

# **CREATIVE DISTRACTION**

## **Editors' Note**

It's been a long time coming but *Creative Distraction* is back for 2005. Hot off the press, this is a magazine of ideas and perspectives to give you some insight into the world in which we live. Put your feet up, or your head down, and check it out. You never know, you might enjoy it!

This issue is jam-packed with economic goodness. Teresa Dwight kicks it off with her take on the state of our education system, Jade Shih goes fishing and Peter Rohde puts his case on the table for a national sales tax. Jonathan Pitchford chips in with his book review of *Cosmopolitan Capitalists*, Matt looks the fundamentalist debate from the French Quarter, and Jimmy gazes into the stars. After all, they say astrology was created to make economics look more accurate. Invest in a chair and indulge yourself!

*Matt Ogg, Jimmy Liu and Belinda Moo*

## University or Bust?

*Teresa Dwight*

When we consider the investment into our education, the option of going to university rather than TAFE or another college, we usually take into consideration factors such as time, cost, and any innate skill or ability, or in my situation, a lack of any innate skill or ability.

I don't know about anyone else, but I'm at university because, quite frankly, there's nothing that I'm good at, and I don't excel in any area that requires hands on skill and pays money. Actually, I get confused about how to undo seatbelts on planes (apparently, if you're having trouble you're probably not pulling the lever back far enough).

So the 'smart' people go off to university and everyone else does a trade or stays in retail. Apparently. In my experience, this seems to be the premise, and society is so concerned about the non-student inferiority complex, that the solution appears to be to put university students down instead. I'm referring particularly to the feel-good ad on the radio encouraging school leavers to do a trade. You know the one, "My cousin did a trade and I did university; now I'm in debt, he's not, and he owns a multi-million dollar business."

Wow, let me get this straight. So not only do people who actually do have some kind of skill or talent get full time work and money as soon as they leave school (or soon after), hands-on experience before they're twenty years old, and no more back aches, blood-shot eyes, and casual thoughts of throwing themselves in front of a bus every exam time, but they also end up having more money and being more successful than the kid who spent three to six years scrubbing floors and not having the latest clothes so they could torment themselves in the library to get a degree!?

That is so not what I remember hearing in economics class. I heard that we get to choose our investment. You sacrifice what you could be earning now and add that the cost of education and hope that when you graduate, you earn so much more than what you would have without the degree that the investment pays off, while the tradesman earns more earlier but not as much later. At the time, it was comforting to know that people from high school who were then starting their six month business degree and telling me that "uni students don't grow up", wouldn't be gloating at me in five to ten years time.

However, Australia is currently facing the worst labour shortage of skilled tradesmen in Australian history (*The Guardian* 16<sup>th</sup> of March, 2005). The Howard government's brilliant solution is to encourage students to leave school at the end of Year 10 and get into a trade. Furthermore, it seems, the government has decided that the country already has enough university students – and apparently there is too much spent on higher education.

The Howard government has decided a society with social classes like 18<sup>th</sup> Century England is a much better idea. Only people with rich parents should go to university, and the government should structure the system so there is as little social mobility as possible. The advertisement in question does not appear to be *encouraging* young people to start a trade, it appears to be *discouraging* young people to invest in further education.

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It is my argument that the difference is not a matter of semantics. The Howard government seems to react to policy problems by proposing extreme cutbacks; the abolition of unfair dismissal laws for small business and the abolition of penalty rates to reduce the burden on certain industry sectors. Who needs reforms when you can cutback on education amid a skills shortage crisis? Could it be that the very idea of funding cutbacks to TAFE and universities was the “policy solution” that caused the shortage in the first place?

CFMEU Construction Division Secretary John Sutton has pointed out that the shortage will continue as long as a youth can earn more at McDonalds or KFC than on an apprenticeship, a consequence of the Howard government’s funding cutbacks and ‘new apprenticeship’ scheme. The Industrial Relations Society of Queensland presented a guest speaker, Stephen Long at their annual breakfast on the 22<sup>nd</sup> of February 2005. Mr Long, a journalist/commentator on financial, economic and industrial relations issues, spoke about the effects that Howard government proposals will have on the nature of employment. Apparently, only about 60% of the working class in Australia are actually ‘employees’. The rest are independent contractors or people who own their own businesses.

It is these ‘non-employees’, the kids who do a trade instead of going to university, whom the government is looking to please by such initiatives as the removal of unfair dismissal laws for small business. On the other hand, the nation’s tertiary qualified professionals are all ‘employees’, owned by the government or a private corporation. In this context, funding cuts to universities fits into the entire idea of shifting importance away from professionals and towards people who no longer fit under the traditional industrial relations umbrella – or the control of the government’s industrial relations laws.

The comfort for university students is reality. Most tradesmen are still employees anyway. On average, professionals still earn more than tradesmen. The university investment still makes sense economically, even if we do take account of legislative and structural changes that affect the workforce. Okay, so in the long run the investment in a university education may not always make perfect fiscal sense in all cases, and yes, there will be many cases where some tradesmen will be more successful than some professionals. The question, as the “get into a trade” advertisement seems to suggest, is which direction is, economically or otherwise, more beneficial – university or a trade.

Of course, a general message that suggests one or the other is erroneous. One thing the road to a trade and the road to university do have in common is that funding cutbacks are the problem and not the solution. These ‘policy solutions’, seem more likely to fuel the problem of skilled labour shortage than lead the nation towards easier relations. On an individual level, what it all boils down to is that there is no point in getting up to go to work five days a week unless you love your job. No one has anything to gloat about until they’ve got that.

## **So long, and thanks for all the fish**

*Jade Shih*

When we encounter certain problems in life, we are often told to not worry because there are plenty more fish in the sea. But what if there weren't?

I love my seafood. It tastes fantastic and there seems to be a whole ocean full of it that's free for the taking. But this philosophy of "every man for himself" brings us to a dilemma tagged by Hardin as the *Tragedy of the Commons*. He regards this as a prime example of human failing. Put simply, each individual fights blindly for the available fish, disregarding the suffering of society as a whole in the future. Commercial fishing is currently regarded as the largest human hunting regime in the world and that is exactly what is wrong with the world's fisheries these days.

Due to the lack of international laws for the world oceans fisheries around the world are over-exploiting our natural resources, which has resulted in a decline of fish population numbers for many species around the world, including the commonly eaten Blue Tuna, Atlantic salmon, Swordfish and many more. By-catch is also another big worry attached with commercial fishing, with over 20million mega tones of by-catch discarded (including turtles, dolphins and sea birds) per year, which is approximately a quarter of the world's total marine catch per year.

The total quantity of fish we exploit each year is extraordinary, which leaves us wondering what we're leaving for the next generation to survive on, or rather, what we're not leaving them. Our generation is going down in history as the highest consumer of marine food and most destructive of marine ecology.

Not only is the amount of catch disrupting our delicate marine balance but the methods of catching wild fish have resulted in devastatingly large areas of marine environmental degradation. Methods such as trawling (where a net with heavy ball bearings is dragged across the bottom of the ocean) have been compared tot that of clear cutting, where vast amounts of marine forests just literally disappear over night. Beautifully marine habitats, such as oceanic forests (where a fragile balance of life existed before the interference of man) developed over millions of years of evolution simply wiped from the face of the planet, taking with it any opportunity for us to probe and explore its secrets.

So you think all that's bad enough? At the current rate we're going with commercial fishing we're falling deeper into a lose-lose situation for both Mother Nature and humans! Fisheries around the world are crumbling under the pressure to provide as more and more stocks of fish plummet, fish are becoming rarer and harder to find and catch.

We are currently at a critical turning point with crisis facing us around the corner. According to the FAO (Unities Nations Food and Agricultural Organisation), one in every 200 fisheries around the world is currently depleted or heavily exploited.

A good example of this is the once-great cod fishery off the coast of Newfoundland, which was forced to shut down in the 70s after over exploiting the Atlantic salmon. As fishing becomes harder, advanced technologies are needed to maintain the industry, allowing fisherman to use equipment such as sonar and global positioning to locate fish.

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But there is some good news for fish-lovers (through concern or taste buds), as aquaculture, the farming of fish, is growing twice as fast as the cattle industry. However, we still need to understand the importance of preserving wild stocks of fish, and especially marine habits around the world. If we are to continue to provide a sustainable source of food now and into the future, we must simply reduce, or at the very least, control the intake of our fishing. Until we are able to understand the simple concepts of sharing and patience, instead of exploiting and greed, we might be condemning our oceans to an unfortunate fate.

Our descendants might never be able to experience and discover secrets of the deep seas, and might never be able to simply appreciate the pure beauty of our oceans Mother Nature has graced us with. With hope still lingering, I hope that humanity as a whole can see its faults, and may eventually find its way out of the *Tragedy of the Commons*.

Next time you go to get some fish 'n' chips, here are some better choices:

- Blue grenadier
- Barramundi
- Blue-eye trevalla (Blue-eye cod, big eye, deep sea trevalla)
- Bream
- Yellowfin Tuna
- Flathead
- King George Whiting (SA whiting)
- Mackerel
- Mullet
- Ling
- Snapper
- Tailor
- Coral Trout

## **“Liberty, Equality and Fraternity” not so simple**

*Matt Ogg*

In Utopia I'm sure freedom and identity would be one and the same. We could act and live freely in a way that defines our own respective identities. There would be no human rights violations, the sun would always shine, and nobody would get skin cancer.

On February 14<sup>th</sup> 2004 thousands of people marched in France, protesting against the Stasi report and its consequences; a law that would be passed that denied any conspicuous religious symbols in French schools. The world press reacted badly, condemning the French Government for contradicting its own principles of “liberty, equality and fraternity”. But for some reason it was only thousands of people that protested: not tens of thousands, not hundreds of thousands, just thousands. By French standards this is in fact very low, and even though the critics claim the law was specifically aimed at Muslims and their head scarves, only a small proportion of the Muslim population - that is roughly between 5 and 8 million - showed up. The reason the range in the population estimate is so large is that religious affiliation is not noted in the national census. Why is this so? Because France is a secular state that chooses unity over division. The world is no Utopia, and the identity that people choose is not always the identity that they are given; Cultures clash and traditions, like nationalism, can breed hatred and often have roots that dig so deep, that solutions that seem reasonable, preaching “you can change this. You have rights and you don't have to accept oppression”, are not always listened to.

The event that sparked the original discussion was the great need for French society to combat a growing Islamic extremist wave that French society will not tolerate on the grounds of their secular principles, a wave that preaches the killing of innocent members of the society in which they inhabit, a wave that is totally anti-women, creates segregation, and resulted in the raping and burning of a Muslim girl by a fundamentalist Muslim boy. Is that what religion is about? Certainly not, but it only takes one incident to divide, destroy, and stereotype an identity - religious, gender-based, political, you name it.

Despite the fact that the majority of the population is Catholic, France is a *laïque* Republic, meaning that it is secular but also has respect for other religions that choose to adhere to its principles of equality. The segregation of ordinary Muslims due to the inexcusable actions of a few does occur, as religious symbols bring about association. This is why many Muslim girls struggle to assimilate in French society and if they should ever decide to take off their veils, even attempt to look like the French girls, the extremist community sees them as mere prostitutes.

The Qur'an instructs all men and women to dress modestly, but as any text that was written so long ago, surely this is subjective to the view of the woman in question. This is the view of activist Fadéla Amara who heads a progressive Muslim movement called *Ni Putes Ni Soumises* (Neither whores nor submissives), stating that a woman should be able to wear no veil and still be identified as a 'decent woman'. But this school of thought is at war with the Imams who mostly have their education based solely in Islamic fundamentalism, learned outside France. This older generation rejects France's secular enlightenment values and in the poor immigrant suburbs Muslim women often have no choice but to consider such thought as final, and to accept the oppression they suffer. This could have been the case with Samira Bellil in the Paris Ghettos, but with respect to

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her character she stood up against the norm that women should be passed around like smokes. In a powerful gesture of activism she wrote the book *Dans L'Enfer Des Tournantes* (In The Hell Of Tournantes) before her tragic death to cancer in September last year.

"I was gang raped by three people I knew, and I couldn't say anything, because in my culture, your family is dishonoured if you lose your virginity," said Bellil. "So I kept quiet, and the rapes continued. The next time, I was pulled off a commuter train and no one lifted a finger to help me. ...Everybody turned their head away. They were all looking out the window."

The unemployment rate in these ghettos is four times the national average and as a result, gangs form and resort to violence. Ms Bellil didn't want trouble, but it just came. So is the case for thousands people in the French projects, tailor made for the Arab and African immigrants that are willing to do the menial labour jobs that weren't being filled adequately.

Education can bring about equality or the closest thing to it, but if students are repelled from learning, because they are not free, or are segregated from their classmates, or labelled as whores because they choose to be free, how will identities ever escape stereotypes? How can cultures ever assimilate and tolerate one another? Perhaps the passing of the law was just a quick fix, but if a girl doesn't wear the hijab because it's against the law, at least then she can pretend that it's not out of choice, to the members in her community who don't understand her. Does what you wear define you as a person? Does what you wear define your beliefs? The French government thinks not. That is why 494 voted for, and 36 voted against. The majority is not always correct, but before condemning, at least consider it as plausible, and if not, consider why it came about.

The critics say the action is no compromise, but an attack on religious freedoms. They state that the notion of a headscarf threatening the social system and order as absolutely ludicrous and they could be forgiven for thinking so, as it does sound ludicrous. But sometimes the situation is so complex that only people that know and live in that context can understand it. Words with good intent do not always reach those who have nothing. Critics such as Susan Price of the Green Left weekly claim liberal values cannot be promoted by merely erasing differences.

"The ban on the hijab should be opposed. The best way to fight sexism, like racism, is to encourage women to fight to defend their rights through collective action of the oppressed," Ms Price said.

This is not to say I know what its like to be a French Muslim. But after living in the small town of Cergy outside Paris over the summer holidays, a diverse and multicultural town, I realised that the Australian press had condemned something it knew nothing about. After speaking at length with a local teacher who was seeing the positive effects of the bans, I found the other side of the coin, that what may be a religious freedom can also represent a lack of freedom; and that is subjugation.

In an interview with the *Liberal Islam Network* shortly after the Stasi report, the Grand Mufti of Marseilles Soheib Bencheikh said Secularism is not anti-religion but not for religion either, and although this is a dilemma it doesn't mean the two principles can't work together.



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"Most of the Muslims in France agree with the rule, since they observe that extremity is a threat to their future in France," Soheib Bencheikh said.

In this new world of hatreds so old the West is now looking to France as a guide for anti-terrorism measures, and ways to handle multiculturalism. French Interior Minister Nicolas Sarkozy has adopted a policy of zero tolerance when it comes to terrorism as the Government tries to bring cultures together peacefully. It is relevant to us as Australians to look at nations with histories of multiculturalism and see how they are handled, so the best decisions can be made that are not only economical, but social, and religious as well.

In Cergy everyone seemed to get on, but the violence continues in the ghettos and hopefully in time it will be reduced. Even though the word itself has lost a lot meaning through recent events, a great number of girls are feeling liberated, tolerance is improving, and teachers aren't finding it so difficult to control their classes. Any movement or idea needs capital to get going and sometimes to fight for your identity you must forgoe some assets so as to gain that capital. Then once you are tolerated, not labelled, and given freedom, you are one step closer to having your identity as your own, not somebody else's.

## The case for a national sales tax

*Peter Rohde*

In recent months there has been much talk in the United States of the possibility of introducing a National Sales Tax (NST) to replace the existing income based tax system. The proposal has been steadily gathering support in Congress and has the backing of Federal Reserve Chairman, Alan Greenspan.

The proposal for an National Sales Tax would replace all forms of taxation, including income tax, capital gains tax, corporate taxes, and other duties and levies with a single sales tax, or Goods and Services Tax (GST) as we know it.

As a long-time advocate of a completely consumption based tax system here in Australia, I'll present my own take on this issue and why I think it would be an extremely beneficial policy. The main points in favour of a NST, in my opinion, are as follows:

- **Increased investment and employment**

The present income based tax system has the following effects:

- Investment is strongly discouraged through Capital Gains Tax (in fact investment is doubly taxed: first in the form of income tax and then again on the capital gains earned on the investment).
- Employment and promotion are discouraged through Income Tax.
- Entrepreneurship is discouraged through Income Tax and Corporate Tax.
- Consumption is encouraged, since it is, on average, taxed at a much lower rate than income.

A consumption based taxation system would have the converse effect. Namely, people would be encouraged to seek employment, to seek promotion while in employment, and to invest their money rather than spend it. This would have several consequences:

- Employment levels would increase. As a result of the elimination of disincentive to work we could reasonably expect unemployment levels to decrease. This would be further exacerbated by the fact that with increased investment and a decreased tax burden, companies would have more capital available to take on employees.
- Interest rates would be lower. With a higher percentage of peoples' disposable income going into savings, banks would have a greatly increased capacity to lend money, resulting in lower effective interest rates. An important point is that these decreases in interest rates would not have an inflationary effect, since they come about as a direct result of people's consumption abstinence.
- Economic growth would increase. As a result of massively increased investment and decreased growth disincentive, economic productivity (*i.e.* GDP) would increase.

- **Elimination of bureaucracy and complexity**

The present tax system necessitates a massive bureaucracy to support its processing and collection. In the Unites States this costs almost \$11b annually. Under a simplified consumption based tax system this bureaucracy and its associated maintenance costs would be slashed, representing a significant saving to the taxpayer.

In addition to bureaucratic simplification, a NST would represent an enormous

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simplification to the individual. I'm sure anyone who has filled in a tax return, whether it be here in Australia, the US, or anywhere else, would concur on that note.

- **Less tax evasion**

A NST would eliminate tax evasion, which is rife under the present system. People often argue against sales taxes on the basis that they harm the poor and favour the rich. I would argue that in fact quite the opposite is true. It is an undeniable fact that the bulk of the income tax burden falls on the shoulders of the middle-class, not the extremely rich. In fact, the very wealthy typically have the means by which to avoid income tax altogether through a variety of mechanisms which are not accessible to the working class. Under a consumption based tax system this could, to a large extent, be mitigated, and everyone would pay tax as a proportion of how much they consume.

- **Ideological reasons**

From an ideological point of view, I'm sure I'm not alone in being critical of how materialistic society has become. For this reason I believe a NST is a better alternative to the present system since it would encourage people away from living materialistic lifestyles, towards ones which place more emphasis on the importance of saving, investment and long-term financial planning.

Perhaps the most common criticism of consumption based tax systems is that they represent an increased burden on the poor. There are two rebuttals to this criticism:

- Under the NST proposal a rebate on tax paid would be offered to those below the designated poverty threshold.
- Unemployment levels would be reduced, resulting in many people at the lower end of the poverty scale being drawn out of poverty and into employment.
- The effects of the NST would be partially offset by an increase in disposable income.

In summary, a National Sales Tax would be pro-growth, pro-employment and pro-investment, which is in stark contrast to the present system, which seems to discourage all the things we should be encouraging and discouraging all the things we shouldn't.

## The Hidden Dragon

*Jonathan Pitchford*

Do you ever find yourself pondering the effects of China on the world? Do you ever think to yourself that maybe an economics student should have a better understanding of China than Peking duck and flying red dragons? Welcome to my world; a world that lacks the most basic understanding of Chinese people, culture and economics. Upon this realization of ignorance I decided to inform myself, or at least try to, of what it was all about. I picked up a book called *Cosmopolitan Capitalists - Hong Kong and the Chinese Diaspora at end of the Twentieth Century* by Gary G. Hamilton.

Hamilton is a professor of sociology at the University of Washington and has merely edited and compiled a collection of the finest essays that have crossed his desk relating to the topics of Hong Kong, China and Chinese living abroad. There is a particular focus on the effects of Chinese migration to South East Asia - a topic that I found enlightening. Being of a sociological nature the book does not go into great detail about the economics of the Chinese diaspora; choosing rather to focus on the different types of social organization that exist.

Despite the social focus, Hamilton includes some fantastic essays on the differences between the Chinese and Japanese approach to economic organization. These differences are actually helpful in understanding why the Japanese economy currently languishes whilst the Chinese growth seems unstoppable. The book also mentions that in spite of the Communist policies that have affected mainland China, Chinese living abroad have always been dynamic and active agents in the development and spread of Capitalism.

If you desire to more fully understand China and its affect on the world, I would have to recommend this top-notch collection of writings. Surely even Chinese students studying economics would appreciate this book as it supplies a well-rounded understanding of the sociological impact of China on the world in which we all live.

### **Benefits**

- A fresh perspective on a topical issue for every BEL student.
- Easy read for those not accustomed to Sociological literature
- A further insight into the economic success of the Chinese

### **Costs**

- Can be long-winded at times
- Varying essay quality

Four stars out of five – an interesting read!



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## Horoscopes with Jimmy Liu

### **Aries** (Mar 21 – Apr 19)

Your current relationship is sub-optimal. Perhaps it's time you realise that your partner is not a positively related argument of your utility function. I see dumping measures taking place this week.

### **Taurus** (Apr 20 – May 20)

You will have some unexpected visitors knocking on your door this week. But do not let this unanticipated shock deter you from removing barriers to entry. It could prove quite beneficial.

### **Gemini** (May 21 – June 21)

Your current relationship radiates with positive externalities. It's time to take it to the next step. I see convergence to a new steady state of marriage in the near future.

### **Cancer** (June 22 – July 22)

Your future beyond the immediate short run is uncertain. I will have to run a nonparametric analysis because you are clearly not normal.

### **Leo** (July 23 – Aug 22)

It's time to curb that inflation you've been experiencing recently and institute some dieting policy. Not only will this decrease your level of consumption, members of the opposite sex will start raising their interest rates in response.

### **Virgo** (Aug 23 – Sept 22)

It's time to change that rigid lifestyle of yours. Stop letting others central plan your life. Because once you've become a Friedman, you will be able to live life to the Marx and not feel Solow anymore.

### **Libra** (Sept 23 – Oct 22)

You must realise that a relationship is a non-zero-sum game. Perfect information and cooperation are both vital if you and your partner want the maximum payoffs. Not doing so would create quite a dilemma.

### **Scorpio** (Oct 23 – Nov 21)

You know your boss is a dummy variable, but it would still be a good idea to appear confident at regular intervals. Only then will you be able to boost output and reach your full potential.

### **Sagittarius** (Nov 22 – Dec 21)

You are faced with sterilisation problems and realise that your p-value is insignificant. Micro reforms involving Viagra will help put these worries to ease, as well as boosting performance.

### **Capricorn** (Dec 22 – Jan 19)

When you feel stressed out this week from studying economics OVA ANOVA ANOVA, take a random walk outside. The air will help you adjust back to equilibrium.

### **Aquarius** (Jan 20 – Feb 18)

A close long-time friend of yours will ask you out this week, and there is a strong possibility of free trade. This shouldn't come as shock to you given the recent leading indicators. Non-rejection would be the way to go.

### **Pisces** (Feb 19 – Mar 20)

It's time for a career change. Given the shape of your curves, modeling was never going to get you anywhere.