The Institute of Public Affairs and Social Policy in World War II', *Historical Studies*, Vol. 20(79), 1982, p. 215.
[137] McKnight, *Beyond Right and Left*, chap. 2.
[138] McKnight, *Beyond Right and Left*, p. 111.

necessary for any complex economy, and… in some circumstances it can be more 'democratic' than bureaucratic planning".[139]

Diane Stone has voiced concern regarding the impact of the continued trans-nationalisation of think-tank activities upon systems of participatory democracy.[140] In her analysis of Australian think tanks (including those that adopt a free-market perspective), however, she focuses mainly on the institutional setting within which these groups operate.[141] Mendes has expressed concerns regarding the "harsher" welfare policies that neo-liberal think tanks have advocated and the extent to which these groups remain accountable only to their corporate donors.[142] However, both Stone and Mendes have also stopped short of advocating the abolition of the capitalist system.[143]

A small body of literature has reflected upon the role of neo-liberal think tanks during the period of the Howard Government in Australia. This literature reflects a number of trends that can be found within the wider literature on neo-liberal think tanks. In particular, scholars have divided over the extent to which neo-liberal think tanks have had a direct and tangible influence upon the Howard Government, or whether their impact has been limited to shaping the 'climate of opinion'.

In 2005, political scientist Marion Maddox published a detailed study of the rise of the religious right in Australia. Maddox argued that "under Howard, the market has taken on divine qualities".[144] Political appeals by the Howard Government to 'family values' and 'individual responsibility', Maddox argued, had a religious basis and "turn[ed] out to be pious appeals to the old God behind which the Market God disguises its chaotic theophanies".[145] Maddox views the period of the Howard Government as a time of neo-liberal policy triumph with

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[139] McKnight, *Beyond Right and Left*, p. 117.
[140] Stone, 'Think Tanks Beyond Nation-States', pp. 48-49.
[141] See Stone, 'The Development and Discourse'.
[142] Mendes, 'Australian Neoliberal Think Tanks', p. 50ff.
[143] See also Mark Davis' latest book: Mark Davis, *The Land of Plenty: Australia in the 2000s*, Melbourne University Press, Carlton (Victoria), 2008.
[144] Maddox, *God Under Howard*, p. 25.
[145] Maddox, *God Under Howard*, p. 25.

the ideas of free-market think tanks being translated directly into action. In Maddox's opinion,

> he [Howard] implemented, step by step, the economic agenda that had been foreshadowed during his time as treasurer and elaborated during the Liberals' period in opposition by successive position papers from the neo-liberal think tanks, such as the dry Institute of Public Affairs, and lobby groups like the anti-union H.R. Nicholls Society.[146]

In Maddox's account, the role of think tanks, particularly the CIS, was to make Howard's efforts to combine socially conservative and economic liberal policy appear more plausible and mainstream. She concludes that minus the influence of the international neo-liberal movement Howard may well have reached the same policy conclusions, yet

> without the Mont Pelerin economic liberals, the measurable successes of the US Christian Coalition… and, at home, the IPA and CIS family-and-market activists… Howard would have looked less like an international leader riding the crest of a wave and more like an ageing eccentric whom the world was sweeping past.[147]

A number of other scholars have shared Maddox's approach of analysing the actions of Australian neo-liberal think tanks in the context of the adoption and adaptation by the Howard Government of a political ideology that blends free-market policies with social conservatism.[148] Cahill, for example, has described how the Howard Government adopted a 'two nations' hegemonic project that, due to the unpopularity of free-market policies, relied on an appeal to socially conservative values to divide one section of the population against the other.[149]

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[146] Maddox, *God Under Howard*, p. 196.
[147] Maddox, *God Under Howard*, p. 220.
[148] Both Marian Sawer and Carol Johnson have examined the use of elitist discourse and new class theory by the centre right in the context of trans-national political trends. Both scholars have made specific mention of the role played by think tanks. See Sawer, 'Populism and Public Choice', p. 38; Carol Johnson, 'Anti-Elitist Discourse in Australia: International Influences and Comparisons', in Marian Sawer & Barry Hindess (eds.), *Us and Them: Anti-Elitism in Australia*, API Network, Perth, 2004, p. 119.
[149] See Cahill, 'The Radical Neo-Liberal Movement', p. 312. See also Cahill, 'Contesting Hegemony', p. 91 and David Scrimgeour's direct linking of the

In Cahill's account think tanks continued to influence government during the Howard years, intellectually bolstering the 'two nations' project in a way that ultimately benefited ruling class capitalist elites.[150]

The influence of neo-liberal think tanks upon Howard's government, however, is not always readily discernable. Both Maddox and writer and commentator Guy Rundle have emphasised the political pragmatism of Howard's politics. The latter has argued that Howard's key motive was political opportunism and in this sense the Prime Minister was neither a consistent social conservative nor an economic liberal.[151] In Rundle's account, Howard pursued policies that were sympathetic to the interests of capital but were not consistent with the ideologies of social conservatism and free-market liberalism promoted by think tanks such as the CIS.

Other scholars have looked beyond political opportunism to explain the politics of the Howard years and, in doing so, have questioned the notion that neo-liberal think tanks had a direct impact upon the Coalition government. For example, this thesis has already noted that for political scientist Judith Brett, Howard's politics had more to do with the traditions of the Liberal Party of Australia than a transnational neo-liberal ideology promoted by think tanks.[152]

Wayne Errington and Peter van Onselen have also been highly critical of the view that a direct line of influence can be drawn between the views of neo-liberal think tanks and the actions of the Howard Government. Responding to the debate sparked in November 2006 by then Shadow Minister for Foreign Affairs,

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approach of neo-liberal think tanks to issues of Indigenous Affairs and the actions of the Howard Government: Scrimgeour, 'Promoting Health'.

[150] See also Guy Rundle's emphasis on the extent to which the Howard Government sought to apply different roles to market and non-market areas of life: Guy Rundle, *The Opportunist: John Howard and the Triumph of Reaction*, Quarterly Essay No. 3, Black Inc, Melbourne, 2001, p. 15.

[151] Rundle, *The Opportunist*, p. 15.

[152] Judith Brett, *Relaxed & Comfortable: The Liberal Party's Australia*, Quarterly Essay No. 19, Black Inc, Melbourne, 2005, pp. 23-24.

Kevin Rudd, regarding the influence of Friedrick von Hayek upon John Howard's politic beliefs,[153] they argued that

> If Hayek and similar thinkers affected Howard, it was through his association with think tanks such as the Centre for Independent Studies. Yet the true disciples of Hayek were distraught about Howard's economic record, accusing him of 'nationalising the family' through the welfare system.[154]

In an earlier article they wrote that "neo-liberal policies were first legislated in Australia by the previous Labor government, no friend of right-wing think tanks"[155] and concluded that "corporate donors and lobby groups are far more likely to influence government policy than ideas-hungry think tanks".[156]

The politics of the Howard era cannot be attributed directly to the ideological influence of Australian neo-liberal think tanks. There were real and genuine concerns expressed by neo-liberal think tank activists during this period regarding the policy direction of the Howard Government. Nor, on the other hand, can the influence of neo-liberal thought upon John Howard be so easily dismissed. The Howard Government, in many policy areas, placed an unquestioning faith in the power of markets. However, an analysis of the way pro-free market think tanks responded to and developed their political ideology

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[153] See John Howard, 'Kevin Rudd Is Wrong: I'm No Market Zealot', *The Australian,* 18 December 2006 p. 8; Kevin Rudd, 'Howard's Brutopia: The Battle of Ideas in Australian Politics', *The Monthly,* November 2006, pp. 46-50; Kevin Rudd, 'Child of Hayek', *The Australian*, 20 December 2006, p. 12; Andrew Gamble, 'Hayek & Market Fundamentalism: Howard Vs Rudd', http://evatt.labor.net.au/publications/papers/192.html, accessed 30 May 2008.

[154] Wayne Errington & Peter Van Onselen, *John Winston Howard*, Melbourne University Press, Melbourne, 2007, p. 393.

[155] Van Onselen & Errington, 'Like Minds Don't Make Ideas Work', Peter Van Onselen & Wayne Errington, 'Like Minds Don't Make Ideas Work', *The Sydney Morning Herald,* 4 March 2005, p. 11.

[156] Van Onselen & Errington, 'Like Minds Don't Make Ideas Work', p. 11. In *John Winston Howard*, Errington and van Onselen also attacked Rundle's analysis of Howard's politics. Despite noting themselves that Howard is "not one to be distracted by philosophical neatness" and that he "plumps in the end for what is best for his own fortunes, and if there is a distinction, the fortunes of the Liberal Party", Errington and van Onselen countered Rundle's argument by pointing to the unpopularity of the 1996 gun law reforms. See Errington & Van Onselen, *John Winston Howard*, pp. x, 399.

during the Howard era reveals that during the period of 1996-2007 these individuals and groups became increasingly aware of the tensions within their own ideology.

The very agenda of the Howard Government gave neo-liberal think tanks pause to rethink the key tenants of neo-liberalism. A thorough and historical analysis of Australian neo-liberal think tanks must move beyond the methodological quandaries of measuring the influence of these groups and towards a more detailed consideration of the ideology they espouse.

The history of key Australian neo-liberal think tanks

This thesis aims to study Australian neo-liberal think tanks in order to gain insight into the intellectual history of neo-liberalism during the Howard era. It does not seek to write an institutional history of these groups. This chapter concludes, however, by setting out a brief narrative history of the key think tanks whose ideas will be examined in detail throughout the remainder of this thesis. It must be recognised that the process of developing ideas and the carrying out of debates within Australian neo-liberal think tanks has been, in part, shaped by the way in which these institutions have been developed, financed and run at a day-to-day level.

The CIS was widely recognised by the media between 1996 and 2007 as one of the most influential neo-liberal think tanks in Australia.[157] Sydney school teacher Greg Lindsay founded the Centre in 1976 when he was just 27 years old.[158] The stated aim of the CIS was to "promote basic research and advanced study across a broad spectrum of the humane sciences" and, more specifically, to

[157] See, for example, Dennis Glover, 'Ideas with Currency', *The Australian,* 13 May 2006, p. 26; Peter Coleman, 'Happy Anniversary', *The Australian,* 4 May 2006, p. 12; Diana Bagnall, 'How This Man Controls Your Future', *The Bulletin,* Vol. 122(39), 28 September 2004, pp. 22-25; Brad Norington, 'Ideas Powerhouse Whose Game Is Political Influence', *The Sydney Morning Herald,* 11 August 2003, p. 4; Ewin Hannan & Shaun Carney, 'Thinkers of Influence', *The Age,* 10 December 2005, p. 6; Da Silva, 'The Austrian School of Thought'.
[158] See Sheila Browne, 'Right Thinking, Right Time', *The Sydney Morning Herald,* 1993 p. 13; Moore & Carpenter, 'Main Players', p. 149ff.

examine and analyse "the workings or non-workings of the market and the fundamentals of individual liberty".[159] The Centre's introductory booklet made clear that the threat to freedom posed by socialism needed to be intellectually countered:

> The source of the assault on the free society is to be found in ideas. Ideas, not interests rule the world. When men think that they are ruled by interests, they are in reality ruled by what they think their interests are. If men truly saw where their interests lay, they would enthusiastically cling to the system of freedom.[160]

At teachers' college Lindsay became interested in the the novelist Ayn Rand and went on to explore the works of economists F.A. Hayek and Ludwig von Mises.[161] In the mid-1970s Lindsay was involved with an Ayn Rand discussion group in the inner Sydney suburb of Glebe that later developed into the libertarian Workers' Party.[162]

Marian Sawer has noted that after the libertarian movement inspired by philosopher John Anderson split in 1951, the "Right Andersonians who accepted… Anderson's views on the importance of anti-communism… came closer to the standpoint of American libertarianism".[163] Such individuals became influential within the anti-communist Congress of Cultural Freedom and the journal *Quadrant.*[164] However, as Sawer has commented,

> It was the economic downturn of 1974, in conjunction with the perceived extension of government power into new areas during the Whitlam period of 1972-1975, that stimulated the interest of some Australians in overseas libertarianism. The failure of Keynesian economists to provide answers to the combined problems of inflation

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[159] 'Centre for Independent Studies', Centre for Independent Studies, Turramurra, circa 1977, p. 3.
[160] Centre for Independent Studies, 'Centre for Independent Studies', p. 4.
[161] Andrew Norton, 'The CIS at Twenty', *Policy*, Vol. 12(2), 1996, p. 16.
[162] Norton, 'The CIS at Twenty', p. 17.
[163] Sawer, 'Political Manifestations of Libertarianism', p. 1.
[164] See Sawer, 'Political Manifestations of Libertarianism'. See also Peter Coleman, *The Liberal Conspiracy: The Congress for Cultural Freedom and the Struggle for the Mind of Postwar Europe*, Free Press & Collier Macmilian, New York & London, 1989, p. 95ff.

> and unemployment caused a turn towards a simple solution – an end to big government and intervention in the economy.[165]

These events were the background against which the CIS was established. Lindsay's early political views, however, are hard to discern. In relation to the major political dispute of his generation – that relating to the Vietnam War – Lindsay recalled in 2001 that he supported the war but opposed conscription.[166] Yet in 1996 Lindsay noted that unlike for others, the Vietnam War did not heighten his interest in political issues.[167] Indeed, he appears uncertain on his exact views on the war, stating that

> while I was liable to be conscripted, I think then I supported the idea of the war. It's easy to be wise after the event, but in retrospect I was probably wrong.[168]

Other events, however, came to radicalise Lindsay. He has noted that the period of the Whitlam Government was a "great watershed" and recalled that

> As someone who was starting to develop an interest in things political, I was dismayed by what was going on at the federal level. The government seemed totally incompetent. It was an easy time to be anti-government.[169]

Lindsay, after a period working as a journalist and then taxi driver, committed to teaching but also studied philosophy part time at Macquarie University in order to "formalise" his thinking.[170] At the end of 1975 he visited a number of free-

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[165] Sawer, 'Political Manifestations of Libertarianism', p. 1.
[166] Frank Devine, 'CIS at Twenty-Five: A Conversation', *Policy*, Vol. 17(4), 2001-2002, p. 27.
[167] Norton, 'The CIS at Twenty', p. 16. Indeed, he recalled an incident at Sydney University when a parade of the University Regiment, at which Governor of NSW was present, was disrupted by protesting students. The event, according to Lindsay, "sparked nothing else other than thinking that while the issue of whether there should be an army unit on campus was one thing, it was an improper way of dealing with the Governor": Norton, 'The CIS at Twenty', p. 16.
[168] Norton, 'The CIS at Twenty', p. 16.
[169] Norton, 'The CIS at Twenty', p. 17.
[170] Norton, 'The CIS at Twenty', p. 17.

market institutes in the United States, and met the prominent free-market economist Murray Rothbard in New York.[171]

By this stage he had formed the clear view that government was the source of the problems that Australia was facing rather than part of the solution.[172] Despite his involvement with the Workers' Party (which along with other libertarian political parties met with no electoral success in Australia),[173] in 1976 Lindsay clearly set out the case for devoting time to defending the cause of freedom at the level of ideas rather than electoral politics. In an article entitled 'The vacuum of libertarian scolarship' [sic] in the Workers' Party publication *freeEnterprise,* Lindsay argued that

> In Australia, the need for libertarian thinkers is probably of far more importance currently, than the need for a libertarian political party….if there is to be any groundswell of libertarianism in Australia, there must be a firm base of sound intellectual scholarship to feed any other sort of action, be it political or whatever.[174]

Lindsay clearly believed that political success came only through intellectual and ideological grunt-work. He noted that

> Socialism has not achieved its position today because the 'workers' have felt that they were being badly done by. It is an intellectual movement, full of theories that any well read libertarian could demonstrate as false, and it was the intellectuals who carried their dreams to the people. However, it is the dearth of just these well read libertarian intellectuals, that is going to prevent the attainment of any libertarian ideal.[175]

In 1976, Lindsay demonstrated his commitment to the intellectual development of libertarianism by organizing a seminar at Macquarie University in order "to counter the influence of academics disparaging the market place [sic]".[176] The

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[171] Norton, 'The CIS at Twenty', p. 17.
[172] Norton, 'The CIS at Twenty', p. 17.
[173] Sawer, 'Political Manifestations of Libertarianism', pp. 5-6.
[174] Greg Lindsay, 'The Vacuum of Libertarian Scolarship [sic]', *freeEnterprise*, Vol. 2(8), 1976, p. 3.
[175] Lindsay, 'The Vacuum of Libertarian Scolarship [sic]', p. 3.
[176] Lindsay quoted in Moore & Carpenter, 'Main Players', p. 149.

conference was addressed by academics John Ray and Lachlan Chipman. Lindsay first encountered Chipman when reading a review that he had written of Robert Nozick's *Anarchy, State and Utopia* in *Quadrant*.[177] The Centre held its first conference at Macquarie University in April 1977 and also began publishing its newsletter in that year.[178] Another conference was held at Macquarie over a weekend in April of 1978 on the topic of 'What Price Intervention? Government and the Economy'.[179] ANU economists Ross Parish and Ted Sieper, along with Alf Rattigan, the Chairman of the Tariff Board, all delivered papers.[180] One of the attendees, the then editor of the *Australian Financial Review*, Paddy McGuiness, gave the conference a complimentary write up in his paper in an article entitled 'Where Friedman is a Pinko'.[181] McGuiness later donated his entire personal library to the CIS for just one dollar per book. The Centre's first occasional paper by Lachlan Chipman was also published in 1978.[182]

At this stage the Centre operated as a company limited by guarantee and had three individuals serving on its Board of Directors – Lindsay, Maurice L. Newman and Neville Kennard.[183] Both Newman and Kennard were prominent businessmen. Numerous high-profile academics (including F.A. von Hayek and Murray Rothbard) were willing to support the Centre by serving on its Council of Advisors.[184] Yet in its early days the Centre was a humble operation – relying on the good will of sympathetic academics and, famously, operating out of a shed in

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[177] Norton, 'The CIS at Twenty', p. 18.
[178] See the report of the Macquarie Conference in the first edition of the Centre's newsletter: Centre for Independent Studies, 'First Conference Success', *Newsletter*, No. 1, Spring edition, Centre for Independent Studies, Sydney, 1977, p. 1.
[179] Norton, 'The CIS at Twenty', p. 18; Centre for Independent Studies, *Newsletter*, No. 2, Centre for Independent Studies, Sydney, 1978, p. 1.
[180] Paul Kelly, *The End of Certainty: The Story of the 1990s*, Allen & Unwin, Allen & Unwin, 1992, p. 47.
[181] Norton, 'The CIS at Twenty', p. 18. See also Paul Kelly's brief overview of the establishment of the CIS: Kelly, *The End of Certainty*, pp. 46-47.
[182] See Lachlan Chipman, *Liberty, Equality and Unhappiness*, Occasional Paper No. 1, Centre for Independent Studies, 1978.
[183] Centre for Independent Studies, 'Centre for Independent Studies'.
[184] Centre for Independent Studies, 'Council of Advisors', *Newsletter*, No. 1, Spring edition, 1977, p. 4.

Lindsay's back garden.[185] The big break for the CIS came in 1979. Lindsay had earlier (in 1976) met Antony Fischer, the founder of the London-based Institute of Economic Affairs (IEA), who was attempting to established an IEA style think tank in Australia. The publicity that the CIS gained from McGuiness' article in 1978 led to Lindsay being taken seriously be those businessmen and economists who were keen to see the formation of an IEA-style free-market think tank.[186] As Lindsay has recalled:

> They decided that perhaps there was no point in pursuing an institute of their own and invited me down to Melbourne…. They were mostly economists: John Macleod, John Brunner, [Derek] Sawer [of BHP], Mike Porter, Doug Hocking, Ross Parish, and some others from ICI: I talked about my vision and everyone agreed that the CIS should be supported. But nothing happened.[187]

Lindsay took leave without pay from his teaching job at Richmond High School in 1979 and received some financial support from businessmen Neville Kennard and Ross Graham-Taylor whilst working full time on developing the CIS.[188] Consistent corporate support finally came after Lindsay called up and then met with Hugh Morgan (of Western Mining Corporation) who in turn rang around in order to draw in financial commitments.[189] According to Lindsay these initial funding commitments amounted to $40,000 over five years.[190] Paul Kelly has noted that "six companies each put up $5000 a year for five years – Western Mining Corporation, Conzince Riotinto of Australia, BHP, Shell, Santos and *The Advertiser*".[191] Lindsay began to move in international policy circles, attending the meeting of the Mont Pelerin Society held in Hong Kong in 1978.[192]

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[185] Kelly, *The End of Certainty*, p. 47.
[186] Norton, 'The CIS at Twenty', p. 18.
[187] Norton, 'The CIS at Twenty', p. 18.
[188] Norton, 'The CIS at Twenty', p. 18.
[189] Norton, 'The CIS at Twenty', p. 19. On the central role of Hugh Morgan in funding the neo-liberal movement see also Ted Wheelwright, 'Why Has Economics Become So Conservative?: The Visible Hand of the Think-Tanks', *Journal of Economic and Social Policy*, Vol. 1(1), 1995, p. 27.
[190] Norton, 'The CIS at Twenty', p. 19.
[191] Kelly, *The End of Certainty*, p. 47. Similar figures are also mentioned by Mark Davis: Mark Davis, 'Second *Overland* Lecture: Towards Cultural Renewal', *Overland,* No. 163, 2001, p. 8.
[192] Norton, 'The CIS at Twenty', p. 20.

After receiving its initial funding boost the Centre did not appear to struggle to obtain further finances. As Kelly has noted: "by the late 1980s Lindsay's budget was $850,0000 annually and the CIS was a think-tank of world class, making a substantial contribution to the policy debate".[193] In 1980 the Centre moved into premises in St Leonards on Sydney's North Shore where it remained for 10 years.[194] The Centre later came to occupy larger premises in the same suburb. The Centre has been served over time by an academic advisory council, although in 2002 former CIS Senior Fellow Wolfgang Kasper (currently a member of the Council) reportedly admitted that it had not met in 26 years.[195]

According to Lindsay the Centre's first ten years of operation

> focused almost entirely on economic issues, the next 10 began an ongoing commitment to social policy issues, and within the last 10, a growing interest in international and strategic policy.[196]

In 1980, a CIS progress report noted that it had issued "four publications ranging from a 20 page pamphlet up to a 275 book" and "held six conferences and seminars" from which further publications resulted.[197] Issues that received attention in the Centre's first decade included the regulation of the Canberra taxi industry, shopping hours, the possible introduction of a rent tax for the resource industry, government controls over foreign investment and the privatization of the Australian postal service.[198] Lindsay has suggested that Geoff Hobin's

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[193] Kelly, *The End of Certainty*, p. 47.
[194] Norton, 'The CIS at Twenty', p. 19.
[195] Scrimgeour, 'Promoting Health', p. 5. See also Ryan Heath, 'On Think Tanks', *New Matilda*, 28 September 2005, http://newmatilda.com/2005/09/28/think-tanks, accessed 12 August 2012.
[196] Norton, 'The CIS at Thirty', p. 47.
[197] Centre for Independent Studies, 'Progress Report', Centre for Independent Studies, Sydney, 1980, p. 8.
[198] See Robert Albon, *Private Correspondence: Competition or Monopoly in Australia's Postal Services?*, Policy Monograph No. 7, Centre for Independent Studies, Sydney, 1985; Ray Ball & John Bowers, *The Resource Rent Tax: A Penalty on Risk-Taking*, Policy Monograph No. 5, Centre for Independent Studies, Sydney, 1984; Wolfgang Kasper, *Capital Xenophobia: Australia's*

monograph on the deregulation of shopping hours was one of the more influential early CIS publications.[199]

Beyond its first decade of operation the CIS continued to expand its publications and events schedule. In 1986, the CIS established a sister organization in New Zealand.[200] It also improved its publication output, replacing its newsletter (that ran between 1977 and 1984) with the more detailed *CIS Policy Report* (1985-1989) that later developed into *Policy* – now the CIS's key publication.[201] As Cahill has suggested, the CIS began to move beyond simply defending market values to embrace a broader social conservative agenda. He suggests that "upon the change from *Policy Report* to *Policy* in 1989, the journal became much broader in its scope, moving from a predominantly economic policy focused journal – exploring issues of privatization and deregulation – to dealing with broader social and cultural issues as well".[202]

Indeed, Cahill has suggested that the CIS became the standard bearer of what he labels the 'Markets, Morals and Civil Society' project run by neo-liberal think tanks – an effort to intellectually reconcile free-market capitalism with social conservatism in order to prevent a split in the political right.[203] Over time the CIS has also paid increasing attention to foreign affairs. In 1988, it issued the first in a series of studies on Pacific nations that generally focused on the issues relating to economic development.[204] Lindsay has acknowledged that the Centre

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Controls of Foreign Investment, Policy Monograph No. 6, Centre for Independent Studies, Sydney, 1984; G.R. Hogbin, *Free to Shop*, Centre for Independent Studies, Policy Monograph No. 4, Sydney, 1983; Peter L. Swan, *On Buying a Job: The Regulation of Taxi Cabs in Canberra*, Policy Monograph No. 1, Centre for Independent Studies, Sydney, 1979.

[199] Norton, 'The CIS at Twenty', pp. 19-20.

[200] See Centre for Independent Studies, 'CIS News', *CIS Policy Report*, Vol. 2(2), 1986, p. 2; Cahill, 'The Radical Neo-Liberal Movement', p. 114. This organisation now appears to be defunct.

[201] Cahill, 'The Radical Neo-Liberal Movement', p. 114.

[202] Cahill, 'The Radical Neo-Liberal Movement', p. 115.

[203] Cahill, 'The Radical Neo-Liberal Movement', pp. 15, 100.

[204] See, for example, Wolfgang Kapser, Jeff Bennett, Richard Blandy; *Fiji: Opportunity from Adversity?*, Centre for Independent Studies, CIS Pacific Papers No. 1, Sydney, 1988.

was slow to pay attention to international affairs in its first decade of operation.[205]

During the Howard years the CIS continued to maintain its strong links with capital. Prominent businessmen, including Michael Chaney and Robert Champion de Crespigny, have served on its board.[206] It continues to refuse to accept government funding.[207] The CIS's invite-only yearly retreat, Consilium, first held in the year 2000, continues to bring together senior political, business and academic figures for a weekend of debate. The 2002 Consilium was addressed by US academic Francis Fukuyama and attended by both John Howard and Peter Costello.[208] The Centre has also expanded its existing interest in attempting to engage with younger people.[209] In 1996, it established its Liberty and Society conference program that funded and arranged for young people from New Zealand and Australia to attend a seminar run by the Centre in order to explore the principles of classical liberalism.[210] The conference is now a yearly event.

While the CIS is seen to have wielded significant (albeit vaguely defined) influence during the Howard years, the Institute of Public Affairs can accurately claim to be Australia's oldest pro-free-market think tank. The Institute was

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[205] Norton, 'The CIS at Thirty', p. 47.

[206] See Centre for Independent Studies, 'CIS Board of Directors', http://www.cis.org.au/aboutcis/board_dir.html, accessed 3 October 2008.

[207] Centre for Independent Studies, 'Support CIS', http://www.cis.org.au/support_cis/support_donations.html, accessed 9 October 2008.

[208] Jennifer Hewett, 'Consilium Gives Elite Players Something to Think About', *The Sydney Morning Herald*, 19 August 2002, p. 29.

[209] Before he became interested in establishing a think tank, Lindsay was apparently keen on establishing a school. See: Sheila Browne, 'Right Thinking, Right Time', *The Sydney Morning Herald*, 1993 p. 13. CIS publications have been offered at a discounted rate to educational institutions and classes have even visited the Centre's offices in St Leonards: Centre for Independent Studies, 'School Visit', *Newsletter*, January 1982, p. 1; Centre for Independent Studies, 'Progress Report', p. 11.

[210] See Centre for Independent Studies, 'Liberty & Society: An Initiative of the Centre for Independent Studies', http://www.cis.org.au/l&s/HTML/home.htm , accessed 3 October 2008; Cahill, 'The Right Values in Education', p. 11. I attended the April 2007 Liberty & Society conference in Sydney at the invitation of the CIS.

established in 1943.[211] The founding of the IPA in Victoria was the result of an examination by the Victorian Chamber of Manufactures of how best to defend the interests of free enterprise in a politically uncertain postwar environment. As Michael Bertram has noted

> Sir Herbert Gepp, who as Managing Director of Australian Paper Manufacturers (APM) was prominent in Chamber affairs, instructed his economic assistant, C.D. (Charles) Kemp, to prepare a report on the subject. Kemp persuaded Sir Herbert that it was more than simply a matter of public relations. The real problem facing business was primarily a political one and what was needed was a approach representative of all employers… Accordingly Gepp, together with some others of a like mind, put to the Victorian Chamber that they explore the formation of an entirely new organization.[212]

Cahill has noted that

> the IPA had its genesis in the vacuum created within the non-Labor forces in Australian politics by the disintegration of the United Australia Party and the desire, within sections of the capitalist class, to secure the hegemony of capitalism upon the cessation of the Second World War.[213]

Branches of the IPA were formed in New South Wales in February 1943, South Australia in June 1943 and Queensland in 1943.[214] Due to differences regarding political strategy and ideology, attempts to unify the different state branches never succeeded.[215] Indeed, Bertram has noted that the South Australian and Queensland branches folded in the 1950s and

> The relationship with the quite separate Institute of Public Affairs (N.S.W.), never warm, deteriorated further when in 1962 the IPA dropped the suffix 'Victoria' from its title. At the heart of the acrimony was the competition for corporate funds in New South Wales.[216]

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[211] See Stone, 'Think Tanks in Transition', pp. 202-203.
[212] Michael Bertram, 'A History of the Institute of Public Affairs', Unpublished Masters Thesis, The University of Melbourne, 1989, p. 4.
[213] Cahill, 'The Radical Neo-Liberal Movement', p. 112.
[214] Marian Simms, *A Liberal Nation*, Hale & Ironmonger, Sydney, 1982, p. 15.
[215] See Bertram, 'A History of the Institute of Public Affairs', pp. 23-24.
[216] Bertram, 'A History of the Institute of Public Affairs', p. 92.

The IPA(Vic) was deeply involved in the founding of the Liberal Party of Australia (LPA). As political scientist Marian Simms has explained, the IPA(Vic) functions were threefold:

> to act as an interim finance collector for non-Labor political interests …to initiate the unification of the non-Labor organizations in Victoria (Services and Citizens Party, the Middle Class Party and such like) and then to mediate among them and to keep constant liaison with Menzies; and, finally, to provide much of the content of the federal platform of the LPA and propaganda for political campaigns (elections and the 1944 and 1946 referenda).[217]

The IPA(Vic) in its first four years of operations was not the neo-liberal free-market think tank that it is today. Indeed, the IPA(Vic)'s policy document *Looking Forward* (released in October 1944) defended the role of private enterprise yet "went on to argue the case for a socially responsible form of capitalism, committed to full employment and state responsibility for maintaining a high and stable level of investment".[218]

The IPA(NSW) is considered by Simms to have been more stridently pro-free market in its emphasis than its Victorian counterpart,[219] yet she notes that the New South Wales branch did distinguish between liberalism and *laissez-faire.*[220] The records of the IPA(NSW), held at the National Library of Australia, reveal a number of instances where the Institute's committees openly recommended policies that entailed government intervention.[221] The IPA(NSW) was

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[217] Simms, *A Liberal Nation*, p. 15.
[218] Hay, 'The Institute of Public Affairs', p. 209ff.
[219] See Cahill, 'The Radical Neo-Liberal Movement', p. 113; Simms, *A Liberal Nation*, pp. 18-19.
[220] Simms, *A Liberal Nation*, p. 19.
[221] In 1984, for example, the Youth, Unemployment and Education Panel of the IPA(NSW) reviewed a discussion paper advocating the development of new government employment programs and the revitalisation of schools. In 1979, the Institute suggested that governments consider funding political parties to run election advertising. See 'Discussion Paper (Lindsay Kelly) Youth and Unemployment and Education' (Dated 17th February 1984), Box No. 4, File entitled 'Panel. No. 2 1983/84 Youth/Unemployment/Education', Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084; 'Should Taxpayers Have to Bear the Costs of Election Campaigns?' (by Alec Simpson, Executive Director, Dated January 1981), Box No. 7, File entitled

transformed into the Sydney Institute under the leadership of Gerard Henderson in 1989.[222]

Both the IPA(Vic) and IPA(NSW) were involved in establishing a group known as Enterpise Australia in the mid-1970s. The chief aim of the group was to educate the public on the benefits of the free market through publications, talks and even films. Although claiming that the body was "essentially above party politics", the report of the President, Mr David Griffin, to the Executive Committee in March 1975 admitted that "an immediate target is of course the removal of the present Labor Government in Canberra".[223] The President acknowledged, however, that the group should be strategic in the way it went about criticising the Labor Party, suggesting that it should emphasise its opposition only to certain policies, rather than admitting to its genuine belief that the party was not fit to govern. It was also decided that such policy criticism should be kept separate from the image of the IPA to ensure that the latter group would be perceived to be above party politics.[224]

In short, by using Enterprise Australia as a wing group the IPA was able to engage in politics without publicly appearing political. Enterprise Australia sponsored a number of speaking tours in Australia, including that of Mr John Q. Jennings (the Director of the American Economic Foundation) and arranged a

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'Public Funding of Election Campaigns', Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084.

[222] Cahill, 'The Radical Neo-Liberal Movement', p. 113.

[223] See 'Institute of Public Affairs (NSW) President's Report to Executive Committee' (Dated 3 March 1975), Box No. 3, File entitled 'Enterprise Australia (Australian Free Enterprise Association Limited) Material Re. Funding Liaison Meetings)', Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084..

[224] See 'Institute of Public Affairs (NSW) President's Report to Executive Committee'.

talk by Hayek at the University of New South Wales.[225] It received significant financial support from business via the IPA.[226]

The IPA(Vic)'s moderate pro-capitalist stance changed significantly in the 1980s. As David McKnight has explained

> in 1982, the IPA was reinvigorated by the appointment of Rod Kemp, Charles' son, as director. In a symbolic passing of the baton, Kemp Senior represented the old Right while Kemp Junior rode the wave of neo-liberalism.[227]

Cahill dates the IPA conversion to neo-liberalism slighter earlier, suggesting that

> From the late 1970s onwards, and accelerating with the appointment of Rod Kemp as Director in 1982, the IPA shed its Keynesian past and embraced radical neo-liberalism. This has been combined with a conservative moral philosophy.[228]

Kemp's appointment as the Director of the IPA(Vic) had the backing of Jim Balderstone (of BHP) and Hugh Morgan.[229] Kemp led an era of both financial and institutional expansion for the IPA. In 1985, the Institute established a States Policy unit and in 1988 an Educational Policy Unit under the direction of Leonie Kramer.[230] By 1987, over 22,500 copies of the *IPA Review* were distributed through newsagents and the shorter *Facts* publication had a reported print run of

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[225] See 'Report on Activities from Foundation of Enterprise Australia Limited to Date' (dated 27th April 1977), Box No. 1, File entitled 'Enterprise Australia III', Institute of Public Affairs (NSW) Manucript Material, National Library of Australia, ACC 06/084.

[226] See 'Founding Father Contributions' (dated 16th November 1978, signed by Alec Simpson, Executive Director), Box No. 3, File entitled 'Enterprise Australia (Australian Free Enterprise Association Limited) Material Re Funding Liaison Meetings), Institute of Public Affairs (NSW) Manuscript Material), National Library of Australia, ACC 06/084. Simpson noted that "so far in 1978, Enterprise Australia has received $50,000 out of $75,000 donated by CSR, Bank of NSW and Amatil. A Further $30,000 has now been received from MIM and Boral".

[227] McKnight, *Beyond Right and Left*, p. 57.

[228] Cahill, 'The Radical Neo-Liberal Movement', p. 113.

[229] Bertram, 'A History of the Institute of Public Affairs', p. 114.

[230] Bertram, 'A History of the Institute of Public Affairs', p. 126.

58,000.[231] The IPA has also been involved in bringing high profile international neo-liberal speakers to Australia.[232] By the early 1990s, Charles Kemp came to criticise the brand of free-market economic liberalism that the Institute now embraced.[233] The ideological tide had clearly turned.

A free-market think tank emerged in Perth in 1983. Former Federal Member of Parliament John Hyde and Bill Clough of Clough Engineering established the Australian Institute for Public Policy (AIPP).[234] Hyde, under the mentorship of former 'Dry' MP Bert Kelly, was a strong advocate of free-market economic policies during his time in office. Both Kelly and Hyde were members of the Crossroads group – a pro-free market discussion group, including businessmen, politicians and academics that was established during Fraser's Prime Ministership – and was involved in the H.R. Nicholls Society (discussed below).[235] Cahill has noted that

> during its existence, the Perth-based think tank published on a range of issues advocating radical neo-liberal economic policy changes, but also delving into social policy (inviting speakers with both conservative and libertarian viewpoints).[236]

In 1991, the AIPP merged with the IPA, by which point the revenue of the former, according to Cahill, had increased from $105,025 in 1985 to over $300,000.[237] The activities of the AIPP were never tax exempt, in contrast to the

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[231] Moore & Carpenter, 'Main Players', p. 147.
[232] Moore & Carpenter, 'Main Players', p. 147.
[233] See McKnight, *Beyond Right and Left*, p. 78.
[234] Cahill, 'The Radical Neo-Liberal Movement', p. 117. Again, this body should not to be confused with the later group of the same name.
[235] Moore & Carpenter, 'Main Players', p. 149, 55. The Crossroads group took its name from a 1980 publication, *Australia at the Crossroads*, which provided a free-market vision for Australia: Wolfgang Kasper, Richard Blandy, John Freebairn, Douglas Hocking, Robert O'Neill, *Australia at the Crossroads: Our choices to the year 2000*, Harcourt Brace Jovanovich Group, Sydney & Melbourne, 1980. Kelly notes that *Australia at the Crossroads* "was jointly conceived by the professor of economics at the University of NSW, Wolfgang Kasper, and the management of Shell Australia Ltd, in particular its chief economist, Douglas Hocking": Kelly, *The End of Certainty*, p. 40. See also Cebon, 'Intellectual Armaments', pp. 29-30.
[236] Cahill, 'The Radical Neo-Liberal Movement', pp. 117-18.
[237] Cahill, 'The Radical Neo-Liberal Movement', p. 117.

CIS and IPA which had partial tax exemptions.[238] The merger of the AIPP and the IPA thus made strategic sense. Businessman Harold Clough and his son William have both served on the IPA's board.[239]

In the 1990s the IPA's historically strong relationship with big business continued and arguably enhanced the Institute's ability to influence public policy. In 1991, the IPA teamed up with the Tasman Institute – a now defunct practically oriented free-market think tank[240] — to produce *Victoria: An Agenda for Change.*[241] Published before Victorian Premier Jeff Kennett came to power in 1992, this work was part of 'Project Victoria' - an effort funded by employer associations and large corporations (and that saw the seconding of staff from Westpac)[242] to develop a free-market blueprint for the state of Victoria. Cahill and Beder argue that Project Victoria "gave an intellectual and discursive framework within which the interests of the business sectors pushing for neo-liberal reform could be converted into a broad policy agenda and defended publicly".[243]

A number of other neo-liberal think tanks and groups have operated in Australia. Several of these either did not survive into the Howard years or were not as significant as the IPA and CIS. The fate of the Institute for Public Policy, for example, has already been noted.[244] Economist Michael Porter established the Centre of Policy Studies at Monash University in 1979. The Centre received a $2.6 million funding grant from the Fraser government.[245] The Centre was funded by corporate sources to conduct research for the National Priorities Project – a 1980s umbrella group that included employer groups and the National

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[238] Stone, 'Think Tanks in Transition', p. 211.
[239] Institute of Public Affairs Limited, *Annual Report 2003-04*, Institute of Public Affairs, Melbourne, 2004.
[240] Cahill, 'The Radical Neo-Liberal Movement', p. 121.
[241] Des Moore & Michael Porter (eds.), *Victoria: An Agenda for Change*, The Tasman Institute & Institute of Public Affairs, Melbourne, 1991.
[242] Cahill, 'The Radical Neo-Liberal Movement', pp. 200.
[243] Cahill, 'Neo-Liberal Think Tanks and Neo-Liberal Restructuring', p. 46.
[244] Centre 2000 also appears to no longer be operational. See Cahill, 'The Radical Neo-Liberal Movement', p. 115; Moore & Carpenter, 'Main Players', p. 150ff.
[245] Cahill, 'The Radical Neo-Liberal Movement', pp. 118-119.

Farmers' Federation that championed a flat tax and labour market deregulation.[246] It has specialised in econometric modeling and was commissioned by the Howard Government to conduct research relating to Australian employment growth.[247]

Porter was also influential in establishing the Tasman Institute, founded in 1990, and affiliated with the University of Melbourne, that remained operational during the Howard era under the direction of Porter, although it currently claims to exist predominantly as a virtual think tank and more resources appear to have been devoted to its consultancy group Tasman Asia Pacific.[248] It has received noticeably less publicity than the IPA and the CIS and given its apparent transformation into a consultancy group it is not focused upon in this thesis.

Des Moore left the IPA in 1996, unhappy with the direction that it was taking under Mike Nahan (in particular its decision to focus less on economic issues) and established his own Institute for Private Enterprise.[249] The Institute's activities remain small in scale.[250]

Ron Manners, a libertarian and Western Australian based businessman established a free-market body, the Mannkal Economic Education Foundation, in Perth in 2002.[251] The Foundation is primarily focused on hosting conferences

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[246] Moore & Carpenter, 'Main Players', pp. 55-58, 152.
[247] See Nick O'Malley, 'Shortfall of Labour Used to Justify Law', *The Sydney Morning Herald*, 25 November 2005, p. 4.
[248] See http://www.tasman.com.au/about.htm, accessed 13 June 2011; Georgina Murray & Douglas Pacheco, 'Think tanks in the 1990s', http://www.anu.edu.au/polsci/marx/interventions/thinktanks.htm, accessed 20 June 2012.
[249] Cahill, 'The Radical Neo-Liberal Movement', p. 121; David Walker, 'Last of the Old Guard Quits Think Tank', *The Age,* 17 February 1996, p. 3.
[250] Cahill, 'The Radical Neo-Liberal Movement', p. 122.
[251] Mannkal Economic Education Foundation, 'Improving the Integrity of Prescribed Private Funds, The Treasury – Discussion Paper, November 2008: Submission by *Mannkal Economic Education Foundation* – January, 2008', http://www.treasury.gov.au/documents/1458/PDF/Mannkal_Economic_Education_Foundation.pdf, accessed 21 August 2011.

and providing scholarships at Western Australian universities rather than developing a research agenda. It is home to a number of ex-AIPP supporters.[252]

The remainder of this thesis will focus overwhelmingly on the debates and discussions that have occurred within the publications of the leading Australian neo-liberal think tanks, particularly the CIS and IPA. These groups, above all others, have devoted themselves entirely to developing and promoting a neo-liberal philosophy of freedom and choice and have reacted to the policies of the Howard Government in this context. For the sake of providing a comprehensive overview of neo-liberal thought in Australia during the Howard era, however, this thesis also, at times, touches upon the output of a number of smaller bodies some of which have not traditionally been regarded as think tanks.

The H.R. Nicholls Society continued to advocate the deregulation of the Australian labour market during the Howard era. The Society was established in 1986 at the instigation of Ray Evans of Western Mining Corporation in order to discuss industrial relations matters.[253] Peter Costello, then an industrial relations lawyer representing employers, and Barrie Purvis of the Australian Woolbrokers Employers Federation were also influential founding figures. John Stone, previously the Secretary of the Commonwealth Treasury but then an economic consultant, became the founding President of the Society and spoke at the launch of the first proceedings of the Society (attended by then Leader of the Opposition, John Howard) of the need to "overhaul completely the system by which, in this country, wages (and other conditions of employment) are determined".[254]

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[252] See Mannkal Economic Education Foundation, 'About Mannkal', http://www.mannkal.org, accessed 21 August 2011.
[253] Kelly, *The End of Certainty*, p. 260.
[254] Kelly, *The End of Certainty*, p. 260. See John Stone, 'Repairing Australia', in *Arbitration In Contempt: The Inaugural Seminar of the H.R. Nicholls Society held in Melbourne 28 February - 2 March, 1986*, H.R. Nicholls Society, Melbourne, 1986, http://www.hrnicholls.com.au/archives/vol1/vol1-spch1.php, accessed 21 October 2012; The H.R. Nicholls Society, 'The Origins of the Society', http://www.hrnicholls.com.au/origins.php, accessed 8 October 2008.

The Society arguably encouraged a number of corporate figures involved in the mining industry to 'stick to their guns' when combating unions during a number of major industrial disputes in the 1980s. Charles Copeman, the Chief Executive of PekoWallsend, credited the Society with having given him the inspiration to tackle the unions during the 1986 Robe River dispute.[255] Diane Stone has noted that the Society "is more of a proto-think tank and has not developed beyond its dining club character to have a stronger organizational presence".[256] During the Howard era the holding of its annual conference remained the Society's main activity. These conferences continued to attract high profile political figures.[257]

Lastly, it is worth noting the existence of two groups who have, as yet, received little academic attention. The Lavoisier Group was formed in March 2000 with the aim of promoting "vigorous debate within Australia on the science of global warming and climate change, and of the economic consequences of both unilateral or multilateral decarbonisation".[258] The group's current leadership team includes both Ray Evans and Harold Clough.[259] By 2004 the group reportedly had a membership of around ninety and a budget of $10,000 per annum.[260]

The Bennelong Society was formed following a workshop conducted by Peter Howson, the former Minister for Environment, Aborigines and the Arts in the McMahon Government, in December 2000. This workshop was preceded by two others organised by *Quadrant* focusing on Indigenous Policy.[261] The

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[255] See Kelly, *The End of Certainty*, p. 261; Breen Creighton, 'Trade Unions, the Law and the New Right', in Ken Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/Penguin Books, Ringwood (Victoria), 1987.
[256] Stone, 'The Development and Discourse', p. 147.
[257] See Steven Scott & Mark Ludlow, 'PM Denies Secret Work Choices Agenda', *The Australian Financial Review,* 16 October 2007, p. 14.
[258] The Lavoisier Group, 'Our Aims', http://www.lavoisier.com.au/lavoisier-aims.php, accessed 8 October 2008.
[259] The Lavoisier Group, 'Our Aims'.
[260] See Melissa Fyfe, 'Global Warming - the Sceptics', *The Age,* 27 November 2004, p. 1.
[261] Eve Vincent, 'Who Is Bennelong?', *Arena Magazine*, No. 89, 2007, p. 46.

Society's aims are expressed in an ideologically neutral manner on its website[262] yet a number of individuals – such as the former Keating government minister Gary Johns and Ray Evans – who have been involved with the Society have also been associated with other neo-liberal groups.[263] Howard Government luminaries Amanda Vanstone, Kevin Andrews, Tony Abbott and Mal Brough, the minister responsible for the 2007 Northern Territory Intervention, have all addressed the Society.[264]

Neither the Lavoisier Group nor the Bennelong Society have focused directly on the philosophy of neo-liberalism nor have they obtained anywhere near the profile of the CIS or the IPA, yet both groups have strong personal links to these larger think tanks and have shown a propensity to apply a free-market ethos to their particular areas of policy focus.[265] The output of the Lavoisier Group and the Bennelong Society is thus considered peripherally in this thesis.

Conclusion

A study of the debates that have occurred within the publications produced by free-market think tanks is not the only way to examine the history of neo-liberal thought in Australia. A study of the workings of the public sector, business and industry associations and university economics departments would also offer valuable insights into how neo-liberal thought has developed. A study of think tanks, however, provides a convenient and ordered source base from which to approach this topic. Think tanks have acted as part of an epistemic community

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[262] See The Bennelong Society, 'Aims of the Society', http://www.bennelong.com.au/aims.php, accessed 8 October 2008.

[263] Vincent, 'Who Is Bennelong?', p. 46; Brad Norington, 'The Idea Factories', *The Sydney Morning Herald,* 11 August 2003, p. 12.

[264] Vincent, 'Who Is Bennelong?', p. 46.

[265] In relation to the Bennelong Society and its support for opening up land for uranium mining see David Scrimgeour, 'How Think Tanks Are Misleading Us on Aboriginal Children's Health', 24 September 2007, http://www.crikey.com.au/Politics/20070924-How-think-tanks-are-misleading-us-on-Aboriginal-childrens-health.html, accessed 8 October 2008. In relation to the Lavoisier Group see Denis Dutton & Wolfgang Kasper, 'Green Protectionism', *Feature Article*, http://www.lavoisier.com.au/articles/climate-policy/economics/green.prot.pdf , accessed 9 October 2008.

of problem solvers – working as part of a global movement to identify, debate and reconcile the tensions within neo-liberal ideology. Whilst public servants and academics have job descriptions that require them to focus on tasks other than defending their preferred ideology, think tanks have remained solely focused upon developing free-market thought in the light of contemporary political developments.

As a number of Australian free-market think tanks have been long standing players in the game of defending neo-liberal thought, a study of these groups also offers a way to examine contemporary neo-liberal thought in a directly historical context. The development of neo-liberal ideology has been gradual and part of a long running historical counter-offensive against established political and economic thinking. An examination of their publications and records show that think tanks have been at the forefront of the historical effort to develop and, over time, reconceptualise free-market thinking.

This chapter has provided an overview of the literature on think tanks. It began by considering the way in which scholars have defined the term 'think tank' and examining the general, global literature on think tanks. A number of different approaches to the study of think tanks were outlined. It was suggested, however, that the existing literature on think tanks has focused primarily upon the issue of influence and, at times, simplified the relationship between these groups and capital.

An overview was then provided of the literature that has focused on New Right or neo-liberal think tanks. In this section the way in which scholars have examined these groups was related to their broader views on neo-liberalism. It was pointed out that some scholars, in advancing a radical critique of contemporary capitalism, have emphasised a direct link between the ideas developed by neo-liberal think tanks and policies allegedly designed to protect the interests of capital. It was suggested that in contrast to this emphasis, the relationship between neo-liberal thought and political practice is often complex and not readily apparent. It was concluded that the tensions that have emerged

within neo-liberalism exist at the ideological level and are not simply a product of the inevitable strains between theory and political practice.

The chapter then reviewed the literature on neo-liberal think tanks in Australia. It was argued that radical critics of capitalism have been more inclined to view neo-liberal ideology as a product of a conspiracy of capital. Other scholars (adopting a similar approach to this thesis) point to the tensions that can develop between neo-liberal intellectuals and the businesses that can at times benefit from (and thus be willing to fund the sources of) neo-liberal ideas.

In relation to neo-liberal think tanks during the Howard era, the argument was advanced that during this period these groups became increasingly aware of the tensions within their own ideology. In short, the policies of the Howard era exacerbated some of the key intellectual tensions that, historically, have inhered in neo-liberal thought. An examination of neo-liberal think tanks during this period that moves beyond debating their influence and carefully examines their ideas, is thus an ideal way to explore the nature of the ideology of neo-liberalism and its historical development.

The chapter concluded by provided a narrative history of some of the key think tanks whose work will be considered in the remainder of this thesis. The way in which these groups characterised one of the most important aspects of neo-liberal thought – the market mechanism – during the Howard era is the subject of the next chapter of this thesis.

Chapter Three: Free to Choose: Neo-liberals and the Market Mechanism

Introduction

Many scholars have argued that the Howard Government championed a neo-liberal agenda. Yet the Australian neo-liberals studied in this thesis regularly criticised the Howard Government on free-market grounds during its period in office. Neo-liberals have queried the accuracy of viewing the Howard years as a period of significant free-market reform. Why is a Government seen by many scholars as championing a free-market agenda viewed by numerous neo-liberals as having left a mixed legacy? This chapter will argue that this difference of opinion can be understood by considering how neo-liberals conceptualise the role of market mechanisms. While it is suggested that caution must be exercised in using terms such as 'utopian', a detailed understanding of what neo-liberals understand to be the ideal role of free markets is necessary in order to comprehend the basis of the criticisms they direct at political players.

The neo-liberal conception of the market mechanism is one that does not, in theory, favour any particular section of business. Its advocates insist that government intervention to help businesses should be rejected as strongly as that favouring labour. Neo-liberals, influenced heavily by the Austrian tradition of free-market economic thought, often emphasise the uncertainty of economic life. They believe that, contrary to some precepts of classical economics, a perfect state of market 'equilibrium' is never reached. They largely champion a dynamic, entrepreneurial variant of free-market capitalism that can prove unsettling for established businesses, workers and consumers.[1]

Secondly, in light of the neo-liberal conception of the market mechanism, it is not surprising that the relationship between neo-liberal think tanks and private enterprise is more ambiguous than assumed by a number of contemporary critics. The fact that neo-liberals, at times, portray themselves as outsiders who have to

[1] See Richard Sennett, *The Culture of the New Capitalism,* Yale University Press, New Haven & London, 2006; Robert Reich, *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life,* Alfred A Knopf, New York, 2007.

fight a possibly unending intellectual battle against vested interests can be logically related to the particular brand of capitalism that they champion and how they conceptualise democracy in a market system.

Thirdly, it will be noted that there is a tension in neo-liberal thought between a cautious approach to societal reform and strident advocacy of the free market. Within neo-liberalism there is a conservative emphasis on the limited knowledge base of humanity and thus the benefits of broadly defined rules, existing institutions and the gradual social-evolutionary basis of free markets. On the other hand, however, the reality is that, in practice, neo-liberals have stridently sought to advance an interventionist agenda to expand the scope of markets as part of a well-established ideological program. Rather than waiting for diffuse and gradual social change, neo-liberals are involved in the kind of determined ideological crusade of which they are naturally suspicious. This tension is readily apparent within the work of one of the most influential free-market thinkers, Friedrich von Hayek, and was also apparent during the Howard years.

Lastly, the chapter concludes by summarising a number of the main intellectual and policy differences between the neo-liberals associated with free-market think tanks and the Howard Government. It will be argued that, given the particular variant of free-market capitalism supported by neo-liberals, it is hardly surprising that they disputed some of the policies advanced by the Coalition. However, Howard's policies revealed more than simply the tension between political realism and utopian tendencies in neo-liberal thought. The fact that the former Prime Minister's political outlook, though influenced by free-market ideas, was also distinct from the ideology promoted by think tanks such as the CIS led to self-reflection on the part of Australian neo-liberals and revealed some of the core tensions within neo-liberal ideology.

Dynamic and entrepreneurial capitalism

At the foundation of all neo-liberal thought is a championing of a particular brand of free-market capitalism.[2] As argued in the first chapter of this thesis, scholars have at times equated neo-liberal theory with policy practices (such as corporatist arrangements) that differ and even contradict neo-liberal thinking.[3] Yet neo-liberals endorse a model of capitalism that primarily emphasises the ability of markets to recognise and respond to the numerous and changing preferences of groups and individuals.[4] As Gamble notes, the term 'neo-liberalism' is associated with "the belief that the best policy is to allow markets to operate with as few impediments as possible", along with the understanding that governments need to create and sustain the institutions that make possible market-based relations.[5]

The three main think tanks that feature in this thesis all emphasise the extent to which an entrepreneurial and dynamic economy, with market relations largely free from government restraints, maximises human welfare. The defence by Australian neo-liberal think tanks of this particular brand of free-market thought has entailed significant criticism of existing government involvement or 'interference' in the economy.

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[2] For a recent discussion of the centrality of the market in neo-liberal thought see Colin Crouch, *The Strange Death of Neoliberalism*, Polity Press, Cambridge, 2011, chap. 2. Crouch argues that "at the centre of the neoliberal project stands a portrayal of the qualities of the market, in particular a contrast between efficient, customer-sensitive firms and incompetent, arrogant public services" (p. 24).

[3] Economist John Quiggin, for example, has suggested that Michael Pusey, in his influential book *Economic Rationalism in Canberra,* "misunderstood some key aspects of economic rationalism, confusing it with simple pro-business conservatism": John Quiggin, 'The ideology that dare not speak its name', 21 April 2009, http://www.johnquiggin.com/2009/04/21/the-ideology-that-dare-not-speak-its-name/, accessed 16 September 2012.

[4] David Harvey, 'Neo-liberalism as Creative Destruction', *Geografista Annaler, Series B: Human Geography,* Vol. 88(2), p. 145.

[5] Andrew Gamble, 'Two Faces of Neo-liberalism', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillian, Houdmills & New York, 2006.

The proceedings of the H.R. Nicholls Society reveal the strongly-held belief of its members that the removal of government restrictions in the area of industrial relations would maximise human welfare by permitting the market to do what it is seen naturally to do best – respond to human needs and desires. For example, at the first conference of the Society held in 1986, the economist Michael Porter argued that "both youth unemployment and the low quality of jobs and training offered to youth, are quite unnatural, being very much the consequence of interventions in the labour, education and training markets".[6] Similarly, Gerard Henderson argued that "the economic indicators demonstrate vividly that Australia's rigid inflexible centralised industrial relations system simply has not worked. It must be reformed".[7]

During the Howard years members of the H.R. Nicholls Society continued to link the development of a dynamic, entrepreneurial market-based industrial relations system, largely free from government restraint, to the ability to effectively meet human needs and wants. At the Society's 1997 conference, for example, the Director of the Institute for Private Enterprise, Des Moore, argued that a reduction in the provision of welfare payments, "if combined with lower taxation and deregulatory reforms of the labour market", would create additional jobs and reduce poverty.[8] At the 2002 conference economist Geoff Hogbin noted the dynamic way in which jobs are created and destroyed in a global free-market economy:

> The growth of market economies is driven both by innovation in products, and innovation in techniques and organization of production, combined with competitive selection of those enterprises which deliver the best value for dollar – in Joseph Schumpeter's immortal phrase

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[6] Michael Porter, 'Youth and the Unnatural Rate of Unemployment', *Arbitration in Contempt: Proceedings of the Conferences of the H.R. Nicholls Society,* 1986, http://www.hrnicholls.com.au/archives/vol1/vol1-9.php, accessed 21 July 2009.

[7] Gerard Henderson, 'The Fridge Dwellers – Dreamtime in Industrial Relations', *Arbitration in Contempt: Proceedings of the Conferences of the H.R. Nicholls Society,* 1986, http://www.hrnicholls.com.au/archives/vol1/vol1-11.php, accessed 21 July 2009. Henderson refers to an actual fridge in this presentation.

[8] Des Moore, 'The Effects of the Social Welfare System on Unemployment', *Wrong Way – Go Back: Proceedings of the Conferences of the H.R. Nicholls Society,* 1997, http://www.hrnicholls.com.au/archives/vol18/vol18-3.php, accessed 21 July 2009.

> "creative destruction". The expansion, contraction and reorganisation of enterprises that this inevitably entails implies continual reallocation of people to jobs.[9]

Hogbin stated that legislating to prevent job losses (for example, by dealing with instances of unfair dismissal) "is somewhat akin to legislating to prevent tides from rising" given that "job destruction is the essence of a growing economy".[10] In 2003, Ray Evans argued that massive unemployment in Australia had resulted entirely from over-regulation of the labour market.[11] In advocating the removal of Government regulation of the labour market, Evans claimed that no one enters a contract unless they gain some benefit and that the contracting parties

> know better than anyone else about what the gains are, and how to maximise them, and it is this latter quality of contractual life which gives real economic vitality to a nation whose people know how to make contracts work.[12]

The CIS has also favoured a dynamic and entrepreneurial variant of free-market capitalism. In 1998, the Centre published an occasional paper by Israel Kirzner. The prominent US based free-market thinker argued that

> It is *only* [Kirzner's emphasis] when entrepreneurship is introduced that we begin to appreciate how and why markets work…. The 'chaos' introduced by entrepreneurship is required to account for the systematic character of real-world market processes.[13]

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[9] Geoff Hogbin, 'Employment Protection Laws and Worker Welfare', *The Changing Paradigm: Freedom, Jobs, Prosperity: Proceedings of the Conferences of the H.R. Nicholls Society,* 2002, http://www.hrnicholls.com.au/archives/vol23/vol23-9.php, accessed 23 July 2009.

[10] Hogbin, 'Employment Protection Laws and Worker Welfare'.

[11] Ray Evans, 'The Bills We Need', *Lining up the Bills: Preparing for a Double Dissolution: Proceedings of the Conferences of the H.R. Nicholls Society,* May 2003, http://www.hrnicholls.com.au/archives/vol24/vol24-2.php, accessed 4 March 2010.

[12] Evans, 'The Bills We Need'.

[13] Israel M. Kirzner, *How markets work: disequilibrium, entrepreneurship and discovery,* Occasional Paper No. 64, Centre for Independent Studies, Sydney, 1998, pp. 27-28.

Kirzner wrote that "the *only* [Kirzner's emphasis] government action needed to ensure the dynamically competitive character of market activity" is to remove government-created barriers to market entry.[14]

Greg Lindsay has also emphasised the importance of entrepreneurial behaviour. Lindsay remarked in 1999, "that entrepreneurial activity is at the heart of wealth-creation, without which all of us would be quickly reduced to poverty".[15] The CIS's *Policy Magazine* has published numerous articles highlighting the manner in which entrepreneurship, in the context of a largely deregulated economy, promotes prosperity, including a 1998 piece by then Labor MP Mark Latham in which he stated that "the key to economic progress lies in entrepreneurship and innovation. Dogs bark, markets rely on risk-taking".[16]

During the Howard years the IPA consistently linked the development of an entrepreneurial and dynamic economy to improved prosperity. In September 1999, Mike Nahan, the then Executive Director of the IPA, urged the Howard Government to learn from the success of the technology boom in 'Silicon Valley', California, in particular that "the real key to the Valley's success has been the presence of entrepreneurs and a culture that attracts and keeps them".[17] According to Nahan "risk-taking and the free flow of people and ideas" fuelled prosperity "as well as continuous change".[18] In 2002, the Director of the IPA's

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[14] Kirzner, *How markets work,* pp. 46-47. Emphasis in original.

[15] Greg Lindsay, 'Foreward' in Samuel Gregg & Gordon Preece (eds.), *Christianity and Entrepreneurship: Protestant and Catholic Thought,* Policy Monograph No. 44, Centre for Independent Studies, Sydney, 1999, p. vii.

[16] Mark Latham, 'The New Politics – An Australian Story', *Policy*, Vol. 14(4), Summer 1998-1999, p. 27. See also Tom Valentine, 'Economic Rationalism vs The Entitlement Consensus', *Policy*, Vol. 12(3), Spring 1996, pp. 3-10. Stan Liebowitz & Stephen R. Margolis, 'Typing Errors', *Policy*, Vol. 12(2), Winter 1996, pp. 22-29; Robin Stonecash, 'Wither the Clever Country? Australia's Industry Policy', *Policy*, Vol. 15(1), Autumn 1999, pp. 58-63. In relation to the general importance of risk in society see Peter Saunders, 'Tofu terror added to list of reasons to be fearful', *The Sydney Morning Herald,* 17 January 2007, http://www.smh.com.au/news/opinion/tofu-terror-added-to-list-of-reasons-to-be-fearful/2007/01/16/1168709751814.html, accessed 18 August 2009; and discussion further below.

[17] Mike Nahan, 'From the Executive Director: What Makes Silicon Valley Great', *IPA Review,* Vol. 51(3), September 1999, p. 2.

[18] Nahan, 'From the Executive Director', p. 2.

deregulation unit, Alan Moran, wrote that "competitive markets with secure and privately owned property rights have proven to be the only guarantors of low prices and entrepreneurial advance across the spectrum of industries in Australia and worldwide".[19]

The belief in the virtues of a dynamic 'free' economy acts as a totem for neo-liberals. It serves as the source of a negative critique by unifying them against statist policies and vested interests but also gives rise to a positive vision about how ideal societies should function. A significant aspect of neo-liberal thought, for example, is the notion that market mechanisms are inherently democratic.

According to economist Wolfgang Kasper (in a study for the CIS) it is the dynamic nature of free markets that gives rise to their democratic nature. While citizens may vote for a new government every three to five years, the profit and loss mechanism

> reflects the informed, careful private choices of the many buyers (consumer sovereignty) and a continuing process in which many place their 'dollar values'. The market is a daily exercise in democracy, the will of the people.[20]

The IPA has, on a number of occasions, explicitly championed the notion of consumer sovereignty, reminding the readers of the *IPA Review* in 1996 that "the essence of a democratic system lies in the concept of consumer sovereignty and we should never forget it".[21]

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[19] Dr Alan Moran, *Submission to IPART's Review of Regulated Retail Tariffs,* Institute of Public Affairs Energy Issues Paper No. 22, March 2002, p. 1. See also, Des Moore, 'Election on jobs a good wager', 22 January 2003, http://www.ipe.net.au/ipeframeset.htm, accessed 23 July 2009; Des Moore, 'Thriving in competition', 16 January 2002, http://www.ipe.net.au/ipeframeset.htm, 2002, accessed 23 July 2009.

[20] Wolfgang Kasper, *Property Rights and Competition: An Essay on the Constitution of Capitalism*, Policy Monograph No. 41, Centre for Independent Studies, Sydney, 1998, p. 90.

[21] Institute of Public Affairs, 'Freedom or Free-for-all', *The IPA Review,* Vol. 20(1), January-March 1966, p. 18. See also Alan Moran, 'The public transport myth', 24 October 2006, http://www.onlineopinion.com.au/view.asp?article=5052, accessed 30 July 2009;

According to neo-liberals, while democratically constituted governments remain vulnerable to exploitation by vested interests[22] and create regulations and restrictions that distort the manner in which resources are allocated, free markets ensure that all parties can benefit from and are vulnerable to the same forces. Those associated with the H.R. Nicholls Society have long argued that supporters of a regulated industrial relations system have had a vested interest in denying people choice. For example, the then editor of the *IPA Review*, Michael Warby, suggested at the society's 1998 conference that "politics is an unrivalled mechanism for gaining benefits at someone else's expense", whereas a free labour market allows people to "make their own decisions".[23]

Economist John Quiggin has argued that neo-liberals are indifferent not only to matters of personal freedom but to democracy more broadly. He argues that while many neo-liberals are "orthodox liberal democrats", neo-liberal ideology does not address the merits of democracy and neo-liberals "may regard democracy and ordinary notions of political liberalism with outright hostility… or, they may like Hayek, regard democracy and free speech as second-order goals, desirable only if they don't get in the way of free markets".[24]

Quiggin accurately identifies the ways in which neo-liberalism sits uneasily alongside democracy *as conceived by social democrats* (whereby, rather than trusting in the market, equality of opportunity should be guaranteed through democratic participation, regulation of the market and the provision of vital

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Sinclair Davidson, 'The intellectual gap goes to university', *IPA Review,* September 2008, Vol. 60(4), pp. 31-32.

[22] See below for a discussion of the role of public choice theory.

[23] Michael Warby, 'Consent, Compassion and Coercion', *MUA – Here to Stay…Today! Proceedings of the HR Nicholls Society,* August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-3.php, accessed 30 July 2009. See also Michael Warby, 'Fit For the West: The Western Australian Approach to Labour Market Regulation', *IPA Backgrounder*, Vol. 12(4), November 2000.

[24] Quiggin, 'The ideology that dare not speak its name'.

services and welfare by the state).[25] Yet neo-liberals do believe that free markets are democratic in the sense that they overcome the state's inability to match limited resources to human needs and desires.

In arguing that free markets are inherently democratic, Australian neo-liberals have clearly drawn on ideas developed by their overseas counterparts. For example, in their work *Free to Choose: A Personal Statement,* Milton and Rose Friedman argued that

> Economic freedom is an essential requisite for political freedom. By enabling people to cooperate with one another without coercion or central direction, it reduces the area over which political power is exercised. In addition, by dispersing power, the free market provides an offset to whatever concentration of political power may arise.[26]

The Friedmans' book went on to discuss the manner in which the regulation of a number of traditional areas of government concern, such as schooling and health care, could be significantly reduced. The necessity to reduce overall government spending and regulation had been promoted by Milton Friedman during his high-profile visits to Australia in 1975 and later in the 1980s.[27]

Following Friedman in linking the process of marketisation with the value of greater consumer choice, Australian neo-liberal think tanks have shown a keenness for applying market-based thinking to social policy. The CIS, in particular, focused on this area during the Howard years, with sociologist Peter Saunders serving as its director of Social Policy Research Programmes from

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[25] Notably, Michel Crozier, Samuel P. Huntington and Joji Watanuki's 1975 report for the Trilateral Commission effectively argued that some features of social demoracy had made a number of democratic political systems ungovernable. Their report developed a blueprint to reform the institutions of democracy along neo-liberal lines: Michel Crozier, Samuel P. Huntington, Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission*, New York University Press, New York, 1975.

[26] Milton Friedman & Rose Friedman, *Free to Choose: A Personal Statement*, Martin Secker & Warburg, London, 1980, pp. 2-3.

[27] See Jerry Courvisanos & Alex Millmow, 'How Milton Freidman Came to Australia: A Case Study of Class-Based Political Business Cycles', *Journal of Australian Political Economy,* No. 57, 2006, pp. 112-136.

September 2001. In 2002, Saunders wrote that "what is distinctive to the Centre's *social* [his emphasis] research programmes is the recognition that individual liberty and… 'social health' are inextricably linked".[28] He went on to state that

> individual liberty requires a free market; it requires personal security; and it requires a rule of law. But in addition to all this, it also requires a balanced, healthy society.[29]

The Centre's social research has not focused exclusively on the application of market mechanisms.[30] The way in which market mechanisms can serve to maximise people's freedom to make their own choices in social policy areas has, however, been consistently emphasised. For example, in the area of schools policy, CIS Research Fellow Jennifer Buckingham has urged government to develop a market in secondary education. She argues that parents should be allowed to choose the school to which they send their children, regardless of whether it is public or private, and that they should be able to make this choice based on publicly available performance indicators.[31] Buckingham has indicated the importance of returning to the work of thinkers such as Friedman when considering issues such as school choice.[32]

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[28] Peter Saunders, *The Social Foundations of a Free Society,* Occasional Paper No. 79, Centre for Independent Studies, Sydney, 2002, p. 12.
[29] Saunders, *The Social Foundations of a Free Society,* p. 13.
[30] In the area of family policy, for example, a strong emphasis has been placed on the need for the government to cease using the taxation and welfare payment systems to prioritise support for groups such as low-income earners, working mothers and divorced parents – a process that CIS scholars believe has undermined the traditional family: see Saunders, *The Social Foundations of a Free Society,* p. 21ff; Lucy Sullivan, *Taxing the Family: Australia's forgotten people in the income spectrum,* Policy Monograph No. 50, Centre for Independent Studies, Sydney, 2001.
[31] See Jennifer Buckingham, *Families, Freedom and Education: Why School Choice Makes Sense,* Policy Monograph No. 52, Centre for Independent Studies, 2001; Jennifer Buckingham, *Schools in the Spotlight: School Performance Reporting and Public Accountability,* Policy Monograph No. 59, Centre for Independent Studies, Sydney, 2003, p. 82. For a more recent example of Buckingham's continued advocacy on this issue see Jennifer Buckingham, 'Fund kids not schools, *The Australian,* 2 July 2009, http://www.theaustralian.news.com.au/story/0,25197,25719651-7583,00.html, accessed 5 August 2009.
[32] Jennifer Buckingham, interviewed by Andrew Thackrah, 21 April 2009.

CIS Senior Fellow, Barry Maley, has also sought to extend market-based understandings of relationships into areas of social policy. Maley has criticised no-fault divorce, arguing that marriage is a contract whose breach should not be ignored by the courts.[33] In the area of higher education policy CIS Research Fellow, Andrew Norton, has suggested that Australian universities be further 'unchained' from government regulation so as to give students greater choice in a market-based system.[34] Norton has even opposed the abolition of the right of universities to levy compulsory amenities fees (a Howard Government initiative), as in a free-market model they would compete with differing student fee packages.[35]

In the area of Indigenous affairs, CIS Senior Fellow Helen Hughes has argued that the development of a market in traditional freehold property in remote areas would improve the welfare of Indigenous Australians.[36] Though its social research program has been less developed than that of the CIS, the Institute of Public Affairs has also demonstrated a clear interest in the marketisation of the education and healthcare sectors.[37]

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[33] See Barry Maley, 'Marriage is the weakest contract of all', *The Sydney Morning Herald,* December 16, 2003, http://www.smh.com.au/articles/2003/12/15/1071336886596.html, accessed 5 August 2009; Barry Maley, *Divorce law and the future of marriage,* Policy Monograph No. 58, Centre for Independent Studies, Sydney, 2003.

[34] See Andrew Norton, *The Unchained University,* Policy Monograph No. 56, Centre for Independent Studies, 2002; Andrew Norton, 'Two Steps forward, one step back: Dr Nelson Mixes price Flexibility and Rigid Quotas', Issues Analysis No. 37, 18 June 2003, Centre for Independent Studies, Sydney.

[35] See Andrew Norton, *The Free Market Case Against Voluntary Student Unionism (But for Voluntary Student Representation)*, Issue Analysis, No. 62, Centre for Independent Studies, Sydney, 31 August 2005.

[36] See Helen Hughes & Jenness Warin, 'A New Deal for Aborigines and Torres Strait Islanders in Remote Communities', Issues Analysis No. 54, 1 March 2005, Centre for Indpendent Studies, Sydney; Helen Hughes, *Lands of Shame: Aboriginal and Torres Strait Islander 'Homelands' in Transition,* Centre for Independent Studies, Sydney, 2007.

[37] See, for example, Winton Bates, 'Industry Policy or Tax Reform?', *IPA Review,* Vol. 50(1), October 1997, pp. 21-22; Institute of Public Affairs, 'Health Reform Unit', *inTouch: Newsletter of the Institute of Public Affairs*, September 1999, p. 4; Felix Freeman, 'Legalizing Health Insurance', *IPA Review,* Vol. 51(4), December 1999, p. 15; Kevin Donnelly, 'Education Reform: Who Should

According to neo-liberals, free markets (in contrast to government intervention) are also highly effective in advancing the quantum of human knowledge. This belief is apparent when examining neo-liberal views on science-based research. Australian neo-liberals appear to have adopted an ambiguous attitude towards the scientific method. In relation to passive smoking and climate change, they have pointed to the uncertainties inherent in the practice of science in order to challenge an emerging policy consensus.[38] With respect to genetic engineering and food products, neo-liberals have again challenged the notion that there is scientific evidence suggesting that significant risks exist to public health, but have also championed the ability of scientific progress in alleviating human suffering.[39] The neo-liberal attitude to science thus appears to feature a degree of

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Control the Curriculum?', *IPA Backgrounder,* Vol. 12(1), September 2000; Andrew Norton, 'The Topsy-Turvy World of Higher Education Politics', *IPA Review,* Vol. 52(4), December 2000, pp. 11-12.

[38] In relation to climate change see, for example, Senator Chuck Hagel, 'Kyoto: The Political Realities', *IPA Review,* Vol. 50(1), October 1997, pp. 15-17; John R. Christy, 'The New Greenhouse Science', *IPA Review,* Vol. 50(1), October 1997, p. 20; Alan Moran, 'Wind Power and Other Renewables', IPA Submission to the Review of the Renewable Energy (Electricity) Act 2000, *Occasional Paper,* Institute of Public Affairs, Melbourne, 2000; Garth Paltridge, 'Limited Greenhouse Warming: Is It Worth the Cost?', *IPA Review,* Vol. 52(4), December 2000, pp. 16-17. In relation to the IPA's campaign in the 1990s against the notion of passive smoking see http://tobacco.health.usyd.edu.au/site/supersite/resources/docs/industry_front.htm, accessed 13 August 2009; John Luik, *Smokescreen: 'Passive Smoking' and Public Policy,* IPA Current Issues, July 1996. In 1996, Luik conducted a speaking tour of Australia sponsored by the IPA. See also Andrew McIntyre, 'Playing the Man: The Modern inquisition of 'Concerned' Science', *IPA Review,* Vol. 50(3), May 1998, pp. 3-5. In 2003, the then Executive Director of the IPA, Mike Nahan, stated that "[w]e've [the IPA] said in the past that claims about passive smoking are not based on science", and acknowledged that the Institute receives funding from tobacco companies Philip Morris and British American Tobacco: Brad Norrington, 'The Deep Pockets Behind Deep Thought', *The Sydney Morning Herald,* 12 August 2003, p. 9. In 2005, however, Nahan's replacement, John Roskam, stated that the Institute has "no official position on passive smoking": Ewin Hannan & Shaun Carney, 'Thinkers of influence', *The Age,* 10 December 2005, p. 6.

[39] See Institute of Public Affairs, 'New Project for the IPA: Genetically Modified Foods', *inTouch: Newsletter of the Institute of Public Affairs,* March/May 1999, p. 4; John Hyde, 'Genetically Modified Food', *IPA Review,* Vol. 51(2), June 1999, p. 17; Aynsley Kellow, *Risk Assessment and Decision-Making for Genetically Modified Foods,* IPA Biotechnology Backgrounder, Number 1,

opportunism,[40] with some fruits of scientific research being dismissed and others endorsed as the key to human advancement.

Some critics have explained neo-liberal attitudes towards the scientific method by pointing to the relationship between private enterprise and think tanks. Social scientist Sharon Beder from the University of Wollongong, commenting on the role of neo-liberal think tanks in debating environmental policy in Australia, has pointed to the extent to which they are funded by mining and resource companies, and argued that they "practice the art of 'directed conclusions', tailoring their studies to suit their clients or donors".[41] Though their stances on scientific issues may clearly support the interests of particular donors, it is important to situate the attitude that Australian neo-liberals have adopted towards scientific practice within the broader neo-liberal worldview.

What unites the differing neo-liberal approaches to scientific evidence is scepticism towards government interference in market mechanisms and a faith that free markets advance human welfare. Proposed policy responses to the perceived dangers of passive smoking, climate change or genetically engineered food all entail government intervention. As Mark Davis points out, a championing of the free market and a general aversion to government intervention is crucial to understanding the neo-liberal approach in a wide variety of policy areas.[42]

October 1999; David Tribe, *Biotechnology and Food: Ten Thousand Years of Sowing Seeds, One Hundred Years of Harvesting Genes,* IPA Biotechnology Backgrounder, No. 3, May 2000; Don D.Cruz, 'Attack of the Mutant Watermelons: The Campaign Against GMOs in the Philippines', Institute of Public Affairs, Melbourne, 2001.

[40] Matthew Sharpe and Geoff Boucher have also pointed to the relativism inherent in the climate scepticism of the Howard Government, as part of a broader studying of 'postmodern conservatism' in Australia: Geoff Boucher & Matthew Sharpe, *The Times Will Suit Them: Postmodern Conservatism in Australia,* Allen & Unwin, Crows Nest, 2008, p. 219.

[41] Sharon Beder, 'The Intellectual Sorcery of Think Tanks', *Arena Magazine*, No. 41, June-July 1999, p. 30.

[42] Mark Davis, *The Land of Plenty: Australia in the 2000s*, Melbourne University Press, Carlton (Victoria), 2008, pp. 24-25.

Government intervention, in the minds of neo-liberals, merely serves to create or enhance existing vested interests including, in the science-based policy areas, researchers reliant on or seeking to 'cash in' on government funding. Clive Hamilton (an economist and former head of the left-leaning think tank, the Australia Institute) has noted the tendency of climate change sceptics to explain away "the consensus view of climate scientists by their desires for personal advancement".[43] In the minds of neo-liberals, governments distort the process of scientific discovery.[44]

According to neo-liberals, environmental problems, to the extent that they exist, can largely be solved with little to no government intervention through the expansion of market processes that effectively coordinate dispersed knowledge to advance human welfare.[45] In contrast to government subsidised or driven research, privately developed scientific initiatives have been seen by neo-liberals as effectively improving human welfare. In 2001, for example, the CIS reprinted an article by Ronald Bailey of the US-based Reason Foundation suggesting that criticism of pharmaceutical companies was motivated by political opportunism,

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[43] Clive Hamilton, *Scorcher: The Dirty Politics of Climate Change,* Black Inc, Melbourne, 2007, p. 139.

[44] In attacking the National Health and Medical Research Council's Draft Report on passive smoking, for example, John Luik suggested that the scientists behind the report "fail[ed] to appreciate the difference between the objectivity of scientific analysis and advice, and the rhetoric and partisanship of advocacy" and pointed to the "quite horrible consequences of state-sanctioned science": Luik, *Smokescreen,* unpaginated. Scholars associated with the Centre for Independent Studies have also published work linking 'flawed' science to state involvement in science-based policy areas. See: Janet Albrechtsen, 'Enlightened spirit of inquiry', *The Australian Online*, 6 August 2008, http://blogs.theaustralian.news.com.au/janetalbrechtsen/index.php/theaustralian/comments/enlightened_spirit_of_inquiry/, accessed 14 August 2009; Arthur Herman, 'A great deal of global warming hysteria is superstition parading as science', CIS Executive Highlights, No. 654, 4 August 2008, http://www.cis.org.au/executive_highlights/EH2008/eh65408.html, accessed 14 August 2009.

[45] See, for example, Roger Bate, *All the Water in the World*, Policy Monograph 71, Centre for Independent Studies, Sydney, 2006; Tony Rutherford, 'From the Editor', *IPA Review*, Vol. 50(2), February 1998. The publication by the CIS of work endorsing, in a heavily qualified manner, the introduction of a carbon tax (discussed below) is a notable exception to this statement. In relation to Hayek's theory of knowledge and its relationship to markets, see Andrew Gamble, *Hayek: The Iron Cage of Liberty,* Polity Press, Cambridge, 1996, p. 67.

ignorance and an "entitled mindset among many consumers".[46] Bailey predicted the dawn of "a golden age of pharmaceutical research".[47] Similarly the IPA has published a defence of entrepreneur-driven pharmaceutical practices in the Third World.[48]

Overall, in contrasting the ineptitude of government with the benefits of private enterprise, neo-liberals have emphasised the need to overcome a culture of fear and timidity. Accompanying their faith in the ability of the free market to solve problems has been a condemnation of the manner in which government involvement in a number of public policy areas relies on scaremongering. Such scaremongering is, according to neo-liberals, a direct product of the vested interests created by government. Peter Saunders, for example, has suggested that "'experts' have an interest in inundating us with scare reports….because its gets them noticed".[49] Saunders, drawing on the work of sociologist Frank Furedi, claims that

> we are nowadays encouraged to think of ourselves as weak and vulnerable rather than strong and in control of our lives.
>
> We want risk-free lives, and we think politicians and experts can organize this for us. We don't want to accept responsibility for our decisions.[50]

Similarly the IPA's website declares that

> A core focus of the Institute of Public Affairs is examining paternalist government regulation. Much contemporary social regulation is designed to shield individuals from voluntary risk-taking behaviour.

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[46] Ronald Bailey, 'Drug Companies and "Obscene Profits"', *Policy,* Vol. 17(3), Spring 2001, p. 6.
[47] Bailey, 'Drug Companies', p. 11.
[48] Dr Roger Bate, 'Local Pharmaceutical Production in Developing Countries: How economic protectionism undermines access to quality medicines', Campaign for Fighting Diseases discussion paper, No. 1, January 2008, http://www.ipa.org.au/publications/955/local-pharmaceutical-production-in-developing-countries, accessed 11 November 2009.
[49] See Saunders, 'Tofu terror'.
[50] Saunders, 'Tofu terror'.

> However, having government assume the role of risk manager is damaging to the principle of individual responsibility.[51]

The entrepreneur-focused neo-liberal worldview requires individuals to show a degree of bravery and voluntarily accept risks in order to benefit fully from a free enterprise system – a requirement that extends to individual workers who sell their labour in a competitive marketplace.[52]

Free-market economic thinking remains a cornerstone of neo-liberal ideology and, as the examples above indicate, by linking the process of marketisation with a broader agenda of enhancing individual autonomy and knowledge, neo-liberals have applied market-focused ideas to a wide range of policy areas.[53] However, despite championing an ideology that sees as beneficial the processes of privatisation and deregulation (and thus arguably seeks to enhance the power and operational sphere of private enterprise relative to the public sector),[54] Australian

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[51] 'Nanny State', http://www.ipa.org.au/sectors/nanny-state, accessed 23 November 2009.

[52] See, for example, the comments of Michael Warby on the need for bravery in competing in a free market: Michael Warby. 'Consent, Compassion and Coercion', *MUA – Here to Stay! Proceedings of the H.R. Nicholls Society,* August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-3.php, accessed 30 July 2009. See also the work of Ken Phillips on the 'firm', discussed above.

[53] The CIS has also published work arguing that the further marketisation of Australian health systems would enhance the power of consumers: Steven Swartz, 'Saving Australia's Health Care System: Nostrums or Cures?', *Policy*, Vol. 15(1), Autumn 1999, p. 5. See also, in relation to the development of a voucher system for the aged care sector: Warren Hogan, *The Organisation of Residential Aged Care for an Ageing Population,* Policy Monograph No. 76, Centre for Independent Studies, Sydney, 2007.

[54] Neo-liberals have denied that free-market policies enhance the power of 'capital' – a term they avoid. Instead they have focused on the manner in which such policies place businesses under increased pressure – a process that they believe inherently benefits consumers. See, for example, the denial by members of the H.R. Nicholls Society of the existence of a notable power disparity between employers and employees: Ken Phillips, 'The Devil Is In The Detail: Regulating In the Third Way', *The Third Way; Welcome to the Third World: Proceedings of the H.R. Nicholls Society,* Vol. 20, 1999, http://www.hrnicholls.com.au/archives/vol20/vol20-3.php, accessed 6 November 2009; Des Moore, 'Judicial Intervention: "What Society Has Come to Demand", *Union Privilege v. Workers' Rights: Proceedings of the H.R. Nicholls Society,* Vol. 22, 2001,

neo-liberals have also advanced an often stinging critique of business. An examination of such a critique is necessary for a complete understanding of the neo-liberal outlook and the tensions that it contains.

The neo-liberal critique of private enterprise

Australian neo-liberals frequently emphasise that ideally businesses should be allowed to fail under tough competitive pressures. Just as businesses that adapt to changing market demands will thrive in a deregulated economy, so those that are unresponsive to consumer wishes will struggle to survive. Neo-liberals view in a positive light the process by which market forces are seen to discipline business practices in deregulated settings.

Kasper, for example, in a 1998 CIS *Policy Monograph*, argued that along with providing an incentive for innovation and signalling success to rivals "intense competition in the market economy….signals failures through 'red ink' and induces the spontaneous, automatic abandonment of property uses which are not sufficiently highly valued".[55] In 2002, Alan Moran of the IPA noted the disciplining role that the prospect of failure plays in the business world. In relation to the privatisation and deregulation of the electricity and gas markets, Moran wrote that

> competition forces retailers to seek better ways of meeting the needs of customers more cheaply and ensures that cross subsidies are made known. The retailer is the agent of the customer and, in a competitive environment, must remain so to stay in business.[56]

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http://www.hrnicholls.com.au/archives/vol22/moore2001.pdf, accessed 1 October 2012; Des Moore, 'Why The Labour Market Should be Deregulated', *MUA – Here to Stay... Today! Proceedings of the H.R. Nicholls Society,* Vol. 19, 1998, http://www.hrnicholls.com.au/archives/vol19/MooreAttach.php, accessed 6 November 2009.

[55] Wolfgang Kasper, *Property Rights and Competition: An Essay on the Constitution of Capitalism,* Policy Monograph No. 41, Centre for Independent Studies, Sydney, 1998, p. 91.

[56] Alan Moran, 'Address to the Conference Competition & Regulation in the Energy Industry', 15 March 2002, http://ipa.org.au/library/amcompregspch.pdf, accessed 24 July 2009.

Indeed, the opening up of businesses to potential failure through exposure to competitive forces has historically served as a rallying point for neo-liberals in Australia, as well as for their overseas colleagues. John Hyde recalls in his memoirs that the need to phase out tariffs was an iconic belief for committed free-market members of parliament (referred to as 'Dries') who struggled to shape the direction of the federal parliamentary Liberal Party in the 1980s.[57] The diaries of Hyde's parliamentary mentor, Bert Kelly, also reveal the frustration felt by the Dries at the perceived protectionism of Prime Minster Malcolm Fraser, and the way in which the intellectual advocacy of both Milton Friedman and Lord Harris of the London-based Institute of Economic Affairs assisted them in making their case for freer markets.[58]

It is thus necessary to qualify suggestions that neo-liberals have championed policies that favour the transfer of power from public to private economic spheres by noting their emphasis on the need for rigorous competition. Such a qualification is often missing in the existing scholarship on Australian neo-liberalism. Cahill, for example, implies that neo-liberals endorse policies that benefit favoured sections of capital, arguing that "radical neo-liberals" joined a movement that was initially mobilised, in the mid-1970s, by "mining, finance, the largest Australian corporations - what we might call monopoly capital - and

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[57] John Hyde, *Dry: In Defence of Economic Freedom,* Institute of Public Affairs, Melbourne, 2002, esp. chap. 5; pp. 42-43. Hyde notes that the free-market tract *Australia at the Crossroads* called for the phasing out of all government imposed trade restrictions over a period of 5 years. See Hyde, *Dry,* p. 42; Wolfgang Kasper, John Freebairn, Doug Hocking, Bob O'Neil, Richard Blandy, *Australia at the Crossroads: Our choices to the year 2000,* Harcourt Brace Jovanovich, Sydney & Melbourne, 1980.

[58] See Diaries of Charles Robert Kelly, Charles Robert Kelly Manuscript Material, National Library of Australia, MS 7424. In recent years neo-liberals working within think tanks both in Australia and overseas have argued that the best possible response to the global financial crisis is to use established laws of bankruptcy and allow large financial institutions to collapse: Stephen Kirchner, 'A forgotten financial failure', 16 March 2011, http://www.cis.org.au/media-information/opinion-pieces/article/2492-a-forgotten-financial-failure, accessed 18 September 2011; Ray Evans, interviewed by Andrew Thackrah, 20 February 2009; Barbara Esbin & Adam Thierer, Progress and Freedom Foundation (Washington D.C.), interviewed by Andrew Thackrah, 18th June 2009.

manufacturing capital".[59] Verity Burgmann also links neo-liberalism with the process of globalisation and the self-interest of sections of capital.[60]

Cahill and Burgmann do not deny that neo-liberals support a system of capitalism built around a competitive economy. However, they do not sufficiently elaborate upon the dynamic nature of the model of free-market capitalism that the activists within neo-liberal think tanks have supported. A fuller understanding of the nature of the neo-liberal conception of the market mechanism is vital to distinguishing between neo-liberal theory and practice.

In promoting a model of free-market thought that emphasises the necessity of entrepreneurship and competition (for both employers and employees) Australian neo-liberals have at times seen fit to criticise the behaviour of business. Such criticism has often focused on a perceived general failure by some businesses to devote enough effort to defending the foundations of the free-enterprise system. Des Moore of the IPE, for example, pointed in 1999 to "the inability of individual business leaders to justify the role of business in society".[61]

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[59] Damien Cahill, 'From the fringes: the emergence from obscurity of the radical neo-liberal movement in Australia', *The Hummer,* Vol. 4(3), 2004, http://asslh.org.au/branches/sydney/hummer/, accessed 16 November 2009. Georgina Murray has gone further in suggesting that while the activists within Australia neo-liberal think tanks are not necessarily 'capitalist' or of the 'ruling classes', "the strength of the dominant economic liberal ideology" that they have promoted "reflects the strength of that part of the ruling class that is most represents, finance capital": Georgina Murray, *Capitalist Networks and Social Power in Australia and New Zealand,* Ashgate Publishing Ltd, Aldershot (UK) & Burlington (USA), 2006, p. 171. Similarly, Philip Mendes, citing Cahill, has argued that "Australian neoliberal think tanks have acted as vigorous advocates for those corporate interest that most favour economic and social policy deregulation": Philip Mendes, 'Australian Neoliberal Think Tanks and the Backlash Against the Welfare State', *Journal of Australian Political Economy,* No. 51, 2003, pp. 50-51. Mendes also argues that "although the think tanks claim to be politically independent, they are wedded to neoliberal ideology, and the economic interests served by these ideas" (pp. 50-51). See also Norman Abjorensen, *John Howard and the Conservative Tradition*, Australian Scholarly Publishing, North Melbourne, 2008, pp. 144-145.

[60] See Verity Burgmann, *Power, Profit and Protest: Australian Social Movements and Globalisation,* Allen & Unwin, Crows Nest, 2003, pp. 257-258.

[61] Des Moore, 'Some things you may not have heard about what is happening overseas', http://www.ipe.net.au/ipeframeset.htm, accessed 18 August 2009.

Moore's concerns have been shared by other neo-liberals. The businessman David Trebeck, writing in the *IPA Review* in 1999, criticised the Business Council of Australia (BCA) for failing to prioritise the national interest, in contrast to the New Zealand Business Roundtable's defence of free-enterprise across the Tasman.[62] Similarly, Chris Corrigan of Patrick's Stevedores argued in the same publication that the BCA failed to support waterfront reform in 1998.[63] Richard Allsop of the IPA has also suggested that, "business, often, is not very free market" and pointed to the tendency of business lobby groups to seek to foster a positive relationship with the government of the day.[64] Greg Lindsay has noted that "Adam Smith didn't like people. He thought they were going to conspire….and they do".[65]

Neo-liberals have often focused on the desire of certain businesses to seek advantage by protecting themselves from free-market competition and the extent to which such protection damages the general welfare. Ken Phillips, for example, a labour and workplace strategist who is head of the IPA's Work Reform Unit, has criticised the behaviour of unions for supporting a regulated industrial relations system.[66] Yet he has also been critical of the unwillingness of business to allow competition for labour within, rather than simply between, firms. In advocating the development of a 'non-employment' system in which

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[62] David Trebeck, 'Competition Policy: Bringing the Community Along', *IPA Review,* Vol. 51(2), June 1999, pp. 6-8.

[63] Chris Corrigan, 'Reform – the Uncertain Road Ahead', *IPA Review,* Vol. 54(4), December 2002, pp. 23-25. The Commonwealth Industrial Relations Minister at the time of the 1998 waterfront dispute, Peter Reith, has also criticised the BCA at a meeting of the H.R. Nicholls Society: see Peter Reith, 'Remarks to the H.R. Nicholls Society', *The Changing Paradigm: Freedom, Jobs and Prosperity: Proceedings of the H.R. Nicholls Society,* Melbourne, March 2002, http://www.hrnicholls.com.au/archives/vol23/vol23-3.php, accessed 18 August 2009.

[64] Chris Berg & Richard Allsop, interviewed by Andrew Thackrah, 16 February 2009.

[65] Greg Lindsay, interviewed by Andrew Thackrah, 24 April 2009. See also, Adam Smith, *The Wealth of Nations*, Google e-book, Hayes Barton Press, p. 113. The broader historical context of neo-liberals' disappointment regarding the extent of business support for the free-enterprise system is explored in detail in chapter six of this thesis.

[66] See Ken Phillips, 'What's A Job?: Union Service Fees: A Chain Reaction?', *IPA Review,* Vol. 53(3), September 2001, p. 18; Ken Phillips, 'What's A Job?: Confronting Cultural Gridlock', *IPA Review,* Vol. 53(1), March 2001, p. 21.

business management would make substantially greater use within firms of independent contractors rather than employees, Phillips has emphasised that

> the greatest challenge in non-employment is not to society as a collective but to managers as individuals, because in non-employment managers must develop people management techniques which are not reliant on their legal 'right to control' other humans.[67]

Phillips' critique of the operations and management of firms, influenced by the work of British economist Ronald Coase,[68] has also been advanced in his writings for the IPA.[69]

The research work of the CIS has also, at times, criticised the tendency of business to seek to gain special advantages from government. In the summer of 1997-1998, Helen Hughes suggested that the Howard Government's industry policy included some $20 billion worth of industry protection over five years that had been "introduced in response to business lobbying".[70] Others, in work published by the CIS, have joined Hughes in criticizing the Government's protection of certain businesses by using regulatory measures such as tariffs and subsidies.[71] 'Restrictive' self-regulatory practices have also been criticised. Academic administrator and psychologist Steven Swartz, for example, in the 1999 Bert Kelly lecture, took aim at the health profession, suggesting that "instead of its customers, the patients, the health industry is arranged for the convenience and protection of health care providers".[72]

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[67] Ken Phillips, 'Beyond Employment: The Next Agenda', Proceedings of the HR Nicholls Society, Vol 17, Melbourne, May 1996, http://www.hrnicholls.com.au/archives/vol17/vol17-contents.php, accessed 7 August 2009.
[68] Ken Phillips, interviewed by Andrew Thackrah, 17 February 2009.
[69] See Ken Phillips, 'What's A Job?: Confronting Cultural Gridlock'; Ken Phillips, 'What's A Job?: IR Works Against Workers', *IPA Review,* Vol. 54(1), March 2002, p. 21.
[70] Helen Hughes, 'Industrial Policy for Australia', *Policy*, Vol. 13(4), Summer 1997-1998, p. 10.
[71] See, for example, Hugh Morley, Review of 'The Retreat from Tolerance: A Snapshot of Australian Society', *Policy*, Vol. 13(3), Spring 1997, pp. 54-55; Wolfgang Kasper, 'Responsibility and Reform: A Conversation with Ruth Richardson', *Policy*, Vol. 12(3), Spring 1996, p. 30.
[72] Swartz, 'Saving Australia's Health Care System', p. 5.

Similarly, support by business for government efforts to endorse ethical business practices have been dismissed by neo-liberals as astute and misleading marketing driven by corporate self-interest. For example, in 2002, Jim Hoggett and Mike Nahan took exception to moves by the Commonwealth Government to increase the disclosure obligations of corporations. In reviewing the Commonwealth *Financial Services Reform Act*, in a publication for the IPA, Hoggett and Nahan noted that a key amendment imposing disclosure and ethical obligations on businesses

> was… supported by a number of 'progressive' businesses including Westpac (the largest provider of ethical funds in Australia) and BP Australia (the leading proponent of corporate engagement) which see commercial advantage in the regulation of their competitors and other investors.[73]

According to Hoggett and Nahan, "the imposition of any particular [ethical] system is itself an unethical act on the part of any government with a belief in individual freedom and human rights".[74] In their minds, businesses should stick to meeting their obligations to shareholders – corporate endorsement of any wider ethical framework is an exercise in rent seeking.

The neo-liberal critique of the tendency for businesses to seek special favours (discussed above) is accompanied by a critical review of the tendency of governments to develop policies that either benefit existing vested interests or create new ones through 'interference' with the processes of the free market.[75] For example, while (as outlined above) neo-liberals believe that free markets advance scientific and broader human knowledge, they have been critical of corporate vested interests created by the involvement of government in research-

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[73] Jim Hoggett & Mike Nahan, 'The Financial Services Reform Act: A Costly Exercise in Regulating Corporate Morals', *IPA Backgrounder*, Vol. 14(1), August 2002, p. 5. Neo-liberal views on the endorsement by business of the notion of 'corporate social responsibility' advanced by some NGOs, are explored in the fifth chapter of this thesis.

[74] Hoggett & Nahan, *The Financial Services Reform Act*, p. 18.

[75] This point is developed through a discussion of new class and public choice theory in the fourth chapter of this thesis.

based policy areas. In 2006, for example, the IPA's Alan Moran criticised the efforts of the Victorian government to subsidise renewable energy projects, arguing that such measures were protectionist and would favour a certain section of industry at the expense of taxpayers.[76] The Howard Government's introduction of a renewable energy target in 1997 was criticised by Moran on similar grounds.[77]

More recently, in examining government efforts to tackle climate change, neo-liberals have again exhibited the tendency to link a critique of government intervention in markets with criticism of the willingness of some corporations to engage in rent-seeking behaviour. Both the IPA and the CIS, for example, expressed concern that efforts by the then Rudd Labor government to combat global warming amount to a 'green wash' – an old style protectionist policy marketed as environmentally beneficial.[78] Scholars from the CIS, IPA and the H.R. Nicholls Society (along with their colleagues in US free-market think tanks) have expressed concern that the current focus on climate change and the global financial crisis will see the reintroduction of protectionist public policies.[79]

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[76] Alan Moran, 'Regulatory Subsidies to Renewable Energy in Victoria: A submission to the Victorian Government's issues paper "Driving Investment in Renewable Energy in Victoria"', *Energy Issues Paper* No. 40, February 2006, Institute of Public Affairs, Melbourne.

[77] Alan Moran, 'The 'R' Files: Low-Cost Renewable Energy: An Ever-receding Prospect', *IPA Review,* Vol. 50(3), May 1998, pp. 30-31.

[78] Oliver Hartwich, 'It's Not Easy Being Green', Open Forum, 17th March 2009, http://www.openforum.com.au/node/902/print, accessed 18 August 2009. See also Oliver Marc Hartwich, *With No Particular Place to Go: The Federal Government's Ill-Conceived Support for the Australia Car Industry*, CIS Issue Analysis, No. 108, 17 March 2009, Centre for Independent Studies, Sydney. The IPA also criticised the Rudd Government's policy emphasis on renewable energy, targeting corporate "bootleggers" with a vested interest in developing alternatives to fossil fuel based energy: see, for example, Alan Moran 'Green Baptists lead to bootleg', *The Australian,* 28 July 2008, http://www.theaustralian.news.com.au/story/0,25197,25843606-7583,00.html, accessed 1 October 2012. In relation to climate change, John Humphreys and Luke Malpass of the CIS have even gone so far as advocating a carbon tax as the least worst alternative to an emissions trading scheme, in part because of the "corporate welfare" and "continued rent-seeking and lobbying behaviour" resulting from the latter": John Humphreys and Luke Malpass, *Emissions Tax: The Least Worst Option*, CIS Issue Analysis, No. 113, 16 July 2009.

[79] See Oliver Marc Hartwich, interviewed by Andrew Thackrah, 22 April 2009; Iain Murray, Ivan Osorio, Gregory Conko, Sam Kazman, The Competitive

The neo-liberal critique of business thus flows directly from the dynamic and entrepreneurial model of capitalism that neo-liberals endorse. The ability of businesses to trade and make profits free from government interference is defended by neo-liberals, but the process by which businesses face the strain of competitive pressures is also seen as advancing the general welfare. Efforts by businesses, motivated by self-interest, to escape such competition face criticism, along with the allegedly self-interested actions of public office holders who, in the minds of neo-liberals, enable vested interests to thrive. The neo-liberal relationship with business is inherently double-edged.

To indicate that neo-liberal think tanks have been critical of some businesses practices is not to deny that historically they have also had a mutually beneficial relationship with sections of business.[80] A number of scholars and both the founder of the CIS, Greg Lindsay, and the former President of the H.R. Nicholls Society, Ray Evans, have noted the significant financial support provided to Australian free-market think tanks by the likes of Hugh Morgan and Western Mining Corporation.[81] It is unsurprising that the mining industry has been

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Enterprise Institute (Washington DC), interviewed by Andrew Thackrah, 19 June 2009; Institute of Public Affairs, 'A New Kind of Union Muscle', 5 June 2009, http://www.ipa.org.au/news/1879/a-new-kind-of-union-muscle, accessed 18 September 2011; Blundell interview.

[80] Indeed a number of individuals associated with neo-liberal think tanks who were interviewed for this thesis stated that the businesses that have funded groups like the CIS and the IPA have been those that have historically benefited from the introduction of free-market policies: Harold Clough, interviewed by Andrew Thackrah, 15 January 2010; John Hyde, interviewed by Andrew Thackrah, 9 February 2009.

[81] See Bette Moore & Gary Carpenter, 'Main Players' in Ken Coghill (ed.), *The New Right's Australian Fantasy,* McPhee Gribble/ Penguin Books, 1987, pp. 149-150, 155; Alex Carey, 'Conspiracy or Groundswell?' in Ken Coghill (ed.), *The New Right's Australian Fantasy,* McPhee Gribble/Penguin Books, Ringweood (Victoria), 1987, pp. 13-14; Michael Bertram, 'A History of the Institute of Public Affairs', Unpublished Masters Thesis, The University of Melbourne, 1989, pp. 118-119; Mark Davis, 'Second *Overland* Lecture: Towards Cultural Renewal', *Overland,* No. 163, 2001, p. 8; Georgina Murray, 'Think Tanks, Economic Liberalism and Industrial Relations', *Proceedings of the 18th Conference of the Association of Industrial Relations Academics of Australia and New Zealand*, Noosa, 2004, p. 7; Graham Willett, 'What the right got right', in Graham Willett (ed.), *Thinking Down Under: Australian Politics, Society and*

particularly strong supporters of free-market think tanks, given that its wealth is generated through the ability to export.[82] The existence of a neo-liberal critique of business does, however, suggest that Australia's neo-liberal think tanks have had a more complex relationship with sections of business than has often been suggested.

Hayek and the constructivist dilemma

While this chapter has indicated that neo-liberals possess a distinctive view of the role of market mechanisms, the neo-liberal worldview does possess inherent tensions. Many of these tensions arise from contentious areas of social policy and have thus seen neo-liberals engage in a wider research effort than that involved with conventional economic analysis. It is, however, from a core uncertainty about the extent to which a functioning system of market exchange either organically emerges from society or requires a degree of conscious human construction that the key intellectual dilemmas for neo-liberals emerge.

This core tension in neo-liberal thinking is readily apparent in the work of the most prominent of neo-liberal thinkers – the late Austrian economist Friedrich von Hayek. Hayek was one of the most influential figures in the global movement of neo-liberal think tanks. To examine Hayek's work is thus to consider the central features of neo-liberalism itself.

Hayek was as much an organisational dynamo as he was an intellectual mentor. Involved in the founding of the Mont Pelerin Society in 1947 (of which Greg Lindsay has served as President),[83] Hayek played a particularly important role in promoting the view that "in the long run, if liberalism was to survive, it was in

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Culture in Transition, Wissenschaftlicher Verlag Trier, Trier, 2006, p. 235; Greg Lindsay, interviewed by Andrew Thackrah, 24 April 2009; Evans interview.

[82] Cahill, 'The Radical Neo-Liberal Movement', p. 44.

[83] See Marcus Smith & Peter Marden, 'Conservative Think Tanks and Public Politics', *Australian Journal of Political Science,* Vol. 43(4), December 2008, p. 709.

the marketplace for ideas that the battle must be won".[84] As Marcus Smith and Peter Marden of RMIT University have suggested, "the ideological connection among various conservative interests is perhaps best demonstrated in the association of almost every conservative movement with Hayek himself".[85] It was Hayek, for example, who persuaded the British chicken farm magnate, Antony Fischer, to establish the Institute of Economic Affairs in London.[86]

Greg Lindsay has noted that after reading Hayek's essay 'The Intellectuals and Socialism', he realised that what he confronted "was an intellectual problem, not a political problem".[87] In 1979, the CIS published a series of lectures by Hayek that he had delivered on a visit to Australia in 1976[88] and Hayek served on the advisory board of the CIS until his death in 1991 (although struggling to keep up with his correspondence he asked to be removed from the CIS mailing list in 1987).[89] On his visit to Australia Hayek spoke at the annual meeting of the IPA, which arranged the Victorian leg of his itinerary.[90]

Hayek adopted a methodologically conservative position regarding the notion that it was possible to consciously design or plan a society. Hayek's biographer, economic historian Bruce Caldwell, notes that the Austrian school of economic thought (of which Hayek was a key figure and the work of Austrian political

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[84] R.M. Hartwell, *A history of the Mont Pelerin Society,* Liberty Fund, Indianapolis, 1995, pp. 82-83.

[85] Smith & Marden, 'Conservative Think Tanks', p. 709. Smith and Marden fail to define their use of 'conservative', 'neoconservative' or 'neoliberal' and do not note Hayek's specific rejection of the term 'conservative'. They appear, however, to use the term conservative as shorthand for those with free-market views.

[86] See Richard Cockett, *Thinking the Unthinkable: Think-tanks and the Economic Counter-Revolution, 1931-1983,* HarperCollins, London, 1995, p. 123.

[87] Quoted in 'The CIS at Twenty', *Policy,* Vol. 12(2), 1996, p. 17.

[88] See F.A. Hayek, *Social Justice, Socialism & Democracy: Three Australian Lectures By F.A. Hayek,* Centre for Independent Studies, Sydney, 1979.

[89] Letter from Hayek to the CIS, dated 13th November 1987, Hayek Papers, Hoover Institution, Stanford University, Box No. 15, Folder 10.

[90] See Insitute of Public Affairs, 'Visit of Professor F.A. Hayek', *IPA Review,* Vol. 30(1), January – March 1976, pp. 20-21; Letter from H.N. Warren (Director IPA) to Prof F.A. Hayek, Monday 25th July 1977, Hayek Papers, Hoover Institution, Stanford University Archives, Box No. 27, Folder 27.9 titled "Institute of Public Affairs".

economist Carl Menger foundational) emerged as a reaction to the tendency among nineteenth-century German historicism to reject the theoretical foundations of classical economics and advance the case for state planning.[91]

One of the main targets of Austrian economics was socialism. The so-called 'Socialist Calculation' debate of the late 1940s focused on the possibility of using economic theory to advance a state planning agenda. Following the debate, Hayek, originally tempted by socialist ideas, began to clarify his thinking regarding the role of markets and price mechanisms. Political economists Peter J. Boettke and Peter L. Leeson have argued that "the increasing emphasis by von Mises and Hayek on uncertainty, entrepreneurship, knowledge, and market processes all emerged in the calculation debate".[92]

With the rise of working class movements and state intervention to correct the perceived failings of capitalism, the task of reviving liberalism was seen as pressing for individuals such as Hayek and fellow philosopher and economist Ludwig von Mises.[93] They both drew on and sought to improve classical liberal thought.

For Hayek, the very complexity of modern society negated the possibility of successful central state planning: markets are more successful in responding to complex and changing demands. Indeed, Hayek's rejection of state planning is rooted in a social evolutionary model that sees the institutions of the free market (such as the rule of law) as having spontaneously evolved in response to the 'complex orders' of modern society. In *The Constitution of Liberty,* for example, Hayek argues that legal and market systems "cannot be established by central

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[91] See Bruce Caldwell, *An Intellectual Biography of F.A. Hayek,* The University of Chicago Press, Chicago & London, 2004, esp. Chap. 2.
[92] Peter J. Boettke & Peter T. Leeson, 'Postwar Economics: The Austrian School of Economics, 1950-2000', in Warren J. Samuels, Jeff E. Biddle & John B. Davis (eds.), *A Companion to the History of Economic Thought,* Blackwell Publishing, Malden, Oxford, Berlin, 2003, p. 448.
[93] John F. Henry, 'The Historic Roots of the Neoliberal Program', *Journal of Economic Issues*, Vol. 44(2), June 2010, p. 547.

direction" but "can arise only from the mutual adjustment of the elements and their response to the events that act immediately upon them".[94]

Hayek's belief that the structures of a market-based system have an evolutionary basis relates directly to his preference for the non-interference by the state in market processes. As Gamble notes:

> the institutions he [Hayek] advocated imposed themselves on human societies as a structural imperative. They were the product of a natural process of social evolution, which could not be radically altered except at the risk of damaging prosperity and liberty.[95]

Both Gamble and Caldwell argue that, in contrast to earlier free-market inclined social evolutionary thinker Herbert Spencer, Hayek emphasised that it is not possible to predict an end for social evolution.[96] Caldwell argues that Hayek was cautious about the disciplinary limits of economics:

> If we believe Hayek, economics is a science, but it is a science that studies complex phenomena. For such sciences, a philosophy of science that makes steady improvement in predictive adequacy and the discovery of law-like empirical relations the principal criteria of scientific status or scientific progress is inappropriate.[97]

Gamble suggests that central to Hayek's thinking was a critique of rationalism. In Hayek's mind "no one who approved of the French Revolution could be considered a true liberal".[98] As Gamble puts it, Hayek believed that "human beings never have enough knowledge to control their own environment or to design a better one".[99]

With his emphasis on anti-rationalism and the limits of economic knowledge, Hayek's work contrasted with some aspects of neo-classical economics

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[94] F.V. Hayek, *The Constitution of Liberty,* The University of Chicago Press, Chicago, 1960, p. 160, quoted in Caldwell, *Hayek's Challenge*, p. 294.
[95] Gamble, *Hayek,* p. 76.
[96] Gamble, *Hayek*, p. 181; Caldwell, *Hayek's Challenge*, pp. 356-357.
[97] Caldwell, *Hayek's Challenge,* p. 400.
[98] Gamble, *Hayek,* p. 33.
[99] Gamble, *Hayek,* p. 32.

associated with neo-liberal thought. Australian writer and ex-Communist activist Eric Aarons has suggested that Hayek and other neo-liberals emphasise the extent to which markets spontaneously correct imbalances.[100] While Austrian economics emphasises the role of prices and entrepreneurship in adjusting to changed economic circumstances, John Gray argued in 1986 that

> Hayek's subjectivist methodology in economics led him to reject the ideas of general equilibrium found in neo-classical writers and to question the validity of macroeconomics (the study of entire economies or systems) as such.[101]

Hayek, for example, opposed the monetarism of Milton Friedman as yet another futile exercise in macro-economics[102] and regretted not critiquing the methodological positivism of Friedman's *Essays in Positive Economics* – a book that he considered to be "quite as dangerous" as the work of Keynes.[103] Hayek's work lacks the mathematical emphasis found, in particular, in the econometric work of some neo-liberals.

Hayek's staunch anti-rationalism, however, sat uneasily alongside his doubts regarding whether the societal structures necessary to maintain a free-market system would develop and survive without the conscious effort of citizens. Indeed, Hayek's heavy involvement in the international movement of neo-liberal think tanks is itself revealing of a tension within his philosophical outlook. As Gamble has noted, one of the central paradoxes of Hayek's work is that

> [h]is economic analysis demonstrated that there was only one form of economic organization which was appropriate to the modern world and would actually work, while his political analysis implied that there was no guarantee that human societies would choose the institutions which would preserve and strengthen the institutions that were the supreme achievement of Western civilization.[104]

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[100] Eric Aarons, *What's Right?,* Rosenberg Publishing Pty Ltd, Dural (NSW), 2003, p. 16.
[101] John Gray, *Liberalism,* Open University Press, Milton Keynes, 1986, p. 140.
[102] See Gamble, *Hayek,* p. 168.
[103] See Caldwell, *Hayek's Challenge,* p. 401.
[104] Gamble, *Hayek,* p. 79.

Indeed, Hayek "detected a perversity in modern society which meant that Western civilization was in danger of tearing up its own roots".[105]

Despite his belief in the social evolution of market structures, Hayek felt the need to engage in his own version of policy construction, designing the general framework for a governmental system that would prioritise the protection of a system of free-market exchange. Gamble comments that Hayek's view in his most famous work, *The Road to Serfdom,* "was that an active government was required, in order to ensure that the right institutions were created to release all the energies of individualism".[106] Indeed in that work Hayek advocates the provision by the state to all individuals of "some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work".[107]

Hayek's constructivist project came to the fore in his three-volume work entitled *Law, Legislation and Liberty.*[108] Hayek argued that:

> Government is necessarily the product of intellectual design. If we can give it a shape in which it provides a beneficial framework for the free growth of society without giving to anyone power to control this growth in the particular, we may well hope to see the growth of civilization continue.[109]

As the political scientist Nick Bosanquet has explained, in *Law, Legislation and Liberty,* Hayek, influenced by de Tocqueville's views regarding the tendency of democracy to disintegrate, advocated "a series of drastic economic and political changes ranging from the denationalization of money to the vesting of

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[105] Gamble, *Hayek,* p. 79.
[106] Gamble, *Hayek,* p. 80.
[107] F.A. Hayek, *The Road to Serfdom*, George Routledge & Sons, London, 1944, p. 90. Citing the case of sickness or accident, he also goes on to note that there is no reason why the state "should not assist the individuals [sic] in providing for those common hazards of life against which, because of their uncertainty, few individuals can make adequate provision" (p. 90). He also appears to concede the need for town planning systems (p. 35; Hartwich interview).
[108] Friedrich A. von Hayek, *Law, legislation and liberty: a new statement of the liberal principles of justice and political economy*, Vol. 1, Routledge, London, 1973. The work contained three volumes in total.
[109] Quoted by Chandran Kukathas, *Hayek and Modern Liberalism,* Clarendon Press, Oxford, 1990, p. 211.

sovereignty in an assembly elected for fifteen years and with a membership limited to those over 45".[110]

Hayek's efforts to develop and protect a system in which people's actions could only be restrained or coerced in order to protect their individual domain of autonomy thus entailed the development of the very kind of constructivist project he considered futile. Indeed, despite his views on the French Revolution, Hayek revealed the ambiguity in his thinking regarding rational design by explicitly rejecting the label of 'conservative', arguing that

> conservatism fears new ideas because it has no distinctive principles of its own to oppose to them; and, by its distrust of theory and its lack of imagination concerning anything except that which experience has already proven, it deprives itself of the weapons needed in the struggle of ideas.[111]

Gamble concludes his study of Hayek on an ironic note by suggesting that the philosopher "has much to contribute to the renewal of the socialist project" as "one of the implications of a Hayekian analysis of knowledge, co-ordination, and institutions… is that the most effective forms of social organizations are likely to be decentralized and democratic".[112] Pointedly, the conservative philosopher, Michael Oakeshott, observed that "a plan to resist all planning may be better than its opposite, but it belong to the same style of politics".[113]

The tensions within Hayek's thinking have been examined by those more sympathetic to his political views. Chandran Kukathas (a member of the CIS Council of Academic Advisors), in his study *Hayek and Modern Liberalism,* argued that Hayek's "defence of liberalism rests on presuppositions which are

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[110] Nick Bosanquet, *After the New Right,* Heinemann, London, 1983, p. 17. Under Hayek's proposals, Bosanquet concludes, "democracy is to be tamed by recourse to a Swiss constitution, the caution of middle age and an immense increase in the role of joint stock banks" (p. 17).
[111] F.A. Hayek, *Why I Am Not a Conservative,* Occasional Paper No. 41, Centre for Independent Studies, Sydney, 1992. p. 7.
[112] Gamble, *Hayek,* pp. 192, 193.
[113] Michael Oakeshott, *Rationalism in Politics and Other Essays,* Basic Books, New York, 1962, p. 56, quoted in Tony Judt, *Ill Fares the Land*, Allen Lane, London, 2010, p. 104. See Judt's discussion of Hayek at pp. 98-105.

philosophically incompatible and which draw him into inconsistency and, on occasion, self-contradiction".[114]

Kukathas points to the tension noticed by Gamble, suggesting that

> the central dilemma of Hayek's political philosophy is, given his view of the limited role reason can play in social life, how is it possible to mount a systematic defence of liberalism without falling victim to the very kinds of rationalism he criticizes?[115]

Hayek, in the opinion of Kukathas, adopts a view of the social order that leads him "to develop arguments for liberalism grounded in a profoundly anti-rationalist stance".[116] Yet "his desire to secure this defence in a set of normative principles upholding individual freedom lead [sic] him to adopt, at the same time, a more rationalist approach to the problem of justifying his liberal theory of justice".[117]

For Kukathas, Hayek's failings indicate the need for liberal theorists to "turn away from their preoccupation with uncovering Kantian foundations for liberalism, and look again to Hume".[118] Jeremy Shearmur, a political theorist who has written a number of works for the CIS, has also recognised the tensions within Hayek's work – in particular the reality that "received social institutions stand in need of reform if they are to play the kind of role that Hayek's overall views require of them".[119] Yet "if one accepts Hayek's later argument against interventionism, it is not clear how such reform is to be accomplished".[120]

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[114] Kukathas, *Hayek and Modern Liberalism*, p. vii.
[115] Kukathas, *Hayek and Modern Liberalism,* p. vii.
[116] Kukathas, *Hayek and Modern Liberalism,* p. vii.
[117] Kukathas, *Hayek and Modern Liberalism,* p. vii.
[118] Kukathas, *Hayek and Modern Liberalism,* pp. viii-ix.
[119] Jeremy Shearmur, *Hayek and After: Hayekian liberalism as a research programme,* Routledge, London, 1996, p. 5.
[120] Shearmur, *Hayek and After,* p. 5. Shearmur argues that there is a greater need for classical liberals to focus on the "argumentative vindication, rather than presupposition, of liberal universalism"[120] and to consider the role that the existence of numerous competing liberal communities could play in advancing a classical liberal research agenda after Hayek: Shearmur, *Hayek and After,* pp. 10-11.

Despite efforts by its adherents to develop Hayekian thought, the central tension in Hayek's work between the belief in the virtue and necessity of a liberal, minimal state and a more interventionist ideological program to defend such an order remains a core feature of neo-liberal thinking. This tension continues to reappear in the work of neo-liberal think tanks as they consider the appropriate role for the state and civil society in a liberal order (topics addressed in chapters four and five of this thesis respectively), and also emerges in neo-liberals' analysis of the market mechanism.

As explained earlier in this chapter, the Austrian school of economics with its emphasis on the role of institutions, uncertainty and the lack of a final equilibrium in free markets, has influenced the work on market mechanisms published by the neo-liberal think tanks studied in this thesis. This emphasis has entailed some criticism of the role of mathematical modeling and the focus on economic equilibrium in neo-classical economics. Oliver Hartwich of the CIS has stated that there is a methodological tension between those influenced by Austrian economics and those who favour econometric modeling, and commented that he is "not a great fan of mathematics in economics".[121] Recalling attempts by proponents of neo-classical growth theory to explain economics using the variables of capital and labour, Hartwich argues that

> I think it is completely ridiculous trying to model that way. It is not like that. You need institutions, you need entrepreneurship. How do you model entrepreneurship? How do you model cultural views, social values? No, it doesn't work for me. I think… libertarians should be honest enough to admit all that.[122]

Adopting a similar critique to Hartwich, Israel Kirzner argued in a occasional paper published by the CIS in 1998 that

> one unfortunate consequence of the mainstream neo-classical approach to understanding markets has been to support socialist contentions that the efficiency advantages of markets can be relatively easily simulated under socialist central planning.[123]

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[121] Oliver Marc Hartwich, interviewed by Andrew Thackrah, 22 April 2009.
[122] Hartwich interview.
[123] Kirzner, *How markets work,* p. 52.

Kirzner noted that

> standard economics does not provide a satisfying explanation of exactly *why* and *how* markets work [Kirzner's emphasis]. Adam Smith's 'invisible hand' turns out to be an apt metaphor for what remains an analytical black box in economic theory.[124]

For Kirzner the Austrian focus on entrepreneurship was required to understand the dynamic manner in which markets function.[125]

The scepticism expressed by some Australian neo-liberals regarding the mathematical, model-based variants of neo-classical thought is shared by some of their free-market colleagues overseas. At one of the 2009 Freedom University programs run by the Foundation for Economic Education in Irvington, New York, Mark Hendrickson, Adjunct Professor of Economics at Grove City College, pointed to the difficulty of defining perfect competition and argued that economics has suffered from "abstract theorizing".[126] Similarly, Dr Ivan Pongracic of Hillsdale College described the perfect competition model as "utter nonsense" and suggested that the Austrian understanding of economics in which equilibrium is never reached but a process of discovery continues unabated is more realistic.[127]

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[124] Kirzner, *How markets work,* p. 1.

[125] In 1999, the director of the CIS's Religion and Free Society program, Samuel Gregg, even went as far as to suggest that the vision of uncertainty associated with the Austrian notion of entrepreneurship should be viewed sympathetically by social thinkers "precisely because it 'rescues' economics from the mathematical formalism that neo-classical theory adopted from Newtonian mechanical physics": Samuel Gregg, 'The Rediscovery of Entrepreneurship: Developments in the Catholic Tradition', in Samuel Gregg & Gordon Preece (eds.), *Christianity and Entrepreneurship: Protestant and Catholic Thoughts,* Policy Monograph No. 44, Centre for Independent Studies, Sydney, 1999, p. 69.

[126] Mark Hendrickson, 'Monopoly and anti-trust', presentation to the Foundation for Economic Education's Freedom University program, 29 May 2009, Irvington, New York.

[127] Ivan Pongracic, 'Monopoly and anti-trust', presentation to the Foundation for Economic Education's Freedom University program, 3 June 2009, Irvington, New York.

In distancing themselves from the mathematical, equilibrium-focused wing of neo-classical thought, some neo-liberals have sought to ground justifications for free-market policies within an intuitive and 'common sense' framework. In the United States, for example, the adherents of a school of free-market thought known as 'Masonomics' emerging out of the George Mason University economics department reject as unrealistic the emphasis placed by mainstream economics "on the concept of a perfect market and an optimal allocation of resources".[128] Masonomics' adherents, including Pongracic, acknowledge the existence of market failure and, applying insights from Austrian economics, see its existence as cause for the further entrepreneur-driven expansion of markets. Their solution to the realities of limited information in an economy is to permit further discovery through entrepreneurship.[129] As Arnold Cling of the free-market Cato Institute has commented, though sceptical about the wisdom of 'public opinion', "masonomics disdains the obscure mathematics of mainstream economics. There is nothing about Masonomics that is beyond the comprehension of an intelligent layman [sic]".[130]

'Masonomics' is only the most recent product of a sustained historical effort by neo-liberals to advance the case for free markets using clear, accessible language devoid of overt ideological content.[131] In the Australian context, *Australia at the Crossroads,* a free-market treatise published in the 1980s, included a section providing commonsense answers to questions from hypothetical men and women.[132] It sought to appeal to the intelligent layperson. The IPA has on and off, for a number of decades, produced a publication called *Facts,* designed for

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[128] Arnold Kling, 'So You Want to be a Masonomist', *TCSDaily,* 17 October 2007, http://www.tcsdaily.com/article.aspx?id=101007A, accessed 18 September 2009.

[129] Ben Powell, 'Public Choice', presentation at 'Freedom University', The Foundation for Economic Education, Irvington-on-Hudson, New York, 25 May 2009.

[130] Kling, 'So You Want to be a Masonomist'.

[131] See, for example, the famous essay by the U.S. based Foundation for Economic Education: Leonard Reed, 'I, Pencil: My Family Tree as Told to Leonard E. Read', 50th Anniversary Edition, Foundation for Economic Education, Irvington-on-Hudson (United States), 2008.

[132] Wolfgang Kasper, Richard Blandy, John Freebairn, Douglas Hocking, Robert O'Neill, *Australia at the Crossroads: Our choices to the year 2000*, Harcourt Brace Jovanovich Group, Sydney & Melbourne, 1980, Epilogue.

distribution by employers in Australian workplaces. Reading rather like *Reader's Digest* in its factual and moral simplicity, it has sought to persuade individuals of the society-wide benefits of economic growth underpinned by free markets. Echoing Malcolm Fraser, the June-July 1976 edition, for example, simply warned readers that "life is not meant to be easy" and that hard work was required for civilization to thrive.[133]

Yet, while Australian neo-liberal think tanks have made efforts to ground their advocacy of the free market in the language of common sense, they have also clearly borrowed from more technical and model-based aspects of neo-classical thought. Such borrowings have often sat uneasily alongside the Austrian school's emphasis on the imperfectability of human knowledge. For example, the Centre of Policy Studies, founded by Michael Porter, has specialised in developing "computable general equilibrium (CGE) modeling", deploying Chicago school-inspired insights into macroeconomics to advocate tariff reductions and other free-market policies.[134] Porter, now director of research at the Committee for Economic Development of Australia, was an early supporter of the CIS[135] and teamed up with the Institute of Public Affairs and Des Moore in 1991 in an effort to develop a free-market policy agenda in Victoria.[136]

Australian free-market think tanks have also published work defending Friedmanite monetary-targeting policies of the kind that, as noted above, Hayek viewed with suspicion.[137] Stephen Kirchner of the CIS has, in particular,

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[133] *IPA Facts,* Vol. 25(4), June-July 1976, p. 1. See also, *IPA Facts,* Vol. 23(1), December 1973 – January 1974, p. 8.

[134] See http://www.monash.edu.au/policy/copshistory.htm, accessed 22 September 2009.

[135] See http://www.cis.org.au/aboutcis/history_cis.html, accessed 22 September 2009.

[136] See Des Moore & Michael Porter (eds.), *Victoria: an Agenda for Change,* Tasman Institute & Institute of Public Affairs, Melbourne, 1991; Damien Cahill & Sharon Beder, 'Neo-liberal Think Tanks and Neo-liberal Restructuring: Learning the Lessons from Project Victoria and the Privatisation of Victoria's Electricity Industry', *Social Alternatives,* Vol. 24(1), 2005, pp. 43-48.

[137] See, for example, Stephen Kirchner, 'Review: The Rise and Fall of Monetary Targeting in Australia By Simon Guttman', *Policy*, Vol. 21(3), Spring 2005, p. 59; Stephen Kirchner, 'Review: The Mandarins of Martin Place: Australia's

explored the institutional framework that needs to be developed to ensure sound monetary policy,[138] though others writing for the CIS have stuck more closely to the Hayekian notion that central banks are incapable of stabilising the value of money.[139] The advocacy by some neo-liberals of the 'Laffer curve' – purporting to demonstrate that tax cuts actually increase total government revenue by stimulating economic activity – also sits uneasily alongside Hayek's belief that at the macroeconomic level it is not possible to make precise economic predictions.[140]

In other areas the work of neo-liberals, though drawing on Austrian insights, have again replicated the tension present in Hayek's work between a suspicion of constructing fixed ideologies and the need for a political program to develop and defend the institutions that sustain a liberal, free society. Despite sharing their mentor's suspicion of 'rationalist constructivism', neo-liberals have, like Hayek, engaged in an effort to reshape politics, economics and society as part of a concerted ideological project. An 'un-Austrian' lack of caution is evident, for example, in the calls by some members of the H.R. Nicholls Society for the significant reduction or abolition of the minimum wage and their suggestions that the Howard Government's *WorkChoices* legislation did not go far enough.[141]

Money Mandarins: The Reserve Bank and the Politics of Money By Stephen Bell', *Policy,* Vol. 20(3), Spring 2004, pp. 53-56.

[138] Stephen Kirchner, *Reforming Central Banking,* Policy Monograph No. 36, Centre for Independent Studies, Sydney, 1997.

[139] See, for example, Jerry Jordan's advocacy of the de-nationalization of money: Jerry Jordan, 'De-nationalizing Money: The Emergence of 'Brand Name' Currency', *Policy,* Vol. 17(2), Winter 2001, pp. 8-12.

[140] See, for example, Hal G.P. Colebatch, 'The Tory Party Jumps the Shark', *IPA Review*, Vol. 58(4), December 2006, p. 20; Sinclair Davidson, *Are There Any Good Arguments Against Cutting Income Taxes?*, Policy Monograph No. 69, Centre for Independent Studies, Sydney, 2005, p. xi. Phil Rennie of the CIS, for example, in a piece linking tax cuts to improved economic growth, has suggested that while it may be impossible to isolate the effect of one variable in the economy, "as the quality of econometric research becomes more rigorous the relationship between the level of tax and economic growth is becoming clearer": Phil Rennie, 'Why tax cuts are good for growth', Issues Analysis No. 75, 18 October 2006, Centre for Indepdent Studies, Sydney, http://www.cis.org.au/issue_analysis/IA75/IA75.PDF, accessed 24 September 2009.

[141] See, for example, Des Moore, 'Why the Ayatollahs Are Coming', *"Carpe Diem": Proceedings of the HR Nicholls Society,* March 2005,

Neo-liberals have, however, rejected the notion that they possess a utopian[142] worldview. Andrew Norton has noted that "if you go back and look at the actual proposals for shrinking the state they are not as radical as you would think if you just read the critical literature", suggesting that the most radical proposals, developed by Des Moore, would only have reduced the size of the Australian state to what it was when Whitlam took office in 1972.[143] Similarly, Chris Berg of the IPA notes that the Institute tries to avoid utopian thinking and points out that free-market politics in practice contains a degree of conservatism.[144]

Suggestions that neo-liberals are 'utopian' run the risk of ignoring the extent to which ideas can, over time, gain acceptance and form the basis of policy reforms. Groups like the CIS and the IPA have, however, clearly advanced radical ideas. A proposal to shrink the size of the Australian state to what it was in 1972, for example, would arguably involve widespread change, if only because of its growth, and altered community expectations, since that time. Indeed, Peter Saunders, formerly of the CIS, concedes that neo-liberalism is indeed a radical system of thought.[145]

As argued in the first chapter of this thesis, a number of commentators, motivated by a conservative suspicion of radical ideologies, have launched attacks on neo-liberal thought. In Britain, John Gray has argued that "the idea that a free market economy is a self-stabilizing system is archaic – a curious relic

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http://www.hrnicholls.com.au/archives/vol26/vol26-1.php, accessed 3 October 2011; Bob Day, 'Minimum Rates in the Domestic Housing Industry', *"For the Labourer is Worthy of His Hire": Proceedings of the HR Nicholls Society,* 1992, http://www.hrnicholls.com.au/archives/vol12/vol12-contents.php, accessed 3 October 2011. On the Society's reaction to the Howard Government's *WorkChoices* legislation see the discussion below.

[142] 'Utopian' in this context, refers to an imagined 'perfect society' championed regardless of practicalities.

[143] Andrew Norton, interviewed by Andrew Thackrah, 18 February 2009.

[144] Chris Berg & Richard Allsop, interviewed by Andrew Thackrah, 16 February 2009.

[145] Peter Saunders, interviewed by Andrew Thackrah, 1 September 2009.

of Enlightenment rationalism".[146] More recently British conservative activist Phillip Blond has argued in *The New York Times* that "in terms of economic development, free market fundamentalism has been a disaster".[147] For these commentators, the radicalism of neo-liberalism has been all too clear.

As outlined above, despite Hayek's conservative suspicion of fixed ideological positions, he gave birth to a radical movement that has struggled to determine how a free society can be developed and sustained in a manner consistent with liberal thought. Neo-liberals faced this same challenge during the Howard era.

The neo-liberal critique of the Howard Government

The remainder of this thesis argues that the Howard era brought to the fore and in some areas exacerbated key tensions in neo-liberal thought – including those that emerge in Hayek's work. It is first necessary, however, to examine how the thinking of former Prime Minister John Howard differed from that of neo-liberals in relation to the role of market mechanisms. Such an examination helps illuminate why the think tanks studied in this thesis often criticised the Government he led.

A number of scholars have argued that one of the key defining characteristics of the Howard Government was a championing of 'neo-liberal' policies. Political scientist Norman Abjorensen, for example, has argued that "the neo-liberal

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[146] John Gray, *False Dawn: The Delusions of Global Capitalism,* The New Press, New York, 1998, p. 198. As explained above, many neo-liberals, while emphasising that free markets tend towards equilibrium, are sceptical of the notion that they eventually stabilise.

[147] Phillip Blond, 'The failure of neo-liberalism', *The New York Times,* 2 February 2008, http://www.nytimes.com/2008/01/22/opinion/22ihtedblond.1.9399739.html?pagewanted=1&_r=1, accessed 1 October 2012. In the Australian context see Robert Manne (ed.), *The New Conservatism in Australia,* Melbourne, Oxford University Press, Melbourne, 1982; B.A. Santamaria, *Australia at the Crossroads: reflections of an outsider,* Melbourne University Press, Carlton, 1987. In relation to Kemp's critique of free-market thought see C.D. Kemp, 'Those Terrible 80 Years?', *Quadrant,* November 1991, pp. 17-22; David McKnight, *Beyond Right and Left: New Politics and the Culture Wars*, Allen & Unwin, Crows Nest, 2005, p. 78.

agendas of the Howard Government (1996-2007) saw the dismantling of many conditions in the workplace that have long been taken for granted".[148] While, according to Abjorensen, "John Howard was many things at different times",[149] his free-market neo-liberalism dominated. Abjorensen argues that Howard's "self-proclaimed conservative credentials were strikingly at odds with his neo-liberal radicalism…. Australian conservatism has been sullied by its neo-liberal associations".[150] Abjorensen, on the basis of Howard's apparent pro-business outlook, has suggested that "the strident voices of the business lobby, such as the Business Council of Australia, the Australian Chamber of Commerce and Industry, and the Institute of Public Affairs appear to have merged into the Liberal Party".[151]

Cahill argued in 2005 that the Howard Government was pursing a neo-liberal agenda in the field of schooling that sought "the complete dismantling of the publicly owned and controlled system itself and its replacement with a fully commercial, privatised system".[152] In 2007, Rebecca Stringer of the University of Otago connected the 'intervention' into Indigenous communities in the Northern Territory, initiated by the Howard Government in 2007, to an agenda of advancing neo-liberalism .[153]

As outlined earlier, former Prime Minister Kevin Rudd has argued that the Government of John Howard was "driven by a philosophy of minimal government intervention in the markets" and has directly linked his predecessor to the ideas of Hayek.[154] Robert Manne has also argued that "neo-liberalism was

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[148] Norman Abjorensen, *John Howard and the Conservative Tradition,* Australian Scholarly Publishing, North Melbourne, 2008, p. 27.
[149] Abjorensen, *John Howard and the Conservative Tradition,* p. 166.
[150] Abjorensen, *John Howard and the Conservative Tradition,* pp. 166-167.
[151] Abjorensen, *John Howard and the Conservative Tradition,* p. 164.
[152] Damien Cahill, 'The Right Values in Education: Neo-liberal Think-tanks and the Assult Upon Public Schooling', *Overland,* No. 179, 2005, p. 14.
[153] Rebecca Stringer, 'A Nightmare of the Neocolonial Kind: Politics of Suffering in Howard's Northern Territory Intervention', *Borderlands,* Vol. 6(2), 2007, http://www.borderlands.net.au/vol6no2_2007/stringer_intervention.htm, accessed 30 March 2010.
[154] See Kevin Rudd, 'The Global Financial Crisis', *The Monthly,* No. 42, February 2009, http://www.themonthly.com.au/node/1421/page/12, accessed 20

the most fundamental ideological dimension of the Howard-led Coalition",[155] noting that "Howard is a member of that class of politicians that was converted to Hayekian neo-liberalism during the 1980s".[156]

However, Howard's academic critics have commonly suggested that the former Prime Minster was more than simply a 'neo-liberal' free marketeer. Manne, for example, has pointed to Howard's apparent "conservative populism"[157] and argued that in his temptation to target 'political elites' and reverse collectivist social trends he was heavily influenced by US derived 'neo-conservative' thinking.[158] Abjorensen has suggested that Howard's "innate conservatism, infused with a heady neo-liberal cocktail", resulted in "an aggressively pro-active conservatism that Australia had not seen before".[159] Further, Rundle has suggested that one of the key features of Howard's thought was the notion that

> it is possible to take the economy and society as substantially separate spheres of life and apply one set of rules to one, and another set of rules to the other; to deal with them through wholly different philosophies and ideas of social being.[160]

Manne, Abjorensen and Rundle have highlighted an important feature of Howard's political outlook – his mixture of conservative and liberal attributes. Indeed, Howard has explicitly acknowledged and attempted to reconcile his

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July 2009; Kevin Rudd, 'Howard's Brutopia: The Battle of Ideas in Australian Politics', *The Monthly,* No. 18, November 2006, http://www.themonthly.com.au/monthly-essays-kevin-rudd-howard-s-brutopia-battle-ideas-australian-politics-312, accessed 6 November 2009; John Howard, 'Kevin Rudd is Wrong: I'm No Market Zealot', *The Australian,* 18 December 2006, p. 8; Greg Lindsay, 'Hayek Would Not Have a Bar of Howard', *The Australian,* 22 December 2006, p. 10.

[155] Robert Manne, 'What Went Wrong?', in Peter van Onselen (ed.), *Liberals and Power: The Road Ahead,* Melbourne University Press, Carlton, 2008, p. 13.

[156] Manne, 'What Went Wrong?', p. 27.

[157] Robert Manne, 'The Howard Years: A Political Interpretation', in Robert Manne (ed.), *The Howard Years,* Black Inc Agenda, Melbourne, 2004, p. 44.

[158] Manne, 'What Went Wrong?', p. 11. On Howard's drawing upon the ideas of US based 'neo-liberals' see James Walter (with Todd Moore), *What Were They Thinking? The Politics of Ideas in Australia*, University of New South Wales Press, Sydney, 2010, pp. 306-307.

[159] Abjorensen, *John Howard and the Conservative Tradition,* p. 142.

[160] Guy Rundle, *The Opportunist: John Howard and the Triumph of Reaction,* Quarterly Essay, No. 3, Black Inc, Melbourne, 2001, p. 15.

championing of economic liberalism and social conservatism.[161] A focus on Howard's apparent neo-liberalism is incomplete without consideration of the manner in which his thinking on free markets has actually differed from that of neo-liberals.

As argued in this chapter, Australian neo-liberals have largely endorsed an entrepreneur-based, dynamic and 'democratic' variant of free-market capitalism. Further, as set out in greater detail in the next chapter of this thesis, Australian neo-liberals, endorsing Hayek's *Road to Serfdom,* have tended to view any involvement of government in economic life (beyond establishing a general framework of law and basic social welfare) as likely to lead only to further failed policy interventions. The particular model of free-market capitalism endorsed by those associated with Australian neo-liberal think tanks led to them criticise the Howard Government.

Australian neo-liberals have queried the extent to which it is accurate to classify Howard and the Government that he led as 'true believers' in the free-market cause. John Roskam, the Executive Director of the IPA, asks rhetorically that

> We [the IPA] preach free market and free tax but did any of that happen under the Howard Government? So people say the IPA and the CIS, and 'neoconservatism' and 'neo-liberalism' [were] hugely influential, but [where they] really?[162]

Roskam warns against imposing any overall narrative of 'success' or 'failure' (judged from a free-market perspective) on the Howard years and points to the influence of socially conservative thinking on that government's policies. Ray Evans also argues that the former Prime Minister is not a 'classical liberal', and points out that in government he was an "interventionist all over the place".[163] Similarly, John Hyde of the IPA has noted that he would not put Howard down as a "true believer" in the free-market cause, pointing to his inability to reduce

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[161] See, for example, John Howard, 'The Inaugural John Howard Lecture for the Menzies Research Centre, Ltd', Century Hall, Melbourne 19 February 2009.
[162] John Roskam, interviewed by Andrew Thackrah, 19 February 2009.
[163] Evans interview.

some areas of government expenditure.[164] Hyde argued in 2002 that Howard was "to the conservative side of liberal-conservative thinking"[165] and that his guiding values were "a not wholly consistent mix of conservatism and liberalism".[166] Andrew Norton of the CIS has commented that

> Howard himself was a very reluctant convert, and a late one, to the free market cause. He would say the right things but I don't think it was really defining him as a politician.[167]

Indeed, towards the end of the Howard years, Norton argued that

> while total Commonwealth government outlays during the Howard years declined as a percentage of GDP from 26.1% to 25.2% this was due to reduced interest repayments. Most of the savings from lower interest costs were spent, and Government outlays excluding interest increased from 23.3% to 24.2% of GDP.[168]

"In his words and actions", according to Norton, "Howard has behaved more like a social democrat than a 'neoliberal'".[169]

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[164] Hyde interview. At the conclusion of the Howard years Tom Switzer of the IPA argued that "much to the chagrin of his ideological supporters, he [Howard] failed to articulate a clearly defined set of conservative philosophical principles. He was neither a Reagan nor a Thatcher": Tom Switzer, 'Everything's changed? The Liberals have locked in conservative government', *IPA Review*, Vol. 59(4), January 2008, p. 29. Switzer pointed, however, to Howard's success in transforming the political landscape such that he 'locked in' conservative governance in Australia.
[165] Hyde, *Dry,* p. 231.
[166] Hyde, *Dry,* p. 233.
[167] Norton interview.
[168] See Andrew Norton, 'The Rise of Big Government Conservatism', *Policy,* Vol. 22(4), Summer 2006-2007, p. 16.
[169] Norton, 'The Rise of Big Government', p. 21. A similar argument was also advanced in *Policy* by Des Moore of the Institute for Private Enterprise: Des Moore, 'When Will the Leviathan Fade Away?', *Policy,* Vol. 22(3), Spring 2006, pp. 10-16. Norton's article led to a rebuttal by the then Treasurer Peter Costello who argued that,"the central story is that Australia over the last ten years has been a standout economy which has retired debt and reduced spending. We have proved that smaller government can work": Peter Costello, 'Not So Big Government', *Policy,* Vol. 23(2), Winter 2007, p. 9. Norton in turn provided a rebuttal to Costello's contribution, as did CIS researcher Robert Carling. The latter argued that the Howard Government was more successful at lifting revenue from taxation than in containing spending, while the former queried why, in prosperous economic times, welfare spending could not be significantly cut. See

The CIS, IPA and the H.R. Nicholls Society all developed a free-market critique of specific policies introduced by the Liberal-National Coalition during the Howard years. For the Centre for Independent Studies the extent of 'tax churn' (a process by which the money government's gain from taxation is merely handed back to tax payers in the form of direct payments or subsidised services) during the Howard years was a common source of complaint.[170] Peter Saunders wrote in 2007 that the 2004 election campaign was essentially a large exercise in 'churn' as the Government and Opposition raced to outspend each other: "over the whole campaign, the Howard Government promised $10 billion of additional annual spending on health, education, child care, aged care and other commitments".[171] Norton has also written that

> By mid-decade, the government's taxing and spending record has acquired vocal critics, to whom the Prime Minister's 2004 election campaign launch speech became a symbol of spendthrift government.[172]

According to Saunders, at the expense of our freedom to choose, "most of us are already paying in taxes for much or all of what the government 'gives' us in services and cash payments".[173] He has advocated a system of voluntary opt-outs

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Andrew Norton, 'Not So Small Government', *Policy,* Vol. 23(2), Winter 2007, pp. 10-11; Robert Carling, 'The Tax Take is Up', *Policy,* Vol. 23(2), Winter 2007, pp. 13-14.

[170] As Alan Fenna of the John Curtin Institute of Public Policy has noted, Howard "failed" his neo-liberal supporters by preferring to lift income tax thresholds rather than bow to demands for reduced rates and implement a 'flatter' income tax system: Alan Fenna, 'Governing in Good Times: Fiscal Policy and Tax Reform in Australia 1996-2006', *The Australian Journal of Political Science*, Vol. 42(2), 2007, p. 347. According to Fenna, though focused on running budget surpluses, the Coalition Government "exploited an almost unprecedented opportunity to distribute largesse without compromising the budget" (p. 330).

[171] Peter Saunders, *The Government Giveth and the Government Taketh Away: Tax Welfare Churning and the Case for Welfare State Opt-Outs,* Policy Monograph No. 74, Centre for Independent Studies, Sydney, 2007, p. 26.

[172] Andrew Norton, 'The Rise of Big Government Conservatism', *Policy,* Vol. 22(4), Summer 2006-2007, p. 15.

[173] Saunders, *The Government Giveth,* p. 9.

from the receipt of government services.[174] Lindsay has also commented that in seeking to support families the Howard Government created an entitlement mentality and turned everyone into welfare recipients.[175] Given its belief that allowing people to choose how to spend their money is an important tenet of democracy, it is understandable that the CIS criticised the 'tax and spend' tendencies of the Howard Government.

While the CIS focused on 'tax churn', the H.R. Nicholls Society criticised aspects of the Howard Government's industrial relations policies. In August 1997 the board of the Society, led by the then President Ray Evans, published *Mission Abandoned*, a stinging critique of the Howard Government's new industrial relations law – the *Workplace Relations Act* (1996).[176] The Society argued that

> It is beyond argument that this Act entrenches the powers of the Industrial Relations Commission and thus destroys the hopes of the unemployed. With this Act the Minister [Peter Reith] not only failed to deliver on key election promises but he has made the overall situation worse through entrenchment and legitimisation of the role of the AIRC [Australian Industrial Relations Commission].[177]

According to the Society, within 18 months of being in office the Howard Government "reached a low point in public esteem and self confidence" due to "the complete failure…. to move towards restoration of full employment".[178] Instead of pushing for a more radical bill that allowed individuals to negotiate

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[174] Saunders, *The Government Giveth,* p. 86. See also Peter Saunders, *A Self-Reliant Australia: Welfare Policy for the 21st Century,* Occasional Paper No. 86, Centre for Independent Studies, Sydney, 2003.

[175] Lindsay interview. The apparent failure of the Howard Government to tackle welfare dependency has also been commented on by Des Moore of the Institute for Private Enterprise: see Des Moore, 'The Liberal Party – Where to Now?', Address to Australian Liberal Students Federation Conference, 9 December 2007, Melbourne, http://www.ipe.net.au/ipeframeset.htm, accessed 1 October 2012.

[176] H.R. Nicholls Society, *Mission Abandoned,* http://www.hrnicholls.com.au/archives/message/message-text.php, accessed 8 October 2009.

[177] The H.R. Nicholls Society, *Mission Abandoned.*

[178] The H.R. Nicholls Society, *Mission Abandoned.*

their own conditions with employers free from government regulation, the Government, after reaching a compromise with the Democrats in the Senate, passed legislation that reinforced the power of the Australian Industrial Relations Commission "to make market-based contracts between employer and employees illegal".[179]

The Howard Government's more extensive program of industrial relations legislation – know as *WorkChoices* – was passed by federal parliament in 2005 and came into effect in March 2006. The H.R. Nicholls Society also critisised this legislation on free-market grounds. At its 2006 meeting the Society's founding President, John Stone, commented on the Government's new legislative framework, noting that

> any suggestion of a move to the law of contract has been largely put aside; the dysfunctional and socially reprehensible system of minimum wages is to continue in being, under the aegis of a new quango, the Fair Pay Commission; unfair dismissal provisions will still apply to companies having more than 100 employees (a strange exercise in logic if ever there was one); and our workplace relations laws generally will remain in a fearful mess.[180]

Another speaker at the conference, businessman Richard Colebatch, criticised *WorkChoices* immediately after being presented with a medal by the leader of the Government in the Senate, Nick Minchin. Colebatch claimed that "the Federal WorkChoices Act is the biggest missed opportunity for providing employers and their employees [with] a globally competitive IR system", concluding that "while the AIRC [Australian Industrial Relations Commission]

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[179] The H.R. Nicholls Society, *Mission Abandoned.* The Society's attack upon the Workplace Relations Act was itself heavily criticised by the Minister for Workplace Relations, Peter Reith, at the 1998 meeting of the Society: Peter Reith, 'Reflections on the Waterfront Dispute', *MUA – Here to Stay… Today!, Proceedings of the HR Nicholls Society,* August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-1.php, accessed 8 October 2009.

[180] John Stone, 'The Origins and Influence of the HR Nicholls Society', *Let's Start All Over Again: Proceedings of the HR Nicholls Society,* March 2006, http://www.hrnicholls.com.au/archives/vol27/vol27-3.php, accessed 8 October 2009.

remains, there is no hope for employment contracts becoming simpler".[181] At the same conference, in off-the-record remarks that subsequently became public, Minchin apologised to the Society for the fact that the Government's reforms were not more extensive.[182]

The criticism levelled by the IPA against the Howard Government was less issue-specific than that advanced by the CIS and the H.R. Nicholls Society, yet was also at times biting. For example, in 1997 the editor of the *IPA Review*, Tony Rutherford, examined the Howard Government's first year in office, writing that

> from any perspective, that record is not good… Those few believers who quietly cheered on the then Opposition when they supported the good reforms of the Hawke and Keating governments, must wonder what happened to the apostles of genuine labour market reform (to name only one important policy area), apostles like Reith and John Howard himself.[183]

In the same edition of the *IPA Review*, John Hyde argued that the Government had failed to sufficiently address areas such as labour market and micro-economic reform and suggested that the unemployed deserved better than what the Howard Government had delivered in its industrial relations legislation.[184] Later, in 2003, Hyde argued that although progress had been made under the Coalition, the Government failed to advance liberal positions in debates as diverse as refugee policy and the single-desk wheat policy and thus was not building opinion in favour of further reform.[185] At the conclusion of the Howard

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[181] Richard Colebatch, 'Dinner Address', *Let's Start All Over Again: Proceedings of the HR Nicholls Society,* March 2006, http://www.hrnicholls.com.au/archives/vol27/vol27-2.php, accessed 8 October 2009.

[182] ABC Radio, 'Nick Minchin eager for further IR change', Broadcast 8 March 2006, http://www.abc.net.au/worldtoday/content/2006/s1586836.htm, accessed 8 October 2009.

[183] Tony Rutherford, 'From the Editor', *IPA Review,* Vol. 49(3), March 1997, p. 1.

[184] John Hyde, 'Howard's Way', *IPA Review,* Vol. 49(3), March 1997, pp. 5-6.

[185] John Hyde, 'Tomorrow's Reform', *IPA Review,* Vol. 55(1), March 2003, p. 16.

years Christian Kerr, in the *IPA Review*, criticised Howard's big-spending election commitments, arguing that

> Jargon-obsessed academics have called the Howard government 'neo-liberal'. This, however, is nonsense…. Howard made no secret of his social conservatism. Under the Coalition government, social conservatism tended to translate into populism…. The Howard government didn't demonstrate that it offered ordinary Australians economic liberty.[186]

Think tanks often see it as their role to push radical ideas that governments need to moderate for electoral reasons. This reality helps account for some of the criticisms that they made of the Howard Government. Yet an acknowledgement of the radical tendencies of think tanks and the realities of electoral politics should not overlook the extent to which Howard's free-market thinking differed in subtle, yet significant, ways from that of the neo-liberals studied in this thesis.

In contrast to most neo-liberals, Howard believed that, at times, liberal economic reform could threaten the strength of the social fabric and therefore, in such situations, government intervention was needed. Howard has spoken clearly of the importance of both liberal economic and socially conservative policies in his thinking. In the inaugural Howard Lecture in 2009 he reflected that

> I am by instinct an economic liberal and a social conservative…. To some this is a contradiction. To the more thoughtful, it is a complementarity. Economic change of the type experienced by Australia over the past thirty years has been extensive and, to many, quite unsettling, but it has been accepted as necessary. In accepting the inevitability of economic change Australians, sometimes unconsciously, have sought reassurance in the continuation of the status quo in other areas.[187]

He concluded that "it is against the human condition to be comfortable with change in every aspect of life. We all seek balance".[188]

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[186] Christian Kerr, 'Howard forgot to govern for individuals', *IPA Review*, Vol. 59(4), 2008, pp. 29-30.
[187] John Howard, 'The Inaugural John Howard Lecture for the Menzies Research Centre Ltd', Century Hall, Melbourne, 19 February 2009, pp. 3-4.
[188] Howard, 'The Inaugural John Howard Lecture', p. 4.

Howard links the need for socially conservative policy to the destabilising nature of economic reform. In an interview in April 2009 Howard again returned to this theme, noting that

> The more rapid is your change in economic circumstances the more you cling to anchorage and stability in your private and personal life. That's human nature. You can't have change on every front.[189]

Indeed, Howard considers one of the key errors of Paul Keating's Prime Ministership to be the extent to which he pursued an agenda of both economic and social change:

> One of the things my predecessor just didn't understand was that the more things were changing economically the more important it was to hang on to society's stabilisers…. And to say to people who have been subjected to an enormous amount of economic change, hey, incidentally your past, your past you ought to be ashamed of too, was just an insult.[190]

Howard acknowledges that the role of Government in ensuring that the social fabric remains strong "is very very important".[191] The theme of the role of government in supporting social cohesion was one that Howard discussed explicitly during his time in office. In a speech delivered in May 1999 he stated that

> The values and properties we bring to social policy issues provide important 'points of anchorage' in a period of rapid and ongoing economic change. Economic policy liberalisation and a modern conservatism in social policy share important common values and objectives. One complements and derives strength from the other. Both recognise the role of markets and of government, as well as the limitation of each.[192]

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[189] John Howard, interviewed by Andrew Thackrah, 17 April 2009.
[190] Howard interview.
[191] Howard interview.
[192] John Howard, 'Building a Stronger and Fairer Australia: Liberalisation in Economic Policy and Modern Conservatism in Social Policy: Address to the Australia Unlimited Rountable', 4 May 1999, http://home.vicnet.net.au/~victorp/21st_century/johnhoward.htm, accessed 15 October 2009.

Howard further explained his views on the limitations of free markets in his 2010 memoir *Lazarus Rising*, noting, in particular, his tendency to protect small businesses against market forces:

> The qualitative difference between owning and operating a genuinely small business and working, even at a senior executive level, in a large corporation is immense and rarely understood by those not involved in it… [the feeling of my family was that] [b]ig companies could look after themselves and unions were strong, but the little bloke got squeezed…. in government I always emphasised the common interests of businesses, large and small. Yet, when on-balance judgements were called for, I confess to usually siding with the small operator, even if some violation of free-market principles might be involved; my support for newsagents and pharmacies come readily to mind.[193]

He has remarked that he grew up in a small business family with a strong work ethic.[194] In *Lazarus Rising,* Howard noted that he would assist his father who worked long hours in the family garage business in Dulwich Hill, Sydney.[195]

The need for government to play a role in developing and maintaining social cohesion was also emphasised by Howard in the lead up to the 1996 election, as he sought to portray the Keating Government as having being captured by the interests of minorities.[196]

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[193] John Howard, *Lazarus Rising: A Personal and Political Autobiography*, HarperCollins, Sydney, 2010, pp. 19-20. In government Howard continued to protect both newsagents and chemists from full market competition. See also Wayne Errington & Peter van Onselen, *John Winston Howard,* Melbourne University Press, Melbourne, 2007, p. 53.

[194] Howard interview.

[195] Howard, *Lazarus Rising*, p. 19.

[196] See, for example, the text of the first of Howard's 'headland' speeches delivered in 1995: John Howard, 'The Role of Government: A Modern Liberal Approach', The Menzies Research Centre – 1995 National Lecture Series, June 6, 1995, http://australianpolitics.com/executive/howard/pre-2002/95-06-06role-of-government.shtml, accessed 15 October 2009. See also George Brandis, 'John Howard and the Australian Liberal Tradition', in Peter van Onselen (ed.), *Liberals and Power: The Road Ahead,* Melbourne University Press, Carlton, 2008.

Howard's linking of the process of economic reform to a role for government in protecting the existing social fabric is also echoed by one of his most loyal and conservative political defenders, former minister and present leader of the federal opposition, Tony Abbott. Abbott has noted that, "it's true that the competition beloved of liberals is capable of undermining the traditional values beloved of conservatives".[197] According to Abbott, the political brilliance of Howard was to prefer individual solutions to problems but also to recognise the limitations of markets:

> Unlike most free-market enthusiasts, he appreciated that individuals are formed and find fulfilment in families and communities. He understood the failures of markets and the limitations of individuals and voluntary associations.[198]

Howard's recognition of the manner in which economic reform can challenge social cohesion needs to be kept in perspective. As Walter has written:

> Where Hawke and Keating acknowledged an element of threat… there was, with Howard, only muted allowance that markets might not always deliver: instead the threat was constituted by impediments to choice, especially those created by self-interested elites.[199]

Howard did indeed tend to appeal to the power of choice, yet both his rhetoric and the rationale of the policies he implemented stand in marked contrast to the tendency of many neo-liberals to deny any link between marketisation and negative social outcomes that call for government intervention. In 1994, for example, the CIS published a collection of essays entitled *Shaping the Social Virtues.*[200] In that collection US sociologist David Popenoe suggested that a

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[197] Tony Abbott, 'A Defence of the Howard Government', in Peter van Onselen (ed.), *Liberals and Power: The Road Ahead,* Melbourne University Press, Carlton, 2008, p. 42.
[198] Abbott, 'A Defence of the Howard Government', p. 38.
[199] Walter (with Todd Moore), *What Were They Thinking?*, p. 307.
[200] David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994.

number of factors, including individualism and the pursuit of economic growth, were leading to the erosion of the strength of families and local communities.[201]

Popenoe's linking of economic liberalisation and community decline was challenged by both Andrew Norton and Barry Maley, the later arguing that the solution to avoiding 'social recession' in Australia was to reduce unemployment by liberalising industrial relations laws.[202] Similarly, economic consultant Winton Bates acknowledged in the *IPA Review* in 1997 that widespread economic reform has caused some community resentment but maintained that the challenge for the Government was to "promote more widespread understanding" of "two simple propositions": "that improved social cohesion depends on a healthy economy" and further "that to promote a more healthy economy further economic reform is required".[203]

As demonstrated in the fifth chapter of this thesis, Australian neo-liberals have acknowledged the importance of aspects of civil society (particularly the family and voluntary associations) both in their own right and as supports for economic growth and social cohesion. The CIS, in particular, has studied the state of the Australian family and defended the importance of traditional mother-centred child caring arrangements. At times they have also expressed fears about the health of these aspects of civil society and event recognised the ethical limitations of capitalism. Neo-liberals, however, have attempted to defend the value of traditional non-government institutions in a way that is generally consistent with liberal notions of individual choice. Families and voluntary associations have been seen as vital societal institutions, but ones that are largely

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[201] David Popenoe, 'The Roots of Declining Social Virtue: Family, Community, and the Need for a "Natural Communities Policy"', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994.

[202] Andrew Norton, 'Reviewing Australia: The Modes and Morals of Australia in the '90s', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994, p. 71; Barry Maley, 'Morals and Modernity', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994.

[203] Wonton Bates, 'The Links between Economic Freedom and Social Cohesion', *IPA Review,* Vol. 49(4), 1997, p. 18.

threatened, rather than protected, by government intervention in market processes. CIS publications have, for example, emphasised the need to replace direct family payments with tax rebates in order to improve the relatively worse off position of Australian families with children (compared to single income earners) in a manner that also enhanced their financial autonomy.[204]

Howard did not see economic liberalism as an end in itself but as "necessary for united families and communities".[205] While this view often entailed supporting neo-liberal policies, he also, in contrast to most neo-liberals, thought it was entirely appropriate for government to take the proceeds of economic reform (increased government revenue) to support traditional family arrangements through direct payments and subsidies.[206] At a policy level this led to some contradictions, in the area of working women for example, as Howard broadly endorsed a reformist liberal free-market approach but out of a belief that it supported a conservative set of social arrangements.[207] For Howard the support of the family and social cohesion by government policies was seen as a desirable end in itself, whereas for neo-liberals like Buckingham and Roskam the family is just one (though a crucially important) social institution that individuals can choose to value in both an economically and socially liberal society.[208]

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[204] See Lucy Sullivan, *Taxing the Family*, p. xiv; Peter Saunders, *The Social Foundations of Free Society,* Occasional Paper No. 79, Centre for Independent Studies, Sydney, 2002, p. 21ff.

[205] Howard, 'The Role of Government: A Modern Liberal Approach'.

[206] For a discussion of the way in which the Howard Government budgeted large amounts of money for family assistance measures see Elizabeth Hill, 'Howard's 'Choice': The ideology and politics of work and family policy 1996-2006', *Australian Review of Public Affairs: Symposium: A Decade of Howard,* 23 February 2006, http://www.australianreview.net/digest/2006/02/hill.html, accessed 16 October 2009.

[207] Hill, for example, has noted that Howard simultaneously attempted to encourage mothers to leave the workforce while also introducing taxation measures to support those in the workforce: Hill, 'Howard's 'Choice''. Megalogenis has also noted the tension between Howard's rhetoric and actions on working women, suggesting that his encouragement of women into the workforce won out over his more conservative tendencies: George Megalogenis, 'Taxing Times' in Nick Cater (ed.), *The Howard Factor: A Decade that Changed the Nation,* Melbourne University Press & The Australian, Carlton (Victoria), 2006, pp. 84-85.

[208] Both John Roskam of the IPA and Jennifer Buckingham of the CIS have suggested that 'neutrality' is the ideal government stance regarding family

The tension between Howard's economic liberalism and social conservatism has been recognised as a genuine ideological inconsistency by former coalition minister George Brandis in an essay seeking to reorient the Liberal Party, in the post-Howard era, to a philosophy of liberal individualism closely aligned to 'neo-liberalism'.[209] In response to Howard's linking of the need to 'anchor' society in traditional institutions, such as the family, in times of economic reform, Brandis remarked that

> it is important not to confuse means and ends. Social conservatism may have had an efficient functional relationship with Howard's economic liberalism. But they derived from different and potentially inconsistent value systems.[210]

In his memoirs, former Treasurer and Liberal Party Deputy Peter Costello also appears to distance himself from the policy contradictions of the Howard years by casting himself as the true liberal in a Government made up of ministers who resisted budgetary cuts in their portfolio areas.[211]

To note the ways in which Howard's thinking regarding market mechanisms has differed from that of neo-liberal thinkers associated with the think tanks studied in this thesis is not to deny that Howard has been influenced by neo-liberalism. Nor have neo-liberals been reluctant, at times, to praise the Howard Government's free- market credentials. Ken Phillips of the IPA, for example, has argued that Howard made enormous progress for the free-market cause in the construction industry, that *WorkChoices* succeeded in bringing down

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arrangements: Roskam interview; Buckingham interview. Some neo-liberals, adopting a more conservative position, have supported Howard's family policies.

[208] Howard, 'The Role of Government: A Modern Liberal Approach'.

[209] Brandis, 'John Howard and the Australian Liberal Tradition'.

[210] Brandis, 'John Howard and the Australian Liberal Tradition', p. 77.

[211] See Peter Costello with Peter Coleman, *The Costello Memoirs: The Age of Prosperity,* Melbourne University Press, Carlton, 2008. Peter Coleman, in the preface to *The Costello Memoirs,* writes that "from the containment of communism to the war on terrorism, from voluntary student unionism to the republican referendum, he has been an agent of liberal change" (p. v). Costello notes, in particular, the spend happy tendencies of minister and close Howard ally Tony Abbott (p. 55).

unemployment levels and that, in general, Howard was an "extraordinary" and "visionary" individual.[212] In 2009, Greg Melleuish, writing in the CIS's *Policy Magazine*, even went so far as to suggest that Howard's liberal and conservative tendencies were compatible as "Howard did not consider that state intervention was needed to preserve what was best about Australia".[213]

Perhaps one of the clearest areas in which Howard was influenced by neo-liberal thought was in the framing of his *WorkChoices* legislation. In publicly defending *WorkChoice*s, Howard and his ministers would argue that the possibility of a job is the cornerstone of fairness and the best form of social security,[214] echoing comments made at previous H.R. Nicholls Society meetings and implicitly drawing on neo-liberal ideas regarding the negative effect of welfare and wage safety nets on unemployment levels.[215]

However, as suggested above, even in advocating *WorkChoices*, Howard was criticised by neo-liberal think tanks. This criticism was, in part, a result of the

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[212] Phillips interview.

[213] Greg Melleuish, 'Understanding Australian Conservatism', *Policy,* Vol. 25(2), Winter 2009, p. 45. Melleuish's appraisal of Howard, however, seemed to be clearly shaped by what he saw as the comparative failings of the Rudd Labor Government.

[214] See, for example, ABC Radio, 'Abbott asked to explain WorkChoices video', 16 November 2007, http://www.abc.net.au/pm/content/2007/s2093456.htm, accessed 20 October 2009; 'PM: WorkChoices driving jobs boom', *The Age,* April 12, 2007, http://www.theage.com.au/news/business/pm-workchoices-driving-jobs-boom/2007/04/12/1175971230845.html, accessed 20 October 2009; Tony Abbott, 'Welfare Reform: A Conservative Approach to Unfinished Business', Speech Notes for Address to North Sydney Club, 1 May 2008, http://www.tonyabbott.com.au/Pages/Article.aspx?ID=3565, accessed 20 October 2009; 'PM sets out welfare strategy', *The Age,* May 4 2005, http://fddp.theage.com.au/news/National/PM-sets-out-welfare-strategy/2005/05/03/1115092497606.html?from=moreStories, accessed 20 October 2009.

[215] For the H.R. Nicholls Society's endorsement of the notion of a job as the ultimate form of social security see, for example, Geoff Hogbin, 'The Changing Paradigm: Freedom, Jobs, Prosperity: Employment Laws and Worker Welfare', *"The Changing Paradigm: Freedom, Jobs and Prosperity": Proceedings of the HR Nicholls Society*, 2002, http://www.hrnicholls.com.au/archives/vol23/vol23-contents.php, accessed 3 October 2011; Des Moore, 'The Effects of the Social Welfare System on Unemployment', *Wrong Way – Go Back: Proceedings of the HR Nicholls Society*, 1997, http://www.hrnicholls.com.au/archives/vol18/vol18-1.php, accessed 21 July 2009.

fact that Howard's national approach to developing free markets contrasted with some neo-liberals' fondness for federalism (explored further in the next chapter).[216] Howard believed in the virtues of a national economy. He has stated that "we are not six separate economies, we are one single economy".[217] This belief has dovetailed neatly with his self-proclaimed nationalism. Indeed, Robyn Hollander notes that Howard sought to build "a single nation, with a single, national economy and a single, national identity."[218]

At times Howard's sense of nationalism appeared to lead him to directly restrict the operation of the free market. In 2001, for example, the Howard Government prohibited the sale of Woodside Petroleum to the Royal Dutch Shell.[219] Howard, throughout his time in office, also continued to protect Qantas from full international competition.[220] In the lead-up to the Government's rejection of the takeover of Woodside Petroleum, Howard expressed concern that Australia could become a 'branch office economy' and observed that not all Australians

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[216] See discussion further below and Colebatch, 'Dinner Address'; Stone, 'The Origins and Influence of the HR Nicholls Society'. As argued in the next chapter, however, during the Howard years H.R. Nicholls Society members split on the issue of the division of powers between the States and the Commonwealth.

[217] Quoted in Robyn Hollander, 'John Howard, Economic Liberalism, Social Conservatism and Australian Federalism', *Australian Journal of Politics and History,* Vol. 53(1), 2008, p. 96. See also Paul Kelly, 'How Howard Governs', in Nick Carter (ed.), *The Howard Factor: A Decade that Changed the Nation,* Melbourne University Press & The Australian, Carlton (Victoria), 2006, p. 11. In 2007, Andrew Paekin and Geoff Anderson also argued that "the Howard government has now clearly moved towards championing a more dominant and directive Commonwealth government": Andrew Parkin & Geoff Anderson, 'The Howard Government, Regulatory Federalism and the Transformation of Commonwealth-State Relations', *The Australian Journal of Political Science*, Vol. 42(2), 2007, p. 296.

[218] Hollander, 'John Howard', p. 103. On Howard's dovetailing of national identity and an entrepreneurial work ethic see Nick Dyrenfurth, 'John Howard's Hegemony of Values: The Politics of "Mateship" in the Howard Decade', *The Australian Journal of Political Science*, Vol. 42(2), 2007, pp. 211-230.

[219] Robert Manne, 'The Howard Years', p. 36.

[220] Rundle, *The Opportunist*, p. 16. In contrast to Rundle's focus on Howard as a political opportunist see ML (Kim) Murray's argument that Howard's core political positions have remained consistent: ML (Kim) Murray, 'John Howard: A Study in political Consistency', Unpublished PhD Thesis, University of Adelaide, 2010.

were enthusiastic about globalisation.[221] Howard provided a $444 million support package for cane growers in 2004[222] and explicitly linked Australian national identity to farming.[223] In a more minor intervention in the workings of the free market, the Coalition introduced regulations in 2000 to protect the use of the name of cricket hero Donald Bradman.[224] In contrast, those associated with Australian neo-liberal think tanks have attacked protectionist cultural nationalism and largely remained internationalist in the sense that they have focused upon the universal rather than merely the local benefits of free markets and have frequently published material produced by free-market scholars from around the globe.[225] As Rundle has argued, "for most liberals – and especially those like Hayek from whom Howard's economic liberalism derives – any attempt to define a national character is a chimera, and a dangerous one at that".[226]

As argued in the first chapter of this thesis, some scholars in interpreting Howard's particular political outlook have downplayed the extent to which he was influenced by 'neo-liberal' free-market thought. Errington and Van Onselen, for example, have argued that Howard's political success resulted from

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[221] See ABC Radio PM, 'Proposed takeover of Woodside Petroleum', 16 February 2001, http://www.abc.net.au/pm/stories/s247673.htm, accessed 22 October 2009.

[222] ABC News Online, 'Sugar industry receives $444m sweetner', http://www.abc.net.au/news/newsitems/200404/s1097264.htm, accessed 22 October 2009.

[223] See 'SA govt to blame over drought funding', *The Adelaide Advertiser,* October 18 2006, http://www.news.com.au/adelaidenow/story/0,22606,20602496-5006301,00.html, accessed 22 October 2009. In releasing a drought relief package for farmers in 2005 Howard commented that "[w]e're not only talking here about the economics of farming, we're also talking about the maintenance of a critical mass of rural people, which is part of this country's identity, and part of the character of this country, and there has to be a determination to preserve a viable farm sector in this country": ABC TV 7.30 Report, 'Govt unveils extra $250m in drought relief', http://www.abc.net.au/7.30/content/2005/s1380521.htm, accessed 22 October 2009.

[224] See 'Bradman's son to sue over commercial exploitation of Don's name', *Asian News International,* 2 August 2008.

[225] See, for example, Imre Salusinszky, 'A Critique of Cultural Protectionism', *Policy,* Vol. 15, Iss. 3, Spring 1999, pp. 18-22.

[226] Guy Rundle, *The Opportunist: John Howard and the Triumph of Reaction,* Quarterly Essay, No. 3, 2001, Black Inc, Melbourne, p. 21.

"fusing his long-held social conservatism with his embrace of globalisation and free markets… a combination unique in Australian politics".[227] Recently Melleuish, in rejecting the influence of American neo-conservatism in shaping Australian conservative thought, has suggested that Howard's adoption of *WorkChoices*

> rested on the idea that the principles on which Australian society rested – the principles that form the basis of the habits of Australians and their conservative principles – should be founded on voluntary cooperation and not state coercion.[228]

In his 2009 study *The March of Patriots* Paul Kelly also develops a historical interpretation based around Australian particularism, suggesting that Howard was not a true neo-liberal but operated within an Australian tradition of pragmatic policy reform.[229]

To dismiss the influence of neo-liberalism upon Australian political economy is, as Robert Manne noted in reviewing *The March of Patriots,* to ensure that "the character and trajectory of politics in Australia since the early 1980s will remain unnecessarily obscure".[230] Free-market thought has shaped Australian public policy. Yet Manne has also acknowledged "that the impact of neo-liberalism from the early 1980s was shaped by the character of Australian political culture and by many practical considerations, in ways that always dissatisfied neo-liberal purists".[231]

The reality is that Howard was influenced both by international 'neo-liberal' trends as well as by specific aspects of Australian culture. The one influence often completed rather than precluded the significance of the other. For example, Howard's use of the language of vested interests (so common in neo-liberal thought) was, as Judith Brett has observed, also consistent with the

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[227] Errington & van Onselen, *John Winston Howard*, p. xi.
[228] Greg Melleuish, 'Understanding Australian Conservatism', p. 45.
[229] Paul Kelly, *The March of Patriots: the struggle for modern Australia,* Carlton (Vic), Melbourne University Press, 2009.
[230] Robert Manne, 'The Insider', *The Monthly,* October 2009, p. 28.
[231] Manne, 'The Insider', p. 28.

Liberal's Party's traditional belief that they were protecting the interests of 'middle Australia' against sectional interests.[232]

While a focus on Howard's place within distinct traditions of Australian political thought obscures the influence of international free-market ideas upon his philosophical outlook, so too an undue focus on the influence of the later can overlook the differences between Howard and those involved with neo-liberal think tanks in Australia. As acknowledged above, and emphasised by Manne, practical considerations, in contrast to the 'purism' of some neo-liberal intellectuals, have a role to play in explaining these differences. However, as has been demonstrated in this chapter there were also genuine intellectual differences between Howard and those neo-liberal 'think tankers'.

Conclusion

This chapter has examined the manner in which those associated with Australian neo-liberal think tanks have conceptualised the role of market mechanisms. It began by setting out the particularly dynamic and entrepreneur-focused way in which Australian neo-liberals have understood and promoted market mechanisms. It was then demonstrated that, as a consequence of their views on the role of markets, neo-liberals have, at times, developed a critique of actual private sector behaviour.

The chapter then argued that a key tension emerges from the manner in which neo-liberals conceptualise the market. Specifically, it was suggested that a tension exists in neo-liberal thought between, on the one hand, a conservative tendency to emphasise the limited, uncertain nature of knowledge and consequently the evolutionary nature of market societies and, on the other, the reality that neo-liberals have stridently advocated a political and ideological program to reshape society. It was indicated that this tension is present in the work of perhaps the most influential neo-liberal – Friedrich von Hayek.

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[232] See Judith Brett, *Relaxed & Comfortable: the Liberal Party's Australia,* Quarterly Essay No. 19, Black Inc, Melbourne, 2005.

Lastly, the chapter examined the key differences and disputes between the Howard Government and those associated with Australian neo-liberal think tanks. It was suggested that Howard was influenced by neo-liberal thought but that there were also key philosophical differences in the way Howard and Australian neo-liberal think tankers understood the role of market mechanisms. In particular, it was argued that Howard at times acknowledged the social detriment that free markets can cause, while those associated with neo-liberal think tanks have tended to deny such a link. The differences between Howard and neo-liberal think tanks thus serve as a reminder of the diversity of free-market views in Australia.

Chapter Four: The Neo-liberal Vision of the State

Introduction

In 1983, policy analyst Nick Bosanquet usefully divided free-market ideas into those that support either a thesis or a corresponding antithesis. Bosanquet explained that in New Right thought

> The *thesis* – integrating force in society – is the underlying process of economic growth. The *antithesis* is the impact of 'politicisation'… the nature of the political process itself … Society is a battleground between the forces of light working in the longer term through the economy and the forces of darkness working through the political process.[1]

The previous chapter of this thesis analysed the way in which neo-liberals during the Howard era viewed their source of 'light' – the workings of the free-market. This thesis now moves on to examine the way in which Australian neo-liberals viewed the state – its functions, size and associated political processes – during this period. As Bosanquent points out, the state operates as the neo-liberal antithesis - the main focus of criticism and critique. The elaboration by neo-liberals of the limits and flaws of the state has served as an important unifying point bringing together think-tank scholars and their associated supporters.

This chapter begins by examining how neo-liberals have deployed new class and public choice theory along with notions that government activity reduces freedom by distorting individual preferences. Neo-liberals have developed these ideas in order to support the case for the development of a minimal or 'nightwatchman' state. The chapter will then outline that, while neo-liberals believe that the need to reduce the overall size of government (usually measured by government spending as a percentage of gross domestic spending) is crucial, they also commonly defend the importance of maintaining a strong, strategically active state. A number of scholars, such as British political scientist Andrew

[1] Nick Bosanquet, *After the New Right,* Heinemann, London, 1983, p. 7.

Gamble,[2] have pointed to the mutual dependence of a free economy and a strong state in both free-market thought and political practice.

This chapter then explores different areas in which neo-liberals during the Howard era debated the appropriate limits of state activity. A number of neo-liberals, developing the thinking of Friedrich von Hayek, have argued that the activities of the state should face tougher constitutional restrictions, limiting, for example, budget deficits. Neo-liberals have accepted and indeed often emphasised the important role of governments in establishing the broad legal framework within which free markets function. This chapter demonstrates, however, that during the Howard years Australian neo-liberal think tanks debated the extent to which a number of generally pro-free market government policies were consistent with a liberal philosophical outlook on the role of government.

It will also be demonstrated that a number of key Howard Government policies, while arguably designed to counter threats (both external and internal) to a free-market system, at times sat uneasily alongside a liberal philosophical outlook. In the area of foreign policy the Government committed to the Coalition of the Willing's invasion of Iraq in 2003. At home, the Howard Government introduced legislation seeking to restrict the activities of unions and regulating the political activities of non-governmental organisations and deployed the military as part of an intervention to restore law and order in remote Aboriginal communities in the Northern Territory.

After exploring the tensions that arise from the involvement of the state in countering threats to free markets, this chapter concludes by exploring the approach that the Howard Government adopted to a number of key social issues. The neo-liberal think tanks studied in this thesis have often demonstrated a degree of social conservatism in defending traditional family arrangements and emphasising the importance of the cultural foundations of society. This chapter argues, however, that while neo-liberals have tended to criticise Government involvement in social policy areas, clear divisions exist between socially

[2] Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism,* MacMillian Education Ltd, London, 1988.

conservative and more libertarian neo-liberals. These tensions emerge, in particular, when neo-liberals come to consider the role of the state in family policy.

While the state thus serves as a source of unifying critique for neo-liberals its activities are also the source of intense discussion and debate. Neo-liberals have confronted the reality that in some areas the state's powers have increased significantly as it has attempted to marketise aspects of society that were previously under public control. During the Howard years Australian neo-liberal think tanks noted the tendency of discretionary government expenditure to increase even while the Government embarked on a project of marketisation and attempted to strategically promote the value of individual responsibility. Confronted with such developments, Australian neo-liberals, like their overseas counterparts, remained uncertain as to the extent to which the state might be co-opted to promote free-market values.

New class and public choice theory: the case for the 'nightwatchman' state

The ideal role for the state, according to neo-liberals, is limited and minimal. It is generally agreed the state should provide a very basic welfare safety net for the truly needy and provide for the defence of the nation but otherwise should seek only to support a general legal framework – upholding the rule of law through the enforcement of limited and universally applied rules – and avoiding any interference in market processes.

Some United States free-market thinkers have advocated the complete abolition of the welfare system in that country.[3] Australian neo-liberals (Peter Saunders, in particular), while generally stopping short of adopting this position, have been influenced by the works of Charles Murray and other U.S. based welfare

[3] See, for example, Michael Tanner, 'Replacing Welfare', *Cato Policy Report*, November/December 1996, http://www.cato.org/pubs/policy_report/cpr-18n6-1.html, accessed 8 December 2011; and, famously, Charles Murray, *Losing Ground: American social policy, 1950-1980*, Basic Books, New York, 1984.

abolitionists.[4] Unlike in America, however, there is no significant, discernible anarcho-capitalist strand in Australian free-market thought. As Robert Manne and others have outlined, Australian political discourse has been more strongly influenced by an Anglo-American amalgam of economic liberalism and social conservatism, than straight out libertarianism.[5] This reality is perhaps unsurprising given the broadly stronger history of state activism in Australia, and the absence of a national myth of self-sufficiency and individualism.[6] Australian neo-liberals remain attached to the notion of a limited and minimal (rather than virtually non-existent) state outlined above.

Marian Sawer, deploying the term 'nightwatchman state', has noted the particular areas to which neo-liberals would like to restrict government activity:

> Although the metaphor of the night watchman originated in the nineteenth century as a criticism of classical liberal ideas of the state, it has been appropriated and endorsed by the American minimal state philosopher Robert Nozick…. the functions of Nozick's night-watchman state are largely restricted to the protection of existing property rights construed as exclusive rights and entitlement.[7]

Philosopher John Gray has also noted that "classical liberals such as Humboldt, Spencer and Nozick have argued… that the functions of the state must of necessity be restricted to the protection of rights and the upholding of justice".[8]

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[4] See, for example, Charles Murray, Denis Dutton, Claire Fox (with an introduction by Peter Saunders), *In Praise of Elitism*, Occasional Paper No. 107, Centre for Independent Studies, Sydney, 2008.

[5] See Robert Manne, 'Is Neo-Liberalism Finished?', in Robert Manne & David McKnight, *Goodbye to All That?: On the Failure of Neo-Liberalism & the Urgency of Change*, Black Inc, Melbourne, 2010; Mark Davis, *The Land of Plenty: Australia in the 2000s*, Melbourne University Press, Carlton (Victoria), 2008.

[6] James Walter (with Todd Moore) has written that "it might be argued that government under Howard demonstrated the residule influence of the Australian political culture: a concern with wealth creation… but with a ready resort to the powers of the state to achieve political objectives": James Walter (with Todd Moore), *What Were They Thinking? The Politics of Ideas in Australia*, University of New South Wales Press, Sydney, 2010, p. 313.

[7] Marian Sawer, 'Gender, Metaphor and the State', *Feminist Review,* No. 52, Spring 1996, pp. 121-122. Sawer, 'Gender, Metaphor and the State', p. 122.

[8] John Gray, *Liberalism,* Open University Press, Milton Keynes, 1986, p. 73.

Gray has argued that liberalism is synonymous with limited rather than minimal government, explaining that

> Liberal government cannot be other than limited government, since all strands within the liberal tradition confer upon persons rights or claims in justice which government must acknowledge and respect and which, indeed, may be invoked against government. The liberal state need not for this reason be a minimum state.[9]

The important feature of liberalism, according to Gray, is that by conferring rights upon individuals the state must necessarily become limited in its scope of action. Gray suggests that the support for a minimal nightwatchman state by Humboldt, Spencer and Nozick "is a minority view within the liberal tradition"[10] and that "most liberals, and all the great classical liberals, acknowledge that the liberal state may have a range of service functions, going beyond right-protection and the upholding of justice".[11] Such liberals, according to Gray, "are not advocates of the minimum state but rather of limited government".[12]

Despite their explicit support for 'limited government',[13] the reality is that the end point of the process of liberalisation in the minds of neo-liberals is the minimal state. In theory, a limited state could have wide limits and thus accommodate what they may regard as a 'big' government. However, neo-liberals believe that ideally the state should be limited to a minimal role of creating the general legal framework within which markets function and providing very basic welfare for those deemed to be in true need. The state

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[9] Gray, *Liberalism,* p. 73.
[10] Gray, *Liberalism,* p. 73.
[11] Gray, *Liberalism,* pp. 73-74.
[12] Gray, *Liberalism,* p. 74.
[13] Both the IPA and the CIS publicly proclaim themselves to be supporters of 'limited government': http://www.cis.org.au/aboutcis/aboutcis.html, accessed 21 January 2010; http://www.ipa.org.au/about, accessed 21 January 2010. Their scholars have, at times, pointed to the fact that key classical liberal figures have supported a range of government welfare measures, in order to indicate that their views are more moderate than their opponents have suggested. Oliver Hartwich of the CIS, for example, notes that Hayek favoured town planning laws and suggests that it is a mistake to link classical liberalism with a "pure laissez faire" policy approach: Oliver Marc Hartwich, interviewed by Andrew Thackrah, 22 April 2009. See also John Hyde, *Dry: In Defence of Economic Freedom*, Institute of Public Affairs, Melbourne, 2002, pp. 266-267.

should not favour particular sectors of the economy (through the use of subsidies or other protective measures) or of the broader society. State intervention to free up previously regulated markets could be seen as sectional politics as such a policy tends to favour those companies (for example, export oriented businesses) advantaged by such market conditions. Neo-liberals, however, view such state intervention, so long as it reduces the overall regulatory burden, as the positive creation of a 'level' commercial 'playing field'.[14]

Australian neo-liberals have emphasised the minimal role that government should be in setting general and broad legal settings. Ray Evans, associated with both the IPA and the H.R. Nicholls Society, has argued that governments should focus upon developing a legal framework that minimises the possibility of corruption and abuse.[15] The website of Des Moore's Institute for Private Enterprise states that "government has a legitimate and important role in assisting those who are genuinely disadvantaged and in maintaining a legal system within which enterprise can flourish".[16]

Similarly, John Hyde has argued that governments should reduce costs by creating standard rules of interaction that are cheap to adopt – he acknowledges, for example, the need for a framework of corporate law.[17] According to Hyde, "a captive or over-extended government is not a strong one. An ideally dry government would concentrate on procedural justice".[18] Legal scholar Geoffrey de Q. Walker, in a paper published by the CIS has suggested that "economists increasingly take the view that the role of national governments is best confined

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[14] See, for example, on government facilitation of private universities: John Farrar, 'The Idea of a Private University', *IPA Review,* Vol. 49(2), 1996, pp. 19-22. On the need for government to enact microeconomic reforms in order to allow the mining industry to flourish, see Helen Cabalu, 'Barriers to Australian Mineral Exports', *Policy,* Vol. 12(1), Autumn 1996, pp. 24-30.

[15] Ray Evans, interviewed by Andrew Thackrah, 20 February 2009. Evans notes that "the use of the term 'minimal', I think, is unhappy. It [the state] has got to be something that is much less prone to abuse than our present system, much less requiring of government detailed bureaucracy": Evans interview.

[16] See Institute for Private Enterprise, 'Institute Objectives', http://www.ipe.net.au, accessed 2 February 2010.

[17] John Hyde, interviewed by Andrew Thackrah, 9 February 2009.

[18] Hyde, *Dry*, p. 17.

to establishing general rules that set an overall framework for market processes (the economic order)".[19]

The H.R. Nicholls Society has also defended a minimal state approach towards industrial relations. In 2005, the Executive Director of the New Zealand Business Roundtable, Roger Kerr, told the annual meeting of the H.R. Nicholls Society that "governments around the world have made industrial relations arrangements far more complex than they need to be".[20] According to Kerr

> the combination of common law, voluntary contracting and competitive markets, which would be conducive to full employment and thus [offer] more alternatives for workers, protects them far better than complex statutes.[21]

Kerr's comments are indicative of the Society's belief that the legislative framework governing industrial relations should simply, in the words of Ray Evans, "allow people to enter into employment contracts of their own choosing and design"[22] without imposing further restrictions such as unfair dismissal laws.

Those associated with Australia's neo-liberal think tanks have also emphasised that a movement towards a minimal state is both necessary and desirable. At the 1999 meeting of the H.R. Nicholls Society, for example, Michael Warby of the Institute of Public Affairs argued that liberalising reforms emerge as necessary palliatives to crisis situations:

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[19] Geoffrey de Q. Walker, *Ten Advantages of a Federal Constitution: And How to Make the Most of Them,* Policy Monograph No. 49, Centre for Independent Studies, Sydney, 2001, pp. 34-35.

[20] Roger Kerr, 'Lessons from Labour Market Reform in New Zealand', "*Carpe Diem": Proceedings of the H.R. Nicholls Society*, Melbourne, March 2005, http://www.hrnicholls.com.au/archives/vol26/kerr.pdf, accessed 2 September 2012, p. 18.

[21] Kerr, 'Lessons from the Labour Market', pp. 18-19.

[22] Ray Evans, 'The Bills We Need', *Lining up the Bills: Preparing for a Double Dissolution: Proceedings of the H.R. Nicholls Society,* Melbourne, May 2003, http://www.hrnicholls.com.au/archives/vol24/vol24-contents.php, accessed 4 March 2010.

> fiscal crisis leading to liberal reforms is a very old pattern in Western history, reaching back into the late Medieval period. The public sector is more tolerant of waste and failure than the commercial sector.[23]

Similarly, in 1997, Michael Jones of the University of Canberra, writing on welfare reform for the CIS, argued that

> Stagnant or declining economies eventually face pressures to reduce welfare benefits or face a fiscal crisis. Only expanding economies can create the new wealth that is the basis for higher living standards for all.[24]

The necessity of liberal reform in the face of crisis has also been emphasised by a number of other Australian neo-liberals.[25]

Australian neo-liberals have pointed to the ease with which a minimal state could be developed in an era of strong economic growth. Peter Saunders of the CIS, for example, has argued that

> The mass welfare state is no longer required in order to ensure the population enjoys an adequate standard of living. Increasing numbers of people are quite capable of ensuring this for themselves. All they need is the confidence to realise they can flourish without relying on the government to look after them.[26]

The welfare state (in the form it currently operates) is seen as having become historically obsolete due to the gains created by past liberal economic reform and the triumph of liberal democracy in the Cold War. As Warby argued in 2000,

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[23] Warby, 'From Work-fare to Welfare'.

[24] Michael Jones, *Reforming New Zealand Welfare: International Perspectives,* Policy Monograph No. 37, Centre for Independent Studies, Sydney, 1997, p. 1.

[25] On the Asian financial crisis see, for example, Malcolm Gray, 'Foreign Direct Investment and Recovery in Indonesia: Recent Events and Their Impact', *IPA Backgrounder,* Vol. 14(2), August 2002; Michael Backman, 'Why Buy a Piggery?', *IPA Review,* Vol. 51(2), June 1999, p. 16; Peter Swan, 'Asia's Financial Crisis: Its Causes and Likely Impact on Australia', *Policy,* Vol. 14(1), Autumn 1998, pp. 10-16.

[26] Peter Saunders, *The Government Giveth and the Government Taketh Away: Tax Welfare Churning and the Case for Welfare State Opt-Outs,* Policy Monograph No. 74, Centre for Independent Studies, Sydney, 2007, p. 114.

> the shift to individualism is not some ideological delusion, it is a broad social movement founded in rising prosperity, expanding technological possibility and the shift to a services economy, aided by the patent failures of collectivism.[27]

For neo-liberals, belief in the desirability and necessity of market-based reforms is inextricably bound up in a critique of the state. Their preference for minimal government is a product of their scepticism regarding the ability of the state to remedy its inherent flaws. New class and (related) public choice theories, in particular, provide intellectual ballast for neo-liberals' criticism of the state. Political scientist Andrew Denham has noted that one of the central tenants of 'New Right' economics is the notion that "government failure is more prevalent than market failure".[28] Denham points to the influence of the public choice school of thought (developed by, among others, US-based economists James Buchanan and Gordon Tullock) that questions the notion that the state and its servants are motivated by the public good.[29]

Broadly, public choice theorists point to the tendency of government officials to favour their own personal interests – a process that can result in the development of 'bureaucratic empires', entrenched government involvement in market processes and the consequential addition of private parties to the collection of those groups who have a vested interest in preventing the development of freer markets. Public choice theorists commonly point to the rise of a so-called 'new class' of public sector employees who have thrived with the post-war expansion of the welfare state and continue to oppose liberal economic reform in order to protect their positions of relative privilege. As Marian Sawer has noted:

> The 'new class' identified by American neo-conservatives consists in university-educated intellectuals, radicalized by the social movements of the 1960s and with a vested interest in expanding the public sector. This new class speaks a language of public interest and equal

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[27] Michael Warby, 'Fit For the West: The Western Australian Approach to Labour Market Regulation', *IPA Backgrounder,* Vol. 12(4), November 2000, p. 13.
[28] Andrew Denham, *Think-tanks of The New Right,* Dartmouth Publishing Company Limited, Aldershot, 1996, p. 17.
[29] Denham, *Think-tanks of The New Right,* p. 17.

> opportunity, masking their own self-seeking and indifference to 'ordinary' people.[30]

Sawer, along with Cahill and Johnson, has pointed to the manner in which new class discourse was deployed during the Howard years by both political and intellectual figures.[31] During this period neo-liberal think tank publications specialised, as Sawer puts it, "in exposing the cosy conspiracy between rent-seeking 'special interests' and bureaucrats seeking to maximize their budgets".[32]

When public choice theorists query the purity of the motives of public officials, they do so by arguing that all individuals are understandably motivated by self-interest. Chris Berg, a research fellow at the IPA, has applied public choice theory in analysing the expansion of government regulated agencies in Australia. He argued that to adopt a 'public choice' perspective

> is not to disparage the character of the individuals who are employed in these agencies. Instead, the focus is on the *incentives* [Berg's emphasis] faced by those who are in a position to regulate firms. The behaviours described…[in Berg's study]…are systemic; a function of the situation, not of the integrity of the regulators themselves.[33]

Individuals are seen by neo-liberals as competitive and self-interested. In contrast to the results of market-based competition, such self-interest, when directed by government towards supposedly publicly beneficial ends, is

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[30] Marian Sawer, 'Populism and Public Choice in Australia and Canada: Turning Equality-Seekers into 'Special Interests', in Marian Sawer & Barry Hindess, *Us and Them: Anti-Elitism in Australia,* API Network, Perth, 2004, p. 34.

[31] Sawer, 'Populism and Public Choice in Australia and Canada'; Damien Cahill, 'New-Class Discourse and the Construction of Left-Wing Elites', in Marian Sawer & Barry Hindess, *Us and Them: Anti-Elitism in Australia,* API Network, Perth, 2004; Carol Johnson, 'Anti-Elitist Discourse in Australia: International Influences and Comparisons', Marian Sawer & Barry Hindess, *Us and Them: Anti-Elitism in Australia,* API Network, Perth, 2004. See also the various other contributions in Sawer and Hindess, *Us and Them* as well as Bruce Kapferer & Barry Morris, 'The Australian Society of the State: Egalitarian Ideologies and New Directions in Exclusionary Practice', *Social Analysis,* Vol. 47, Iss. 3, Fall 2003, p. 101.

[32] Sawer, 'Populism and Public Choice in Australia and Canada', p. 38.

[33] Chris Berg, *The Growth of Australia's Regulatory State: Ideology, Accountability, and the Mega-regulators,* Institute of Public Affairs, Melbourne, 2008, p. 10.

ultimately destructive. James Buchanan, in an article reprinted in the CIS's *Policy Magazine* in 2003, wrote that public choice theory is "politics without romance" and argued that

> much of the growth of the bureaucratic or regulatory sector of government can best be explained in terms of the competition between political agents for constituency support through the use of promises of discriminatory transfers of wealth.[34]

Public choice theory, according to Buchanan, helps explain why, without the discipline of the market, "bureaucracies tend to grow apparently without limit and without connection to initially promised functions".[35]

Public choice and new class theories are deployed by neo-liberals to support a more basic idea: that the limitations of government action mean that any interference in a market economy results in unintended consequences that, in turn, lead to further political intervention. This notion was famously propounded by Fredrich von Hayek in his war time polemic *The Road to Serfdom.*[36] Arguing that central economic planning inevitably leads to the development of a totalitarian political system, Hayek wrote that "since under modern conditions we are for almost everything dependent on means which our fellow men provide, economic planning would involve direction of almost the whole of our life".[37]

Adopting Hayek's thinking on the inevitability of expanding government intervention, Ray Evans has argued that "once you start regulating you never stop because you are always fixing up the abuses of the mistakes of the previous lot".[38] Similarly, in a Policy Monograph published by the CIS entitled *The Road to Work,* economist Kayoko Tsumori critiqued government efforts to regulate the labour market, arguing that "in a complex world social engineering rarely works as intended. There is such an enormous number of factors operating in any given

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[34] James M. Buchanan, 'Public Choice: Politics Without Romance', *Policy,* Vol. 19(3), Spring 2003, p. 15.
[35] Buchanan, 'Public Choice', p. 18.
[36] Fredrich von Hayek, *The Road to Serfdom,* Sydney, Dymock's Book Arcade Ltd, 1944.
[37] Hayek, *The Road to Serfdom,* p. 89.
[38] Evans interview.

system that no social engineer could possibly take them all into account".[39] The manner in which government intervention inevitably expands due to past failings frequently emerges as a theme in IPA publications.[40]

A further limitation of government action outlined by Hayek and adopted by neo-liberals is the fact that liberal democracies create informational deficits. An example commonly cited by the neo-liberal think tanks is that the benefits of Government intervention to protect vested interests (such as businesses operating under protected conditions) may be concentrated but the costs will often be dispersed, ensuring that political incumbents suffer little electoral damage and that interference in market processes continues.[41] The work of Nobel prize-winning economist Kenneth Arrow has also suggested that voting systems are mathematically unable to aggregate community decisions, an idea at times drawn upon by neo-liberals.[42] Hayek, in *The Road to Serfdom,* demonstrated how such an analysis leads to a limited government agenda, noting that

> there is no justification for the belief that so long as power is conferred by democratic procedure, it cannot be arbitrary; the contrast suggested

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[39] Kayoko Tsumori, *The Road to Work: Freeing Up the Labour Market,* Policy Monograph No. 64, Centre for Independent Studies, Sydney, 2004, p. 79.

[40] See Berg, *The Growth of Australia's Regulatory State,* p. 39; Alan Moran, *Reliability Panel on Guidelines for NEMMCO Market Intervention,* Energy Forum Paper, Institute of Public Affairs, Melbourne, 1998, http://www.ipa.org.au/publications/606/reliability-panel-on-guidelines-for-nemmco-market-intervention/pg/2, accessed 3 February 2010.

[41] See, for example, Tony Warren, 'Telecommunications in Regional and Remote Australia', *IPA Backgrounder*, Vol. 12(2), November 2000, pp. 7-8; Warby, 'From Work-fare to Welfare', p. 14; Ken Phillips, 'Further Reflections on the Master-Servant Relationship', *MUA – Here to Stay… Today! Proceedings of the H.R. Nicholls Society – August 1998,* Vol. 19, http://www.hrnicholls.com.au/archives/vol19/vol19-contents.php, accessed 5 July 2010.

[42] See James Buchanan's critical development of Arrow's ideas: 'Pubic Choice: Politics Without Romance'. The author of this thesis witnessed an application of the ideas developed by Arrow and fellow public choice theorist Duncan Black at presentation by Ivan Pongracic of Hillsdale College at a 2009 conference of the Foundation for Economic Education: Ivan Pongracic, 'Public Choice Economics', Freedom University, Foundation for Economic Education, 2nd June 2009, Irvington, New York.

> by this statement is altogether false: it is not the source but the limitation of power which prevents it from being arbitrary.[43]

By deploying new class and public choice theories, and appealing to the Hayekian notion that one policy intervention inevitably leads to another, neo-liberals have sought to bolster the intellectual case for their preferred 'nightwatchman' state. However, although convinced of the merits of a minimal state, doubts remain in the minds of neo-liberals over exactly how government power may be successfully limited and reduced. As argued in the remainder of this chapter, the acute awareness by advocates of the free market of the limitations of democratic governments (and state-led activity more broadly) has led them to question the extent to which a liberal political system can succeed on its own terms.

Embedding a free economy within a strong state

Some Australian scholars have adopted the thesis that neo-liberalism has 'hollowed out' the ability of states to solve policy problems.[44] In 1997, for example, political scientist Stephen Bell argued that "compared to earlier historic capacities, the Australian state has lost a great deal of economic sovereignty and management capacity."[45] Similarly, R.W. Connell has argued that "neo-liberal 'reforms' that have stripped the state apparatus of much of its steering capacity

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[43] Hayek, *The Road to Serfdom,* p. 71.

[44] Susan Strange, 'The Limits of Politics', *Government and Opposition,* Vol. 30(3), 1995, p. 291. See also Susan Strange, *The Retreat of the State: the diffusion of power in the world economy,* Cambridge University Press, New York, 1996 and R.A.W. Rhodes, 'The Hollowing Out of the State: The Changing Nature of the Public Service in Britain', *The Political Quarterly,* Vol. 65(2), 1994, pp. 138-151. Rhodes' thesis on the hollowing out of the British state has been challenged by Ian Holliday: Ian Holliday, 'Is the British State Hollowing Out?', *The Political Quarterly,* Vol. 71(2), 2000, pp. 167-176.

[45] Stephen Bell, *Ungoverning the Economy: The Political Economy of Australian Economic Policy,* Oxford University Press, Melbourne, 1997, p. 6. Susan Strange has also argued that "the political choices open to government these days have been so constricted by those forces of structural change often referred to as 'globalization' that the differences that used to distinguish government policies from opposition policies are in the process of disappearing": Susan Strange, 'The Limits of Politics', *Government and Opposition,* Vol. 30(3), 1995, p. 291.

have also reduced the political leadership's capacity to determine major events and set the continuing agenda".[46]

Neo-liberalism may indeed have curtailed the functions and powers of the state. In practice, however, scholars have pointed to the way in which the political acceptance of free-market ideas has transformed rather than diminished the state. Economists Michael Howard and John King note that "the [neo-liberal] *doctrine* [their emphasis] is that all, or virtually all, economic and social problems have a market solution, with the corollary that state failure is typically worse than market failure".[47] They argue, however, that, in practice "most neo-liberalization has not emerged as the outcome of a spontaneous Hayekian process, but instead has been legislated and administered by advanced capitalist states".[48] Neo-liberalism "does not necessarily entail a massively reduced 'weight' for states or a reduction in their core power, only that their activities must be significantly restructured and redirected".[49] Similarly, political scientist Paul Langley has pointed to the important role of states in encouraging the growth of finance markets.[50] Langley, reiterating a point made by a number of other scholars,[51] writes that

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[46] R.W. Connell, 'Moloch Mutates: Global Capitalism and the Evolution of the Australian Ruling Class 1977-2002', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class,* Australian Scholarly Publishing, Melbourne, 2004, p. 18.

[47] Michael C. Howard & John E. King, 'The rise of neo-liberalism in advanced capitalist economies: towards a materialist explanation', in Philip Arestis & Malcolm Sawyer (eds), *The rise of the market: critical essays on the political economy of neo-liberalism,* Edward Elgar Publishing, Cheltenham, UK & Northampton, USA, 2004, p. 40.

[48] Howard & King, 'The rise of neo-liberalism', p. 46.

[49] Howard & King, 'The rise of neo-liberalism', p. 40.

[50] See Paul Langley, *World Financial Orders: An Historical International Political Economy,* Routledge, London & New York, 2002.

[51] See, for example, James Manor, 'Politics and the Neo-liberals', in Christopher Colclough & James Manor (eds.), *States or Markets? Neo-liberalism and the Development Policy Debate,* Clarendon Press, Oxford, 1991; Gregory Albo, 'Neoliberalism, the State, and the Left: A Canadian Perspective', *Monthly Review,* Vol. 54 (1), 2002, pp. 46-55; Andrew Gamble, 'Two Faces of Neo-Liberalism', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillan, Houndmills & New York, 2006; Richard Robinson, 'Neo-liberalism and the Market State: What is the Ideal Shell?', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillan, Houdmills & New York, 2006.

> at base, states make markets. In this sense… 'deregulation' is, in effect, 're-regulation' as states make new rules framing practices undertaken in market institutions while continuing to guarantee property rights, contracts and currencies.[52]

In analysing the process of free-market reform undertaken in Australia over the last three decades, a number of Australian scholars have also pointed to the on-going role played by the state in economic affairs. Activist and academic Damien Grenfell has argued that

> capitalism does not exist in some unfettered form. In a whole range of ways the state in Australia continues to contribute significantly to the regulatory, legal and ideological infrastructure, so as to secure the necessary preconditions for the advancement of 'free market' economics.[53]

Cahill has described the neo-liberal political project as one that seeks to "reorganize capital and the state".[54] Anthropologist Martin Forsey has also pointed to the dangers of over-emphasising individual liberty at the expense of an examination of the role of the state when studying neo-liberalism.[55] While Connell, as noted above, has argued that neo-liberalism has reduced state power, she also acknowledges the on-going (albeit indirect) use of state power "to create markets where they did not exist before, and to wreck or corrode public institutions and cooperatives that provided alternatives to market relationships".[56]

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[52] Langley, *World Financial Orders,* p. 111. A similar focus on the 're-regulatory' tendency of neo-liberalism is found in Yildiz Atasoy, *Hegemonic Transitions, the State and Crisis in Neoliberal Capitalism,* Routledge, London & New York, 2009.

[53] Damian Grenfell, ' 'Getting the Government Off Our Back'?: The Ruling Class and New Trends in the State's Management of Dissent', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class,* Australian Scholarly Publishing, Melbourne, 2004, p. 70.

[54] Damien Cahill, 'Contesting Hegemony: The Radical Neo-Liberal Movement and the Ruling Class in Australia', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class*, Australian Scholarly Publishing, Melbourne, 2004, p. 101.

[55] Martin Forsey, *Challenging the System?: A Dramatic Tale of Neoliberal Reform in an Australian High School,* Information Age Publishing, Charlotte (USA), 2007, p. 17.

[56] R.W. Connell, 'Moloch Mutates', p. 6.

Free-market ideology could still significantly 'hollow out' or even destroy the state despite the reliance by the former on the later. Such a reality, however, has arguably yet to emerge as governments remain significant players in economic affairs.

In acknowledging that neo-liberalism in practice entails the transformation, rather than the marginalisation, of the state, scholars have sought to explain why some prominent free-market political regimes (such as those led by Margaret Thatcher and Ronald Reagan) failed to reduce the size of the governments they led. Generally, these efforts to explain the way in which neo-liberalism affects the relationship between the state and the market have led to three distinct theses. The first thesis is the notion that rather than rolling back the state, neo-liberalism redirects its focus towards protecting the interests of capital. As outlined in the first chapter, a number of critics of neo-liberalism such as David Harvey and Naomi Klein and, within Australia, Verity Burgmann and Damien Cahill have adopted this approach.

Secondly, scholars have argued that neo-liberalism requires a strong state, and thus in some significant areas decides to expand its authority. This argument has been advanced most prominently by Gamble. In his influential interpretation of Thatcherism and the 'New Right' published in 1988, Gamble argued that

> To preserve a free society and a free economy the authority of the state has to be restored. Apart from its libertarian wing all strands of New Right opinion see this as essential. This is why the phrase which best summarises the doctrine of the New Right and the hegemonic project which it has inspired is 'free economy/ strong state'.[57]

More recently, Gamble has outlined the relationship between free-market thinking and a strong state ethos within neo-liberal thought, noting that

> There is [in neo-liberalism]….a…. laissez-faire strand – the belief that the best policy is to allow markets to operate with as few impediments as possible – and there is a social market strand – which believes that

[57] Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism,* Macmillan Education Ltd, London, 1988, p. 28.

> for the free market to reach its full potential the state has to be active in creating and sustaining the institutions that make that possible.[58]

Gamble suggests that both strands of neo-liberalism reserve a role for government, though in different ways. In the laissez-faire strand

> the role of the state is primarily to remove obstacles to the way in which markets function, while in the second the state also has the role and responsibility to intervene to create the right kind of institutional setting within which markets can function.[59]

Developing Gamble's 'free economy/ strong state' thesis, some scholars have argued that 'neo-conservatism' rather than 'neo-liberalism' has been politically predominant. Political economist Akram-Lohhi Haroon, for example, has argued that given the continual dominance of the role of the state in economic affairs "it is not neo-liberalism but rather neo-conservatism that has been a dominant political ideology in the advanced capitalist countries for at least the last 30 years".[60] He distinguishes this position from Harvey's notion that "neo-conservatism is, in many ways, a logical outcome of prolonged neo-liberalism".[61]

These lines of argument often lead into a third distinct thesis that posits that neo-liberalism encounters so many practical and political issues in its implementation that, in practice, it is not possible to rollback the state. Adopting a similar approach to Harvey, Overbeek and van der Pijl, for example, have suggested that "neo-conservatism provides the neo-liberal bourgeoisie with an effective 'politics of support'"[62] while, more recently, William Tabb provided support for Haroon's thesis by outlining how the Bush Doctrine of pre-emptive global

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[58] Gamble, 'Two Faces of Neo-liberalism', pp. 21-22.
[59] Gamble, 'Two Faces of Neo-liberalism', p. 22.
[60] A. Haroon Akram-Lodhi, 'What's in a Name? Neo-conservative Ideology, Neo-liberalism and Globalization', in Richard Robinson (ed.), *The Neo-Liberal Revolution*, Palgrave MacMillan, Houdmills & New York, 2006, p. 157.
[61] A. Haroon Akram-Lodhi, 'What's in a Name?', p. 157; David Harvey, *A Brief History of Neoliberalism,* Oxford University Press, Oxford & New York, 2005, pp. 82ff.
[62] Henk Overbeek & Kees van der Pijl, 'Restructuring Capital and Restructuring Hegemony: Neo-liberalism and the unmaking of the post-war order', in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Traditional Neo-liberalism in the 1980s,* Routledge, London, 1993, p. 15.

intervention "represents a setback for the type of globalization envisioned by most neo-liberals".[63] For Tabb, the difficulties encountered by Bush's amorphous doctrine of promoting 'freedom' through regime change had actually "reversed the openness of goods, people and investments which Clinton-era multilateral foreign policy had achieved".[64]

In the Australian context Manne has suggested that the Howard Government embraced both 'neo-conservatism' and 'neo-liberalism'.[65] Australians Marcus Smith and Peter Marden, citing the work of American linguist George Lakoff, have also outlined the related influence of both neo-liberalism and neo-conservatism during the Howard years.[66] Other commentators, however, have emphasised the conservative aspects of Howard's policies that sit uneasily alongside neo-liberal ideology.[67]

The exact relationship between the contemporary state and the market remains contested in both the literature on neo-liberalism and on the Howard years. For the purposes of this thesis, however, it is important to note that the laissez-faire strand of neo-liberal thought outlined by Gamble[68] has yet to gain political dominance in the sense that contemporary states remain sizeable and significant players in contemporary economic and political affairs. The embrace by a number of governments of free-market polices that are synonymous with neo-liberalism, such as privatisation and deregulation, has not coincided with a

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[63] William K. Tabb, 'Mr Bush and Neo-liberalism', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* International Political Economy Series, Palgrave MacMillan, Houdmills & New York, 2006, p. 192.
[64] Tabb, 'Mr Bush and Neo-liberalism', p. 192.
[65] See Robert Manne, 'What Went Wrong?', in Peter van Onselen (ed.), *Liberals and Power: The Roads Ahead,* Melbourne University Press, Carlton, 2008.
[66] Marcus Smith & Peter Marden, 'Conservative Think Tanks and Public Politics', *Australian Journal of Political Science,* Vol. 43(4), December 2008, pp. 699-717.
[67] See, for example, Elizabeth Hill, 'Howard's 'Choice': The ideology and politics of work and family policy 1996-2006', *Australian Review of Public Affairs: Symposium: A Decade of Howard Government,* 23 February 2006, http://www.australianreview.net/digest/2006/02/hill.html, accessed 16 October 2009; Wayne Errington & Peter van Onselen, *John Winston Howard,* Melbourne University Press, Melbourne, 2007, pp. xi, 52-53.
[68] Gamble, 'Two Faces of Neo-Liberalism', pp. 21-22.

significant reduction in the size of the state. Given the gap between aspects of neo-liberal theory and free-market political practice, it is necessary to caution against viewing neo-liberalism as a general global process. As Phillip O'Neill and Natalie Moore have noted in the Australian context "neoliberalism is a powerful driver of organisational change. However, its existence within an organization guarantees neither domination nor relative permanence".[69]

Gamble has warned again reifying neo-liberalism.[70] Similarly Thirkell-White has noted that

> the neo-liberal agenda, like all ideological projects, has been difficult to implement and has had to respond to a variety of political situations. In the process, the ideological consistency and coherence of the ideas behind the high neo-liberalism of the 1980s has been fractured and reconfigured by the social forces it has confronted.[71]

The free economy/strong state literature highlights an ongoing debate occurring within the neo-liberal school of thought as to how to structure and direct the activities of the state in order to promote the development of a liberal free-market order. As Garry Rodan has noted

> neo-liberalism is a dynamic and, at times, problematic amalgamation of interests and ideologies….. the question at the heart of the contemporary dispute [within neo-liberalism] is, what forms of state power will enable neo-liberalism to flourish into the future?[72]

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[69] Phillip O'Neill & Natalie Moore, 'Real Institutional Response to Neoliberalism in Australia', *Geographical Research,* Vol. 43(1), 2005, p. 21.
[70] Gamble, 'The Two Faces of Neo-Liberalism'. p. 34.
[71] Ben Thirkell-White, 'The Wall Street – Treasury – IMF Complex after Asia: Neo-liberalism in Decline?', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* International Political Economy Series, Palgrave MacMillan, Houdmills & New York, 2006, p. 135. Wendy Larner also notes that "it is important for analysts to avoid unwitting re-inscription of the hegemony of the very political formation they wish to contest". See Wendy Larner, 'Neoliberalism in (Regional) Theory and Practice: the Stronger Communities Action Fund in New Zealand', *Geographical Research,* Vol. 43(1), 2005, p. 9.
[72] Garry Rodan, 'Neoliberalism and Transparency: Political versus Economic Liberalism', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* International Political Economy Series, Palgrave MacMillan, Houdmills & New York, 2006, p. 197.

These concerns were central in the minds of Australian neo-liberals during the Howard years. Debates within neo-liberalism continued rather than diminished as free-market reforms were implemented. Below, the attempts by some Australian neo-liberals to limit and define the activities of the state through the setting of broad constitutional limits are explored before the neo-liberal approach to the involvement of the state in creating and sustaining free markets is examined.

Creating a constitution of liberty

As noted in the previous chapter of this thesis, a key tension exists within the work of leading neo-liberal philosopher Friedrich von Hayek. This tension is between, on the one hand, Hayek's understanding of free markets as having evolved in order to meet the needs of complex modern societies and thus being incapable of being successfully engineered by conscious intervention, and, on the other, his awareness that it is necessary to develop and protect a general framework of laws and institutions to sustain a liberal order.

The task taken on by Hayek of designing and sustaining a framework of government in order to fulfil liberal goals was picked up by subsequent neo-liberals. The American economist James Buchanan, for example, has advocated a series of constitutional limitations in order to, in the words of John Gray, ground "common constitutional principles on an uncompromising individualist ethical foundation".[73] Indeed, Buchanan criticised Hayek for placing too much faith in the power of evolutionary processes to solve social problems.[74] Buchanan has advocated the introduction of constitutional limitations to prevent governments running budget deficits.[75] However, like Hayek, he has struggled

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[73] John Gray, *Liberalism,* Open University Press, Milton Keynes, 1986, p. 56.
[74] James Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan*, University of Chicago Press, Chicago, 1975, p. 179, cited in Kukathas, *Hayek and Modern Liberalism,* p. 214.
[75] See James M. Buchanan, 'The Limits of Taxation', in Michael James (ed.), *The Constitutional Challenge: Essays on the Australian Constitution, constitutionalism and parliamentary practice,* Centre for Independent Studies, Sydney, 1982. See also Kerry Schott, 'The Challenge to Equity and Fairness', in

to reconcile his belief in the need for constitutional change with "an unwillingness to engage in the task of normative ethical construction".[76]

In continuing to debate how best to structure the activities of government during the Howard years, neo-liberals confronted perennial questions that also challenged their liberal forbears, in particular: what is the respective role of central banks, floated currencies, and constitutions in promoting a minimal government framework? They also questioned the likelihood of political leaders adopting a policy agenda that effectively limits their own discretion. During the Howard years, some of these questions took on increased significance for neo-liberals as the government sought to centralise power in some areas.

Wolfgang Kasper, previously a Senior Research Fellow at the CIS, has been a key advocate of limiting the involvement of government in the economy through the introduction of constitutional restrictions. Hyde has noted the significant influence Kasper has had upon free-market think tanks and the 'dry' movement.[77] Reflecting the interest of the Austrian school of economics in institutional design, Kasper has commented upon "the importance of simple, stable and universal institutions (i.e. rules with sanctions for violations) in coordinating human conduct in the economy and in establishing trust".[78] For Kasper the adoption of general rules can tackle some of the detrimental aspects of democratic political systems, allowing economic and personal freedoms to flourish:

> certain simple rules of an overriding, constitutional quality could constrain self-seeking political groups and their allies. Appropriate

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Ken Coghill (ed.), *The New Right's Australian Fantasy,* McPhee Gribble/Penguin Books, Ringwood (Vic), 1987, p. 48.

[76] Kukathas, *Hayek and Modern Liberalism,* p. 214. The monetarist school of thought to which Buchanan belonged had earlier been influential in shaping the views of Australian based free-market economist and CIS board member Heinz Arndt: Peter Coleman, Selwyn Cornish, Peter Drake, *Arndt's story: the life of an Australian economist,* Asia Pacific Press, Canberra, 2007, p. 170.

[77] John Hyde, interviewed by Andrew Thackrah, 9 February 2009.

[78] Wolfgang Kasper, *Property Rights and Competition: An Essay on the Constitution of Capitalism,* Policy Monograph No. 41, Centre for Independent Studies, Sydney, 1998, p. 2.

> rules can create better predictability, which allows enterprising people to concentrate on their own aspirations and capabilities.[79]

Drawing on the work of Hayek and Buchanan, Kasper advocated the adoption of constitutional rules lifting parliamentary voting majorities, imposing sunset clauses on government programs, placing formal limits on the size of the budget and government tax intake, and introducing automatic indexation of income tax levels.[80] He even suggested that Hayek's proposal for a 'Legislative Assembly' - a body designed to protect the autonomy of the individual and develop the general framework of laws within which government decisions are made - "could play the role of a independent High Court in Australia".[81] The apparent contradiction was not lost on Kasper in that, having learned the lessons of the failure of a previous ideology of collectivism, it appeared that a new organised political program was required. He noted that

> Paradoxically, the undoing of Australia's creeping collectivism and the implementation of the lessons of constitutional economics will require collective action. Political entrepreneurs, who see a career opportunity by pushing institutional reform, have to undo the pervasive collective activism of earlier generations.[82]

Preceding Kasper's rallying cry, the CIS had already begun examining programs of institutional reform. In a monograph published in 1997, economist and CIS fellow Stephen Kirchner explored the topic of central bank reform.[83] He commented on the existence of a conflict between "the desire to insulate monetary policy from political influences and recognition that monetary policy

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[79] Kasper, *Property Rights and Competition,* p. 2.
[80] Kasper, *Property Right and Competition,* p. 113.
[81] Kasper, *Property Rights and Competition,* p. 111. Hayek's Legislative Assembly was to possess very limited democratic features – in order to be isolated from the influence of vested interests it was to be elected for a long period (such as fifteen years) by all persons in the community of a certain age (for example, forty-five years old) and upon retirement its members were to remain publicly employed as lay judges: see A.I. Ogus, 'Law and Spontaneous Order: Hayek's Contribution to Legal Theory', *Journal of Law and Society,* Vol. 16(4), Winter 1989, pp. 401- 402.
[82] Kasper, *Property Rights and Competition,* p. 123.
[83] See Stephen Kirchner, *Reforming Central Banking,* Policy Monograph No. 36, Centre for Independent Studies, Sydney, 1997.

has political implications stemming from its effects on the real economy".[84] Kirchner then pointed to the desirability of developing a "monetary regime geared to securing inflation outcomes that are predictable within a narrow range".[85] Concerned that an independent central bank could pursue a range of policy options other than fighting inflation, Kirchner, like Kasper, turned to constitutional reform, suggesting the "entrenchment of a one-off central bank contract".[86]

Other Australian neo-liberals have also explored the possibility of further developing constitutional limitations on the role of government. In an *IPA Backgrounder* published in 1996, for example, legal academic Suri Ratnapala, expressing concern about the apparent unwillingness of the High Court to enforce the constitutional separation of powers doctrine, argued that

> In the past, the public interest has been too closely associated with the facilitation of government. It is therefore necessary to create awareness of the public interest in the disciplining of government. It is necessary to make constitutionalism an issue in politics and social policy.[87]

The then President of the H.R. Nicholls Society, Ray Evans, has also expressed the hope that a constitutional referendum could remove the industrial relations power from the Commonwealth Constitution[88] and that the corporations power would be used to introduce legislation which, "nothwithstanding any other Act of Parliament, declared any valid contract of employment, freely entered into by a corporation and an employee, to be lawful".[89]

The proposals outlined above for developing a 'constitution of liberty' have not gone uncontested. In the summer 1998-1999 issue of *Policy* graduate student

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[84] Kirchner, *Reforming Central Banking,* p. 20.
[85] Kirchner, *Reforming Central Banking*, p. 20.
[86] Kirchner, *Reforming Central Banking,* p. 72.
[87] Suri Ratnapala, "Administrative regulation in Australia', *IPA Backgrounder,* February 1996, Vol. 8(1), p. 9.
[88] Ray Evans, 'A Retrospective', *Tenth Anniversary Conference – Proceedings of the HR Nicholls Society,* Melbourne, May 1996, http://www.hrnicholls.com.au/archives/vol17/vol17-contents.php, accessed 4 March 2010.
[89] See, for example, Evans, 'The Bills We Need'.

Adam Mikkelsen expressed the hope that the development of the internet would undermine the central bank's monopoly over money supply. Citing Hayek, Mikkelsen noted that "private money has long been a goal of a number of advocates of the free market, who have primarily viewed it as the means to control inflation",[90] and argued that "digital cash" may end the government's monopoly over the money supply. [91] Kirchner, while advocating a 'tighter' agreement between central banks and governments, also concluded his study by pointing to the desirability of the development of 'free banking' that would see the removal of the role of central banks in regulating the supply of money and thus, presumably, the private issuing of money.[92]

The Mont Pelerin Society had previously discussed the possible use of the gold standard in order to create a stable international monetary environment immune from government action – an idea that frequently emerges in neo-liberal thought.[93] Mikkelson held out a hope that technological developments would increase the likelihood of free-market economic outcomes, noting that

> advances in technology, in particular computer and communication technology, have reduced the power of governments to control information, and already contributed to the downfall of communist states.[94]

Kirchner, while more cautious, also shared the optimistic view that markets would effectively make constitutional restrictions obsolete.[95] A similar tension between technological triumph and constitutional or legal restraint also exists within neo-liberal circles regarding whether intellectual property rights are foundational or actually stymie genuine market activity.[96]

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[90] Adam Mikkelson, 'Electronic Money and the Market Process', *Policy,* Vol. 14(4), Summer 1998-1999, pp. 10-15.
[91] Mikkelson, 'Electronic Money', p. 10.
[92] Kirchner, *Reforming Central Banking,* Chap 7: Conclusion.
[93] R.M. Hartwell, *A history of the Mont Pelerin Society,* Liberty Fund, Indianapolis, 1995, p. 119.
[94] Mikkelson, 'Electronic Money', p. 10.
[95] Kirchner, *Reforming Central Banking,* Chap. 7: Conclusion.
[96] See, for example, Lauchlan Chipman, *What Governments Can't Know*, Occasional Paper No. 77, Centre for Independent Studies, Sydney, 2001, p. 12; Alan Moran, 'Trade Laws and Pharmaceuticals: Trade-Related Aspects of

It is clear that a divide remains in neo-liberal thought between a faith in the virtues of attempting to direct and thus limit the course of government activity (typified by Kasper's work) and an alternative belief that limited government will only emerge through exogenous factors such as technological developments or moments of crisis.[97] Neo-liberals have confronted the central paradox outlined by Gamble:

> that their revolution in government requires that a group of individuals be found who are not governed by self-interest, but are motivated purely by the public good of upholding the rules of the market order. Yet if such a group existed it would contradict a basic premise of neo-liberal analysis.[98]

The proposals advanced by neo-liberals for constitutional reform, noted above, were outlined during the early years of the Howard Government. Already at this stage Australian neo-liberals were beginning to express concerns regarding the Government's willingness to limit its own involvement in the economy. Kasper noted that the Howard Government had complicated the industrial relations system through "policy activism"[99] – a criticism echoed by Ray Evans.[100] Greg Lindsay also argued that an exchange of letters between Treasurer Peter Costello and the Governor of the Reserve Bank essentially agreeing that the bank should

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Intellectual Property Rights (TRIPS)', *IPA Review,* Vol. 53(4), December 2001, p. 25. While the IPA's 'Trade & IP Unit' remains committed to highlighting " the value of intellectual property to Australia's economy" (Institute of Public Affairs, 'Trade & IP Unit', http://www.ipa.org.au/sectors/trade-ip-unit, accessed 22 January 2012), Jason Soon of the CIS has outlined how traditional, state-derived, intellectual property (IP) law may become obsolete as private IP rights are developed in cyberspace: Jason Soon, 'The Evolution of Private Intellectual Property Regimes in Cyberspace', *Policy*, Vol. 15(4), Summer 1999-2000, pp. 35-39.

[97] The significance of moments of crisis in neo-liberal thought is discussed further below and is explored more broadly in David Harvey, 'Neo-liberalism as Creative Destruction', *Geografista Annaler, Series B: Human Geography,* Vol. 88(2), 2006, pp. 145-158; Naomi Klein, *The shock doctrine: The Rise of Disaster Capitalism,* Allen Lane, Camberwell, 2007.

[98] Gamble, 'The Two Faces of Neo-Liberalism', p. 28.

[99] Kasper, *Property Rights and Competition,* p. 17.

[100] Evans, 'The Bills We Need'.

target inflation created inadequate incentives for enforcement, leaving the risk that the Bank would focus upon other economic indicators.[101]

As the Howard years progressed neo-liberals had reason to be less optimistic regarding government's willingness to demonstrate constitutional self-restraint. Kasper's proposal for a 'constitution of liberty' and Kirchner's suggestions for central bank reform remained unrealised as free-market advocates confronted the dilemma that it may be necessary to rely on governmental power in order to limit the state.

Federalism and neo-liberalism during the Howard years

For neo-liberals in federal states such as Australia and the United States, federalism is the ideal constitutional framework for promoting liberty. In early 2009, discussing the role of local governments in Australia, Oliver Marc Hartwich of the CIS commented that despite calls by Kapser and CIS colleague Geoffrey de Q. Walker "for more competition between Australia's states, for bringing government closer to the people, and for making sub-national government more accountable and independent of the Commonwealth government",[102] the task of "reviving Australian federalism remains unfinished business until today, and the CIS is still hosting events and published papers on the same subject".[103] Indeed the process by which the Howard Government centralised and strengthened a number of the Commonwealth's constitutional powers (such as the corporations power) led Australian neo-liberals to again focus on how to structure the activities of the state. The Howard years, however, also led to some division among neo-liberals regarding the extent to which centralised government powers could be bolstered to enhance market oriented goals.

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[101] Greg Lindsay, 'Foreward', in Stephen Kirchner, *Reforming Central Banking,* Policy Monograph No. 36, Centre for Independent Studies, Sydney, 1997, pp. xi-xii.

[102] Oliver Marc Hartwich, *Beyond Symbolism: Finding a Place for Local Government in Australia's Constitution*, CIS Issue Analysis*,* No. 104, 22 January 2009, p. 1.

[103] Hartwich, 'Beyond Symbolism', p. 1.

Australian neo-liberals have, on the whole, demonstrated a clear preference for federal political structures. Indeed, a number of them, such as Des Moore and Ray Evans, have been active members of the pro-federalist Sir Samuel Griffith Society.[104] Law Professor Geoffrey de Q. Walker has led the defence of federal arrangements in Australia for the CIS, arguing in 2001 that intergovernmental bodies and the symbolic power of the states should be strengthened and decisions should be made by the states in the absence of an overriding imperative for national action.[105] Walker explained that:

> in a properly working federation government is more adaptable to the preferences of the people, more open to experimentation and its rational evaluation, more resistant to shock and misadventure, more politically efficient and more stable. Its decentalised, participatory structure is a buttress of liberty, a counterweight to elitism, and a seedbed of 'social capital'.[106]

According to Walker, an enhanced federal structure has the potential to foster traditional, but threatened, Australian qualities of "responsibility and self-reliance".[107] This preference for federal structures logically follows from a suspicion of large scale public planning. CIS researcher Richard Carling, for example, has argued that federalism is an essential part of free-market thinking. Carling suggests that in Australia the two strands of thought have tended to go together as "federalism[…] is a way of limiting the power of government by… breaking up… power and pushing it down to lower levels".[108] Neo-liberals are also often attracted to federalism as it can allow for different political jurisdictions to compete with each other in offering lower taxing regimes.[109]

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[104] See The Sir Samuel Griffith Society, 'All Proceedings by Author', http://www.Samuelgriffith.org.au/all-papers-by-author/#anchor5 , accessed 8 January 2012.
[105] See Geoffrey de Q. Walker, *Ten Advantages of a Federal Constitution: And How to Make the Most of Them,* Policy Monograph No. 49, Centre for Independent Studies, Sydney, 2001.
[106] Walker, *Ten Advantages of a Federal Constitution,* p. 63.
[107] Walker, *Ten Advantages of a Federal Constitution,* p. 63.
[108] Robert Carling, interviewed by Andrew Thackrah, 29 April 2009. See also Walker, *Ten Advantages of a Federal Constitution,* p. 34.
[109] Walker, *Ten Advantages of a Federal Constitution,* p. 37.

In mid-1994, the IPA commenced a *Federalism Project* with the aim of "rehabilitat[ing] Federalism as an institution offering considerable, if neglected, economic and political strengths".[110] Writing in an issues paper series linked to the project in 1996, Wolfgang Kasper again demonstrated the need for conscious action to develop and protect a liberal economic and political order, advocating a

> 'treaty of subsidiary disarmament' between Australian governments to ban selective hand-outs and to confine inter-State competition to general policy measures that offer competitive tax regimes and attractive public services to all comers without discrimination.[111]

Kasper was essentially trying to develop a framework that would foster the positive aspects of federalism while removing the negative – in particular the tendency for rivalry between states to encourage "administrative and political irresponsibility".[112] Ironically, Kasper conceded that a 'treaty' between the governments of Australia would need to be monitored and enforced by a federal agency such as the National Competition Council or the Industry Commission.[113]

Neo-liberals offered some limited praise during the Howard years for the manner in which funding from the Goods and Services Tax (introduced by the Commonwealth Government in July 2000) was earmarked for spending by state governments. Walker argued, for example, that

> [b]y making it possible to cut federal income tax levels (with perhaps more cuts to come), it [the GST] will boost the states' share of total tax revenues. This will enable (or require) them to resume some of the

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[110] Wolfgang Kasper, *Competitive Federalism Revisited: Bidding Wars, or Getting the Fundamentals Right?,* The Federalism Project, Issues Paper No. 5, Institute of Public Affairs States Policy Unit, Perth, February 1996, inside cover. See also Wolfgang Kasper, *Competitive federalism: promoting freedom and prosperity,* The Federalism Project, Issues Paper No. 3, Institute of Public Affairs, West Perth, 1995.

[111] Kasper, *Competitive Federalism Revisited,* p. ix.

[112] Kasper, *Competitive Federalism Revisited,* p. vii.

[113] Kasper, *Competitive Federalism Revisited,* pp. 23-24. Mike Nahan, the former Executive Director of the IPA, and now member of the Western Australian parliament, has also been a strong defender of a federal political system. See Mike Nahan, 'Federalism is the Key', *IPA Review,* Vol. 49(2), 1996, pp. 39-41; Mike Nahan, 'From the Editor', *IPA Review,* Vol. 54(4), December 2002, p. 2.

> functions latterly taken over by the Commonwealth. This in turn will enlarge the scope of competitive federalism.[114]

Carling also stated that the introduction of the GST would lead to a more efficient national taxation system, with the states able to give up "some of their decrepit, third world taxes and the old financial assistance grants from the Commonwealth".[115]

On the whole, however, neo-liberals were concerned by what they perceived to be a trend towards the centralisation of political power within Australia's federal system during the Howard years. With respect to the introduction of the GST, Carling has argued that while it was worthwhile from a narrow tax policy perspective, the new tax did not advance the cause of federalism at all as it failed to increase the autonomy of the states.[116] Howard, according to Carling, was not a true federalist, and was playing to populist sentiment by stating that it does not matter which level of government carries out a political task.[117] Howard's promise in the lead-up to the 2007 election that the Commonwealth would take over the running of a hospital in Tasmania was also criticised by Carling on federalist grounds.[118]

Carling's concerns regarding the shift in the balance of the federal distribution of power during the Howard years were shared by a number of key members of the H.R. Nicholls Society. Several critics saw the Howard Government's *WorkChoices* industrial relations reforms, which came into effect in March 2006, as embodying a neo-liberal philosophy.[119] Yet, as noted earlier, the Society's

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[114] Walker, *Ten Advantages of a Federal Constitution,* p. 52.

[115] Robert Carling, 'Fiscal federalism robs the states of self-reliance', *CIS Executive Highlights,* No. 410, http://www.cis.org.au/executive_highlights/EH2006/eh41006.html, accessed 10 March 2010.

[116] Carling interview.

[117] Carling interview.

[118] Robert Carling, 'Dismantling federalism, one hospital at a time', CIS Executive Highlights, No. 492, 15 March 2010, http://www.cis.org.au/executive_highlights/EH2007/eh49207.html, accessed 1 October 2012.

[119] Historian Bradon Ellem links *WorkChoices* to a 'neo-liberal' paradigm, though he notes the contradictions this association gives rise to regarding state

founding President, John Stone, in complaining that the reforms had maintained unfair dismissal laws, also criticised the Government for centralising industrial relations powers in a new federal body known as the Fair Pay Commission.[120] Stone, in particular, lamented that the Government's new legislation had been achieved "by the prostitution of the corporations power (s. 51(xx) of the Constitution)".[121] He suggested that if the Government's reliance on the corporations power was upheld by the High Court (as it eventually was in November 2006)[122] it would "be able to do almost anything – anything involving a corporation".[123] Appearing on ABC TV in March 2006, Ray Evans, the Society's current President, suggested that the reforms were "rather like going back to the Old Soviet system of command and control where every economic decision has to go back to some central authority and get ticked off".[124] Evans suggested that

> [h]e [John Howard] is a centralist, he's the most centralist prime minister we've had, I think, since Gough Whitlam. This attempt on his part to diminish the role of the states, to concentrate all power in Canberra, is very much to Australia's detriment.[125]

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intervention: Bradon Ellem, 'Beyond Industrial Relations: WorkChoices and the Reshaping of Labour, Class and the Commonwealth', *Labour History,* No. 90, May 2006, p. 216. See also Damien Cahill, 'Labo(u)r, the boom and the prospects for an alternative to neo-liberalism', *Journal of Australian Political Economy,* No. 61, June 2008, p. 332; Rob Durbridge, 'WorkChoices: the low road to nowhere?', The Centre for Policy Development, 21 July 2006, http://www.cpd.org.au/article/workchoices-low-road-nowhere%3F, accessed 6 July 2010; Christopher Sheil, 'The State of Industrial Relations', The Evatt Foundation, http://evatt.labor.net.au/publications/books/204.html, accessed 6 July 2010.

[120] John Stone, 'The Origins and Influence of the H.R. Nicholls Society', *Let's Start All Over Again: Proceedings of the H.R. Nicholls Society,* Sydney, March 2006, http://www.hrnicholls.com.au/archives/vol27/vol27-3.php, accessed 11 March 2010.

[121] Stone, 'The Origins and Influence of the H.R. Nicholls Society'.

[122] See New South Wales v Commonwealth [2006] HCA 52; 81 ALJR 34; 231 ALR 1 (14 November 2006).

[123] ABC TV Inside Business, 'IR changes bring unlikely alliances', 26 March 2006, http://www.abc.net.au/cgi-bin/common/printfriendly.pl?http://www.abc.net.au/insidebusiness/content/2006/s1600985.htm, accessed 12 March 2010.

[124] ABC TV Inside Business, 'IR changes bring unlikely alliances'.

[125] ABC TV Inside Business, 'IR changes bring unlikely alliances'. Chris Berg of the IPA has also criticised the manner in which the *WorkChoices* reforms

In noting his objections to the Government's reliance on s. 51(xx) of the Constitution, Stone acknowledged that his view on the topic "may not be universally shared within our Society".[126] Stone was perhaps hinting at the existence of a divergence of opinion within the H.R. Nicholls Society regarding the role of government in developing a liberal industrial relations system. While Stone and Evans complained that *WorkChoices* undermined Australia's federal system of government, other members of the Society had actively encouraged an expansion and centralisation of political power. At the May 2003 meeting of the Society, held in Melbourne, commercial solicitor (and current Society President) Adam Bisits proposed that the Commonwealth utilise the corporations power in order to bring about a simplification of the country's industrial relations system.[127] Envisaging a legislative provision providing that "such employment contracts to which the corporation was party… should exclusively regulate the employment relationship".[128] Bisits noted that

> A general freedom to make contracts of employment necessarily involves a contraction of the roles of the states. It calls into question the role of the state industrial tribunals and awards generally.[129]

Bisits also advocated the setting of a single minimum wage rate by the Australia Industrial Relations Commission, without variation by state based tribunals.[130]

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sidelined state governments: Chris Berg & Richard Allsop, interviewed by Andrew Thackrah, 16th February 2009. See also Ken Phillips' comment that "WorkChoices removed union legal authority over workers, but rather than delivering power to bosses, it transferred power to government": Ken Phillips, 'The construction reforms – not WorkChoices – were the real industrial relations issues in the 2007 campaign', *IPA Review*, Vol. 59(4), 2008, p. 20. Unusually, however, Phillips criticised the Howard Government's removal of the no-disadvantage test (guaranteeing that no workers would be worse off under a private contract) as being in defiance of "basic rule of law concepts" (p. 20).

[126] Stone, 'The Origins and Influence of the H.R. Nicholls Society'.

[127] Adam Bisits, 'Can the Corporations Power be Used to Limit the Regulation of Employment Contracts in Australia?', *Lining up the Bills: Preparing for a Double Dissolution, Proceedings of the H.R. Nicholls Society*, Melbourne, May 2003, http://www.hrnicholls.com.au/archives/vol24/vol24-3.php, accessed 1 October 2012.

[128] Bisits, 'Can the Corporations Power be Used'.

[129] Bisits, 'Can the Corporations Power be Used'.

[130] Bisits, 'Can the Corporations Power be Used'.

Bisits noted that he was, in turn, drawing on a study published by the IPA in 2003, which he claimed "shows the way to a further use of the corporations power to regulate the terms of employment of company employees".[131] Ironically, at the same meeting Ray Evans also favoured the use of the corporation power to implement the legislative provision advocated by Bisits, arguing that

> there has to be a clause inserted into an Act which does not employ the Industrial Relations power as its constitutional head of power. The corporations power is such an instrument.[132]

Evans did not, however, spell out the exact implications of this suggestion for the involvement of the states in the area of industrial relations.

The difference of opinions within the H.R. Nicholls Society regarding the use of the corporations power is a symptom of divisions among neo-liberals regarding the extent to which it is necessary to co-opt and even expand the powers of government in order to develop a limited state framework. It is unsurprising that these divisions emerged among Australian neo-liberals during the Howard era as the Government's attempt to develop a number of key markets (such as those relating to health and schooling) actually saw it expand its own level of expenditure. Reflecting on this reality in the summer 2006-2007 edition of *Policy* Andrew Norton acknowledged the existence of a key dilemma faced by neo-liberals: that the very involvement of governments in developing free markets can compromise a small government agenda.[133] In relation to the Howard Government Norton noted that

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[131] Bisits, 'Can the Corporations Power be Used'. With reference to the IPA report Bisits cites an article by Ken Phillips that does not directly address the issue of the corporations power. Bisits may have had in mind a subscription-only *Capacity to Manage* report produced by the IPA or may simply have been implying that the logical conclusion of the IPA's research was that such use of the corporations' power needed to be contemplated. See Ken Phillips, 'Avoiding an EBA's shackles', *The Australian Financial Review,* 9 April 2003, pp. 60-61.
[132] Ray Evans, 'The Bills We Need'.
[133] Andrew Norton, 'The Rise of Big Government Conservatism', *Policy,* Vol. 22(4), Summer 2006-2007, pp. 15-24.

> A major theme of John Howard's Prime Ministership has been 'choice', a theme also found among advocates of small government. The two causes, however, do not always go together. Where mixed public and private provision exists already, expanding private provision can add to Commonwealth expenditure. In health care, the Howard government promoted choice by encouraging people to insure themselves privately, most expensively through a 30% rebate on private health fund premiums.[134]

Norton, like many neo-liberals who draw upon public choice theory, took a pessimistic attitude towards the prospect that the size of government would begin to significantly decline in a period of economic prosperity arguing that:

> The politics of prosperity are awkward for advocates of small government. When extra spending requires higher taxes and larger deficit, there are reasons of fiscal prudence to resist spending demands…. When tax revenue is there, without increasing rates, it is much harder for governments to refuse spending requests.[135]

Neo-liberals' attitudes regarding the value of co-opting governmental power for the purposes of promoting a limited state agenda are shaped by their views on the likelihood that politicians will, over time, demonstrate a willingness of relinquish power. Norton appears to hold to the view that the level of government expenditure is likely to expand further before it (possibly) contracts.[136] Kasper, in advancing proposed constitutional reforms, has been motivated by concern about the extent to which economic matters can become dangerously politicised. Yet his proposed reforms also depend on the possibility that at least some politicians will lead a push to limit their own powers.[137] Carling, while noting the unlikelihood of constitutional reforms being implemented to revive the health of Australia's federal system,[138] still suggests a series of reforms that would ultimately depend on the political altruism of Commonwealth politicians.[139]

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[134] Norton, 'The Rise of Big Government Conservatism', p. 19.
[135] Norton, 'The Rise of Big Government Conservatism', p. 18.
[136] Norton, 'The Rise of Big Government Conservatism', p. 21.
[137] Kasper, *Property Rights and Competition.*
[138] Carling, 'Fiscal federalism robs states of self-reliance'.
[139] Carling, 'Fiscal federalism robs states of self-reliance'.

During the Howard years, rather than simply admiring the implementation of neo-liberal policies,[140] neo-liberals confronted the problematic tendency of governments to remain deeply involved in economic life while simultaneously championing market based reforms. The balance of power between the Commonwealth and the States was just one area where this tendency became apparent. Circumstances dictated that Australian neo-liberal think tanks were unable to ignore the tensions within their own ideology.

Using the strong state to counter external threats

In debating the possibility of developing a 'constitution of liberty' and the role of federalism in a limited government framework, Australian neo-liberals were seeking to apply traditional ideas to contemporary political circumstances. The growth in the powers of the Commonwealth at the expense of the states is an established, decades old, trend in Australia.[141] During the Howard years, however, sudden and unpredictable developments – such as the occurrence of the September 11 terrorist attacks in the United States, the subsequent 'War on Terror' in Afghanistan and Iraq, and the arrival by boat of increased numbers of asylum seekers off the Australian coast – saw the political landscape shift rapidly. As Paul Kelly has noted regarding the 2001 federal election, "his [Howard's] re-election came not just on the 'old' Howard agenda but on a 'new' Howard agenda of national security against Islamist terrorists and border security against boat people seeking asylum".[142]

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[140] Cahill's suggestion, for example, that the Howard Government's school education agenda was a front for neo-liberalism is problematic given that the resultant increase in government spending on private schooling does not sit comfortably with a minimal state ethos: Damien Cahill, 'The Right Values in Education: Neo-liberal Think-tanks and the Assault Upon Public Schooling', *Overland,* No. 179, 2005, pp. 9-14.

[141] See Brian Dollery, 'A Century of Vertical Fiscal Imbalance in Australian Federalism', *History of Economics Review,* Iss. 36, 2002, pp. 26-43; Christine Fletcher & Cliff Walsh, 'Reform of Intergovernmental Relations in Australia: The Politics of Federalism and the Non-Politics of Managerialism', *Pubic Administration,* Vol. 70, Winter 1992, pp. 591-616, esp. pp. 595-596.

[142] Kelly, *March of Patriots,* p. 613.

The aftermath of the September 11 terrorist attacks saw the rise of the 'security state'. Neoconservatives in western countries led the charge in seeking to expand the powers of intelligence and law enforcement agencies in the name of combating the threat of terrorism. Governments (including those led by the right- leaning George W. Bush in the United States and the centrist Tony Blair in the United Kingdom) sought to expand their powers to combat terrorism while simultaneously they looked to limit government activity in other areas of life (such as the economy). Similarly, in Australia, Howard significantly expanded the powers of the Australian Security Intelligence Organisation and actively campaigned on a national security agenda, while also adopting a generally pro-free market outlook.[143]

Australian neo-liberals have adopted different attitudes towards the Howard Government's response to the rise in perceived external threats to the security of Australia and its citizens. Though neo-liberals adhere to a belief in the virtues of minimal government, they also recognise that the key duty of the state is to uphold the rule of law and defend citizens from external threats. As John Gray has noted, contemporary classical liberal thinkers have drawn on the insights of both Scottish philosophers and Austrian economists such as Hayek but have qualified their insights "with the recognition that the spontaneous processes of society can only be beneficial against a background of legal institutions, themselves protected by coercive power, in which basic liberties are guaranteed for all".[144]

Neo-liberals became divided over the extent to which the 'strong state' policies adopted by the Coalition government in the name of national security were consistent with a liberal minimal government outlook and neo-liberalism's emphasis on individual rights. While classical liberal ideas emerged at a time

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[143] Michael Gordon, 'PM rejects compromise on ASIO as nitpicking', *The Age*, 30 November 2002, http://www.theage.com.au/articles/2002/11/29/1038386312538.html, accessed 10 June 2013; David Marr & Marian Wilkinson, *Dark Victory,* Allen & Unwin, Crows Nest (N.S.W.), 2003.
[144] Gray, *Liberalism,* p. 81.

when aristocratic and anti-democratic privilege remained,[145] contemporary neo-liberals face the reality that the livelihood of all citizens may be harmed by the actions of hostile non-state actors. In such circumstances neo-liberals confront the 'paradox of liberalism', namely, that the toleration of illiberal attitudes may undermine the health of a liberal polity, yet the imposition of government restrictions can have a similar effect.[146]

In April 2003, the Howard Government joined the 'Coalition of the Willing', led by the United States, in invading Iraq. Earlier, in October 2001, the Australian Government had supported the US-led invasion of Afghanistan following the terrorist attacks of 11 September 2001. The Iraq invasion prompted significant public opposition in the United States, the United Kingdom and Australia. In the US the invasion caused a split among conservative think tanks. Political economist William Tabb has noted that

> Christopher Preble, director of foreign policy studies at the libertarian Cato Institute, suggests that empire 'is problematic because it threatens our liberty and economic security at home, and it is counterproductive abroad'. To such conservatives the question arose: 'Is George W. Bush a conservative?'. By conventional reckoning their answer seemed to be 'No, he is not'. As the situation in Iraq continued to deteriorate, the breadth of conservative displeasure grew.[147]

Consistent with the think tank's long-standing advocacy of defence spending cuts, a number of scholars from Cato opposed the invasion of Iraq on the grounds that it constituted a version of "social engineering overseas"[148] that had little bearing on America's security and cost a huge amount in both money and

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[145] David Johnston, *The Idea of Liberal Theory: A Critique and Reconstruction,* Princeton University Press, Princeton, 1994, p. 3.
[146] A.C. Grayling, *Meditations for the Humanist: Ethics for a Secular Age,* Weidenfeld & Nicolson, London, 2001, pp. 8-9.
[147] William K. Tabb, 'Mr Bush and Neo-liberalism', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillan, Houndmills & New York, 2006, p. 188.
[148] See Doug Bandow, 'Pat Tillman Saw the Iraq War as Folly', The Cato Institute, http://www.cato-at-liberty.org/2009/09/21/pat-tillman-saw-the-iraq-war-as-folly/, accessed 17 March 2010.

lives.[149] Cato scholars have also been critical of the expansion of US government surveillance powers contained in the 2001 *Patriot Act*[150] and the use of torture against terrorist suspects.[151] In contrast to the Cato Institute, Tabb notes that "the AEI [American Enterprise Institute] brokered the creation of the Project for the New American Century (to which it rented office space), the leading voice for regime change through war in Iraq".[152] Scholars from the Heritage Foundation similarly attempted to offer intellectual support for the case for invading Iraq.[153]

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[149] In addition to Bandow see also Christopher A. Preble, *Exiting Iraq: why the U.S. must end the military occupation and renew the war against Al Qaeda: a report of a special task force,* Cato Institute, Washington D.C., 2004. David M. Ricci notes that "[t]he libertarians at Cato… are so opposed to government activity that even during the cold war they wanted to cut back on defense spending": David M. Ricci, *The Transformation of American Politics: The New Washington and the Rise of Think Tanks,* Yale University Press, New Haven & London, 1993, p. 234.

[150] Julian Sanchez, 'The Patriot Act: Looking Back to 2001', The Cato Institute, 24 October 2009, http://www.cato.org/pub_display.php?pub_id=10705, accessed 17 March 2010; Robert A. Levy, 'The USA Patriot Act: We Deserve Better', The Cato Institute, 1 November 2001, http://www.cato.org/pub_display.php?pub_id=8241, accessed 17 March 2010.

[151] Nat Hentoff, 'Tough Questions for Doctors Who Aided CIA Torture', 18 September 2009 http://www.cato.org/pub_display.php?pub_id=10556, accessed 17 March 2010; Doug Bandow, 4 September 2009, 'Expand Torture Inquiry', The Cato Institute, http://www.cato.org/pub_display.php?pub_id=10507, accessed 17 March 2010; Julian Sanchez, 'Torture and the Broken Window Fallacy', 3 September 2009, The Cato Institute, http://www.cato-at-liberty.org/2009/09/03/torture-and-the-broken-window-fallacy/, accessed 17 March 2010; David Rittgers, 'Turning Our Back on Torture', The Cato Institute, 1 September 2009, http://www.cato-at-liberty.org/2009/09/01/turning-our-back-on-torture/, accessed 17 March 2010; David Rittgers, 'Torture? No', 4 May 2009 The Cato Institute, http://www.cato-at-liberty.org/2009/05/04/torture-no/, accessed 17 March 2010; Gene Healy, 'Of Course It Was Torture', 20 April 2009, The Cato Institute, http://www.cato.org/pub_display.php?pub_id=10133, accessed 17 March 2010.

[152] William K. Tabb, 'Mr Bush and Neo-liberalism', p. 183.

[153] Brett Schaefer, 'U.N. Authorization for War with Iraq is Unnecessary', 5 September 2002, The Heritage Foundation, http://www.heritage.org/Research/Reports/2002/09/UN-Authorization-for-War-with-Iraq-Is-Unnecessary, accessed 17 March 2010; Joseph Capizzi & Kim R. Holmes, 'Just War and Endgame Objectives in Iraq', 12 May 2008, The Heritage Foundation, http://www.hertiage.org/research/lecture/just-war-and-endgame-objectives-in-iraq, accessed 17 March 2010; Dr. Nile Gardiner & John Hulsman, 'Blair Must Not Go Wobbly on Iraq', 10 January 2003, The Heritage

As Tabb indicates, the advent of the Iraq war caused significant divisions among the American right as libertarian ideals of minimal government clashed with what some saw as the necessity of significant state action in the interests of security.[154] In the case of prominent free-market advocate Francis Fukuyama the intellectual tensions unleashed by the Iraq invasion and the related war on terror were so significant that he saw fit to defect from the neo-conservative school of foreign policy.[155] In his 2006 book *America at the Crossroads* Fukuyama argued that

> Whatever its complex roots, neoconservatism has now become inevitably linked to concepts like pre-emption, regime change, unilateralism, and benevolent hegemony as put into practice by the Bush administration. Rather than attempting the feckless task of reclaiming the meaning of the term, it seems to me better to abandon the label and articulate an altogether distinct foreign policy position.[156]

For Fukuyama what had been a coherent ideology producing "sensible policies both at home and abroad" during the Cold War had, during the 1990s, been "used to justify an American foreign policy that overemphasised the use of force and led logically to the Iraq war".[157] In contrast to the interventionist stridency of neo-conservatism, America now needed to adopt "a more realistic Wilsonianism that better matches means to ends in dealing with other societies".[158]

Foundation, http://www.heritage.org/Research/Reports/2003/01/Blair-Must-Not-Go-Wobbly-On-Iraq, accessed 17 March 2010.

[154] See Tabb, 'Mr Bush and Neo-Liberalism'.

[155] Fukuyama explains that neo-conservatism is a diverse school of thought that holds fast to four basic principles, namely: "a belief that the internal character of regimes matters and that foreign policy must reflect the deepest values of liberal democratic societies"; "a belief that American power has been and could be used for moral purposes, and that the United States needs to remain engaged in international affairs"; "a distrust of ambitious social engineering projects"; and a "scepticism about the legitimacy and effectiveness of international law and institutions to achieve either security or justice": Francis Fukuyama, *America at the Crossroads: Democracy, Power and the Neoconservative Legacy,* Yale University Press, New Haven & London, 2006, pp. 48-49.

[156] Fukuyama, *America at the Crossroads,* p. 7.

[157] Fukuyama, *America at the Crossroads,* p. xi.

[158] Fukuyama, *America at the Crossroads,* p. 9.

The emergence of clear divisions among American neo-liberals regarding the Iraq war provides some further support, in addition to the practical fallout from the invasion, for Tabb's conclusion that the Bush doctrine of pre-emptive action against the enemies of the United States "in all likelihood… represents a setback for the type of globalization envisioned by most neo-liberals".[159] Rather than adopting a cautious approach to state power, the doctrine opened the door to potentially limitless and unending military engagement abroad by the United States.

In Australia issues relating to the invasion of Iraq and the 'War on Terror' did not form a key focus of debate for neo-liberal think tanks to the extent that they did in the United States.[160] Further, key think tanks in Australia were not noticeably divided in the post 9/11 environment in the way that Cato and Heritage were. Given the much smaller think tank 'market' in Australia it is perhaps unsurprising that such inter-group disputes did not eventuate. Differences between figures within Australia's neo-liberal think tanks did, however, emerge as scholars grappled with the same issues that confronted their US-based colleagues.

In the lead-up to the 2003 invasion of Iraq, John Roskam dismissed a number of arguments advanced against the war but also noted that "in relation to Iraq, the

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[159] Tabb, 'Mr Bush and Neo-liberalism', p. 192. Tabb explains that "this judgement is based on the realities of the way the regime change process has gone and the fallout in the region and the world at large of the way the War on Terror has reversed the openness and free flow of goods, people and investments which Clinton-era multilateral foreign policy had achieved" (p. 192). See also Philip McMichael's suggestion that the invasion of Iraq is a measure of the crisis within neo-liberalism: Philip McMichael, 'Global citizenship and multiple sovereignties: Reconstituting modernity', in Yildiz Atasoy (ed.), *Hegemonic Transitions, the State and Crisis in Neoliberal Capitalism*, Routledge, London & New York, 2009, p. 23. In contrast to Tabb, Harvey has analysed the invasion of Iraq as advancing a neo-liberal agenda. See Harvey, *A brief history*, pp. 6-7. Harvey also sees neoconservatism as completely compatible with neo-liberalism's project of restoring class power: pp. 83-84.

[160] Indeed Australian neo-liberal think tanks appear to have focused significantly less upon the question of how to deal with despotic foreign regimes than their American counterparts.

'sovereignty' question is perhaps the strongest argument against the US-led Coalition".[161] Roskam appeared, on balance, to favour the invasion, yet also sounded a note of concern regarding the development of a post-sovereignty world:

> The question remains – after Iraq, what remains of 'state sovereignty'? Should the doctrine apply only to 'liberal, democratic' states? Such a solution might be attractive to some 'liberals', but it doesn't avoid the problem of what, exactly a 'liberal, democratic' state is.[162]

Roskam's note of caution is in keeping with neo-liberals' general suspicion of multi-national institutions (such as the United Nations and even the pro-free market International Monetary Fund) that they see as threatening to undermine notions of state sovereignty.[163] However, in contrast to Roskam's reflective remarks on sovereignty, the IPA published some stinging critiques of opposition to the war. In 2004, Tim Blair, together with fellow freelance journalist James Morrow, published an *IPA Backgrounder* in which they argued that "the ABC's coverage of the war was negative, defeatist, anti-American and skewed heavily against the Australian government".[164] Kevin Donnelly also attacked the opposition of teachers' unions to the war.[165] By focusing on waging a cultural battle against what they perceived to be leftist forces, Blair, Morrow and Donnelly avoided addressing the underlying tensions, alluded to by Roskam, that the advent of the Iraq war posed for liberals.[166]

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[161] John Roskam, 'After Iraq: Is Sovereignty Dead?', *IPA Review,* Vol. 55(1), March 2003, p. 24.
[162] Roskam, 'After Iraq: Is Sovereignty Dead?', p. 25.
[163] See, for example, Tim Blair, 'The Blair Files', *IPA Review*, Vol. 54(2), June 2002, p. 14; Francis Fukuyama, *Has History Restarted Since September 11?*, The Nineteenth Annual John Bonython Lecture, Grand Hyatt Melbourne, 8 August 2002, Occasional Paper No. 81, Centre for Independent Studies, Sydney, 2002, p. 169; Michael Warby, 'IMF's Role Bubbles Along', *Canberra Times*, 2 June 1999, http://www.ipa.org.au/news/660/imf's-role-bubbles-along/pg/6, accessed 22 January 2012.
[164] Tim Blair & James Morrow, *Anti-American Biased Collective: Your ABC and the Iraq War*, IPA Backgrounder, February 2004, Vol. 16(1), p. 1.
[165] Kevin Donnelly, 'Education Agenda: Our Schools PC? Look at the Evidence', *IPA Review,* Vol. 56(1), March 2004, p. 25.
[166] See also Gregory Melleuish & Imre Salusinszky, *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgorve, Sydney, 2002.

John Hyde, however, has been more forthright in expressing a direct view on some of the more controversial aspects of the 'War on Terror'. Noting the importance of protecting the social norms that provide the foundation for prosperity, he has stated that he is not opposed to the selective use of torture against terror suspects or the operation of the controversial prison camp opened by President George W. Bush at Guantánamo Bay, Cuba.[167]

Speaking at the 2003 H.R. Nicholls Society conference, Ray Evans also took a strong stand in favour of the Iraq war – directly linking the defence of free markets to support for the United States-led 'War on Terror'.[168] Evans argued that

> By contrast with President Clinton's withdrawal from Somalia after the humiliation in Mogadishu, George W. Bush recognised that 9/11 posed a huge threat to the US and to the rest of the free world; a threat which had to be met with sustained and resolute action, not with negotiation. The President's response provides an important lesson to us all of what we should do when faced with those who have no regard for law, and who treat civilisation and civilised behaviour with contempt.[169]

Evans went on to note that the behaviour of Australian property developer Len Buckeridge (who was being honoured at the meeting) in standing up to unions "provides a similar example of proper behaviour in the face of such threats".[170] Evans' advocacy of an approximate doubling in the Australian defence budget due to the changed strategic environment then turned seamlessly into a case for "serious labour market reform"[171] in order to fuel the prosperity necessary to fund a military defence of civilization.[172] Des Moore of the Institute for Private Enterprise has also defended the decision to 'pre-emptively' invade Iraq, comparing it to Britain's decision to declare war on Germany in 1939, and

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[167] John Hyde, interviewed by Andrew Thackrah, 9 February 2009.
[168] Evans, 'The Bills We Need'.
[169] Evans, 'The Bills We Need'.
[170] Evans, 'The Bills We Need'.
[171] Evans, 'The Bills We Need'.
[172] Evans drew particular attention to the instability of the Indonesian state.

arguing that it was "the outcome of reasoned judgment, based on intelligence and assessment as well as common sense".[173]

While Hyde and Evans offered strident support for Australia's involvement in the 'War on Terror', Owen Harries (a senior fellow of the CIS and a former editor of *The National Interest*)[174] highlighted some of the dilemmas, alluded to by Roskam, that the invasion of Iraq posed for neo-liberals. Delivering a CIS lecture in Sydney in April 2002, Harries stated that in discussions with conservative American friends in the 1990s he would argue that

> anything resembling a 'democratic crusade' or the imposition of a 'New World Order' was a bad idea – first because democracy is not an export commodity but a do-it-yourself enterprise that requires very special conditions; and secondly because an assertive, interventionist policy was bound to generate widespread hostility, suspicion, and if historical precedence meant anything, concerted opposition to the United States.[175]

Harries warned of a "gathering political hostility which leaves America both dominant and increasingly disliked and isolated".[176] In an article published in *The Age* in 2005, Harries cautioned that the pursuit of morality-based foreign policy needed to be combined with a degree of caution, and concluded that

> It is in terms of such a morality of prudence that I believe that the Bush administration has seriously failed in Iraq. Its policy has been rich in unintended consequences, such as a global wave of intense anti-Americanism, the strong opposition of some of America's most important allies, the indefinite tying down of one-third of a million military personnel, disgusting images of torture, the killing of large

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[173] Des Moore, 'Why the Iraq war was right', 1 March 2004, http://www.ipe.net.au/ipeframeset.htm, accessed 19 March 2010. See also Des Moore, 'No escape from the terrorist war', 23 March 2004, http://www.ipe.net.au/ipeframeset.htm, accessed 19 March 2010; Des Moore, 'Iraq: America must finish the job', 17 May 2004, http://www.ipe.net.au/ipeframeset.htm, accessed 19 March 2010.

[174] Francis Fukuyama has credited Harries with encouraging him to write an article that became 'The End of History?': see Francis Fukuyama, *Has History Restarted*, p. 7.

[175] Owen Harries, *Understanding America,* Occasional Paper No. 80, Centre for Independent Studies, Sydney, 2002, p. 28.

[176] Harries, *Understanding America,* p. 29.

> numbers of civilians, and the establishment of dangerous precedents that may be exploited by others.[177]

The CIS has also published work that has questioned aspects of the 'War on Terror' (such as the granting of increased powers to intelligence agencies) and the extent to which it is (like previously government wars on 'poverty' and 'drugs') actually winnable.[178] The example of the war in Iraq demonstrates that Australian neo-liberals are engaged with but conflicted by the issue of how their ideological precepts should be implemented globally.[179]

As with the Iraq war and the wider 'War on Terror', the unauthorised arrival of asylum seekers during the Howard years saw neo-liberals attempt to develop a principled liberal position in response to changing political circumstances. During the period of Coalition Government unauthorised immigration became a highly charged political issue. The Howard Government's policy of turning

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[177] Owen Harries, 'George Bush's Iraq adventure is rich in dangerous precedents', On-line Opinion, 2 March 2005, http://www.onlineopinion.com.au/view.asp?article=3088&page=2, accessed 19 March 2010. See also Owen Harries, 'The Return to Realism', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgrove, Sydney, 2002. An expanded effort by Harries, published in *Policy,* to advance a 'morality of prudence' regarding the actions of states in the international arena, was attacked in a subsequent edition of the magazine by Des Moore who again defended the invasion of Iraq: Owen Harries, 'Morality and Foreign Policy', *Policy,* Vol. 21(1), Autumn 2005, pp. 24-29; Des Moore, 'Morality and National Interest', *Policy,* Vol. 21(2), Winter 2005, pp. 45-48. See also Owen Harries, 'The failure of the Bush Doctrine', CIS Executive Highlights No. 312, 28 October 2005. http://www.cis.org.au/executive_highlights/EH2005/eh31205.html, accessed 19 March 2010.

[178] See Nicholas Southwood, 'Preserving Liberty', *Policy,* Vol. 20(1), Autumn 2004, pp. 29-32; John Humphreys, 'What price security?', *Policy,* Vol. 20(1), Autumn 2004, pp. 32-35; Chris Leithner, 'The Terror Trap', *Policy,* Vol. 19(1), Autumn 2003, pp. 34-36.

[179] In contrast to the tensions outlined here, Australian philosopher Jean Curthoys has argued that "the fact that Iraq […] was 'liberated' by military force, and that it was 'liberated' economically (the 'free market' was imposed) before it was 'liberated' politically (before elections were held) poses no problem for neo-liberals. Once freedom is seen to reside in an economic arrangement, there is no contradiction in forcibly imposing that arrangement in the name of freedom": Jean Curthoys, 'The Closed Circle of Neo-liberal Thought', in Robert Manne & David McKnight, *Goodbye to All That?: On the Failure of Neo-Liberalism & the Urgency of Change,* Black Inc, Melbourne, 2010, p. 64.

around boats and processing claims for refugee status offshore, in particular, became the focus of significant debate during the 2001 election campaign.[180] Economist Helen Hughes, in a CIS policy monograph published in 2002, defended the placing of limits on immigration. Distinguishing people from free-flowing services, capital and technology, Hughes argued that

> Attempting to enter a country without appropriate visa documents undermines the law that underpins the prosperity of the very countries to which asylum seekers want to emigrate. Rules that indicate that refugees and asylum seekers should apply for settlement in the first transit country in which they arrive are well known and understood.[181]

She acknowledged, however, the benefits of immigration and offered suggestions as to how the Government's immigration system could be liberalised along market lines.[182] Hughes concluded that "some host countries could increase their immigration intakes to their and the migrants' advantage".[183] Wolfgang Kasper adopted a similar stance in a subsequent policy monograph.[184] Kasper argued that border security is a primary protective function of government and not a symptom of xenophobia.[185] He attacked the notion that immigration restrictions are anti-liberal.[186] In the same monograph, however, Kasper speculated that it may be possible to lift Australia's annual immigration intake by up to 150,000 in the future.[187] The IPA have also published articles advocating both the benefits of immigration and the necessity of border protection.[188]

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[180] See Marr & Wilkinson, *Dark Victory*; Kelly, *March of Patriots,* p. 613.
[181] Helen Hughes, *Immigrants, Refugees and Asylum Seekers: A Global View,* Policy Monograph No. 54, Centre for Independent Studies, Sydney, 2002.
[182] Hughes, *Immigrants,* p. 43.
[183] Hughes, *Immigrants,* pp. 23-24.
[184] Wolfgang Kasper, *Sustainable Immigration and Cultural Integration,* Policy Monograph No. 55, Centre for Independent Studies, Sydney, 2002.
[185] Kasper, *Sustainable Immigration,* p. 7.
[186] Kasper, *Sustainable Immigration,* p. 9.
[187] Kapser, *Sustainable Immigration,* p. 33.
[188] See, for example, Mike Nahan, 'From the Editor', *IPA Review,* Vol. 53(4), December 2001, p. 2; Bob Birrell & Katherine Betts, 'Australians' Attitudes to Migration', *IPA Review,* Vol. 53(4), December 2001, pp. 3-5; Mike Nahan, 'How to Get to Stay', *inTouch: Newsletter of the Institute of Public Affairs*, February 2002, p. 3.

In contrast to the stance they took on the issues of the Iraq invasion and the 'War on Terror', Australian neo-liberals have adopted a relatively consistent line on the issue of how to address unauthorised immigration. The problem of unauthorised arrivals has been more commonly addressed by neo-liberals as a challenge to cultural integration within Australia rather than as a significant external threat.[189] However, while an effort has been made to defuse the notion that there is any tension between liberal principles and the use of the state to protect national border, at times, neo-liberals have endorsed more radical positions. Recently, for example, Sinclair Davidson of the IPA came close to endorsing a policy of open borders, arguing that

> Australia has an open-borders arrangement with New Zealand and, despite what they say, we are just not being over-run by Kiwis. They don't even share our cultural values – they play rugby union. It is simply ridiculous to imagine that we will be "over-run" by anyone else.[190]

Reflecting on the "deep and ugly xenophobia" in the Australian psyche, Davidson concluded that

> The bottom line is this; rather than trying to keep people out, we should be looking to bring people in. The need for some or other orderly process (we will always have customs) is being hijacked by an anti-migrant and anti-refugee debate.[191]

Satirist and free-market polemicist P.J. O'Rourke, when visiting Australia as a guest of the CIS in 2009, also publicly called for Australia to 'let in' asylum seekers arriving by boat.[192]

The exact role of nation states in promoting liberal values beyond (or at the edge of) their own borders remains disputed in neo-liberal circles. Beyond

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[189] Neo-liberals' views on migration and cultural integration are examined in detail in chapter five of this thesis.

[190] Sinclair Davidson, 'Enough Of the Hysteria…Refugees Are Good For Us', 30th October 2009, IPA Website, http://ipa.org.au/news/1985/enough-of-the-hysteria...-refugees-are-good-for-us, accessed 22 March 2010.

[191] Davidson, 'Enough of the Hysteria'.

[192] ABC TV, 'Q&A', Broadcast 23 April 2009, http://www.abc.net.au/tv/qanda/txt/s2545083.htm, accessed 22 March 2010.

championing free trade and problems associated with the provision foreign aid,[193] a distinctive neo-liberal attitude towards foreign affairs, the traditional preserve of nation-states, has not emerged. Neo-liberals still struggle to reconcile a suspicion of government action with a recognition that nation-states may need to take (occasionally drastic) action on the global stage to protect a liberal order.

Peter Saunders of the CIS has recognised the ambiguous nature of neo-liberal attitudes in relation to this area of policy. Commenting on the research agenda of the CIS, Saunders has noted that "it was never clear what a classical liberal stance on foreign policy might mean, so it never really flowed from first principles as our other work did".[194] Reflecting back on his time at the CIS he has gone as far as stating: "why we were in foreign policy, I don't know. That is an interesting question: can there be a classical liberal foreign policy?".[195]

Using the strong state to counter internal threats

During the Howard years neo-liberals also debated the role of the state in countering internal threats to the maintenance of a free-market order in Australia. In contrast to the difficulties, discussed above, that they faced in developing a coherent foreign policy, neo-liberals have, largely by appealing to the necessity of maintaining the rule of law, been more united in addressing internal challenges to their worldview. However, in the areas of industrial relations,

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[193] On foreign aid see Wolfgang Kasper, 'Let's fix foreign aid fiasco', *The Australian*, 19 Janurary 2006, http://www.cis.org.au/media-information/opinion-pieces/article/555-lets-fix-foreign-aid-fiasco, accessed 22 September 2012; Helen Hughes, 'Foreign aid offers a poor policy: the world bank helps those who help themselves to the cash', *The Australian*, 27 March 2002, http://www.cis.org.au/media-information/opinion-pieces/article/1381-foreign-aid-offers-a-poor-policy-the-world-bank-helps-those-who-help-themselves-to-the-cash, accessed 22 September 2012.

[194] Personal correspondence between Andrew Thackrah and Peter Saunders, 14 October 2009.

[195] Peter Saunders, interviewed by Andrew Thackrah, 1 September 2009. Saunders recalls that he believed it was the right decision to invade Iraq in 2003, "not because of WMDs, but because Saddam was in breach of the inspections regime which had been a condition of terminating the first Gulf War". However he notes that: "with the wisdom of hindsight, I believe it was a mistake to go in – but at the time I felt it was right": Personal correspondence.

indigenous policy, national security and policy in relation to non-government organisations, neo-liberals again faced the task of determining the extent to which the development of a free market is dependent on a strong state. They arrived at different conclusions from shared first principles.

In advancing his free economy/ strong state thesis with respect to Thatcherism, Gamble made particular mention of Thatcher's willingness to use the force of the state to target the union movement.[196] Harvey has also linked neo-liberalism with the processes of state intervention to limit the role of trade unions.[197] According to Gamble, unions and Irish Republican Army hunger strikers were just some of the internal enemies taken on by the Thatcherite state. In the area of industrial relations, however, the Thatcher Government was particularly successful in "reorganising state and civil society".[198]

The government led by John Howard also took significant steps to limit the power and influence of the Australian union movement. In 1998, the Government provided support for the efforts of businessman Chris Corrigan to introduce non-union labour (secretly trained in Dubai) onto the Australian waterfront by sacking the existing workforce of his company, Patrick Stevedores. A significant industrial dispute resulted and, following union-initiated court action, these sackings were later determined to be unlawful. The government

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[196] Andrew Gamble, *The Free Economy*, p. 193.

[197] Harvey, *A brief history,* p. 69. Harvey and Gamble appear to differ on the extent to which, in political practice, neo-liberalism has constituted a coordinated, class-driven, attack on trade unions. Harvey argues that under neo-liberalism, "while individuals are supposedly free to choose, they are not supposed to choose to construct strong collective institutions (such as trade unions) as opposed to weak voluntary associations (like charitable organizations)….To guard against their greatest fears – fascism, communism, socialism, authoritarian populism, and even majority rule – the neoliberals have to put strong limits on democratic governance, relying instead upon undemocratic and unaccountable institutions (such as the Federal Reserve or the IMF) to make key decisions": Harvey, *A brief history,* p. 69. In contrast, Gamble has suggested that "to argue that the Thatcher Government had a clearly worked out plan for destroying trade union power which it proceeded to implement when it was elected overstates the degree of coherence of the Government's objectives and overlooks the extent of muddle and improvisation in the making and implementing of policies": Gamble, *The Free Economy,* p. 194.

[198] Gamble, *The Free Economy,* p. 234.

was aware of Corrigan's plan to transform his workforce and offered a loan to cover redundancy costs.[199]

Though the waterfront dispute saw the Government became intimately involved in the affairs of a private company,[200] Australian neo-liberals offered support for the reform process. At a meeting of the H.R. Nicholls Society held in August 1998, Ray Evans pointed out that provisions outlawing secondary union boycotts contained in the Howard Government's Workplace Relations Act 1996 (Cth) had "allowed Corrigan some hope that he might be successful when every previous attempt had failed".[201] Industrial consultant and former unionist Paul Houlihan made a similar point when he praised Reith for "the steadfastness of his approach and the political courage that he showed".[202]

The presenters at the Society's 1998 conference appeared sceptical as to whether a meaningful victory over the Maritime Union had been achieved on the waterfront.[203] This attitude appeared to shift later, however, with Evans noting that "what seemed, at the time, to have been in August [1998] a tactical MUA victory by December had turned out to be a strategic defeat of momentous

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[199] Kelly, *March of Patriots,* p. 382.

[200] Journalist Alan Mitchell at the H.R. Nicholls Society's 1998 meeting appeared to strike a note of caution regarding the Government's involvement in the dispute, commenting that "the media coverage was not particularly helpful to the Government and Patrick. But the Government and Patrick did much to bring about that unfavourable publicity. From the first news of the Dubai exercise, there was a strong whiff of Government involvement": Alan Mitchell, 'The Waterfront – A View from the Press', *MUA – Here to Stay…Today!: Proceedings of the H.R. Nicholls Society,* Melbourne, August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-11.php, accessed 25 March 2010.

[201] N.R. Evans, 'Introduction', *MUA – Here to Stay…Today!: Proceedings of the H.R. Nicholls Society,* Melbourne, August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-intro.php, accessed 24 March 2010.

[202] Paul Houlihan, 'The 1998 Waterfront Dispute', *MUA – Here to Stay…Today!: Proceedings of the H.R. Nicholls Society,* Melbourne, August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-8.php, accessed 24 March 2010.

[203] Again, see the initial comments of Evans and Houlihan: Evans, 'Introduction'; Houlihan, 'The 1998 Waterfront Dispute'.

proportions".[204] Despite earlier criticising Reith's industrial relations reforms, at its 2002 meeting the Society awarded Reith its highest honour – the Charles Copemen medal. Founding President, John Stone, praising Reith's "performance in the great waterfront dispute of 1998",[205] outlined its historical significance:

> just as in Mrs Thatcher's Britain the great coal strike in the 1980s marked a truly significant watershed in that country's industrial relations (and hence national productivity performance) generally, so in our case the 1998 dispute with the Maritime Union of Australia marked a similar watershed.[206]

The endorsement by neo-liberals of the Howard Government's 1998 reform of the waterfront was accompanied by an emphasis on the necessity of maintaining law and order. Those present at the 1998 meeting of the H.R. Nicholls Society clearly saw the docks as a lawless frontier that needed to be brought under control. Houlihan, commenting on the role of the police during the dispute at the Melbourne Docks, stated that

> the problem with the police down there in Melbourne… was the fact that they had adopted the attitude that their task was to maintain the peace rather than uphold the law, and what you get as a consequences is a position that whoever is perceived by the police to have the force on the ground, the police will go with them.[207]

Commercial lawyer Stuart Wood, suggesting that the Victorian police had failed to uphold the law during the dispute, argued that

> Without police enforcement: the statutes, court orders and the common law, which serve to protect free passage, are useless. Unless the police change their approach, mob rule will succeed in permanently ousting the rule of law… The police must fight to re-establish the rule of law.[208]

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[204] Evans, 'Introduction'.

[205] John Stone, 'Presentation of the Charles Copeman Medal', *The Changing Paradigm: Freedom, Jobs and Prosperity: Proceedings of the H.R. Nicholls Society,* Melbourne, March 2002, http://www.hrnicholls.com.au/archives/vol23/vol23-2.php, accessed 24 March 2010.

[206] Stone, 'Presentation of the Charles Copeman Medal'.

[207] Houlihan, 'The 1998 Waterfront Dispute'.

[208] Stuart Wood, 'Keeping Things Peaceful or Keeping the Peace: Police at the Pickets', *MUA – Here to Stay…Today!: Proceedings of the H.R. Nicholls*

In the Spring 2007 edition of *Policy* Des Moore wrote that "there is little doubt that, had the police enforced the law, the attempted breaking of the MUA labour supply monopoly would have succeeded".[209]

In the *IPA Review* Murray Cranston, a research officer for the (now late) Liberal Senator for South Australia Jeannie Ferris, also linked industrial reform on the docks to the necessity of maintaining the rule of law. Cranston drew a link between the political party that appointed different judges and their rulings during the dispute and stated that "the supposition of bias in the Federal Court remains".[210] Despite neo-liberals' general suspicion of government action, they expect the organs of the state (including the courts) to fulfil the vital task of upholding the rule of law and limiting the activities of unions.

An emphasis on the benefits of a 'free economy/ strong-state' approach has been a common feature of Australian neo-liberal thinking regarding industrial relations. In 1987, ACTU legal officer Breen Creighton identified "a belief that trade unions ought to be made 'subject to the law'" as one of the key totems of New Right thought.[211] As Creighton and others have suggested, the collective memory of Australian neo-liberals has been shaped by a number of high-profile industrial relations disputes in the 1980s, such as those relating to Robe River Iron Associates (1986), the South East Queensland Electrical Board (1985), the Mudginberri meatworks (1983 – 1985), and the 1985 dispute involving the Dollar Sweets confectionary company.[212] Kelly, for example, has noted that the

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Society, Melbourne, August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-10.php, accessed 25 March 2010.

[209] Des Moore, 'Who is the Fairest of Them All? (With Apologies to Snow White's Stepmother)', *Policy,* Vol. 23(3), Spring 2007, p. 10.

[210] Murray Cranston, 'The Role of Judges in the 1998 Waterfront Dispute', *IPA Review,* Vol. 53(2), June 2001, p. 29.

[211] Breen Creighton, 'Trade Unions, the Law and The New Right', in Ken Coghill (ed.), *The New Right's Australian Fantasy,* McPhee Gribble/Penguin Books, Ringwood (Victoria), 1987, p. 81.

[212] See Creighton, 'Trade Unions', pp. 85ff; Paul Kelly, *The End of Certainty,* pp. 255ff; Ken Coghill, 'Regrouping to Win Hearts and Minds', in Ken Coghill (ed.), *The New Right's Australian Fantasy,* McPhee Gribble/Penguin Books,

momentum of the New Right developed out of these key disputes and that, excluding Robe River, they involved "the successful resort to legal remedies to break the unions".[213]

During the Howard years neo-liberal support for the use of strong state measures to enforce the rule of law in the industrial sphere extended beyond the waterfront. Building and construction unions were also seen as in need of attention in order to bring them under lawful control. At the 2005 meeting of the H.R. Nicholls Society Ray Evans sounded a warning on the dangers anti-discrimination legislation, noting that

> Like nature, regulators abhor vacuums, or more accurately, they abhor freedom. We must now be vigilant to ensure that the freedom created by the retreat of the industrial tribunals, is not clawed back by the anti-discrimination tribunals.[214]

In the same speech, however, Evans praised the expanded regulation of building unions, in particular the Building Industry Taskforce (BIT) established by the Howard Government in October 2002 in order to ensure that building activities were carried out lawfully in Australia:[215]

> With new powers in the wings, its influence will increase as the criminality which underpins the building industry unions' power is identified and brought before the courts. It can't happen soon enough.[216]

In 2003, the Cole Royal Commission into the building and construction industry produced its final report, claiming to have found evidence of over 100 types of

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Ringwood (Vic), 1987, pp. 131ff; Damien C. Cahill, 'The radical neo-liberal movement as a hegemonic force in Australia, 1976-1996', Unpublished PhD thesis, University of Wollongong, 2004, p. 106; Ray Evans, 'Anti-Discrimination Laws: The New Province for Labour Market Lawlessness', *"Carpe Diem": Proceedings of the H.R. Nicholls Society,* Melbourne, March 2005, http://www.hrnicholls.com.au/archives/vol26, p. 1.

[213] Kelly, *The End of Certainty,* p. 255.

[214] Evans, 'Anti-discrimination laws', p. 1.

[215] See 'About Us', Office of the Australian Building and Construction Commissioner, http://www.abcc.gov.au/abcc/Aboutus/OurHistory/, accessed 29 March 2010.

[216] Evans, 'Anti-discrimination laws', p. 2.

unlawful and inappropriate conduct.[217] In 2005, a permanent watchdog – the Office of the Australian Building and Construction Commissioner (ABCC) - replaced the BIT. [218] At the H.R. Nicholls Society's 2003 meeting the Chief Executive of the Master Builders Association, Wilhelm Harnisch, was optimistic about the ability of the proposed ABCC to enforce the law and clearly supportive of the body wielding extensive power:

> Suffice to say, it is not enough to try and bolster existing institutions. It is far better to create a new and powerful body that can effect "big bang" change, not incremental change that can be subverted or slowed by those who want to resist change.[219]

In Harnisch's mind upholding the rule of law in the construction industry was one aspect of a government-backed reform process to improve economic productivity. At a later meeting of the Society, the ABCC Commissioner, John Lloyd, in defending the scope of his Commission's powers (which include the ability to compel individuals to answer questions), also endorsed the process of free-market economic reform: "labour market reform is required to make Australia a modern, prosperous and competitive economy. In the absence of labour market reform wealth and new jobs that are lasting will not be created".[220] The ABCC has been praised by another Society participant as a "stunning

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[217] 'About Us', Office of the Australian Building and Construction Commissioner.

[218] 'About US', Office of the Australian Building and Construction Commissioner.

[219] Wilhelm Warnisch, 'Reflections on the Recommendations of the Cole Royal Commission', *Lining up the Bills: Preparing for a Double Dissolution: Proceedings of the H.R. Nicholls Society,* Melbourne, May 2003, http://www.hrnicholls.com.au/archives/vol24/vol24-5.php, accessed 29 March 2010.

[220] The Hon. John Lloyd, 'Reform in the Construction Industry', *Let's Start All Over Again: Proceedings of the H.R. Nicholls Society,* Sydney, March 2006, http://www.henicholls.com.au/archives/vol27/lloyd2006.pdf, accessed 21 October 2012. Indicating his free-market inclinations, Lloyd commented that, "the content of the independent contractors legislation is unknown at the moment. I anticipate that its principal thrust will be protecting the right of people to engage in independent contracting. This right should be free from interference or regulation by industrial tribunals" (p. 6).

success",[221] while Ken Phillips has also highlighted the importance of the Commission's role in promoting competition in the construction industry and, more recently, has warned of the dangers of reducing its powers.[222]

The rule of law, for neo-liberals, encompasses the criminal law and the protection of the right of individuals and companies to contract with each other without interference from government.[223] In the economic sphere wider legislative frameworks, such as those that provide for the Australian Competition and Consumer Commission [ACCC] to enforce competition laws, have largely been dismissed as harmful government interference rather than regarded as a

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[221] Christopher Platt, 'New Directions in Labour Law – A fork in the road or a disastrous U-turn?', *'We used to run this country, and it wouldn't be a bad thing if we did again': Proceedings of the H.R. Nicholls Society,* Sydney, October 2007, http://www.hrnicholls.com.au/archives/vol28Platt2007.pdf, accessed 21 October 2012. See also the unsurprisingly upbeat presentation of the Deputy Commission of the ABCC at the Society's 2007 meeting: Nigel Hadgkiss, 'The ABCC and unlawful conduct in the construction industry', *'We used to run this country, and it wouldn't be a bad thing if we did again': Proceedings of the H.R. Nicholls Society,* Sydney, October 2007, http://www.hrnicholls.com.au/archives/vol28/Hadgkiss2007.ppt, accessed 21 October 2012.

[222] See Ken Phillips, 'WAKE UP AUSTRALIA: Don't dump the ABCC', 27 January 2010, *Business Spectator,* http://www.businessspectator.com.au/bs.nsf/Article/WAKE-UP-AUSTRALIA-Dont-dump-the-ABCC-pd20100126-22UYC?opendocument&src=rss, accessed 29 March 2010; Ken Phillips, 'Watchdog Set to Rebuild', 10 October 2005, http://www.ipa.org.au/sectors/work-reform-unit/news/1037/watchdog-set-to-rebuild-construction/pg/9, accessed 29 March 2010; Ken Phillips, 'Submission to the Wilcox Review of the Australian construction industry reforms', December 2008, Institute of Public Affairs, Melbourne. See also, Moore, 'Who is the Fairest of Them All?'.

[223] The role of the industrial tribunals in 'interfering' with contractual arrangements agreed between employers and employees has been heavily criticised by members of the H.R. Nicholls Society. See, for example, Bisits, 'Can the Corporations Power be Used to Limit the Regulation of Employment Contracts in Australia?'; Ray Evans, 'The New Paradigm', *The Changing Paradigm: Freedom, Jobs and Prosperity: Proceedings of the H.R. Nicholls Society,* Melbourne, March 2002, http://www.hrnicholls.com.au/archives/vol23/vol23-1.php, accessed 30 March 2010; Ray Evans, 'The Tragic Consequences of Justice Higgins', *One Hundred Years of the Higgins Legacy: Treasured Inheritance or Debilitating Folly?: Proceedings of the H.R. Nicholls Society,* Melbourne, August 2004, http://www.hrnicholls.com.au/archives/vol25/evans2004.pdf, accessed 30 March 2010.

foundational part of the legal fabric.[224] Neo-liberals tend to believe that economic competition needs little government regulation in order to bring about benefits for consumers. The activist management of markets (beyond the enforcement of basic rules ensuring fair trade) merely interferes with the freedom of consumers. For example, Gary Johns, in 2002, criticised the appointment of a consumer advocate to the ACCC, arguing that the Commission's formation was the product of the mistaken notion that "the market had to be managed because it was a producers' mechanism and therefore inimical to the interests of consumers".[225] Although acknowledging the theoretical existence of natural monopolies, neo-liberals focus overwhelmingly on the extent to which the formation of monopolies, cartels and other 'market failures' are, in fact, largely the result of government activity, rather than of the failure by government to establish regulatory legal frameworks.

Despite resisting government interference in economic activity, neo-liberals, in focusing on the need to maintain the rule of law while undertaking a wider liberal economic reform process, have endorsed (occasionally coercive) government involvement in economic affairs. As political scientist Steven Slaughter has noted, "the implementation of neo-liberalism often requires elements of secrecy and force".[226]

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[224] See David Briggs & Richard Scheelings, 'Taking Dynamics Seriously in Competition Regulation', in Deepak Lal, Alan Moran, David Briggs, Richard Scheelings, Allan Fels, Peter Allport, *Australian Competition Policy: Deregulation or Reregulation?,* IPA Occasional Paper, Institute of Public Affairs, Melbourne, 1998; Alan Moran, *Price and Access Regulation of Gas Transmission Pipelines: A Submission Regarding Regulatory Considerations of the NCC and ACCC on the Eastern Gas Pipeline and the ACCC on the Central West Pipeline,* IPA Energy Issues Paper No. 13, February 2000; Gary Johns, 'The Rigging of the ACCC', *IPA Review,* Vol. 54(4), December 2002, pp. 15-16; Rajat Sood, 'A Contrivance to Raise Prices?', *Policy,* Vol. 22(1), Autumn 2006, pp. 13-16; Jason Soon, *The Folly of Criminalising Cartels,* CIS Issue Analysis, No. 111, 3 June 2009, Centre for Independent Studies, Sydney.

[225] Johns, 'The Rigging of the ACCC', p. 15.

[226] Steven Slaughter, *Liberty Beyond Neo-liberalism: A Republican Critique of Liberal Governance in a Globalising Age,* Palgrave Macmillan, Houndmills, Basingstoke, New York, 2005, p. 72.

By appealing to the need to maintain the rule of law, neo-liberals have largely avoided confronting the tension between their suspicion of government action and their acknowledgement of the necessity for strong state action to maintain the legal framework within which markets operate. This tension, however, has arguably become more acute when governments have turned their attention to areas of social (as opposed to microeconomic) policy.

The Howard Government's intervention in remote Indigenous communities in the Northern Territory of Australia revealed the extent to which tackling the threat of a breakdown in the rule of law in order to create healthy, self-determining and law-abiding communities, able to participate in market processes, can involve a significant degree of government intervention. In June 2007, the Government began a process of deploying the Australian Defence Force to take direct control of 73 Aboriginal communities with the stated aim of targeting child sexual abuse.[227] The intervention, provoked by what John Howard described as a "national emergency" following reports of systemic child sexual abuse, entailed new restrictions on alcohol and kava use, a suspension of the permit system controlling access to land, the 'quarantining' of welfare benefits, health checks of children, and the compulsory acquisition by the Commonwealth of land held under the Native Title Act 1993 (Cth).[228]

Despite the fact that scepticism regarding the value of government activity is a core feature of neo-liberalism, Australian neo-liberals have generally supported the Northern Territory Intervention. Indeed, Helen Hughes's book, *Lands of Shame,* published by the Centre for Independent Studies in 2007, advocated many of the policies subsequently picked up by the Howard Government,

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[227] Rebecca Stringer, 'A Nightmare of the Neocolonial Kind: Politics of Suffering in Howard's Northern Territory Intervention', *Borderlands,* Vol. 6(2), 2007, http://www.borderlands.net.au/vol6no2_2007/stringer_intervention.htm, accessed 30 March 2010.

[228] SBS World News, 'What is the Northern Territory Intervention', 12 June 2009, http://www.sbs.com.au/news/article/1027847/What-is-the-Northern-Territory-Intervention-, accessed 30 March 2010. See, in particular, Northern Territory Board of Inquiry into the Protection of Aboriginal Children from Sexual Abuse, *"Little Children Are Sacred": Report of the Northern Territory Board of Inquiry into the Protection of Aboriginal Children from Sexual Abuse*, Government Printer, Darwin, 2007.

including compulsory health checks for children in remote communities.[229] Hughes, citing the work of Indigenous leader Noel Pearson, also called for the privatisation of housing in remote communities as a way of reducing welfare dependency.[230] Hughes has claimed that the intervention has been successful in reducing alcohol abuse and violence by quarantining welfare payments and improving policing.[231]

The Bennelong Society, established in 2001 to promote debate on Indigenous issues, has also supported polices that have been adopted as part of the Intervention.[232] Criticising the 'new class' of Indigenous leaders who have supposedly used government money to pursue separatist policies,[233] the Society's President, Gary Johns (formerly a senior fellow at the IPA), has argued that "the best prospects for Aboriginal self-determination lie in individual acts of self-determination" as opposed to appeals to collective identity.[234] In awarding the

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[229] See Helen Hughes, *Lands of Shame: Aboriginal and Torres Strait Islander 'Homelands' in Transition,* Centre for Independent Studies, Sydney, 2007. See also, Helen Hughes & Jenness Warin, 'A New Deal for Aborigines and Torres Strait Islanders in Remote Communities', Issues Analysis No. 54, 1 March 2005, Centre for Independent Studies, Sydney. John Altman notes that "while the book [*Lands of Shame*] was published in May 2007 (to provocatively coincide with the 40th anniversary of the 1967 referendum), it was made available as a manuscript to the upper echelons of the Office of Indigenous Policy Coordination in February 2007, to ensure that it accorded with Minister Brough's vision for remote Australia": J.C. Altman, *The Howard Government's Northern Territory Intervention: Are Neo-Paternalism and Indigenous Development Compatible?,* Centre for Aboriginal and Economic Policy Research, Topical Issue, No. 16, Canberra, 2007.

[230] Hughes, *Lands of Shame,* p. 138.

[231] Helen Hughes & Mark Hughes, *Overcoming Indigenous Disadvantage 2009,* CIS Executive Highlights No. 871, 8 July 2009, http://www.cis.org.au/executive_highlights/EH2009/eh87109.html, accessed 31 March 2010.

[232] On the Bennelong Society's relationship with Australian neo-liberal think tanks, particularly the IPA, see: David Scrimgeour, 'Promoting Health or Promoting Corporate Profits?: Neo-liberal Think Tanks and Indigenous Affairs', *New Doctor,* No. 85, 2007, pp. 3-8.

[233] Dr Gary Johns, 'Introduction', in Dr Gary Johns (ed.), *Waking Up to Dreamtime: The Illusion of Aboriginal Self-Determination,* Electronic Edition, The Bennelong Society, 2007, p. iii.

[234] See Dr Gary Johns, 'The Poverty of Aboriginal Self-Determination', in Dr Gary Johns (ed.), *Waking Up to Dreamtime: The Illusion of Aboriginal Self-Determination,* Electronic Edition, The Bennelong Society, 2007, p. iii.

Society's Bennelong Medal to Mal Brough (the Howard Government minister who led the intervention) at its 2008 conference, historian Keith Windschuttle praised him for establishing "a precedent of political action that is impossible to reverse".[235]

Australian neo-liberals have largely rejected the suggestion that there is a tension between the Intervention and liberal philosophical principles. Hyde has expressed support for the Intervention, and remarked that he might be classified as an 'ordo-liberal' given that he believes in the need for government to lay down basic rules such as the protection of life and property.[236] Similarly Evans has commented that the Intervention was about "restoring law and order where there was none" and enacted the most fundamental duty of the state – "to

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[235] Keith Windschuttle, 'Bennelong Medal presentation for 2008 to Mal Brough on 19 June 2008 at The Windsor Hotel, Melbourne', The Bennelong Society, http://www.bennelong.com.au/conferences/conference2008/Windschuttlemedal2008.php, accessed 31 March 2010.

[236] Hyde interview. Sociologist Kanishka Jayasuriya explains that "the driving idea of the ordo-liberal tradition is that the construction of economic order cannot be left to the spontaneous actions of the market, and needs to be created through a consistent order-based policy (*ordnungspolitik*) of the state… For the ordo-liberals the 'various economic, political, legal, and other social processes are interrelated. Each act of government intervention must therefore be seen in connection with the total processes and overall economic order so as to ensure the 'system conformity of measures'... Accordingly, the state should not attempt to conduct the economy; rather, it should provide a system of juridical institutions that would facilitate the construction of the market… Running through the ordo-liberal movement, it is possible to discern a distinctive political dimension to economic constitutionalism. In essence the ordo-liberals develop a political conception of market order where institutions are designed to protect it from the corrosive influence of politics; it is a politics of anti-politics": Kanishka Jayasuriya, 'Economic Constitutionalism, Liberalism and the New Welfare Governance' in Richard Robinson (ed.), *The Neo-Liberal Revolution*, Palgrave MacMillan, Houndmills & New York, 2006, p. 242. Further, Gavin Kendall of the Queensland University of Technology argues that Ordo-liberalism (*ordoliberalen*) was a school of post-war German thought that emphasised that "a variety of failures of liberalism – including the Depression and the Third Reich – were a result of the lack of the appropriate cultural, legal and social frameworks that would guarantee the correct working of the market": Gavin Kendall, 'What Is Neoliberalism?', in Peter Corrigan, Margaret Gibson, Gail Hawkes, Eric Livingston, John Scott, Steven Thiele and Gillian Carpenter (eds), *TASA 2003 Conference Proceedings: New Times, New Worlds, New Ideas: Sociology Today and Tomorrow,* The Australian Sociological Association and The University of New England, 2003, p. 3.

maintain domestic law and order".[237] Norton has also suggested that liberalism is broadly consistent with the Indigenous Intervention.[238]

There is thus support for the suggestion that the Howard Government's intervention in the Northern Territory advanced the aims of neo-liberalism.[239] The intervention has, however, brought home to neo-liberals the reality that, in certain situations, substantial government involvement can be required to maintain the basic level of law and order that market economies require to function. Some neo-liberals have acknowledged that this reality can leave them conflicted. Chris Berg, for example, has commented that there are genuine tensions within free-market thought in the area of Indigenous policy and has queried the value of bans on pornography and alcohol restrictions associated with the Intervention.[240]

Neo-liberals' suspicion of government action sits uneasily alongside their acknowledgement of the often-extensive role the state may need to play in responding to a threatened breakdown in law and order. Hughes, for example, while supportive of the Intervention, has been critical of the limitations of previous government efforts to instil a sense of individual responsibility in those living in remote Indigenous communities. In *Lands of Shame,* Hughes noted that the 'Shared Responsibility Agreements'[241] introduced by the Coalition Government in 2004 "have degenerated into slush funds for politically smart operators and their bureaucratic supporters because they have not been willing to tackle basic deficiencies, notably in education".[242] In commenting on the

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[237] Evans interview.
[238] Andrew Norton, interviewed by Andrew Thackrah, 18 February 2009.
[239] See Stringer, 'A Nightmare of the Neocolonial Kind'; Altman, *The Howard Government's Northern Territory Intervention,* pp. 6-7; 16.
[240] Berg & Allsop interview.
[241] See Department of Families, Housing, Community Services and Indigenous Affairs, 'Agreement on Aboriginal and Torres Strait Islander Service Delivery Between The Commonwealth of Australia and The Government of Queensland 2005-2010', http://www.fahcsia.gov.au/sa/indigenous/pubs/general/bilateralagreements/queensland/Pages/p4.aspx, accessed 1 April 2010.
[242] Hughes, *Lands of Shame,* p. 84.

Intervention, she argues that governments need to go further in reforming "underlying separatist, apartheid policies".[243]

When turning their minds to questions of social policy neo-liberals tend to apply their ideas in a more nuanced manner. In the important area of law and order, however, they are, ironically, generally willing to place a significant degree of trust in the state.

The state and social policy

John Hyde has noted that "Dries' [neo-liberals'] economic agenda is sometimes adversely contrasted with an ill-defied social agenda".[244] While in the area of economic affairs neo-liberals have largely focused on critiquing existing government restrictions on market-based activities, in the realm of social policy they have confronted complex issues such as the extent to which certain aspects of the civic fabric (the traditional family, for example) are foundational to a liberal system and thus may require the protection of the state. Further, as the work of sociologist Kanishka Jayasuriya has highlighted, neo-liberals have also pondered the involvement of government in "the creation of new forms of sociability that promote enterprising subjects and values".[245]

By and large, in addressing social policy issues neo-liberals have contented themselves with extending their critique of government activity. Highlighting the dangers of individuals becoming dependent on government welfare payments, for example, has, historically, been a significant and unifying preoccupation for neo-liberals throughout the world. As professor of social policy Ann Withorn has noted in the American context, since the 1970s

> the Right began self-consciously to coalesce and, spurred by external events [such as increases in immigration rates], to create a fusion of

[243] Hughes & Hughes, *Overcoming Indigenous Disadvantage.*
[244] He goes on to comment that, "[i]n fact, some Dries were guilty of giving too little attention to the institutions that make a society, but that was more the case 20 years ago and the sin was neglect not opposition": Hyde, *Dry*, pp. 267-268.
[245] See Jayasuriya, 'Economic Constitutionalism', p. 237.

> interests unprecedented in U.S. history. A critical part of this new fusion was the turning of long-standing mutual fears of welfare into a common fantasy regarding the possibility of reversing the gains that had been made, first by the Great Society, then by the New Deal, and finally by the whole set of efforts begun a century ago under the optimistic hopes of a "progressive movement".[246]

According to Withorn "opposition to welfare has successfully become not only a unifier for the Right but a wedge issue for infusing right-wing ideology into mainstream policy and social thought".[247] She singles out the work of Charles Murray and Lawrence Mead on welfare dependency as of particular significance in the 1980s.[248] Republican and technology advocate George Gilder (with *Wealth and Poverty*) and political science Lawrence Mead (with *Beyond Entitlement*) also made their mark on this decade.[249] In his history of the modern American libertarian movement, Brian Doherty singles out Murray, arguing that "next to Milton Freidman, think tank sociologist Charles Murray is the libertarian intellectual who has had the most direct effect on a vital policy

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[246] Ann Withorn, 'Fulfilling Fears and Fantasies: The Role of Welfare in Right-Wing Social Thought and Strategy', in Amy E. Ansell (ed.), *Unravelling the Right: The New Conservatism in American Thought and Politics,* Westview Press, Boulder (USA) & Oxford (UK), 1998, p. 133. On the emergence of a sustained free-market critique of welfare in the United States, see also Robert M. Collins, *Transforming America: Politics and Culture in the Reagan Years,* Columbia University Press, New York & Chichester, 2007, pp. 47ff; Monica Prasad, *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the United States,* The University of Chicago Press, Chicago, 2006, pp. 82ff; Jean Stefancic & Richard Delgado, *No Mercy: How Conservative Think Tanks and Foundations Changed America's Social Agenda,* Temple University Press, Philadelphia, 1996, chap. 5.

[247] Withorn, 'Fulfilling Fears and Fantasies', p. 122.

[248] Withon, 'Fulfilling Fears and Fantasies', p. 138. See especially Richard J. Herrnstein & Charles Murray, *The Bell Curve: intelligence and class structure in American life,* Free Press, New York, 1994; Charles A. Murray, *Losing Ground: American social policy, 1950-1980,* Basic Books, New York, 1984. For the influence of these thinkers on debates about black poverty in America, see Michael L. Ondaatje, *Black Conservative Intellectuals in Modern America*, University of Pennsylvania Press, Philadelphia, 2010, pp. 95ff. Ondaatje notes that "if the mid-1960s marked the zenith of a brief age of government action to assist poor African Americans, the 1970s marked a new period in which the racial liberalism of the previous decade would be overwhelmingly rejected" (p. 95).

[249] Ondaaatje, *Black Conservative Intellectuals*, p. 95.

debate".[250] Doherty notes that in his 1984 work *Losing Ground,* Murray points to the effect of the behavioural incentives of the welfare system and "tries to demonstrate that by most available measures, the late 1960s wave of income transfer programs… did not improve the lives of the poor, and in most cases made them worse off".[251]

In the United Kingdom the work of dependency theorists such as Murray was picked up by a number of neo-liberal think tanks, such as the Centre for Policy Studies, the Institute of Economic Affairs and the Adam Smith Institute.[252] Philip Mendes has outlined the development, led by neo-liberal think tanks, of a critique of the welfare state in Australia.[253] He argues that in attacking the welfare state the impact of Australian neo-liberal think tanks, particularly the CIS and the IPA, "seems to have involved mainly broad intellectual and ideological reinforcement, rather than direct and decisive links with particular pieces of legislation".[254] However, he also suggests that in shifting from a policy of "income support as poverty alleviation to income support as a participation payment" the Howard Government adopted the social policy agenda of "neoliberal philosophers such as Charles Murray".[255]

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[250] Brian Doherty, *Radicals for Capitalism: A Freewheeling History of the Modern American Libertarian Movement,* Public Affairs, New York, 2007, pp. 480-481.
[251] Doherty, *Radicals for Capitalism,* p. 481.
[252] Andrew Denham, *Think-tanks of The New Right,* Dartmouth Publishing Company Limited, Aldershot, 1996, pp. 156-157.
[253] See Philip Mendes, 'From Keynes to Hayek: The Social Welfare Philosophy of the Liberal Party, 1983-1997', *Policy, Organisation & Society,* Vol. 15, 1998, pp. 65-87; Philip Mendes, 'Australian Neoliberal Think Tanks and the Backlash Against the Welfare State', *Journal of Australian Political Economy,* 2003, No. 51, pp. 29-56.
[254] Mendes, 'Australian Neoliberal Think Tanks', p. 30. Mendes arguments are developed in further detail in Philip Mendes, *Australia's Welfare Wars Revisited*, UNSW Press, Sydney, 2008. In this work Mendes highlights, in particular, the role of the CIS in attacking the welfare state, suggesting that "the tightening of eligibility criteria for Parenting Payments and the Disability Support Pension" was one Howard era policy development that seems to have been influenced by the CIS (p. 61).
[255] Mendes, 'Australian Neoliberal Think Tanks', p. 47.

As Mendes outlines, the IPA and the CIS have played an important role in promoting the ideas of Murray and other welfare dependency theorists in Australia. More broadly, historian Verity Archer has set out how neo-liberal think tanks played a significant role in the 1970s in popularising the notion of the 'dole bludger' in Australia.[256] In 1987, Murray conducted a speaking tour of Australia as a guest of the CIS.[257] During the Howard years both Murray and Mead visited Australia and participated in events organised by the CIS and Murray's work was commonly referenced in IPA publications.[258]

Peter Saunders, who was the director of social policy as the CIS between 2002 and 2008, has been one of the more prominent contemporary exponents of notions of welfare dependency in Australia. In a paper published by the CIS in 2003, Saunders wrote that "the welfare state as it currently exists in Australia is an anachronism, designed to meet the needs of an age that has passed, and increasingly doing more harm than good".[259] According to Saunders, in an era of relative affluence most individuals are capable of supporting themselves. The provision of unnecessary welfare payments has had, in Saunders' mind, the effect of infantilising and disempowering individuals.[260] In providing welfare payments, along with public services, governments essentially 'churn' our money by returning our own taxes to us without the discretion to spend as we wish:

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[256] Verity Archer, 'Dole Bludgers, Tax Payers and the New Right: Constructing Discourses of Welfare in 1970s Australia', *Labour History*, No. 96, May 2009.
[257] Mendes, 'Australian Neoliberal Think Tanks', p. 43.
[258] See ABC Radio PM, 'Charles Murray on nature vs nurture', http://www.abc.net.au/pm/content/2007/s2000060.htm, accessed 20 April 2010; *PreCIS: The Centre for Independent Studies: A year in review,* Vol. 14(2), December 2004, p. 5; Mark Steyn, 'Does Western Civilisation Have a Future?', IPA CD Kemp Lecture, delivered by Mark Steyn, 17 August 2006; Institute of Public Affairs, 'Around the Tanks', *IPA Review,* Vol. 58(2), p. 45; Institute of Public Affairs, 'Accounting for Human Achievement', *IPA Review,* Vol. 55(4), December 2003, p. 30. On the influence in Australia of the work of Murray and fellow welfare-dependency theorist George Gilder see also Brendon O'Connor, 'The Intellectual Origins of "Welfare Dependency"', *Australian Journal of Social Issues,* Vol. 36(3), August 2001, pp. 221-236.
[259] Peter Saunders, *A Self-Reliant Australia: Welfare Policy for the 21st Century,* Occasional Paper No. 86, Centre for Independent Studies, Sydney, 2003, p. 48.
[260] Saunders, *The Government Giveth,* chap. 3.

> most of us are already paying in taxes for much or all of what the government 'gives' us in services and cash payments[…] When you consume another 'free' government service, you pay for it with another tax.[261]

One of Saunders' key criticisms of the Howard Government was its exacerbation of the 'churn' phenomenon by extending family payments – a concern shared by his colleagues at the CIS.[262] Saunders has advocated allowing individuals to voluntarily opt out of government provided welfare and service programs (in return for a tax reduction) – suggesting that such a system would be both more liberal and politically palatable than alternative proposals such as Murray's notion of a guaranteed minimal income or voucher schemes.[263] Ideally government's role in social welfare policy should be either to assist with the provision of services by third-sector mutual societies or to empower citizens as consumers interested in their own welfare.[264]

Scholars from the IPA and members of the H.R. Nicholls Society have also been preoccupied with the dangers of welfare dependency. At the 1997 meeting of the H.R. Nicholls Society, Des Moore argued that "more generally, while Australia provides less middle class welfare than Europe, the case for reducing the welfare liberality line and welfare dependency here is also a strong one".[265] In 1999, Hyde noted that "around 8 per cent unemployment, inadequate savings

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[261] Saunders, *The Government Giveth,* p. 9.
[262] See Saunders, *The Government Giveth,* p. 90; Greg Lindsay, Barry Maley and Peter Saunders, 'Big government Lib', *The Australian,* 12 December 2006, http://www.theaustralian.com.au/news/opinion/greg-lindsay-barry-maley-and-peter-saunders-big-government-lib/story-e6frg6zo-1111112670686, accessed 21 April 2010.
[263] Saunders, *The Government Giveth,* p. 86.
[264] Peter Saunders, 'Supping With The Devil? Government Contracts and the Non-Profit Sector', in Peter Saunders & Martin Stewart-Weeks (eds.), *Supping with the Devil? Government Contracts and the Non-profit Sector,* CIS Policy Forum No. 16, Centre for Independent Studies, Sydney, 2009, p. 14.
[265] Des Moore, 'The Effects of the Social Welfare System on Unemployment', *Wrong Way – Go Back: Proceedings of the H.R. Nicholls Society – September 1997,* 1997, http://www.hrnicholls.com.au/archives/vol18/vol18-3.php, accessed 21 July 2009.

and high welfare dependency" were problems that economic rationalists continued to confront.[266]

Some welfare reforms introduced by the Howard Government were welcomed by neo-liberals. Ironically the interventionist 'Work for the Dole' (WFD) scheme drew praise. Built on the notion that welfare entailed a 'mutual obligation' on the part of recipients, the scheme, introduced in 1997, required those unemployed for longer than six months and aged between 18 and 24 to participate in additional approved activities (such as community work) in order to remain eligible for support payments. This requirement was later extended to older unemployed people.[267]

In his book, *Dry,* Hyde offered praise for Howard's efforts to develop "a welfare system that would help the genuinely needy but do less to encourage dependency".[268] In 2000, Michael Warby in the *IPA Review* commented that

> Growing welfare dependency can only be effectively tackled by policies which target dependency directly – including those currently being 'ware-housed' as disabled, sole parent and mature age recipients. The introduction of the 'work for the dole' and the appointment by the Howard Government of the McClure Committee into welfare reform hopefully indicate that this is the next stage in policy.[269]

In the same edition of the *IPA Review*, Mike Nahan endorsed mutual obligation policies and called for their extension, arguing that

> the task is to break down the barriers in the system that treat the disabled, lone parents and the mature unemployed differently, provide

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[266] John Hyde, 'Reforming Economic Reform', *IPA Review,* No. 51(1), March 1999, p. 29.
[267] Parliament of Australia Parliamentary Library, *Mutual Obligation/Work for the Dole,* E-Brief, 27 November 2000 (updated 15 June 2004), http://www.aph.gov.au/library/intguide/sp/dole.htm, accessed 22 April 2010.
[268] Hyde, *Dry,* p. 245.
[269] Michael Warby, 'Making Welfare Sustainable', *IPA Review,* Vol. 52(2), July 2000, p. 13.

> them with the same tailored services, and require of them the same responsibilities to work as are applied to people on the dole.[270]

Saunders, in *A Self-Reliant Australia*, suggested that the introduction of time limits for welfare payments, combined with an extension of the WFD scheme, could lead to a 50% reduction in the numbers of long-term unemployed "and an estimated net saving of around $2 billion dollars per year".[271]

Some neo-liberals, however, have been implicitly critical and suspicious of the WFD scheme, suggesting that the efforts of government would be better focused on reducing unemployment by introducing labour market reforms.[272] Indeed Warby cautioned at the 1998 meeting of the H.R. Nicholls Society that

> Workfare ("work for the dole"), done correctly, can be an excellent way of re-socialising the long term unemployed back into work and preserving incentives to look for work… But we should be very suspicious of grand plans to do more than that. Taxes are a very expensive way of funding something.[273]

Others neo-liberals have acknowledged that mutual obligations pose a philosophical challenge. The level of government involvement in individuals' lives that such policies entail sits uneasily alongside liberal's emphasis on the value of minimal government. Roskam has stated that the ideology of the work for the dole scheme has not been fully assimilated into liberal thought and that it remains a "hugely problematic" policy for liberal thinkers.[274] Hyde has noted that the 'dry' MPs within the Coalition applauded Howard's efforts to tighten some eligibility criteria for welfare, yet such policies also raised some difficult

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[270] Mike Nahan, 'From the Editor: Welfare reform', *IPA Review,* Vol. 52(2), July 2000, p. 1.
[271] Saunders, *A Self-Reliant Australia,* p. 39.
[272] See, for example, Graeme Haycroft, 'Jobs Created…. and Destroyed', *IPA Review,* Vol. 51(2), June 1999, pp. 24-25; Michael Warby, 'From the Editor', *IPA Review,* Vol. 51(2), June 1999, p. 24; Roger Kerr, 'Freedom in the New Zealand Labour Market', *IPA Review,* Vol. 49(4), July 1997, p. 26;.
[273] Michael Warby, 'Consent, Compassion and Coercion', *MUA – Here to Stay… Today! Proceedings of the H.R. Nicholls Society,* August 1998, http://www.hrnicholls.com.au/archives/vol19/vol19-3.php, accessed 30 July 2009.
[274] Roskam interview.

questions such as how governments can be "more personal and more flexible" without inviting corruption.[275]

The recognition by Roskam and Hyde of the philosophical tensions arising out of mutual obligation schemes provides support for Jayasuriya's suggestion that recent government programs, influenced by neo-liberal thinking, are increasingly "more focused on developing new forms and practices of social and economic regulation".[276] Jayasuriya points out that this contemporary interest draws on the earlier twentieth-century school of ordo-liberal thought that argued that an economic order cannot be created without "a consistent order-based policy… of the state".[277]

According to Jayasuriya, new regulatory practices (such as the structural adjustment programs imposed on countries by the International Monetary Fund) "call for a more interventionist and activist state that would enable those forms of social conduct that promote market norms and practices".[278] He adopts the distinction made by geographers Jamie Peck and Adam Tickell between 'rollback' neo-liberalism, entailing policies of deregulation and privatization popularised by Reagan and Thatcher, and 'rollout' neo-liberalism that has seen states create and regulate markets in order to sustain the capitalist order.[279]

In effect mutual obligation policies constitute a variant of 'roll-out' neo-liberalism. Policies such as WFD entail an effort by the state to transform individuals into functioning and competitive human beings.[280] As political

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[275] Hyde, *Dry,* pp. 245-246.
[276] Jayasuriya, 'Economic Constitutionalism', p. 252.
[277] Jayasuriya, 'Economic Constitutionalism', p. 242. For a detailed discussion of the historical basis of ordo-liberalism see Ralf Ptak, 'Neoliberalism in Germany', in Philip Mirowski & Dieter Plehwe (eds.), *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*, Harvard University Press, Cambridge, 2009.
[278] Jayasuriya, 'Economic Constitutionalism', p. 252.
[279] See Jayasuriya, 'Economic Constitutionalism', p. 252; Jamie Peck & Adam Tickell, 'Neoliberalizing space', *Antipode,* Vol. 34(3), 2002, pp. 380-404.
[280] Along with Jayasuriya, Mark Davis has also pointed to neo-liberal's interest in transforming social life, maintaining that: "neoliberals aren't simply interested in making the economy more efficient, which is the main concern of

players seek to create a market-based order, they confront the reality that the powers of the state are needed. However, as Rodan and others have noted, a debate clearly continues within neo-liberal circles as to how the state might be used to promote neo-liberal values.[281] The involvement of the state in the areas of social policy (albeit to promote notions of entrepreneurship and individual responsibility) continues to divide neo-liberals, threatening the coherence of their ideology.

When Saunders arrived at the CIS in 2001 he quickly identified, after reviewing the Centre's social policy work, a recurring tension between individual liberty and social cohesion.[282] This tension was apparent in neo-liberal discussions surrounding the WFD scheme as a suspicion of government intervention was balanced against a concern about the individual and societal consequences of welfare dependency. The same tension has, however, often manifested itself within neo-liberal think tanks as a division between social libertarians and more conservatively minded advocates of the free market. This division among Australian neo-liberals is apparent in contentious areas of family policy.

Neo-liberals have, for example, divided over the issue of government's role in defining what constitutes a family unit. Andrew Norton of the CIS has argued the case for gay marriage, contrasting his position with that of social

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neoclassicals. They are interested in changing the ethical basis of society and the assumptions that underpin its operations to fit market logic. While neoclassicals understand markets as more or less self-governing, neoliberals understand markets as products of social interaction and cultural mores, and seek to apply their ideas to every aspect of society": Davis, *The Land of Plenty*, pp. 24-25. See also, Simon Marginson, *The Free Market: A Study of Hayek, Friedman and Buchanan and their effects on the public good*, Public Sector Research Centre, The University of New South Wales, Kensington (NSW), 1992. Marginson notes that "… the market liberals deliberately set out to create as normal a model of human behaviour and social relations which embodies the law of the jungle. The free market individual was not the subject of their project, but its final object. Market liberals understand that there is nothing inevitable or fixed about human nature" (p. 8).

[281] See Rodan, 'Neoliberalism and Transparency'; Robinson, 'Neo-liberalism and the Market State'; Thirkell-White, 'The Wall Street-Treasury-IMF Complex'.

[282] See Peter Saunders, *The Social Foundations of a Free Society,* Occasional Paper No. 79, Centre for Independent Studies, Sydney, 2002, p. 31.

conservatives.[283] Tim Wilson of the IPA has also argued that governments should allow 'competitive marriage' by recognizing a range of marriage contracts, including those formed by same sex couples.[284] In contrast, Ray Evans has expressed his fear that homosexuals are trying to break the basic building block of society – the traditional family – by promoting an 'unnatural agenda'.[285]

Evans, in addition to his involvement with the H.R. Nicholls Society and the IPA, has been heavily involved in the Galatians Group – an ecumenical body established in 1994 with the aim of promoting "public debate on issues dealing with the relationship between the Churches and the challenge of Australian civilization".[286] According to Greg Lindsay individuals within the CIS differ on the virtues of the recognition of gay marriage or civil unions. Lindsay notes that Barry Maley would oppose such recognition.[287] Saunders appears to have been influenced by both liberal and conservative attitudes regarding the government's role in defining family structures, commenting that

> On gay marriage, I'm totally in favour of giving same-sex couples all the same rights as heterosexual couples – except the right to adopt. Here, the rights of the child outweigh the rights of the adults, and in my view, a child has a right to a Mum and a Dad. They don't all get both, of course, but it's wrong for the state deliberately to place a child in a family where both are not present. But different people at CIS have

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[283] See Andrew Norton, 'Am I a 'moral conservative'?', date unknown, http://andrewnorton.info/2009/02/23/am-i-a-moral-conservative/comment-page-1/, accessed 27 April 2010; Andrew Norton, 'The utilitarian conservative case against gay marriage', On Line opinion, 23 January 2008, http://www.onlineopinion.com.au/view.asp?article=6907, accessed 27 April 2010.

[284] Tim Wilson, 'Marriage for church and gays', *The Australian,* 31 July 2009, http://www.theaustralian.com.au/news/marriage-for-church-and-gays/story-e6frg7b6-1225756590926, accessed 27 April 2010.

[285] Ray Evans, interviewed by Andrew Thackrah, 20 February 2009.

[286] Dr Max Champion, 'Foreward', in *Multicultural Australia: Ethnic Claims & Religious Values: Proceedings of The Galatians Group Conference, August 1995,* The Galatians Group, Armadale (Vic), 1995, p. i. See also Marion Maddox, *God Under Howard: The Rise of the Religious Right in Australian Politics,* Allen & Unwin, Crows Nest, 2005, pp. 213-214.

[287] Greg Lindsay, interviewed by Andrew Thackrah, 24 April 2009.

> different views on this – you can't always read off the 'right' answer from first principles![288]

Saunders has noted that the work of Barry Maley at the CIS (who has argued that the support of government for no fault divorce has undermined the institution of marriage)[289] "is incredibly conservative for a so-called liberal think tank".[290]

As in other social policy areas, in the field of family policy neo-liberals have focused on highlighting the damage caused by existing government policies. Lucy Sullivan of the CIS, for example, has critiqued the effect of the income tax system on Australian families, arguing that the interaction of wage control, taxation and family welfare payment systems has, over time, discriminated against traditional family units.[291] Jennifer Buckingham, again of the CIS, has advanced a similar line of argument, pointing in particular to how a public policy emphasis on funding childcare has discriminated against women wishing to care for their children in the home environment.[292] In the area of taxation, however, Buckingham believes that governments should ultimately adopt a tax structure that does not discriminate in favour of any one family arrangement over another.[293] Roskam also adopts this position.[294]

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[288] Personal correspondence between Andrew Thackrah and Peter Saunders, 14 October 2009.

[289] Barry Maley, 'All's not fair in no-fault divorce', *The Age,* 4 January 2004, http://www.theage.com.au/articles/2004/01/03/1072908951471.html, accessed 27 April 2010.

[290] Saunders interview.

[291] See Lucy Sullivan, 'Tax Injustice: Keeping the Family Cap-in-Hand', *CIS Executive Summary,* No. 3, 10 July 1998, http://www.cis.org.au/issue_analysis/ia_3.html, accessed 27 April 2010; Lucy Sullivan, *Taxing the Family: Australia's Forgotten People in the Income Spectrum,* Policy Monograph No. 50, Centre for Independent Studies, Sydney, 2001.

[292] See Jennifer Buckingham, 'The Child Care funding myth', *Executive Highlights,* No. 651, 26 July 2008, http://www.cis.org.au/executive_highlights/EH2008/eh65108.html, accessed 27 April 2010; Jennifer Buckingham, 'Cash could be better spent outside daycare', *The Australian,* 23 October 2007, http://www.cis.org.au/media-information/opinion-pieces/article/521-cash-could-be-better-spent-outside-daycare, accessed 20 September 2010.

[293] Jennifer Buckingham, interviewed by Andrew Thackrah, 21 April 2009. Harold Clough, a board member of the IPA, notes that while he has not "considered in depth the implications of the Howard government family

Those social conservatives, such as Evans, who fear for the health of the traditional family structure, still objected to the Howard Government's introduction of direct payment to new mothers, preferring the use of tax breaks to benefit families.[295] Neo-liberals, by and large, see the health of families as inversely proportional to the degree to which governments develop family-specific policies.

However, from shared first principles different neo-liberal attitudes regarding the role of government in defining the scope of the family have emerged, with a clear divergence between libertarian and more socially conservative individuals. While the Howard Government embraced both economically liberal and socially conservative policies, this combination proved awkward for those involved in neo-liberal think tanks whose thinking on social policy issues and the role of the state remains under-developed.

Conclusion

This chapter has examined the manner in which Australian neo-liberals debated and discussed the appropriate role of the state during the Howard years. It began by outlining neo-liberals' preference for a minimal/ nightwatchman state. New class and public choice theories have been deployed by neo-liberals in order to support their case for a minimal state, while, following Hayek, governments, seeking to correct for their own errors, have been portrayed as naturally expansionist.

This chapter has also suggested that the state, while it unites neo-liberals in critique, occupies a contested position within neo-liberal thought. Reflecting on a body of literature introduced in the first chapter of this thesis, it has been noted that in both neo-liberal thinking and political practice the notion of the free

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payments" system, he concurs with Lindsay that "welfare payments tend to be an inefficient means of wealth distribution": Personal correspondence between Andrew Thackrah and Harold Clough, 20 May 2010.

[294] Roskam interview.

[295] Evans interview.

economy accompanied by a minimal but strategically strong state has gained support. It has been highlighted, however, that during the Howard years neo-liberals debated how exactly the activities of the state could be limited within a democratic framework. Some neo-liberals advocated a 'constitution of liberty' and legislation imposing fiscal restraint and an independent Reserve Bank. Such advocacy, however, reflected the very tension apparent in the work of Hayek – a free-market and minimal state framework appears to require a conscious political program and the strategic co-option of state power.

This chapter has then outlined neo-liberal support for the use of strong state powers in order to counter threats (both external and internal) to the nation. With respect to the conduct of the Iraq war, the 'War on Terror', and border protection polices significant divisions within the neo-liberal camp have been examined. Neo-liberals agree that one of the most basic duties of the state is to protect its citizens from external threats. The War in Iraq and the associated 'War on Terror', however, highlighted the extent to which drastic government intervention, at times entailing the infringement of individual liberties, can be rhetorically and politically justified by appealing to the state's duty of self-defense. While in the United States free-market think tanks divided against each other in their reactions to the 'War on Terror', in Australia divisions opened up within groups such as the CIS and the IPA.

By appealing to the state's duty to uphold the rule of law Australian neo-liberals have, to an extent, managed to avoid internal disputes when considering how to counter internal threats to the free-market order. Measures introduced by the Howard Government, such as the establishment of the powerful Building and Construction Commission that were justified as necessary in order to uphold the rule of law in the construction industry, were applauded by neo-liberals. Though supportive of many 'strong state' policies, some Australian neo-liberals demonstrated a wariness as to whether they were actually likely to succeed. The 'free economy/ strong state' paradigm draws neo-liberals into the awkward position of needing to trust the state to protect the foundational system upon which systems of market exchange rely (by, for example, upholding property

rights), while seeking to justify its exclusion from other areas of social and economic life.

Lastly, this chapter has examined neo-liberal attitudes regarding a number of social policy issues during the Howard years. It was argued that neo-liberals have commonly united in calling for the reduction of government involvement in social policy. However, they have also offered some support for a number of policies, such as the Work for the Dole scheme, that are decidedly paternalistic. A number of neo-liberals have acknowledged the difficulty of reconciling mutual obligations policies with a free-market, minimal state philosophical outlook. It has been argued that, like their overseas counterparts, Australian neo-liberals confronting the phenomenon of 'roll-out' neo-liberalism have again engaged in a debate regarding the extent to which the state can be co-opted to the project of promoting market values. It was also noted that a clear division exists between socially conservative and more libertarian neo-liberals regarding the role of government in defining the basic family unit (a matter explored further in the next chapter).

By examining the way neo-liberals have viewed the state, this chapter has developed the overall argument of this thesis – that the policies of the Howard Government revealed core tensions within neo-liberal thought regarding whether market systems spontaneously develop or require a conscious ideological and political programme in order to flourish. The intellectual dilemmas that neo-liberals have faced in describing the importance of market mechanisms (examined in the last chapter) have led to related challenges when analysing the appropriate role of the state. These dilemmas came to the fore during the Howard years.

An understanding of the attitude adopted by think tanks such as the CIS and IPA towards the role of government helps illuminate another key argument developed later in this thesis – namely, that neo-liberals continue to view themselves as, in part, outsiders within the realm of political and intellectual debate. This attitude is partly explicable by reference to the fact that neo-liberals are sceptical of the utility of organised political action, yet their ideal market state appears to require

both voters and public officials to accept the virtues of imposing a liberal free-market order.

The ambiguities in neo-liberal thinking regarding the role of the state reflect a deeper uncertainty regarding the extent to which a market-based society can succeed on liberal terms. Australia's neo-liberals, as they have confronted the possibility that the state (with all its flaws and limitations) may have an important role in developing their own project, have pondered how a market order may be extended in a society of competing vested interests and continuing government intervention. To fully appreciate the complexity of neo-liberal identity it is thus necessary to examine neo-liberals' views on the strength and significance of civil society itself. It is to that task that this thesis now turns.

Chapter Five: Neo-liberal Visions of Civil Society

Introduction

Examining the health of the not-for-profit sector and its relationship with government in a 2009 CIS publication, public policy consultant Martin Stewart-Weeks concluded that, "we seem stuck between a status quo that is unacceptable and a future that is unachievable".[1] Two significant points can be made about Stewart-Weeks' comment. Firstly, he was reflecting on a particular moment in Australian political history. The Howard Government, animated by the potential for not-for-profit organisations to participate in a newly privatised job services market, engaged in a process of contracting out those government services to charitable organisations. Australian neo-liberals, while generally receptive to the Government's efforts to outsource traditionally state-run activities, also came to view with concern the level of bureaucracy these reforms entailed and the potential for the erosion of the independence of non-government organisations (NGOs).

Secondly, Stewart-Weeks' comment reflects the ambiguity in neo-liberal attitudes regarding civil society – that sphere of "social relations and structures that lie between the state and the market".[2] As this chapter argues, neo-liberals possess a positive vision of civil society as a realm, distinct from government, of human spontaneity and a source of 'social capital', such as norms and values. They also, however, express concerns that freely associating individuals and groups may threaten the foundations of neo-liberalism. As Richard Robinson has noted, the neo-liberal distrust of the state extends to society.[3]

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[1] Martin Stewart-Weeks, 'Conclusion: Maybe the End of the Road is a Good Place to Start Again', in Peter Saunders & Martin Stewart-Weeks (eds.), *Supping with the Devil? Government Contracts and the Non-Profit Sector,* CIS Policy Forum 16, The Centre for Independent Studies, Sydney, 2009, p. 59.

[2] John Ehrenberg, *Civil Society: The Critical History of an Idea,* New York, University Press, New York & London, 1999, p. 235.

[3] Richard Robinson, 'Neo-liberalism and the Market State: What is the Ideal Shell?', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillan, Houdmills & New York, 2006, p. 4.

This chapter explores the complexity of neo-liberal visions of civil society. The chapter begins by examining the positive neo-liberal vision of civil society as an alternative to government. It is outlined how Australian neo-liberals have used aspects of Australian history (in particular, traditions of mutualism) in order to advance the case for leaving the task of welfare provision in predominantly non-government hands. Neo-liberals have also, at times boldly, drawn direct links between mostly Anglo-Saxon social conventions and the development of political, economic and social freedoms. Arguing that government involvement in social affairs excludes a thriving voluntary and non-government sector, they have defended free-market policies by attempting to naturalise inherently ideological assumptions.

The chapter then proceeds to outline some of the doubts expressed by Australian neo-liberals regarding both the health and potential of civil society. Often these doubts arise directly from neo-liberals' suspicion of government intervention in social and economic affairs. In particular, neo-liberals have continued to voice doubts about whether, after what they view as an extended period of government involvement in welfare provision, it will be possible for charitable institutions and NGOs to play a greater role in service delivery as the state retreats from this sphere of activity. The damage done by the welfare state to civil society may be permanent.

Focusing on the policy developments of the Howard years, neo-liberals queried whether the very prosperity of modern Australia, and the nature of the country's democratic system, had paradoxically undermined the case for further economic reform. Soberly they sought to explain why public approval for neo-liberal policies remained thin. Again focusing on the dilemmas arising from the nature of democratic governance, they critiqued the managerialism associated with the Howard Government's efforts to involve charitable bodies in welfare service provision, asking: can governments constrained by the need to remain accountable to the public effectively harness the talents of the NGO sector?

The chapter then moves on to consider areas where neo-liberals have concluded that civil society simply cannot be trusted to uphold the foundations of a liberal

capitalist order and, subsequently, have endorsed restrictive regulatory measures. The IPA's efforts to regulate NGOs, in particular, are considered, highlighting the at times stark differences in neo-liberal attitudes regarding civil society.

Finally, this chapter considers the way in which Australian neo-liberals have examined cultural aspects of civil society. Their appeal for respect for societal institutions, particularly those associated with 'Anglosphere' countries, as well an emphasis by some on the importance of Christian faith, is examined. While neo-liberals share a desire to strengthen key institutions of civil society (such as charities), they caution that the foundations of a liberal polity are fragile and in need of constant nurture. Veering between optimism and despair, it is unsurprising that Australian neo-liberals adopted differing and occasionally conflicting views on the social policies of the Howard Government.

This chapter reveals the extent to which the ongoing debate within neo-liberal circles regarding the extent to which the state can be deployed to promote market values is in turn shaped by competing views of civil society. Neo-liberals' differences on the speed at which free-market policies can be implemented and the merit of democratic reforms (such as the introduction of plebiscites) are clearly shaped by varying opinions on the present health and future potential of civil society.

The positive neo-liberal vision of civil society

Scholars examining Australian neo-liberalism have rightly placed significant emphasis on the dominance of economic thought within this political movement. Academics Robert Manne and John Carroll led the charge in the 1990s in arguing that a dangerous obsession with 'economic rationalism' had infected the conservative side of Australian politics. Economic rationalists, Carroll noted, were "addicted to economic theory… as if it were God-given revelation".[4]

[4] John Carroll, 'Economic Rationalism and its Consequences' in John Carroll & Robert Manne (eds.), *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia,* Text Publishing, East Melbourne, 1992, p. 13.

More recently, Verity Burgmann has associated neo-liberalism with a "distorted version of classical liberal economic theory" that adopted the premise "that the market is invariably good and state intervention is usually bad".[5] Stephen Bell has argued that neo-liberals have focused on competition to the exclusion of a consideration of the extent to which economic progress relies on cooperation.[6] Similarly Mark Davis in his 2008 book *The Land of Plenty* maintained that neo-liberals have a fundamental disregard for group identity, writing that

> The very function of markets, for seminal neoliberal thinkers such as FA. Hayek, is to provide a modern, rational basis for society that transcends all forms of tribalism, group identity and non-individualist conceptions of rights, which are understood as a pre-modern form of primitivism.[7]

These scholars rightly sought to understand the central role of free-market ideas in New Right or neo-liberal thought. The embrace of free-market ideas by Australian politicians meant that the influence of these concepts simply could not be ignored. That they adopted this approach is hardly surprising – neo-liberals themselves have pointed to the limitations inherent in their pre-occupation with economic life. As Andrew Norton has conceded, liberal theory has remained underdeveloped in the sphere of social policy and given Australia's lack of a "self-conscious liberal tradition… the promotion of liberal ideas and institutions is rarely placed in a wider liberal framework".[8] Similarly John Hyde has noted that "some Dries were guilty of giving too little attention to the institutions that make a society".[9] Writing in *Policy* in 1996, Vern Hughes (the then director of

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[5] Verity Burgmann, *Power, Profit and Protest: Australian Social Movements and Globalisation,* Allen & Unwin, Crows Nest, 2003, p. 257.
[6] Stephen Bell, *Ungoverning the Economy: The Political Economy of Australian Economic Policy,* Oxford University Press, Melbourne, 1997, p. 262.
[7] Mark Davis, *The Land of Plenty: Australia in the 2000s,* Melbourne University Press, Carlton (Victoria), 2008, p. 49.
[8] Andrew Norton, 'Revitalising Civil Society: A Theme of Recent Australian Liberal Thought', Unpublished paper for the Centre for Independent Studies, date unknown, supplied by Norton to the author of this thesis; Andrew Norton, interviewed by Andrew Thackrah, 18 February 2009.
[9] Hyde qualifies this admission, however, by suggesting that "that was more the case 20 years ago and the sin was neglect not opposition": see John Hyde, *Dry: In Defence of Economic Freedom*, Institute of Public Affairs, Melbourne, 2002, p. 267.

the Co-operative Federation of Victoria) went further, arguing that "neo-liberalism has not produced a convincing framework for the private provision of welfare".[10] According to Hughes, by focusing on the state and the market neo-liberals had neglected "associational forms of private life" (such as mutual societies) and become preoccupied with *homo economicus*.[11]

However, as Oxford based historian E.H.H. Green has demonstrated with reference to the scholarship examining the Thatcher Government in the UK, an attempt to understand the attitude adopted by individuals and political parties towards the role of the state is incomplete without a consideration of their views on civil society.[12] Green writes that, "the question of the adequacy and proper functioning of agencies of civil society was central to Conservative discussion of social policy in the twentieth century".[13] Equally a study of Australian neo-liberal think tanks is incomplete without an examination of their diverse views in this area.

Damian Cahill has highlighted the way in which Australian neo-liberals have intentionally emphasised the extent to which they endorse a positive vision of civil society in order to counter conservative and left-leaning criticism that their ideology is a soulless creed enslaved to the free market. According to Cahill, the 'Markets and Morals and Civil Society Project' developed by neo-liberal think tanks in the early to mid-1990s constituted an effort by radical neo-liberals to "deny that neo-liberalism in practice is inimical to many of the traditions and values they hold dear due to their conservative moral disposition".[14] Norton himself has acknowledged that a strategic effort by groups such as the CIS to broaden the philosophical reach of classical liberalism was a direct response to

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[10] Vern Hughes, 'From Welfare State to Civil Society', *Policy*, Vol. 12(3), Spring 1996, p. 40.
[11] Hughes, 'From Welfare State to Civil Society', p. 40.
[12] See E.H.H. Green, *Ideologies of Conservatism: Conservative Political Ideas in the Twentieth Century,* Oxford University Press, Oxford & New York, 2002, Chap. 9. See also E.H.H. Green, 'Thatcherism: An Historical Perspective', *Transactions of the Royal Historical Society,* 6th Ser. Vol. 9, 1999, pp. 17-42.
[13] Green, *Ideologies of Conservatism,* p. 272.
[14] See Damien Connolly Cahill, *The radical neo-liberal movement as a hegemonic force in Australia: 1976-1996,* Unpublished thesis, University of Wollongong, 2004, p. 100.

the critique of economic rationalism advanced by Manne and Carroll in *Shutdown*.[15] Such an effort also coincided with criticism of the Federal Liberal Party's *Fightback!* manifesto.[16]

There is value, however, in looking beyond the strategic motives of neo-liberals in championing civil society. A belief in the positive role of civic groups is a real and significant aspect of neo-liberal thought. As David McKnight has demonstrated in *Beyond Right and Left,*[17] an understanding of how neo-liberals have approached topics such as the role of the traditional family gives a fuller picture of neo-liberalism as a political phenomenon and illuminates its internal tensions and limitations. McKnight, for example, notes that Hayek "reserved a place for… 'primitive feelings' of solidarity and altruism – in the family and in voluntary associations".[18] Yet he notes that Hayek is unable to explain how market values can be prevented from undermining non-market spheres of life.

Similarly Jayasuriya critiques neo-liberalism while also indicating that it is more than simply an economic ideology. He highlights that notions of embedded markets and social order continue to influence neo-liberal thought.[19] Scholars have also pointed out that neo-liberals' emphasis on the importance of citizenship and civic values has informed the free-market approach to social policy.[20]

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[15] Chris James, Chris Jones, Andrew Norton, *A Defence of Economic Rationalism,* Allen & Unwin, Sydney, 1993; Norton interview.

[16] The *Fightback!* policy, closely linked to Federal Liberal leader John Hewson's 1993 election defeat, did address social, rather than simply economic, concerns, yet with its advocacy of a Goods and Services Tax it was criticised as the epitome of 'economic rationalism': see John Phillimore, Peter Vintila, Peter Newman (eds.), *Markets, Morals & Manifestos: Fightback! & The Politics of Economic Rationalism in the 1990s,* Institute for Science and Technology Policy, Murdoch University, Murdoch (Western Australia), 1992.

[17] David McKnight, *Beyond Right and Left: New Politics and the Culture Wars,* Allen & Unwin, Crows Nest, 2005.

[18] McKnight, *Beyond Right and Left,* p. 69.

[19] Kanishka Jayasuriya, 'Economic Constitutionalism, Liberalism and the New Welfare Governance', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillan, Houdmills & New York, 2006.

[20] See Michael Muetzelfeldt, 'The Facilitative State and the Symbolic Potency of Mutual Obligation', *Australian Journal of Public Administration,* Vol. 60(2), 2001, pp. 99-110; Cosmo Howard & Steve Pattern, 'Valuing Civics: Political

In the minds of neo-liberals, one of the positive features of civil society is the apparent tendency of individuals, without the need for coercion or enticement by government, to form voluntary groups that aim altruistically to assist others. Davis has suggested that Australia, unlike the United States, does not posses a long civic history of volunteerism.[21] Australian neo-liberals have, however, attempted to dispel this notion, embracing the tendency of their American counterparts to emphasise their civic history.[22] Academic Gregory Melleuish has led this effort for the CIS, pointing, for example, to the "importance of voluntary associations", often inspired by religious sentiment, in colonial liberal thought.[23] Melleuish argued in his study of early twentieth century liberalism in Australia that

> Any 'culture' is, in fact, the product of a variety of cultural traditions in which individuals participate in their day-to-day lives. Every individual participates in many institutions – family, church, work, nation, voluntary organizations, political parties, etc. – which have their own norms and ideals.[24]

In Melleuish's work a focus on Australian traditions of free trade exists alongside an interest in liberalism as an ideology of social cooperation existing outside the state. In short, he views the economic and social aspects of liberal

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Commitment and the New Citizenship Education in Australia', *Canadian Journal of Education,* Vol. 29(2), 2006, pp. 454-475. A detailed analysis of the role of neo-liberal notions of citizenship in structuring global inequalities is provided in Aihwa Ong, *Neoliberalism as exception: mutations in citizenship and sovereignty,* Duke University Press, Durham & London, 2006.

[21] Davis, *The Land of Plenty,* p. 138.

[22] This tendency was particularly apparent when interviewing US-based neo-liberals such as the Chief Executive Officer of the Hudson Institute: Kenneth R. Weinstein, Chief Executive Officer, Hudson Institute, interviewed by Andrew Thackrah, 16th June 2009.

[23] Gregory Melleuish, *A Short History of Australian Liberalism,* Centre for Independent Studies, Occasional Paper No. 74, Sydney, 2001, pp. 5-6.

[24] Gregory Melleuish, *Cultural Liberalism in Australia: A Study in Intellectual and Cultural History,* Cambridge University Press, Cambridge & Oakleigh (Victoria), Melbourne, 1995, p. 9.

ideology as complementary within a settler society that has placed a premium on social harmony.[25]

Along with Melleuish, other Australian neo-liberals have commonly (and proudly) pointed to the history of mutualism and volunteerism in Australia. Reviewing the strength of civil society in Australia for the CIS in 1998 Martin Stewart-Weeks and Charles Richardson suggested that

> When de Tocqueville witnessed the associational frenzy of nineteenth century America, he remarked on their potential as 'schools' of civic virtue and effective social action. Australia has a long tradition of using voluntary associations in exactly that way.[26]

Peter Saunders has also posited that

> the history of friendly societies makes clear, [that] ordinary working people with only a basic education are quite capable of looking after their own long-term interests and choosing which professional services they want to use.[27]

Similarly James Cox has written in *Policy* that

> Australian society in the 19th century met its welfare needs largely independently of government. The work of voluntary organizations, such as the Benevolent Society of New South Wales, and friendly societies was especially important.[28]

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[25] See Gregory Melleuish & Geoff Stokes, 'Australian Political Thought', in Wayne Hudson & Geoffrey Bolton (eds), *Creating Australia: changing Australian history,* Allen & Unwin, Crows Nest, 1997, p. 116. See also Sawer's analysis of Melleuish's approach to liberalism: Marian Sawer, *The Ethical State?: Social Liberalism in Australia,* Melbourne University Press, Carlton, 2003, p. 33.

[26] Martin Stewart-Weeks & Charles Richardson, *Social Capital Stories: How 12 Australian Households Live Their Lives,* Policy Monograph No. 42, Centre for Independent Studies, Sydney, 1998, p. 121.

[27] Peter Saunders, *Six Arguments in Favour of Self-Funding*, CIS Issue Analysis, No. 61, Centre for Independent Studies, 14 July 2005, Sydney, p. 5.

[28] James Cox, 'The Erosion of Self-Reliance: Welfare Dependency and the Family', *Policy,* Vol. 17(3), Spring 2001, p. 34.

Des Moore of the Institute for Private Enterprise has suggested that there are a large number of voluntary organisations in Australia. Interviewed in the aftermath of the 2009 Black Saturday bushfires in Victoria, he pointed to the community reaction to that event as evidence of the strength of civil society.[29] John Hyde has also recalled that, following Locke, the 'Dries' saw civil society "as a community of self-motivated, free citizens – members of a spontaneous non-political order".[30]

For Australian neo-liberals, a historical appreciation of the role played by voluntary associations is closely associated with their view that government's involvement in the field of welfare provision should be drastically reduced. Saunders, for example, suggests that

> When people earn their own money and use it to provide for themselves and their dependents, they derive a sense of autonomy, self-worth and personal responsibility which is denied them if their money is taken from them in taxes and then returned as government benefits and services. The early friendly societies understood this, which is why they so passionately defended their autonomy against the growth of state welfare benefits.[31]

As Saunders' comment highlights, the neo-liberal critique of welfare dependency tends to imply a positive vision of civil society as capable of stepping in where government retreats and as causing less harm to individuals due to a reliance on volunteerism. Saunders suggests that

> genuine welfare will offer support to people in such a way that they can take responsibility for their own lives and contribute to the wider society, rather than disempowering them by solving their problems for them. Traditional charities always understood this, but the modern welfare state never has.[32]

Des Moore has argued that given the role of voluntary associations it does not follow that a reduction in government involvement in providing welfare will lead

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[29] Des Moore, interviewed by Andrew Thackrah, 19th February 2009.
[30] Hyde, *Dry,* p. 5.
[31] Sanders, 'Six Arguments', p. 9.
[32] Saunders, 'Six Arguments', p. 11.

to some people being neglected.[33] Similarly Ray Evans maintains that those unable to work (such as the disabled) would benefit from charitable sentiment in a free-market environment.[34] Evans argued in 1996 that

> we are now facing a watershed in the history of the State and rather than bewailing the deep reluctance of the citizenry to accept higher taxes, we ought to be thinking about the revitalisation of institutions which can replace the state as providers of 'lifeboat services', most importantly the family.[35]

Both Moore and Evans appear to go further than Saunders who concedes that the state has a role in providing for those with a permanent physical or mental disability.[36] It is, however, unclear why Moore and Evans believe that a welfare system based on charity and mutuality would not neglect people in the manner that occurred in the nineteenth century.

For neo-liberals the ideal role of government, with respect to the development of social capital, is to complement and nurture the values that emerge from civil society. Governments must not contradict those values and should also avoid 'social engineering'. The Black American conservative Glenn Loury, speaking at an IPA conference in 1995, stated that "legislators should look for ways to encourage virtue by encouraging the development and expansion of those private, voluntary associations within which the real work of character development is best done".[37] Loury emphasised that communal norms are best

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[33] Moore interview.

[34] Ray Evans, interviewed by Andrew Thackrah, 20 February 2009.

[35] Ray Evans, 'Social Justice and Millenarianism', in *The Utopian Quest for Social Justice: Proceedings of The Galatians Group Conference: August 1996*, The Galatians Group, Armadale (Vic.), 1996, p. 157.

[36] Peter Saunders, *The Government Giveth and the Government Taketh Away: Tax Welfare Churning and the Case for the Welfare State Opt-Outs,* Policy Monograph No. 74, Centre for Independent Studies, Sydney, 2007, p. 34. Moore has referred to the dangers of 'excessive' government welfare, implying that the state still has a welfare role to play: Des Moore, 'The Effects of the Social Welfare System on Unemployment', *Wrong Way – Go Back: Proceedings of the H.R. Nicholls Society – September 1997*, http://www.hrnicholls.com.au/archives/vol18/vol18-3.php, accessed 21 July 2009.

[37] Glenn Loury, 'Values and Judgements: Creating Social Incentives for Good Behaviour', in Michael Koyce, Susan Moore, Geoffrey Partington, Glenn Loury,

formed outside of the state, whose "coercive resources…. though great, are not especially subtle".[38]

Similarly Saunders has argued that governments must avoid undermining social values by, for example, providing free needle exchanges for drug users.[39] He remarks (with Nicole Billante) that, "civility is a personal virtue, but it can be strengthened (or indeed eroded) by what governments do or do not do".[40] Then-Treasurer Peter Costello expressed a similar sentiment in a speech entitled 'Building Social Capital' delivered in July 2003:

> Recognising the importance of the non-government sector and the positive values arising from it, what are the lessons for policy? The first thing is the very important maxim for government, any government, on any issue: 'Do no harm'. These social networks are neither established by, nor controlled by government. They are voluntary. That is their strength.[41]

Accompanying their emphasis on the strength of charitable and voluntary sentiment, a number of neo-liberals have explicitly acknowledged that a free-market system relies on a framework of civic values. This recognition stands in contrast to Thatcher's famous pronouncement that "there is no such thing as society".[42] Citing the work of Francis Fukuyama on the importance of trust and civility in functioning market economies,[43] Saunders and Billante claim that

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'A Stitch in Time: Repairing the Social Fabric: Papers Presented to an IPA Conference, Melbourne, March 1995', *Current Issues,* November 1995, Institute of Public Affairs, Melbourne, p. 33.

[38] Glenn Loury, 'Values and Judgements', p. 33.

[39] Peter Saunders, interviewed by Andrew Thackrah, 1 September 2009.

[40] Billante & Saunders, *Six Questions,* p. 34. See also Nicole Billante, *Preventative Policing,* Occasional Paper No. 88, Centre for Independent Studies, Sydney, 2004; Brigette Berger, *The Social Roots of Prosperity,* Occasional Paper No. 55, Centre for Independent Studies, Sydney, 1996.

[41] Peter Costello, 'Building Social Capital' Speech, 16 July 2003, quoted in Margo Kingston, *Not Happy John!: Defending our democracy,* Penguin Books, Camberwell (Victoria), 2004, p. 260.

[42] The full quote and context of Thatcher's famous quip is discussed sympathetically at: G.R. Stelle, 'There is no such thing as society', Institute of Economic Affairs, 30th September 2009, http://blog.iea.org.uk/?p=572, accessed 25 May 2010.

[43] See Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity,* Free Press, New York, 1995.

> For a market system to work …. the pursuit of naked self-interest has to be limited in all sorts of ways. All players must respect the rules, and all need to act respectfully towards each other and to recognise the obligations which they incur to one another.[44]

Saunders and Billante even acknowledge that the collapse of corporate entities such as Enron highlights that the "unrestrained use of market power… can threaten the prosperity and functioning of the whole capitalist system".[45] Further, Hyde, arguing that "Dries… are far removed from moral relativism", writes that

> Dries believe that successful social interaction, not least that part of its referred to as 'the economy', depends utterly on adherence to codes of behaviour that ought to be regarded as good, that personal standards and community mores may be improved, and that by improving them the course of history may be improved.[46]

In March 1995, the IPA held a major conference on 'repairing the social fabric'.[47] At that conference Loury commented that

> I am now convinced that the core social problems of our time require for their solution a language of values – 'We *should* do this; they *ought* to do that; decent people must strive to live in a certain way' [Loury's emphasis].[48]

The criticism can be made that neo-liberals' concerns about the health of civil society are essentially instrumental in the sense that a strong social fabric is needed for a functioning market economy.[49] For many neo-liberals, however,

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[44] Nicole Billante & Peter Saunders, *Six Questions About Civility,* Occasional Paper No. 82, Centre for Independent Studies, Sydney, 2002, p. 16.
[45] Billante & Saunders, *Six Questions,* p. 16.
[46] Hyde, *Dry,* p. 3.
[47] See Michael Koyce, Susan Moore, Geoffrey Partington, Glenn Loury, 'A Stitch in Time: Repairing the Social Fabric: Papers Presented to an IPA Conference, Melbourne, March 1995', *Current Issues,* November 1995, Institute of Public Affairs, Melbourne.
[48] Glenn Loury, 'Values and Judgements', p. 33.
[49] Hyde, for example, with reference to the economic rationalist agenda circa 1980, has written that, "initially and predominantly, the Dries addresses those social issues with strongest links to the economic": Hyde, *Dry*, p. 35.

free markets both benefit from the existence of social capital but also form an important 'value-adding' component of civil society. As such, in their minds a virtuous circle exists in which the processes of capitalism enhance the strength of the social fabric that free markets, in turn, rely upon.

As Cahill suggests, neo-liberals have argued that, "market forces are not antithetical to virtuous behaviour but are, in fact, inherently moral and promote virtuous behaviour".[50] Cahill quotes Norton as maintaining that

> Competition policy is designed to put added pressure on producers. What market critics overlook is that this is fundamentally a pressure to *cooperate* [Norton's emphasis]. A criticism of centrally planned economies is that they lack incentives to cooperate.[51]

Similar arguments were advanced in *Defending Economic Rationalism*[52] and were developed by neo-liberals during the Howard years. For example, at the 2005 meeting of the H.R. Nicholls Society, then Executive Director of the New Zealand Business Roundtable, Roger Kerr, stated that one of the lessons of the free-market reform process in his country was that

> in a freer environment most employers want to deal directly with their own workforces and vice versa. Trust and cooperation largely supplanted former adversarial relationships.[53]

Two years earlier in the *IPA Review*, John Roskam was dismissive of the notion that competition is erosive of trust:

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[50] Cahill, *The radical neo-liberal movement,* p. 95.

[51] Andrew Norton, 'The Market Mentality', in Alan Hamlin, Herbert Giersch and Andrew Norton, *Markets, morals and community,* Centre for Independent Studies, Occasional Paper No. 59, Sydney, 1996, p. 53, quoted in Cahill, *The radical neo-liberal movement,* p. 96.

[52] See Michael James, 'Markets and Morality', in Chris James, Chris Jones, Andrew Norton, *A Defence of Economic Rationalism,* Allen & Unwin, Sydney, 1993, p. 163.

[53] Roger Kerr, 'Lessons From Labour Market Reform in New Zealand', "*Carpe Diem": Proceedings of the H.R. Nicholls Society*, Melbourne, March 2005, http://www.hrnicholls.com.au/archives/vol26/kerr.pdf, accessed 23 September 2012.

> The claim that 'market logic' undermines 'trust, cooperation and mutuality' fails to comprehend that the entire basis of markets is mutuality. It is only when people and private institutions *are* [emphasis in original] left to their own devices that social capital can be generated.[54]

John Hyde makes a similar point in *Dry*, suggesting that:

> It is true that, unlike rulers, markets are not in themselves moral or immoral [but] they provide opportunities for morally discerning individuals to interact by known rules which to break is immoral and to uphold is moral. By permitting choice they make room for acts of generosity and morality generally.[55]

For neo-liberals, free markets do not guarantee virtuous behaviour but create the necessary conditions (such as free association) to enhance social capital and, according to some, encourage cooperation by exposing people to competitive forces. Norton maintains that business firms should be included in any analysis of civil society as, along with other bodies like families and schools, they foster high participation rates and help develop extended social networks.[56] An analysis of the manner in which markets may erode community values is, for neo-liberals, conceptually nonsensical as a free economy itself is part of civil society, enabling and even encouraging civic virtues.

The view expressed by some neo-liberals that a virtuous circle of influence may develop between free markets and civil society is best understood by reference to a particular point in contemporary history. As Michael Edwards, a Senior Fellow at US-based Demos think-tank, has outlined, the term 'civil society' has

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[54] John Roskam, 'Is Social Capital the New Socialism?', *IPA Review,* Vol. 55(3), September 2003, p. 30.
[55] Hyde, *Dry,* pp. 267-268.
[56] Indeed Norton maintains that "[i]n all likelihood it is these institutions, rather than voluntary associations, that are the principal creators of social networks": Andrew Norton, 'Social Capital and Civil Society: Some Definitional Issues', in Andrew Norton, Mark Latham, Gary Sturgess, Martin Stewart-Weeks, *Social Capital: The Individual, Civil Society and the State,* Centre for Independent Studies, Policy Forum No. 14, Moorooka (Qld), 1997, pp. 5-6.

been used to justify radically different viewpoints across the political spectrum.[57] Neo-liberals, drawing on the work of Alexis de Tocqueville, link civil society to voluntary associations (to quote Michael Walzer – a "space of uncoerced human association"),[58] and see the benefits of these groups as stemming precisely from their distance from government. Edwards maintains that, with the fall of the Berlin Wall and spread of liberal democracy in Eastern Europe, this reading of civil society became and remains ascendant. "Civil society", he comments

> became both a rallying cry for dissidents – a new type of society charactized by liberal-democratic norms – and a vehicle for achieving it by building social movements strong enough to overthrow authoritarian states.[59]

Yet other visions of civil society are possible. As Ehrenberg has argued, the concept of civil society was previously linked with that of a universal commonwealth of citizens – only with the rise of liberal theory and modernity did it became associated with "private property, individual interest, political democracy, the rule of law, and an economic order devoted to prosperity".[60] Similarly Edwards highlights the tendency of theorists such as Habermas to link civil society to the maintenance of the public sphere, demanding a return to citizen-initiated politics.[61]

Ultimately neo-liberals have largely overlooked the extent to which, historically, voluntary associations have often benefited from government activity. Citing the impact of Rooservelt's 'New Deal', for example, Ehrenberg points out that "many of the civic organizations that the prevailing consensus imagines were a grass-roots response to local conditions were actually organized and stimulated by the state".[62] Similarly, attached to the notion that minimal state environments provide the necessary conditions for civil society to flourish, neo-liberals

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[57] Michael Edwards, *Civil Society,* Polity, Cambridge, 2009, p. 3. The New York- based Demos think tank should not be confused with the prominent London-based Blairite body.
[58] Michael Walzer, quoted in Edwards, *Civil Society,* p. 20.
[59] Edwards, *Civil Society,* p. 12.
[60] Ehrenberg, *Civil Society,* p. xiii.
[61] Edwards, *Civil Society,* p. 68.
[62] Ehrenberg, *Civil Society,* p. 230.

downplay the potential for large corporations to threaten the social fabric on which groups such as voluntary associations rely. For example, while acknowledging the potential for market-based cooperation to enhance the integrative aspects of civil society, political scientist John Keane warns that "commodified economies, left to their own devices, produce great social inequalities and, thus, tend to destroy the structures of civil society within which they are embedded, and upon which they depend for their reproduction".[63] This theme is also emphasised by sociologist Richard Sennett and economist Robert Reich.[64]

Despite their interest in freely associating communities, neo-liberals overlook the potential that the power disparities created by free-market capitalism may limit the aspects of civil society such as local groups. Andrew Gamble criticises Hayek for this oversight,[65] while, more broadly, Edwards argues that "theorizing civil society in the limited antistatist terms of the current discourse makes it impossible to grasp the emancipatory possibilities of political action".[66] Ironically, rather than worrying about the power of corporations, neo-liberals, after emphasising the potential of voluntary associations, have begun to have doubts about the ways in which aspects of civil society itself may undermine their liberal ideal.

The relationship between civil society and government

In addition to their concerns regarding the link between NGO and corporate agendas, neo-liberals have made the very practical argument that state efforts to provide welfare 'crowd-out' the altruistic actions of charitable bodies. This concern logically follows from neo-liberalism's positive appraisal of civil

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[63] John Keane, *Global Civil Society?,* Cambridge University Press, Cambridge, 2003, p. 89.
[64] See Richard Sennett, *Respect: the formation of character in a world of inequality*, Allen Lane, London, 2003; Robert Reich, *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life,* Alfred A. Knopf, New York, 2007.
[65] See Andrew Gamble, *Hayek: The Iron Cage of Liberty,* Polity Press, Cambridge, 1996, p. 192ff.
[66] Ehrenberg, *Civil Society,* p. xvi.

society. The main benefit of a healthy civil society (the development of social capital) is derived from the actions of freely associating individuals, not from the actions of government. Reviewing the CIS's social research output in 2002, Peter Saunders noted the popularity of this line of argument, commenting that

> Ever since Edmund Burke spoke of the crucial social role played by the 'little platoons' of family, church and community, liberals and conservatives have been arguing against socialists that the one thing guaranteed to flatten voluntary, communal activity is the steamroller of state intervention… It is only when government leaves people with something to do that they will feel inclined or impelled to come together to do it.[67]

Back in 1994 Andrew Norton suggested that "'Crowding out' is a real danger, and should as much as the direct impact on taxpayers' funds be counted as a cost of government activity".[68] The then Labor parliamentarian (and later leader of the Federal Parliamentary Labor Party) Mark Latham was a lone voice in the CIS's 1997 publication *Social Capital* in challenging the veracity of the 'crowding-out' thesis.[69] Later, in the September 2003 edition of the *IPA Review,* John Roskam highlighted how an adoption of the 'crowding out' thesis springs directly from an understanding of healthy civil society as exclusive of government involvement. He commented that

> Whether governments can create social capital is questionable. The 'crowding out' effect of government action has long been recognized, and nowhere is it more apparent than in the area of social capital. As in recent decades governments have taken over the provision of health, welfare and education, so the voluntary services sector has been reduced.[70]

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[67] Peter Saunders, *The Social Foundations of a Free Society,* Occasional Paper No. 79, Centre for Independent Studies, Sydney, 2002, pp. 38-39.
[68] Andrew Norton, 'Reviewing Australia: The Modes and Morals of Australia in the '90s', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994, p. 68.
[69] See Mark Latham 'The Search for Social Capital', in Martin Stewart-Weeks & Charles Richardson, *Social Capital Stories: How 12 Australian Households Live Their Lives,* Policy Monograph No. 42, Centre for Independent Studies, Sydney, 1998.
[70] Roskam, 'Is Social Capital the New Socialism?', p. 30.

One shift that has occurred in Australian public policy – the increasing willingness of governments to outsource welfare provision to charities – has had the potential to reduce neo-liberal concerns regarding the extent of 'crowding-out'. Norton noted in 1994 that

> changes in the way governments seek to implement their policy goals suggests that 'crowding out' is not the problem it once was. While government has expanded the areas in which it assumes ultimate welfare responsibility, it is not always delivering welfare services itself.[71]

The Howard Government continued the trend of increasing the involvement of charities in the provision of welfare. As Mendes commented in 2006:

> Prime Minister Howard has long favoured greater provision of welfare benefits and programs by private charities, renowned for emphasising the moral rather than the structural causes of poverty. Consequently, the government has placed charities at the centre of a number of government projects including the Job Network.[72]

Howard particularly favoured the work of the morally conservative Salvation Army. In his 2008 Irving Kristol lecture delivered at the American Institute Gala Dinner in Washington DC, Howard claimed that faith-based groups such as the Army and the Wesley Mission brought to the provision of employment services a level of compassion and a "hard-headed approach to money".[73] In government Howard appointed Captain David Eldridge of the Army Chairman of the Prime Minister's Youth Homelessness Taskforce.[74]

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[71] Norton, 'Reviewing Australia', p. 68.

[72] Philip Mendes, 'A different kind of welfare reform', The Centre for Policy Development, 15th December 2006, http://cpd.org.au/article/different-kind-welfare-reform, accessed 14 June 2010.

[73] John Howard, 'Sharing Our Common Values', Irving Kristol Lecture Delivered to the American Enterprise Institute Gala Dinner, Washington DC, 5 March 2008, *The Australian,* 6 March 2008, http://www.theaustralian.com.au/politics/opinion/john-howards-irving-kristol-lecture/story-e6frgd0x-1111115727675, accessed 14 June 2010.

[74] The Salvation Army, 'Holiness', http://www.salvationarmy.org.au/action/NOTEMPLATE?s=0,pURL=holiness, accessed 14 June 2010.

A number of scholars have viewed Howard's embrace of charities in the field of welfare provision as an implementation of neo-liberal ideology. Mendes, for example, has suggested Howard's preference for private welfare provision is similar to neo-liberals' "consistent preoccupation with reversing the modern shift to state-guaranteed income security entitlements by returning the provision of welfare to families, private charities and churches".[75] Damian Cahill has argued that neo-liberals have defended the contracting out of government employment services to the private and welfare sectors "by stating that the flourishing of the private and voluntary welfare sectors will result".[76] He notes that one of CIS's key advocates of charitable welfare provision – Alistair Nicholas – has served as an advisor to both Alexander Downer and National Party MP Charles Blunt.[77]

Dr. Bernadine Van Gramberg and Penny Bassett have also linked 'neo-liberalism'[78] with the increasing role of non-profit and volunteer groups in a marketised welfare sector.[79] They suggest that, at first glance, the third sector's engagement by government seems at odds with an "otherwise, arguably heartless, neoliberal agenda".[80] They go on to claim, however, that

> the nexus between them [the third sector and government] has been in the successful cooption of the former by the latter in ensuring that [charities and voluntary groups]… deliver… the political and ideological goals of the government.[81]

In short, the state has co-opted civil society to pursue neo-liberal ends.

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[75] Mendes, 'A different kind of welfare reform'.
[76] Cahill, *The radical neo-liberal movement,* p. 89.
[77] Cahill, *The radical neo-liberal movement*, p. 307.
[78] They associate 'neo-liberalism' with the desire to bring to fruition "a small government with greater control over coordination and policy development (steering) overseeing more efficient service delivery (rowing) by private providers": Bernadine Van Gramberg & Penny Bassett, *Neoliberalism and the Third Sector in Australia,* Working Paper Series, Victoria University of Technology School of Management, Melbourne, 2005, pp. 2-3.
[79] Van Gramberg & Bassett, *Neoliberalism and the Third Sector,* pp. 9-10.
[80] Van Gramberg & Bassett, *Neoliberalism and the Third Sector,* p. 2.
[81] Van Gramberg & Bassett, *Neoliberalism and the Third Sector,* pp. 9-10.

As Norton's comment on 'crowding out' indicates, neo-liberals' generally positive view of the role that charities and other voluntary associations may play in welfare provision has led free-market think tanks to offer some support for government initiatives to privatise the social security system.[82] However, scholars have overlooked the fact that the contracting-out of welfare services has led some neo-liberals to ponder whether aspects of civil society have been captured by the state. Ironically the process of co-option of civil society by the state that Gramberg and Bassett associate with neo-liberalism was a key source of concern for a number of scholars associated with neo-liberal think tanks during the Howard era.

These concerns were apparent in a 2009 CIS publication, *Supping with the Devil? Government Contracts and the Non-profit Sector,* that reflected upon the contracting out of government welfare services.[83] Saunders argued in the opening chapter of that work that

> The third sector has become more 'businesslike' than it used to be, and it is increasingly operating in ways that bring it into direct competition with for-profit organizations. In many cases, it also now operates much more closely in partnership with government, bidding for contracts to carry out tasks that in earlier times the government would have administered itself.[84]

He explained that "the clearest example of the way the third sector now operates commercially as an arm's-length agency of government can be seen in the Job Network."[85] Established by the Howard Government in 1997, the Job Network replaced the former Commonwealth Employment Service with a system that encouraged the contacting out of employment services to non-profit

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[82] See also John Hyde, 'Welfare: The Next Frontier', *IPA Review,* Vol. 52(2), July 2000, p. 20.
[83] See Saunders & Stewart-Weeks (eds.), *Supping with the Devil?*
[84] Peter Saunders, 'Supping With The Devil? Government Contracts and the Non-Profit Sector', in Peter Saunders & Martin Stewart-Weeks (eds.), *Supping with the Devil? Government Contracts and the Non-profit Sector,* CIS Policy Forum No. 16, Centre for Independent Studies, Sydney, 2009, p. 1.
[85] Saunders, 'Supping With the Devil?', p. 1.

organisations. In 2009, Saunders noted that non-profits accounted for over half of Job Network turnover.[86]

In a separate chapter Lisa Fowkes, the CEO of the company Job Futures, suggested that the Government had failed to capitalise on the diversity of ideas that job providers came up with in order to reduce unemployment.[87] This failure, according to Fowkes, resulted from a lack of political courage. A plan to give unemployed people mobile phones, for example, had to be scrapped as the Government viewed such items as a luxury.[88] Fowkes concluded that,

> instead of valuing diversity and accepting some of the risk that goes with innovation, government has asserted greater control over the way in which providers work and has used its contractual muscle to enforce policies that are informed more by politics than practice.[89]

Peter Shergold, the senior Commonwealth public servant who pioneered the introduction of the Job Network, also reflected fearfully that, despite the possibilities for cooperation between government and the non-for-profit sector, "the ship of state will founder on the rocks of compliance and control before landfall on the shores of collaboration".[90]

Saunders has maintained that the downside of the government's contracting out of welfare services could be easily avoided. The government should either

> back off, assisting mutual aid arrangements where they exist rather than directing third sector activities, or it should switch its funding from

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[86] Saunders, 'Supping With the Devil?', p. 2.
[87] See Lisa Fowkes, 'Non-profits and the Job Network', in Peter Saunders & Martin Stewart-Weeks (eds.), *Supping with the Devil? Government Contracts and the Non-profit Sector,* CIS Policy Forum No. 16, Centre for Independent Studies, Sydney, 2009.
[88] Fowkes, 'Non-profits', p. 37.
[89] Fowkes, Non-profits', p. 39.
[90] Peter Shergold, 'Social Enterprise and Public Policy', in Peter Saunders & Martin Stewart-Weeks (eds.), *Supping with the Devil? Government Contracts and the Non-profit Sector,* CIS Policy Forum No. 16, Centre for Independent Studies, Sydney, 2009, p. 32.

> subsidising the producers of services to empowering the final consumers.[91]

As indicated in the introduction to this chapter, however, Stewart-Weeks concluded *Supping with the Devil?* on a less certain note. He agreed with the general emphasis placed by Saudners and Fowkes on the need for governments to allow NGOs to experiment and, in turn, make mistakes in order to reap the full policy benefits of the third sector's potential.[92] He remained unclear, however, about whether a new and improved relationship between government and the sector was even possible, suggesting that:

> There is a sense that, at least to the extent that the attitudes and processes from which the current models of contracting persist, the problem we're trying to solve confronts an irreducible tension, perhaps even contradiction.… The problem essentially is that we don't seem capable of designing a regime that secures legitimate accountability for public funds and, at the same time, protects that opportunity for organizations to determine service models that reflect their own values and are fashioned around user needs and empowerment.[93]

John Hyde recognised the existence of this tension in *Dry.* Noting that 'dries' applauded efforts by the Howard Government to develop a welfare system that "would help the genuinely needy but do less to encourage dependency",[94] he also commented that

> To discriminate it [the welfare system] needed to be more personal and more flexible, but Governments that compromise impersonal and inflexible rules – equality before the law – invite corruption. Only small communities could distinguish between battling and bludging individuals but within what rules could local communities be given authority to control taxpayers' funds?[95]

While they point to how the scale of such dilemmas could be reduced by government simply handing back control of finances to citizens through tax-cuts, a common concern for neo-liberals is the extent to which sustained government

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[91] Saunders, 'Supping With the Devil?', p. 14.
[92] Stewart-Weeks, 'Conclusion', p. 57.
[93] Stewart-Weeks, 'Conclusion', p. 55.
[94] Hyde, *Dry,* p. 245.
[95] Hyde, *Dry,* pp. 245-246.

provision of welfare services may have undermined the public's capacity for self-help. In short, after such a long period of government dependency, how can one be sure that civil society will step forward as the state retreats? While, as noted above, some neo-liberals, such as Des Moore,[96] have expressed unqualified faith in the ability of voluntary organisations to fill the role of government, others have been more cautious.

Norton, for example, has noted that liberalism tends to presume a degree of self-reliance and confidence on the part of individuals. He observes that the fact that the removal of benefits can leave people in helpless situations remains "an eternal dilemma" in reforming the welfare state.[97] He suggests that a degree of policy gradualism is necessary in this area.[98] Saunders, in a paper published by the CIS in 2003, expressed support for government programs such as compulsory superannuation and savings that would encourage individuals to provide for themselves. He wrote that

> the first step must be to reverse the 40 year trend of growing expenditure and escalating dependency. After that, we can start developing innovative policies to restore self-reliance.[99]

Scholars from the Washington-based Competitive Enterprise Institute, interviewed for this thesis, also acknowledged the difficulty of suddenly rolling back the state's provision of welfare and regulations.[100] The state may be smaller in size today but, in the minds of neo-liberals, given the dominance of the post-war welfare paradigm, the damage to society will linger beyond tomorrow, limiting the feasibility of some reforms. The problem of relying on a civil society that may have been significantly undermined by state intervention is inherent in the process of neo-liberal reform.

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[96] Des Moore, interviewed by Andrew Thackrah, 19th February 2009.
[97] Andrew Norton interview.
[98] Andrew Norton interview.
[99] Peter Saunders, *A Self-Reliant Australia: Welfare Policy for the 21st Century,* Occasional Paper No. 86, Centre for Independent Studies, Sydney, 2003, p. 48.
[100] Iain Murray, Ivan Osorio, Greogry Conko and Sam Kazman, Competitive Enterprise Institute, interviewed by Andrew Thackrah, Washington DC, 19th June 2009.

Other comments by Saunders indicate that neo-liberal concerns regarding civil society are not entirely attributable to their suspicion of government intervention. Neo-liberals have recognized, for example, that there are instances where individuals may be incapable of exercising rational choice.[101] Saunders has acknowledged that vulnerable sectors of civil society may be eroded by some of the more exploitative aspects of free-market capitalism. In a 2007 opinion piece, for example, he seemed open to the possibility that the state should step in to protect families against the dangers of poker machines.[102] He noted that such examples raise "a real dilemma… a tension between the liberal instinct to allow people to run their own lives, and the paternalistic concern to prevent them from wrecking their lives through bad decisions".[103] Saunders concluded with the open question of how government can determine who is capable of managing their own lives and whether it is right to treat two separate groups differently.[104]

At a practical level many neo-liberals are aware that free-market policies have simply failed to gain widespread societal support. Interviewed for this thesis Saunders commented that

> The problem is that capitalism doesn't win hearts and minds… you and I could sit here till we are blue in the face and talk about what the market system has delivered in terms of increased prosperity and efficiency and so on. It wouldn't win anybody over at all.[105]

Saunders observes that Hayek himself acknowledged that, while capitalism works, it rarely inspires.[106]

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[101] See Kim Huynh, 'If there is hope, it lies with the Bogans', in Jim George & Kim Huynh (eds.), *The Culture Wars: Australian and American Politics in the 21st Century,* Palgrave Macmillan, South Yarra, 2009, p. 137.
[102] See Peter Saunders, 'Pokie in the eye for paternalism', *The Sydney Morning Herald,* 22 September 2007, http://www.smh.com.au/news/opinion/pokie-in-the-eye-for-paternalism/2007/09/21/1189881774993.html, accessed 25 June 2010. See also Kim Huynh, 'If there is hope, it lies with the Bogans', p. 137.
[103] Saunders, 'Pokie in the eye'.
[104] Saunders, 'Pokie in the eye'.
[105] Saunders interview. See also similar comments in Peter Saunders, 'The Cuckoo in the Nest', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgrove, Sydney, 2002, pp. 183-184.
[106] Saunders, 'The Cuckoo in the Nest', pp. 183-184.

Norton has also commented on the existence of limited public support for free-market policies. He has accepted the general trend, for example, of rising support for higher taxes to pay for social services, though he suggests that such data can be heavily skewed by the way in which opinion polls are structured.[107]

In 1999, economist David Henderson also conceded that

> The fact is that economic liberalism as such has no solid basis of general support. In most if not all countries, majority opinion remains hostile to the idea of what is termed 'leaving it to the market', and ready still to accept and endorse a much wider role for governments than economic liberals would wish to see. There is no sign that this situation, which historically has been the norm, is now about to change.[108]

There appears to be a genuine fear on the part of some neo-liberals that when confronted with the paradox of liberalism, civil society is more of a foe than a friend. As argued later in this chapter, neo-liberal concerns regarding the extent to which civil society will act as a base, rather than a threat, to the development of a liberal, minimal government order, are also apparent when one examines their views on the strength of the social and cultural foundations on which functioning economies rely. However, prior to this discussion, it is worth noting that the tensions within neo-liberalism regarding civil society are heightened by the willingness of some neo-liberals to co-opt government in order to attack some groups such as NGOs.

They can't be trusted: the neo-liberal attack on civil society

Neo-liberals, beyond expressing the fear that governments can 'capture' and weaken sections of civil society, have shown an awareness of the potential for

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[107] See Andrew Norton, 'The Rise of Big Government Conservatism', *Policy,* Vol. 22(4), Summer 2006-2007, pp. 15-24. See also Andrew Norton, 'Why Politicians Aren't Rushing to Increase Taxes', in Peter Saunders (ed.), *Taxploitation: The Case for Income Tax Reform,* CIS Readings No. 11, Centre for Independent Studies, Sydney, 2006.

[108] David Henderson, *The changing fortunes of economic liberalism: yesterday, today and tomorrow,* Institute of Public Affairs & New Zealand Business Roundtable, Melbourne & Wellington, 1999, p. 58.

freely associating groups and individuals to threaten the implementation of neo-liberal ideas. They are aware that not all aspects of civil society endorse and promote a minimal state and that freely-associating group can be destructive. As Fukuyama has noted

> Many groups achieve internal cohesion at the expense of outsiders, who can be treated with suspicion, hostility, or outright hatred. Both the Ku Klux Klan and the Mafia achieve cooperative ends on the basis of shared norms, and therefore have social capital, but they also produce abundant negative externalities for the larger society in which they are embedded.[109]

A number of scholars, most prominently political scientist Robert Putnam, have been preoccupied with how to develop 'bridging' social capital that enhances community-wide trust, as opposed to strengthening insular groups.[110] The realization of a society where the state fulfills only a minimal role and markets allow individuals to 'freely' exercise choice can be undermined by both passive non-conformity within civil society and active resistance. Those associated with neo-liberal think tanks have confronted the challenge of how to counter the 'negative' aspects of civil society in a manner that remains true to liberal principles. This tension was readily apparent during the Howard years.

Neo-liberals, as outlined earlier in this thesis, commonly have been willing to develop a 'strong state' in order to promote and protect a free market. It was also noted earlier that the use of 'strong state' powers has been justified by neo-liberals by appealing to the need to uphold the rule of law. In some policy areas, however, this justification has become stretched. For example, neo-liberals, particularly those associated with the H.R. Nicholls Society, have generally endorsed the provision of extensive powers to the Australian Building and

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[109] Francis Fukuyama, 'Social Capital and Civil Society', The Institute of Public Policy, George Mason University, 1 October 1999, http://www.imf.org/external/pubs/ft/seminar/1999/reforms/fukuyama.htm, accessed 8 July 2010.

[110] See Jennifer Wilkinson, 'Community Breeds Contempt – Looking At the Liberal Paradox of Toleration', *TASA 2003 Conference,* University of New England, 4-6 December 2003. Putnam's famous study of social capital in the United States is Robert D. Putnam, *Bowling alone: the collapse and revival of American community,* Simon & Schuster, New York & London, 2000.

Construction Commission (ABCC) established by the Howard Government in October 2002.[111] This support has been offered by neo-liberals as the ABCC has been seen as necessary to uphold the rule of law in the construction industry.

Some neo-liberals have emphasised that unions, like other voluntary groups, fulfill a valuable role in society. Roskam, for example, maintains that like other groups unions should be permitted to fund political campaigns.[112] Similarly Paul Houlihan, an ex-Unionist and advisor to Howard era industrial relations minister Peter Reith, told the 1996 meeting of the H.R. Nicholls Society that

> I believe that unions have a real and important role in a free economy and society. The key to them being able to fulfill that role lies in them making themselves sufficiently relevant, appropriate and effective and thereby be attractive and necessary organisations that workers will want to join.[113]

Some industrial policies championed by neo-liberals, however, have involved interference with the affairs of unions in a manner not inflicted upon other NGOs or businesses in society. The Howard Government, for example, as part of its *WorkChoices* reforms, made it compulsory for union industrial ballots to be conducted in secret.[114] Secret ballots had previously been endorsed by a number of members of the H.R. Nicholls Society.[115] The fact that neo-liberals have

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[111] See the discussion in chapter four above.
[112] John Roskam, interviewed by Andrew Thackrah, 19th February 2009.
[113] Paul X. Houlihan, 'The role of trade unions of the next generation of Australian workers', *Tenth Anniversary Conference – Proceedings of the H.R. Nicholls Society,* Melbourne, May 1996, Vol. 17, http://www.hrnicholls.com.au/archives/vol17/vol17-contents.php, accessed 12 July 2010.
[114] See Alan Colman, 'Industrial evolution & the Howard IR reforms', Freehills, http://www.freehills.com.au/5226.aspx, accessed 12 July 2010.
[115] See Tony Abbott, 'Speech to the HR Nicholls Society in Melbourne – Losing the Legislation Fixation', 23 March 2002, http://www.tonyabbott.com.au/Pages/article.aspx?ID=257, accessed 12 July 2010; Ross Dalgleish, 'Union Power in Context: Industrial Relations in the Building Industry', *The Third Way: Welcome to the Third World: Proceedings of the H.R. Nicholls Society*, http://www.hrnicholls.com.au/archives/vol20/vol20-5.php, accessed 12 July 2010; G.O. Gutman, 'The Hancock Report – Last Hurrah for the System', *Arbitration in Contempt: Proceedings of the H.R. Nicholls Society,* Melbourne, February 1986,

offered support for such measures that go beyond upholding the broad framework of the rule of law and actually direct the conduct of voluntary associations indicates their suspicion that civil society can undermine the free market and thus requires government intervention. The extensive powers of the ABCC (that include the ability to enter building premises without a warrant) are easier to justify by appealing to the rule of law than are secret ballots. The existence of such powers, however, still begs the question why, after the removal by government of the protected status of unions, they should be subjected to unusually tight regulations, and the extent to which the singling out of particular groups in civil society actually advances the rule of law.

When appeals to the rule of law have not been available, neo-liberals have often turned to the notion that the integrity of governmental processes must be protected from the improper influence of the non-government sector. As outlined further below, the IPA, in particular, has portrayed its research on NGOs as an effort to protect the integrity of government from organisations that have in turn, like protected businesses, been granted special privileges by government.[116] Indeed Roskam's approval of Australia's current electoral system over 'direct' democracy measures such as citizen initiated referendums stems from the concern that there is the potential for governmental processes to be undermined by vested interests from within society. When interviewed for this thesis, Roskam commented that

> I am quite sceptical of [deliberative democracy] in as much as deliberative democracy… or participatory democracy tends to give more of a voice to those with the loudest voices. And so I for one, and the broad IPA position is that our… the system in Australia of one person one ballot is an effective system as it doesn't discriminate for wealth or class or education or anything else but the push towards consultation, towards community participation gave disproportionate influence to some ideological positions.[117]

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http://www.hrnicholls.com.au/archives/vol1/vol1-contents.php, accessed 12 July 2010.

[116] See Gary Johns, 'Conspiracies and NGOs', *IPA Review,* Vol. 55(3), September 2003, p. 29; Roskam interview. This line of argument extends to unions as well. See John Roskam, 'ALP-Union Link Corrupts Political Process', *IPA Review,* Vol. 56(1), March 2004, pp. 29-30.

[117] Roskam interview.

In contrast to the position of the IPA, however, other neo-liberal think tanks have shown a keen interest in deliberative democracy. In Australia the CIS published a monograph by the legal scholar Geoffrey de Q. Walker in 1987 that endorsed the introduction of citizen-initiated legislation, recall of elected officials and referendums.[118] In making the case for these reforms, Walker expressed faith that direct participation by citizens in democratic processes would challenge vested interests rather than simply create room for those with the 'loudest voices'. According to Walker, "the evidence…. adds weight to the view that the main role of the initiative and the referendum is to break the power of elites and lobby groups that are able to prevent the laws of the land from reflecting popular opinion".[119] In the UK, the Thatcherite Centre for Policy Studies also continues to remain interested in dispersing political power down to the level of the individual citizen through methods such as referendums.[120]

Clearly differing neo-liberal views on the extent to which civil society, removed from government interference, will foster a liberal political order have, in turn, shaped divergent opinions on matters such as the merits of participatory democracy. Further, in the area of welfare policy neo-liberal views on the potential for civil society to nurture independent and entrepreneurial individuals have struggled to achieve consistency. As outlined in the previous chapter, neo-liberals offered general support for the Howard Government's Work for the Dole

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[118] Geoffrey de Q. Walker, *Initiative and Referendum: The People's Law*, Policy Monograph No. 10, Centre for Independent Studies, Sydney, 1987.
[119] Walker, *Initiative and Referendum,* p. 117.
[120] See Matt Qvortrup, 'Total Recall', The Centre for Policy Studies, 27 May 2009, http://www.cps.org.uk/index.php?option=com_content&view=article&id=165:total-recall&Itemid=42, accessed 15 July 2010; Matt Qvortrup, *Supply Side Politics,* The Centre for Policy Studies, London, 2007. In contrast see Kieron O'Hara, 'Forced to be Free: the General Will Revisited', The Centre for Policy Studies, 16 August 2009, http://www.cps.org.uk/index.php?option=com_content&view=article&id=225:forced-to-be-free-the-general-will-revisited&Itemid=42, accessed 15 July 2010; Scott Kelly, 'If PR is the answer what was the question?', The Centre for Policy Studies, 29 May 2009, http://www.cps.org.uk/index.php?option=com_content&view=article&id=167:if-pr-is-the-answer-what-was-the-question&Itemid=42, accessed 15 July 2010.

Scheme, yet also acknowledged the difficulty of reconciling its paternalism with a liberal philosophy.

The existence of such discussions within Australian neo-liberal circles highlights the accuracy of Jayasuriya's observation that while endorsing the dismantling the apparatus of the state, neo-liberals have also, at times, supported a 'roll-out' variant of their ideology – seeking to use governmental powers to socially embed free-market ideas within communities.[121] The material reviewed thus far in this chapter indicates that neo-liberals are still attempting to reconcile the need to ensure that aspects of civil society do not undermine the foundations of a liberal order with faithfulness to the principles of liberalism.

During the Howard years, the tensions contained within the neo-liberal outlook on civil society were made abundantly clear as the IPA sought to co-opt the state in order to regulate non-governmental organisations. The Institute's 'NGO research project' was established in 2000.[122] It flourished, however, in 2002 when IPA fellow and former Labor Minister Gary Johns was awarded a $15,000 Fulbright Professional Award in Australia-US Alliance Studies to tour the US and research the role of NGOs in democratic systems. The award was partly sponsored by the Australian Department of Foreign Affairs and Trade.[123]

As Johns suggested in 2003, the NGO project attempted to bring scrutiny to bear on non-government organisations in light of their supposed influence on public decision-making processes:

> As advocacy NGOs are drawn closer to government, for example, by sitting on advisory committees and receiving public funds, it is as well to ask who they are. Private organizations should be free to organize and agitate in the public arena. They are responsible only to their

[121] Kanishka Jayasuriya, 'Economic Constitutionalism, Liberalism and the New Welfare Governance', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillan, Houdmills & New York, 2006.
[122] Michael Warby, 'Union Game Plan: Conscripting Fickle Consumers', *inTouch: Newsletter of the Institute of Public Affairs,* September 2000, p. 2.
[123] See Paddy Manning, 'Keeping Democracy in Its Place', in Margo Kingston, *Not Happy, John!: Defending our democracy,* Penguin Books, Camberwell (Victoria), 2004, p. 280.

> members, supporters and donors. When they claim to represent a section of the community, however, questions must and will be asked about their credibility, legitimacy and standing in the democratic marketplace.[124]

NGOs also have the potential to 'capture' corporations and direct them away from their proper focus on maximizing profit for their shareholders. Neo-liberals have also been critical of what they see as the willingness of some businesses to endorse the apparently anti-capitalist agenda of sections of civil society – in particular, non-government organisations. During the Howard years Australian neo-liberals were especially critical of businesses (such as Westpac and BP Australia) that endorsed the 'corporate social responsibility' agenda run by a number of NGOs who claimed that corporations have obligations beyond simply those owed to their shareholders and imposed by the law.[125]

The IPA was particularly vocal in attacking these sections of business.[126] In the 2002 Harold Clough lecture, Gary Johns argued that

> CSR [corporate social responsibility] is a serious challenge to Australian corporations and to the Australian electorate. It is an assault on the interests and rights of 'real' stakeholders, those who have invested in or are creditors of corporations. It occurs when managers bow to pressure

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[124] Gary Johns, 'The NGO Project: Why We Care', *IPA Review,* Vol. 57(2), June 2005, p. 31.

[125] Jim Hoggett & Mike Nahan, 'Ethical Investment – Deconstructing the Myth', *IPA Review,* Vol. 54(3), September 2002, pp. 3-6; Paul K. Driessen, 'BP – Back to Petroleum', *IPA Review,* Vol. 54(3), September 2002, pp. 13-15. See also Samuel Gregg's exploration of the problems associated with notions of 'corporate social responsibility' and 'ethical investment': Samuel Gregg, *The Art of Corporate Governance: A Return to First Principles*, Policy Monograph No. 51, Centre for Independent Studies, Sydney, 2001.

[126] It could be suggested that neo-liberals are inconsistent in suggesting that corporations are not bound by the same ethical obligations as individuals given that corporations are accorded legal personhood. The accordance of such status upon corporations is, however, arguably a legal quirk to ensure that businesses are able to be sued. Generally, corporations and individuals are not practically or ethically eqivalent and neo-liberals, like many others, tend to treat them as distinct categories without addressing the issue of corporate legal personhood. See, for example, Chris Berg, 'Fat lot of good campaign against junk food is doing', *The Age*, 4 April 2010, http://www.theage.com.au/opinion/society-and-culture/fat-lot-of-good-campaign-against-junk-food-is-doing-20100403-rktu.html, accessed 7 September 2012.

> from interests [such as NGOs] that have no contract with the corporation, whether by way of employment, or supply of goods or services, or through ownership.[127]

Johns has argued that the intent of the IPA's analysis of NGOs "is not to regulate civil society or to prevent debate about the role and function of corporations".[128] Rather, according to Johns, the IPA was seeking to highlight the dangers of governments "undermining the formal democratic consensus as to what constitutes reasonable business behaviour" by granting NGOs "such status that it enables them to set themselves up as judges of corporate behaviour".[129]

Early in the life of the project, Johns clearly favoured the introduction of a protocol requiring NGOs to disclose publicly certain information. The target was, in particular, NGOs that benefited from government funding or were allowed by governments to participate in public decision-making processes. As Johns explained in 2001, "the public needs sufficient information for it to judge the efficacy of the government's selection of those who are given access to government resources".[130] Consequently, Johns wrote that

> Without suggesting a definitive list, NGOs that seek access to providers should be asked the following questions and the answers should be publicly available:
> 1. Is the NGO well-governed and properly governed?
> 2. Is it representative and does it have links to the Australian community?
> 3. Is it financially accountable to its members?
> 4. How does it raise its funds?
> 5. What are the nature and extent of its claims to expertise?[131]

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[127] Gary Johns, 'Corporate Social Responsibility or Civil Society Regulation?', The Harold Clough Lecture for 2002, p. 2, http://ipa.org.au/library/Clough02.pdf, accessed 23 September 2012'.
[128] Johns, 'Corporate Social Responsibility', p. 2.
[129] Johns, 'Corporate Social Responsibility', p. 2.
[130] Gary Johns, 'Protocols with NGOs: The Need to Know', *IPA Review,* Vol. 53(3), September 2001, p. 8. See also Gary Johns, 'Protocols with NGOs: The Need to Know', *IPA Backgrounder*, Vol. 13(1), November 2001.
[131] Gary Johns, 'Protocols with NGOs: The Need to Know', p. 8.

The then director of the IPA, Mike Nahan, also noted that

> Our concern lies not with the right of people to hold and express mistaken beliefs. Indeed, their right to do so must be defended to the end. Rather, the concern is that the organized few are being allowed to tyrannize the unorganized many and, in the process, undermine our institutions from within.[132]

Nahan thought that much was at stake in seeking to regulate NGOs. In order to defend 'the institutions of civilization' he championed a protocol forcing any organisation demanding 'standing' "to make good its claims and the details must be fully open to taxpayers and shareholders".[133]

In the United States, Johns participated in a conference on the 'International NGO Phenomenon' co-hosted by the American Enterprise Institute (AEI) and the IPA in June 2003.[134] Journalist Paddy Manning points out that at the June 2003 conference the AEI launched an 'NGO Watch' website that was "very similar to the IPA's NGO-Watch project".[135] The AEI had earlier published *Hijacking Democracy,* which claimed that leftist global NGOs were perpetrating a "quiet revolution" that "defies traditional values, deprecates national sovereignty, the market economy, and representative democracy".[136]

Johns' time in the United States solidified his support for the introduction of a protocol regulating NGOs.[137] In an April 2004 report provided to Prime Minister Howard's Community Business Partnership Group, entitled *The Protocol: Managing Relations with NGOs*, Johns and Roskam concluded that, "given that there is a growing tendency for [Government] Departments to claim that their decisions are a direct result of consultation with NGOs, the need for some

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[132] Mike Nahan, 'From the Editor: Time to Defend the Institutions of Civilization', *IPA Review,* Vol. 53(3), September 2001, p. 2.
[133] Nahan, 'From the Editor: Time to Defend', p. 2.
[134] See *inTouch: Newsletter of the Institute of Public Affairs,* April 2003, p. 4.
[135] Manning, 'Keeping Democracy in its Place', p. 287.
[136] Marguerite A. Peeters, *Hijacking Democracy: The Power Shift to the Unelected,* American Enterprise Institute, March 2001, place of publication unspecified, p. 2.
[137] See Institute of Public Affairs, 'The Non Government Organization Project', in *inTouch: Newsletter of the Institute of Public Affairs,* December 2003, p. 4.

transparency is becoming imperative".[138] The best means for bringing about increased transparency of NGOs, they argued, was an 'information protocol'. While the IPA denied that it was interested in imposing significant regulations upon NGOs, this was exactly what they advocated.[139] The protocol would, depending on the extent of an NGO's association with government, require that body to disclose matters such as its legal status, nature of expertise, its membership and funding sources.[140]

The IPA's NGO research program became the subject of criticism for two main reasons. Firstly, though the fact was not announced publicly by either party, the IPA was paid up to $50,000 by the Howard Government to complete research into NGO relationships with government and produce the *Managing Relations with NGOs* report.[141] This information was eventually revealed by *The Age* newspaper in August 2003.[142] As Clive Hamilton and Sarah Maddison have noted, the "secrecy was ironic given the IPA's campaign for 'greater disclosure and accountability by NGOs receiving funding from and working with government agencies".[143] Indeed, the relationship between the IPA and the

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[138] See Gary Johns & John Roskam, *The Protocol: Managing Relations with NGOs*, Report to the Prime Minister's Community Business Partnership, Institute of Public Affairs, April 2004, p. 23.
[139] Gary Johns, 'NGO Way to Go: Political Accountability of Non-government Organisations in a Democratic Society', *IPA Backgrounder*, Vol. 12(3), November 2000, p. 3.
[140] Johns & Roskam, *The Protocol*, p. 28.
[141] See Clive Hamilton & Sarah Maddison, 'Non-government organisations', in Clive Hamilton & Sarah Maddison (eds.), *Silencing dissent: how the Australian government is controlling public opinion and stifling debate,* Crows Nest, N.S.W., Allen & Unwin, 2007, p. 97. Accounts differ of exactly how much the IPA was paid for the report in question. Hamilton & Maddison (at p. 97) refer to "the $50,000 contract". In an 2003 article in *Overland* Tim Thornton claimed the amount was $46,000: Tim Thornton, 'Policing the Do-Gooders: The Australian Right's attack on NGOs', *Overland,* No. 173, 2003, p. 58. Meanwhile Paddy Manning suggests the precise figure of $47,450: Manning, 'Keeping democracy in its place', p. 282.
[142] See Brendan Nicholson & Gary Hughes, 'Attack on Covert Project For IPA', *The Sunday Age,* 10 August 2003, p. 1. Nicholson and Hughes quoted a figure of $50,000.
[143] Hamilton & Maddision, 'Non-government organisations', p. 97.

Government would have had to be disclosed by the former if its proposed protocol had been in effect.[144]

The economist Tim Thornton has also alleged that the very awarding of the contract to the IPA appeared to have circumvented the processes of Howard's own gathering of eminent Australians - the Prime Minister's Community Business Partnership – as the Partnership's Deputy Chair (and Cabinet Minister) Amanda Vanstone applied pressure for funding to be channeled to the IPA.[145] Johns' history of sustained attacks on NGOs (particularly those linked with environmental causes or endorsing the concept of corporate social responsibility)[146] indicated that he was always likely to adopt a particular angle on the subject of NGO-Government relations. As Mendes has commented, the Government's funding of the IPA

> directly favoured one of the competing interests in the debate, and was the equivalent of appointing the ACTU [the Australian Council of Trade Unions] or the Australian Chamber of Commerce and Industry to conduct an inquiry into industrial relations policies, or alternatively ACOSS [the Australian Council of Social Services] to investigate the adequacy of income security payments.[147]

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[144] Johns & Roskam, *The Protocol,* p. 28. It should be noted, on the other hand, that the CIS makes a point of not accepting funding from government and, along with other neo-liberals think tanks, enjoys tax deductibility status on donations: see Centre for Independent Studies, 'Support CIS', http://www.cis.org.au/support-cis, accessed 5 August 2010; Institute of Public Affairs, 'How to Donate', http://www.ipa.org.au/about/donations, accessed 5 February 2012.

[145] Thornton, 'Policing The Do-Gooders', p. 61.

[146] See, for example, Jennifer Marohasy & Gary Johns, *'WWF Says 'Jump!', Governments Ask 'How High?'*, IPA Occasional Paper, 2002, http://ipa.org.au/publications/547/wwf-says-%27jump%21%27-governments-ask-%27how-high-%27/pg/6, accessed 5 August 2010; Gary Johns, 'The Four Corners of the Reef: Investigative Journalism or Environmental Activism?', *IPA Review*, Vol. 54(2), June 2002, pp. 10-11; Gary Johns, 'Corporate Code of Conduct Ruse: How the Democrats will harm Australia', *inTouch: Newsletter of the Institute of Public Affairs*, June 2001, pp. 1-2; Gary Johns, 'Corporate Reputations: Whose Measure?', *IPA Review,* Vol. 52(4), December 2000, pp. 3-5.

[147] Philip Mendes, 'The NGO wars', *Social Alternatives*, Vol. 24(3), 2005, p. 42.

In short, the IPA's work for the Howard Government represented precisely those aspects of the government-NGO relationship that the Institute commonly criticised – the placing of undue weight on the perspective of one particular group (in this case the IPA itself), the handing over of public policy processes to vested interests, and the lack of transparency of such organisations. Though the IPA initially acted defensively to the revelation that it had accepted government funding,[148] in 2004 its then director Mike Nahan promised that the Institute would disclose donors in future annual reports.[149] This promise was later retracted, however, with Nahan's successor, John Roskam, arguing that, "whether we like it or not, the Australian democracy is not so sophisticated that companies can reveal they support free- market think tanks, because as soon as they do they will be attacked".[150]

A further criticism of the IPA's *NGO Project* is that it effectively sought to extend government regulation of non-governmental organisations. Such regulatory extension has been opposed by other neo-liberals in principle, but also on the basis that it risks limiting the activities of such organisations and the benefits (such as the provision of charity and the development of social capital) that they can create. The Centre for Independent Studies has advanced both of these criticisms against the IPA *NGO Project.* Norton, for example, has commented that the IPA's approach to civil societies was "wrongheaded" and has described the idea that private organisations should be accountable to government as "disastrous".[151] Offering a more diplomatic critique, Greg Lindsay has noted that

> they're an NGO themselves. I am not about to sort of name the IPA or anything like that. I think that non-profit… at least the NGO sector - the more the merrier. The problem is that a lot of them become government funded NGOs… We [the CIS] never got into discussion of Greenpeace or whatever it happened to be. We figure, well, we are an NGO too.[152]

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[148] Johns, 'Conspiracies and NGOs'.
[149] See Ewin Hannan & Shaun Carney, 'Thinkers of Influence', *The Age,* 10 December 2005, p. 6.
[150] Quoted in Hannan & Carney, 'Thinkers of Influence', p. 6.
[151] Norton interview.
[152] Greg Lindsay, interviewed by Andrew Thackrah, 24 April 2009.

More broadly the CIS has remained more interested in ameliorating the relationship between government and NGOs (such as the financial over-dependency of the latter upon the former) by limiting the extent of public sector involvement in areas such as the provision of welfare, rather than regulating the activities of charities.[153] However, in contrast to Norton and Lindsay's positions, Des Moore remains a staunch defender of the IPA's work on NGOs. He observes that some campaign NGOs are quick to say that they need further assistance to help the poor but do not remain accountable for their existing work.[154] Further, Moore maintains, given their criticisms of the private sector, NGOs themselves should be open to critique.[155] The role of NGOs is clearly a matter that divides Australian neo-liberals with some resisting but others embracing the urge to regulate.

A number of Australian commentators have pointed to the parallels between the IPA's advocacy for the increased regulation of certain NGOs and a general effort by the Howard Government to counter political dissent in civil society. According to these commentators neo-liberals and the Howard Government saw eye to eye on the need to silence progressive political voices. Hamilton and Maddison posited in 2007 that "over the past ten years the Coalition Government has progressively extended its authority with the apparent intent of stifling dissent and limiting the capacity for citizens to consider alternative points of view".[156] Their study of this phenomenon – *Silencing Dissent* – considered the roles played by the media, the public service, statutory authorities and Australia's intelligence services during the Howard years. In relation to the fate of non-governmental organisations, they argued:

> There is an uncomfortable match between the IPA's campaign against NGOs and the known views of Prime Minister Howard and several of his parliamentary colleagues. Prior to Howard's election in 1996 he

[153] See, in particular, Saunders & Stewart-Weeks (eds.), *Supping with the Devil?*
[154] Moore interview.
[155] Moore interview.
[156] Clive Hamilton & Sarah Maddison, 'Dissent in Australia', in Clive Hamilton & Sarah Maddison (eds.), *Silencing dissent: how the Australian government is controlling public opinion and stifling debate,* Crows Nest, N.S.W., Allen & Unwin, 2007, p. 9.

> outlined his view that there is a 'frustrated mainstream in Australia today which sees government decisions increasingly driven by the noisy, self-interested clamour of powerful vested interests with scant regard for the national interest'.[157]

According to Hamilton and Maddison, the attacks against NGOs in Australia (focusing upon their independence and tax deductibility status) "have come both from government itself and from close allies such as the Institute of Public Affairs".[158] In an earlier study for the Australia Institute, they presented the findings of a survey of NGOs showing that, of 290 advocacy organizations in Australia, 58% believed that the Federal Government was silencing debate.[159] It was again noted that "the attacks on the legitimacy of NGOs have been led by a neo-liberal think tank, the Institute for [sic] Public Affairs"[160] and that the IPA's views "are apparently endorsed by the Howard Government".[161] Legal academic Joan Staples has also claimed that the Howard Government and 'neo-liberal' think tanks in Australia have analysed NGOs through the prism of public choice theory, seeing advocacy groups as self-interested and predatory, and maintaining that "only elected representatives are accountable to the people".[162]

In his 2007 *Quarterly Essay* prominent journalist David Marr also argued that

> since 1996, Howard has cowed his critics, muffled the press, intimidated the ABC, gagged scientists, silenced non-government organizations, neutered Canberra's mandarins, curtailed parliamentary scrutiny, censored the arts, banned books, criminalised protest and prosecuted whistleblowers.[163]

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[157] Hamilton & Maddison, 'Non-government organisations', p. 83.
[158] Hamilton & Maddison, 'Non-government organisations', p. 82.
[159] Sarah Maddison, Richard Denniss, Clive Hamilton, *Silencing Dissent: Non-government organizations and Australian democracy,* The Australia Institute, Discussion Paper No. 65, Canberra, 2004, p. xi.
[160] Maddison, Denniss, Hamilton, *Silencing Dissent,* p. vii.
[161] Maddison, Denniss, Hamilton, *Silencing Dissent,* p. vii.
[162] Joan Staples, *NGOs out in the cold: The Howard Government policy towards NGOs,* Democratic Audit of Australia, Discussion Paper 19/06, Canberra, June 2006, pp. 5-7.
[163] David Marr, *His Master's Voice: The Corruption of Public Debate Under Howard,* Quarterly Essay, No. 26, 2007, p. 4.

Other scholars have explicitly linked the Howard Government's approach towards NGOs to a desire to neuter opposition to neo-liberalism. Mendes, for example, wrote in 2005 that

> the Howard Government is concerned to discredit and marginalize critics of its free market politics…. NGOs such as ACOSS [the Australian Council of Social Services] still present a relatively significant and lively challenge to neo-liberal ideas.[164]

More generally a number of scholars of political ideology have described how a lack of concern about the means used to achieve policy ends is a significant feature of neo-liberalism. Gavin Kendall of the Queensland University of Technology has argued that, paradoxically, neo-liberalism is "an overt philosophy of social non-intervention, yet it cannot bear to leave civil society alone" as state intervention is used to pursue free-market goals.[165] Others, including Australian free-market critic Michael Pusey, have suggested that neo-liberals view society as in need of re-modeling in order to serve economic ends.[166] Recently Jean Curthoys of the University of Sydney maintained that

> neo-liberalism does not have a *theory* of the means by which the free market is to be instituted – there is nothing analogous to Marxism's theory of the class struggle and the dictatorship of the proletariat – but because the focus is on its ideal economic system, it is effectively indifferent to the 'means' by which it is put in place.[167]

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[164] Mendes, 'The NGO wars', p. 43. Similarly, reflecting on the fate of NGOs under the Coalition Government, journalist Paddy Manning argued in 2004 that John Howard pursued "a whole range of government strategies to minimise organised dissent to the values of neo-liberalism – most publicly and spectacularly through his assaults on the union movement": Manning, 'Keeping Democracy in Its Place', p. 268.

[165] Kendall, 'What Is Neoliberalism?', p. 3.

[166] See Michael Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes its Mind,* Cambridge University Press, Melbourne, 1991, p. 10. See also, Martin Geoghegan & Fred Powell, 'Community development and the contested politics of the late modern *agora:* of, alongside or against neoliberalism?', *Community Development Journal,* Vol. 44(4), October 2009, pp. 430-447.

[167] Jean Curthoys, 'The Closed Circle of Neo-liberal Thought', in Robert Manne & David McKnight, *Goodbye to All That?: On the Failure of Neo-Liberalism & the Urgency of Change,* Black Inc, Melbourne, 2010, p. 64.

There is some backing for the notion that the Howard Government's approach to dealing with NGOs was influenced by neo-liberal ideas. The Government introduced the Electoral and Referendum Amendment (Electoral Integrity and Other Measures) Act 2006 (Cth) that required NGOs to disclose expenditure on political purposes above $10,000.[168] This reform went some way towards the IPA vision of regulating NGOs.[169] Aside from the Government's commissioning of IPA research, in 2003 Peter Costello also mooted plans to remove the tax deductibility of charities that engaged in "advocacy work, other than that which is ancillary and incidental to their main purpose".[170] This legislation gained some support from the then director of the IPA, Mike Nahan.[171] Although the bill never became law Hamilton and Maddison note that, in a further targeting of campaigning NGOs, the Australian Tax Office (ATO) issued a draft ruling in May 2005 limiting the interpretation of 'charitable purposes' and later, in 2005, Federal Environment Minister Ian Campbell wrote to environmental groups warning that the taxation system may be used to limit their advocacy.[172]

Further, the fact that the Howard Government and the IPA both targeted certain types of NGOs highlights, as Curthoys suggests, that neo-liberals can demonstrate a disregard for the means used to achieve free-market ends. As Hamilton and Maddison noted in 2007,

> There is a clear agenda to restrict NGOs concerned with social justice, human rights or environmental protection. When these organizations step over an arbitrary, government-drawn line they become what Queensland Liberal Senator Brett Mason has called 'political wolves in charity sheep's clothing'.[173]

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[168] See Australian Electoral Commission, 'Changes to the *Commonwealth Electoral Act 1918', Electoral Newsfile,* No. 128, October 2006, p. 2.
[169] Staples, *NGOs out in the cold,* p. 14.
[170] Maddison & Hamilton, *Non-government organizations,* p. 98.
[171] Mike Nahan, ''Charities' that are really political lobbyists must be exposed', *The Age,* 8 August 2003, http://www.theage.com.au/articles/2003/08/07/1060145797302.html, accessed 24 September 2012.
[172] Hamilton & Maddison, 'Non-government organisations', pp. 98-99.
[173] Hamilton & Maddison, 'Non-government organisations', pp. 85-86.

In addition to the example of the ATO's increased auditing of environmental NGOs, Hamilton and Maddison document a 2005 speech to the Sydney Institute by then Special Minister of State Eric Abetz in which he "proposed a new 'accountability regime' for charitable organisations that campaign on matters of policy".[174] Abetz drew attention to the Wilderness Society and the RSPCA, which, he claimed, were "effectively campaigning in favour of the ALP".[175] During the Howard years, the IPA consistently criticised the internal working and representative status of environmental groups (particularly Greenpeace) and welfare bodies such as ACOSS.[176] These groups have generally supported measures (such as the increased provision of welfare or increased government regulation) that clash with a free-market, small-government worldview. In particular, the IPA paid increased attention to the role of advocacy NGOs following the successful global campaign run by a number of advocacy groups against the anti-regulatory Multinational Agreement on Investment (MAI) in 1998.[177]

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[174] Hamilton & Maddison, 'Non-government organisations', p. 86.

[175] Quoted in Hamilton & Maddison, 'Non-government organisations', p. 86.

[176] See, for example, Roger Bate, 'The Ban on DDT is Killing Millions in the Third World', *IPA Review,* Vol. 56(1), March 2004, pp. 14-15; Jennifer Marohasy, 'The taboo Food – Genetically Modified Anything', *IPA Review*, Vol. 56(1), March 2004 pp. 16-17; Don D'Cruz, 'NGOs: Chasing the Corporate Dollar', *IPA Review,* Vol. 55(3), September 2003, pp. 27-28; Gary Johns, 'NGOs: Who do They Represent?, *inTouch: Newsletter of the Institute of Public Affairs*, February 2002, p. 5; Roger Bate, 'It's Official: Greenpeace Serves No Public Purpose', *IPA Review,* Vol. 51(4), December 1999, pp. 7-8; Aynsley Kellow, *Risk Assessment and Decision-Making for Genetically Modified Foods,* IPA Biotechnology Backgrounder, Number 1, October 1999; Peter Phelps, 'Amnesty Infomercial', *IPA Review,* Vol. 51, No, 3, September 1999, p. 13. Peter Saunders has also been highly critical of charitable welfare groups, although these criticisms have largely focused on the manner in which they have measured poverty levels in Australia. See, for example, Peter Saunders, *Clearing Muddy Waters: Why Vinnies are Wrong on Inequality,* CIS Issue Analysis, No. 60, 21 June 2005; Peter Saunders, 'There's no conspiracy about poverty, there's just the facts', *The Age,* 14 May 2003, http://www.theage.com.au/articles/2003/05/13/1052591792135.html, accessed 1 October 2012.

[177] See Martin Mowbray, 'War on non profit "NGOs": What do we do about them?', *Just Policy,* No, 30, July 2003, pp. 3-13. Mowbray mentions a June 1999 article in the *IPA Review* by Michael Warby analysing the role played by NGOs in the downfall of the MAI and a study by David Henderson. See: Michael Warby, 'Ambush in Cyberspace: NGOs, the Internet and the MAI', *IPA Review,* Vol. 51(2), June 1999, pp. 3-5; David Henderson, *The MAI affair: a*

However, despite evidence of an ideological convergence between the IPA and the Howard Government on how to deal with NGOs, neo-liberals have divergent views on this issue. As documented above, the CIS baulked at adopting a 'whatever it takes' approach to protecting free-market liberalism from critics within civil society. Thornton observes that opinion even seemed to be divided within the IPA as to whether the Coalition's draft Charity Bill went too far, with Johns arguing that

> it is probably unwise to be too specific about how much policy work is acceptable [before NGOs lose tax deductibility status]… after all, governments want policy work from NGOs.[178]

Mendes has also suggested that think tank and Howard Government endorsement of the regulation of NGOs was perhaps driven by differing motives. While the Government sought to "discredit and marginalize critics of its free market polices", groups like the IPA, he noted,

> do not appear concerned to promote the specific interests of local corporations, but rather seem particularly wedded to idealistic notions of free trade that are more likely to benefit larger companies and financial interests that are integrated into the global economy.[179]

While the IPA and the Howard Government entered into a marriage of convenience when it came to regulating NGOs, the division among Australian neo-liberals on the proper relationship between the state and the 'third sector' is symptomatic of a broader, ongoing debate within neo-liberalism. This debate focuses on the vexed question of how to embed a free-market, minimal state ethos within civil society. Indeed, many neo-liberals, while at times

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story and its lessons, Pelham Papers No. 5, Melbourne Business School, Melbourne, 1999. The IPA had earlier published Henderson's *The changing fortunes of economic liberalism*.

[178] Gary Johns, 'Conspiracies and NGOs', p. 29. Thornton notes that Nahan appeared more supportive of the Government's legislative proposal. See Mike Nahan, 'Charities That Are Really Political Lobbyists Must be Exposed'; Thornton, 'Policing The Do-Gooders', p. 62.

[179] Mendes, 'The NGO wars', p. 43.

demonstrating a degree of ideological triumphalism, suggest that the social and cultural foundations of neo-liberalism are more fragile than they would hope.

The fragile cultural foundations of freedom

In his 1992 book *The End of History and the Last Man*, American political economist Francis Fukuyama argued that Western capitalist liberal democracy might constitute the final stage in the evolution of governmental systems.[180] A number of scholars have linked Fukuyama's triumphalism with a similar tendency on the part of neo-liberals to boast of the apparent inevitability (and superiority) of the free market. Australian political scientist James Walter, for example, has linked Fukuyama's supposed argument that "history could have only one end"[181] to a trend within neo-liberalism to adopt Thatcher's famous dictum that "there is no alternative" [to a free-market economy]. Walter suggested that, "it is the TINA [there is no alternative] aspect above all else that clarifies neo-liberalism as ideological".[182] Social policy scholar Frederick Powell has also argued that "neoliberal partisans" present civil society "as the end of modernism, secularism and socialism".[183] In 2006, in *The Age* newspaper, Allan Patience of the Australia National University commented on the "triumphalism that increasingly marks the approach of the radical right in the infamous culture wars".[184] Further, in contrast to conservatives, Patience claimed that "for neo-liberals, society doesn't exist"[185] – a view also shared by Powell.[186]

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[180] See Francis Fukuyama, *The end of history and the last man,* Free Press, New York, 1992.
[181] James Walter (with Todd Moore), *What Were They Thinking? The Politics of Ideas in Australia,* University of New South Wales Press, Sydney, 2010, p. 299.
[182] Walter (with Tod Moore), *What Were They Thinking?*, p. 299.
[183] Frederick Powell, *The Politics of Civil Society: Neoliberalism or Social Left?,* The Polity Press, Bristol, 2007, p. 2.
[184] Allan Patience, 'The neo-liberal hijack', *The Age,* 14 January 2006, http://www.theage.com.au/news/opinion/theneoliberalhijack/2006/01/13/1137118964513.html, accessed 25 September 2012.
[185] Patience, 'The neo-liberal hijack'.
[186] Though Powell actually refers to the notion of society being contested by 'conservatives': Powell, *The Politics of Civil Society*, p. 2.

By and large the neo-liberals examined in this thesis acknowledge that progress has been made from a free-market perspective in recent decades. The exact extent of this progress may be debated, yet neo-liberals do not dispute that, particularly since the breakdown of Keynesianism in the 1970s, the free-market cause has advanced. Greg Lindsay, of the CIS, for example, has commented that "I think since the days that I got sort of activated… in this stuff, because of the Whitlam experience, I think we are way ahead".[187] Lindsay's former counterpart at the Institute of Economic Affairs in London, John Blundell, has also reflected that

> Am I freer now, aged 56, than I was aged 19 when I first got involved…Am I freer now? And I think the answer is yes. Despite the fact that there are more regulations on the law book and that government employs more people and that government takes a bigger slice. Am I freer? Yes. Is the world freer? Yes.[188]

Some scholars sympathetic to the free-market cause have shared a degree of triumphalism associated with Fukuyama's declaration of the 'end of history'. James C. Bennett, for example, an Adjunct Senior Fellow at the US based free-market Hudson Institute, published a study in 2004 entitled *The Anglosphere Challenge: Why the English-Speaking Nations Will Lead the Way in the Twenty-First Century.*[189] Bennett maintained that the Anglosphere countries (those sharing England's cultural, political and legal heritage) spearheaded the scientific and technological revolution because of the particular features of their societies. He suggested that "the Anglosphere developed a strong civil society early, and it grew least hindered here while its counterparts elsewhere (seemingly equally promising) were smothered or destroyed".[190]

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[187] Lindsay interview.
[188] John Blundell, Director General, Institute of Economic Affairs, interviewed by Andrew Thackrah, London, 16th September 2010. Blundell has since retired as Director General of the IEA.
[189] James C. Bennett, *The Anglosphere Challenge: Why the English-Speaking Nations Will Lead the Way in the Twenty-First Century,* Rowman & Littlefield Publishers Inc, Lanham, Maryland, 2004.
[190] Bennett, *The Anglosphere Challenge,* p. 3.

While acknowledging the need to strip a 'whiggish' version of history of notions of inevitability, Bennett argued that "the Whig narrative [of liberal progress] was what we might call emergently true; that is, even when its specific points are obviously wrong, the overall picture it presents still discloses useful patterns in history".[191] Bennett, who along with some colleagues established the Anglosphere Institute, predicted that the purest form of a market economy in history was developing and claimed that, "what we are witnessing is the triumph of the Austrian free-market economist F.A. Hayek over Marx, not only in the political realm, but in the realm of social sciences as well".[192]

Bennett draws a link between the successes of the Anglosphere and the flourishing of a 'civil society' built on the "rule of law; honouring of covenants" and "high trust characteristics".[193] In contrast, however, Australian neo-liberals have largely avoided the temptation to declare victory for free-market capitalism, and have pointed to an uncertain future for neo-liberalism.

Owen Harries of the CIS was the editor of *The National Interest* when that publication printed an initial essay by Fukuyama setting out the 'end of history' thesis and provided encouragement to the young academic.[194] Harries claims, however, that Fukuyama was not suggesting that "liberal democracy was destined to triumph rapidly and more or less universally".[195] Indeed Harries, along with other neo-liberals, has made clear that the victory of western free-market capitalism and its accompanying values is far from guaranteed. In June

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[191] Bennett, *The Anglosphere Challenge,* p. 3.

[192] Bennett, *The Anglosphere Challenge,* p. 51. The Anglosphere Institute's webpage explains that, "anglospherists adhere to the fundamental customs and values that form the core of English-speaking cultures, such as individualism, rule of law, honoring [sic] contracts and covenants, and the elevation of freedom to the first rank of political virtues": http://www.anglosphereinstitute.info, accessed 12 March 2012.

[193] Bennett, *The Anglosphere Challenge,* pp. 79-80.

[194] See Francis Fukuyama, *Has History Restarted Since September 11?,* The Nineteenth Annual John Bonython Lecture, Grand Hyatt Melbourne, 8 August 2002, Occasional Paper No. 81, Centre for Independent Studies, Sydney 2002, p. 7.

[195] Owen Harries, 'The Return to Realism', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgrove, Sydney, 2002, p. 25.

2002, the IPA published an article by John Fonte, a senior fellow at the US-based Hudson Institute. Fonte queried whether 'modernity' is "on the side of liberal democracy"[196] and noted that "the activities of [progressive and activist] NGOs suggest that there is already an alternative ideology to liberal democracy within the West that has been steadily evolving for years".[197] He concluded: "In hindsight, Fukuyama is wrong to suggest that liberal democracy is inevitably the final form of political governance… because it has become unclear that liberal democracy will defeat transnational progressivism".[198]

Some Australian neo-liberals have expressed similar sentiments. At the 1999 meeting of the H.R. Nicholls Society, David Henderson argued that

> in labour market policies as elsewhere, the continuing power and influence of anti-liberal ideas and preconceptions is everywhere to be seen. This applies to the OECD member countries in general, and is obviously the case for Australia. The notion that, at any rate since the collapse of communism, liberalism has triumphed over rival doctrines, so that interventionism is now in continuing retreat across the world and in all areas of policy, is well wide of the mark.[199]

Analysing the historical fluctuations in the fortunes of economic liberalism, Henderson suggested that

> Economic liberalism has existed as a well-specified doctrine and blueprint since the mid-18th century. Over these 250 years as a whole, contrary to Fukuyama's thesis, there has been no consistent trend towards its realization in practice.[200]

In seeking to ensure the fruition of free-market capitalism, neo-liberals have turned their attention increasingly to the significance of the cultural and

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[196] John Fonte, 'The Ideological War Within the West', *IPA Review,* Vol. 54(2), June 2002, p. 3.
[197] Fonte, 'The Ideological War', p. 3.
[198] Fonte, 'The Ideological War', p. 6.
[199] David Henderson, 'Labour Market Reform in the 1990s: the OECD Record and Its Lessons', *The Third Way: Welcome to the Third World, Proceedings of the H.R. Nicholls Society, Melbourne, August 1999,* Vol, 20, http://www.hrnicholls.com.au/archives/vol20/vol20-1.php, accessed 2 September 2010.
[200] Henderson, 'Labour Market Reform in the 1990s'.

institutional underpinnings of different societies. The triumphalism that some accused Fukuyama of displaying in his previous studies of the economic and political spheres was less apparent in his consideration of social capital. In *Trust: The Social Virtues and the Creation of Prosperity*[201] and subsequently *The Great Disruption: Human Nature and the Reconstitution of Social Order*[202] Fukuyama examined the reliance of modern society on (often pre-modern) cultural values. In the latter work Fukuyama criticised the tendency to view economics as separate from society, arguing that

> one of the most important lessons we can learn from an examination of economic life is that a nation's well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society.[203]

The United States, he noted, "has been living off a fund of social capital".[204]

In *The Great Disruption*, Fukuyama examined the strength of that social capital, asserting that there was evidence of moral decline in the United States.[205] He conceded that the processes of technological and economic transformation (which, following Schumpeter, Fukuyama labels 'creative destruction') that disrupted the established markets "caused similar disruption in the world of social relationships".[206] While maintaining that "there is a strong logic behind the evolution of political institutions in the direction of modern democracy, one that is based on the correlation between economic development and stable democracy",[207] Fukuyama argued that

> This same progressive tendency is not necessarily evident in moral and social development, however. The tendency of contemporary liberal democracies to fall prey to excessive individualism is perhaps their

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[201] Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity,* Free Press, New York, 1995.
[202] Francis Fukuyama, *The Great Disruption: Human Nature and the Reconstitution of Social Order,* New York, Touchstone, 1999.
[203] Fukuyama, *Trust,* p. 7.
[204] Fukuyama, *Trust,* p. 111.
[205] Fukuyama, *The Great Disruption,* p. 5.
[206] Fukuyama, *The Great Disruption,* p. 6.
[207] Fukuyama, *The Great Disruption,* p. 10.

> greatest long-term vulnerability, and is particularly visible in the most individualistic of all democracies, the United States.[208]

According to Fukuyama, societies will, by necessity, continue to produce social norms but in the process they will experience disruption.[209] As Martin Stewart-Weeks noted when reviewing *Trust* in the CIS's *Policy* magazine, "to be successfully post-modern, a society is also going to have to protect and nurture its supply of pre-modern habits, reflexes and institutions".[210]

What are the 'habits, reflexes and institutions' that need to be protected and nurtured? Though Australian neo-liberals have tended to reject a sense of historical certainty, for many of them, answering this question has entailed an appeal (resembling that made by Bennett) to the concept of the Anglosphere.[211]

In reflecting on the international influences upon Australia, Ray Evans has commented that "you should use the term Anglosphere…. people do not give enough value or weight to the influence which Britain has had and still has on Australian life".[212] He notes that it was to his credit that John Howard was "a very serious Anglophile".[213] In a 2005 edition of the *IPA Review*, historian Daniel Mandel, drawing on Bennett's study, suggested that "in a world of politically centralising, bureaucratic tendencies, a vigorous sovereign, free market, democratic Anglosphere might yet prove a corrective".[214] The 2008 C.D. Kemp Lecture, entitled 'The Anglosphere?' was presented for the IPA by

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[208] Fukuyama, *The Great Disruption,* p. 10.
[209] Fukuyama, *The Great Disruption,* pp. 249-250.
[210] Martin Stewart-Weeks, 'Desperately Seeking Community (*Trust: The Social Virtues and the Creation of Prosperity* by Francis Fukuyama, Hamish Hamilton, London, 1995)', *Policy,* Vol. 12(2), Winter 1996, p. 40.
[211] See Bennett, *The Anglosphere Challenge;* R. Catley & David Mosler, *The American Challenge: The World Resists US Liberalism,* Ashgate Publishing Limited, Aldershot, U.K., 2007, p. 30.
[212] Ray Evans, interviewed by Andrew Thackrah, 20 February 2009.
[213] Evans interview.
[214] Daniel Mandel, 'The 'secret' history of the Anglosphere', *IPA Review,* Vol. 57(4), September 2005, p. 32. In contrast see Tom Swtizer, 'The Age of Unqualified Loyalty Is Over', *The Spectator,* 3 January 2009, http://www.ipa.org.au/news/1772/the-age-of-unqualified-loyalty-is-over/pg/8, accessed 25 September 2012.

Walter Russell Mead, the author of *God and Gold: Britain, America and the Making of the Modern World.*[215]

The Perth-based free-market Mannkal Foundation has also placed significant emphasis on the extent to which current prosperity in Australia is built on a foundation of 'Western values'.[216] Neo-liberals have questioned the notion that the economic rise of China proves that the power of the Anglosphere is waning. For example, Dr John Lee, a visiting fellow at the CIS, remarked in his 2007 book, *Will China Fail?,* that, "'market socialism' is neither an example of a successful dictatorship or a system within which the transformative forces of 'market capitalism' have taken root".[217] Earlier, in 1999, Michael Backman, in the *IPA Review*, suggested that the most important lesson from the Asian financial crisis that commenced in 1997 was that Australian institutions must be protected from 'Asianisation' and Asia must embrace transparency.[218] David Henderson, while acknowledging the need to pay attention to individual countries' circumstances, has also argued that this particular financial crisis highlighted the need for further liberal economic reform, rather than questioning the growth model championed by the Anglosphere.[219]

The notion of the Anglosphere also gained a level of popularity within the Howard Government. Aside from Howard's fascination with the politics and culture of both the United Kingdom and the United States, Tony Abbott, in his

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[215] See http://www.ipa.org.au/events/information/year/2008/event/walter-russell-mead-'the-anglosphere-in-crisis-'-2008-cd-kemp-lecture-in-melbourne, accessed 2 September 2010.

[216] See Mannkal Foundation, *The Sun Rises in the West: The Rule of Law together with Property Rights: Foundations of Western Law and Liberty, Perth Conference October 7-8, 2010,* Conference Program, Perth, 2010.

[217] John Lee, *Will China Fail?: The Limitations and Contradictions of Market Socialism*, Policy Monograph No. 77, Centre for Independent Studies, Sydney, 2007, p. 4. In a preface to Lee's work Greg Lindsay wrote that: "China's system of 'market socialism' is far from a successful contradiction. Its troubles should serve as a reminder of the powerful connection between successful and sustainable free markets on the one hand, and limiting the power, role, and reach of the government on the other" (p. x).

[218] Michael Backman, 'Why Buy a Piggery?', *IPA Review*, Vol. 51(2), June 1999, p. 16.

[219] Henderson, *The changing fortunes of economic liberalism*, pp. 76-77.

2009 memoirs, *Battlelines*, wrote that, "overwhelmingly, the modern world is one that's been made in English"[220] and praises the Anglosphere for its commitment to democracy, the rule of law and civic pluralism as well as its "ethical heritage" of eschewing tribalism and ensuring fairness, especially for outsiders.[221]

For a few prominent Australian neo-liberals Christianity is seen as providing a vital values base for the nation's prosperity. As Marion Maddox has documented in *God Under Howard*, [222] in 1994 Ray Evans, along with three United Church ministers, formed the Galatians Group in order "to encourage a more critical dialogue between the Churches and others about significant issues in Australian public life".[223] The group has highlighted the importance of conservative Christian values, opposing a number of tenets of progressive politics such as the sectarian politics it associates with multiculturalism and questioning notions of social justice.[224] At the Group's 1996 conference, Evans argued that state

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[220] Tony Abbott, *Battlelines,* Melbourne University Press, Carlton, 2009, p. 161.
[221] Abbott, *Battlelines,* p. 159.
[222] Marion Maddox, *God Under Howard: The Rise of the Religious Right in Australian Politics,* Allen & Unwin, Crows Nest, 2005, pp. 213-214. While Maddox associates the Galatians Group with a free-market outlook it has, despite the influence of Hugh Morgan and Ray Evans, also presented distinctly conservative, anti-free market views. See, for example, B.A. Santamaria, 'One Nation, One Flag, One People', in *Multicultural Australia? Ethnic Claims & Religious Values: Proceedings of The Galatians Group Conference, August 1995,* The Galatians Group, Armadale (Vic.), 1995, p. 38; Jerzy Zubrzycki, 'Multi-racial Australia: a Christian Perspective', in *Multicultural Australia? Ethnic Claims & Religious Values: Proceedings of The Galatians Group Conference, August 1995,* The Galatians Group, Armadale (Vic.), 1995, p. 124.
[223] Rev. Dr. Max Champion, 'Foreward' in *The Churches – Native to Australia or Alien Intruders?: The Proceedings of the Inaugural Conference of the Galatians Group, Clunies Ross Convention Centre, Melbourne 15th & 16th August, 1994,* The Galatians Group, Armadale (Vic.), 1994, p. v.
[224] See *Multicultural Australia?*. The Galatians President Max Champion noted that (at the 1995 conference) "the view was expressed that the term 'multiculturalism' itself is no longer helpful in addressing the complex issues surrounding the need for national unity and acceptance of racial and cultural diversity" and that present political policies were being "administered or used for political purposes": Dr. Max Champion, 'Foreward', in *Multicultural Australia?*, p. i. On the Galatians Group's critical approach to the concept of 'social justice', see *The Utopian Quest for Social Justice: Proceedings of The Galatians Group Conference: August 1996*, The Galatians Group, Armadale (Vic.), 1996. At this conference Uniting Church minister Ross Carter (one of the founders of the

provided welfare is "destructive of the principles on which Western civilization is based, i.e. the primacy of the individual as a moral agent, with responsibility for decisions, and the consequences of them, falling upon the individual who has made them".[225] He went on to suggest that the genesis of this individualistic ethos can be found "in the earliest years of the Christian Church".[226]

Des Moore has spoken of the need for "major Western societies [to] defend and retain their Judeo-Christian culture and democratic systems of government".[227] Countering Fukuyama's apparent dismissal of Christianity as a 'slave ideology', Samuel Greg of the CIS has also emphasised the extent to which the Christian faith has promoted a 'language of freedom'.[228] During the Howard years, the CIS devoted considerable effort to highlighting the compatibility of free-market capitalism and a belief in Christianity.[229]

In Australia, neo-liberal think tanks linked the demise of the Keating Government to the Labor leader's apparent efforts to impose a cultural vision that differed from that associated with the free-market Anglosphere. It was suggested that Keating pandered to vested interests rather than reflecting mainstream, traditional values. Gary Johns, a former minister in the Keating government, maintained in a paper for the IPA in June 1997 that, as the momentum of Labor's economic reform program diminished, it resorted to seeking out sectarian approval.[230] According to Johns

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Group) argued that "it is only by resolutely resisting the seductive advances of all political dogma that the church may witness publicly that it is Christ, not the church or the State, who is the hope and the possibility of the future of mankind": Ross Carter, 'The Political Seduction of the Church', in *The Utopian Quest for Social Justice: Proceedings of The Galatians Group Conference: August 1996*, The Galatians Group, Armadale (Vic.), 1996, p. 126.

[225] Ray Evans, 'Social Justice and Millenarianism', p. 152.

[226] Evans, 'Social Justice', p. 152.

[227] Des Moore, 'The Islamist Threat to Australian Society', *Quadrant,* Vol. 54(4), April 2010, p. 18.

[228] Samuel Gregg, *Religion and liberty: Western Experiences and Asian Possibilities,* Occasional Paper No. 68, Centre for Independent Studies, Sydney, 1999, p. 11 ff.

[229] See Maddox, *God Under Howard,* p. 212.

[230] Gary Johns, 'Wither Labor?', *IPA Backgrounder*, Vol. 9(2), June 1997.

> Labor's drive for economic reform began to stall by 1989 and… the electorate had grown tired of the difficult issues involved in that reform. Consequently, a gap opened up in public dialogue into which well-defined and visible issues flowed, backed by well-organised and often publicly-funded advocates. Labor sought to harness these votes in order to regain lost ground. While this strategy worked for some time, the majority of voters came to feel more and more removed from the debate. In the public's mind, their views were taking second place to those of 'minority' opinion.[231]

Labor, Johns insisted, needed to redirect itself towards building national consensus and should work to strengthen the institution of marriage and limit immigration levels to protect the environment and restrict population growth.[232] He mentioned multiculturalism and Indigenous rights as two areas where Labor's policies had lost touch with community consensus.[233] At the CIS, educational consultant (and later Liberal staffer) Kevin Donnelly noted that *Whereas the People* - the report of the Civics Expert Group established by Keating and chaired by prominent Australian historian Stuart Macintyre - contained much that was worthy of support but also attacked it for endorsing cultural relativism.[234] According to Donnelly

> Ignored [in *Whereas the People*] is that while cultural diversity is worthwhile it is the Anglo-Celtic tradition which has been the most influential and that pluralism only survives when there is common agreement about certain basic principles like respect for the rights and property of others and a commitment to democratic ideals and the rule of law.[235]

As analysed in the fourth chapter of this thesis, new class and public choice theories have been used by neo-liberals to explain the continuing expansion of government involvement in economic life. There is also, however, a cultural dimension to this analysis. Neo-liberals frequently emphasise that supporters of 'minority' social activist causes (for example, environmental, Indigenous or ethnic campaigns) are opponents of a free-market, minimal state-paradigm.

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[231] Johns, 'Wither Labor?', p. 1.
[232] Johns, 'Wither Labor?', pp. 10-12.
[233] Johns, 'Wither Labor?', p. 4.
[234] Kevin Donnelly, 'Civics and citizenship education: the dangers of centralised civics education', *Policy,* Vol. 12(4), Summer 1996-1997, p. 23.
[235] Donnelly, 'Civics and citizenship', p. 23.

Ironically the relative affluence generated by the free-market economy enables the champions of such causes (typically employed outside the private sector) to continue to advocate provision of government assistance for their pet projects. Neo-liberals, while naturally critiquing governments that aid and abet such causes, thus also ponder the potential for ideological opponents within a free, liberal society to undermine the economic basis of that freedom.

The leading American neo-conservative Irving Kristol voiced these concerns in his 1978 work, *Two Cheers for Capitalism.*[236] Kristol, describing the 'new class' as elitist and hostile to the market "precisely because… [it is] so vulgarly democratic", argued that

> there is a sense in which capitalism may yet turn out to be its own gravedigger, since it is capitalism that creates this "new class" – through economic growth, affluence, mass higher education, the proliferation of new technologies of communication, and in a hundred other ways.[237]

For Kristol, the influence of the new class was significant and likely to be permanent. Its presence simply had to be accepted:

> It is idle…to talk about returning to a "free enterprise" system in which government will play the modest role it used to. The idea of such a counter-reformation is utopian.[238]

For Kristol, how to maintain the pre-capitalist traditions and values that sustain society and enable individuals to cope with the 'human condition' "is perhaps the major intellectual question of our age".[239]

Australian neo-liberals, adopting the critique of the 'new class'[240] pioneered by Kristol (and others), have shared his interest in the cultural foundations of

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[236] Irving Kristol, *Two Cheers for Capitalism,* Basic Books Inc, New York, 1978.
[237] Kristol, *Two Cheers,* p. 29.
[238] Kristol, *Two Cheers,* p. 30.
[239] Kristol, *Two Cheers,* p. xi.
[240] See the discussion of new class and public choice theory in chapter four of this thesis. For an example of an early public-choice theory inspired critique of multiculturalism published by the CIS, see Raymond Sestito, *The Politics of*

capitalism. In particular, the occurrence of the September 11 terrorist attacks in the United States led those associated with the IPA, the CIS and the H.R. Nicholls Society to conceptualise more fully the relationship between culture and matters of political economy. While some neo-liberals (such as Chandran Kukathas)[241] downplayed the political impact of the terrorist attacks, others took the opportunity to state that Fukuyama was mistaken in pronouncing that history had come to an end with the conclusion of the Cold War: cultural opposition to liberal democratic capitalism remained alive and well.

In 2002, Roskam noted the view of the British philosopher Michael Oakeshott that "the past has no clear unity, that is has no pattern or purpose, and that it can't be used to support any practical conclusions".[242] Oakeshott's message, Roskam observed, provides little comfort to those on the left who believe in the inevitability of the collapse of capitalism but also offers "no support to the right, who seek to find 'the end of history' in the fall of the Berlin Wall and the collapse of communism".[243] We need to be aware of the extent to which historical developments are contingent upon "the free play of individual choices and freedoms".[244] Similarly, Gregory Melleuish (whose work has been published by the CIS) along with newspaper columnist Imre Salusinszky wrote that

> The horrific events of September 11 have left an indelible mark on the world and become a defining moment in the history of the twenty-first century. They demonstrate that the hard won victories of the twentieth

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Multiculturalism, Policy Monograph No. 3, Centre for Independent Studies, Sydney, 1982.

[241] See Chandran Kukathas, 'The Usual Suspect: Reflections on the Attack on America', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgrove, Sydney, 2002. See also Sam Roggeveen, 'Just War after September 11', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgrove, Sydney, 2002.

[242] John Roskam, 'Terrorism and Poverty: Has the Left Proved its Case?', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgrove, Sydney, 2002, p. 240.

[243] Roskam, 'Terrorism and Poverty', p. 240.

[244] Roskam, 'Terrorism and Poverty', p. 240.

> century over brutality, fanaticism and totalitarianism did not spell the 'end of history'. Such evils are always with us.[245]

At a 2003 meeting of the H.R. Nicholls Society, Ray Evans noted that

> The events of 9/11 showed that victory in the Cold War did not of itself create a new world of peace and concord. Francis Fukuyama's thesis of the end of history was shown in a very short space of time to be the nonsense that it always had been.[246]

For neo-liberals, however, September 11 and subsequent terrorist attacks also served as a reminder that Islamic extremists were not the only opponents of liberal capitalism. The political left within Western society was again seen as a source of significant cultural opposition. In the speech quoted above, Evans continued that

> War, and the threat of war, has always been with us, and will continue to remain so. The fatal flaw in what we can call chattering class ideology, is the refusal to accept the reality of evil in human affairs.[247]

Evans then explained how, in uncertain times, Australia needed further labour market reform in order to remain competitive and secure.[248] By implication, the 'chattering classes' posed an internal threat to Australia's national security. This theme was picked up in a 2002 collection edited by Melleuish & Salusinszky entitled *Blaming Ourselves: September 11 and the Agony of the Left.* In their introduction the editors argued that a number of chapters in their collection provided a "permanent memorial to the impertinence of the intellectual left"[249] who felt a clash of loyalties and a division of sympathies following the terrorist attacks. Indeed, in his contribution to *Blaming Ourselves*, Saunders deployed

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[245] Gregory Melleuish & Imre Salusinszky, 'Introduction', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgorve, Sydney, 2002, p. 1.
[246] Ray Evans, 'The Bills We Need', *Lining up the Bills: Preparing for a Double Dissolution: Proceedings of the H.R. Nicholls Society,* Melbourne, May 2003, http://www.hrnicholls.com.au/archives/vol24/vol24-2.php, accessed 4 March 2010. See also Andrew McIntyre, 'The Secular West and the Dangerous Quest for Meaning', *IPA Review,* Vol. 54(1), March 2002, pp. 18-19.
[247] Evans, 'The Bills We Need'.
[248] Evans, 'The Bills We Need'.
[249] Melleuish & Salusinszky, 'Introduction', p. 4.

textbook 'new class' language, suggesting that "the (predominantly public sector) intelligentsia"[250] contained many individuals who "hanker[ed] after the destruction of capitalism".[251] According to Saunders, often aided by state funding,

> [t]oday's intellectual class monitors, comments upon and casts critical judgement over every aspect of our society. Nothing is sacrosanct – not religion or the systems of ethics traditionally associated with it, nor the sexual morality of the bourgeois family, nor the capitalist market system with its emphasis on private accumulation of wealth and individual acquisitiveness.[252]

Both the perceived internal opposition of the 'intellectual left' or 'chattering classes' and the threat of radical Islam confront neo-liberals with the paradox of liberalism – the question of the extent to which apparent illiberal attitudes can be tolerated within a liberal polity. While this paradox was discussed in the context of neo-liberal views on the appropriate scope of government action in the previous chapter, its pertinence for neo-liberals becomes abundantly clear when considering the role of civil society. As political scientist Waleed Aly has noted,

> an inescapable implication of liberalism is the individual's freedom of thought. That means nothing if it does not permit the individual to subscribe to dissenting value systems that may even be repugnant to the majority – just as freedom of speech means nothing without the freedom to offend.[253]

While neo-liberals possess a positive vision of civil society, their awareness of the fragile cultural foundations of a liberal capitalist order leads them to ponder how to address potential threats posed by minority groups. As noted in chapter four of this thesis, US and Australian-based neo-liberals divided over the appropriateness of the recent American-led invasion of Iraq. While these divisions highlighted different views on the role and effectiveness of

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[250] Peter Saunders, 'The Cuckoo in the Nest', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left,* Duffy & Snellgrove, Sydney, 2002, p. 176.
[251] Saunders, 'The Cuckoo', p. 176.
[252] Saunders, 'The Cuckoo', p. 178.
[253] Waleed Aly, *What's Right?: The Future of Conservatism in Australia,* Quarterly Essay, No. 37, Melbourne, 2010, p. 69.

government-led military action, they were also the product of divergent opinions on the ability of governments to sustain the social and cultural values of civil society.

Ray Evans, for example, suggested in 2003 that the Australian Government should commit to any US-led military campaign "in defence of civilisation and of the freedom which is the foundation of civilisation".[254] It seems that for the then President of the H.R. Nicholls Society, civilisation, like any other commodity, is capable of being exported. It was, however, precisely this notion that Owen Harries took issue with in the aftermath of September 11 as he called for the development of a realist geo-political outlook.[255] Commentator Tom Switzer, the editor of the Australian edition of the *Spectator* and a fellow of the IPA, has also adopted a similar position to Harries, arguing that in the future

> Canberra will need to regard the US alliance not as an unqualified endorsement à la Howard or part of some kind of Anglosphere à la Robert Conquest, but as a pragmatic device to be adjusted to changing conditions to secure the Australian national interest.[256]

The area of immigration policy has also highlighted different neo-liberal views on importance of cultural integration in Australia. As discussed previously, Australian neo-liberals have divided over how the state should address the unauthorised arrival of asylum seekers in Australia. The nature of the dilemma that immigration poses for neo-liberals becomes more pronounced when one considers their assumptions about the fragility of culture and civil society. As Aly remarks, the Hawke-Keating Government's emphasis on multiculturalism and Australian integration with Asia "was not merely a feel-good construction of leftist elites pursuing their own cosmopolitan fantasies, but a logical extension of neo-liberalism's inherently globalising dynamic".[257] Indeed, Sinclair Davidson,

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[254] Evans, 'The Bills We Need'.
[255] See Harries, 'The Return to Realism'.
[256] See Tom Switzer, 'The Age of Unqualified Loyalty Is Over', *The Spectator,* 3rd January 2009, http://newstaging.spectator.widearea.co.uk/australia/3194511/the-age-of-unqualified-loyalty-is-over.thtml, accessed 10 September 2010.
[257] Aly, *What's Right,* p. 59.

a senior fellow of the IPA, has demonstrated how free-market advocacy can lead to endorsement of more liberal immigration policies. Davidson has argued that

> The great Austrian economist Ludwig von Mises described the market economy as cooperation under the division of labour. By having more people in Australia there are more people to cooperate with, more people to trade with and more people to grow the market. As our wealth and economy grows there is more money for the finer things in life.[258]

For Davidson, issues of cultural integration clearly posed no barrier to the realisation of the economic benefits of migration. In contrast, Moore has warned that the ethnic mix of those immigrants arriving in Australia poses a threat to the nation's cultural stability. Suggesting that a "substantial proportion" of Muslims overseas "approve of violent action in support of Islam",[259] Moore seems to approve of reducing Australia's intake of Islamic immigrants:

> while it is appropriate to have net migration, there is no economic or general policy need to have such a large annual intake. For present purposes, however, the concern is less about the total than the possible adverse composition and security implications and how they might be changed.[260]

There were good reasons, Moore continued, to suspect that Australian Muslims would not accept that "they too should become true Australians rather than striving to force Australians to become like them". [261]

The issue of immigration and cultural integration had previously been widely debated in Australia following the rise of the One Nation party in the aftermath of the 1996 Federal election. In her infamous maiden speech to the House of

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[258] Sinclair Davidson, 'Enough Of the Hysteria…Refugees Are Good For Us', 30th October 2009, IPA Website, http://ipa.org.au/news/1985/enough-of-the-hysteria...-refugees-are-good-for-us, accessed 22 March 2010.
[259] Des Moore, 'The Islamist Threat', pp. 20-21.
[260] Moore, 'The Islamist Threat', p. 22.
[261] Moore, 'The Islamist Threat', p. 23. See also Bob Birrell and Katherine Betts' suggestion that to lift immigration to levels advocated by business, drawing on "newer Asian and Middle Eastern sources", would entail a significant and unpopular transformation of Australia's national identity: Bob Birrell & Katherine Betts, 'Australians' Attitudes to Migration', *IPA Review,* Vol. 53(4), December 2001, pp. 3-5.

Representatives (reminiscent of comments in the mid-1980s by then Opposition Leader Howard and historian Geoffrey Blainey), the leader of One Nation and the Member for Oxley, Pauline Hanson, stated that "I believe we are in danger of being swamped by Asians… they have their own culture, form ghettos and do not assimilate".[262] While Hanson shared with some neo-liberals a concern for the issue of migration and cultural assimilation, she was no supporter of free-market ideas. Indeed, in the same speech in which she warned of the dangers of Asian immigration, she also claimed that, "if this government wants to be fair dinkum, then it must stop kowtowing to financial markets, international organizations, world bankers, investment companies, investment and big business people".[263]

Hanson's political popularity (the One Nation party that she led secured eleven seats at the 1998 Queensland state election)[264] highlighted for neo-liberals the extent to which cultural fears could be translated into anti-free market sentiment. Switzer commented in a June 2001 edition of the *IPA Review* that One Nation's political success, along with other events such as "the Howard Government's decision… to reject Shell's takeover of Woodside Petroleum",[265] was explicable by the fact that "Australians are ditching their 15-year-old honeymoon with a free-market reform agenda".[266] In an editorial in the same edition of the *Review,* Mike Nahan argued that, driven partly by a "strong yearning for the 'good old days'",[267] the "political pendulum is now clearly moving away from freedom both here and abroad".[268] In the July 1997 edition then editor Tony Rutherford noted gloomily that the Howard Government's decision to continue economic

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[262] Pauline Hanson, Member for Oxley, Maiden Speech, House of Representatives, Tuesday 10 September 1996, *House of Representatives Official Hansard,* No. 8, 1996, House of Representatives, Canberra, 1996, p. 3862.
[263] Hanson, Maiden Speech, p. 3862.
[264] Parliament of Australia Parliamentary Library, '1998 Queensland Election', *Current Issues Brief,* No. 2, 1998-1999, http://www.aph.gov.au/Library/Pubs/cib/1998-99/99cib02.htm, accessed 14 September 2010.
[265] Tom Switzer, 'Economic Nationalism: It's Back to the Future', *IPA Review,* Vol. 53(2), June 2001, p. 6.
[266] Switzer, 'Economic Nationalism', p. 6.
[267] Mike Nahan, 'From the Editor', *IPA Review,* Vol. 53(2), June 2001, p. 2.
[268] Nahan, 'From the Editor', p. 2.

protection of the Australian car industry was designed to provide comfort to Hanson voters.[269]

By and large, however, Australian neo-liberals denied that the Hanson phenomenon was caused by unpopular free-market reforms. Rather, they linked One Nation's rise to the apparent championing of non-mainstream social and cultural values by government and state-supported elites. According to anthropologist Ron Brunton of the IPA, Hanson may have gained popularity because of the "readiness of social engineers and academics to deride as a form of 'racism' working class egalitarianism and notions of what constitutes injustice".[270] In *Dry*, Hyde suggested that the "fundamental tones"[271] of the chord Hanson struck with voters were "opposition to politically correct intolerance and to racial favouritism"[272] and blamed the "chattering classes"[273] for labelling Hanson racist rather than addressing these underlying concerns. In the 1996 CIS Bert Kelly Lecture, philosopher Chandran Kukathas addressed Hanson's political success.[274] Kukathas claimed that Hanson's opponents rushed to criticise her and took "too little notice of the message and its troubling popularity".[275] Adopting a consistently liberal position on cultural matters, Kukathas stated that people need to overcome their 'fear of freedom' and accept that others have the right not to assimilate in a free society.[276] People's anxieties need to be acknowledged yet cannot not be addressed through the "rhetoric of multiculturalism"[277] or the "engineering of society".[278] Rather, Kukathas claims, responsibility needs to be shifted from "social engineers to the community itself".[279]

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[269] Tony Rutherford, 'From the Editor', *IPA Review,* Vol. 49(4), July 1997, p. 2.
[270] Ron Brunton, 'The Human Wrongs of Indigenous Rights', *IPA Backgrounder,* February 1997, Vol. 9(1), pp. 4-5.
[271] Hyde, *Dry,* p. 253.
[272] Hyde, *Dry,* p. 253.
[273] Hyde, *Dry,* p. 253.
[274] Chandran Kukathas, 'Fear of Freedom: Political Correctness, Free Speech and Alien Invasions', *Policy*, Vol. 12(4), Summer 1996-1997, pp. 11-15.
[275] Kukathas, 'Fear of Freedom', p. 13.
[276] Kukathas, 'Fear of Freedom', p. 13.
[277] Kukathas, 'Fear of Freedom', p. 15.
[278] Kukathas, 'Fear of Freedom', p. 15.
[279] Kukathas, 'Fear of Freedom', p. 15.

For Kukathas, as for a number of other neo-liberals, the root of the cultural anxieties associated with Hansonism lay with government-generated elitism. Allegedly, by adopting policies favouring particular sectors of the community (such as ethnic minorities), governments have put mainstream voters offside. This emphasis has an obvious tactical advantage for neo-liberals – it enables them to counter a common criticism that cultural conflict is exacerbated by the inequalities generated free-market policies.[280] Yet this position has also led some neo-liberals to criticise the involvement of the Howard Government in the on-going 'culture wars'. As Abjorensen has argued, the Howard Government engaged in a partisan effort to "rewrite history to serve a partisan cause",[281] seeking, in particular, to place increasing emphasis on Australia's military history and questioning the previous Government's policy of multiculturalism.[282] As we have seen, in challenging muticulturalism and appealing to the notion that cultural debates had previously been dominated by (largely left wing) 'elites', Howard shared much with Australia's neo-liberal think tanks.[283]

However, given that government has previously succeeded only in generating cultural anxiety, neo-liberals are left asking whether it should actually have a role in actively promoting values. Roskam has argued that the cultural successes of the Howard years have been grossly overstated, suggesting that the ABC and Australian universities did not become more diverse during his period in government.[284] Howard, Roskam comments,

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[280] See, in particular, Richard Wilkinson & Kate Pickett, *The spirit level: why more equal societies almost always do better,* Allen Lane, London, 2009; Mark Davis, *The Land of Plenty: Australia in the 2000s,* Melbourne University Press, Carlton (Victoria), 2008; McKnight, *Beyond Right and Left;* Eric Aarons, *What's Right?,* Rosenberg Publishing Pty Ltd, Dural (NSW), 2003.

[281] Abjorensen, 'The history wars', p. 150.

[282] On Howard's appropriation of Australian military history, see Marilyn Lake & Henry Reynolds with Mark McKenna and Joy Damousi, *What's wrong with Anzac?: the militarisation of Australian history,* The University of New South Wales Press, Sydney, 2010.

[283] On how Howard deployed the notion of 'elites' in a manner consistent with the traditions of the Liberal Party see Judith Brett, *Relaxed & Comfortable: The Liberal Party's Australian,* Quarterly Essay No. 19, Black Inc, Melbourne, 2005.

[284] Roskam interview. In contrast, see Tom Switzer, 'Everything's changed? The Liberals have locked in conservative government', *IPA Review*, Vol. 59(4),

> had entirely the wrong view of history. The history wars, or culture wars or whatever we call it, cannot be conducted by government – Labor governments or Liberal Governments. My argument is you deregulate universities, you give students choice… you reconceive of public broadcasting and then if it happens, it happens. But government directed campaigns, whether directed by the Labor Party or the Liberal Party are as dangerous as each other. I mean I rail against the official Paul Keating of history the same way as I rail against the official John Howard view.[285]

So while the IPA has been a keen participant in the history wars – defending, for example, the work of historian Geoffrey Blainey – its director baulks at deploying government in the field of cultural battle.[286]

However, in endorsing a largely positive vision of civil society, neo-liberals also recognise that liberal capitalism itself may not contain enough moral content to enable individuals to live happy and secure lives. Roskam's caution on the role of government in cultural debates mirrors that of Owen Harries in the international arena. Rather than simply focusing on the negative cultural results of government activity, however, Harries has noted that rapid globalisation, "the Westernisation of the world", had produced "fear and powerful resentment as it [has] undermined traditional cultures and authority".[287] Harries demonstrates an awareness of the dangers inherent in rapid free-market reform that Klein, in particular, has suggested occurs in moments of crisis.[288] He goes as far as to state that, if anything, the fear and uncertainty created by rapid globalisation can inspire terrorism.[289]

January 2008, pp. 28-29. Switzer appears more upbeat than Roskam regarding the cultural successes of the Howard Government.

[285] Roskam interview.

[286] See, for example, Richard Allsop, 'Triumph of the iconoclast who sparked the history wars', *The Australian,* 6 March 2010, http://www.theaustralian.com.au/national-affairs/climate/triumph-of-the-iconoclast-who-sparked-the-history-wars/story-e6frg6xf-1225837281782, accessed 15 September 2010.

[287] Harries, 'The Return to Realism', pp. 24-25.

[288] Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, Allen Lane, Camberwell, 2007.

[289] Harries, 'The Return to Realism', pp. 24-25.

Saunders has acknowledged that, "capitalism lacks romantic appeal".[290] In 2002, he explained that

> The capitalist system …. is amoral. It is not designed to minister to the weak or redistribute to the poor (although these groups benefit from the growth that it generates much more than they ever benefited from the various socialist revolutions carried out in their name during the twentieth century). It is not even designed to reward the deserving, for it is indifferent to meritocracy just as it is to egalitarianism.[291]

He expressed a similar sentiment when interviewed for this thesis in 2009.[292] Echoing Hayek, Saunders has commented that the appeal of capitalism is that it provides individuals with the resources to create worthwhile lives in their own way: "where capitalism delivers but cannot inspire, socialism inspires despite never having delivered".[293]

One of the problems arising from capitalism's inability to provide inspiration is that it creates room for the free market's opponents. Saunders links the amorality of the capitalist system to the rise of its 'new left'/ 'chattering class' opponents. Drawing on the work of American political philosopher Robert Nozick, he suggests, for example, that intellectuals are offended to see traders earn more than them under a market system.[294] Further, the apparent self-regulating tendencies of market capitalism offend intellectuals for

> Nobody planned the global capitalist system, nobody runs it, and nobody really comprehends it. This particularly offends intellectuals, for capitalism renders them redundant. It gets on perfectly well without them. It does not need them to make it run, to coordinate it, or to redesign it.[295]

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[290] Peter Saunders, 'Why Capitalism is Good for the Soul: Capitalism provides the conditions for creating worthwhile lives', *Policy,* Vol. 23(4), Summer 2007-08, p. 3.
[291] Saunders, 'The Cuckoo in the Nest', p. 185.
[292] Saunders interview.
[293] Saunders, 'Why Capitalism is Good', p 3. See also Hayek's essay, 'The Intellectuals and Socialism': Friedrich A. Hayek, *The Road to Serfdom* with *The Intellectuals and Socialism*, The Institute of Economic Affairs, London, 2005.
[294] Saunders, 'Why Capitalism is Good', p. 9.
[295] Saunders, 'Why Capitalism is Good', p. 9.

However, Saunders, like Irving Kristol before him, has acknowledged that advocates of the free market confront the challenge of determining whether the state may be required to embed some values within society in order ensure the continuation of a liberal-capitalist order.[296] The state, Saunders concedes, may have to 'hassle' individuals to become functioning human beings:

> In the divergence between [Charles] Murray (people stay on welfare because they make a rational calculation of economic self-interest) and [Lawrence] Mead (people stay on welfare because they become entangled in a culture of dependency that makes them fatalistic) I suppose I go more with Mead (though Murray is also right up to a point). If Mead is right, then all you can do is link help to hassle. And it does seem to work.[297]

Saunders baulks at proposals, such as that advanced by Murray for a $10,000 annual payment by the government to replace welfare and designed to cover all eventualities, that could be exploited by irresponsible individuals, favouring compulsory savings schemes and tax credits.[298]

Hyde has also recognised the existence of an inherent tension between liberalism and conservatism on the question of how far the state should go in "fostering the weak".[299] While Saunders and Hyde recognise this tension, it has been demonstrated that other neo-liberals see no dilemma in the state adopting an activist role to protect certain (often traditional conservative) values in a liberal society.[300]

Differing neo-liberal views on the role of the state and the adoption of socially conservative policies are clearly shaped by individual opinions on what constitutes the foundation of civil society. For example, for Evans, Moore and

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[296] See Saunders discussion, mentioned above, of the difficult of determining whether people are capable of taking control of their own lives: Saunders, 'Pokie in the eye'. See also Irving Kristol, *Two Cheers for Capitalism,* Basic Books Inc, New York, 1978, p. xi.
[297] Personal correspondence between Andrew Thackrah and Peter Saunders, 29 June 2010.
[298] Saunders, *The Government Giveth*, p. 72, 75ff.
[299] John Hyde, interviewed by Andrew Thackrah, 9 February 2009.
[300] See Moore, 'The Islamist Threat'; Evans, 'The Bills We Need'.

other members of the Galatians Group, Christian values remain an important basis of liberal civil society so no obvious tension with liberalism arises from their protection. Other neo-liberals appear to turn towards conservative positions after recognising some of the dilemmas of liberalism. Saunders has acknowledged, more broadly, that the tension between freedom and the maintenance of social cohesion was one that he felt "all the time" while he was at the CIS.[301] Reflecting on the issue of school choice, Saunders has commented that

> You can try to reconcile those things by saying well… you hedge the freedom, you can't educate your child any old way you want – you've got choices within the following constraints. I think classical liberals, neo-liberals, whatever you want to call them, have to be willing to compromise at the edges. None of these principled positions in politics will hold if you push it to an extreme and that holds for liberalism as it does for anything else.[302]

He recalls, in particular, that at the CIS he would discuss the tensions inherent within the problem of school choice with fellow Institute scholar, Jennifer Buckingham. Buckingham, a strong advocate of educational choice policies, has argued that schools should be able to decide what they teach but has also recognised that curriculum packages should be approved by an auditing body.[303]

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[301] Saunders interview.
[302] Saunders interview.
[303] See Jennifer Buckingham, 'Let the schools choose which accredited curriculum to teach', *The Canberra Times,* 30 October 2006, http://www.cis.org.au/research-scholars/cis-research-scholars/article/632-let-the-schools-choose-which-accredited-curriculum-to-teach, accessed 1 October 2012. It is not clear on what basis Buckingham believes different curriculum models should be granted accredited status. In a monograph published by the CIS in 2001 in which she advocated 'school choice' Buckingham acknowledged that "there are important questions to be resolved about the nature of education and the role of regulations of standards": Jennifer Buckingham, *Families, Freedom and Education: Why School Choice Makes Sense*, Policy Monograph No. 52, Centre for Independent Studies, Sydney, 2001 p. 3. She went on to argue, however, that the harm caused in the school choice system where "educational disadvantage potentially arises because of the indifference and inaction of some parents" would be less than that in a common school system where "a proportion of children are potentially at risk of educational disadvantage because of factors largely beyond parents' immediate control, such as income, level of education and children's abilities" (p. 52). This line of argument avoided addressing the

Saunders also comments that he would often discuss issues surrounding public broadcasting with Greg Lindsay.[304] Commenting upon public broadcasting in the UK, he has stated that

> The BBC in Britain performs a crucial role in defining, transmitting… a national cultural sense of what it is to be British, to live in this country and so on. The ABC does it to a lesser extent in Australia, and I don't think commercial broadcasting will do that… it is not its job to do that. Therefore, I think there is a place for public broadcasting – the problem then is you get these bloody mega bureaucracies that you can't make accountable and that fly off on wild agendas and so on. Those are the problems, which is why a lot of people associated with the CIS say 'privatise the whole lot'. I personally would stop short of that. And the same with rampant school choice – there have got to be limits to school choice.[305]

Saunders comments that the issue of how to determine general limits to personal choice was the something that he was "always scratching but never able to sort out" at the CIS.[306] American humanities academic David Popenoe acknowledged the existence of this dilemma in a 1994 CIS publication when, citing the potential damage caused to local schools by the rise of private schooling, he maintained that local communities may need to be protected from both the government and the market.[307]

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question of how to resolve situations where children are taught extreme religious or political doctrines that harm their ability to participate in wider society.

[304] Saunders interview.

[305] Saunders interview.

[306] Saunders interview.

[307] See David Popenoe, 'The Roots of Declining Social Virtue: Family, Community, and the Need for a "Natural Communities Policy"', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994, pp. 24-25. Popenoe's fellow editor, Andrew Norton, tended to downplay the sense of civic crisis portrayed by the former: Andrew Norton, 'The Modes and Morals of Australia in the '90s', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994. Maley acknowledged that while there was no social crisis in Australia, the family, educational, industrial organisations and voluntary associations were showing signs of failure that may lead to real danger for social and civic virtues: Barry Maley, 'Morals and Modernity', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994. Liberalism and individualism can undermine social bonds (p. 82ff). However, such problems,

Some commentators have suggested that an acknowledgement of the complexities associated with notions of 'choice' by some neo-liberals highlights that free-market adovcates share some significant common ground with political progressives. Political scientist Kim Huynh of the Australian National University has described how, "despite the seemingly expanding political gap between progressives like Clive Hamilton and moral conservatives like Peter Saunders, there is in fact significant common ground on which to perhaps reconcile their intellectual anatagonisms".[308]

Huynh cites an August 'Big Ideas' forum held by the CIS in 2007 at which former "leftist activist" Claire Fox defended 'higher' forms of artistic endeavour and asserted the need for the maintenance of some forms of "socially salubrious and candid forms of cultural elitism".[309] It was also at this forum that Sanders made his comments regarding poker machines.[310] These comments, according to Huynh, constituted some "small but significant overtures towards liberal progressives" in that they featured a recognition by neo-liberals that "there are cases….where the choices of individuals are far from informed, rational, benign and free and when benevolent others should step in and help".[311]

The care of young children is another issue where there has been some convergence between 'progressives' and neo-liberals. Jennifer Buckingham of the CIS has challenged the emphasis placed by politicians on subsidising childcare facilities rather than enabling women, in particular, to care for young children in the home environment.[312] In a 2008 *Quarterly Essay*, social

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according to Maley, were primarily the result of the actions of the state (pp. 106-107).

[308] Kim Huynh, ''If there is hope, it lies with the Bogans'', in Jim George & Kim Huynh (eds.), *The Culture Wars: Australian and American Politics in the 21st Century,* Palgrave Macmillan, South Yarra, 2009, p. 127.

[309] Huynh, 'If there is hope', p. 137. See Charles Murray, Denis Dutton, Claire Fox (with an Introduction by Peter Saunders), *In Praise of Elitism*, Occasional Paper No. 107, Centre for Independent Studies, Sydney, 2008.

[310] Huynh, 'If there is hope', p. 137; Saunders, 'Pokie in the eye'.

[311] Huynh, "If there is hope', p. 137.

[312] See, for example, Jennifer Buckingham, 'Subsidies increase child care prices, not mothers participation in work', *The Australian,* 23 July 2008,

philosopher Anne Manne placed a similar emphasis on the problems of subsidising childcare.[313] Saunders has praised Manne's essay, while Buckingham explains that she discussed its contents with the author prior to publication and that she is on the same "wave length" as Manne on the issue.[314] What unites Buckingham and Manne is a conservative tendency (though grounded in growing body of evidence) to criticise policy makers for undermining the ability of mothers, in particular, to care for young children at home, and failing to recognise the benefits of this traditional arrangement.

There are, however, clear limits to the 'convergence' between 'progressives' and neo-liberals. While Manne and Buckingham share the same concern, they look towards very different solutions (respectively, state intervention and market-based personal choice) in order to enhance the welfare of children.[315] More broadly, while Saunders and Buckingham seem willing to acknowledge some of the philosophical and practical tensions that can emerge between liberalism and conservatism, both continue to emphasise the extent to which 'choice' can bridge the gap between the two. Saunders has warned against rolling back the successes of the capitalist system, while Buckingham approves of tax cuts in order to provide families with more options in deciding how to educate and care for their children.[316] As outlined earlier in this thesis, during the Howard years the CIS,

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http://www.cis.org.au/media-information/opinion-pieces/article/311-subsidies-increase-child-care-prices-not-mothers-participation-in-work, accessed 20 September 2010; Jennifer Buckingham, 'Cash could be better spent outside daycare', *The Australian,* 23 October 2007, http://www.cis.org.au/media-information/opinion-pieces/article/521-cash-could-be-better-spent-outside-daycare, accessed 20 September 2010.

[313] See Anne Manne, *Love & money: the family and the free market,* Quarterly Essay, No. 29, Black Inc, Melbourne, 2008.

[314] Saunders interview; Jennifer Buckingham, interviewed by Andrew Thackrah, 21 April 2009.

[315] Manne, *Love & money*, pp. 76-78; Buckingham, *Families, Freedom and Education.*

[316] See Saunders, 'Why Capitalism is Good', p. 7; Buckingham interview. For Buckingham's views on 'school choice' policies see Buckingham, *Families, Freedom and Education.*

in particular, remained a staunch critic of the Coalition Government's willingness to use direct payments to support families.[317]

While valuing conservative structures such as the traditional family, by-and-large neo-liberals remain convinced that, left by government to its own devices, civil society will sustain these institutions.

David McKnight and, more recently, Waleed Aly, have pointed out that there is much of value that progressives can draw from conservative philosophy – including a commitment to the natural environment and the nurturing of public space.[318] As both argue, however, such conservative values remain threatened by the tendency of contemporary capitalism to marketise areas of life (such as the care of children) that have traditionally been non-market domains.[319] The politics of culture in Australia remains strongly influenced by issues of political economy – such as where the appropriate limits of market activity should be drawn.[320] As long as neo-liberals, wedded to an anti-statist notion of 'negative' liberty, remain disengaged from the possibility that largely unrestrained corporate power can restrict human potential, the possibility of further convergence between 'progressives' and neo-liberals will remain limited.[321]

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[317] See Saunders, *The Government Giveth*, p. 26; Andrew Norton, 'The Rise of Big Government Conservatism', *Policy*, Vol. 22(4), Summer 2006-2007, p. 15.
[318] See McKnight, *Beyond Right and Left*; David McKnight, 'Invisible hand crushing social heart', *The Australian,* 5 January 2007, http://www.theaustralian.com.au/news/opinion/david-mcknight-invisible-hand-crushing-social-heart/story-e6frg6zo-1111112781528, accessed 20 September 2010; Aly, *What's Right?,* p. 35.
[319] McKnight, *Beyond Right and Left*, pp. 71-72.
[320] Mark Davis has argued that "it's from a critique of fundamentalist free-market economic orthodoxy that everything else flows. In the margins of such a critique is every debate about race, gender and class, including those concerning human rights, asylum seekers, the welfare of ordinary people, land rights and global warming in so far as all of these causes involve the advocacy of non-market forms of identity and collectivism, and have been attacked by conservatives accordingly": Davis, *The Land of Plenty*, pp. 317-318. Davis adopts a wide definition of 'conservatism' that, unlike this thesis, does not appear to distinguish between philosophical conservatism and advocacy of the free market.
[321] On neo-liberals' philosophical blindness to corporate power, see Curthoys, 'The Closed Circle', p. 62.

A number of scholars have suggested that the political and ideological alliance between social conservatism and economic liberalism exists in order to strategically 'wedge' progressive political forces.[322] The adoption of socially conservative ideas by Australian neo-liberals does have it strategic advantages. Traditional institutions such as the family and voluntary charitable associations can be presented as promoting a positive set of values that are undermined by government action and the apparent nihilism of the leftist new class. The notion that free markets can undermine social cohesion is avoided by a strategic focus on the role of government. Liberal and conservative (especially socially conservative) ideologies are not, however, alike. Nor is their confluence simply the product of a political conspiracy.[323] Rather, their exact relationship remains disputed by neo-liberals who possess (at times radically)[324] different understandings of the foundations of civil society.

Conclusion

This chapter has outlined the complexity associated with how neo-liberals view civil society. It began by outlining how neo-liberalism contains a positive vision

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[322] See Thomas Frank, *What's the Matter with Kansas?: How Conservatives Won the Heart of America*, Metropolitan Books, New York, 2004.

[323] As McKnight notes, "[t]o many progressives, this winning formula of radical conservatism is a trick, a fraud, a reliance on fear. But this begs the question: if it is some sort of trick, why haven't the progressives been able to expose the trick and project a more appealing vision? Why has progressive politics failed to mobilise popular support?": McKnight, *Beyond Right and Left,* p. 14.

[324] Indeed, Geoff Boucher and Matthew Sharpe argue that conservatism in contemporary Australia is 'postmodern' in the sense that "if you believe as many on the new Australian Right do that the Australian 'way of life' is falling apart, you simply cannot be 'conservative' in any orthodox way. The reason is that contemporary conservatives believe that the things they wish to 'conserve' are in a process of disintegration. The old centre no longer holds. Instead, you have to be 'activist', as Liberal Senate Leader Nick Minchin described Howard's government, early in its last year. Where the old centre was, you have to create a new centre. And that means you have to have a more or less cynical, but in any case, 'constructivist' political agenda": Geoff Boucher & Matthew Sharpe, *The Times Will Suit Them: Postmodern Conservatism in Australia,* Allen & Unwin, Crows Nest, 2008. p. xi. Neo-liberals resort to defending western values in a way that ultimately betrays a level of relativism which they negatively associate with those on the left: p. xi. This chapter, however, has demonstrated that neo-liberals have divergent opinions on what exactly their 'constructivist' political agenda should defend.

of civil society with voluntary associations and charitable groups generating social capital where government has failed to do so. It was also demonstrated how civil society has, at times, been seen as championing a common sense endorsement of the free market.

The chapter then turned to an examination of some of the doubts expressed by neo-liberals regarding civil society. While the process of market exchange is largely seen by those associated with neo-liberal think tanks as promoting trust, they are also aware of the potential for businesses to engage in rent seeking behaviour and, consequentially, to undermine the free market and its associated freedoms. It was argued that neo-liberals continue to doubt whether civil society will rebound and fulfil its full potential after a period of sustained government involvement in welfare provision. Examining the Howard years, they pondered whether a period of sustained economic prosperity had, paradoxically, undermined the fortunes of economic liberalism.

It was maintained that the IPA's campaign to regulate NGOs embodied a key tension within neo-liberalism. Existing as a cooperative domain away from government interference, the IPA realised that civil society needs to be closely regulated by the government as it has the potential to throw up significant challenges to the values of a free-market order. As Richard Robinson has argued

> Neo-liberals [have] recognized the political nature of a task that included dismantling entrenched systems of welfare and developmental capitalism characterized by powerful labour unions and welfare coalitions. Yet, in approaching this task, they were confronted with the dilemma… that neither society nor the state could be trusted.[325]

Finally, this chapter examined the approach of Australian neo-liberals to the cultural foundations of liberal society. It was suggested that, while at times free-market think tanks have fallen prey to the temptation to declare victory for capitalism over alternative systems of political economy, by-and-large they have shown an acute awareness of the fragile relationship between culture and economic and political freedom. This attitude has only been strengthened by the

[325] Richard Robinson, 'Neo-liberalism and the Market State', p. 4.

occurrence of the September 11 (and subsequent) terrorist attacks. Civil society, while seen as a source of hope by neo-liberals, could also contain the source of capitalism's downfall. Many neo-liberals have turned to the values of the 'Anglosphere' and embraced a degree of social conservatism in seeking to defend the foundations of freedom. They face the challenge, however, of determining what values are actually necessary to sustain capitalism, the extent to which these will be upheld by civil society in a minimal state setting, and how they may be nurtured in a manner consistent with liberalism.

Chapter Six: Playing the Long Game: Australian Neo-liberal Self-Identity and its Global Context

Introduction

This chapter concludes this thesis by summarising its key findings and exploring their implications for the self-identity of Australia's neo-liberal think tanks and their associated scholars. It begins by exploring the identity alluded to at a number of points in this thesis: that in several ways neo-liberals consider themselves outsiders in relation to the activities and concerns of business, government and civil society. It is argued that today's neo-liberals have been greatly influenced by the domestic and international crises of the 1970s. From this period they learnt the necessity for business groups and other players in civil society to be forthright in defending the philosophical foundations of a free-market system. They also gained an awareness of the extent to which ideological gains can be all too easily reversed. The social position of neo-liberals is also considered as an explanation for why many feel strongly that contemporary cultural trends may undermine market capitalism.

The chapter then proceeds to consider the views adopted by neo-liberals on the question of how successful they have been in advancing their ideological agenda in recent decades. It is suggested that neo-liberals often claim that they have transcended the traditional left-right political divide, believing that free-market capitalism has come to be widely accepted as both necessary and beneficial. It is noted that in Australia they credit both Labour and Liberal governments with advancing the cause of economic liberty. Yet there is also an explicit acknowledgement that, by their very nature, few victories for the 'liberal' cause are final. A sustained and unending effort is needed for neo-liberalism to remain dominant.

The formation and development of think tanks has constituted a vital part of the neo-liberal push for hegemony. This chapter examines what neo-liberals believe the role of think tanks is in promoting the free market. The reference by many neo-liberals to the need for constant ideological battle and intellectual advocacy

is examined. It is suggested that aspects of the neo-liberal movement actually highlight the extent to which neo-liberals fit within a traditional paradigm of intellectual activity – challenging those in established positions of power and, by their own measure, often being relegated to the margins of influence.

Attention is then turned to Australian neo-liberal identity in its particular national context. Neo-liberals' views on the historical relationship between the state and the market are considered. It is noted that, while pointing to the history of mutual societies and charities in Australia, neo-liberals have also expressed a number of reservations about the extent to which the nation's history offers hope to advocates of the free market. A tension remains in neo-liberal thought between an embrace of the internationalist prospect of market-driven 'progress' and the acknowledgement that reform is beholden to national circumstances.

Remaining focused on the Australian national context, the chapter then draws together the observations in this thesis regarding neo-liberalism during the Howard years. It is asked: according to neo-liberals, how much progress was made toward a free market and a free society during this period? How does this compare to that made under the previous Hawke/Keating Labor Governments? What legacy did the Howard Government leave? Neo-liberals have offered genuinely mixed answers to these questions, acknowledging, at times, the extent to which the Howard era brought to the fore some of the key ideological tensions raised in this study.

According to the late American economist and libertarian Murray Rothbard, libertarians "quintessentially and metaphysically… should remain of good cheer" as "the eventual victory of liberty is inevitable, because only liberty is functional for modern man."[1] Rothbard argues that

> There is no need, therefore, for libertarians to thirst maniacally for Instant Action and Instant Victory, and then to fall into bleak despair

[1] Murray N. Rothbard, 'Social Darwinism Reconsidered', *Libertarian Forum*, January 1971, p. 3, quoted in Brian Doherty, *Radicals for capitalism: a Freewheeling History of the Modern American Libertarian Movement,* Public Affairs, New York, 2007, pp. 618-619.

> when that Instant Victory is not forthcoming. Reality, and therefore history, *is* [Rothbard's emphasis] on our side.[2]

This chapter explores neo-liberals' complex relationship with modernity. On the one hand, sharing Rothbard's sentiments, they have often emphasised that free-market advocates find themselves on the right side of history. Complex modern societies require free markets to function successfully. These markets have a tendency to develop despite the best efforts of governments to stifle progress. Yet, on the other hand, neo-liberals are aware that free markets and free societies are dependent upon (often pre-modern) norms and values that are capable of being undermined by others who take advantage of modern freedoms. Conscious efforts to reshape the world have, at times, been seen by neo-liberals as one of the worst products of modernity. Yet in order to defend freedom they are left in the awkward position of having to embrace an ideological, broad and deliberate political program to transform society.

Across the subject matter covered in this chapter (neo-liberal views on progress, the role of think tanks, the free market in Australia, the Howard years, and modernity itself) three schools of meta-historical thought are apparent. In short, when considering how neo-liberals view themselves historically, there are (in no particular order) those who believe that history is moving inexorably towards the inevitable triumph of 'freedom' (or the free market). Secondly, there are those who believe that 'freedom' will need to be defended in a never-ending war in which new enemies continually emerge and the ultimate outcome is uncertain. Within this school of thought are those who are convinced that 'freedom's' present cycle of victory will inevitably be reversed due to the cyclical nature of history. Also situated in the 'eternal conflict' meta-narrative are those who see history as ironic – with freedom undermined by its own advances. Thirdly, there are those who fear that the historical rise of liberalism is anomalous - a fortunate but probably doomed departure from the norm of communalism.

The complexities and basis of these schools of meta-historical thought are elucidated in this chapter, yet they are not clear-cut. Individual neo-liberals and

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[2] Quoted in Doherty, *Radicals for capitalism,* p. 619.

the think tanks they occupy often swing between these different and at times contradictory positions. Faced with the complexities of modern democratic society, neo-liberal identity continues to be shaped by extremes of optimism and despair.

Neo-liberals as outsiders

It may seem strange to argue that neo-liberals view themselves, in part, as political and cultural outsiders. Given that recent decades have witnessed the implementation of a significant number of neo-liberal policies (such as the privatisation of state-owned industries and the deregulation of financial markets) both in Australia and abroad, free-market advocates have much to celebrate. Those studying think tanks and the wider free-market movement have thus largely either dismissed or ignored the sense of marginalisation that animates a significant part of neo-liberal identity.

In 2005, Ian Marsh, Research Director at the Committee for the Economic Development of Australia, argued that "the policy agenda that has been pursued [in Australia] since 1983 conforms precisely to [the] neo-liberal interpretation of history".[3] Later, in 2008, Marcus Smith and Peter Marden of the Royal Melbourne Institute of Technology noted that,

> although cause and effect in politics are difficult to measure, there is an overwhelming degree of optimism among those associated with conservative think tanks concerning quite fundamental change in Australian society.[4]

Marsh, Smith and Marden all point to an undeniable reality – free-market ideas have triumphed to a remarkable degree, leading to some celebration among neo-liberals. Further, as outlined below, ideological 'think tankers' do confront the

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[3] Ian Marsh, 'Neo-liberalism and the Decline of Democratic Governance in Australia: A Problem of Institutional Design?', *Political Studies,* Vol. 53(1), 2005, p. 35.

[4] Marcus Smith & Peter Marden, 'Conservative Think Tanks and Public Politics', *Australian Journal of Political Science,* Vol. 43(4), December 2008, p. 699.

reality that the practice of politics inevitably falls short of the ideal. However, as reiterated throughout this thesis, there is value in seriously examining the frustration and disappointment of neo-liberals in order to understand the tensions inherent within their ideology. These emotions have arisen as groups such as the CIS and IPA have thought through the role of the market, state and civil society (all matters explored in preceeding chapters). Such frustration and disappointment have shaped contemporary neo-liberal identity.

The sense that they are political and cultural outsiders is genuinely felt by a number of neo-liberals. This aspect of neo-liberal identity is partly heightened by its adherents' critique of sections of business. As highlighted in the third chapter of this thesis, a number of those associated with neo-liberal thinks in Australia have criticised the willingness of individual businesses to engage in anti-free market, protectionist practices. Underlying this criticism has been a deeper fear possessed by some neo-liberals that the very success of capitalism in generating prosperity may in turn undermine the ability of the free market to continue functioning and that, therefore, the battle for 'freedom' will be unending. This fear, the expression of which draws upon 'new class' and public choice theory, has a specific historical grounding both in Australia and overseas.

As David McKnight has noted, contemporary neo-liberalism is broadly a product of two historical trends: "the libertarian cultural revolution of the 1970s" and the process of expanded marketisation that flourished under Thatcher and Reagan.[5] With the social liberalisation and political radicalism of the 1970s, concern developed that the material affluence generated by the free market enabled a culture of anti-capitalist critique. In the United States neoconservatives theorised that a prosperous 'new class' operating within the state protected its own material interests, creating bureaucracy and government intervention in the economy, yet adopting a socially permissive attitude that threatened the fabric of

[5] See David McKnight, *Beyond Right and Left: New Politics and the Culture Wars*, Allen & Unwin, Crows Nest, 2005, pp. 19, 24. As outlined further below, the role of social libertarianism within Australian neo-liberalism is heavily contested.

society.[6] Those who had apparently benefited from liberalisation were seen as dangerously complacent about its future. A call to arms was needed. In the United States Michael Horowitz wrote an influential report for the Scaife Foundation in the late 1970s that noted with concern the influence of 'liberals' upon America's legal system.[7] The Horowitz report, passed around the conservative think tanks, criticised the cautious nature of business leaders and advocated new campaigning techniques (such as direct mail-outs) to confront the liberal threat.[8]

Globally, the notion of a new class emerged from the critique of communism by European dissidents, most prominently Milovan Djilas in *The New Class: An Analysis of the Communist System.*[9] New class theories in Australia also, broadly, emerged on the left as a part of a critique of the Australian Labor Party by those sympathetic to its aims in the early twentieth century.[10] New class ideas were later deployed by members of the libertarian Sydney Push who, as historian

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[6] See David M. Ricci, *The Transformation of American Politics: the New Washington and the Rise of Think Tanks,* Yale University Press, New Haven & London, 1993, p. 159. Daniel Bell famously explored the connection between culture developments and free-market capitalism in *The Cultural Contradictions of Capitalism,* New York, Basic Books, 20th anniversary edition, 1996. Steven Teles provides a valuable overview of way in which socially liberal trends in the United States influenced the emergence of a free-market-focused 'conservative legal movement'. Teles, in particular, makes note of the critical views of some movement activists regarding the willingness of business to support a free-market movement. See Steven M. Teles, *The Rise of the Conservative Legal Movement,* Princeton University Press, Princeton & Oxford, 2008.

[7] Michael Horowitz, 'The Public Interest Law Movement: An Analysis with Special Reference to the Role and Practices of Conservative Public Interest Law Firms', unpublished manuscript prepared for the Scaife Foundation, 1980, cited in Steven M. Teles, *The Rise of the Conservative Legal Movement*, Priceton University Press, Princeton & Oxford, 2008, p. 67.

[8] Teles, *The Rise of the Conservative Legal Movement,* p. 69.

[9] Milovan Djilas, *The New Class: An Analysis of the Communist System,* Thames and Hudson, London, 1957. See Tim Dymond, 'A History of the 'New Class' Concept in Australian Public Discourse', in Marian Sawer & Barry Hindess (eds.), *Us and Them: Anti-Elitism in Australia*, API Network, Perth, 2004, pp. 63-64.

[10] See Tim Dymond, 'A History of the "New Class"', p. 58. Anne Coombs notes that in its rejection of Marxist political radicalism "essentially, the Push was a leftist movement that did not believe in the goals of the Left": Anne Coombs, *Sex and anarchy: the life and death of the Sydney Push*, Viking, Ringwood, Victoria, 1996, p. 54.

Tim Dymond has noted, "acquired an anti-political outlook" under the influence of Sydney University philosopher John Anderson.[11] In the early 1980s academic John Carroll, a conservative critic of 'economic rationalism', also spoke of "the treason of the upper middle class"[12] and Peter Coleman, as an editor of *Quadrant,* drawing on Anderson's *The Servile State,* "promoted the idea of a 'new class' takeover of Australia in the 1970s and 1980s".[13]

The radical social agenda that some libertarian advocates of the free market adopted serves as a reminder of neo-liberalism's roots in the 1970s' liberalising cultural revolution and points to the origins of neo-liberal claims (discussed later in this chapter) to transcend traditional left-right political divisions.[14] The libertarian Workers' Party that emerged in Sydney in the mid-1970s, for example, sought to appeal to a broad group of individuals – both "pot smokers" and "businessmen" as one activist put it - united (perhaps only) by a desire to reduce the influence of government.[15] The first key libertarian book in Australia, *Rip van Australia,* by businessman John Singleton and Workers' Party figure Bob Howard, quoted John Lennon in maintaining that "everything government touches turns to shit".[16]

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[11] Dymond, 'A History of the "New Class"', p. 61.

[12] John Carroll, 'Paranoid and Remissive: The Treason of the Upper Middle Class', in Robert Manne (ed.), *The New Conservatism in Australia*, Oxford University Press, Melbourne, 1982, p. 9.

[13] Dymond, 'A History of the "New Class"', p. 61. Anderson's work should not be confused with the work of the same title by Hilaire Belloc.

[14] Generally, Dymond notes "modern Australian conservatism's origins within libertarianism – particularly that of the 'Sydney Push'". Dymond, 'A History of the "New Class"', p. 61.

[15] See Mark Trier, 'The W.P. is a Political Party', *freeEnterprise,* Vol. 2(7), March 1976, pp. 3,7. For a taste of the libertarianism of the Workers' Party see also Anonymous, 'Taxpayers Benefit from Liberalized Marijuana Laws', *freeEnterprise,* Vol. 2(6), December 1975 – February 1976, p. 5; Marilyn Fairskye, 'Crimes Without Victims', *freeEnterprise,* Vol. 2(9), June 1976, p. 1.

[16] Quoted in Marian Sawer, 'Political Manifestations of Libertarianism in Australia', in Marian Sawer (ed.), *Australia and the New Right,* Allen & Unwin, Sydney, 1982, p. 16. See John Singleton with Bob Howard, *Rip van Australia,* Cassell Australia, Stanmore, N.S.W., 1977, p. 3. It was actually Ringo Starr who maintained that "everything government touches turns to crap".

Crucially, what neo-liberals such as Greg Lindsay took from the cultural revolution of the 1970s was the understanding that the threat posed by the emergence of a new class called for a greater effort by business to defend the free enterprise system. An increasing emphasis on social liberty demanded a complementary movement based around economic freedom, yet, to the frustration of neo-liberals, not all business leaders faced up to this imperative.

The archives of the Institute of Public Affairs and the Australian Lecture Foundation (ALF) (established in the early 1980s to arrange for lectures to be delivered in Australia by prominent international advocates of the free market)[17] reveal some historical tension with business over the issue of funding and support. Both groups received generous donations from major Australian companies such as BHP and CSR. In 1971, the annual subscription rate paid by resources company Conzinc Riotinto to the IPA in Victoria was $1,500.[18] Later, a group supported by the NSW branch of the IPA, known as Enterprise Australia, received up to $50,000 from three companies (CSR, the Bank of New South Wales and Amatil) and a further $30,000 from MIM and Boral in 1978.[19] In 1982, BHP donated $5,000 to the ALF.[20]

Australia's neo-liberal think tanks have, however, emphasised how much they have attempted to do with so little.[21] Naturally, it is unsurprising that these groups have claimed to possess limited resources. To boast of significant wealth

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[17] See File 11, Box 217, Heinz Wolfgang Arndt (1933-2002) Manuscript Material, National Library of Australia, MS 6641. In 1982 the Chairman of the ALF was Hugh Morgan with Ray Evans fulfilling the role of Secretary.

[18] Letter from J.J. Craig (Manager, Administrative Services, Conzinc Riotinto of Australia Ltd) to Director of IPA Melbourne, dated 23rd April 1971, Item Number 46 – Director's Correspondence from 1971, Records of the Institute of Public Affairs (Australia), Noel Butlin Archives, Australian National University, Deposit Number N136.

[19] Document entitled 'FOUNDING FATHER CONTRIBUTIONS', dated 16th November 1978, signed by Alec Simpson, Executive Director, File titled 'Enterprise Australia (Australian Free Enterprise Association Limited) Material Re. Funding Liaison Meetings', Box 3, Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084.

[20] Document entitled 'Australian Lecture Foundation: Receipts and Payments to 13th July, 1982', File 11, Box 217, Heinz Wolfgang Arndt (1933-2002) Manuscript Material, National Library of Australia, MS 6641.

[21] See, for example, Lindsay interview.

is not conducive to garnering further support. Yet archival (and internal) documents outlining their dealings with supporters indicate that their frustration directed at business has often been genuine. For example, after receiving a donation in March 1981 from Mr. E.A. Wright, the Chairman of Hancock and Wright of Western Australia, Alec Simpson of the IPA(NSW) replied thanking the company for what he described as a "small contribution" and complained that

> I am disappointed that you are not able to at least index your contribution annually, because as the Director, I am faced with keeping the show on the road with an income that is decreasing in real terms year by year.[22]

In an earlier letter thanking a donor, Simpson appeared to succumb to futility in the face of the significant threats facing economic freedom:

> May I say (and I speak personally here) that I believe there are insufficient spokesmen – and bodies – for the free enterprise ethic that I am sure your company supports; we are drifting towards a socialist society and therefore it should be a matter for congratulation that there are at least these bodies trying to provide a counter-balance to this drift.[23]

In a draft fundraising letter circulated in June 1980, the IPA (NSW) asked for corporate support of between $500 and $1000, noting that this was "a small price to pay to help preserve the system we support, but to which most of us only pay a token regard".[24] Clearly the IPA's director was of the view that greater financial support was needed for the free-market movement. For Simpson, the triumph of freedom appeared to be far from inevitable.

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[22] Letter dated 4th March 1981 from Alec Simpson (Executive Director of the IPA(NSW)) to Mr. E.A. Wright, Chairman, Hancock & Wright, Claremont, File labelled 'Fund-Raising 1981', Box 1, Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084.

[23] Letter from Alec Simpson (Executive Director of the IPA (NSW) to A.E. Donlan, dated 20 May 1980, File labelled 'Fund-Raising – 1980 – Confidential', Box 1, Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084.

[24] 'Institute of Public Affairs (NSW) Memorandum – to the President from the Executive Director, Subject: Fund-raising, Date: 5th June 1980', Box 1, Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084.

As noted earlier, those currently associated with Australian neo-liberal think tanks commonly emphasise the difficulty of maintaining corporate funding and the extent to which those in business are not necessarily loyal supporters of the free market. Lindsay claims that donations from individuals constitute the most significant component of their funding.[25] Roskam has suggested that the funding of the IPA bears a counter-cyclical relationship to the political success of economic liberalism – donations increase in times of perceived increased government intervention in the economy only to decline when more pro-market centre-right governments come into power. He notes, for example, that a degree of complacency existed during the Howard years while, by contrast, the election of the Rudd Government (generating the possibility of government intervention) led to increased interest in funding groups such as the IPA.[26] Hyde has also commented that both the influence and ability of free-market think tanks to raise money in Australia has increased since Howard's departure given that "the tide has turned against us".[27]

The sense of many neo-liberals that the work of free-market think tanks is truly valued perhaps only in a period of political or economic crisis has its own historical grounding. Neo-liberal activism draws upon an aesthetic of crisis. Chapter one highlighted that this is a common theme in the literature on neo-liberalism during the Thatcher and Reagan years. Contemporary neo-liberals were, in particular, greatly influenced by the political and economic turmoil that afflicted Western countries in the 1970s. In 1976, Britain faced the ultimate humiliation as the Labour Government of James Callaghan was forced to turn to the International Monetary Fund for a multi-billion pound loan to keep the country afloat.[28] As British historian James Thomas has outlined, in popular memory 1970s Britain has become associated with "strikes, over-powerful trade

[25] Lindsay interview.
[26] John Roskam, interviewed by Andrew Thackrah, 20th February 2009.
[27] John Hyde, interviewed by Andrew Thackrah, 9 February 2009.
[28] See Joel Krieger, *Reagan, Thatcher and the Politics of Decline,* Polity Press, Cambridge, 1986, p. 58.

unions, crippling taxation rates, inept political leadership and a wider crisis of an over-extended social democratic state".[29]

Thomas argues that a myth of crisis has been developed by those on the political right in Britain, marking out the 1970s as a darker era than was actually experienced by the British people.[30] His argument is, however, consistent with the reality that the challenges of this decade convinced neo-liberals that there could be no turning back from an embrace of the free market. Thatcher, for example, spoke of the errors of former Conservative Prime Minister Ted Heath in reversing the course of his economic reform program and claimed to represent a clean break from the crises of the decade.[31] In the United States, Ronald Reagan famously came to power in 1980, following a period of economic decline, declaring that, "in this present crisis, government is not the solution to our problem".[32] Reflecting on how he became a convert to the free market, John Blundell, the recently retired director of the Institute of Economic Affairs in London, recalls having to conduct his homework by candlelight when he was growing up as the unions had shut down the power stations.[33] For neo-liberals, the crises of the 1970s that saw free-market advocates come to the rescue were both a culmination and repudiation of the post-war economic consensus.

This narrative of crisis forms part of neo-liberal identity in Australia. In particular, the period of economic turmoil associated with the Whitlam Government (1972-1975) saw a rallying of neo-liberal forces in Australia. The IPA(NSW) attempted to increase financial support from business by suggesting that the entire political foundation of free-enterprise was at risk of collapse.[34]

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[29] James Thomas, ' "Bound in by History": The Winter of Discontent in British politics, 1979-2004', *Media, Culture & Society,* Vol. 29(2), 2007, p. 264.
[30] Thomas, 'Bound in by History', p. 265.
[31] Peter Clarke, 'The Rise and Fall of Thatcherism', *Historical Research,* Vol. 72(179), 1999, p. 307.
[32] Ronald Reagan, First Inaugural Address, Tuesday 20 January 1981, http://www.bartleby.com/124/pres61.html, accessed 11 October 2010.
[33] Interview with John Blundell, Director General, Institute of Economic Affairs, London, 16th September 2010.
[34] See, for example, Letter from P.F. Irvine (President of IPA(NSW) to Sir Gregory Katter (VP or IPA(NSW)), dated 26th March 1974, File labelled 'Old-Fundraising', Box 1, Institute of Public Affairs (NSW) Manuscript Material; and

John Valder, later a socially liberal[35] critic of the Howard Government, was in the 1970s Chair of the Sydney Stock Exchange and President of the IPA(NSW). Valder became particularly outspoken in expressing the now-familiar view that Labor could not be trusted to run the economy.[36] In a speech delivered in his capacity as President of the Stock Exchange in February 1974, Valder argued that

> The virtue of this Government's attitude to organizations such as ourselves is that it is serving to shake us out of our complacency and make us realise that we have to go out into the community and justify our existence by explaining to people just what we do and why we do it.
>
> In my view, this can only be to the advantage of people such as ourselves in the Stock Exchanges and in free enterprise generally.[37]

He again emphasised the need for business to publicly defend its activities in the aftermath of Whitlam's dismissal in November 1975.[38] The President of the IPA(NSW), Sir David Griffin, also declared in a confidential report to his executive committee in March 1975 that "an immediate target is of course the

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file labelled 'Enterprise Australia III', Box 1, Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084.

[35] Socially liberal advocates of the free market should not be confused with advocates of 'social liberalism', as the latter term is usually associated with notions of positive freedom or 'social democracy' that neo-liberals reject. Rather, socially liberal advocates of the free market (who tend to regard themselves as being situated within the 'classical liberal' tradition) focus upon extending notions of negative freedom beyond the realm of economics and into social areas such as sexual relations or drug use.

[36] See 'The Sydney Stock Exchange Limited – Speech by the Chairman – Mr J.H. Valder "Stock Exchange and Government Policy" to: The Executives Association of Australia, Held at the Wentworth Hotel, Sydney, on, [sic] Monday November 26, 1973', Scrapbook Vol. 1 labelled "The Sydney stock exchange Limited, 1973-76', John Valder Manuscript Material, National Library of Australia, MS 9440.

[37] 'The Stock Exchange and Local Ownership', Speech Given by the Chairman of the Sydney Stock Exchange Limited to: The Association for the Retention of Australian Ownership, February 21, 1974', Scrapbook Vol. 1 labelled "The Sydney stock exchange Limited, 1973-76', John Valder Manuscript Material, National Library of Australia, MS 9440.

[38] 'A Time of Opportunity', Luncheon Address Given by the Chairman of the Sydney Stock Exchange Limited, Mr J.H. Valder, to the New South Wales Branch of the Institute of Chartered Accountants in Australia, at the Sydney Hilton Hotel on Tuesday, May 4, 1976, Scrapbook Vol. 2, Folder 7, John Valder Manuscript Material, National Library of Australia, MS 9440.

removal of the present Labor Government in Canberra".[39] Greg Lindsay has also noted that he became politically engaged partly as a result of the economic turmoil of the Whitlam years.[40]

Political scientist Dennis Woodward has suggested that "the desire to be seen as a capable 'economic manager' and to distance itself from the economically discredited Whitlam government" later played a role in the Hawke Government adopting a path of neo-liberal reform.[41] The limitations of the Fraser government also influenced Australian supporters of the free market. Just as Thatcher was keen to make up for Heath's policy 'U-turn' away from free-market economics, Howard acknowledges that Fraser's perceived failure to capitalise on his control of the Senate and reform the taxation system, in particular, had some influence upon him.[42] The slow pace of economic reform under Fraser was a source of frustration for the group of Dries within the parliamentary Liberal Party.[43] The 'political errors' of the past have motivated Australian's neo-liberals by highlighting just how far political reality diverged from their ideal.

A sense of marginality remains an aspect of contemporary neo-liberal identity. In part this mood is a reaction to the reality that, despite many victories for the neo-liberal cause, government has not significantly decreased in size and further progress is contingent upon the support of civil society. When interviewed for this thesis Peter Saunders reflected on why, in his opinion, Howard ended up leading a big spending, high taxing government. According to Saunders part of

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[39] 'Institute of Public Affairs (N.S.W.) President's Report to the Executive Committee', dated 3/3/1975, file entitled 'Enterprise Australia VI', Box 3, Institute of Public Affairs (NSW) Manuscript Material, National Library of Australia, ACC 06/084.
[40] Lindsay interview.
[41] Dennis Woodward, *Australia Unsettled: The Legacy of 'Neo-liberalism',* Pearson Education Australia, Sydney, 2005, p. 40.
[42] John Howard, interviewed by Andrew Thackrah, 17 April 2009.
[43] Hyde notes that "the parliamentary Dries did not begin to coalesce until 1978, but during 1976, 1977 and 1978 Fraser had had much the same effect upon them that Heath's U-turn had had upon their equivalents in the UK parliament": John Hyde, *Dry: In Defence of Economic Freedom*, Institute of Public Affairs, Melbourne, 2002, p. 104. See also Ardel Shamsullah, 'Fraserism in Theory and Practice', in Brian Costar (ed.), *For Better or For Worse: The Federal Coalition,* Melbourne University Press, Carlton, 1994.

the explanation is that Howard was in power during a period of sustained economic growth that, as outlined earlier in this thesis, presents political challenges for neo-liberals.[44] Saunders also noted, however, that bureaucratic momentum – what Friedman called the "tyranny of the status quo" — can prevent reductions in government spending and that Howard engaged in some "brazen" vote buying.[45] Saunders paints what is a gloomy picture from a free-market perspective:

> what is so depressing, if you have the kind of views I have, and you work in an organisation like CIS, is that you just realise that all the time… you are the little boy with the finger in the dyke. You know, actually the force of history is so strongly against you, and you keep thinking, well how far is this going to go before it does stop? It will never reverse… Keynes reckoned it was dangerous to go beyond [government spending of] 25% of GDP. We are way beyond that.[46]

Elsewhere he has noted that culture and ways of life do not change quickly.[47] Saunders gives voice to the frustration felt by other neo-liberals, such as Andrew Norton, Robert Carling and Des Moore, that faced with cynical politicians and a lack of public engagement with the free market, efforts to reduce government spending often prove futile.[48] Such views offer a stark contrast to Rothbard's optimism regarding the eventual triumph of neo-liberalism. There is a real sense among some neo-liberals that they will inevitably be engaged in continual ideological conflict of an uncertain duration and result. In the case of Saunders, there is even recognition (relatively rare in the wider neo-liberal movement) that past free-market successes may have constituted a historical aberration. Confronting the complexities of the state, market and civil society and the

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[44] Peter Saunders, interviewed by Andrew Thackrah, 1 September 2009; Andrew Norton, 'The Rise of Big Government Conservatism', *Policy,* Vol. 22(4), Summer 2006-2007, p. 18.
[45] Saunders interview.
[46] Saunders interview.
[47] Peter Saunders, 'Does Kevin Rudd Need to Save Families From Capitalism?', *Policy,* Vol. 23(1), Autumn 2007, p. 7.
[48] See Andrew Norton, 'The Rise of Big Government Conservatism', *Policy,* Vol. 22(4), Summer 2006-2007; Robert Carling, 'The Tax Take is Up', *Policy,* Vol. 23(2), Winter 2007, pp. 13-14; Des Moore, 'When Will the Leviathan Fade Away?', *Policy,* Vol. 22(3), Spring 2006, pp. 10-16.

successes and failures of their own movement, many neo-liberals regard themselves as outsiders.

Neo-liberal attitudes towards free-market progress

Given that some neo-liberals regard themselves as outsiders engaged in an endless ideological battle, it is useful to examine how they explain the political victories that they have won in recent decades. For many neo-liberals, the advances of the free-market need to be understood in the context of broad historical fluctuations. Milton Friedman remarked in 1989 that

> Once a tide in opinion or in affairs is strongly set, it tends to overwhelm counter-currents and to keep going for a long time in the same direction. The tides are capable of ignoring geography, political labels, and other hindrances to their continuance.[49]

Friedman has argued that "in almost every tide a crisis can be identified as the catalyst for a major change in the direction of policy".[50] According to Friedman "the worldwide wave of inflation during the 1970s"[51] led "in public opinion, toward renewed reliance on markets and more limited government".[52] Similarly, free-market economist David Henderson has suggested that the decision of the OECD group of countries "to take steps to free their oil markets" in 1978 could be viewed as the point at which the broad shift back towards economic liberalisation began.[53] Henderson, like Freidman, emphasises "the combined impact of events and ideas on the prevailing climate of opinion".[54]

Friedman's tide metaphor, however, again stands in stark contrast to Rothbard's triumphalism. For Friedman, the advance of free markets appears to be gradual

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[49] Milton Friedman, 'The Tide in the Affairs of Men', *Foundation for Economic Education,* 24 December 2008, http://fee.org/articles/the-tide-in-the-affairs-of-men-2/, accessed 18 October 2010.
[50] Friedman, 'The Tide in the Affairs of Men'.
[51] Friedman, 'The Tide in the Affairs of Men'.
[52] Friedman, 'The Tide in the Affairs of Men'.
[53] David Henderson, *The changing fortunes of economic liberalism: yesterday, today and tomorrow,* Institute of Public Affairs & New Zealand Business Roundtable, Melbourne & Wellington, 1999, p. 15.
[54] Henderson, *The changing fortunes of economic liberalism*, p. 66.

and conditional. He notes that "nothing is inevitable about the course of history – however it may appear in retrospect".[55] While social and cultural factors appear to temper Saunders' view of neo-liberal 'success', for Friedman it was the broad sweep of political and economic movements that demonstrated that 'progress' could be made but also reversed.

Some Australian neo-liberals have been inclined to paint a similar broad-brush picture when explaining the public policy turn towards the free market in Australia. As described above, the historical identity of the free-market movement in Australia is closely bound to the failure of the Whitlam Government. It is thus unsurprising that its members have also emphasised the extent to which the political and economic crisis of the 1970s led to the discrediting of the post-war welfare state. John Hyde has written that

> During the 1970s…when tried in several countries simultaneously, Keynesian stimuli (budget deficits and loose monetary policy) failed spectacularly. Inflation soared as economic growth and employment tumbled – stagflation. Hayek's prediction, made in the 1930s, was correct, after all!
>
> When stagflation discredited Keynesian policy, the long-standing ideas of opponents of his theories, such as those of Hayek and Friedman… gained influence.[56]

Similarly, Andrew Norton has argued that the discrediting of Keynesianism in the 1970s helped boost the fortunes of classical liberal ideas: "before then the long postwar boom obscured the problems that were building up and so people did not think the circumstances warranted major changes".[57] While not suggesting that economic liberalism has become invincible, Norton appeared unsurprised by its ascendancy: "current attacks on free market ideas are frequent and ferocious, but they are likely to slow reform rather than change its direction, because the critics lack a set of coherent alternatives".[58]

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[55] Friedman, 'The Tide in the Affairs of Men'.
[56] Hyde, *Dry,* p. 88.
[57] Andrew Norton, 'Autumn '97', *Policy*, Vol. 13(1), Autumn 1997, p. 2.
[58] Norton, 'Autumn '97', p. 2.

The collapse of communist regimes in Eastern Europe in the late 1980s and early 1990s also strengthened neo-liberals' sense that, while the future of free-market liberalism was not assured, viable ideological alternatives had finally been discredited. As economist and former President of the Mont Pelerin Society, Herbert Giersch, argued in the 1996 CIS publication *Markets, Morals and Community*:

> The global competition of [economic] locations has finished off socialism as a constructivist attempt to force tribal morality onto modern macro society. The universal principle of non-discrimination which is valid at the individual and the cosmopolitan levels has stood the test.[59]

The assertion by neo-liberals that there is no alternative to neo-liberalism, as with Thatcher's famous campaign slogan, is largely rhetorical. If there truly is no alternative to neo-liberalism, it follows that it will become hegemonic. However, as discussed further below, neo-liberals do countenance the prospect that free markets will not triumph and that 'progress' is dependent upon numerous political, economic and social factors. Neo-liberals effectively argue that there is no palatable alternative to their worldview – a position that could be advanced by many passionate advocates for a political or ideological cause. Yet to claim that there is 'no alternative' to a free-market/minimal state future is to suggest that while ascendancy may not be assured, the phenonmenon of neo-liberalism is not a historical aberration. For neo-liberals, the mistakes of the past highlight the need for a free-market future.

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[59] Herbert Giersch, 'Economic Morality as a Competitive Asset', in Alan Hamlin, Herbert Giersch and Andrew Norton (eds.), *Markets, Morals and Community,* Occasional Paper No. 59, Centre for Independent Studies, Sydney, 1996, p. 40. Similarly US-based Professor of Government James Q. Wilson argued in a 1997 paper for the CIS: "[c]apitalism has won the economic battle around the world… We know it won the economic battle because a natural experiment was performed after the Second World War. A number of countries were selected – Vietnam, Korea, Germany and China – and cut into two pieces, with capitalism installed in one part and 'socialism' in the other. Capitalism won a resounding triumph. Except for a handful of professors, everyone now recognises that capitalism produces greater material abundance for more people than any other economic system ever invented": James Q. Wilson, *The Morality of Capitalism,* Occasional Paper No. 62, Centre for Independent Studies, Sydney, 1997, p. 1.

In the minds of many neo-liberals not only have the collapse of communism and other historical events discredited state efforts to regulate or otherwise control capitalism but also, as described in the third chapter of this thesis, they assert that the free market has proven more successful in promoting the prosperity of society as a whole than state welfare systems advocated by social democrats. Some have audaciously outlined a 'third way' position,[60] suggesting that, paradoxically, neo-liberal policies, by generating prosperity, have actually enabled the continued provision of public services that otherwise would have been under economic threat. Australian economist Ian Harper, for example, told the 1996 conference of the Galatians Group that

> Economic rationalism prescribes policies whose aim is to increase material living standards – to expand the economic pie, so to speak. It surely goes without saying that a larger economic pie contributes at least potentially to greater distributive justice. After all, a community which has more material wealth can afford to finance a more generous range of public welfare service – a better public hospital system, more generous old age and disability pensions and a better resourced public education system.[61]

According to Michael Warby of the IPA, the free market saved western democracies from fiscal crisis:

> As fiscal pressure mounted seeing increased revenues from increased economic efficiency became more urgent. Political tolerance for

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[60] Australian political scientist Steven Slaughter notes that the "overarching aspiration" of 'Third Way' political ideology "is to hold society together by sustaining global capitalism and employing a cohesive nation-state to attract the prosperity that the global economy has to offer". See Steven Slaughter, *Liberty Beyond Neo-liberalism: A Republican Critique of Liberal Governance in a Globalising Age*, Palgrave Macmillan, Houdmills, Basingstoke, New York, 2005, p. 138.

[61] Ian Harper, 'Economic Rationalism and Social Justice: a contradiction in terms?', in *The Utopian Quest for Social Justice: Proceedings of The Galatians Group Conference: August 1996,* The Galatians Group, Armadale (Vic), 1996, p. 10. Harper has contributed to both CIS and IPA publications. See, for example, Samuel Gregg & Ian Harper, *Economics and Ethics: The Dispute and the Dialogue,* Occasional Paper No. 71, Centre for Independent Studies, Sydney, 1999. Ian Harper, 'How Australia Can Avoid Running Out of Money', *IPA Review,* Vol. 43(4), Winter 1990, pp. 10-12.

> mendicant industries waned. The role of industry increasingly became to generate the tax and other revenues to sustain the growing welfare state.[62]

The *IPA Review* endorsed this line of argument in June 1999 when it suggested that "governments have been driven to market reforms to cope with the ever-rising fiscal burden of the welfare state".[63] On the whole neo-liberals remain focused on shifting public provision into private hands to the greatest practical extent. However, arguments about the extent to which the public sector has thrived on private effort serve as an important rhetorical device. In a very practical sense the advocates of neo-liberalism imply that their ideology transcends traditional left-right political divides: free markets have simply been more successful in meeting the welfare goals of their traditional political opponents.

The suggestion that neo-liberals believe that they have moved beyond the standard spectrum of political opinion finds further support in the fact that a number of their leading lights began their life on the political left before embracing a free-market agenda. Peter Saunders, for example, was once a member of the British Labour Party.[64] He recalls that

> I was very active in the Labour Party in my twenties and I have always maintained that the goals are the same it is just a recognition of how you achieve the goals that changes…. my starting point has always been… I have huge sympathy for down-trodden people who try to improve

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[62] Michael Warby, 'Fit For the West: The Western Australian Approach to Labour Market Regulation', *IPA Backgrounder*, Vol. 12(4), November 2000, p. 14.

[63] Institute of Public Affairs, 'Strange Times', *IPA Review*, Vol. 51(2), June 1999, p. 23. See also, Michael Jones, *Reforming New Zealand Welfare: International Perspectives,* Policy Monograph No. 37, Centre for Independent Studies, Sydney, 1997. Jones argued that "stagnant or declining economies eventually face pressures to reduce welfare benefits or face a fiscal crisis. Only expanding economies can create the new wealth that is the basis for higher living standards for all, including those on government benefits, and quality public services, especially for education and health" (p. 1). See also Arvind Panagariva, 'Think Again: International Trade', *IPA Review,* Vol. 55(4), December 2003, p. 15.

[64] Saunders interview.

> themselves… that's why I got into the Labour Party and that is why I got out of the Labour Party.[65]

Saunders was impressed by Margaret Thatcher's move to encourage tenants to buy publicly owned housing.[66] Marketisation was seen as beneficial in that, in a radical manner, it allowed people greater control over their lives. The transition from a passionate belief in socialism in his twenties to becoming a strong advocate of capitalism by age forty was, according to Saunders, an easy one to make intellectually as the two ideological positions are the "same thing with different clothes on… we are radicals. The Marxists are radicals".[67] Another prominent Australian neo-liberal, Ray Evans, was Secretary of the Australian Labor Party club while he was at Melbourne University. However, as a strong supporter of the Vietnam War and an admirer of Enoch Powell's work on monetary systems, he became a convert to the free-market cause.[68] Historian Graham Willett notes that the movement of key individuals towards neo-liberalism "began at the fringes" and from a position further to the left than that which they came to occupy.[69] According to Willett,

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[65] Saunders interview.

[66] Peter Saunders, presentation to the Centre for Independent Studies 'Liberty and Society' Conference, 15 April 2007, Sydney. I thank the CIS for support that allowed me to attend this conference. See also Peter Saunders, 'Academic Sociology and Social Policy Think Tanks in Britain and Australia: A Personal Reflection', *Sociological Research Online*, Vol. 16(3), 2011, http://www.socresonline.org.uk/16/3/10.html, accessed 14 June 2012.

[67] Saunders interview. Saunders provides unwitting support with these comments for Jean Curthoys' argument about the ideological similarities between Marxism and neo-liberalism. See Jean Curthoys, 'The Closed Circle of Neo-liberal Thought', in Robert Manne & David McKnight, *Goodbye to All That?: On the Failure of Neo-Liberalism & the Urgency of Change,* Black Inc, Melbourne, 2010. John Blundell has also praised "Hayek's urge not to seek compromises", arguing that "we can leave that to the politicians" and noting that Hayek praised socialists' courage to be utopian: John Blundell, 'Introduction: Hayek and the Second-hand Dealers in Ideas', in Friedrich A. Hayek, *The Road to Serfdom* with *The Intellectuals and Socialism*, The Institute of Economic Affairs, London, 2005, p. 102.

[68] Evans interview.

[69] Graham Willett, 'What the right got right', in Graham Willett (ed.), *Thinking Down Under: Australian Politics, Society and Culture in Transition*, Wissenschaftlicher Verlag Trier, Trier, 2006, p. 239.

> The decline of the Democratic Labor Party after the mid-1970s sent many of its supporters on a long trek through the wilderness towards the Liberal Party. Figures such as Gerard Henderson, Tony Abbott and Ray Evans – all significant figures in the neo-liberal right – followed such a trajectory. Gerard Henderson, for example, operated something like a 'salon'…. Which [sic] brought many of the new Liberal generation together.[70]

A number of prominent past and present Labor members have associated with Australian neo-liberal think tanks – notably Gary Johns (IPA), Peter Walsh (IPA) and Mark Latham (CIS).[71] However, given Labor's embrace of economic liberalisation under the leadership of Prime Ministers Hawke and Keating, it is difficult to determine if such associations represent an ideological shift for these individuals.

In the United States a number of those associated with neo-liberal or neo-conservative think tanks were converted from socialism or a more centrist, state-interventionist perspective. Famously, neo-conservatives Irving Kristol and Daniel Bell became disenchanted with liberal opposition to the Vietnam War and the expansion of government following the Johnson administration's 'War on Poverty'.[72] As historian Robert M. Collins notes in his history of the Reagan years,

> The "neocons" were, for the most part, intellectuals formerly identified with the left who, the saying went, had been mugged by reality. They recoiled from the radicalism of the 1960s, in both its political and cultural guises [and] questioned the efficacy of statist social engineering and liberal welfare-state initiatives.[73]

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[70] Willett, 'What the right got right', p. 239.

[71] See http://www.ipa.org.au/people/gary-johns, accessed 13 March 2012; http://www.ipa.org.au/people/peter-walsh, accessed 13 March 2012; http://www.cis.org.au/research-scholars/contributors/author/139-latham-mark, accessed 13 March 2012.

[72] Gary Dorrien, 'Inventing an American Conservatism: The Neoconservative Episode', in Amy E. Ansell (ed.), *Unravelling the Right: The New Conservatism in American Thought and Politics,* Westview Press, Boulder (USA); Oxford (UK), 1998, p. 57. See also Gary Dorrien, *The Neoconservative Mind: Politics, Culture, and the War of Ideology*, Temple University Press, Philadelphia, 1993.

[73] Robert M. Collins, *Transforming America: Politics and Culture in the Reagan Years*, Columbia University Press, New York & Chichester, 2007, p. 47. While, as noted earlier, neo-conservatism itself is distinguishable from neo-liberalism,

The narrative deployed by advocates of the free market when explaining their transition from left to right can be used to bolster the notion (critically outlined by David Harvey and others) that neo-liberalism is the ideology of commonsense.[74] Saunders, for example, has remarked that, while the Labour Party has been driven by a desire to defend the interests of decent working people: "the world has changed" and working people are now "ripped off"[75] by governments that refuse to allow them to make their own choices. The notion that neo-conservatives came to accept 'reality' also implies that a level-headed appraisal of the contemporary world leads one to embrace a free-market outlook. In this perspective neo-liberalism is seen as an intellectual (if not political) fait accompli.

In practice the rise of neo-liberalism has, of course, not resulted from leftists embracing 'reality'. Historian Ronald Fraser notes in his oral history study of those who participated in the radical global protests of 1968 that "the common assumption that many shared the trajectory of a few famous names who have become right wing supporters is not borne out".[76] Political and cultural alternatives to the philosophy of the free market have remained. Australian neo-

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the dissent from models of 'state engineering' remains a significant area of overlap and mutual influence between the two tendencies. Irving Kristol's famous comment that "a neo-conservative is a liberal who has been mugged by reality" is quoted in Sidney Blumenthal, 'Iraq War: Mugged by reality', 14 December 2006, http://www.salon.com/news/opinion/blumenthal/2006/12/14/jeane_kirkpatrick, accessed 22 October 2010.

[74] David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, Oxford & New York, 2005, p. 3. In the Australian context see also John Quiggin, 'The ideology that dare not speak its name', 21st April 2009, http://johnquiggin.com/index.php/archives/2009/04/21/the-ideology-that-dare-not-speak-its-name/, accessed 22nd October 2010; Willett, 'What the right got right', p. 231; p. 101; Damien Cahill, 'Contesting Hegemony: The Radical Neo-Liberal Movement and the Ruling Class in Australia', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class*, Australian Scholarly Publishing, Melbourne, 2004.

[75] Saunders interview.

[76] Ronald Fraser, *1968: A Student Generation in Revolt – An International Oral History*, Pantheon Books, New York, 1988, p. 367.

liberals have themselves clearly acknowledged the present limits to societal support for a free-market outlook.[77]

While neo-liberals point to the manner in which free-market reforms have led to outcomes (most notably enhanced societal prosperity) that should satisfy those across the political spectrum, they are ever aware that, due to the continued existence of 'big' governments and the opposition to a liberal agenda from within parts of civil society, progress may be reversed. David Henderson, for example, concluded his study on the fortunes of economic liberalism by suggesting that,

> In effect, public opinion and political leaders across the world have come to accept some of the leading practical conclusions that liberalism points to, while remaining indifferent to, or distrustful of, the way of thinking from which these conclusions are derived… Despite their substantial improvement over these past two decades, which appears all the more notable when seen in historical perspective, the fortunes of economic liberalism during the opening decades of the new century remain clouded and in doubt.[78]

Friedman shared Henderson's view that, while free-market ideas had come to be widely accepted, in political practice small-government had yet to be embraced. He told a gathering of the Reason Foundation in Los Angeles in November 1986 that

> In the world of ideas, the climate of opinion has changed drastically in the direction of belief in a greater role for free markets, in the belief that big government is a problem and not a solution.
>
> On the other hand, in the world of practice we are now farther from a free society than we were 30 or 40 years ago. The world of ideas has gone one way and up to now the world of practice has gone the other way.[79]

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[77] See earlier discussion in the fifth chapter of this thesis.
[78] Henderson, *The changing fortunes of economic liberalism*, p. 94.
[79] Milton Friedman, 'Liberty is winning the battle of ideas', *The Mont Pelerin Society Newsletter*, May 1987, pp. 8-9, Records of the Mont Pelerin Society, Hoover Institution Archives, Stanford University, Box 48, Folder 48.4, MPS Newsletters.

Friedman's use of a tidal metaphor (quoted earlier) to describe free-market progress also implies that future ideological decline is inevitable for neo-liberals – an incoming tide eventually retreats. Indeed, Friedman wrote that

> The encouraging tide in affairs that is in its infancy can be still overwhelmed by a renewed tide of collectivism. The expanded role of government even in Western societies that pride themselves in being part of the free world has created many vested interests that will strongly resist the loss of privileges that they have come to regard as their right.[80]

For neo-liberals, though the wide sweep of history points to the logical superiority of free-markets systems, the stubbornness of reality is also clear. Neo-liberals' alertness to the possibility of ideological decline helps explain their conception of the role of think tanks and intellectuals in advocating the development of a 'freer' society.

Think tanks and intellectuals in the war of ideas

After reading *The Road to Serfdom* British businessman Antony Fisher decided he needed to meet the author. In 1947, Fisher (who went on to make his fortune in dairy farming) and Friedrich von Hayek met at the London School of Economics. According to Fisher "my central question was what, if anything, could he advise me to do to help get discussion and policy on the right lines".[81] He recalls that Hayek "first warned against wasting time – as I was then tempted – by taking up a political career"[82] before going on to encourage Fisher to become fully engaged in a war of ideas:

> He explained his view that the decisive influence in the battle of ideas and policy was wielded by intellectuals whom he characterised as the 'second-hand dealers in ideas'… If I shared the view that better ideas were not getting a fair hearing, his counsel was that I should join with others in forming a scholarly research organisation to supply intellectuals in universities, schools, journalism and broadcasting with

[80] Friedman, 'The Tide in the Affairs of Men'.
[81] Quoted in Richard Cockett, *Thinking the Unthinkable: Think-tanks and the Economic Counter-Revolution, 1931-1983*, HarperCollins, London, 1995, p. 123.
[82] Quoted in Cockett, *Thinking the Unthinkable*, p. 123.

> authoritative studies of the economic theory of markets and its application to practical affairs.[83]

Adopting Hayek's advice, Fisher (once described by Milton Friedman as the "single most important person in the development of Thatcherism")[84] went on to found one of Britain's leading free-market think tanks – the London-based Institute of Economic Affairs - and became influential in establishing similar groups in North America.[85] The initial wisdom imparted to Fisher by Hayek contains a number of features that have been adopted by the Australian neo-liberal movement - specifically, recognition of the limits (and even futility) of party-political action and the utility of repackaging and marketing existing ideas to as wide an audience as possible.

Those associated with Australia's neo-liberal think tanks are firm believers that the ideal role for such bodies is to work on shifting public opinion in order to make it more susceptible to free-market ideas. Roskam, for example, suggests that the ideal role for liberal-conservative think tanks is to educate both policy makers and the general public and demonstrate the practical ways in which liberalism can be applied to new policy challenges.[86] Andrew Norton has noted that while their influence is notoriously difficult to measure, think tanks have impacted upon the "climate of ideas".[87] Saunders is explicit in drawing upon the Gramscian notion of 'hegemony' (a concept that recognises the extent to which political and economic arrangements require cultural support).[88] He argues that think tanks are involved in Gramscian projects to "soften up the ground" for a shift in government policy.[89]

According to neo-liberals, the primary struggle that they are engaged in is one of ideas. Famously, the Institute of Economic Affairs (IEA) in London has

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[83] Quoted in Cockett, *Thinking the Unthinkable*, pp. 123-124.
[84] Quoted in Cockett, *Thinking the Unthinkable*, p. 122.
[85] See p. 306ff and chap. 4 of Cockett, *Thinking the Unthinkable.*
[86] Roskam interview.
[87] Andrew Norton, interviewed by Andrew Thackrah, 18 February 2009.
[88] See, in particular, Antonio Gramsci, 'Hegemony, Intellectuals and the State', extracted in John Storey (ed.), *Cultural Theory and Popular Culture: A Reader,* Harvester Wheatsheaf, London, 1994.
[89] Saunders interview.

displayed in the entrance hall of its headquarters a quote from John Maynard Keynes' *The General Theory of Employment, Interest and Money*:

> Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler a few years back.[90]

The focus of Australia's neo-liberal think tanks has not, however, necessarily been upon developing new, groundbreaking ideas. In contrast to the academic think tank model generally associated with the Institute of Economic Affairs (with the ideal role of such groups being envisaged as research oriented universities without students),[91] the IPA and the CIS, in particular, have focused upon marketing existing ideas to both policy makers and the wider public. The 'war of ideas' calls for a strategic approach. As Hyde has stated: "[t]o repeat what other people have said before is no sin in think tanks…we are not there to be original thinkers. We are there to put across proven ideas to the public."[92] Similarly, Adam Thierer of the Washington DC based Progress and Freedom Foundation, when reflecting on the different roles played by think tanks in the United States, notes that, "a lot of think tanks don't do a lot of thinking. They do a lot more advocating than thinking".[93]

Australian neo-liberal think tanks have, over time, clearly returned to a number of key policy ideas – such as the development of 'school choice' or the reduction in the minimum wage – in the hope that they will be received with increased interest. Ideas are borrowed from sources scattered throughout the global neo-

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[90] Quoted in Richard Heffernan, '"Blueprint for a Revolution"? The Politics of the Adam Smith Institute', in Michael David Kandiah & Anthony Seldon (eds.), *Ideas and Think Tanks in Contemporary Britain*, Vol. 1, Frank Cass & Co Ltd, London, 1996, p. 77.

[91] See Heffernan, ' "Blueprint for a Revolution"?', p. 78; Andrew Denham & Mark Garnett, 'A "hollowed-out" tradition? British think tanks in the twenty-first century', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004, p. 236.

[92] John Hyde, interviewed by Andrew Thackrah, 9 February 2009.

[93] Barbara Esbin & Adam Thierer, Progress and Freedom Foundation (Washington D.C.), interviewed by Andrew Thackrah, 18th June 2009.

liberal movement and recycled for the domestic 'market'. John Blundell notes that Greg Lindsay "is a great one for seeing ideas around the world and adapting them to local [conditions]".[94] He recalls that

> I can remember showing him one day, about 1985, a little monograph called *People and Ideas,* all about why free-market ideas were important to the business community. And I think it came out in Australia three months later as *Ideas and People.* Greg has always *adapted* [Blundell's emphasis] ideas for the CIS.[95]

The adaptation and repetition of key policy ideas by neo-liberal think tanks fits neatly with their view that they are participating in an ongoing, sustained ideological struggle. Progress is seen as dependant upon continued intellectual reinforcement. Unsurprisingly, the use of war metaphors and mentions of endless struggle abounds within these groups. Saunders, for example, states that

> Greg [Lindsay] used to always employ this metaphor about [using] the heavy guns before sending in the infantry…crossing the 't's and dotting the 'i's' is not our role. The role is to soften up the ground so that politicians can go and make some progress and I think that is probably right.[96]

Similarly the members of the H.R. Nicholls Society have been happy to declare themselves soldiers participating in an ongoing struggle for control of the nation's industrial relations system. At the Society's 1997 conference retired businessman Horst Rilk told members that

> It is obvious that some powerful unions have declared war. If they choose war as a remedy they should be given all they want… Industry must recognise that the established union culture and the still somewhat skewed industrial system can lead to one after the other being picked off if no effective defence is mounted.[97]

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[94] Blundell interview.

[95] Blundell interview. It is unclear to what exact publication Blundell is referring. According to Blundell, Lindsay came up with the name 'the Centre for Independent Studies' after visiting the Kansas-based Centre for Independent Education.

[96] Saunders interview.

[97] Horst Rilk, 'The Power of Militant Unions – A Culture of Intimidation', in *Wrong Way – Go Back: Proceedings of the H.R. Nicholls Society, September 1997,* http://www.hrnicholls.com.au/archives/vol18/vol18-1.php, accessed 21

Hyde concludes *Dry: In Defence of Economic Freedom* by quoting lines from English poet Arthur Hugh Clough that evoke the need for sustained warfare:

> Say not, the struggle naught availeth,
> The labour and the wounds are vain,
> The enemy faints not, nor faileth,
> And as things have been they remain.[98]

Given their view that ongoing threats to freedom call for never-ending vigilance, neo-liberals commonly adopt a long-run perspective in judging progress.[99] Historian Brian Doherty, for example, concludes his highly sympathetic account of the US libertarian movement by suggesting that its members (including think tanks) are engaged in an "eternal revolution".[100] Henderson finishes his study by adopting a 120-year perspective on the fortunes of economic liberalism.[101]

Combativeness and vigilance are core aspects of neo-liberal identity. While these may be characteristics commonly associated with intellectuals, they also emerge directly from the content of neo-liberalism. Sceptical of governments' ability to promote freedom, neo-liberals rely on civil society and business to promote a liberal framework. Yet without a consistent view of the relationship between the state and civil society, they must remain hyper-aware of the possibility that, within a free society, liberty is never guaranteed. As Australian sociologist Gavin Kendall has noted, liberalism is a "doctrine of permanent self-critique",

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July 2009. See also, Ray Evans, 'The Bills We Need', *Lining up the Bills: Preparing for a Double Dissolution: Proceedings of the H.R. Nicholls Society,* Melbourne, May 2003, http://www.hrnicholls.com.au/archives/vol24/vol24-2.php, accessed 4 March 2010.

[98] Quoted in Hyde, *Dry*, p. 271.

[99] Hayek outlined that a liberal polity would only develop as a result of long-run social evolutionary trends. As Andrew Gamble notes, Hayek "criticized Keynes's belief that it was possible to use rational judgement as a basis for action rather than submit to traditional abstract rules. The most shocking remark that Keynes ever made, as far as Hayek was concerned, was his disparagement of the long run": Andrew Gamble, *Hayek: The Iron Cage of Liberty*, Polity Press, Cambridge (UK), 1996, p. 158.

[100] See Doherty, *Radicals for capitalism*, epilogue.

[101] Henderson, *The changing fortunes of economic liberalism*, epilogue.

exploring "new governmental rationalities".[102] To the extent that its proponents continue to explore the manner in which markets remain embedded in their social and culture contexts, neo-liberalism is forced to embrace self-criticism.

The maximum programme of neo-liberals, however, remains clear. As outlined in the third, fourth and fifth chapters of this thesis, neo-liberals champion the prospect of a minimal state where to the greatest extent possible the self-reliance of private individuals and the support of civil society reduces the role of government to merely providing the broad framework within which free agents act. Anarcho-capitalist ideas (whereby it is envisaged that the state may be abolished in favour of a complete reorganisation of the social order through contractual arrangements) championed, in particular, by bodies such as the Cato Institute, have influenced neo-liberal debate in Australia. The work of that Institute is, for example, commonly reprinted in IPA and CIS publications. Australian neo-liberals, however, largely remain focused upon 'thinking the unthinkable' and then seeking to gradually shift the terms of debate and policy as it is currently practiced.

This process, as Kendall indicates, entails an often-complex intellectual engagement with notions of governance (as opposed to advocacy of the complete abolition of the state). Uncertainty remains as to how to bring the neo-liberal maximum programme to fruition and, in particular, as to the exact role of the state in light of the complexities of civil society. Combativeness directed against the existing practices of the state serves to unify free-market advocates in the face of such uncertainty and internal debate.

The ongoing intellectual battle fought by Australia's neo-liberal think tanks is global in its reach. The influence of think tanks extends across the world. As

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[102] Gavin Kendall, 'What Is Neoliberalism?', in Peter Corrigan, Margaret Gibson, Gail Hawkes, Eric Livingston, John Scott, Steven Thiele and Gillian Carpenter (eds), *TASA 2003 Conference Proceedings: New Times, New Worlds, New Ideas: Sociology Today and Tomorrow,* The Australian Sociological Association and The University of New England, 2003, p. 3.

political scientist Diane Stone noted in 2004, "the think tank is ubiquitous".[103] Free-market oriented think tanks have, in particular, experienced a surge in growth in ex-Soviet bloc countries and areas of the developing world.[104] Reflecting their pre-occupation with 'western' cultural traditions, Australian neo-liberal think tanks appear to maintain their strongest links with counterparts in the United States and the United Kingdom. The records held in the archives of the Hoover Institution at Stanford University provide evidence of the numerous personal connections that make up the global network of neo-liberal activists. For example, the records of the Institute of Economic Affairs include friendly correspondence between Peter Saunders (then of the University of Sussex), John Stone and Arthur Seldon, joint founder of the IEA.[105] When Hyde wanted advice on establishing his own Perth-based think tank it was to Seldon that he turned, stating that "I look forward to your counsel; I need it".[106] Australian publications such as *Policy* and the *IPA Review* commonly run (original or reprinted) material

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[103] Diane Stone, 'Introduction: think tanks, policy advice and governance', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004, p. 1.

[104] Mark Sandle, 'Think tanks, post communism and democracy in Russia and Central and Eastern Europe', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004; Miguel Braun, Antonio Ciciono & Nichols J. Ducote, 'Think Tanks in Developing Countries: Lessons from Argentina', in Diane Stone & Andrew Denham (eds.), *Think Tank Traditions: Policy Research and the Politics of Ideas*, Manchester University Press, Manchester, 2004.

[105] Letter from Peter Saunders to Arthur Seldon, dated 17th November 1987, Records of the Institute of Economic Affairs, Hoover Institution Archives, Stanford University, Box 32, Folder 32.6; Letter from Arthur Seldon to Peter Saunders, dated 23rd November 1987, Records of the Institute of Economic Affairs, Hoover Institution Archives, Stanford University, Box 32, Folder 32.6; Letter from John Stone to Arthur Seldon, dated 7th April 1988, Records of the Institute of Economic Affairs, Hoover Institution Archives, Stanford University, Box 32, Folder 32.6.

[106] Letter from John Hyde to Arthur Seldon, dated 24th June 1983, Records of the Institute of Economic Affairs, Hoover Institution Archives, Stanford University, Box 28, Folder 28.4 marked '1983-1986 H'. It appears that Lindsay also played a role in providing visiting Australians with introductions to Seldon. See Letter from 'Ruth' to Arthur Seldon, dated 31st October 1983, Records of the Institute of Economic Affairs, Hoover Institution Archives, Stanford University, Box 28, Folder 28 marked '1983-1986 Mc-Mu'.

produced by US-based free-market think tanks such as the Heritage Foundation or the Cato Institute.[107]

Such links reinforce the argument advanced in the second chapter of this thesis that neo-liberal think tanks form a global, epistemic community that, as Diane Stone has noted, has a degree of autonomy from business interests.[108] While groups such as the Atlas Economic Research Foundation play a vital role in assisting neo-liberal think tanks across the globe with acquiring seed-funding, these groups also form an intellectual community that has worked on some of the key challenges facing free-market ideologues.[109]

Think tanks such as the IEA, along with the Adam Smith Institute in the UK, and Cato and Heritage in the US, have confronted a similar set of challenges to those faced by the CIS and IPA in Australia during the Howard years. In particular, these groups have all confronted the political complexities that have emerged as broadly free-market friendly centre-right governments have come to power. These groups have also pondered the broader philosophical question of how neo-liberals can develop a principled position on the roles of the state and civil society.[110] As Robert Manne and others have suggested, US based free-market

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[107] For just a few of the numerous examples of this practice, see Daniel J. Mitchell (Senior Fellow at the Heritage Foundation), 'Why Not a Flat Tax?', *IPA Review*, Vol. 50(4), September 1998, p. 17; Michael Tanner (Senior Fellow, Cato Institute), 'SiCKO: Michael Moore's latest fantasy', *IPA Review*, Vol. 59(2), July 2007, p. 21; Tyler Cowan, 'Is Our Culture in Decline?', *Policy*, Vol. 14(4), Summer 1998-1999, pp. 31-34 (first published in Cato's *Policy Report*); David Boaz (Executive Vice-President, Cato Institute), 'The Coming Libertarian Age', *Policy*, Vol. 13(3), Spring 1997, pp. 28-31.

[108] Diane Stone, *Capturing the Political Imagination: Think Tanks and the Policy Process*, Frank Cass, London, 1996, pp. 36-37.

[109] On the influence of Atlas see Hyde, *Dry*, p. 61ff.

[110] See Cockett, *Thinking the Unthinkable,* p. 325. Hames and Feasey claim that "there was no necessary or automatic coincidence between the interests and agendas of the think tanks and that of Reagan and Thatcher": Tim Hames & Richard Feasey, 'Anglo-Amercian think tanks under Reagan and Thatcher', in Andrew Adonis & Tim Hames (eds.), *A Conservative Revolution?: The Thatcher-Reagan decade in perspective*, Manchester University Press, Manchester & New York, 1994, p. 231. In particular, they note the existence of tensions between the Centre for Policy Studies and the Thatcher administration (p. 230). On the question of whether the administration of George W. Bush advanced the cause of neo-liberalism, see William K. Tabb, 'Mr Bush and Neo-

ideologues have, in particular, assisted Australian neo-liberals in outlining the relationship between social conservatism and economic liberalism.[111]

When full account is taken of Australian neo-liberals' own sense of being engaged in a prolonged, international ideological struggle, as well as their genuine belief that they are, at times, outsiders, it is apparent that they fulfil, at least in part, the traditional role of intellectuals in challenging those in established positions of power.[112] As Damien Cahill has argued, while neo-liberals fulfil the role of Gramscian 'organic' intellectuals – in the sense that their interests coincide with and are promoted by those sections of business with which they form strategic alliances – they do not simply act as agents of capital but rather "are actors in their own right, with their own interests and values".[113]

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liberalism', in Richard Robinson (ed.), *The Neo-Liberal Revolution,* Palgrave MacMillan, Houndmills & New York, 2006. The US–based neo-liberals interviewed for this thesis had no shortage of criticisms of the Bush administration. Barbara Esbin of the Progress and Freedom Foundation, for example, claimed that "in almost every respect the Bush administration was an utter disaster": Esbin and Thierer interview.

[111] See Robert Manne, 'The Insider', *The Monthly*, October 2009, p. 28; Norman Abjorensen, 'The culture wars down under', in Jim George & Kim Huynh (eds.), *The Culture Wars: Australian and American Politics in the 21st Century*, South Yarra, Palgrave Macmillan, 2009; Marion Maddox, *God Under Howard: The Rise of the Religious Right in Australian Politics*, Allen & Unwin, Crows Nest, 2005, chap. 8.

[112] Citing Julien Benda's famous work *The Treason of the Intellectuals*, R.W. Connell has argued that "one of the most widespread beliefs about intellectuals is that they stand in necessary opposition to wealth, the bourgeois world and state power": R.W. Connell, 'Managers as intellectuals in a neo-liberals world', unpublished paper, year unknown, copy in possession of the author of this thesis, p. 4; Julien Benda, *The treason of the intellectuals*, Norton, New York, 1969. According to Connell, however, such a model does not fit the reality that many 'knowledge workers' (public and private sector managers, planners and elected representatives) in the contemporary economy have had their lives and attitudes profoundly shaped by market values, such that "an institutional convergence of market-based systems appears to them as simple common sense": R.W. Connell, 'Managers as intellectuals in a neo-liberal world', unpublished paper, year unknown, copy in possession of the author of this thesis, p. 4. Ironically, however, as the world changes around them, neo-liberals continue to remain agitators in the cause of ideological hegemony – not satisfied that a final victory has been won for the free-market cause.

[113] Damien Cahill, 'Neo-liberal intellectuals as organic intellectuals? Some notes on the Australian context', http://74.125.47.132/search?q=cache:43_1em6ptGIJ:apsa2000.anu.edu.au/confpa

They remain radical enough to challenge nominally pro-free market politicians and business executives, yet their dominant ideas have also evolved as a result of the political and social realities that have been encountered.[114] Cahill notes that the construction of hegemony "involves a constant process of struggle, negotiation and re-negotiation".[115] Australian neo-liberals, as part of this process of struggle, have had the benefit of the work and ideas generated by their friends abroad.

Australian culture and the global free market

Despite being involved in a worldwide ideological movement, Australian neo-liberals (like their counterparts in the United States and the United Kingdom) have also shown an awareness of the significance of their country's own political culture and the extent to which it may limit or enhance the possibilities for free-market reform. As noted earlier in this thesis, they have pointed, in particular, to the historical role played by charities and mutual societies in Australia in order to bolster their case for the rolling back of the welfare state. Australia's position within the 'Anglosphere' has also been portrayed in a positive light. Neo-liberals' awareness, however, of the extent to which the process of free-market reform is dependent upon national circumstances can sit uneasily alongside their embrace of an ideology that is otherwise internationalist in outlook.

A number of Australian-based scholars have argued that neo-liberalism is incompatible with the country's historical and political traditions. For example, in 2003 Judith Brett wrote that "the cynical realism of neo-liberalism's model of

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pers/cahill.rtf+%22Neo-liberal+intellectuals+as+organic+intellectuals%3F+Some+notes+on+the+Australian+context%22&cd=1&hl=en&ct=clnk&gl=us, accessed 7th June 2009.

[114] Commenting on Gramsci's work, British social and cultural theorist Tony Bennett has noted that "[a] bourgeois hegemony is secured not via the obliteration of working-class culture, but via its *articulation to* [their emphasis] bourgeois culture and ideology so that, in being associated with and expressed in the forms of the latter, its political affiliations are altered in the process": Tony Bennett, 'Popular Culture and "the turn to Gramsci"', extracted in John Storey (ed.), *Cultural Theory and Popular Culture: A Reader*, Harvester Wheatsheaf, Hempel Hempstead, 1994, p. 225.

[115] Cahill, 'Neo-liberal intellectuals'.

human behaviour was a direct affront to the role of principle and value in public life".[116] According to Brett, the ideas associated with neo-liberalism "were the product of technical experts with few connections with people's commonsense economic understandings".[117] Indeed, opinion polling in the 1980s showed that "Australians on the whole were economic nationalists who supported a high degree of government intervention".[118] Similarly, Willett has written that the nation's neo-liberals have "for the most part… been agents of influence of an alien ideology, as irrelevant to Australian (and indeed world) conditions as Stalinism was".[119] He also cites survey material – in particular the 2003 Australian Survey of Social Attitudes and Australian Election Studies - as evidence of "how limited has been the embedding of neo-liberal values within the population as a whole".[120]

Despite efforts by some of those associated with neo-liberal think tanks to bolster the historical reputation of classical liberalism,[121] as outlined earlier, neo-liberals have often recognised that civil society can pose a significant threat to liberal values and have acknowledged that the Australian public has not generally been

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[116] Judith Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard*, Cambridge University Press, Cambridge 2003, p. 173.
[117] Brett, *Australian Liberals*, p. 181.
[118] Brett, *Australian Liberals*, p. 181.
[119] Willett, 'What the right got right', p. 243.
[120] Willett, 'What the right go right', pp. 242-243. Further, Abjorensen has argued that traditional conservatism in Australian has been manipulated by the US inspired neoconservatism of John Roskam and John Howard: Abjorensen, 'The culture wars down under', pp. 71-72.
[121] Along with Keith Windschuttle, Melleuish has sought to revive the reputation of Bruce Smith, described by historian Frank Bongiorno as a Federation-era "Social Darwinist, Free Trader and dogmatic proponent of a Spencerian *laissez faire* ideology": Frank Bongiorno, 'Whatever Happened to Free Trade Liberalsim?', in Paul Strangio & Nick Dyrenfurth (eds.), *Confusion: The Making of the Australian Two-Party System*, Melbourne University Press, Carlton, 2009, p. 253. Bongiorno notes that, in making their case, Windschuttle and Melleuish were aided by "the considerable resources of… [the] right-wing think-tank, the Centre for Independent Studies" (p. 253). See, also, Gregory Melleuish, *A Short History of Australian Liberalism*, Centre for Independent Studies, Occassional Paper No. 74, Sydney, 2001; Gregory Melleuish, *Cultural Liberalism in Australia: A Study in Intellectual and Cultural History*, Cambridge University Press, Cambridge & Oakleigh (Victoria), 1995.

won over to the cause of the free market.[122] While this lack of support has been linked to the challenges of parliamentary democracy in times of prosperity, aspects of Australian culture have also been lamented. For example, at the beginning of Coalition's period in office, Ken Baker (then editor of the *IPA Review*), expressed concern over the 'small target' strategy adopted by John Howard during the 1996 election campaign.[123] According to Baker, writing in 1996, the contemporary frustrations of free-market liberals were a symptom of a deep-rooted dilemma:

> Mr Howard's reluctance, so far, to confront the pricklier questions of social policy reflects a weakness within the political culture of liberalism in Australia. The confidence and competence which the Liberal Governments display on matters of economic and administrative reform is not evident in their approach to social and cultural matters.[124]

To avoid accusations of heartless 'economic rationalism', Baker went on, the case for economic reform requires awareness of "social and cultural impact[s]".[125] Yet he seemed to suggest that the Australian social and cultural fabric was in need of repair if it was to support further transformation of the economy:

> traditional symbols [such as the monarchy, family and the nation] are clearly under strain and in need of renovation and reinterpretation. In some cases new symbols and forms through which to express values need to be found.

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[122] See, for example, Andrew Norton, 'The Rise of Big Government Conservatism', *Policy,* Vol. 22(4), Summer 2006-2007, pp. 15-24; Andrew Norton, 'Why Politicians Aren't Rushing to Increase Taxes', in Peter Saunders (ed.), *Taxploitation: The Case for Income Tax Reform,* CIS Readings No. 11, Centre for Independent Studies, Sydney, 2006; Henderson, *The changing fortunes of economic liberalism*, p. 58.

[123] Ken Baker, 'From the Editor: A Time for renovation', *IPA Review*, Vol. 48(4), 1996, pp. 9-10.

[124] Baker, 'From the Editor', p. 10.

[125] Baker, 'From the Editor', p. 10. As noted earlier, Norton has also argued for a broadening of the manner in which 'economic rationalism' is justified. See especially, Andrew Norton, 'Revitalising Civil Society: A Theme of Recent Australian Liberal Thought', Unpublished paper for the Centre for Independent Studies, date unknown, supplied by Norton to the author of this thesis.

> The challenge of liberal-conservatism has always been to reconcile permanence and change. The task of renovation is not different. It is crucial to the future of social reform under the new Government in Canberra that it be taken up intelligently and soon.[126]

Despite its privileged position within the Anglosphere, Australia clearly lacks the strong liberal tradition of the United States, where, as famously portrayed by Alexis de Tocqueville, notions of negative freedom have been associated with the existence of strong voluntary associations.[127] Indeed Australian historian Keith Hancock in his influential study *Australia*, published in 1930, argued that the young antipodean nation was simply utilitarian in its approach to political life with the state co-opted to promote the ends of both the collective and the individual.[128] As James Walter notes, "in Australia, there was a longstanding argument that ideas were relatively unimportant in politics".[129] Australians, apparently, have been comfortable without a fully developed and consistent view of the relationship between state and society.

For neo-liberals, however, the perception that the nation's prosperity has sprung from the adoption by the state of an active utilitarian role in public life has been seen as a consistent threat to the realisation of a truly liberal polity in Australia. The past is a source of ideological disappointment due to the failure to realise a *laissez-faire* political paradigm. For example, Bongiorno notes that

> in 2006… the Institute of Public Affairs (IPA)…nominated as the greatest mistake in Australian history the defeat of the Reid Government in 1905 because 'it signalled the end of the last chance that Australian had to avoid the full imposition of the Australian Settlement'.[130]

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[126] Baker, 'From the Editor', p. 10. See also Vern Hughes' lament that Australia, unlike the United States, lacks a civil society that is independent of political parties: Vern Hughes, 'From Welfare State to Civil Society', *Policy*, Vol. 12(3), Spring 1996, p. 44.

[127] See Alexis de Tocqueville, *Democracy in America*, translated by Henry Reeve, London, Longman, Green, Longman and Roberts, 1862.

[128] W.K. Hancock, *Australia*, Ernest Benn, London, 1930.

[129] James Walter (with Todd Moore), *What Were They Thinking? The Politics of Ideas in Australia*, University of New South Wales Press, Sydney, 2010, p. 23. Walter, however, describes how political ideas have indeed been influential in shaping Australian public life (see especially p. 20ff).

[130] Bongiorno, 'Whatever Happened to Free Trade Liberalism?', pp. 251-252.

Similarly, the H.R. Nicholls Society consistently laments the apparent popularity of industrial protectionism in Australia.

However, as has been outlined, neo-liberals have sought to protect the 'liberal' aspects of Australia's past from the depredations of contemporary critics of neo-liberalism. Commonly, they have focused on obscure "prophets without honour"[131] who have defended liberal principles in times of peril. In addition to bolstering the reputation of Bruce Smith, the H.R. Nicholls Society, for example, has celebrated the memory of its namesake - an obscure Tasmanian newspaper editor who used his paper to criticise the President of the Court of Conciliation and Arbitration, Henry Bournes Higgins.[132] Neo-liberals have also suggested that, despite the misrepresentation of the Australian past, free-market principles are consistent with Australian tradition of 'fairness' and 'a fair go'. As the then Liberal parliamentarian David Kemp told the tenth anniversary meeting of the H.R. Nicholls Society in 1996:

> the values and ideals for which the Society has stood have been amplified many, many times over because they are fundamentally the values and ideals of the great majority of the Australian people. It has been through the H.R. Nicholls Society that the silent majority of Australians have heard their authentic interests being promoted and some of their deepest beliefs expressed.[133]

In a 2004 edition of *Policy*, Peter Saunders noted that "the fair go… is a core Australian political value… to be Australian is to believe in the 'fair go', even if it is not always clear what this means in practice".[134] While acknowledging that previously many Australians, with government encouragement, have associated fairness with equality, Saunders went on to cite an ACNielsen survey commissioned by the CIS suggesting that

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[131] Bongiorno, 'Whatever Happened to Free Trade Liberalism?', p. 268.

[132] See 'The H.R. Nicholls Society and its Work', http://www.hrnicholls.com.au/work.php, accessed 9 November 2010.

[133] David Kemp, 'The Occasional Address', *Proceedings of the H.R. Nicholls Society, Tenth Anniversary Conference, Melbourne, May 1996*, http://www.hrnicholls.com.au/archives/vol17/vol17-8.php, accessed 9 November 2010.

[134] Peter Saunders, 'What is fair about a "fair go"?', *Policy*, Vol. 20(1), Autumn 2004, p. 4.

> most Australians today have a much broader understanding of 'fairness' than mere egalitarianism.
>
> The 'fair go' today still recognises the ideal of equalising outcomes, but it also encompasses the competing ideals of meritocracy (reward for effort and talent) and fair exchange (the liberal principle of the right to private property provided it has been acquired in accordance with the rule of law).[135]

According to Saunders, the free-market is consistent with what are perceived to be Australian values. However, while neo-liberals have devoted effort to reconciling the ethics of the free market with national values, a tension remains between this endeavour and their celebration of the possibilities of globalised free markets. Nahan argued in a 1997 article entitled 'Three Cheers for Globalization', that

> If governments embrace globalization and economic freedom and lead rather than follow the process, then, as shown by recent economic experience in the US and New Zealand… jobs will flourish and the underclass diminish. If, however, governments, or more accurately nations, resist and in the end are forced to follow the process, then the unskilled and less mobile will suffer.[136]

The process of globalisation, as characterised by Nahan, appears unavoidable. Yet the acknowledgment by Baker of the need for cultural renovation, alongside the attempts by Melleuish, in particular, to re-interpret Australian history, serve as a reminder that the implementation of neo-liberal policies does not simply emerge organically as an extension of the national political narrative, but rather entails a program of significant social reform. Local political and cultural conditions need to be adapted to allow global free-market ideas to reign. In the ongoing battle for neo-liberalism, Australian politics and culture offer sources of resistance that will need to be endlessly challenged.

Swinging between positive and negative appraisals of the nation's past, the identity of those associated with Australia's neo-liberal think tanks appears torn

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[135] Saunders, 'What is fair about a "fair go"?', p. 10.
[136] Mike Nahan, 'From the Executive Director: Three Cheers for Globalization', *IPA Review*, Vol. 49(4), July 1997, p. 32.

between the global and the local. Further, their awareness that the full benefits of global markets can only be realised with the aid of local transformation again leads neo-liberals to the dilemma that, despite the dangers of rational planning, their radical ideology requires them to endorse a defined political program. These challenges have not been faced by neo-liberals alone. Professor of Citizenship Boris Frankel notes that Australian political parties have also used contradictory rhetoric in the field of political economy – appealing to "nationalist rhetoric and policy frameworks to advance neo-liberal globalising agendas".[137] Political sociologist Barry Hindess also describes how, ironically, neo-liberalism has led to an increasing focus on national economic security.[138]

Ultimately, the mixed historical record of free-market liberalism in Australia reinforces neo-liberals' identity as political and cultural outsiders who will, inevitably, need to remain engaged in continual ideological warfare. Think tanks such as the CIS and the IPA are aware that their efforts are dwarfed by those of their colleagues elsewhere in the Anglosphere. Des Moore, for example, notes that Australia is "bereft" of think tanks. Prior to leaving the Commonwealth Treasury he spent three months in Washington DC (including time at the Heritage Foundation and the American Enterprise Institute) assessing the role of such bodies.[139] While in the US individuals inclined towards neo-conservative or libertarian ideologies can join think tanks that champion their particular variant of free-market thought, in Australia the neo-liberal scene is small enough for significant intellectual differences to be 'enveloped' within groups such as the IPA and the CIS.

David Henderson remarked in 1999 that "there are few if any countries in which there is a well-supported political party or movement which openly and

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[137] Boris Frankel, *When the Boat Comes In: Transforming Australia in the Age of Globalisation*, Pluto Press, Annadale, 2001, p. 21.
[138] Barry Hindess, 'Neo-Liberalism and the National Economy', in Mitchell Dean & Barry Hindess, *Governing Australia: Studies in Contemporary Rationalities of Government*, Cambridge University Press, Cambridge, 1998, p. 223.
[139] Des Moore, interviewed by Andrew Thackrah, 19th February 2009.

consistently makes classical liberalism… its central body of doctrine".[140] This statement holds true in the Australian context. As Cahill notes, neo-liberalism was a fringe ideology in Australia in the 1970s as it sought to break "with the ruling consensus around managed capitalism and the necessary, positive role for the state, in the provision of services and the redistribution of income".[141] The libertarian movement of the 1970s, with which key contemporary neo-liberals such as Greg Lindsay and Ron Manners were associated, fizzled out in the 1980s.[142] One of the most radical free-market public policy documents, the Liberal Party's *Fightback!* statement, led only to defeat at the 1993 Federal Election. Despite the global ascendency of the free market, national factors appear to threaten neo-liberals' project, reinforcing a sense of 'struggle' at the centre of their self-identity.

Howard's legacy and the Australian story of the free market

To what extent did the notion of 'struggle' remain a central aspect of Australian neo-liberal identity during the Howard years? As described earlier in this thesis, in a number of key policies areas the Howard Government was clearly influenced by neo-liberal ideas. With the privatisation of Government owned assets such as Telstra and the restricting of the activities of unions, there was reason for free-market advocates to celebrate.[143] This thesis has argued, however, that in a number of areas the Howard Government frustrated the

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[140] Henderson, *The changing fortunes of economic liberalism*, p. 58.

[141] Damien Cahill, 'The Right Values in Education: Neo-liberal Think-tanks and the Assault Upon Public Schooling', *Overland*, No. 189, 2005, p. 10.

[142] See Marian Sawer, 'Political Manifestations of Libertarianism in Australia', in Marian Sawer (ed.), *Australia and the New Right*, Allen & Unwin, 1982, pp. 2ff; William J. Stacey, 'Libertarianism in Australia's "New Enlightenment"', Unpublished Honours Dissertation, Politics Department, University of Western Australia, October 1987. Stacey concludes his study by noting that "there is no general libertarian movement in Australia today" (p. 44).

[143] Smith and Marden also highlight the extent to which the Howard Government and the IPA worked together to link the issues of housing affordability and regulation in the public's mind: Smith & Marden, 'Conservative Think Tanks', pp. 703-705. On Howard's extensive, though politically pragmatic, programme of privatisation, see Chris Aulich & Janine O'Flynn, 'John Howard: The Great Privatiser?', *The Australian Journal of Political Science*, Vol. 42(2), 2007, pp. 365-381.

ambitions of neo-liberals. In particular, the CIS and the IPA lamented the expansion of middle-class welfare and the failure to cut discretionary spending. At times neo-liberals offered an upbeat assessment of the achievements of Howard's Government following its defeat at the hands of Kevin Rudd's Labor Party in 2007. A number acknowledged, however, that the downfall of the Liberal Government highlighted both existing tensions within neo-liberalism itself and the extent to which further effort is required to ensure popular support for liberal-minded reform.

At the end of the Coalition Government's time in office John Roskam concluded that "John Howard got the big things right".[144] According to Roskam,

> One of Howard's achievements was to give people the chance to regain their own confidence. Individuals can only confront change with confidence if they and their families are economically secure.
>
> This is John Howard's legacy.[145]

John Stone was much more enthusiastic in his praise for Howard. In an article published in *Quadrant* in January 2009 he argued that,

> As one would expect from an almost twelve-year period presided over by a single prime minister, and for a policy area as complex and wide-ranging as the economy, the record of the Howard years is not without blemish. Nevertheless, the strong growth in real incomes, the huge growth in jobs, and the widely disseminating burgeoning of prosperity, however measured, can lead to only one (fair-minded) conclusion. These were good years for Australia. To judge by present portents, it may be some time before we see their like again.[146]

Stone's reflection on the Howard era, however, did include some significant criticisms. In particular, he blamed Treasurer Peter Costello for the Government's loose fiscal performance that produced "the highest ratio of taxation to GDP in Australia's peacetime history, and a largely unreformed

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[144] John Roskam, 'From the Executive Director', *IPA Review*, Vol. 59(4), January 2008, p. 3.
[145] John Roskam, 'From the Executive Director', p. 3.
[146] John Stone, 'Growth, Jobs and Prosperity: Economic Progress Under the Howard Government', *Quadrant*, Jan-Feb 2009, Vol. 53(1-2), p. 20.

personal income tax system".[147] Similarly, he repeated his earlier criticisms of the way in which the Howard Government used the corporations power in the Australian Constitution in order to introduce their *WorkChoices* reforms.[148] He conceded, however, that, "during the Howard years something in the labour market changed – and changed, incontrovertibly, for the better".[149] Similarly, his criticism of the Government's fiscal approach was softened by an acknowledgement of the necessity of eliminating the debt inherited from the previous Labor-led administration.[150]

As seen throughout this thesis, however, neo-liberals have offered more sustained criticisms of the Howard Government. Not all have been as generous as Stone in assessing the Government's legacy. Indeed, it appears that Australian neo-liberals believe that the progress made during the Howard years was not a direct result of a deep and abiding belief in the benefits of a minimal state on the part of the Government, but rather was incidental to the pursuit of other political and ideological goals. Roskam, for example, despite praising the Howard Government for restoring individual confidence, also noted that, "while it is doubtful whether government itself can make people more confident, it is true that the decisions of government can make people less confident".[151] Thus, in some areas the Government appeared successful, if only by staying out of people's way. As outlined earlier, however, Roskam has directly attacked Howard's willingness to involve the Government in disputing historical interpretations of Australia's past.[152]

More directly, Norton has criticised the Howard Government for abandoning classical liberal principles by co-opting the welfare system to protect social institutions such as the family.[153] The Howard Government's apparent neglect of classical liberalism was also a theme picked up by Liberal Senator George

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[147] Stone, 'Growth, Jobs and Prosperity', p. 19.
[148] Stone, 'Growth, Jobs and Prosperity', p. 15.
[149] Stone, 'Growth, Jobs and Prosperity', p. 16.
[150] Stone, 'Growth, Jobs and Prosperity', p. 19.
[151] Roskam, 'From the Executive Director', p. 3.
[152] Roskam interview. In contrast see Mark Steyn, 'Australia's happy warriors', *IPA Review*, Vol. 59(4), January 2008, pp. 16-17.
[153] Norton, 'The Rise of Big Government Conservatism'.

Brandis in Peter van Onselen's *Liberals and Power: The Road Ahead* - a post-mortem of the state of the Liberal Party following the 2007 election.[154]

Australian neo-liberals have thus shown a keen awareness of neo-liberalism's failure (observed by David Henderson) to become embodied in a pure form in a governmental program.[155] Credit has been given to both major political parties where they have adopted policies that have been seen to advance the classical liberal cause. Lindsay, for example, has suggested that Bob Hawke led a particularly good government and that he will be remembered as one of Australia's better Prime Ministers.[156] Hyde has also stated that Howard does not rank with Hawke or Robert Menzies as a political leader.[157] The Howard Government did not see neo-liberals abandon their habit of strategically critiquing and praising both established political parties.

In keeping with the belief that the Howard Government was not strongly motivated by a classical liberal ethos, Roskam is reluctant to offer an overall judgement on the period of coalition rule.[158] He rejects the notion that Howard's policy record should lead groups like the CIS and the IPA to rethink their classical liberal tenets. The manner in which you apply liberalism, Roskam maintains, does not influence the substance of liberal thought, and nor should it if one is to avoid eroding the philosophy itself.[159] However, given that liberalism itself incorporates views as diverse as John Rawls' redistributive tendencies and the 'classical' liberal, minimal state position associated with Locke and, later, Hayek and von Mises, debates over the practical implementation of liberal ideas ultimately become entangled with deeper philosophical concerns.

A number of neo-liberals have acknowledged that the events of the Howard era call for some rethinking of the philosophical foundations of free-market

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[154] See George Brandis, 'John Howard and the Australian Liberal Tradition', in Peter van Onselen (ed.), *Liberals and Power: The Road Ahead*, Melbourne University Press, Carlton, 2008.
[155] Henderson, *The changing fortunes of economic liberalism*, p. 58.
[156] Lindsay interview.
[157] Hyde interview.
[158] Roskam interview.
[159] Roskam interview.

liberalism. For example, in a special issue of the *IPA Review* pondering the future of liberalism following the Coalition's defeat, one of the Institute's Research Fellows, Louise Staley, discussed some "awkward problems in social policy" arising from Howard's policies regarding women and welfare.[160] According to Staley, Howard's contradictory efforts to both limit sole-parent benefits while also offering the 'baby bonus' payment to new mothers required liberals to question their own policies towards women. "Liberalism has a problem with women", Staley argued, due to its wariness of policies "that seek to advantage people because of their membership of a group".[161] She argued that liberals needed to engage in "some long and hard thinking, perhaps around providing equality of opportunity for children,"[162] in order to develop a nuanced social policy that, without embracing affirmative action policies, was more cognizant of the need for equality of opportunity.[163]

In the same edition of the *IPA Review* the publications editor, Chris Berg, reflected that "the Howard government was extremely successful at managing the economy, but disappointing at reforming it".[164] This conclusion led Berg to reflect on "liberalism's dilemma" – "that in many cases it has proven far easier to win votes with an *illiberal* [Berg's emphasis] platform".[165] While Berg's concern seemed to be practical in nature – the gap that exists between liberal theory and public attitudes – he acknowledged Staley's point that social policy is an "area where modern liberal thought is conspicuously lacking".[166]

In his contribution to the Institute's examination of Howard's legacy, IPA Research Fellow Tim Wilson called for an 'evolution' in liberal philosophy to

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[160] Louise Staley, 'Awkward problems in social policy: women and welfare after Howard', *IPA Review*, Vol. 59(4), January 2008, pp. 22-25.
[161] Staley, 'Awkward problems in social policy', pp. 22-24.
[162] Staley, 'Awkward problems in social policy', p. 25.
[163] Staley, 'Awkward problem in social policy', p. 25.
[164] Chris Berg, 'What next?: Liberalism after the Howard government', *IPA Review*, Vol. 59(4), January 2008, p. 15.
[165] Berg, 'What next?', p. 15.
[166] Berg, 'What next?', p. 16.

align it with contemporary Australian attitudes.[167] While wanting to hold fast to the cause of "smaller government, lower taxes and workplace flexibility",[168] Wilson pointed to a "serious gulf between the Liberal Party and younger Australians"[169] who are increasingly libertarian in their thinking. He called for a

> greater focus on a well-rounded liberalism that embraces and respects diversity in social policy, supports free markets and market-based mechanisms in dealing with the challenges that government ought to address, and harnesses the potential of individuals, rather than government, to effect change in society.[170]

Despite Roskam's claim regarding the immutable nature of liberal thought, Australian's neo-liberals have clearly engaged in a process of philosophical re-examination while assessing the legacy of the Howard years. While acknowledging the progress that was made from a free-market perspective, the disappointments of the Howard years were significant enough for neo-liberals to reexamine their strategies. This process has entailed a significant degree of intellectual reflection.

Walter observes that while "political outlooks are typically incoherent and inconsistent", committed "political activists have more cause than most to think about how they justify their decisions".[171] The Howard years were replete with "curious paradoxes"[172] that led neo-liberals to examine their own collective identity as an intellectual movement. In particular they have turned their attention to the social and civil implications of free-market thought – the very areas that this thesis has suggested pose the most significant challenges for neo-liberals. Having examined the different attitudes they have adopted regarding progress (both during the Howard years and more generally) this thesis concludes by considering how neo-liberals have positioned themselves within modernity itself.

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[167] Tim Wilson, 'Liberalism must evolve to match generational shifts', *IPA Review*, Vol. 59(4), January 2008, pp. 25-27.
[168] Wilson, 'Liberalism must evolve', p. 25.
[169] Wilson, 'Liberalism must evolve', p. 27.
[170] Wilson, 'Liberalism must evolve', p. 27.
[171] Walter (with Todd Moore), *What Were They Thinking?*, p. 313.
[172] Walter (with Todd Moore), *What Were They Thinking?*, p. 312.

Neo-liberalism and modernity

Contemporary neo-liberalism is inseparable from the processes of marketisation and financialisation that are, in turn, synonymous with the modern world. As David Harvey has noted, "neoliberalization has meant, in short, the financialization of everything".[173] As noted earlier, some neo-liberals, pointing to the collapse of communism in Eastern Europe and the continued trend towards economic globalisation, have suggested that the free market has triumphed and will continue to do so. Indeed, with the adoption of free-market agendas by prominent centre-left governments (such as that led by Tony Blair in the United Kingdom), neo-liberals seem to have found themselves on the 'right' side of history.[174]

However, despite the significant spread of marketisation and financialisation in recent decades, it has been suggested above that many neo-liberals adopt a cautious attitude regarding the prospects for continued progress towards their minimal state, free-market ideal. In addition to concerns regarding the nature of civil society and Australian culture (discussed earlier) more broadly, this caution is related to neo-liberals' mixed attitude towards modernity (the world post-1789) itself. Hayek's statement that the test of a true liberal is opposition to the French Revolution[175] highlights an important aspect of neo-liberal thought: suspicion of 'rational' planning and other ideological positions that seek to shape the world against the grain of spontaneous social evolution. Neo-liberals' continued emphasis of this point (apparent, in particular, in their criticism of government) essentially constitutes a partial rejection of a key aspect of the

[173] Harvey, *A brief history*, p. 33.
[174] Edwin J. Feulner Jr. of the Heritage Foundation has written that "in many areas we have succeeded in changing the climate of opinion *and* [Feulner's emphasis] changing the world. Communism has failed, the Berlin Wall has been torn down, and even left-of-centre politicians like [former] President Clinton and Prime Minister Blair are embracing the rhetoric of our classical liberal solutions when talking of some of our modern social problems. I believe the irony would not be lost on Professor Hayek": Edwin J. Feulner Jr, 'Foreward', in Friedrich A. Hayek, *The Road to Serfdom* with *The Intellectuals and Socialism*, The Institute of Economic Affairs, London, 2005, p. 94.
[175] Andrew Gamble, *Hayek: The Iron Cage*, p. 33.

Enlightenment associated with the dawn of modernity – the application of reason and science to social and political problems.[176] Human beings are rational, according to neo-liberals, but collective rational decision-making remains dangerous. Indeed, Australian neo-liberals have, at times, endorsed the work of the famous critic of the French Revolution, Edmund Burke, in emphasising the significance of traditional, organic social structures.[177]

However, while pointing to the importance of culture and tradition, neo-liberals clearly do not seek a return to the values and politics of a pre-modern age. For example, as philosopher Jean Curthoys suggests, Hayek, in his emphasis on the ability of the price mechanism to allocate resources, revealed capitalism to have "an implicit *rationality* [her emphasis] unavailable to socialism" and thus "recaptured Enlightenment's credentials for capitalism".[178] She argues that neo-liberals endorse a particularly conservative version of the Enlightenment, writing that, "Hayek locates himself in Hume's version of the Enlightenment, one which he interprets as using 'reason to establish the limits of reason'".[179] Manne has argued that neo-liberals were influenced by notions of freedom associated with the French Revolution, though they rejected efforts to extend notions of equality beyond a focus on equal opportunity and towards outcomes and 'social justice'.[180]

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[176] A.C. Grayling, *Ideas that Matter: The Concepts that Shape the 21st Century: An Opinionated Guide*, Basic Books, New York, 2010, p. 111.

[177] See, for example, Chris Berg, 'Our great Books, *Quadrant Online*, 26 April 2010, http://www.ipa.org.au/sectors/ideas-liberty/news/2114/our-great-books, accessed 2 December 2010; Chris Berg & John Roskam (eds.) with Andrew Kemp, *100 Great Books of Liberty: The Essential Introduction to the Greatest Idea of Western Civilisation*, Connor Court Publishing Pty Ltd, Ballan (Vic.), 2010; Peter Saunders, *The Social Foundations of a Free Society,* Occasional Paper 79, Centre for Independent Studies, Sydney, 2002, pp. 38-39.

[178] Curthoys, 'The Closed Circle', p. 51.

[179] Curthoys, 'The Closed Circle', p. 51. Curthoys goes on to suggest that "the neo-liberal aversion to politics, in the sense of human beings making decisions about social issues, follows from the conviction that these are beyond the limits of reason" (p. 67).

[180] Robert Manne, 'Is Neo-Liberalism Finished?', in Robert Manne & David McKnight, *Goodbye to All That?: On the Failure of Neo-Liberalism & the Urgency of Change*, Black Inc, Melbourne, 2010, p. 17. Manne argues that "[u]nfortunately, however, neo-liberals argue, many political thinkers had been seduced by the other great value unleashed by the French Revolution: equality.

Neo-liberals, though drawing on the ideas of the counter-Enlightenment in order to reject state planning, have been unable to resist constructing their own political and ideological program. Curthoys suggests that neo-liberalism falls into the same trap as Marxism in believing that "*political philosophy* [Curthoys' emphasis] can provide clear answers to intrinsically contextual questions".[181] Indeed, this thesis has documented how the dilemma confronted by Hayek – that in order to establish and ensure the continuation of a liberal order it is necessary to construct an interventionist political program – continues to challenge Australian neo-liberals. In complex areas of social policy, in addressing external threats to the nation and in dealing with the diversity of civil society, neo-liberals confront the reality that a liberal society requires often extensive government intervention in order to survive.

Neo-liberals can be accurately seen as arguing their corner within, rather than being opposed to, the broad movements of the Enlightenment and modernity. This interpretation appears to be endorsed by neo-liberals themselves. Gregory Melleuish and Imre Salusinszky have argued that "for most liberals the Enlightenment is the key defining moment in the coming of modernity".[182] A number of contributors to their collection, however, distinguished the variant of the Enlightenment endorsed by supporters of individual liberty and the free market from that supported by the interventionist social democratic left. Michael Warby (previously of the IPA), for example, argued that the twentieth century constituted a

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The only kind of equality not inimical to a market society was equality of opportunity. Its most important expression was equality before the law. All other attempts to advance the cause of equality in human affairs had to be resisted. At its worst, this attempt had led to the nightmare known as socialism, whose ugly potential was first revealed in Soviet totalitarianism. But a more moderate version of the idea of equality, often expressed as the quest for social justice, has also done very great harm. In trying to create a society not of absolute but relative equality after World War II, elaborate welfare states had been created" (p. 17).

[181] Curthoys, 'The Closed Circle', p. 45.

[182] Gregory Melleuish & Imre Salusinszky, 'Introduction', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left*, Duffy & Snellgrove, Sydney, 2002, p. 2.

> struggle between adherents of the sceptical Enlightenment vision, of a society of ordered liberty taking human nature largely as a given, and the adherents of the radical Enlightenment visions, of harmony through a purified society and transformed humanity. The former was a vision confident in the range of human reason, the latter one intoxicated by it.[183]

According to Warby, despite "the collapse of Leninism" the radical Enlightenment project has lived on in "the culture wars of the intelligentsia, especially over the project of creating social harmony through social control of language and de-legitimisation of dissenting opinion".[184] These leftist heirs of the radical Enlightenment "define themselves as virtuous, against fellow Westerners"[185] and, confronted with Islamic extremism, adopt the notion of "the enemy of my enemy is my friend".[186] Similarly, in his contribution to *Blaming Ourselves*, historian and prominent cultural warrior Keith Windschuttle outlined the widening divide between "the radical left and the liberal left", suggesting that the former may be on the verge of collapse.[187]

While rejecting the 'radical' Enlightenment, neo-liberals still struggle to define the exact position that they occupy within modernity. As demonstrated, they continue to attempt to reconcile the contrasting influences of conservative and socially progressive liberalism. The former clearly draws upon a Burkean respect for traditional institutions (such as marriage) while the latter, though championing price and market mechanisms, seeks to allow individual liberty to spontaneously flourish in all areas of life. In short, neo-liberals remain divided on the issue of the basis upon which the free market rests – some holding to the belief that progress depends upon cultural factors that call for interventionist

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[183] Michael Warby, 'The Enlightenment Battles of September 11', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left*, Duffy & Snellgrove, Sydney, 2002, p. 134.
[184] Warby, 'The Enlightenment Battles', pp. 134-135.
[185] Warby, 'The Enlightenment Battles', p. 145.
[186] Warby, 'The Enlightenment Battles', p. 136.
[187] Keith Windschuttle, 'Blaming Ourselves: September 11 and the Agony of the Left', in Gregory Melleuish & Imre Salusinszky (eds.), *Blaming Ourselves: September 11 and the Agony of the Left*, Duffy & Snellgrove, Sydney, 2002, p. 202.

protection (fearing that 'freedom' may, ironically, undermine its own foundations) while others are more confident that a liberal- minimal government framework will come to fruition.

This division has important implications for how neo-liberals judge the prospects for progress towards a more classically liberal society. For example, at the 1985 meeting of the Mont Pelerin Society (hosted by the CIS in Sydney) a significant debate occurred between John Gray of the LSE and others present. Gray, examining the possibility of conflict and convergence between liberal and conservative philosophical traditions, attacked the notion of inevitable progress, arguing that

> It is to serendipity, and not to historical inevitability, that we owe our freedom.
>
> There are good reasons for abandoning the idea of progress as it was understood by the classical liberals and even by the conservative liberals among them (Tocqueville, Constant, Menger and Hayek, for example).[188]

Gray concluded that

> We cannot avoid seeking to contain the unplanned growth of legislation by imposing on government a regime of rules – a system of principles whose content is best illuminated in the contracterian constitutionalism of our present President [US economist James Buchanan] and his school. In the absence of a constitutional revolution of this sort, we are surely condemned to tread a weary path to one of the worst of all outcomes – a weak Leviathan in a political state of nature.[189]

Gray, in other words, was convinced that free-market capitalism could undermine itself from within, and thus advocated the embrace of a 'rational' project of constitutionally restraining government.

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[188] John Gray, 'The Liberal and Conservative Intellectual Traditions: Conflict or Convergence?', records of the Mont Pelerin Society, Hoover Institution Archives, Stanford University, Box 26 (regarding meeting of Mont Pelerin in Sydney, 19-23 August 1985), Folder 26.3, p. 4.
[189] Gray, 'The Liberal and Conservative Intellectual Traditions', p. 6.

At the same meeting of the Society, Australian-born political theorist Kenneth Minogue (of the London School of Economics) turned to social conservatism in an effort to establish a framework of rules for liberal society.[190] Minogue argued that,

> with the disappearance of religion from many people's lives, and the expansion of distractions and possibilities, it might more plausibly be said of the later generations of moderns that they are bundles not of desires, but of mere impulses. This is a very agreeable condition for those living within the prosperities of the West, but it is also subject to evident perils; and we just do not know from generation to generation how society is changing as a result of it. In such circumstances, liberals would be well advised to embrace some of the conservative elements of the political tradition to which they belong.[191]

Gray and Minogue's comments were, however, challenged by Hannes H. Gissurarson of Pembroke College, Oxford and the University of Iceland who argued that "we [the Mont Pelerin Society] should prefer conservative liberalism to the liberal conservatism so eloquently offered by our two speakers".[192] Arguing that liberals should not abandon "their belief in the possibility of progress",[193] Gissurarson suggested that conservatives have more to learn from liberals. He defended the universal applicability of liberal philosophy:

> The liberal thesis is … that every human being is, in principle, fit for freedom. It is that even if liberty is an achievement of European culture, as it surely is, it can be shared by non-European peoples. Freedom is indeed a skill; it has to be learned. But it is a skill which most or all human beings can learn (and, sadly, one which they can also unlearn). It is in this Hegelian sense that freedom is, and ought to be, the end of human history.[194]

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[190] Kenneth Minogue, 'Hayek and Conservatism: Beatrice and Benedick?', Records of the Mont Pelerin Society, Hoover Institution Archives, Stanford University, Box 26 (regarding meeting of Mont Pelerin in Sydney, 19-23 August 1985), File 26.4, pp. 16-17.
[191] Minogue, 'Hayek and Conservatism', pp. 16-17.
[192] Hannes H. Gissurarson, 'A Conservative Case for Liberalism? Comments on Papers by Dr. John Gray and Professor Kenneth Minogue', Records of the Mont Pelerin Society, Hoover Institution Archives, Stanford University, Box 26 (regarding meeting of Mont Pelerin in Sydney, 19-23 August 1985), File 26.3, p. 1.
[193] Gissurarson, 'A Conservative Case for Liberalism?', p. 1.
[194] Gissurarson, 'A Conservative Case for Liberalism?', p. 2.

The conservative critique of Hayek (claiming that a "plan to resist planning" still constitutes an ideologically motivated agenda) is, according to Gissurarson, mistaken as it ignores "the distinction between imposing some ends upon society, as socialists and conservatives alike seek to do, and removing obstacles to the spontaneous growth of society, as Hayek wants".[195] "The former kind of politics", Gissurarson maintains, "is ideological, the latter not".[196]

This debate between members of one of the world's most significant free-market groups neatly encapsulates some of the core tensions embodied within neo-liberal ideology. Gray and Minogue, wary of the notion that liberalism will progress on its own terms, searched for elements to add stability to their ideological outlook. Both were critical of the ideological rationalism of the Enlightenment (indeed Minogue criticised Hayek for attempting to abolish human folly in *The Constitution of Liberty* while Gray came to condemn neo-liberalism as a radical political project)[197] yet both resorted to 'planned' methods to protect liberty. In contrast, Gissurarson, a believer in the notion that the cause of liberalism will spontaneously progress, did not acknowledge the tensions outlined by his two fellow Mont Pelerin members and denied neo-liberalism's ideological content.[198]

Clearly, neo-liberals continue to confront the tensions inherent in the notion of 'planned freedom'. While confident that free-market ideology has triumphed over the 'radical' Enlightenment with its emphasis on state planning, individuals such as Peter Saunders remain ever aware of the extent to which further progress is dependent on sound cultural foundations and even (in some cases) a limiting of individual choice. There is some concern that the social foundation of capitalism may be fraying. Barry Maley, of the CIS, for example, has warned that the central institutions of modernity – "family, education, industrial employment

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[195] Gissurarson, 'A Conservative Case for Liberalism?', p. 6.
[196] Gissurarson, 'A Conservative Case for Liberalism?', pp. 6-7.
[197] See Gissurarson, 'A Conservative Case for Liberalism?', p. 4; Minogue, 'Hayek and Conservatism'; John Gray, *False Dawn: The Delusions of Global Capitalism*, The New Press, New York, 1998.
[198] Gissurarson, 'A Conservative Case for Liberalism?', pp. 6-7.

[and] voluntary associations" – "are showing signs of failure that may lead to real danger for social and civic virtues".[199]

Such observations beg the question: what cultural attributes should liberals favour and on what basis? Ironically, in drawing on social conservatism and emphasising the importance of the traditional values of the Anglosphere, neo-liberals risk endorsing the cultural relativism associated with post-modernity.[200] The post-modern notion developed by some neo-liberals that values are culturally grounded, rather than universally applicable, clashes with the intellectual and organisational globalism of the free-market movement.

The competing influence of conservative and more socially oriented liberalism upon neo-liberals thus highlights their conflicted relationship with modernity itself. On the one hand the scope of the free market, aided by modern technology, is expanding rapidly. On the other, a degree of pessimism exists as to whether modern free-market societies are the picture of social health and stability. Geoff Boucher and Matthew Sharpe (perhaps overstating the case) note that during the Howard years "the new Australian Right" was "overwhelmingly characterised by anxiety… there was a sense of crisis or social collapse".[201] Aware that modern societies depend on pre-modern values,[202] neo-liberal fears

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[199] Barry Maley, 'Morals and Modernity', in David Popenoe, Andrew Norton, Barry Maley, *Shaping the Social Virtues,* Policy Monograph No. 28, Centre for Independent Studies, Sydney, 1994, p. 79.

[200] As Geoff Boucher and Matthew Sharpe explain: "Indeed, once the smoke of arcane debates and acrimonious accusations around post-modernism clears, our sense of it is that the major difference between postmodern progressives and postmodern conservatives is how they apply their relativism. For the postmodern Left, a multiplicity of heterogeneous cultures existing within a national community is something to celebrate, whereas for the postmodern Right it is a nightmare vision of social breakdown. For the postmodern Right, the harsh reality of international relations is that we live in a world composed of civilisations bound to clash. So instead of the different subcultures dear to the Left, we just have the darker post-modern vision of a world divided between incommensurable civilisational enemies": Geoff Boucher & Matthew Sharpe, *The Times Will Suit Them: Postmodern Conservatism in Australia,* Allen & Unwin, Crows Nest, 2008, pp. xi-xii.

[201] Boucher & Sharpe, *The Times Will Suit Them*, p. xi.

[202] See Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity,* Hamish Hamilton, London, 1995, pp. 110-111.

about social decay contribute to a sense of doubt about the future prospects of classical liberalism.

Socially liberal advocates of the free market (such as Andrew Norton) have tended to be more optimistic than their conservative bedfellows.[203] However, they still confront the reality that Western governments have mostly continued to expand in scale. Henderson has noted that

> Fukuyama argues convincingly that authoritarian regimes have lost legitimacy in the world of today: almost everywhere, their claims to acceptance and support are now dismissed as fraudulent. *Broadly speaking, and despite the collapse of communism, no such decisive loss of perceived legitimacy has yet occurred with respect to the economic role and pretensions of the modern state* [Henderson's emphasis].[204]

A number of neo-liberals share this sentiment, suggesting that levels of public and political endorsement of the free market are cyclical (rather than sustained) in nature.[205] As noted above, Friedman himself viewed the shifts in the fortunes of the free market as tidal. However, neo-liberals who adopt the 'cyclical change' position possess more than simply a metaphor. Often they possess distinct theories as to what drives or inhibits historical 'progress'. Friedman, for example, wrote of the power of ideas in human affairs. Ideas, he maintained, may lag behind events but ultimately they "keep options open, providing alternative policies to adopt when changes [have] to be made".[206] Ideological shifts can, however, "create conditions that may ultimately reverse them" by, for example, threatening the vested interests created by collectivism.[207]

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[203] Contrast, for example, Norton and Maley's contributions to Popenoe, Norton, Maley, *Shaping the Social Virtues*.
[204] Henderson, *The changing fortunes of economic liberalism*, p. 93.
[205] Although note the comments of Henderson who suggests that, contrary to Fukuyama's emphasis on 'cycles and discontinuities', "before the present trend set in, and even allowing for exceptions and for some notable positive developments after 1945, *economic liberalism had been in decline for a century* [Henderson's emphasis]": *The changing fortunes of economic liberalism*, p. 86.
[206] Friedman, 'The Tide in the Affairs of Men'.
[207] Friedman, 'The Tide in the Affairs of Men'.

Norton has focused on the significance of political cycles in seeking to explain the fortunes of free-market policies.[208] In essence, he argues that in times of prosperity neither governments nor citizens feel compelled to support reductions in public expenditure as it is possible to fund commitments to education and other services without raising taxes. Conversely, public demands for such increased expenditure may decline in tougher times in preference to tax cuts.[209]

Recently neo-liberals have expressed concern that a new era of government intervention is emerging with the advent of the Global Financial Crisis (GFC) and renewed political and public concern regarding climate change.[210] Oliver Hartwich of the CIS, for example, has pointed to the parallels between the GFC and the banking crisis that engulfed Europe and the United States in 1873, with failure within the market again being confused with a failure of the market.[211] There has been, Hartwich notes, a return to notions of 'big government'.[212]

Similarly, Robert Carling has expressed the fear that the political reaction to the GFC will strangle the financial sector and slow liberal progress in other areas such as taxation reform.[213] For Ray Evans and Des Moore, in particular, the rhetoric surrounding climate change is being used to justify wider intervention in the economy.[214] Evans has labelled "the whole climate change thing" (by which he presumably means a belief in human induced climate change and the need to de-carbonise the economy) as "fantastic" and "insane".[215] Again free marketeers are reminded that they face numerous sources of opposition within modern free societies, and ponder how to counter their opponents in a manner consistent with liberal principles. The modern world, for many neo-liberals, manifests an endless war between the friends and foes of freedom.

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[208] With respect to the funding of think tanks see Michael Warby, 'From the Editor', *IPA Review*, Vol. 51(1), March 1999, p. 1.
[209] Norton, 'The Rise of Big Government Conservatism', p. 17.
[210] Earlier, Gregg noted with concern the rise of environmentalism as a new religion: Samuel Gregg, *Beyond Romanticism: Questioning the Green Gospel*, Occasional Paper No. 73, Centre for Independent Studies, Sydney, 2000.
[211] Oliver Marc Hartwich, interviewed by Andrew Thackrah, 22 April 2009.
[212] Hartwich interview.
[213] Robert Carling, interviewed by Andrew Thackrah, 29 April 2009.
[214] Evans interview; Moore interview.
[215] Evans interview.

Conclusion

This thesis has examined the nature of neo-liberal thought in Australia during the Howard years, focusing upon the debates and discussions that have occurred within three main groups – the Centre for Independent Studies, the Institute of Public Affairs (both prominent think tanks) and the H.R. Nicholls Society. The work of other neo-liberal think tanks, groups and individuals has also been drawn upon. In contrast to previous (largely political science-focused) studies that have examined the work of neo-liberals think tanks in both Australia and beyond, this thesis has been less concerned with tracing the influence and impact of these bodies (an important though methodologically fraught task) than with exploring the recent intellectual history of free-market thought in Australia.

Though neo-liberalism may be riddled with internal tensions and contradictions, it can only be fully understood by taking seriously the highs and lows, the queries and concerns of its adherents. Implicitly endorsing the historiographical approach of the intellectual historian Quentin Skinner, this thesis highlights the value of approaching the study of ideology by examining the milieu within which ideas develop, while also seeking to understand what neo-liberals "intended to mean, and how this meaning was intended to be taken".[216] In short, while an examination of the social, political and economic context within which

[216] Quentin Skinner, 'Meaning and Understanding in the History of Ideas', *History and Theory*, Vol. 8(1), 1969, p. 48. In this landmark article Skinner conceded that the approach of seeking to discover the meaning of statements by examining their context could assist the historian. He argued, however, that "the appropriate methodology for the historian of ideas must be concerned, first of all, to delineate the whole range of communications which could have been conventionally performed on the given occasion by the utterance of the given utterance, and, next, to trace the relations between the given utterance and this wider *linguistic* [Skinner's emphasis] context as a means of decoding the actual intention of the given writer" (p. 49). While emphasising the importance of linguistic context, Skinner is interested in unearthing the specific questions and challenges that historical actors have confronted, rejecting the notion of 'perennial problems': "any statement… is inescapably the embodiment of a particular problem, and thus specific to its situation in a way that it can only be naïve to try to transcend. The vital implication here is not merely that the classic texts cannot be concerned with our questions and answers, but only with their own" (p. 50).

neo-liberal ideas have developed in Australia is a central aspect of this thesis, it has attempted when dealing with primary source material to 'get inside the heads' of neo-liberals by examining in detail the nature of the free-market ideas they have developed.

This methodological approach has entailed confronting and seeking to explain neo-liberals' mixed attitudes towards the Howard years. While other studies, correctly noting the significant policy 'victories' that neo-liberals celebrate, have been largely dismissive of the complaints of free-market think thanks, this thesis demonstrates that a thorough, historically informed consideration of the (often diverse) views expressed by these groups during this period leads to more nuanced understanding of their ideology and its inherent tensions. The debates and discussions that occurred within key think tanks at this time offer unique insights for those seeking to understand neo-liberalism as a complex, living, breathing ideology.[217]

[217] Again, to make this observation is not to suggest that a study of the plotting and intrigue that surrounds aspects of the free-market movement, or of the impact of neo-liberal think tanks, is not of value – such matters are simply not the focus of this particular intellectual history.

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