

that some reforms be enshrined in legislation, as the independence of the Reserve Bank already is; an obvious candidate is a balanced-budget rule. He also suggests subjecting government White Papers and party manifestoes to extra-parliamentary, independent audit.

The strongest pressure for reform will come from the costs of *not* reforming: mounting fiscal crisis, leading eventually to disinvestment, stagnation and decline. But a necessary condition of successful reform is a coherent program of mutually reinforcing measures. New Zealanders are fortunate to have had such a comprehensive and lucidly presented example of one placed before them. It's a pity no one tidied up the frequently inadequate referencing or compiled an index.

Michael James is Editor of Agenda.

Too Much of a Good Thing

J. R. Shackleton, Training Too Much? A Sceptical Look at the Economics of Skill Provision in the UK, Institute of Economic Affairs, London, 1992.

Reviewed by H. M. Boot.

Governments have a strong incentive to be seen to be doing something in labour markets at times of high unemployment. This is as true of a government led by Mrs Thatcher as of one led by Paul Keating. In the 1980s public spending on vocational training in Britain increased in real terms by more than 300 per cent to reach £3 billion by 1989. Youth-training schemes, expanded from one to two years, were made virtually compulsory for unemployed school leavers, and the numbers on training programs rose by over five times. Qualifications obtained from these programs are 'competency-based', and certified National Vocational Qualifications (NVQs) range from semi-skilled to post-graduate equivalent levels. It is anticipated that 80 per cent of the work-force will be in jobs where an NVQ framework is installed by the end of 1992.

The parallels between these features and recent proposals to develop government-financed training programs in Australia under the Prime Minister's *One Nation* statement and the Carmichael Report are unmistakable. The only significant difference is that Australia, having started rather later, is not yet as far advanced as Britain. As in Australia, there are few people in Britain willing to face the howls of abuse likely to greet anyone willing to question these developments. J. R. Shackleton, the author of this book, is willing to take that risk.

Training Too Much? focuses on three main issues: the failure of British conservative governments to provide adequate justification for large-scale intervention in vocational training; the lack of effective evaluation of the net benefits derived

from public expenditure on training; and the growing influence of special-interest groups who stand to gain from the expansion of publicly funded training. These concerns are as relevant to Australia as they are to Britain. Authorities in both countries are committed to large expenditures on training and both share the same uncritical attitude toward the programs they are financing. In Britain, state expenditure on training shows every sign of having been increased without any thought being given to the economic principles that govern such expenditure. These principles, which Shackleton outlines skilfully, were developed by human-capital theorists 30 years ago and are well known to economists. There should therefore be no reason why they should be ignored. Unfortunately, the consensus in both countries is that workers are under-trained, that the unaided market will not solve the problem, and that government must therefore intervene with large publicly-funded programs of vocational training if economic performance is to match that of their trading competitors. In Britain, says Shackleton, this consensus is just one of many 'explanations' of Britain's relative economic decline, and persists even though it is hard to find any positive correlation between the resources a country devotes to training and its rate of economic growth. As in Australia, official claims that amounts spent on training are deficient are based on comparisons with foreign experience and on the fact that many firms offer no formal training to their employees. Yet differences in economic structure, education and employment practices, and in techniques of measurement used by different countries make international comparisons of expenditure on training highly misleading, while it is simply wrong-headed, as Shackleton shows, to require that all firms provide vocational training for their workers. On the other hand, one estimate (*Training in Britain: Employers Activities*, HMSO, London, 1989) indicates that in Britain resources equal to about 10 per cent of GDP were committed to vocational training annually in 1985 (no similar estimate appears to exist for Australia). This estimate includes £9 billion for earnings forgone during training. Nevertheless, total direct cash expenditures on training from all private and public sources amounted to £24 billion. It appears, however, this is still not enough for the training enthusiasts.

As for evaluation, this is expensive and time-consuming, and the technical problems associated with measurement and interpretation result in conclusions that are often uncertain and slow to emerge. Meanwhile, politicians with short electoral horizons either cannot or will not wait for answers. In any case, the pace of innovation is such that delayed answers that cast doubt on the efficiency of particular schemes can normally be dismissed as relating to an earlier mode of the scheme that has since been replaced by a more efficient version. In spite of these problems, it is to be expected that some attempt would be made to evaluate the returns on the vast public resources devoted to vocational training. One of the most disturbing features revealed by Shackleton is how little attempt is made in Britain to evaluate individual programs or the policy as a whole. Effectively, £3 billion of taxpayer funds is spent annually on training without anyone asking what net benefits are received in return.

Shackleton's final concern is the growing power of special-interest groups prospering from the large state-financed training expenditures. This is a mixed, but unsurprising, bag of beneficiaries. It includes the government itself, anxious to be seen to be doing something to combat high unemployment; the unions who benefit from the fact that qualifications can be used to reduce competition in labour markets while enhancing the 'rents' of existing workers; employers who might now be able to substitute government funds for funds they would otherwise have invested themselves to train their workers; and the training industry whose livelihood benefits directly from increased expenditure on training. Indeed, classic interest-group activity by the training industry is so strong that the British government has been forced to revive its own National Training Task Force to act as a counterweight. Finally, there are the trainees themselves. In periods of high unemployment, any edge gained over others, especially if acquired at zero or negligible cost, will be welcomed. For all these groups, expenditure on training becomes an end in itself. Unhappily for the taxpayer, the question of who pays, and what net benefits are gained by the economy as a whole from these expenditures, tends to recede further and further into the background.

Although this book focuses on British experience in the 1980s, Australians will have to deal with the same issues in the 1990s. Shackleton's altogether too brief account of developments in Britain provides timely warning that no one responsible for Australia's economic welfare, or for committing public funds to occupational training in Australia, can afford to ignore.

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Settling for Mediocrity?

David Hughes and Robert Albon (eds), Capital Ideas: Suggestions for Economic Reform in the ACT, Federalism Research Centre, Australian National University, Canberra, 1993.

Reviewed by Tony Rutherford.

Considering the importance of the Australian States in the economy and in public policy formation, economists and policy analysts have proved remarkably reticent in promoting coordinated studies of State policy. But contributions to the field have increased over the last four or five years. For example, *Budgetary Stress: The South Australian Experience*, edited by Dick Blandy and Cliff Walsh, was published in late 1989. That was followed by the various Project Victoria studies, written and published by the Institute of Public Affairs and the Tasman Institute be-