

## **Economic, Climate & Religious Challenges – How Serious?**

Address at Australian Club, 23 November

by Des Moore

Crisis, crisis, crisis - almost everywhere we turn there is said to be a crisis. But does this mean we are seriously threatened by some event that we cannot avoid and, if so, what is the extent of damage that might occur to our lives? Or can we take action to prevent or limit that damage?

Today there are supposed serious threats to our economic well-being and even our very existence. First, from a major slow-down in economic growth or even a 1930s- type recession. Second, from a warming in temperatures that if not stopped *quickly* could eventually eliminate mankind. Third, from a group which seeks to either convert us to its religion or to eliminate those of us unwilling to accept that.

This is not the first time mankind has faced such threats and we should now be in a better position to respond to them. Many periods of recession or depression have been experienced with some involving panics and a complete absence of rational thinking.<sup>1</sup> Despite all this living standards have continued to increase and have never been higher. And although there has been a similar long history of predictions of doom from floods and droughts, we have successfully emerged from the last so-called little ice age and are generally experiencing favourable natural conditions.<sup>2</sup> On the religious side, there is also a long history of human battles centred around rival religious beliefs and these continue particularly in the Middle East. But historic differences *within* the western world have largely dissipated.<sup>3</sup>

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<sup>1</sup> The Tulip mania in the 16<sup>th</sup> century, the South Sea Bubble of the early 18 century and the German inflation of the 1920s are illustrative of past panics.

<sup>2</sup> The Little Ice Age extended from the 16<sup>th</sup> century to the 19<sup>th</sup> centuries. Examples of gloomy predictions include those by English economist William Jevons in the 19<sup>th</sup> century that the world would run out of coal and many since centring around the thesis that the world will run out of resources vital to our survival. One, the "Limits to Growth", was published in 1972 by the Club of Rome Project on the Predicament of Mankind established by David Rockefeller. It sold 12 million copies and is the best-ever selling environmental book. It concluded that on "present growth trends ... the limits to growth will be reached somewhere within the next one hundred years". The Club of Rome remains an operative think-tank.

<sup>3</sup>The French Wars of Religion (1562-1598), for example, were brought to an end by the Edict of Nantes which for the first time gave Protestants certain rights in France. The edict was revoked in 1685 by Louis XIV, leading to a mass emigration from France of an estimated 400,000 Huguenots some of whose descendants ended up in Australia. The Crusades that occurred over the 12<sup>th</sup>-14<sup>th</sup> centuries are often portrayed as constituting religiously sanctioned military campaigns called by the Pope, with the main goal of restoring Christian control of the Holy Land. This has led to suggestions that the Christians who attacked (and killed) the Muslims controlling Jerusalem and other areas were similar to modern day terrorists. But any assessment of the Crusades needs to take account of the Muslim aggression in the more than four centuries after the death of Muhammad in 632.

I want first to comment on the global financial crisis and the associated on-going problems. You will be aware that the GFC led to so-called advanced countries experiencing a large fall in GDP in 2009 (3.5%) and indeed there was also a small fall in world GDP, the first since the 1930s.

Only Australia and a couple of other countries managed to avoid reductions in GDP in 2009 and our government has claimed the main saviour was its very large increase in spending<sup>4</sup>. But the continued strong growth in our exports, particularly to China, was probably the major contributor to achieving the small positive growth in GDP in 2008-09 (1.4%) and in 2009-10 (2.3%).<sup>5</sup> Forecasts for this year and next are for higher growth, again mainly due to overseas demand and associated increased investment. But with the increased uncertainty about the outlook in the US and Europe, *as well as* domestically, these forecasts are being revised downwards.

What about the causes of the GFC itself? In February 2009 Australia's then Prime Minister, Kevin Rudd, made the following observation:

“From time to time in human history, there occur events of a truly seismic significance, events that mark a turning point between one epoch and the next, when one orthodoxy is overthrown and another takes its place. The international challenge for social democrats is to save capitalism from itself.”<sup>6 7</sup>

Such naive comments reflect what has developed into a thesis that capitalism<sup>8</sup> and free markets are the problem and that governments are the rescuers. Putting it another way, governments are not to blame but bankers and greedy chief executives have exploited the system for their own benefit. This idea is reflected in the Occupy Wall St group of protesters that has spread to other countries. These 99 percenters want to cut the incomes of the top 1 percent. What if we tried that in Australia? First up the 99 per centers would certainly get a small addition to their incomes but even that would dwindle over time because the top 1 per

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During that period the Christian states bordering the Mediterranean were under constant attack/occupation by Muslim land and sea forces. These included the sacking of St Peter's in Rome and involved the diminution of Christian and Jewish communities on the Asian and African sides of the Mediterranean.

<sup>4</sup> Federal government expenditure in the general government sector in 2008-09 increased by 12.7 per cent in real terms, the largest such increase since 1975-76.

<sup>5</sup> OECD data show that Australian GDP increased by 1.4 per cent in real terms in calendar 2009 and that the contribution of net exports was 2.8 percentage points. Final demand rose by 0.1 per cent and stocks fell by 0.5 cent. ABS data for the financial year 2008-09 also show a 1.4 per cent real increase in GDP but with an increase of only 0.2 per cent in gross national expenditure supplemented by the significant increase in *net* exports, which included a fall in imports. In 2009-10 gross national expenditure increased by 2.5 per cent but, with a strong recovery in imports, net exports fell and GDP increased by only 2.2 per cent.

<sup>6</sup> “The Global Financial Crisis”, The Monthly Essay, February 2009. More recently, in delivering the University of Queensland's annual lecture, Rudd is reported (The Australian, 1-2 Oct) as repeating a similar line that the world is at a critical point in economic history although adding that there is now “a broader lack of faith by markets in governments' capacity to deal effectively with the crisis”. By markets only?

<sup>7</sup> In “Asia is strong but rest of world is in peril: Swan” (The Australian, October 1-2, 2011) our world's No 1 Treasurer claimed that in 2008-09 “we didn't know the enormity of what we were facing”. Now, Swan claimed, people know the dimensions of the threat they face, which is that there could be a political gridlock because “the Right of politics has been captured by a group of extremists who have views which seek to defy the rules of economics.”

<sup>8</sup> According to Wikipedia, capitalism “developed incrementally from the 16<sup>th</sup> century in Europe ...became dominant in the Western world following the demise of feudalism ...and in the 19<sup>th</sup> and 20<sup>th</sup> centuries it provided the main means of industrialisation throughout much of the world”.

centers would stop trying to earn above their cut off point.<sup>9</sup> Some top golfers, footballers, tennis players and cricketers, not to mention top singers and actors, might stop playing or acting, or even move overseas!

In the US President Obama and senior fellow Democrats have spoken sympathetically about the Occupy Wall St group and few if any political or religious leaders in other countries have suggested publicly that they are on the wrong track. Our Lord Mayor is probably the stand out!

Obama himself has chalked up quite a long record of public criticism of major participants in the free market system. And that criticism is undoubtedly contributing to the low level of business and consumer confidence in the US.<sup>10</sup> Some Australian government policies and comments on them by ministers are also contributing to the relatively low levels of business and consumer confidence being experienced here. The government's handling of the union attacks on Qantas and the almost unbelievable industrial relations arrangements are but one example of poor governance.

It is pertinent to recall that the G20 governments announced in April 2009 "an unprecedented and concerted fiscal expansion that will by the end of next year amount to \$5 trillion, raise output by 4 per cent, and accelerate the transition to a green economy". What was the result? Growth in GDP in advanced countries was positive in 2010 (about 3%) but the latest official forecasts for this and next year suggest significantly less than 1 per cent growth in these countries and growing unemployment. Indeed, there remains a real risk of another fall in GDP.<sup>11</sup>

The reality is that the G20 fiscal expansion in 2009 added to the excessive level of public debt already accumulated by the US and its European members, nearly all of whom have exceeded the stipulated limit of 60 per cent of GDP.<sup>12</sup> Except perhaps in the US little recognition has been given to what appears from bank failures to have also been the development of an excessive level of private debt.<sup>13</sup> Most importantly, there has been no

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<sup>9</sup> According to ABS data on household incomes, the top 3 per cent bracket is those receiving incomes above \$5,000 a week. If those incomes were cut to no more than \$5,000 per week and the "surplus" was redistributed amongst those with incomes below \$5,000 a week, on a straight arithmetic calculation households in the bottom 97 per cent of incomes would then receive an extra \$68 per week, which would be an increase of about 4 per cent. For an individual the addition would be about \$24 per person per week. Average annual income per head was \$62,000 in 2010-11.

<sup>10</sup> He has, for example, made verbal assaults on Wall St "fat cats" and blamed them for the high unemployment; he has publicly baited millionaires and billionaires and jet owners - and everyone else who "tried rich and tried poor but liked rich better"; he has attempted to legislate a special tax on the rich; and on 6 October he complained that "you're still seeing some of the same folks who acted irresponsibly trying to fight efforts to crack down on [the] abusive practices that got us into this problem in the first place."

<sup>11</sup> Developing countries are complaining that the \$100 billion promised them at the Cancun climate change conference is slow to appear and allow them to operate green policies and reduce emissions of CO2.

<sup>12</sup> In the EU government debt is supposed to be kept below 60 per cent of GDP but is now above that in all major EU countries, with Greece at about 150 per cent.

<sup>13</sup> In part because of the inadequacy of data, it is obviously difficult to assess how much of the blame for the GFC should be attributed to a failure to limit private sector debt levels. However, my belief is that the risks from

serious consideration of whether excessive private sector debt can simply be attributed to irresponsible lending by banks and other financial institutions or whether it reflects a failure of the central banking system or indeed of governments themselves.<sup>14</sup> Central banks are government agencies and most are subject to government influence. They are supposed to exercise control over both inflation and the extent of borrowing. But in my view central banks failed badly in the lead up to the GFC in not applying sufficient constraints on the growth of private sector debt and they share much of the blame for the global financial crisis.<sup>15</sup>

However the approach of blaming capitalism not only conveniently overlooks the role of government and its agencies. It also overlooks the fact that many financial crises, and recoveries there-from, occurred *before* capitalism became widespread.<sup>16</sup> There seems to be a natural tendency for human attitudes to fluctuate and the attempts made to establish smoothing policies seem to have only limited moderating effects and sometimes they even accentuate the fluctuations. The attempts by policy makers to blame the participants are certainly unhelpful to maintaining the all-important confidence levels of businesses and consumers.

In summary, the current world economic outlook is not favourable and our political leaders, particularly the US President, are letting the capitalist system down. But even if we experience another recession this is most unlikely to undermine that system. Under capitalism there will continue to be pauses in the upward trend in living standards. But history shows that capitalist countries adversely affected by economic crises have recovered and prospered. Indeed the strongest economic recoveries have occurred when the structure of economies was

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developing high levels of such debt have not been given sufficient attention (in Europe there is also the fundamental problem that the exchange rate cannot be varied when the productivity of a member country falls relative to other members). It is pertinent that in 1974 Professor Hyman Minsky argued that "a fundamental characteristic of our economy is that the financial system swings between robustness and fragility and these swings are an integral part of the process that generates business cycles", with the tendency for a speculative euphoria to develop, resulting in debt levels exceeding what borrowers can pay off from their incoming revenues. According to Minsky, a key mechanism that pushes an economy towards a crisis is the accumulation of debt by the non-government sector.

<sup>14</sup> Some might argue that technological developments have reached a point at which the financial system is beyond the control of central banks or governments. The increased use of mathematical analysis in assessing and determining investment strategies has raised the possibility that a financial crisis could be artificially created by a group of people willing to risk a large investment in one or more financial instrument but in such a way that the investors would come out on top.

<sup>15</sup> On 27<sup>th</sup> October the Financial Stability Board, the IMF and the Bank for International Settlements published a Progress Report to G20 on what is described as macroprudential policy frameworks. The report considers possible influences relevant to systemic financial crises and what might be done to improve the capacity to predict such crises and to respond to them. The report shows there is only a very limited knowledge about this important issue.

<sup>16</sup> Professor Rogoff (former chief economist at the International Monetary Fund) has identified many banking crises since 1800, thirteen in the US, twelve in the UK and eight in Germany. As to attempts to prevent or halt such occurrences, Professor Edward Glaeser of Harvard University points out that the two American economists awarded the 2011 Nobel Prize in economics have "destroyed the false certainty of an older Keynesian orthodoxy". He adds that "the world faces big macroeconomic challenges, and macroeconomists lack a clear consensus of what should be done" (Article published by Bloomberg on 10 October 2011).

based on private enterprise and when governments did not actively intervene.<sup>17</sup> Perhaps we should take heart from the return to capitalism in Cuba where Raul Castro has announced that instead of using the black market Cubans are now *officially* allowed to buy and sell property!

Let me turn now to consider the challenge humans are alleged to face from climate change. The basic thesis here is that emissions of greenhouse gases arising from human activity are accumulating in the atmosphere and, if this is not stopped quickly, these concentrations will cause an increase in temperatures that will damage our productive capacity and eventually endanger human existence. Governments around the world have accepted advice provided by the Intergovernmental Panel on Climate Change and, in Australia's case by economist Ross Garnaut, that emission-stopping action is necessary as a matter of urgency.

Although not a scientist, I have examined the data used to justify the claimed threats, as well as some of the analyses by the many scientists who reject the claims. Today, however, I can cover only what seem the most important aspects of the climate change debate.

First, there is *general* scientific acceptance that increases in CO<sub>2</sub> will reduce the rate of increase of infra-red radiation back to earth and, as a result, the temperature increase at earth's surface will be reduced.<sup>18</sup> This means that, even if CO<sub>2</sub> concentrations in the atmosphere doubled, temperatures at earth's surface would only increase about 1 degree from this source.

However, there is far from general acceptance amongst scientists about the subsequent feedback effects from clouds and water vapour. The modelling done by the IPCC (and some others) is based on the assumption that the feedbacks will *increase* temperatures by a factor of 2 to 4 whereas analyses by sceptical scientists (and others) show that the feedback is unlikely to increase temperatures and might even lower them.<sup>19</sup>

Thus, the sceptical view is that the analyses by warmist scientists of the main influences on temperatures indicates there are large uncertainties about the thesis that warming, derived

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<sup>17</sup> Calculations by expert economist Angus Maddison of growth in incomes per head from 1820-1992 show that, over that period, the four mainly private enterprise economies of the US, Canada, Australia and New Zealand did best in increasing their incomes per head 17 fold. The more government oriented 12 major European countries increased theirs 13 fold and, at the bottom, the more tribal 10 African countries by only 3 fold. Maddison's estimates (published by the OECD) show that in the 1930s Australia's GDP per head fell by 4 per cent between 1929 and 1933 but then increased by 15 per cent by 1939. In the US per head GDP fell by 26 per cent between 1929 and 1933 and by 1939 had recovered by 28% but was then still below the 1929 level.

<sup>18</sup> From MODTRANS, a University of Chicago on-line calculator of energy in the atmosphere. MODTRANS is an internationally accepted standard for atmospheric calculations. This analysis shows that a doubling of concentrations of CO<sub>2</sub> would only increase the radiation on to the earth's surface by some 10 per cent.

<sup>19</sup> There is a complex greenhouse effect involving both radiation and water vapour effects on temperatures. Both CO<sub>2</sub> and water vapour absorb and emit radiation. In addition the water vapour concentration is controlled by evaporation and temperature. Assessments by sceptics show that even with a doubling of the CO<sub>2</sub> concentrations in the atmosphere the evaporation effect would be likely to limit the increase in temperatures to no more than one degree.

from usage of fossil fuels, is dangerous to humans. In short, scientific analyses by sceptics reject claims of a consensus for taking urgent action to reduce emissions of CO<sub>2</sub>.<sup>20</sup> Second, while average global temperatures have risen about 0.7 of a degree over the last century, we humans could readily adapt even if they continued to rise at this rate for another century.<sup>21</sup> What could happen economically if our government took no action to reduce emissions? According to Garnaut's 2008 report,<sup>22</sup> a do nothing policy would only slightly reduce economic growth and would still leave us with a GDP 700 per cent higher in 2100.

Why are we told that we would then be in a position where we, or rather the planet, could never escape from ever increasing destructive temperatures? Even leaving aside scientific questions regarding the validity of this alarmist view, we would then have available in 2100 far greater resources to combat higher temperatures and would also have much improved technology to deal with them. Think of the enormous technological advances over the last 100 years.<sup>23</sup>

Third, how do the alarmist scientists explain the fact that there have been two periods since 1910 when CO<sub>2</sub> concentration levels rose but temperatures actually fell or did not increase? Figure 1 shows this to have been the case for close to half the last 100 years - from about 1940 to the mid 1970s and again since 1998.<sup>24</sup>

Figures 2A also shows the falsity of claims that recent temperatures are the hottest ever: temperatures over periods in the distant past were almost certainly higher despite no fossil fuel use then.<sup>25</sup>

Fourth, is there evidence of meltings of glaciers and reductions in ice in the Arctic and Antarctic that could cause damaging increases in sea levels? We know that glaciers do melt *but* we also know that the IPCC director had to apologise for wrongly having the last report say that such meltings constitute a serious threat. We also recognise that global sea levels have been increasing. But as Figure 3 shows, only at a slow rate in recent years. If that rate continued global sea levels in 2100 would be only about 22 cms higher, which is at the *lower* end of the last IPCC report's projected increase of 18-59 cm and readily adaptable to.

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<sup>20</sup> As there is a kind of numbers game here, it is worth mentioning the response in February to a letter to Congress by 18 scientific warmists urging that body to give more attention to human activity as the main cause of higher temperatures. The response, also in a letter to Congress, came from 36 sceptical scientists and pointed to 678 peer-reviewed scientific studies that "offer a point-by-point rebuttal of all the claims by the 18".

<sup>21</sup> Indeed, evidence derived from analyses of ice cores suggests that there have been more rapid changes in temperatures in the distant past. The planet is still here, however!

<sup>22</sup> Based on the unrealistic assumption that other countries will adopt comparable emission reduction policies, Treasury modelling produces similar results.

<sup>23</sup> It is likely that such advances would include economically efficient alternative energy sources to fossil fuels.

<sup>24</sup> Australian climate expert William Kininmonth has often pointed out that modelled temperature predictions by the IPCC have, in practice, had large errors. Note also that, in one period from about 1940 to around 1950 CO<sub>2</sub> concentration levels did not increase.

<sup>25</sup> This graph, which was included in the 1990 IPCC report, shows higher temperatures in the Medieval Warm Period. The IPCC has never explained why it ceased to show the graph in subsequent reports. Figure 2B published in the 2001 IPCC report purports to show temperatures calculated from tree rings et al trending downwards until industrialisation in the 19<sup>th</sup> century since when they are shown to have risen sharply. However, the Climategate revelations have revealed that the author of this graph changed from calculating temperatures from tree rings when they started to show falling temperatures in the latter part of the 20<sup>th</sup> century.

As to the Arctic, Figure 6 shows the extent of ice has been slowly diminishing but at a rate that would take about 370 years for it to be free all year round.<sup>26</sup> Such reductions have virtually no effect on sea levels because almost all of the ice is already in the sea. The extent of the sea ice area in the *Southern* Hemisphere appears to be relatively stable.

There is also concern that higher temperatures would cause serious bleaching of the Great Barrier Reef. But the recovery of most of the reef from the bleachings of 1998 and 2002 suggest the coral may be stronger than some think.

Fifth, from the Australian perspective, an important concern is the potential for periods of low rainfall. But higher temperatures tend to be accompanied by *higher* rainfall and in any event similar droughts to the recent one have occurred in the past when emissions were much lower. Figure 7 B displays variations in Murray-Darling basin annual rainfall and shows *no connection* with levels or variations in average temperatures.<sup>27</sup>

In this context it is worth mentioning that, in a report on possible future extreme weather events such as floods and droughts, even the IPCC may be qualifying its conclusion on the supposed threat from higher temperatures. This report seems mainly to draw attention to the uncertainty about predicting such events and the scope for adapting to them.<sup>28</sup>

Sixthly, there is no justification for Australia to “lead the way” in reducing emissions. The countries most responsible for emissions are highly unlikely to adopt meaningful emissions reduction policies because they are developing countries which need to continue extensive use of fossil fuels. Those countries are now responsible for over 60 per cent of world emissions and by 2020 they could well be responsible for about 75 per cent.

More generally, this global warming scare is not a scientific one off. There is a long history of *wrong* doom and gloom predictions by scientists including incorrect (and costly) advice to governments.<sup>29</sup> My conclusion on global warming is that neither the scientific analysis nor temperature and related developments provide justification for urgent government action to reduce emissions. It is in any event futile and economically damaging for Australia to take such action unless major emitters conclude a *binding* agreement to take comparable action.

I come now to the much more serious third challenge we face from extremist Islamic groups. These constitute the most serious threat<sup>30</sup> to those living in Western countries as well as to

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<sup>26</sup> Since the widely publicised Arctic meltings in 2007 (which occurred during a period when global temperatures global temperature was actually falling and when there was increased cloudlessness), there has been a slight widening of the Arctic ice coverage.

<sup>27</sup> The prediction in the Garnaut 2008 report that the MDB will cease to be a home to agriculture by 2100 is representative of his unsubstantiated assertions on climate.

<sup>28</sup> In the IPCC PRESS NOTE of 18 November 2011 on the Summary for Policy Makers of the *Special Report on Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation*, IPCC Chairman Pachauri says the report provides “insights into how disaster risk management and adaptation may assist vulnerable communities to better cope with a changing climate in a world of inequalities” but he makes no mention of the potential effect from higher temperatures. The NOTE includes a comment by a Co-chair of an IPCC Working Group, and drafter of the report, that there is only “medium confidence” in the assessment of most extreme events because of a “lack of direct observations and a lack of agreement in the available scientific studies”.

<sup>29</sup> See “Scared to Death From BSE to Global Warming: Why Scares Are Costing Us the Earth” (2008) by Christopher Booker and Richard North.

<sup>30</sup> Last year the former Prime Minister of the UK, Tony Blair, made a similar statement to this.

the majority of moderate Muslims living in mainly Muslim countries. Religious differences within Muslim communities are evident from the internal fighting and terrorism within, amongst others, Pakistan, the Middle East and North African countries.<sup>31</sup> Moreover, although the so-called Arab spring has been widely welcomed it is far from clear that new governments there will allow a clear separation of church and state. But unless that happens, the human rights normally valued in democracies will be limited and there will be potential for terrorist groups to develop further.

The extent of this threat is an enormous subject about which I have written in more detail in the *Quadrant* journal<sup>32</sup>. Unfortunately, even though followers of the Muslim religion come from different races public comment has to be limited because of the Racial Discrimination Act.<sup>33</sup> There is also the difficulty that the interpretation of the Koran is left to the teachings of imams, which vary from moderate to advocacy of jihadism or terrorist activity of various kinds.

The implications for Australia are reflected to some extent in the ASIO report for 2010-11 published last month. That points out that, while surveys conducted in the US and Australia show that terrorism is no longer seen as a significant issue by the majority of the population, “the threat of a terrorist attack in Australia or against Australian interests in a number of countries overseas is real and will remain so into the future.” In tabling the report Attorney General Robert McClelland said “the simple fact [is] that we face real and serious threats to our national security”.

In fact, the ASIO report says that its operational tempo did not abate last year<sup>34</sup> and that “Australia is, and will remain, a terrorist target for the foreseeable future”. The report also indicates that, in addition to established groups such as al-Qa’ida and its affiliates, stand alone jihadists “continue to emerge with increasing frequency”, and that “jihadist terrorism remains the most immediate threat”. The report refers to “four mass casualty attacks within Australia over the last ten years” and says they were only prevented by intelligence and law enforcement agencies. Worryingly, the people involved were largely Australians drawing on

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<sup>31</sup> In Tunisia the Islamist party received the most votes in the election and in Libya the head of the Islamist group and the new interim leader has indicated “the Islamic religion as the core of our new government” and that Sharia law will apply. In Egypt the Muslim Brotherhood is now a powerful political force and in Syria fighting between rival groups is extensive. Even secular Turkey has become more Islamic. In Pakistan five Islamic militants and two police officers have been charged with playing a part in the 2007 assassination of former PM Benazir Bhutto. Afghan leader Karzai claimed at a conference in Turkey earlier this month that “terrorist networks are by far the major threat to Afghanistan’s security”.

<sup>32</sup> See February and November 2010 editions

<sup>33</sup> An academic acquaintance who has published detailed analyses of jihadist terrorist activity and the influence of the Islamic religion has told me he has suffered vicious and sustained attacks and attempts to have him sacked.

<sup>34</sup> The number of terrorist investigations by ASIO has increased from about 100 in 2005 to almost 300 in 2010

an ideology imported from overseas.<sup>35</sup> If only 10 per cent of Australian Muslims approve of violent action that would imply some 40,000 who are activists of one kind or another.<sup>36</sup>

ASIO does not define a “mass casualty attack” but this can be deduced by examining a 77 page judgment in February 2010 in the NSW Supreme Court involving the sentencing of five men to maximum prison terms of between 17 and 28 years.<sup>37</sup> The offence was for conspiring to prepare for a terrorist attack with a weapon stock equivalent to that used in November 2008 by the Mumbai terrorists when they killed 173 and wounded over 300. Justice Whealy said that those convicted showed no remorse, would wear their prison terms as a badge of honour and there was no indication that the leader would ever renounce his extremist views.<sup>38</sup>

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The potential implications of the threat were brought out at a defence conference held by the Australian Strategic Policy Institute in Canberra in 2007. There a US expert on nuclear proliferation, Robert L. Gallucci, pointed out that there is an increasing risk of a terrorist group obtaining and using a nuclear weapon without being detected. He was referring not only to one with the destructive power of the Hiroshima bomb but also to a more limited nuke sufficient to kill “only” 250,000 people.<sup>40</sup> A recent report by an Australian and two

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<sup>35</sup> They recently included an Australian born convert who on his web accused as terrorists each of the 32 Australian soldiers to die in Afghanistan.

<sup>36</sup> Most overseas pollings of Muslims show at least that proportion approve of violent Islamic action, including of the 9/11 attack on New York and the London train bombings.

<sup>37</sup> Regina v Elomar & Ors.

<sup>38</sup> The extent of this particular threat has now been revealed as being significantly greater than generally realised. In a judgement in the Victorian Supreme Court last month it was revealed (for the first time) that a self-proclaimed Muslim sheik based in Melbourne was in fact the leader of the Sydney cell as well as of a Melbourne terrorist cell, and that there had been joint terror training camps. Astonishingly, SC Judge Forrest rejected the Crown’s attempt to subject the sheik and his Melbourne followers to a trial. Judge Forrest took the view that as these men had already been jailed in Melbourne in 2008 for a separate terrorist offence, it would have been “oppressive” to subject them to another trial. He took this view despite the Crown’s claim that the involvement with the Sydney cell was more serious than the one for which they had been convicted. The result is that the leader of the two cells will be released in six years and one is already free. Yet the Federal Attorney General’s main comment was to say that “the community can be assured that law-enforcement and intelligence agencies will continue to keep our communities safe from terrorism”. For further details of this judgement (Rv Benbrika & Ors, Ruling No 3) and its implications, see the Herald Sun, 21 and 23 September and The Australian and Age for 21 September.

On 14 November two additional members of the jailed terrorists were released, with the Herald Sun editorialising that “it is beholden on authorities to make sure their activities are scrutinised with the greatest intensity possible”.

<sup>39</sup> As Mark Durie makes clear in his important book *The Third Choice*, a significant proportion of Muslims accept Islam as an ideology that should be established, if necessary by violence, in other countries under sharia law applying to a wide range of social behaviour, extinguishing all other religions and subordinating the role of women. For these Muslims, religious beliefs come first and the laws of the state come second and are over-ruled when there is a conflict (by contrast, Jewish law accepts the authority of the state). In his review of Durie’s book (*News Weekly*, February 20, 2010), academic Mervyn Bendle points out that the title of the book “comes from the fundamental Islamic principle that non-Muslims have three choices in a *Sharia*-dominated world: embrace Islam, be killed or enslaved, or live as subservient and tax-paying *dhimmis*”. Bendle also brings out the analysis by Durie of the attitudes adopted by many leading Western politicians, academics and even Christian leaders, suggesting an alarming brushing aside of this principle and ready acceptance of the idea that the Muslim religion shares a common humanitarianism with Christianity.

<sup>40</sup> Gallucci’s closing remarks included the following “We have no defence against a nuclear weapon delivered by a terrorist group, because we could be sure that it will be delivered in an unconventional way. After we get

foreign think tanks called for enhanced counter-terrorism cooperation between the US, India and Australia and says that the danger of nuclear and radiological terrorism has increased sharply in the past decade.<sup>41</sup>

What might be done about this threat? Some will say that we must work to persuade Muslim communities and leaders to abandon jihadist activity and live in peace. My fear is that there is little prospect of that happening in the foreseeable future. My concern is that the most likely development is the acquisition of more destructive weaponry by terrorist groups. Australia governments need to increase counter-terrorist resources, to increase the scrutiny of immigrants and refugees from Muslim countries, and to make more public statements about the threat from extremist groups.

## **Conclusion**

Let me conclude my three challenges as follows. Firstly, the serious problem with the current world economic situation arises from poor policies adopted by governments, not the capitalist, private enterprise system. Second, that governments and their advisers are also adopting defective policies as a result of accepting, without proper investigation, the dangerous warming thesis that is propounded by only one section of the scientific community; and, thirdly (and by contrast with the first two), that governments need in fact to play a more vigorous role in both promoting the virtues of western civilisation and in combating the very serious threats posed by extremist Islamic groups.

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finished worrying about all the containers, we can then start worrying about all the trucks, and then we can worry about the marinas and then we will rapidly conclude that we really cannot defend, as a strategist would say, by denial, or by preventing a nuclear weapon from being introduced into the United States, which leaves us only with deterrence. Deterrence, of course, creates the problem of knowing exactly who your attacker is, having an attacker who had some level of unacceptable damage, and anybody who presents to you the proposition that they value your death more than their life is not a realist.”

<sup>41</sup> “Shared Goals, Converging Interests: A Plan for US-Australia-India”, published by the Heritage Foundation, Lowy Institute and Observer Research Foundation.