RESPONSE TO THE PRODUCTIVITY COMMISSION DRAFT REPORT ON RURAL RESEARCH AND DEVELOPMENT CORPORATIONS

Support all Productivity Commission (PC) recommendations on rural research and development (R&D) to improve all regional, national and international management and development

In my view the PC draft report entitled ‘Rural Research and Development Corporations’ is excellent and all its recommendations should be adopted immediately for best research and business directions. This can also provide vital support for the new Australian and international government and community paradigm which ideally attempts to attain more sustainable regional development through better related investment and risk management.

Many of the PC recommendations are concerned primarily with research management improvement. The report supports general retention of the existing Rural Research and Development Corporations (RDC) model and makes recommendations for better and fairer management and data capture by governments on one hand and by the business sector on the other, to clarify their respective research funding sources, aims, performance outcomes and accountabilities. This is to judge all performance better and to improve research partnerships further in the light of key regional, national and international goals.

The report notes the paucity of reliable data that is available on spending across the rural R&D framework. Consistent with the Australian and New Zealand Standard Industrial Classification System (ANZSIC) the report covers R&D investments in agriculture, fisheries and forestry industries which are defined as being ‘*mainly engaged in growing crops, raising animals, growing and harvesting timber and harvesting fish and other animals from farms or their natural habitat’* (p.1). The PC finds there is an absence of good information on funding and spending flows within the framework and as a result it is hard to be certain about how much is spent, with whom it is being spent, and which parties are ultimately providing the funding. Nevertheless, the PC notes that the level of government support for rural R&D through contributions it makes to the current fifteen RDCs appears to be ‘extremely generous’. It points out that Australian governments appear to be shouldering far too much of the funding load for rural R&D as the public sector share of total funding (around 75%) is nearly double that for R&D across the economy as a whole, which appears unjustified. The report also states later that government provides 2/3 of total funding for rural R&D in Canada, half of total funding in the US and around a quarter of total funding in the UK and France (p. 35).

Government payments are made to match the levy payments that businesses may make to a relevant RDC (sometimes via a government processing service). Levies may be voted for to prevent business ‘free riders’ on the benefits of industry research. It is estimated that as a result of matching the levies that businesses pay to RDCs, the government pays between 3 and 11 times the rate of assistance made to other industries through the generally available R&D tax concession (p. xxvi). In the absence of clearer data on the spending and outcomes of R&D one may assume that government matching of R&D levies and provision of R&D tax concessions in Australia now take the place of earlier industry protection such as tariffs, and that Export Marketing Development grants and similar supporting payments require consideration in an effectively coordinated context.

However, the PC notes the decision taken in 2009 to abolish the Land and Water Australia RDC. In draft recommendation 6.1 it suggests **establishment of a new RDC entitled Rural Research Australia (RRA)** which is intended to sponsor non-industry specific research and development (R&D) to promote more productive and sustainable resource use by Australia's rural sector. **RRA's remit is expected to broadly encompass land, water and energy use, with precise coverage of its activities determined in the light of further input to this inquiry**. The PC seeks input on the appropriate remit and funding for the proposed RRA and, among other things, on the areas and types of non-industry specific rural R&D most relevant for promoting productive and sustainable resource use.

The PC later suggests an appropriation of around $50 million a year would ultimately be warranted for RRA (p. 164). The RRA seems a good suggestion for businesses partly because it can provide more choice about where they might invest for best results since the existing RDCs appear to have a comparatively narrow focus, considering the range of all rural production. It may also be noted that from a US perspective $50 million per year appears to be chump change. The News Hour on SBS TV (12.10.10) claimed Republicans spent $46 million in the previous sixty days promoting candidates for the US election. The money was spent mainly on negative TV advertisements directed at Democrats with little information on where the money is from. (This is a democracy?)

This submission provides more input on the above issues later. Its main aim is to argue that the logical primary context for discussion of Australian R&D direction is as a result of first considering the ideal place of Australia's potential R&D contribution in an international R&D context where many species are crucially endangered by their loss of habitat. From the perspective of the public interest, as distinct from the perspective of more specific interests, this appears the only sensible way of judging competing claims related to land, water and all related energy use in Australia and internationally in the longer term. The longer term may also be quite short in situations where vulnerable species may soon be extinct outside of zoos. This seems the case for key primates and other mammals if Asian and South American development continues its trajectories. A related response to the PC on bilateral and regional trade is attached. This direction is also part of the vital logic for redirecting forces which produced the global financial crisis, which is also discussed later, after answering specific questions in the PC draft report.

PC recommendation 8.1 is that '**as a condition of receiving government funding, RDC's should invest in a balanced project portfolio that includes longer-term, riskier and potentially high reward research, as well as short-term, low-risk adaptive research'** *(p.xxxix)*. However, the definitions of high risk and low risk research are unclear, which is discussed later. Related suggestions are also made to promote business stability, business investment and job growth not only in Australia but internationally as well. The Australian Treasurer pointed out this is vitally necessary in the light of the continuing impact of the global financial crisis in Europe, the US and Japan, which may also affect other nations. On 10.10.10 he said on ABC TV that his door is open to business leaders and others who wish to discuss their key issues with him. (One always wonders how good decisions are made if discussion is silenced, as is apparently being done in the NSW government case of its proposed sale of WSN, its waste management business, as outlined later. This issue is also important because of the many potential relationships between waste and energy directions and the proposed pricing of carbon.)

In recommendation 5.1 the PC argues **the primary aim of government funding is ideally to enhance the productivity, competitiveness and social and environmental performance of the rural sector and the welfare of the wider community by inducing socially valuable R&D** (p. xxxvi). Crucially, the PC finds it would not be appropriate to establish a target level for overall spending on rural R&D – nor a target for rural R&D intensity. Rather, it expects funding and investment should emerge from assessment of all the various programs through which governments currently contribute funding to rural R&D, to judge them against the primary aim of government funding. Superficially, this PC direction appears to challenge the old 'efficient markets hypothesis' which led to the global financial crisis. Hopefully it reflects instead the new global paradigm where social and environmental goals are not assumed to be automatically achieved in market operations, as hitherto. If this optimistic assessment is correct, it also has implications for all future discussion of how risk is ideally to be treated. Issues related to levies that businesses may or may not make to support R&D are also addressed in this context later.

An appendix to the PC report, entitled 'Quantitative studies on the benefits of investment in rural R&D' explains that it is not possible to determine precise returns from past Australian investment in rural R&D in part because the data is not currently available to do so, and for many other reasons. Although the PC agrees that there are positive returns to spending on R&D, it states that such returns do not, on their own, indicate how much Australia should be investing in rural R&D and what share of this should be publicly funded. Nor do they suggest how particular government funding programs should be configured to deliver best value from public investment (p. 256). This fairly obvious PC perception nevertheless challenges the dominant and driving view of all current numerical 'experts' who like to view their economic modelling as science, not as the self-interested products of the kind of vested interests which brought about the global financial crisis. In this report the PC appears to challenge Treasury and many others in finance and law who are traditional supporters of efficient market theory and who believe that all available information about a commodity (a share or other investment) is reflected in its price.

PC recommendation 5.1 outlines some key principles for good management of research investment which many lawyers and financial institutions will probably set about destroying, as they have previously destroyed the clear direction of the Environmental Planning and Assessment (EP&A Act 1979). This act was groundbreaking in recognising the importance of a consultative and integrated understanding of environmental, social and economic issues when making land use planning decisions. The same kind of men also destroyed Hilmer's clear direction in his report on a national competition policy. Hilmer defined competition as, 'striving or potential striving of two or more persons or organizations against one another for the same or related objects' (1993, p.2). This challenged the dominant view of competition which assumes the proper goal of competitive activity is always and only money (the efficient market hypothesis).

PC Recommendation 5.1 first states that '**public funding programs for rural R&D should give appropriate recognition to non-R&D related drivers of performance improvement in the rural sector and facilitate, or at least not impede, structural adjustment in the sector** (p. xxxvi). One assumes these drivers of performance include many factors which may operate within or upon any specific regional research context to influence its aims, practices and outcomes. (Such factors may typically include variable economic, weather, land, water, political, bureaucratic, or other regional and community conditions.) This approach to R&D is understood in health and health promotion portfolios as distinct from in treasury departments. It may be noted, for example, that extra payments are made which relate to the difficulties of improving the health of aboriginal people living in remote locations. One also notes there used to be a Tobacco RDC but that this has been wound up. It would be stupid for government to fund anti-smoking policies on one hand, while fostering the production and spread of cheaper tobacco on the other. As pointed out later, the health of people and environments may be most naturally conceptualised and linked in regional contexts. Notably, the health and health services which Australians enjoy are also cheaper and more widely available than in US experience, which their false and evil market logic naturally tries to force on us. Once businesses understand the comparatively protective logic of the ideal new government direction they may also see change coming and adjust more easily to meet it. (The destruction of Detroit and its car industry shows how hard this may otherwise be.)

Good governance normally requires clear separation of government policy from its administration, with the former driving competitive, transparent, service provision (Wilenski, 1985; Rich, 1989; Hilmer, 1993) so all may identify a range of economic, social and environment related outcomes. This is triple bottom line accounting, as I assume Hilmer envisaged it, but which was never delivered. Ideally, all program and related budget management should clearly differentiate between spending on research and spending to achieve related development aims (e.g. marketing or education or promotion to assist specific change in rural practice). This is crucial for quality management as I was taught it while working for the Greiner government in NSW. In this context, one naturally recalls the Primary Industries and Energy Research and Development Act which defines R&D broadly, in relation to a primary industry or class of primary industries, as:

> *'Systematic experimentation and analysis in any field of science, technology or economics (including the study of the social or environmental consequences of the adoption of new technology) carried out with the object of:*
>
> *(a) Acquiring knowledge that may be of use in obtaining or furthering an objective of that primary industry or class, including knowledge that may be of use for the purpose of improving any aspect of the production, processing, storage, transport or marketing of goods that are the produce, or that are derived from the produce of that primary industry or class; or*

(b) Applying such knowledge for the purpose of attaining or furthering such an objective.

The above definition of R&D appears consistent with the general PC approach to regional management. The breadth of the above definition also allows R&D management itself to be broadly conceptualised as R&D. Such management ideally seeks to identify and promote improvements in the practice and outcomes of R&D work to meet key environmental, social and economic goals competitively. Managers ideally can show what all component funds in their programs are spent on. The legislation assists this by differentiating between production, processing, storage, transport and marketing in (a) above. Promotion, education or evaluation may be addressed in (b) above.

Attention is drawn to the above PC recommendations and to the definition of R&D in the act to support both and to draw attention to related funding requirements. This is crucial because of the currently driving but false distinctions between economic regulations which supposedly 'intervene directly in market decisions such as pricing, competition, market entry or exit' and social regulations which supposedly 'protect public interests such as health, safety, the environment and social cohesion.'(PC 2008, p.5). This is a highly defended but wrong division because all economic activity is ideally undertaken with the social aim of supporting life and its associations. Those working in finance and related law usually hate this reality and ignore or try to kill it at every opportunity. This is not just Wall Street screwing Main Street again. Australia has similar legal problems.

For example, in regard to a recent NSW government proposal for sale of its waste management business, WSN Environmental Solutions, UBS Investment Bank and Gilbert and Tobin prepared a public request for expressions of interest in purchase of WSN sites for NSW Treasury. This ignored any idea that the sale should centrally take account of key aims of relevant NSW legislation, which appear to be the aims of the EP&A Act (1979); the Waste Avoidance and Resources Recovery Act (2001) and the Protection of the Environment Operations Act (1997). One may wonder why government makes legislation if it is going to ignore its key aims at crucially important times. The lengthy expression of interest documents prepared by UBS and colleagues also warn repeatedly against any potential buyers approaching politicians, bureaucrats or anybody else to find out more about the WSN sites they may wish to purchase. A central idea of financiers and lawyers, which is that secrecy and ignorance are the best protections against corruption appear instead to be invitations to expensive madness in the name of good public practice. The Probity Officer at RMS Bird Cameron naturally ignored my letter. (Such repulsive people charge like wounded bulls to control and screw the taxpayers.)

Answer to the PC request for further input on:

What form its proposed mechanism to better inform and coordinate the totality of its funding for rural R&D should take

The appropriate remit and funding for the proposed Rural Research Australia

One assumes the information, coordination and funding function is ideally undertaken consultatively and transparently by the proposed new body RRA, as an adjunct to its principal aim of sponsoring ***non-industry specific R&D intended to promote productive and sustainable resource use by Australia's rural sector with a remit encompassing land, water and energy use***. It should be noted that there appears to be no conflict of interest in RRA undertaking this role, and the view that businesses ideally should have a freer choice about their R&D levy, size and allocation, which is discussed later.

From this ideal perspective, RRA should probably operate as a statutory authority with a board appointed from government, industry and related rural communities to oversee R&D investments in agriculture, fisheries and forestry industries which are ideally defined as covering all those '*mainly engaged in growing crops, raising animals, growing and harvesting timber and harvesting fish and other animals from farms or their natural habitat*'. Mining and related energy uses are discussed later in this context.

Ideally, the RRA board will undertake consultation, data collection, R&D project identification, service payment and supporting investment functions. The organization should normally seek to operate commercially to promote the productive and sustainable use of land, water and energy use and to achieve the related key aims and requirements of the Primary Industries and Energy Research and Development Act. Ideal relationships with relevant Ministers, Commonwealth and state government departments of Agriculture, Fisheries and Forestry, RDCs and other key players in R&D related institutions and communities require consideration in this national context in which it appears that many existing and fragmented sources of government funding should now be consolidated to provide better regional support for the achievement of the key aims of all.

To suggest some businesses are free riders on others and should therefore pay a compulsory R&D levy to any organization is analogous, in my view, to the idea that many non-union workers are naturally free riders on trade unions. The charge may be true or false, depending on the investigation of specific circumstances. A general anti-discrimination principle in Australia has been that workers should be free to choose whether or not to become trade union members. It seems reasonable to apply the same view to businesses and their R&D levies. Therefore, whether and how businesses spend money on R&D is ideally left up to them. The industry-coordinating role of RRA suggested above does not prejudice this. It would instead provide businesses with more investment choices by offering potential investment directions which are government driven and which differ in key respects from traditional RDC investment opportunities.

The treatment of intellectual property is ideally considered in this context. The Department of Agriculture, Fisheries and Forestry sensibly states '*the potential return from creating a piece of new information will grow according to the number of possible applications. Thus the expected return from one dollar of R&D will be greatest in the largest market*' (p.47) One also assumes the sooner any new information is released the sooner it can start doing its job. In this context one also notes Article 27 of the Universal Declaration of Human Rights which may appear contradictory but which also seems made for the current situation in which intellectual property rights may naturally be an issue of concern. Article 27 states:

1. Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits

2. Everyone has the right to protection of the moral and material interests arising from any scientific, literary or artistic production of which he is the author.

One assumes that some organizations and individuals would seek to reap as much money as possible from guarding the secret R&D and related intellectual property rights they have funded, while others prefer to ensure that R&D related knowledge is gained and disseminated as openly, widely and cheaply as possible on the assumption this position benefits many broader communities of interest better in the short and/or longer run. One assumes traditional RDCs may tend towards operating more according to principle 2, whereas RRA will tend towards operating more according to principle 1.

For example, Australian government already provides educational TV programs and informational websites free or almost free to end users and there is enormous scope for expanding related R&D, educational and marketing activities in ways which could produce enormous public benefit. On the other hand, it has often been pointed out that in the US, health research design and related practices which are supposed to guard intellectual property mainly provide financial incentives for trying to fix the health problems of the wealthy, rather than for fixing the problems of the poor, which may be much simpler but far less profitable to fix. Bill and Melinda Gates established a charitable foundation because they perceived this market failure. Australian industry superannuation funds are non-profit investment vehicles which ideally seek to meet the needs of their beneficiaries. As a beneficiary whose fund lost $70,000 of mine in the global financial crash, immediately after my retirement and after a year where the Macquarie Bank had been on TV every night offering their expert advice to all of us mugs, I guess that many citizens like me now seek more stable, greener investment. We are sick of reading that there is naturally money to pay for war toys for the boys instead. Who shall we murder next to help out the US? The world is awash with their weapons.

Answer to the PC request for information on:

What sanctions could be used to address ongoing underperformance by a rural RDC prior to any withdrawal of public funding for the entity concerned

Whether R&D marketing levies should be separate or combined into a single industry levy, with some scope for an RDC to vary the allocation of funds between R&D and marketing without seeking the formal approval of levy payers

If the PC recommendations are implemented there should be little need for sanctions as people ideally vote with their feet in regard to whether they want to pay R&D levies and if so, which body or bodies they want to pay them to and/or make related investments in.

If my views on this appear naïve to those who know a lot more about it, tell us something about the treatment of the former Tobacco RDC and the Land and Water RDC members and we might copy that. A rural business considering an RDC should be treated in the same way as a person who may decide whether to join a trade union in the sense that unions set the joining fees and a person has a choice about whether and how they allocate their money and membership.

Related background information on Australia in the New World Order

Australian businesses vary greatly in size and may operate in their local regional context or in many regional contexts and also in the international economy. In 1990 the World Commission on Environment and Development defined sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. Ideally, all Australians should think globally in order to act locally in more informed ways which will achieve the above goals and protect their businesses and themselves. This is also a key means of ensuring greater business stability and bringing about necessary change in future. Ideally, governments should take more openly planned and transparent approaches to regional development with clear environmental goals and directions as well as social and economic ones.

A strife of many industry and community interests contest over the use of Australian land and water. Especially for a developed, high wage economy like Australia, there appears to be no clearer and more competitive way for RRA and governments to shape all related business incentives rationally, than by first focusing on enhancing the situation of all through championing targeted R&D to support endangered species and all the related land, water, and energy the UN ideally treats to provide for current and future generations, wherever those generations who enjoy the outcomes may live or travel across the world. Protective and rehabilitative strategies are ideally pursued in related community and industry contexts, as long as they are well designed. This is discussed further later but the Bill and Melinda Gates Foundation approach on their website is worth looking at. (Also see my website at www.Carolodonnell.com.au)

In 1992 the UN Rio Declaration on Environment committed governments to producing healthier environments. Its first principle is that humans are at the centre of concern for sustainable development and entitled to a healthy and productive life in harmony with nature. Now stable investments and related markets are ideally constructed in this global context. Since the 1960's, the development of the Australian national reserve system has been based on the biodiversity related principles of comprehensiveness, adequateness and representativeness (CAR). These international scientific principles are directly related to the development of the Interim Biogeographic Regionalization of Australia (IBRA) system which divides Australia into 85 distinct biogeographic regions and 403 sub-regions. IBRA provides a scientific land planning framework and tool to aid regional R&D proposal evaluation and the realization of the CAR principles in the related development of all national and regional planning for more sustainable development.

The apparently inevitable alternative is to watch many species become extinct under the traditional drivers of market direction. The dominant paradigm of the 'efficient markets hypothesis' is feudal and leads not to global equilibrium through perfect information, but to repeated cycles of boom and bust; increasing social inequality as the market globalises; to repeated major destruction of the most vulnerable forms of life, both human and non-human; and to greater ignorance which is imposed through secrecy. This 'efficient markets' paradigm predates and also still retards all more productive capitalist development which, as Marx pointed out, is much more progressive than feudal force as it has driven scientific and technological development to make money, which has now served most of us well, often through government. Feudal forces that brought the global financial crisis hold us back by pretending the financial, economic and related ideologies they peddle have anything to do with science. The PC seems to see through them.

R&D aimed first at the protection of endangered species could also assist some of the most vulnerable people on earth to maintain their older cultural preferences or to achieve new ones while we all achieve more stable and sustainable forms of life for future generations. This may also be the best start to achieve UN Secretary General Ban Ki Moon's pledge to abolish nuclear weapons and to achieve related pledges to lift people out of poverty, tackle climate change and ensure that economic development is environmentally friendly. As the North American Coordinator of Mayors for Peace pointed out in a Hiroshima Peace Culture Foundation newsletter, the US today spends nearly as much as the rest of the world's countries combined on its military (April 2010). The financial, legal and related industrial groups which symbiotically support their military spending pose as the purveyors of the free market as distinct from being a set of the most dangerously powerful vested interests the world has ever seen. They built their power in part by maintaining the feudal fictions of English common law which they now guard in statute. None of this will be given up easily and it employs a lot of people.

Anybody who watches the News Hour on SBS can easily see that many in the US greatly revere their military and gun culture but hate the government and bureaucracy supporting it, along with the financial institutions which have now brought the global financial crisis. However, it is hard to see their way out other than by restarting the same set of global forces to produce the same results again. In his article 'Lives lost currying US favour' Paul Sheehan quotes Harvard economic historian Niall Ferguson who described the US as being 'on a completely unsustainable fiscal course, with no apparent political means of self correcting' (Sydney Morning Herald 27.9.10 p. 11). That appears likely, as any powerful, unwelcome critique has been systematically wiped out since the McCarthy era. (Gee, let's all try to help the US people figure out a better way forward.)

Some related energy and greenhouse gas reduction issues

In Australia, mining and the production of fuel and energy powerfully support a range of jobs which are increasingly in services in Australia and overseas. The PC report on Bilateral and Regional Trade Agreements (July 2010) points out that mining accounted for 7% of the composition of the Australian economy (gross domestic product) in

2008-09, compared with 9% for manufacturing, 3% for agriculture, forestry and fishing and 80% for services. Most senate committee members who produced 'Fuel and Energy: The mining tax: still bad for the economy – Still bad for jobs' (2010), thought that in its haste to reach a new deal quickly, the government gave BHP, Rio Tinto and Xstrata a clear competitive advantage which was accomplished by allowing them to directly influence the ultimate design of the new tax through confidential discussions with government (p. xiv) Smaller and mid-tier mining companies who appeared before the committee's inquiry were aggrieved. The minister is now consulting more broadly.

Sant and Kinsley have pointed out that energy independence has been the policy goal of US government for 35 years (AFR 16.12.08, p.54) and this is a dramatic exception to the broader policy of free trade. The theory of free trade holds a nation is better off when its citizens are permitted to buy goods from foreigners at any price they wish to pay and worse off if government interferes. The quest for energy independence may now ideally be seen as a new form of international protection which may take the place of calls for national 'food security' on the assumption these were related primarily to the fear of war. This change in emphasis ideally assists the creation of a new world order where the major goals of government are for health and sustainable development for all people. In this context, calls to support provision of renewable energy as well as a wide range of greener technologies and job developments ideally receive much more recognition.

The opportunities presented by the carbon pollution reduction scheme, as outlined in the Australian Government White Paper Summary Report (December 2008) now require consideration in this context. The report states that a package of financial assistance for Australian households has been established which is worth about $6 billion per year ongoing from the commencement of the scheme in 2010. A further $2.15 billion over five years was to be invested to help business, community sector organizations, workers, regions and communities adjust to a low pollution future through the New Climate Change Action Fund. There was also $12.9 billion made available to fund a new 10-year plan called Water for the Future. Australia is additionally involved in the $200 million International Forest Carbon initiative, supporting efforts to reduce emissions from deforestation and forest degradation in developing countries. The Global Carbon Capture and Storage Initiative (p. 11) and other funding initiatives have also been announced.

This is also the context in which a carbon price or tax is now expected to be set. I guess the global capacity to achieve openly shared and sensible directions, rather than the actual amounts of money involved in real production, are the vital drivers necessary for achieving all sustainable development goals, as the PC has argued in the case of Australian R&D. There are currently around 7.6 million registered businesses in Australia. The overwhelming majority would not face any direct obligations under the previously proposed carbon pollution reduction scheme, but approximately 1000 of the nation's largest employers and polluters would be centrally involved.

Under the National Greenhouse and Energy Reporting System (NGERS) the key polluters first have to measure and report the level of greenhouse gases they produce before they receive carbon permits from government. Emissions intensity is ideally supposed to be measured on the basis of the emissions-to-revenue or emission-to-value-added of activities being above nominated thresholds' (p.20). Will these measures clarify the ideal relationships between production, trading and all related financial operations to achieve reduction in greenhouse gases effectively? It seems highly unlikely to me. (See attached comments to the former Department of Climate Change on the NGERS.)

The PC discusses risk in passing and it is difficult to know its views on its appropriate estimation. The US view of risk management, as described by Stiglitz (2010), depends on spreading financial risk, rather than managing a pool of funds effectively to achieve injury prevention or rehabilitation goals related to environmental, social and economic risks which result from production or environments. The US treatment of risk multiplies risks and costs instead of reducing them and also promotes economic instability with all its attendant ills. Australia has not followed this route in mainstream management of industry and public funds related to health and key financial policy. One now wonders how mark to market accounting is ideally seen in the wake of the global financial crash.

As I understand it, mark to market accounting seeks the continuing revaluation of (an asset, liability, financial instrument, etc) to the current market price, as distinct from its historical cost. According to the 'The Language of Money', mark to market accounting supposedly enables decisions to be made about what risk hedging strategy should be adopted and enables traders to react quickly to adjust their risk management positions to meet market fluctuations. The Group of Thirty, a private, independent, Washington-based international organization whose charter is to raise awareness and understanding of major international economic and financial issues, apparently recommended mark to market accounting should be adjusted at least daily (Carew, 1996, p. 210).

However, in 'The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron', McLean and Elkind (2004) strongly attacked mark to market accounting. They stated that the difference between it and earlier forms of accounting is not only that the bookkeeper is forced to adjust the values on the balance sheet on a regular basis, to reflect supposed fluctuations in the marketplace or anything else that might change values. They stated that under conventional accounting the revenues and profits from a contract are booked as they come through the door. Under the mark to market method, on the other hand, 'you can book the entire estimated value for all ten years on the day you sign the contract' (2004, p.39). The authors claim mark to market accounting led to wildly creative accounting to provide whatever illusion those running Enron wanted most – the illusion of their constantly increasing profitability, in all areas of operation.

In this difficult global context Australia is lucky to have close trading relationships with China. This huge, comparatively low wage country will probably seek to improve the quality of life of its enormous population in many new ways, now it has succeeded in providing them with the basics to support human life, which were lacking previously. Currently, the Gobi Desert is only 150 kilometres away from Beijing and is advancing towards the capital at the rate of 2 kilometres per year. Reforestation, adequate clean water and energy seem likely to be important concerns for everybody in the current context, along with better transport, health, communication and education. Any traveller to Beijing may also marvel at the huge groups of Chinese people embracing their holidays at the capital. One assumes good international organization could help keep eco-tourism and related education or sporting tours and business doing well more widely.

Many countries in Europe and Asia may also have the degree of popular and political understanding and support necessary to change global development onto trajectories which can focus on environment protection and rehabilitation rather than on restarting the currently rigged financial gaming systems, punctuated by their depressions and periodic wars, which have been driven primarily to serve their financial and legal interests. This is the international context in which the G20, including Australia, ideally now operate to support us all better, including US citizens, by better investment practices. Openness is vital for this approach which is ideally based on planned and competitive allocation and management of funds to achieve key social, environmental and economic goals.

In an article entitled 'IMF seeks stronger currencies oversight', Dominique Strauss-Kahn, the Managing Director of the Fund has now stated that countries that want a greater representation in the IMF need to play a bigger role in helping stabilise the global economic system. He said:

> They cannot be at the centre and be a free rider. The more they are at the centre then you need to take part in stabilizing the system. That is logic.
> (SMH 11.10.10, p.15)

In my opinion, anybody who calls China a 'free rider' because it exercises its right to pursue its national interest by establishing related national currency policies has a colossal cheek, given the role the US has played in riding on the backs of so many in one way or another since the beginning of the Cold War, in order to suit its national interests, assisted by its allies. Australia should politely ask the Chinese leadership what they suggest to help our current global problems, starting with our concern about the threat to endangered species and the related situation of people living in comparative poverty. The effects of the production of large numbers of children on poor people and the natural environment require close attention in all communities in this global context. Women need state of the art ways to choose to control fertility and to gain a good education as well as work to free them from the often horrific results of male control and aggression, whatever form it takes. Apparent acquiescence in any social order may otherwise be easily confused with love and trust instead of ignorance and fear. (Tell it to the marines?)

Thank you for the opportunity to make this submission. Yours truly,
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