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David Penington AC

There are many in this room who have given leadership in Australian public life. It is a pleasure to be with you. There is always much to celebrate on Australia Day. In the nearly 230 years since the first Fleet landed, we have certainly become a great country. We have good reason to enjoy and feel proud of it. However, our world is changing - the global economy is slowing. The value of our resources has dropped markedly and will almost certainly stay lower. We face real change. We need to understand this before making big decisions about our future as a nation in the new environment.

After nearly ten years of turbulence in national political leadership of both major parties, we need to think 'outside the box' as to what the community really needs and sees as important.

I have an old friend, **Fred**, who I meet in the country from time to time. He considers himself an 'ordinary Australian' and has strong views. He and some of his friends believe the country has 'lost its way'. He is appalled at calls for multiculturalism which jar with our past certainty as a British country. He criticises the wasted time and controversy over climate change when everyone knows our weather was always changeable. Why can't they just fix all the problems with the budget to provide us with all we need without threatening to raise taxes?

He hears calls from Pauline Hanson's One Nation or the recent United Patriot's Front which tried to stop a mosque being built in Bendigo or elsewhere. "That fellow Donald Trump in America can call the shots there. Maybe we need the same here."

"Britain must have had real plans for Australia? We should take pride in fulfilling their expectations." says Fred.

It is not easy to get Fred to look at history if it does not support his views.

The reality, the First Fleet was organised during 1786 by the Home Office headed by Lord Sydney, because he had run out of places to put criminals, having filled all the prisons and prison hulks moored in the rivers. They had finally lost their American colonies just a year earlier.

The Fleet was mostly for British or Irish convicts. Once they had 'served their time' in Sydney, many became the first members of our free society. The army detachment, NSW Corp, sent with them came to control virtually all commerce in the colony and importantly, the distribution of rum, which became a de-facto currency. They challenged successive governors. After some nine years there was the so-called 'Rum Revolution' against Governor Bligh. Many of them had become the first land owners. Some did dreadful things to aborigines as they spread their activities, seizing new land. They had no respect for authority. Should we be like them?

“But we then became a wealthy nation from mining and agriculture.” says Fred. “Why can’t this continue?”

John Macarthur came to Sydney as a young Lieutenant of the NSW Corps. He managed to get himself land for a farm and imported good merino sheep from Europe. He started making his fortune whilst battling with Bligh. He set the scene for much of Australia’s next 150 years of prosperity from wool. Others explored the continent, once the Blue Mountains had been crossed, opening up new fertile land, explored on horseback across the South East by Thomas Mitchell. Matthew Flinders circumnavigated and charted Australia’s coast in a small boat.

South Australian farmers found wheat that was drought resistant and became exporters of grain. Australian wool came to be much preferred for textiles in Britain, displacing German wool. Agriculture benefitted from the South Australian invention of the stump-jump plough and later from the Sunshine harvester by McKay in Victoria. Innovation always mattered.

Lack of government action to control ownership of land had led to ‘squatters’ seizing vast acreage with money pouring in from Britain and elsewhere to develop it. After a ‘boom’ there was a serious financial recession in the 1840s. Governor Gipps in NSW then achieved sensible regulation of land ownership and things settled down.

Victoria became independent from NSW in 1851, the year in which gold was discovered, first in NSW and then just months later, much more in Victoria, in the Ballarat and the Bendigo regions.

Victoria grew from 77,000 people in 1851 to 1.1 million in 1890 with migration due to the gold rush. Melbourne became one of the richest cities in the world. It erected many fine buildings and staged an International Exhibition in 1862 in a building we all know. Later after surging property prices there was a huge financial ‘crash’ in 1891-3 with some banks closing. Things then slowly recovered.

Geoffrey Blainey’s *‘The Rush That Never Ended’* (1993) was about our mining boom. Maybe it **has** now ended with the crash in price of iron ore! Only big miners may survive, with economies of scale and highly automated mining, following the resetting of international commodity prices at a far lower level for iron, copper, oil and gas. Many small mining companies may disappear. The abnormal factor, in retrospect, was not the crash in prices but the huge time-limited boom in demand from China from which we all benefitted, hoping it would continue for ever.

Australia did very well with foreign capital from Britain and the US over very many years, but the world has now changed. We appear to have fears about Chinese investment, but need to see China as a potential partner, not a future enemy.

“We have big problems in paying for the things we need in the States” says Fred. “Why can’t the States and the Feds agree between themselves to fix it?”

Our federation was enacted in 1901 with a Constitution agreed. The Commonwealth took control of income tax in 1942 during WWII and distributes a portion to the States, with a formula to look after smaller States with special needs. If one State gets more, the others get less.

The GST came in 2000, administered by the Commonwealth to give revenue to the States, but it is distributed like income tax. WA is 11.16% of our population but gets only 4.2% of the GST raised because of its royalties. Circumstances can change at short notice, like the rapid drop value of iron, but the reimbursement formula has a long lag period.

The recent discussions in COAG under Malcolm Turnbull were the most promising in years in gaining shared understanding of the basic problems. We hope agreement will become possible, but if every State wants more for services, either the Commonwealth must sharply reduce expenditure or further revenue must be found. The Senate’s capacity to block reduced spending is a further issue; we may need Senate reform to be sure it reflects real democracy.

We need to get popular understanding, support in the community and from each side of politics as to the principles that need to apply if we are to move ahead.

Fred has heard the talk of innovation, but is concerned when he hears that bright young Australians often depart overseas, as do Australian inventions. “Why can’t we make money from inventions to replace the wealth that is disappearing?”

Australia developed some major universities from the early 1850s. Menzies gave further strong support to these in the 1950s and 60s - strengthening research. But Australia, despite producing some very clever people, has never put anything like as much into research as the US, Britain or now some emerging nations. We have just rested on wealth from resources.

It is true many of our graduates choose to go overseas to work in far better funded universities in the US, Britain or elsewhere. **Howard Florey** from Adelaide developed penicillin in Oxford with a Nobel Prize in 1945. There have been eight further Nobel prizes for Australian Science since then. **Brian Schmidt** is our latest, an American who carried out much of his remarkable research in Australia with international collaborators. He has just this month commenced as Vice Chancellor of the ANU – a great appointment.

For all this, our society tends to be equivocal about science and research. Government of both persuasions have, since Dawkins in 1989, reduced public funding of Universities per student, out of which universities also support their research.

Peter Doherty, one of our Nobel Prize winners and author of *'The Knowledge Wars'* (2015), points out we have a great capacity to ignore science when it is inconvenient. Many around the world still deny the reality of Charles Darwin's *'Origin of Species'* published in 1859. They prefer to see the Book of Genesis as a Text Book of the whole of geology and biology. More recently, we hear from climate change deniers, who have a quasi-religious devotion to the fundamentalist Ayn Rand view of capitalism. They believe passionately that governments should not interfere with ever-growing release of greenhouse gasses! The CSIRO had its funding cut by the Abbott Government by an amount matching what it was spending on climate change research!

Fred asks "If we have had these brilliant scientists, why don't we have huge earnings from new industries, like in America?"

A good question. At the end of WWII, the US had recovered from the devastation of the 1930s depression after huge investment in the war. President Truman asked **Vannevar Bush**, formerly principal scientist to Roosevelt who oversaw the Manhattan (Atom Bomb) project, to advise on the future of science. His Report was entitled ***Science, the Endless Frontier.***

The future of the country was seen to rest on ever changing science. He called for heavy investment in a new National Science Foundation, which was then approved by Congress. The expectation was that the science would lead to refurbishing industry, through collaboration, as occurred during the war. A separate National Institute of Health was also established. Both have been funded at a high level ever since, with industry investing jointly in research to discover new directions and products. Ever since, their researchers have moved back and forth between industry and universities in a way we have never known in Australia.

International comparison of research funding by our Bureau of Statistics, still on its website, showed in 2001, that our R&D expenditure was 1.53% of GDP, compared with Sweden's 3.78% Within these figures, business expenditure on R&D for Sweden was 2.84% compared with Australia's 0.72%.¹ By 2011 Australia had raised total R&D to 2.25% compared with Korea's 3.74 and Israel at 4.10%. Our Business R&D rose a little in 2008 but has slid year on year since then.

¹ Bureau of Statistics and OECD figures.

Australian Industry Is risk averse, as is our public sector, including universities, comparing results each year on numbers and dollars rather than real outcomes. Industry and public strategies are consequently short term.

The explorers who opened up this country took huge risks, starting with James Cook venturing across the Pacific for months seeking the postulated *Terra Australis*. Many others took big risks in developing the country, but now *everyone wants certainty*.

We **must** now look at whatever is needed for young people to dream dreams and to venture into the unknown as to what can be achieved in Australia. We must accept that failure is not the end of the world – we learn from mistakes. We need more Venture Capital, with tax arrangements to support it, especially for small companies.

It will take years to generate the university related innovation environments like those in the US such as Silicon Valley near the Universities of Stanford and Berkley and many similar US locations, Cambridge, Oxford, new developments in London and now in Asia. However, the international success of companies like CSL, Cochlear and the very successful recent float of the Sydney IT company Atlassian on NASDAQ show we can do it.

Fred thanks me for all of that, but now turns to another of his concerns. “What about all the problems we have with this multiculturalism and Islam coming to Australia?” As he said before, “Can’t we just be British?”

Human beings feel secure associating with people like themselves. Those who want us to go back to the past ignore the fact that, apart from the indigenous peoples, ***we are all immigrants or descended from immigrants.***

Apart from failing to reach a good and productive relationship with the aboriginal community, we have done better than almost any other country in forming a tolerant multicultural society – this is one of our strengths as a nation. Many immigrants from a devastated Europe made huge contributions after WWII, founding and developing great companies, even though most arrived here with hardly a penny.

Young Islamic people need to feel that Islam is respected, with its many common roots in the texts of Jewry and Christianity. We need to understand each other. It originated in the 7th Century in the tribal life of deserts of what is now Saudi Arabia. As with many words in the Torah or the Bible which pertain to beliefs and cultural attitudes of much earlier days, the Quran needs to be interpreted similarly. Islam has its own history of high culture. Australian Moslems, committed to our lifestyle, are our best asset against the worrying threat of the Islamic State. The surge of immigration from Asia since the 1970s will bring further innovation as we seek productive relations with many Asian countries.

“What about illicit drugs” says Fred? “Surely the police should be able to lock up all the users and stop drugs coming into the country.”

Decisions to ban addictive drugs go back over 100 years. International conventions to enforce these mostly date from the 1940s. Nixon, in 1971, announced a *War on Drugs* - a clever political move to distract voters from the Vietnam War. Successive US administrations poured huge funds into fighting drug production and imprisoning huge numbers for selling or possessing drugs. Several Latin American countries have been almost destroyed by the war against drugs. The scale of the international drug industry still grows, as does damage from drugs in our own society.

Ken Lay, the recently retired Victorian Chief of Police, released an excellent National Report into the latest dangerous drug – Ice Methamphetamine. He rightly points out that there is no way the police can stop it. The answer lies with education and appropriate treatment, and local involvement of families. We know many young people experiment with alcohol and various drugs as they grow up. Only some 25% of Ice users take it on a weekly or daily basis, an indicator of addiction. Many others take it occasionally, but are at risk of progressing. We must work with young people to see drugs as a health issue, as is misuse of alcohol. A campaign of both education and early treatment at a local level, especially with those not yet addicted, is vital to stop the current surge, as is the more difficult task of treatment of addicts. Communities can effectively support rehabilitation and the police on trafficking.

Current commitments to trial medicinal cannabis in Victoria and NSW will help some sick people and children. This will become *the first illicit drug to become subject to regulated supply of a far safer version than illicit pot, with careful medical monitoring*. This may be the way to move, step by step, with controlled access to much safer forms of other drugs, escaping from deaths due to impure and dangerous illicit drugs.

Lastly says Fred, “What are we to do about our politicians? On television they are afraid to admit they don’t know how to solve the problems.”

There are no easy answers. Their advisers are telling them not to say controversial things. Donald Trump is an exception. This is why, at the moment, he is so popular in the US, but would be a disaster as a President.

To change the culture of Australia is a big ask - to value science, - to get good teaching in education which links with understanding science, and - to recognise risk taking and - the importance of research and development in industry. We need to get wide understanding of what the country needs, hopefully with bipartisan support, as was achieved during the Hawk/Keating economic reforms of the 1980s and 90s. We have done it before and can do it again. Journalists and other leaders need to participate in the substance of the debates, rather than just criticising individuals. Clear articulation of issues is important – no room for spin

What is 'spin'?

We all are sensitive to the use of 'spin' by politicians, as they avoid answering questions. Do we recognise 'spin' when we hear it?

Hillary Rodham Clinton may become the next President of the US, but during the primaries 8 years ago, someone researched her 'Rodham' background. They found her great-great uncle, Remus Rodham, was hanged for horse stealing and train robbery in 1889.

The only known photograph of Rodham shows him standing in the gallows. On the back of the picture is the inscription: 'Remus Rodham; horse thief, sent to Montana Territorial Prison 1883, escaped 1887, robbed the Montana Flyer six times. Caught by Pinkerton detectives, convicted and hanged 1889.'

The above information was sent to Hilary's office for comment. After some delay, they sent back the following biographical sketch of Remus:

'Beginning in 1883, he devoted several years of his life to service at a government facility, finally taking leave to resume his dealings with the railroad in 1887, he was a key player in a vital investigation run by the renowned Pinkerton Detective Agency. In 1889, Remus passed away during an important Civic function held in his honour when the platform on which he was standing collapsed.'

We need to face all these challenges together as Australia seeks, once again, to move ahead

***David Penington
Emeritus Professor
University of Melbourne
dgp@unimelb.edu.au***