Governments, Markets and Globalisation

AUSTRALIAN PUBLIC POLICY IN CONTEXT

Quentin Beresford

GOVERNMENTS, MARKETS AND GLOBALISATION

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GOVERNMENTS, MARKETS AND GLOBALISATION

Public policy in context

Quentin Beresford

ALLEN & UNWIN

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Preface

Australian society is undergoing fundamental change. Decisions taken by government have thrust a protected and isolated economy into international competitiveness. This transformation has had, and continues to have, profound effects in reshaping the relationship of government to society and the nature of social relationships. This book is intended to provide an overview and interpretive framework for the study of public policy. It brings together a comprehensive analysis of both primary and secondary sources to identify and explain the major processes, institutions, ideas and participants in the development of policy. These sources include extensive use of government reports, newspaper commentary, opinion poll data, and statistical analysis. A synthesis of major recent works on policy is offered, including those relating to the operation of the modern, global capitalist system.

The connecting theme of the book is the debate about the role which government, free markets and globalisation play in the decisions taken by government. While the timeframe is mainly concerned with the period since the early 1980s, there is one largely historical chapter which explores the post–World War II model of government intervention. This chapter serves as an important counterpoint to the development of the policy framework more recently developed around the New Right and globalisation. While theories of policy underpin the analysis, it is not theory-laden. Rather, policy is placed within the context of the ideological battle between government and the free market intersecting with the forces of public opinion, interest group rivalry and the influence of the capitalist media. While stressing the

inevitable complexity of policy, an attempt is made to highlight the choices about values and society which lie at the heart of policy. Within this context, a framework aimed at defining the components of 'good' government is developed.

A special feature of the book is the extensive use made of case studies, which are mostly drawn from primary source documents. These are intended to add deeper insight to the policy process by focusing on a specific policy issue.

Material that forms part of a core reading list can be found in the Further reading sections at the end of each chapter. Details about other sources can be found in the Endnotes.

Chapters are built around major themes associated with policy. Chapter 1 provides an overview of policy by examining its various components and by unpacking its complexities. Chapter 2 looks at the role of government in policy in the contexts of the challenges facing Australia and the components of good government needed to meet these challenges. Chapter 3 introduces the model of government intervention which provided the policy framework from the postwar years through to the late 1970s. It introduces the key concepts of market failure; redistribution; regulation and the mixed economy. The attack on government regulation and the mixed economy by the New Right is examined in chapter 4, which also discusses the key components of the agenda for smaller government based around the claim of government failure and the need for competition.

The boost given to this policy framework by economic globalisation, one of the most profound developments of the 20th century, is the subject of chapter 5. The components of globalisation are examined with particular emphasis on the moves towards free trade, the power of transnational corporations and the growth in global finance. The policy impacts of these developments are discussed in the context of international competitiveness and the diminished capacity of national governments. Chapter 6 examines the role of public opinion in policy decisions. It looks at the increasingly sophisticated methods governments use to gauge public opinion on many non-economic issues while paying scant regard for the views of the public on many of the important issues dealing with economic restructuring. This, in turn, has had a great bearing on the subsequent rise of the populist party, One Nation. Chapter 7 examines the role and influence of interest groups and looks at the impact of particular groups in relation to the notion of insider/outsider status: that is, which groups are given access to negotiate with government and which are not.

The influence of the media on public policy is the focus of chapter

8, which discusses the concept of the media as agenda-setter. The commercial media, in particular, is having a range of effects on the policy process, making it harder to explore and analyse complex issues, and especially those lying outside a capitalist ethic. Chapter 9 examines the role of the public service, discussing the advantages and disadvantages of reforms to make it more responsive to the wishes of government. Chapter 10 takes up the issue of federalism, examining the effects it has on the policy process and the directions for the reform of federalism in an increasingly globalised world. Chapter 11 analyses the impact of the New Right/globalisation agenda in reshaping Australian society and economy. The effects are examined through a fourfold set of criteria: economic benefit, benefits to workers, social equality, and community wellbeing. The book concludes with a chapter that examines some of the main challenges for the next century. The selected important areas examined are industry policy, employment policy, social security policy, greenhouse gas policy and policy on Aboriginal health.

To reduce the number of footnotes, material that is cited frequently or regarded as essential reading is listed in Further reading at the end of each chapter.

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I would like to thank the students who have taken the course I offer in public policy at Edith Cowan University over the past five years for challenging me to demystify the policy process and for prompting me to justify why it has become such a battlefield of ideas. I have been fortunate too in having many friends and colleagues experienced in the field of policy with whom I have spent many hours over the years discussing the issues in this book. In particular, I would like to thank Associate Professor Harry Phillips and Dr Chris Sheil for reading draft chapters, making a number of constructive suggestions, and giving me the benefit of their considerable knowledge of government.

I owe a continuing debt to my family for their support in my writing projects. My wife, Marilyn, has my deepest appreciation for her meticulous editing of the entire draft and for passing on her own extensive professional knowledge of government. The book has been improved immeasurably by her involvement. Our daughter Michelle helps keep me up to the mark during our conversations on contentious political issues, and our young son William provides me with enjoyable excuses not to work. Lastly, I would like to thank John Iremonger for his interest and support in this project.

I would like to dedicate this book to the memory of my grandmother, Dawn Trethewie, who died as this work was being finished and who survived 96 years of social and economic change with good humour and tolerance.

Quentin Beresford

1

Public policy: an overview

Summary

- Policy-making is the major activity undertaken by governments.
- Choices made about policy direction are fundamental in shaping society.
- Policy is a complex and multifaceted activity.
- It is driven by ideas about society and the role of government.
- Several theories exist to explain its workings.

On 28 April 1996, an agitated young man, Martin Bryant, entered the Port Arthur tourist site in Southern Tasmania armed with a semi-automatic gun and proceeded to a cafe where he opened fire, killing 20 people. He then went outside and roamed the grounds, killing a further 12 people before he was captured. On that day, Port Arthur became the site of the nation's worst mass killing. When the initial shock subsided, calls for tougher gun laws became overwhelming. Newly elected Prime Minister John Howard heeded the calls and began moves to enact national, uniform guns laws. Of particular concern was the existence of military-style and other types of semi-automatic weapons with the capacity for rapid fire.

Having made the decision to implement national uniform gun laws, a range of complex problems still faced the Prime Minister:

- How could he achieve uniformity when much of the responsibility for administering such laws rested with state governments?

- How could he overcome entrenched opposition to uniform gun laws from well-organised gun lobbies with strong links to his own side of politics?
- Assuming that uniform laws could be achieved, what could be done about the many thousands of semi-automatic guns already in the community?

These were significant problems. The states jealously guarded their powers in this area, with the result that each state administered its own set of gun laws. Tasmania was regarded as having the laxest laws in the nation. Within each state, a gun lobby comprising a coalition of farmers and sporting shooters had for many years successfully lobbied any government contemplating tougher laws. In NSW, for example, the gun lobby is credited with having played a significant role in the defeat of the Unsworth Labor government at the 1988 state election, in opposition to its tougher gun controls. According to Chapman, after the 1988 defeat, 'the NSW Labor Party hierarchy proclaimed that any talk of serious gun control was a political no-go zone'.[1]

To overcome these problems John Howard had to:

1. *Demonstrate leadership:* Howard was widely credited with showing great personal strength in defining his position and sticking by it at all costs. He could not afford to show signs of equivocation, as the principle of uniformity risked becoming lost in a myriad of special exemptions. Howard was fortunate, too, in having the active support of his deputy, National Party Leader Tim Fischer, who helped quell dissent among farmers. His tough stance was necessary to persuade state governments that uniform legislation was needed.
2. *Develop a process to reach agreement:* Howard called an emergency meeting of the state police ministers, chaired by the federal Attorney-General, which he addressed. This meeting resulted in agreement on most of the proposals for national uniform laws: prohibition on the importation and sale of military-style weapons, pump-action shotguns and self-loading rim-fire rifles. A strict new licensing procedure was also introduced. However, two issues remained outstanding: modifying (or crimping) semi-automatic weapons in order to reduce their magazine capacity, about which there was much technical disagreement, and allowing farmers access to semi-automatic weapons to cull feral animals.

   Further meetings of Commonwealth and state leaders were necessary to reach agreement on these points. Throughout this time Howard addressed rallies of angry opponents and continued

to place pressure on his state colleagues, threatening them at one point with a referendum on the issue. This seems to have had its effect, as the final agreement on national uniform guns laws contained the major elements of Howard's original proposal, including a rejection of crimping.

3. *Develop a method of implementation:* To implement the new gun laws, the federal government reached agreement on a 'buy back' scheme funded by a temporary rise in the Medicare levy. In this way tens of thousands of semi-automatic weapons were taken out of circulation but with recompense to their owners.

Here is an example of policy-making that can change the direction of nations. Rejecting the descent into an American-style gun-owning society, the federal government struck a policy to underpin Australia as a non-violent society.

Devising policy is the prime function of governments. When elected to office they are given wide-ranging responsibilities and powers to make decisions. In turn, these decisions can shape society in three broad ways:

- Government has the capacity to influence the income people receive and their employment prospects through its economic policies, including wages, taxation and the level of its spending.
- Government has the capacity to influence the access people have to services such as health, housing and education, as well as the quality of these services.
- Government has the capacity to influence the quality of people's social lives through decisions it takes in areas including urban planning, pollution control, and crime reduction.

The components of policy

Public policy is an enigmatic activity. It is both straightforward and difficult to define. At the simplest level, policy is all the things governments choose to do and not do. Using this definition, it would be a relatively easy and useful task to record all the major decisions taken by a government in any given parliamentary term. Such a list would record a government's priorities and would enable some assessment to be made of the ways in which its actions affected society. Likewise, it is possible to identify the issues governments choose to

do nothing about, by making some assessment of the concerns within the broader community.

Yet any deeper analysis of policy reveals a more complex process, as the federal government's reform of gun laws illustrates. The following could be said to be among the main components of a definition of policy.

Policy as a set of ideas

Decisions taken by government represent broader ideas about the ideal form of society. The conflict over ideas can take several forms. At the broadest level, it is about the economic organisation of society: how wealth should be created and distributed. This, in turn, reflects philosophical struggles about the nature of human existence. Idealists such as Jean Jacques Rousseau and Karl Marx regarded equality between human beings as highly desirable and opposed the existence of private property for undermining this ideal. Other philosophers have regarded humans as selfish and self-seeking, and separated by different abilities which made inequality natural.

For much of the 19th and 20th centuries this ideological divide about human nature was represented in the struggle between a capitalist/liberal democratic framework based around private enterprise, the rule of law and free elections, and a socialist/communist one based around the collective ownership of the economy and the equal (or more equal) distribution of wealth. This great ideological divide has largely disappeared in the wake of the collapse of communism and the discredit directed at government control over the economy. Today, democratic capitalism has no serious rival. In the minds of many writers, this reflects the political, intellectual and cultural triumph of individualism over collectivist forms of human organisation.

Nevertheless, the struggle over ideas has shifted to new ground. An intense debate has raged over recent years about the role of government within a capitalist framework. Much of this book is taken up with an examination of this debate. Ideas about the role of government have changed dramatically over the past several decades. Essentially, the debate revolves around a central question: in modern society, how much responsibility should governments take in social and economic affairs, and how much can be left to the forces of the free market economy and/or the private responsibility of individuals? As discussed in chapter 3, widespread agreement existed from the 1940s through to the mid-1970s that government should actively intervene in society and the economy to promote the ideals of a just and fair

society. However, by the late 1970s, these ideals were being actively undermined by the advocates of smaller government and private enterprise. (The course of this debate is discussed in chapter 4.)

Although the debate in favour of smaller government and free markets has been largely won, there is still no agreement over the exact parameters of government activity. The emergence of an **integrated global capitalist economy** has intensified this debate, with many commentators arguing that much of the traditional powers of government are being transferred to the forces of **international capital**. (These arguments are examined in chapter 5.)

Government has ceded much of its role in the economy to private enterprise: government-owned assets have been sold to the private sector, the economy has been opened up to international competition, and many government regulations in areas such as banking, finance, and wages and working conditions have been abolished and/or reduced. All this activity is consistent with the calls for smaller government. Yet government remains a potent force in society, and this suggests limits to how far its role can be reduced. Self sums up the reasons why government intervention remains important:

> Technological change inescapably leads to social regulation in the interests of safety and health of this and future generations; . . . economic change poses formidable problems of internal adaptation and international competition; . . . and social change has made an increasing number of people dependent upon state welfare rather than the older and simpler support systems. Moreover, all these three forms of change interact and reinforce each other.[2]

These are strong reasons for the presence of government in society. But they do little to resolve the extent to which it should attempt to deal with these issues. This has been referred to as the problem of the size of government. Hughes (1992) has broken down this problem into a series of related questions:

Integrated global capitalist economy: the spread of capitalism to most parts of the world to create a worldwide market for goods and services. Until the late 1940s, the global capitalist market was based around Europe and North America. The postwar rise of Asian economies broadened this market, a process that has been greatly intensified by the fall of communism in Eastern Europe and the Soviet Union and the transition to capitalism in China.

International capital: large businesses and investors who have control over the flow of investment to countries. A key component of the modern global economy has been the globalisation of finance: that is, the flow of money and investment across nations.

1. *The problem of individual freedom:* What is the proper place of governmental authority in society? Or, how much private autonomy are we to recommend?
2. *The allocation problem:* What proportion of the total resources of society should be left to government choice as regards consumption and investment? And how much should be turned over to private choice?
3. *The distribution problem:* How large should the government budget be? Or, how much private income should be generated without governmental influence in the form of transfers?
4. *The ownership problem:* How much of the means of production should be owned by government?
5. *The problem of bureaucracy and of bureau size:* How much of the workforce should be employed in governmental organisations?

As discussion in chapter 4 will show, the reductions to the size and role of government that have been pursued by both Labor and Liberal governments over the past 15 years are consistent with the issues set out in this framework. It is now widely accepted, for example, that governments should own less and employ fewer people. This policy drive has represented the triumph of the idea of the free market. Yet much remains contested ground, and there is a general call for government to remain active in many areas, especially in social policy.

Policy as a field of activity

Most people encounter policy in the form of broad statements about the major areas of government activity. Thus, people are exposed to information about a government's 'economic policy'; its 'social policy'; or its 'environment policy'. These broad areas are separate and often specialist fields, but they are also linked to a government's overall ideological direction.

Policy as a specific proposal

Broad statements of direction require development and refinement into specific proposals. Thus, a broad statement of policy intention in the field of education, for example, might be to improve literacy standards for primary and secondary school children. This will need to be developed into a range of specific proposals capable of implementation, which might include the training/retraining of teachers; new curriculum materials; standardised testing; and new library funding. Developing such specific proposals most often requires input from

policy experts, whose technical knowledge in particular fields is required if the best outcome is to be achieved.

However, policy development can also involve tension between politicians and experts. The Howard government's 1997 proposal to fund new drug education initiatives, for example, were criticised by a range of experts in the field who questioned the emphasis on a 'no drugs' approach—as opposed to a 'harm minimisation' one which attempts to limit the health risks from taking drugs. Many experts believe the latter approach better reflects the social reality of many young people's lives, where drug use is common.

Policy as participatory democracy

It is not just government that develops specific proposals. Policy development is widely disseminated throughout the community. Proposals for policy come from a wide range of individuals and institutions. **Organised interest groups**, such as conservationists, business, unions and professional bodies regularly make calls on government to develop policy in line with the interests represented by a particular group. (The role and impact of interest groups is the focus of chapter 8.)

The involvement of interest groups in policy development is widely argued to be a sign of a robust democracy, because groups assist in widening the agenda of issues brought before government and those involved in articulating policy proposals acquire the skills of active citizenship.

Policy as an outcome

Policies are designed to achieve certain objectives. Examining the extent to which a particular policy achieved its objectives enables some judgements to be made about the suitability of the policy's initial intention. The state government of Western Australia, for example, like most other state governments, has pursued a policy to employ more police in an effort to reduce crime. But the effectiveness of this policy has been questioned: a survey undertaken by the Crime Research Centre at the University of Western Australia found that WA

Organised interest groups: groups formed to influence government policy. Interest groups sometimes stand for Parliament, but usually they adopt a range of direct and indirect campaigning and lobbying techniques to influence government decision-making. Considerable debate exists over whether the activities of such groups reflect robust democracy or advance sectional interests.

police numbers had grown more than in any other state—21.6 per cent between 1983 and 1993 compared with 17.9 per cent in NSW, 12.7 per cent in Queensland, 7.6 per cent in Victoria and 5.6 per cent in South Australia. However, the clean-up rate for burglary fell from 20.9 per cent to 11.8 per cent over the same period, and the rate of solved motor vehicle thefts fell from 30 to 18 per cent.[3] Such information is vital to examining whether the policy should be changed in some way. For example, would resources be better channelled into crime prevention strategies than into employing more police?

It is not only the outcome of specific policies that we need to know about: the government's overall policy direction should also be examined. As discussed in the following chapters, recent Australian governments have pursued a policy agenda of raising Australia's competitive position within the international economy. This agenda was supposed to deliver economic growth and better living standards. It has amounted to one of the most sustained social and economic transformations ever undertaken in this country. It has touched most people in very direct ways. But what has been the outcome? (The effects of the competitive agenda are examined in chapter 11.)

Policy as a process

The translation of policy from broad statement to specific proposal and eventually to a program implemented in the community involves different stages of decision-making and policy development. A wide range of organisations and institutions may be involved. These include the following, which are examined in detail in various sections of the book.

The Cabinet

Senior ministers in the government form the Cabinet, which meets regularly to discuss policy proposals submitted to it by its various members. Most policy requires the formal approval of Cabinet.

The Parliament

Cabinet proposals eventually come before Parliament for approval as either legislation or allocations for funding in the annual budget. The lower house largely rubber-stamps these proposals, as the government has a majority of members. However, the Senate—where governments no longer enjoy a majority—can use its power to amend and/or reject government policy proposals.

The public service

Officially, the public service is charged with the implementation of government policy. Its expertise—based on technical knowledge of an area and access to information—is often vital in helping government to frame particular proposals. Moreover, in administering policy, the public service generates ongoing policy reforms, much of which is of a technical and uncontroversial nature.

Interest groups

Proposals for policy are often generated by community interest groups pursuing issues which either further the sectional interests of their members or seek to promote causes for the 'good' of society.

The media

The media has an important role in bringing public attention to a particular issue and, thus, helping to set the agenda for politicians.

Federalism

Australia's constitutional arrangement separating power between federal and state governments has a range of impacts on policy, although it is not always easy to determine whether these are positive or negative. While federal systems create more opportunities for policy issues to reach the political system, they present significant problems in the coordination of policy.

Policy as inaction

Governments are selective about the issues and problems they are prepared to tackle. Some problems receive little or no policy attention. This is referred to as 'non-decision-making', because it represents a conscious response from government to certain issues. There are many potential issues where non-decision-making may be a factor: for instance, the failure of governments to develop strict anti-pollution codes may result from the power and influence wielded by large industries. However, there are obvious difficulties in showing non-decision-making at work: usually governments do not acknowledge the existence of such forces at work.

The theory of non-decision-making was developed by two American academics, Bachrach and Baratz, who undertook a study of the US city of Baltimore in the 1960s. They showed that the city's elites could prevent or stifle public discussion on a wide range of issues, principally though control of the mass media. They attempted to show

that the agenda of issues in the city did not represent the free flow of ideas and proposals, but was formulated by a ruling clique:

> The dominant group or groups in a polity exercise power and it correlates to maintain and strengthen the existing mobilisation of bias. Although challenges to its or their preferred position can and will be fought within the channel of policy choices, those in a position of dominance lay particularly heavy stress upon preventing the disaffected from raising issues that are threatening to the former's preferred position.[4]

In spite of the difficulties in showing non-decision-making at work, it remains an important perspective with which to view the conduct of the policy process because it places at the forefront of policy consideration of the power, motives and background of decision-makers. Bachrach and Baratz argued that a detailed analysis of the decision-making process revolves around four key questions:

1. What individuals and groups play a key role in the decision-making process?
2. What do these decision-makers believe are the relevant factors and conditions that affect their choice of a course of action?
3. To what extent were their own perceptions of the problem narrowed?
4. What were the principal determinants of the decision-makers' behaviour?

Policy as public interest

Governments mostly claim to develop and implement policy from their commitment to the public interest. Governments pursue those policies which are to the benefit of most, if not all, people. Laws requiring the use of seat belts, for example, were widely opposed at the time of their introduction, but were enacted in the knowledge that such a measure could save lives. The need for effective food regulations to prevent contamination is another example of governments acting in the public interest. While many examples of this nature can readily be found, is it not the case that governments could claim all their measures were in the public interest?

However, such a claim raises a contentious issue. Does the public *have* a collective interest? One strand of political thought, represented by J.S. Mill, maintains that only individuals have interests, and a collection of private interests does not add up to a coherent 'public interest'. Modern public choice theorists have extended this argument

to explain the existence of organised interest groups. These groups are sectional, representing only part of society, and the competition between them for public policy outcomes leaves little room for a 'collective interest'. Public choice theorists argue that the public interest is advanced by efforts to limit the capacity for individual interest to influence the policy process.

Despite its complexities, the concept of a public interest is not a wholly ambiguous one. The long tradition in political philosophy invoking humans as moral creatures, capable of contributing to the community wellbeing, still finds expression in public policy today in calls for effective environmental legislation, curbs on drink driving, and many other areas. In other words, not all policy, even in a free-market-driven era, can uphold the unrestrained pursuit of self-interest, or the interests of a particular political party and its supporters.

Policy as complexity

The various components of policy outlined above necessarily make it a complex process. Considerable consultation and negotiation is needed across a range of organisations, and there is much that can delay, obstruct and even defeat attempts by government to deal with issues. Policy can seem like a battlefield of ideas, with rival interests conflicting over how to bring about the ideal society. In a democracy, such conflict is inevitable and, to a certain extent, healthy, even though this may not be appreciated by the public at large, which is often cynical about the delays involved in the policy process.

Part of the complexity of policy arises out of the lack of consensus in modern industrial societies about the values that should guide the nation. The moral certainties of earlier eras have given way under the spread of **individualism**. More people want an active voice in decision-making. Information is much more readily available to people on which they can base policy choices. Thus policy is heavily contested terrain in modern societies. On almost every public issue of importance a clash of rival ideas, values and interests is evident.

Individualism: the belief that people should be unconstrained by conformity and be able to contribute to society through their own ideas and forms of expression. In political terms it means a greater propensity for people to break from the conformity of groups such as church, social class or party in deciding their views on issues.

This clash is often most evident in debates on contentious social issues, often revolving around personal values and/or moral choices. There are countless examples:

- Should the terminally ill be given the right to die?
- Should prostitution be made legal?
- Do women have a right to abortion on demand?
- Should Aborigines have rights to land, and which land?
- How strict should the controls be on pornography?
- Should young teenagers unable to live at home be given a 'homeless allowance'?
- Should smoking be banned from all public places?
- Should the availability of gambling in the community be limited?

On all these issues there are strongly articulated, but opposing, views about what governments should do. They represent legitimate differences of opinion arising from rival ethical and/or religious viewpoints. The legitimacy of these differences creates problems for government. On some issues government is required to negotiate between conflicting community viewpoints in a search for common ground. At other times, governments feel compelled to stall action on a particular issue until some consensus emerges on what needs to be done.

Some problems have a multiplicity of causes, which can pose great difficulties for governments to isolate. A recent government inquiry into drug use, for example, heard evidence that

> Drug and alcohol abuse are symptoms of a society which is failing to address the deeper social issues that leave individuals feeling alienated, isolated and alone; and that the problem will not disappear until these broader issues are dealt with. Prolonged drug use is usually fueled by a host of underlying personal and social problems experienced by the individual concerned. The problems might include poverty, a lack of real or perceived opportunity, trans-generational welfare dependence, inadequate recreational opportunities, youth alienation, or any or all of which may in the extreme combine to produce behaviours characteristic of an underclass.[5]

Ageing of the population

Sources: A. Graycar and J. Jamrozik (1992) *How Australians Live Social Policy in Theory and Practice*, Macmillan, Melbourne; F. Brenchly 'The baby boom time bomb', *The Bulletin*, 27 July 1999.

Australia, like other developed societies, is experiencing an inexorable demographic trend in which the proportion of elderly people in the

population is increasing considerably. This trend is the product of three main causes: lower birth rates, higher rates of longevity and reduced rates of immigration. In 1976, Australia had 1.3 million people over 65—9 per cent of the population. In 1999 the figure is 2.3 million or 12 per cent of the population. By 2041 a quarter of the population will be aged 65 years and over. Traditionally, 65 has been seen as an appropriate age to retire and this transition has been associated with an expectation of gradual disengagement from active citizenship even though there is no biological or social reason for 65 to be accorded particular importance. In fact, during the 1980s, the move towards early retirement at 55 years of age became popular with a growing number of workers and organisations. The potential consequences for policy arising from the ageing of the population are far-reaching. Some commentators are predicting an emerging crisis in the welfare state as a result of the ageing of the population. After all, the welfare state was developed at a time when pensions were small and people spent comparatively few years in retirement. The number of working aged people for each person over 65 is expected to decline significantly with future predictions that Australia will have less than two workers (and taxpayers) to each person over 65. There are other, significant economic consequences to be considered. Higher pension and health care costs are likely to place significant burdens on the nation's budget with some predictions that countries like Australia will have to spend an additional 9–16 per cent to meet the needs of the elderly population. In addition, some experts predict future labour shortages as the proportion of younger workers in the workforce steadily declines. In recognition of these longer-term problems, the Howard government has established a cabinet committee to produce a national strategy for the ageing of the population

Exercise

Identify some of the major policy issues which the cabinet committee will have to address.

Compounding the complexity of policy is the need to allocate resources. Implementation of most policies requires that government allocate funds. Even in ideal circumstances, government would face more demands on its available resources than it could adequately meet. The problem of resources has been exacerbated over recent years by demands for lower rates of personal and business taxation. The inevitable limits on resources require government to develop priorities:

some policy fields will receive more funding than others, with the result that government comes under continual pressure from individual voters and from organised interests to influence the allocation of resources.

The existence of a multiplicity of interest groups is an additional factor underpinning the complex nature of the policy process. On almost every major public policy issue organised interest groups press for the policy process to reflect its particular concerns. This has led some writers to lament the fragmentation of the process of government. Some feel the effectiveness of government is being stymied by the presence of rival interests on each side of most issues. This reflects the enhanced **politicisation of policy** development. More groups vie for the attention of government, and more do so with the capacity to mobilise voters in support or opposition to a government should their demands not be granted. Many groups also devise communications strategies to convey their message via the media to the public. Reconciling these different interests, and prevailing over some of them, is a time-consuming and unpredictable process.

The complexity of policy in Australia is deepened by the country's constitutional arrangements. The federal structure of government divides powers between the states and the Commonwealth in ways that make national approaches to issues difficult to achieve.

Theories of policy

The very complexity of public policy has compelled political scientists to explain its operation according to some overarching theory. In essence, theories of policy attempt to ask the following central question: are government policies, or at least most of the key decisions, the outcome of a common set of forces? In the past few decades a range of theories has been put forward in an attempt to answer this question. Although a full discussion of these theories is beyond the scope of this book, below is a selection of the more pervasive theories about public policy. Although all attempt to provide a convincing case for the operation of policy, the sensible approach is to view each one as offering some unique insight.

Politicisation of policy: the pressure government comes under to adopt particular policies in the interests of powerful groups and/or individuals and organised expressions of public opinion.

Pluralism

The dynamics of Australian public policy have often been described as reflecting a pluralist approach. Briefly, this model is designed to show that government decisions are the outcome of freely competing interest groups which vie for government attention. According to this model, decisions result from the competition and collaboration between these groups. Government acts mainly as a mediator to reconcile their conflicting interests. In addition, competing political parties can advance the policy positions of various groups in attempts to win majority electoral support.

While the primacy of interests groups in modern political systems is a dominant feature, and there are many examples of governments playing the mediating role outlined in the pluralist model, it is widely agreed that this activity is only a partial explanation of policy. Classic pluralist theory has failed to develop a sophisticated understanding of why certain interest groups gain greater access to and influence over government.

Corporatism

The corporatist view argues that major government decisions are the outcome of a set of close relationships with a few key organisations in society. The role of government, according to this theory, is to try to structure interest groups so that they can represent a wide range of opinions within a particular field and then bargain with them for outcomes. Typically, a corporatist approach involves negotiations with peak organisations representing business, unions, and the welfare lobby. These groups cover the dominant economic issues facing government, but other groups such as environmentalists may be included in the process on selected issues. Thus, the corporatist view sees policy as the outcome of a much narrower set of bargaining and negotiation than is represented in pluralism.

Class theory

Class theories of public policy adopt a **Marxist perspective** to argue that government decisions reflect the interests of the owners of large

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Marxist perspective: based on the influential political theories of the 19th century philosopher Karl Marx, who argued that the structure of capitalist economies shaped class structures, social relations and the distribution of power. He believed that capitalism would eventually collapse and be replaced with communism.

businesses. Advocates of this theory point to the dominance of capitalists in the economy and the reliance governments place on them to provide jobs and investment. Therefore, governments are compelled to look after the interests of this class. The attractiveness of this theory is its simplicity and the accord it strikes with the media image of powerful capitalists, who seem to have open access to government. However, it is difficult to show the exact nature of this influence. Decisions—on wages, working conditions and the environment, for example—do not always conform to the interests of capitalists. Moreover, capitalists do not necessarily have strong interests in policy areas outside the economy.

Public choice

This theory is founded on the premise that actors in the political process, whether politicians, voters or bureaucrats, are motivated by the desire to maximise their own self-interest. Voters continually push for new programs to meet their needs and politicians respond out of a desire to be re-elected. Bureaucrats seek to increase their budgets and, hence, their power and prestige. The result is a continual increase in state power and intervention in the economy and society. There is much about government in the postwar period that seems to reflect this process, but it fails to account for more recent developments in government which have seen programs slashed and unpopular decisions taken by government.

Towards a definition

Public policy is the study of government decision-making from a broad perspective. It involves an analysis of the institutions of power as well as theories of power in an effort to understand the choices governments make and the impact of these choices. It is an essential sub-branch of political science because the decisions governments take form the basis of the type of society in which we live and underpin the quality of life we experience.

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2

Governments and policy

Summary

- It is the job of governments to formulate policy.
- Australia is confronted with a series of economic, technological and social challenges.
- The main components of 'good' government include leadership, a strong revenue base, preventive policies, strategic planning and consultation.
- There are various models available to governments of how policy can be made, with rationalism and incrementalism two of the most prominent.
- Government policy is increasingly being scrutinised in the Senate.

During his term as Prime Minister, Paul Keating faced a policy challenge of national urgency. His government had to find ways to reduce the rising number of unemployed and especially the number of long-term unemployed. In mid-1993, the government estimated that the number of those without a job for more than a year was likely to rise from the then 370 000 to 500 000 before starting to fall. Those bleak predictions inevitably pushed the issue well up the government's priority list. In July 1993 a process of policy formulation was unveiled by the Prime Minister to deal with the nation's most pressing social problem. He announced the establishment of a special taskforce to prepare a review of policy options by late 1993 with the

aim of finalising a set of policy initiatives by early 1994. The key focus of the taskforce was to examine policy options in areas such as:

- more flexible industrial relations arrangements;
- more flexible income support mechanisms, such as unemployment benefits;
- more active labour market assistance;
- a stronger vocational training system;
- the removal of barriers to employment, including overheads such as payroll tax and restrictive work practices.

When it was released, the policy document entitled *Working Nation* contained a wide range of policy commitments, including the expenditure of over $4.6 million to assist the long-term jobless; a training wage for youth; the provision of over half a million training places; and major changes to the social security system to remove poverty traps or disincentives to the unemployed seeking full-time work.

As this example shows, one of the main functions of government is to develop policy proposals to tackle issues of importance to the community. One of the most pressing issues about public policy is the capacity of governments to address the challenges facing modern nations like Australia. This is the context of policy in the modern world—the need for governments to respond to some of the most profound technological, economic and social changes witnessed in the 20th century. The scope of these challenges is immense. Consider, for example, the following broad areas:

Securing an economic future in an increasingly competitive world

The combined impact of global capitalism and **freer trade between nations** is opening up many new opportunities for wealth creation but, with a growing number of nations participating in international trade, there is intense competition to attract foreign investment and to produce goods and services for a world market. Half the world's goods and services are now produced according to strategies which involve planning, design, production and marketing on a global scale. This is the process now referred to as the globalisation of the world economy.

Freer trade between nations: a series of international agreements to remove barriers to trade between nations, principally the barriers of taxes on imported goods.

Adjusting to the global information technology and telecommunications (IT&T) revolution

Much of Australia's economy and workforce is being transformed by IT&T, which is responsible for the creation of jobs and industries that did not exist barely two decades ago. It is creating new employment opportunities and new modes of work. However, many workers in traditional industries are being displaced and governments and business face continuing demands to remain internationally competitive in this area.

Addressing many social problems resulting from social and economic change

Australia is experiencing deep divisions in its social structure as a result of policies introduced to make the nation economically competitive. Rates of unemployment have been stuck at record postwar levels for more than a decade, while the number of people living in or near poverty has risen dramatically over the past two decades. In this period, Australia has edged closer to the creation of a sizable, permanent underclass of people excluded from the workforce and dependent on social security payments.

Addressing many problems exacerbated by social and economic change

Poverty and unemployment are widely regarded as contributing to the growth in a range of social problems, including drug and alcohol abuse, child abuse, suicide and depression. Governments face significant challenges developing suitable responses to these problems of human behaviour.

Developing a sustainable environmental future

Australia is expected to develop comprehensive responses to reducing global warming as part of its international responsibilities. Although its contribution to total greenhouse gases is small, the rate per head is one of the highest in the world. More broadly, there are increasing public demands for federal and state governments to manage their natural resources such as soil, waterways and forests in a sustainable way, preserving them for future generations.

These are the overarching policy challenges facing Australia. No examination of the conduct of public policy can ignore the capacity of governments to manage these issues. Whatever its weaknesses, government remains the only institution expected to tackle these

problems. As Paul Kennedy, respected historian and author of *Preparing for the 21st Century*, highlights, governments remain the chief locus of authority and loyalty. Through various forms of taxation, they raise and dispense a large share of the product of human endeavours and they command a governmental system to discuss, prioritise and implement policies.

But how well prepared are governments to face the 21st century and the type of society now emerging? Kennedy argues there are elements of choice in the process of adjusting to these challenges, but relatively few nations are well prepared to meet them: 'given the difficulties of reform, humankind's instinctive avoidance of uncomfortable changes and its preference to make only minor ones is likely to prevail'.[1]

Part of the problem also in Australia, as elsewhere, has been a declining faith in the institution of government. From the high point of faith in government in the 1970s, there has been a creeping scepticism about the ability of governments to cope with major policy problems. People widely perceive politicians as self-interested and failing to listen to the community.

For others, the declining faith in government poses a more fundamental question. An American political scientist, Thomas Dye (1992), for example, argues that there are limits to public policy. Governments may not be able to bring about some societal changes because of the costs of solving some problems, the multiplicity of causes and/or the ways in which some issues are continually redefined with new expectations. McRae adopts an even more pessimistic line, arguing: 'The nature of politics is to claim that government can solve problems—politicians feel they need to say that they can achieve goals—but the reality is that they have a very limited degree of influence over economic performance, and still less over human behaviour'.[2]

During the 1980s, it became especially fashionable to question the capacity of governments to deal effectively with many of the issues facing them. Governments, it was claimed, had become overloaded with problems, and nations were thought by some to have become ungovernable. In recent years there has been some retreat from this pessimistic view. Governments, especially in the area of economic reform, were not so weak as had sometimes been imagined. From the mid-1980s, both state and federal governments pursued at times radical policies aimed at economic restructuring, often in the face of a critical electorate. But economic restructuring alone does not guarantee either prosperity or social cohesiveness in the world of the 21st century. To

meet these challenges, governments have to be committed to good government. But how do we determine 'good' government? The following is a selection of some of the main components of effective government which have featured in the debate about government over recent years.

Components of good government

Political leadership

Leaders have always been integral to policy. Arguably, their importance is heightened in the modern age due to the emphasis placed on their role by political parties, by the media and by the expectations of the public. In particular, the role of parties has been weakened by the erosion of their support base, the proliferation of interest groups and the blurring of distinctive ideological differences between the major parties. Therefore, leaders have increasingly become the prime focal point of political parties and integral to their success.

Despite these developments, Burns (1979) cautions against expecting too much from leaders: their decision-making is circumscribed by the situations they inherit, the reaction of interest groups, and the availability of information. Consequently, they operate by 'feel and feedback'; they are 'creatures of restraint rather then creators of opportunity'.

However, leadership has become an important public issue in recent years. A popular view claims no leader has been able to unite or inspire Australians during this period of great change, and many Australians feel let down. At the time of the October 1998 election, for example, one newspaper commented that Australia was 'A nation wholly estranged from its politicians; a voting public that feels betrayed, ignored and powerless to affect the country's future; a people yearning for a sense of vision and purpose, and yet finding nothing in the way of public leadership to believe in'.[3] These sentiments appear to be widely held, suggesting that in a time of profound social and economic change people are looking to leaders for direction.

One area that has attracted some attention is the need for leaders to articulate the goals and values of the nation. What sort of society do we want to be? But this role has been given relatively low priority by Australian prime ministers during the 1980s and 90s. The overwhelming message delivered by Prime Ministers Hawke, Keating and Howard has been the need for economic competitiveness and reducing

government spending. While each has spoken about social objectives, none is thought to have developed a national vision that has resonated with the majority of people.

To many elites, Paul Keating came closest to articulating a national vision with the development of a set of priorities which formed the agenda for his government. These were based around the following: international competition for the Australian economy; maintenance of Australia's social security net; reconciliation with Aboriginal people; an Australian republic; integration with Asia; and promotion of a multicultural Australia. Especially among the well-educated, this represented the most far-reaching program for Australia's future that had been articulated in the previous 20 years. However, Keating underestimated the need to use his leadership role to mobilise public support for his agenda, and to link it to the concerns of ordinary Australians. This failure is thought to have been a significant factor in the eventual defeat of his government.

John Howard's leadership style has also attracted criticism. In the lead-up to his successful 1996 election he appeared to reject the value of national vision—claiming, during one television interview, his wish for Australians to be 'comfortable and relaxed about the future'. Yet, as the next chapters show, the Howard government has pursued a rigorous program of public sector change, with little attempt to define and promote the broader social values that underpin his quest for smaller government and free markets.

According to Walter (1996), recent Australian prime ministers have failed the test of political imagination. Governments led by Hawke, Keating and Howard have focused overly on economics and left social issues at the margins of political debate. Under the urgency of economics, leaders have failed to articulate an end goal: what was the economic reform supposed to achieve? In fact, 'the harping on the means of achieving growth obscured what was happening in Australia and who was benefiting'.[4]

Therefore, leadership is more than collecting taxes, spending them wisely and managing the economy, however important these daily requirements may be. According to Tredinnick, a specialist in leadership studies, leadership is about the purpose and meaning of nationhood; the values that guide nationbuilding and its future goals. He argues that the need for leadership is keenly felt in contemporary Australia because of the range of challenging issues facing the nation, including reconciliation, globalisation and multiculturalism.[5]

These are undoubtedly among the tasks to which leadership must inevitably be directed. They foreshadow the need to synthesise an

expanded view of the nation: one that adapts to the realities of the global marketplace, accepts the challenges presented by new technology, and understands the need to maintain social cohesiveness. Moreover, leadership assumes a commitment to educating the public regarding the policy agenda and to building support for them. Yet leaders will vary in their willingness and capacity to both seize on a broad policy agenda and to build public understanding. Many will be all too aware that a large-scale policy agenda, coupled with concerns about effectiveness, runs the risk of increasing public anxiety.

A strong revenue base

Most of the policy issues facing Australia require the commitment of government spending. Australia is among the lowest-taxing countries in the industrialised world and one of the lowest spenders of government monies. While there is no precise correlation between the amount government spends addressing an issue and effective outcomes, many problems remain unresolved for the lack of adequate government funding.

Over recent years, governments have become trapped in a double bind. They have simultaneously argued for a reduction in government spending and for a lowering of taxes. The inevitable consequence is diminished services—longer queues at hospitals, less money for job-creating infrastructure projects, and reduced training programs for the long-term unemployed. The long-term problems in Australia's taxation system have been clearly explained by Peter Davidson, senior policy adviser to the welfare lobby group, the Australian Council for Social Services:

- Federal government revenue as a proportion of **gross domestic product (GDP)** fell steadily from 1986/87 to the middle of the recession of the early 1990s, and has not recovered substantially since then.
- In equivalent dollar terms, average federal revenue during the 1990s will be $15 billion less per year than the 1980s average.
- The decline in revenue collection is the result of fewer ordinary taxpayers moving into higher tax brackets because of the slowing in wage rises; the growth in spending on untaxed services; the reductions in company tax rates; and the growth in business tax concessions.

Gross domestic product (GDP): the total output of production in a country.

- Consequently, Commonwealth funds to administer services largely run by state governments have declined.
- State governments have therefore been forced to rely on socially damaging and/or inequitable taxes, such as rises in car registrations and taxes on gambling, which hit the less well-off the most.[6]

The assumption that taxes cannot rise has become entrenched in Australian politics. Most recent elections have witnessed a contest between the two major parties as to which can cut taxes more. Political parties assume that such a bidding war is attractive to voters, but their commitment is also partly ideological. Lower taxes generally, and especially on the wealthy and big business, has been part of the 1980s agenda to make Australia more internationally competitive. As Hamilton (1997) explains, economic rationalists 'have entrenched the idea that the tax system and the overall tax take have major implications for business and personal incentives and therefore economic incentives'.[7] This justification has been accepted by governments worldwide, with an ensuing tax competition to create the lowest possible rates in order to secure the support of international business, which is opposed to the expansion of public spending.

Yet public support for lower taxes is not always borne out by surveys. Most voters, if asked, support rises in public expenditure on things they regard as useful (education, the environment, health, transport), even if this means higher taxation.[8] However, public support for taxation has been undermined by at least three factors identified by Hamilton (1997):

- Personal income tax rates for high income earners have been cut, in some cases sharply.
- Large tax concessions to particular interest groups based on flimsy national interest arguments have proliferated.
- Perceptions have grown of tax rorting, fed by frequent stories reporting low or zero taxes paid by extremely wealthy individuals and companies.

In fact, tax minimisation by the wealthy is practised on a grand scale, with many of the nation's wealthiest individuals and companies paying little tax. This was confirmed in a recently leaked confidential paper prepared by the Australian Taxation Office (ATO), which expressed alarm over the manner in which corporations had seized control over the tax system from the ATO. Companies, the ATO claimed, could no longer be trusted under the self-assessment system to pay their fair share of taxation.[9]

Recently, sharp differences have emerged between the major parties over the direction of taxation reform. The Howard government's introduction of a Goods and Service Tax (GST) is defended as an essential means to broaden the tax base to provide for future expenditure needs and to ensure that the wealthy pay some tax. Labor, on the other hand, argues that the GST hits the less well-off hardest. It has proposed means to lower the income tax on lower socioeconomic groups while tightening up on tax evasion by the wealthy.

Australia, unlike other developed countries, does not have some form of taxation on accumulated wealth. The states used to raise revenue from estate duties (i.e. a tax on the assets of deceased persons), but these were abolished in the early 1970s in response to the initiative of the Queensland government. It realised that the abolition of this tax would be a vital incentive for wealthy retired people to move to Queensland. Other states were forced to follow suit. Quiggan (1998) has estimated that around $1.5 billion dollars per year could be raised through the introduction of a wealth tax. He further claims that a similar amount could be raised through the reinstatement of the top marginal tax rate of 60 per cent in the dollar on high income earners, which was dropped to 47 per cent by the Keating government.

These estimates highlight an important facet of modern public policy. Our ability to deal with some of the pressing problems arising from economic restructuring and globalisation represents choices about the extent to which governments are prepared to raise the appropriate revenue.

The need for preventive approaches

Many problems which become the focus of government policy-making have multiple, underlying causes. Typically, governments deal with the symptoms of a problem, and less often with the complex web of underlying causes. Governments' response to crime is a classic illustration. Repeated studies have shown that certain types of commonly committed crime (e.g. stealing and burglary) are causally related to a range of identifiable factors including family background, school failure, drug abuse, neighbourhood structure and unemployment which, in many cases, act in combination on some individuals. However, governments have mainly responded to crime with law-and-order approaches, such as the employment of more police, tougher penalties and more prisons. Funds to prevent crime by tackling underlying

social issues are lacking everywhere. Prison has fast become the principal policy response to crime. But prison has not been effective in deterring criminals: it has been demonstrated that the experience of prison often exacerbates criminal habits. This is particularly the case with juvenile criminals, who are repeatedly the focus of community calls for tougher penalties. Yet a recent report prepared for the Federal Justice Minister, *Pathways to Prevention*, underlined the need for preventive measures in the areas of education and family support to curb the numbers of young people entering the criminal justice system.

Crime is not an isolated example of government failure to address the underlying causes of policy problems and to develop preventive approaches. The rising incidence of youth suicide throughout the 1980s and 90s presents another example. Australia has the fourth-highest suicide rate among 15–24-year-old males, rising from a rate of 19.3 per 100 000 in 1981/82 and peaking at 26.6 per 100 000 in 1990/91. Since then rates have levelled or fallen slightly. The factors associated with the rise in rates include interpersonal and family discord, drug abuse and unemployment. The latter has been given increasing recognition by researchers. Studies have shown that male suicide rates from 1966 to 1990 have closely correlated to the rise in youth unemployment. Yet the bulk of government funding for youth suicide prevention is devoted to awareness programs, crisis telephone services, and training for professionals. While such measures may be an effective part of an overall strategy, significant falls in the male youth suicide rate appear unlikely, while rates of youth unemployment remain high.[10]

Aboriginal disadvantage has suffered from the same disinclination to uncover and deal with underlying causes. There has been a phenomenal growth in Commonwealth government spending in Aboriginal affairs: from $20m in 1970/71 to $1057m in 1997/98. For all this expenditure, progress in reducing Aboriginal disadvantage in health, housing and employment remains painfully slow. For example, Aboriginal children born today can expect to die 20 years earlier than non-Aboriginal people. The causes of Aboriginal disadvantage are deep-seated and wide-ranging and include the impact of colonisation in removing land and culture from many Aboriginal groups; the impact of past government policies, such as assimilation which quickened the loss of culture; high rates of unemployment; lack of access to basic services or culturally appropriate services. Improvements to Aboriginal life expectancy are likely to come only with continued progress in tackling these underlying causes.

The environment contains many examples of governments overlooking underlying causes. In 1991 and 1992, for example, the Darling River witnessed an outbreak of toxic blue–green algae, caused by farmers' use of fertilisers which leached overloads of phosphates and nitrogen into the river system. In 1992 the federal government responded to the outbreak with the announcement of improved sewerage treatment facilities to reduce the flow of contaminants. The politically more difficult option of attempting to alter the use of fertilisers was not adopted.[11]

There is no simple explanation for the failure of governments to more systematically address the underlying causes of policy problems when it is clear that this is a necessary part of any solution. One factor might be the manner in which such issues reach the policy agenda through the media. Unemployment and youth suicide are often ignored by the media until they reach crisis proportions, when government is under pressure to respond quickly. In such circumstances it is likely to adopt reactive policies which show some short-term results, rather than longer-term but often more effective preventive strategies.

It may also be the case that politicians are simply not well informed about many of the issues for which they are given responsibility. The multiple demands on their time restrict the opportunity for deeper analysis and reflection about community needs. Another factor may be the reluctance of politicians to commit the necessary funds to addressing the underlying causes of policy problems in a climate that has placed severe restrictions on government spending.

While all these factors may well play a part, it must be remembered that many social problems, especially, occur within the context of society's social and economic relationships—in other words, its class structure. As Jamrozik and Nocella (1998) remind us, in Western industrialised societies problems such as poverty, unemployment, violence and child abuse occur, to a greater or lesser degree, among the less wealthy and the less well-educated. Thus, the solution to many social problems are to be found in changing the structural—or social class—arrangements in society by reducing social inequalities. This is rarely seen as a viable solution because it is resisted by society's dominant interests. However, without solutions based on reducing social inequalities, problems acquire an intergenerational continuity: that is, children pick up values and behaviours from parents and model these throughout their lives.

Truancy

From: House of Representatives Standing Committee on Employment, Education and Training (1996) Truancy and Exclusion from School; Q. Beresford (1993) 'The really hard cases: a social profile and policy review of early school leaving', *Youth Studies Australia*, 12(4).

At any one time a significant number of students are absent from school without formal permission from parents or schools. The extent of truancy is not accurately known because of inadequate data collection systems in each state, but there is a widespread perception that its incidence is on the rise. The effects of persistent truancy can be profound. Failure to gain adequate literacy skills can lead to learning difficulties and a sense of alienation from school, which can lead to early school leaving, poor employment prospects and, ultimately, resentment against society. Truanting teenagers are often linked to delinquency and crime. Truanting behaviour is the result of multiple negative and cumulative influences originating from the individual, the family, the school and the community, and is therefore a broad issue which needs to be tackled by comprehensive social policies.

There is a significant relationship between early school leaving and family socioeconomic disadvantage, with a corresponding concentration of truants in schools located in low socioeconomic suburbs. Unemployment, low income, and welfare dependency affect the family's ability to provide sufficient support and to encourage students to aspire to a good education. The cost of books, uniforms, equipment, excursions, lunches and space for quiet study all contribute to weakening some students' commitment to school.

Truancy is also linked to damaged family relationships, including parental discord, violence and abuse, cultural conflict and lack of supportive care. Children growing up in such environments are prone to the development of low self-esteem which, in turn, affects commitment to regular school attendance. Some parents, especially those from disadvantaged socioeconomic backgrounds, experience difficulty in dealing with growing adolescents and their demands, and lack effective parenting skills in controlling their children's behaviour in positive ways.

Schools can contribute to truanting behaviour. It has been recognised for some time that schools do not cater well for students who experience social and/or learning problems. Such difficulties are often apparent in the earliest years of schooling but are either not identified and/or not handled. Such children sometimes develop disruptive behaviour patterns in school, further exacerbating their learning difficulties. By late primary school many students who have been subject

to continual failure and embarrassment respond by truanting, and eventually drop out altogether. A lack of resources is part of the problem schools experience in catering for such children, especially in light of the policies governments have introduced to encourage greater numbers of children to stay on in schools. However, inappropriate curricula for non-academic children and issues of school culture are important components of overall truanting behaviour. A number of students experience school as an alienating environment consisting of inflexible institutional structures, poor student–teacher relationships and low teacher expectations.

Questions for discussion

1. What are the key issues to be tackled in a preventive approach to truancy?
2. What government agencies should be involved in developing a co-ordinated strategy, and what roles should each have?

Strategic planning

According to Crawford (1996), good government involves a high order of strategic planning, defining clear and attainable goals and focusing on securing whole-of-society outcomes. Typically, this sort of strategic planning adopts a 5–10-year horizon, with a commitment to objective, factual, logical and realistic planning.

Australia does not have a strong tradition of long-term strategic planning characteristic of nations such as Singapore and Japan, although greater use has been made of it in certain sectors of government in the past decade. Typically, governments have engaged outside consultants to examine a particular policy area and to set future directions. Key examples of this style of planning include:

- The Social Security Review (1986–88) chaired by academic Bettina Cass, which in six discussion papers examined: Income Support for Families with Children; Income Support for Older People Out of Work; Policies for Sole Parents; Income Support for the Unemployed; and National Retirement Policy. This review became the basis for substantial changes to the social security system.
- The Immigration Review (1987) chaired by academic and diplomat Dr Stephen Fitzgerald, which examined the capacity of Australia to absorb migrants in the context of heightened international pressure for immigration. On completion it was described as the

widest-ranging review ever undertaken of Australia's immigration program, and formed the basis for some substantial changes to policy in the area.

- The Review of Australia's Trading Relations with Asia (1988) chaired by academic Professor Ross Garnaut, which is discussed more fully in chapter 5. In brief, this report laid much of the foundations for deregulation of the Australian economy pursued by the Hawke/Keating governments.
- More recently, the future direction of industry policy was reviewed in the Mortimer Report (1997), and the capacity of Australia to build its information technologies was examined in the Goldsworthy Report.

There are undoubted advantages to be gained from this type of strategic review. It enables important and/or contentious issues to be examined in a structured and systematic way outside the divisions of politics. While the consultants chosen inevitably share common ground with the government of the day, they are appointed for their expertise in a particular area. Moreover, while government is not bound to embrace the recommendations of these reviews, they do provide a strong basis for long-term planning and many have contributed substantially to government policy-making. However, they are limited in their scope to particular sections of the policy debate. Planning on the broader scale—linking economic goals, social outcomes and national aspirations—has not been well developed in recent decades.

Despite its undoubted strengths, the obstacles to long-term strategic planning are considerable. Solomon (1998) claims that the combined effects of a three-yearly election cycle, together with the power of the Senate to amend government legislation and to deny it supply, make it difficult for governments to implement other than short-term policies. In theory, Cabinet, consisting of the most senior members of government, is supposed to provide the focus on the big issues of government and a sense of long-term strategic direction. However, there have been long-standing concerns about the effectiveness of Cabinet as a planning mechanism. As Blondell argues:

> Cabinets are confronted with complex issues which they cannot easily handle as collective bodies: they do not have the expertise to take the decision; they do not have the time to debate the questions. They have therefore to find the means of delegating much of the decision process, but the question which arises is whether this can be done without abandoning effective power to civil servants.[12]

One of the principal tasks of Cabinet is preparation of the annual budget, which has traditionally been the major statement of planning. The budget translates financial resources into human purposes and establishes spending priorities for government. In doing this, governments can, over time, alter the shape of society. Therefore, the budget is a statement of the government's preferred priorities and future directions. Specifically, the budget has three broad functions:

- *Allocation:* to establish the overall size of government activity and the manner in which monies for government will be raised.
- *Distribution:* to establish the areas in which government monies will be spent.
- *Stabilisation:* to manage the overall health of the economy by manipulating spending and taxation decisions.

The role of budgets as planning mechanisms was enhanced in the mid-1980s with the introduction of program budgeting, which replaced the traditional 'line' budget. The latter was focused mainly on funding inputs into the policy process such as salaries and equipment. Under program budgeting, government activities are divided into a hierarchical structure of programs and sub-programs with the purpose of allocating funds to particular programs, according to the priorities of the government of the day. Emy and Hughes (1991) identify the following objectives of program budgeting:

- a strategic focus on the policy objectives of the minister;
- a basis for linking strategic considerations with day-to-day operations;
- improved information on desired outcomes.

Nevertheless, there are limits to the budget as a planning process. Essentially it is an economic document and is judged mainly on this basis. Moreover, budgets are above all political documents, reflecting the changing priorities and ideology of the government of the day.

Consultation

The liberal democratic view of policy idealises the active involvement of citizenry in the decision-making process. Some writers have argued that consultation with the electorate has become essential in light of a better-educated and informed public, the impact of the media and more effective interest groups and the manageralist principles being applied to the public sector (see chapter 9). These emphasise the importance of customers in the development of services. To find out

what customers want, government must consult them. In this idealised process, what constitutes effective consultation?

In the early 1990s, the Queensland government attempted to define the principles. Consultation was defined as an:

> Open and accountable process where individuals and groups have a formal opportunity to influence the outcomes of a policy or decision making process. Through this formal opportunity, governments provide the community with a forum for participation in decision making, thereby promoting co-operative partnerships and more accountable public administration.[13]

Reviewing the Queensland government's definition, Hil and Roughley summarise the literature on consultation, identifying its constituent elements:

- Genuine consultation will involve a two-way information exchange between citizens and traditional power-holders. The outcome is a 'partnership agreement' that is characterised by joint planning, equality in decision-making and 'trade-offs' between all participating stakeholders.
- Consultation should be conducted throughout each stage of the policy process.
- The terms of reference for consultation forums should be agreed by all participants.
- A broad range of direct and indirect consultation approaches should be provided.
- Draft documents should be made readily accessible to the public.
- At the end of the process the government agency should be able to demonstrate publicly the means by which the views of the various stakeholders were heard and taken into account.[14]

The willingness of governments to abide by these criteria varies considerably. There are ample examples of state and Commonwealth governments consulting with the public over planning issues and environmental issues, and reforms in education and juvenile justice. However, opinion is divided on the legitimacy of these exercises. Much of this effort is regarded cynically by some as tokenist or, worse, as attempts by governments to manipulate the less powerful.

Much can impede effective consultative processes. On controversial issues, for example, preceding publicity can reduce consultative meeting to little more than contests between adversaries. As an instrument of consultation, public meetings are rarely able to influence government decisions. They are likely to be effective only when they are

run by skilled facilitators. Moreover, there are also limits to which the public is prepared to engage in the process, especially in circumstances where the process is an extended one. Much also depends on the capacity and willingness of government agencies to draw up a comprehensive list of relevant stakeholders.[15]

In spite of these obstacles, case studies show the effectiveness of consultation where there is a determination to make it work. Writing of one large consultation exercise over waterfront development, Gray noted that:

> 'Ordinary' people have great wisdom, can decide important issues in next to no time, and have quite modest demands. The idea that people will press for ridiculous things in their own interests, at the expense of others' needs, and without any consideration of the economic realities . . . is not borne out.[16]

Perhaps not surprisingly, governments often prefer the 'top-down' approach to policy formulation rather than extended consultation. Governments seeking radical change often prefer this approach because it helps avoid opposition building against a policy, and politically it operates as a 'shock tactic' to confront, coerce and break opposition to an impending policy. Social and political commentator and activist the Rev. Tim Costello explains that the lack of commitment to consultation is an outcome of the increased competitiveness of the international economy in which politicians feel 'they must make decisions quickly without emphasis on consulting the public. Outcomes are everything. Process is time-consuming, wasteful. The business model is applied to government. It becomes managerial, which is decisive, but not consultative'.[17]

The consequence of this style of decision-making is a loss of support for the very policies political leaders have felt to be in the best interests of the nation. As many commentators have written of Labor's period in office 1983–96, the Labor Party implemented a very different agenda from the one with which it initially came to power. It pursued far-reaching measures to cut tariffs, float the dollar, permit the entry of foreign banks and privatise key government-owned assets without explicitly taking such policies to the people for endorsement. Thus, it is not surprising 'that voters who were never asked their views on these changes and never had them properly explained did not automatically accept them'.[18]

Much the same point is made by long-serving federal Labor politician Barry Jones, who explains that 'politicians don't tell the full story about what they intend to do. Big changes never debated in an

election campaign have too often been foisted on an unsuspecting public. And those changes, even those made years ago, still have impact on us today'.[19]

Therefore, the conduct of key areas of Australian public policy has run counter to much of the accepted understanding about effective governance—that the public, if it is to regard major policy changes as legitimate, should be consulted as part of the process. Prime Minister John Howard appeared to defy the trend towards 'top-down', managerialist change when he placed the proposed GST before the electorate during the 1998 campaign. However, critics claim the public was given little effective time to digest the implications of this potentially large change to the taxation system. They point out that there was a small gap between the release of the package and the calling of an election, during which the government tried not to draw too much attention to its details.

Policy models

If the business of government is about developing effective strategies to deal with problems, it must have a method of devising its responses. Yet there is no set manner in which governments can or should approach the task of policy-making. While we would all like to think that governments act as rational problem-solvers, the very notion of a rational process is value-laden. Rational, according to which set of values and in the interests of which groups? In the following chapters the extent to which governments come under sustained pressure from interest groups, the media and public opinion to act in a certain way or to act quickly is examined. Governments also act in accordance with their own ideological beliefs. For these reasons policies often fail to have their desired impact.

Rationalism

In the late 1950s, American political scientist Herbert Simon became interested in the pressures governments faced in acting rationally, and devised a model in the hope that they could become more rational in their approach to formulating policy. Simon believed a rational policy to be one that achieved maximum social gain. In other words, the gains to society from any policy should exceed its costs. By costs, Simon did not refer merely to financial costs but also costs to society

in wider social and/or political terms. To select a rational policy, policy-makers must:

- identify society value preferences;
- identify policy alternatives;
- examine the consequences of each alternative;
- examine the cost–benefit ratio of each alternative;
- select the most effective/efficient alternative.

Simon's approach appears attractive. It purports to be a 'scientific' approach, while at the same time being sufficiently comprehensive to ensure that a single logical answer will emerge at the conclusion of the process. His rational model excited considerable debate among policy specialists. If, as he suggested, policy could be such a straightforward process, why did examples seem to abound where governments failed to act rationally? In contemporary society, the lack of demonstrable social gain from many policies is clearly apparent, as the following case study suggests.

Drugs policy

Sources: A. Meade 'The drug time bomb', *The Australian,* 9 June 1997; G. Alcorn and N. Brady 'Public and politicians wrestle with drug problems', *The Age*, 8 April 1999.

In recent years federal and state government policy towards illicit drugs has attracted increasing attention due to the rise in the number of deaths from heroin overdoses and the opposition from the Prime Minister, Mr Howard, to the introduction of heroin trials. Under this proposal, addicts would be offered the drug in supervised conditions in an attempt to stabilise their health and social lives. Since 1971, more than 20 separate inquiries have been held into aspects of the illicit drug trade and the associated health, legal and economic problems associated with it. A constant theme running through most of these inquiries is the failure of prohibition policies. Calls for a meaningful review of drug laws and moves towards policies based on the evidence generated from successful schemes overseas have been made by a range of prominent figures in the field. Following are some of the points frequently raised in relation to the futility of maintaining the current prohibition approach:

- The illicit drug trade is among the world's largest industries, generating over $500 billion a year in profits. Efforts by the United States government to convince peasants in developing countries to switch

to alternative crops has failed with a trebling in land devoted to opium poppies over the past decade.

- Nearly 40 per cent of Australians have tried illicit drugs.
- An estimated $500 million is spent on drug law enforcement in Australia each year with police estimating that they seize only about 10 per cent of the amount of drugs entering the country. Heroin has become cheaper over recent years.
- The huge profits involved in the illicit drug trade leads to police corruption and there are claims that the drug trade is destroying the police force on a state and a federal level.
- Up to 80 per cent of all prisoners are either convicted of drug-related offences or are addicted when they enter jail.

Exercise

Attempt to devise a rational approach to drugs policy using the steps outlined earlier. What are the obstacles to developing such an approach?

While seemingly irrational, such policies are widely understood to involve complex choices for governments. Thus, practical difficulties face all governments trying to form policies in the rational way proposed by Simon. These include the following:

Difficulties in reaching consensus about societal values

As previously noted, legitimate differences of opinion exist over a wide range of complex social, political, economic, moral and environmental issues. It is therefore extremely difficult for governments to reach widespread agreement on a preferred direction.

Difficulties in identifying alternative solutions

There are often practical difficulties involved in compiling a full range of alternatives. Information, for example, may not always be readily at hand to indicate the viability of alternatives and, where such information exists, limitations on staffing may prevent an organisation from fully compiling and analysing such information. Thus, it is not always feasible to accurately compare the cost–benefit ratios of each policy alternative.

It can also be a hazardous exercise to predict benefits of any policy in advance of its implementation. Mostly, policies involve some aspect of human behaviour which can be unpredictable and defy 'scientific'

forecasting. In the face of these difficulties governments often select policies on ideological and/or political grounds.

Cost limitations

Even if a fully rational approach were possible, the costs in terms of time and money might well be prohibitive. Governments always face competing demands and finite resources and are therefore forced to compromise between their preferred intention and what is perceived to be affordable.

Incrementalism

The obvious difficulties in the face of rationalism prompted economist Charles Lindbolm to offer an alternative model of policy formulation. He argued that policy should emulate our normal method of solving problems which, he believed, was to modify existing practice, rather than starting from scratch with each new difficulty. Policy, according to Lindbolm, should proceed according to predictable steps, based on trial and modification. This approach is likely to ensure that policies will be long-lasting rather than unpredictable and, possibly, reckless.

However, formulating policy through an incremental approach also has its limitations. It may not be adaptable to problems which are either new or involve a crisis situation. Sometimes there is a case for governments to strike bold new directions. In other circumstances, incrementalism can simply entrench ineffective policies. Some policies may need to be scrapped rather than modified year by year, without adequate planning. Jones (1997) characterises Australian social welfare policy as suffering from the inherent weaknesses of incrementalism:

> Social welfare policy is puzzling; even though 27 per cent of the Australian population is heavily dependent on social welfare payments, there has been very little systematic policy planning. Programs are modified incrementally. The rise of evaluation and the centralisation of service delivery in the Commonwealth Department of Social Security create the potential for technocratic social planning. The relatively small Australian population and regional socio-economic homogeneity also make technocratic planning more feasible than in larger, more heterogeneous societies such as the United States. Social welfare policy is not charged with emotion and value conflicts as it is in the United States . . . [yet] the means-tested Australian system may eventually marginalise benefit recipients and provoke a backlash from those who pay for the system.[20]

In an era of profound change, should governments attempt to maintain most of their current approaches in the interests of stability, or are

they compelled to strike bold new directions and take risks? There is no clear answer to this problem. As Crawford (1996) reminds us, good government does not involve the application of a standardised formula or approach. However, it does demand that governments understand the dynamics of social and economic change, move beyond narrow sectoral strategies and exercise national leadership.

Policy and parliament

Governments in parliamentary democracies—such as Australia's—require policies to be transformed into legislation and passed by both houses of Parliament. In theory, Parliament is an important institution in the policy development process. While it rarely initiates legislation, Parliament has a potentially important role in influencing the shape of policy. As Lovell (1994) has argued:

> Even though the general policy thrust of a government's legislation is unlikely to be stopped in and by Parliament . . . Parliament can still make a contribution to the law by listening to constituent concerns, by calling experts to formally comment upon the substance of legislation, and by subjecting legislation to legal and political scrutiny.[21]

However, the extent to which it performs these tasks has generated considerable debate over recent years. Many commentators, together with some parliamentarians, have argued that the role and influence of Parliament has declined. Lovell (1994) has identified four principal concerns:

1. that Parliament deals with too much legislation in too little time;
2. that the government dominates legislation by initiating the vast majority of Bills, and by curtailing the time for proper consideration of them;
3. that too much legislation is piecemeal, and not enough attention is devoted to fundamental redrafting (and reform) of whole areas of law;
4. that the products of legislation are sometimes inappropriately drafted, and may give rise to uncertainties and difficulties in judicial interpretation.

Defenders of Parliament claim its relevance has been heightened since the major parties lost their majority in the Senate to minor parties/independents. This development, it is argued, has enabled the Senate to better fulfil its role of scrutinising government legislation. Although

the vast majority of government legislation is passed by the Senate without amendment, any piece of controversial legislation is likely to be reviewed in detail.

In the process of review and amendment, the Senate often acts as a policy partner with government, because of the opportunities for the minor parties to pursue their own policy preferences. This function was clearly evident in the Senate's role in the Native Title Amendment Bill, one of the most important pieces of legislation to come before the Senate, enshrining as it did the rights of Aboriginal people to land following the High Court's Mabo ruling. The government's legislation was considered in over 52 hours of debate, which generated 119 amendments. As Harry Evans, clerk to the Senate, reflected: 'The bill which resulted was not the government's bill but the combined work of the government and the minor parties in the Senate'.[22] Similar influence was brought to bear by the Australian Democrats when they modified the Howard government's GST legislation in the Senate by successfully negotiating the removal of food from the package.

The problem of having legislation passed in the Senate is only part of the difficulties facing modern governments. Challenges to their decision-making capacity come from a range of quarters, including interest groups, the media, and the demands of international capital. There is no easy way in which to assess the effectiveness of governments in carrying out their responsibilities. However, many observers of government believe we are witnessing a diminishing in the power of government to deal with major challenges.

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3

Policy and government intervention

Summary

- In the postwar period the size and functions of government expanded.
- This was believed necessary in the interests of the economy and social justice.
- Government intervention in society was based on the beliefs that the private market was subject to failure and that it rewarded citizens unevenly.
- Government intervention achieved a more equal and democratic society.
- Long-term economic problems resulted from the protection of the Australian economy from competition.

During the late 1940s, work began on one of the most visionary public works projects ever undertaken in Australia. The Snowy Mountains hydroelectric and irrigation scheme was built to supply much of Eastern Australia's future electricity needs, as well as irrigating the Western Plains of New South Wales. It involved cooperation between the federal government and the governments of Victoria, New South Wales and South Australia. Millions of tons of water which annually ran to waste in the Pacific were diverted to the scheme. It provided work for tens of thousands, including many migrants drawn to postwar

Australia as part of the federal government's drive to lift the overall population.

Reasons behind government intervention

The Snowy Mountains hydroelectric scheme symbolised much about the style of government in Australia from the turn of the century until the mid-1970s. In the decades after Federation, Australian governments regulated the private sector and used state investment to achieve economic and social goals. It not only became an Australian way of government and nation-building—it was also followed by a number of governments throughout the Western world. Several factors had combined to create a consensus about the need for government intervention:

- From the earliest days of white settlement, the combination of Australia's large land mass and small, dispersed population led to widespread recognition that only governments had the necessary resources to undertake capital-intensive enterprises such as construction of railways and highways essential to the running of an economy.
- The impact of the Great Depression of the 1930s brought capitalism to its greatest crisis. Unemployment levels up to 30 per cent of the workforce in many countries were accompanied by a corresponding loss of faith in the capacity of the free market economy to guarantee a livelihood for all people. The shocking hardships endured by working people during the Depression placed an unprecedented demand on government to devise measures to relieve the social suffering. In the USA, the same pressures prompted government to put thousands of people on public works programs under a scheme known as the New Deal.
- The impact of the ideas of John Maynard Keynes, the British economist who, in the depth of the Depression, argued government had a role in preventing such crises by intervening in the economy. Keynes attacked the central tenet of classical economics, which held that the balance between supply and demand would ensure full employment. On the contrary, he argued that full employment could not be achieved in an economic system which was subject to fluctuations of boom and bust. Keynes believed the economy could be controlled by fiscal (e.g. taxes, deficits) and

monetary (e.g. interest rates, money supply) polices. The most important component, however, was the role government could play in borrowing money in times of declining private investment to spend on public works. This would create jobs and increase purchasing power. By these means governments could maintain full employment which, after the calamity of the Depression, was extremely attractive to political parties.

- World War II forced Western governments to assume unprecedented centralised powers over wages, prices and industrial production to mobilise the economy and the workforce to fight the war. It acted as a powerful example of how governments could constructively intervene to the nation's benefit.

Underpinning all these developments was an ideological belief in the power of government. This was articulated from the earliest days of Federation, when government mandated three key policies that were seen to have economic, social and cultural dimensions. These were: **tariff protection** against imports, a guaranteed minimum wage, and restrictions on non-European migrants coming into Australia. As a policy framework it was intended to provide for the interests of workers as well as business, linking the two in a process of nation-building.

No-one better articulated the belief in the beneficent power of government than W.K. Hancock, Professor of History at Adelaide, who in 1930 wrote that State ownership and management of economic resources was preferred over private ownership for two reasons:

> First, that the State, being more powerful than any person or group within it, may exploit and manage these resources more efficiently; and, secondly, that the State, being the instrument of the sovereign people, may be expected to exercise its powers for the public good, whereas a private person or corporation enjoying the same powers might pursue selfish aims inconsistent with the public good.[1]

Both the major political parties in Australia supported interventionist government, and especially the need to protect Australian industry and rural producers from foreign competition.

Tariff protection: an economic policy by which governments insulate domestic industries from foreign competition through a tax on imports. The policy was designed to protect local industry from cheaper, foreign imports.

Components of government intervention

Development of a welfare state

A considerable expansion of social welfare expenditure, principally in the areas of income security for the aged, widows, families with young children, together with the expansion of education, hospital, medical and housing programs, occurred between 1940 and 1970. Throughout the Western world the welfare state was established. Most immediately, it represented a recognition of people's sacrifices during World War II. However, the welfare state was also a product of ideals about society. It was intended to compensate for the insecurities and inequities of the free market economy and, more broadly, to pave the way for equality of rights among all citizens.

The planning for this expansion in Australia occurred early in the course of World War II with the establishment of a Commonwealth Joint Parliamentary Committee on Social Security. Accompanying its establishment was an assertion of Commonwealth government leadership in social policy areas where its powers were only concurrent with the states. This expanded role was supported by the continuation of the Commonwealth's power to levy income taxes which it had assumed from the states during the war. Thus, in September 1945, when a range of new social service payments was introduced, the federal Labor government announced additional graduated income taxes to cover the payments. Total government expenditure on social security rose from $111 million in 1940 to $3037 million by 1970. Expansion of Commonwealth-funded social services on a uniform basis throughout Australia was regarded as one of the political priorities of government, including conservative governments. In 1963, the Federal Minister for Social Services, in the Menzies Liberal government, praised the work of previous ministers in overseeing this expansion:

> Each year since 1949 successive Ministers for Social Services have brought into this House measures to provide assistance, in one form or another, for those who are in need of assistance, measures to extend social service benefits to include a greater number of people, measures to expand the provisions of the Social Services Act to include new services, or measures to increase the rates from time to time when, after a considered judgement, increases could be justified and the community could be expected to meet the additional cost.[2]

Development of full employment

In 1945 the Curtin Labor government issued a historic policy paper on full employment, the aims of which came to be shared by succeeding governments of the period. Recognising that **private capital expenditure** fluctuated and hence was often insufficient to generate full employment, the policy paper proposed to use public capital expenditure to offset these fluctuations. The point was not merely the avoidance of cyclical depressions but a more visionary policy of 'work for all'. The key commitment was encapsulated in the statement that 'if spending and employment tend to decline, governments should stimulate spending, both by their own expenditure and through their **monetary** and commercial **policies**, to the extent necessary to avoid unemployment and the consequent waste of resources'.

The White Paper also laid down the proposal for a Commonwealth Employment Service as an essential instrument of a full employment policy. This service was to develop facilities for training and to provide labour market information to employees.

For most of the period, unemployment remained at 2 per cent of the workforce, a rate considered to be consistent with full employment. In 1970, a Liberal minister wrote that: 'It has become a fact of Australian public life that the level of employment has passed beyond being an objective to become the chief test of whether economic policies are successful'.[3]

The protection of workers and their employment

Governments in Australia since the turn of the century have intervened in two major areas related to employment: protecting working conditions, and providing minimum wages. These have been achieved by a mixture of legislation and the use of centralised industrial courts. Conciliation and arbitration courts were established following the industrial warfare of the great strikes of the 1890s. In the wake of this disruption, reformers searched for alternative means to settle disputes between workers and employers. The office of an independent con-

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Private capital expenditure: the investment in the economy by business, as opposed to the spending by government, or **public capital investment.**
Monetary policies: economic policies that attempt to control the level of money in an economy principally through the level of interest rates and government spending.

ciliator was created. This job entailed conciliating industrial differences where this was achievable and compulsorily arbitrating where it was not. Arbitration courts would deal only with representatives of organised associations—that is, unions and business. The process therefore gave great encouragement to the development of trade unions.

Attempts at control and regulation reflected an idealistic concern to protect workers, especially the lower-paid, and to introduce social justice and the rule of law into what had formerly been an industrial jungle.

The development of State-owned utilities

Government ownership of key community services and infrastructure such as electricity, water, telecommunications, postal services, shipping and railways and scientific research was pursued for social as well as economic goals. It reflected belief in the 'mixed economy' as the appropriate policy framework for government. A 'mixed economy' was one in which the supply of goods and services was largely provided in the private sector but where the state had the capacity to intervene for social and developmental purposes. Government provision ensured that such services were available to less densely populated regions and at a cost commensurate with the more highly populated areas. Returns from profitable areas subsidised the network coverage.

Regulation of the private sector

A range of regulations was used to ensure that the private sector of the economy operated to achieve broader social goals. The regulation of the financial system was used to make housing affordable; the imposition of tariffs on imported goods protected Australian jobs from foreign competition. Throughout the 1950s and 60s, about 60 per cent of Australian secondary industry was covered by tariffs. These were seen as essential to maintain full employment by offering protection against foreign imports to domestic manufacturers. Such was the faith in this policy that, by the early 1960s, manufacturers who found they could not compete against cheaper or better-quality imports from a foreign company simply asked the government to raise the tariffs.

Government also owned a stake in key industries in an attempt to prevent private sector monopolies: each state and the Commonwealth owned a bank; the Commonwealth owned and operated interstate and international airlines; and state governments operated insurance companies.

This record of government intervention after World War II had

two principal and overlapping objectives: to compensate for the failure of the free market, which people increasingly demanded after the human costs incurred during the decade of the Depression; and to redistribute wealth and/or resources from the private to the public sector. Each of these objectives requires further elaboration.

Market failure

After the suffering of the Great Depression, governments and economists were keenly aware that the private sector was subject to 'failure'. There was widespread acceptance that free markets were not always the best or most effective means to distribute resources. The theory of 'market failure' became one of the accepted premises on which government operated. Markets could 'fail' in the following ways:

- by overexploitation of common property resources, such as fisheries and forests, leading to the need for government regulation over such resources;
- by not providing adequately for a service deemed necessary by the broader society, or at a cost which all members of the community could afford. A wide range of services were traditionally included in this category, including social services such as health and education and essential infrastructural services such as water, telecommunications and electricity. Governments, therefore, became the provider of these essential 'public goods';
- by the presence of what is termed an externality, where a non-involved party is adversely affected by the activities of others. For example, an externality is caused when an industrial plant creates pollution for others living nearby. Governments are often required to protect those affected by such uninvolved parties;
- by all deviations from perfect competition among businesses. If business operates in anti-competitive ways, such as through monopolies or price-setting, governments need to intervene with a variety of regulatory laws to ensure fair competition in the private sector.

Acceptance of market failure led to the adoption of regulatory policies in many areas in the postwar decades. In aviation, a careful system of regulation gave equal opportunity to the two major airlines; life insurance companies were carefully regulated; and trading banks were licensed and had to keep a stated quantity of their reserves under the Commonwealth Bank's control as an insurance against both inflation and depression. Most areas of primary production were subject to

comprehensive production and marketing systems designed by government to ensure orderly development and industry protection.

However, there were limits to which conservative Australian governments engaged in regulation during their long reign in office from 1949 to 1972. As Macintyre (1985) has written of this period:

> while conservative politicians and business representatives could appreciate the advantages of Keynesian techniques of state demand management when pitched at this level of generality, they found it difficult to give up the ingrained habits of capitalistic individualism . . . they associated market forces with freedom and government regulation with dictatorship.

Governments have also engaged in social regulation. This involves protecting its citizens against perceived dangers either through controlling the sale of certain products and/or through the provision of information. The 1960s and 70s saw an upsurge in social regulation. Controls over tobacco, alcohol, prostitution and pesticides are some examples of this form of regulation. Social values are imposed by governments when it is thought individual behaviour requires regulating to make it conform to the perceived social values of mainstream society.

Both economic and social regulation are designed to protect the public interest, and involve value judgements about how best the public interest can be defined.

Redistribution

Because capitalism rewards citizens unevenly, and because it cannot provide a livelihood for all citizens, governments have been involved in the redistribution of income and resources usually from wealthy groups to the less well-off. This can take the form of direct payments (pensions etc.), taxation levies (taxing higher income earners more), or public spending on health and education.

A principal mechanism for redistribution has traditionally been through the principle of a progressive taxation system. This is based on the idea that a graduating scale progressively required the more wealthy to pay a higher proportion of their income in taxation. However, there have been limits to the commitment of Australian governments of the postwar era to this ideal. As Macintyre (1985) has written, 'the refusal to tax wealth and the failure to stop the lurks and perks of the rich have transferred much of the burden to the low income earners'.

The other main mechanism for redistribution—public expenditure

on social programs—saw steady, but unspectacular growth in the postwar period. A major advance in this approach was taken in December 1973: the Whitlam Labor government introduced legislation to establish a compulsory system of health insurance in Australia. This followed several reports initiated by the welfare sector calling for its introduction. The need for such a scheme was based on figures showing that the high cost of private health insurance had acted as a disincentive for many low income earners to take out insurance. In the early 1970s, 17 per cent of Australians were without any medical cover and 15 per cent had no hospital cover. Under the voluntary system operating in Australia, health insurance was made expensive because the large number of health funds operating in the private market produced a duplication of staff, advertising budgets and equipment, creating diseconomies in scale and rises in consumer cost. Under the scheme introduced by Labor, the voluntary system was replaced by a system of universal insurance financed by a 1.25 per cent surcharge on income tax and administered by a Commonwealth Health Insurance Commission. Under the universal scheme, hospitals would be funded to provide treatment to patients without a means test and patients of private doctors could recoup up to 85 per cent of the cost of the visit. It was designed to provide Australians with adequate health treatment as a social right, not as a reflection of their income.

An inevitable consequence of government intervention in the postwar era was the growth of the public sector. This growth was based on a model of direct service provision by government employees, rather than on the purchase of services from contractors. Hence, this era became associated with 'big government'. There are two principal ways of measuring the growth in the postwar public sector:

1. Public expenditure as a proportion of gross domestic product rose from 22 per cent in 1960 to 33 per cent by 1975.
2. Public sector employment grew considerably. The total number of Commonwealth, state and local government employees grew from 564 000 in 1947 to 808 000 in 1961.

The public sector, as it developed in the postwar period, was seen to comprise two main sections. The *general public sector* engaged in the provision of services, such as education and health, and the redistribution of income, such as social security and taxation. The *trading enterprise sector* was defined as government-owned enterprises producing goods and services, financed at least in part by sales to consumers.

Differences between the major parties

Although commitment to government intervention provided a broad framework for both Liberal and Labor governments in the period 1949–83, major policy and ideological differences divided the parties over the extent to which each adhered to this framework. Brett (1992) argues that the difference between the parties was sharper and more intense than it is today, based as it was around very contrasting notions of class support. The Liberals under Menzies (1949–66) advanced the cause of Australia's middle class with their perceived individualistic values of hard work and independence against the collectivist traditions of the trade union movement and the ALP who stressed the interdependence of people, although Menzies is credited with bringing some balance to the tension between these two ideals. Menzies believed that the two parties were separated not only by social class but also by purpose. While recognising the legitimacy of some form of welfare state, he argued that the ALP was too concerned with security at the expense of progress and development.

Achievements of government intervention

Postwar Australians lived in conditions of growing prosperity and virtually full employment. Home ownership was among the highest in the world and the number of privately owned cars rose quickly during the 1960s. Government regulation of the economy remained a sacred cow of politics. Thus, tariff protection gave a crucial stimulus to industrialisation that would not otherwise have occurred. In turn, tariff protection supported the rapid postwar expansion of the population.

The early 1970s were a high point in interventionist government. The Whitlam Labor government (1972–75) pursued redistributive policies through the establishment of Medibank, and by increasing social expenditure in the area of education, housing and transport. It intervened to recognise the rights of wider social groups by establishing the Office of the Status of Women and the Federal Ministry of Aboriginal Affairs. The need for an environmental perspective was recognised through the establishment of environmental impact statements. In all these areas, Whitlam envisaged the Commonwealth government as playing a dominant role in the provision of finance and

the coordination of policy. His government was also characterised by recognition that action in some difficult areas must be preceded by systematic government inquiry. Whitlam later reflected on the establishment of a national inquiry into poverty because the Labor Party was disturbed about the size of the cuts to welfare made by the previous Liberal government, which were thought to have inflicted considerably greater hardship on already disadvantaged groups than mainstream society suspected:

> Every Labor parliamentarian could relate numerous instances of social and financial deprivation within his or her electorate. [However] Individual instances of poverty could shed little light upon the extent of the problem. This could only be achieved by a full-scale national inquiry into poverty commissioned by the National Government.[4]

Since the early 1980s, this style of activist government has been widely derided. Often these attacks have overlooked the positive benefits it brought to ordinary people. Wilenski (1986) has endeavoured to identify and assess these benefits. He argues that the growth of government, especially in the years after World War II, has been the principal mechanism by which previously deprived groups have improved their position in society. In support of this view he points out that the growth of government was instrumental in widening choices and opportunities for people by providing them with access to education, mass transport systems, recreational facilities, and basic health support—all services which the market had failed to supply.

Access to these basic services greatly contributed to a shift of power relationships within society. Wilenski argues that the effect of education, shorter working hours and higher incomes was to encourage the entry of newly formed organised groups to fight for what they saw as their rights and to push for government activity in areas of concern to them. Women's groups, Aborigines, environmentalists, consumers and ethnic groups, among others, all began to use government to advance their own positions. Increasingly, government became besieged over the role it should play in changing society in favour of the demands generated by these new participants. The defenders of government intervention argue that society became fundamentally more democratic because the rights of less powerful groups in society were recognised.

Society also became more equal. In the period 1915–69 evidence shows a reduction in income inequality, at least for the majority of men. In fact, income distribution in Australia was among the most even of the industrialised democracies. Several elements of government

policy underpinned the nation's social equality: the promotion of full employment; the greater incidence of progressive taxation; and the widening range of social security payments allowed by the substantial rise in taxation.

Importantly, governments used the power of regulation to improve quality of life for all by limiting the traditional powers of private enterprise. Wilenski lists the following:

- Urban zoning and pollution regulations limited the ability of business to determine the location and the nature of private investment.
- Industrial awards and laws reduced managerial prerogatives.
- Stringent health and safety regulations protected workers from unsafe work practices.
- Tenancy laws changed the nature of the contract between property owner and renter.
- Consumer legislation offered protection for the buyer from the seller.

By the mid-1970s, the growth in government intervention had achieved three objectives: it had offered an unprecedented measure of social and job protection to most people; it had promoted social stability; and it had demonstrated that government could advance the public interest by assisting private enterprise, curbing its excesses and compensating for its failures.

Limitations of government intervention

In spite of its benefits, the model of government intervention was not without significant shortcomings. These have been most vocally pressed by advocates of the ideological movement calling for smaller government, which gathered strength from the mid-1970s. (Their claims are examined in detail in chapter 4.) However, the extensive system of intervention had resulted in a number of widely recognised problems:

- The 'wall of tariffs' which protected Australian industry had made manufacturing inward-looking rather than export-oriented. This became a problem after the early 1970s, when many secondary industries had matured under protection.
- The development of secondary industry in the postwar period was undertaken with great reliance on international corporations—such

as the US car giants Ford and General Motors—who were given access to the protected domestic market without any offsetting requirement to export Australian-made products to the international marketplace.

- The growth of government agencies—and especially the rise in the number of statutory authorities—created problems of control and coordination within government.
- The growth of individual bureaucracies—and especially those overseeing economic infrastructure—wielded great power in pursuing their own institutional agendas. State power generators, for example, became powerful advocates in pursuing further development and sometimes outstripped the capacity of ministers to exercise policy control.

As a consequence of these factors, Australia entered the late 20th century with the wrong mix of industries. By the mid-1980s the terms of trade deteriorated, compelling the then Treasurer, Mr Paul Keating, to warn that Australia risked becoming a 'banana republic' if it did not restructure its economy.

Moreover, government intervention was not able to eradicate social disadvantage from the Australian landscape. In the early 1970s, two influential reports mapped the extent of this disadvantage. The report of the Henderson Commission of Inquiry into Poverty established that the poverty rate was just over 10 per cent of income units, with a further 7.7 per cent 'rather poor' because their incomes were less than 20 per cent above the poverty line—the measure devised by Henderson to determine the income necessary to provide for the basics of life. At much the same time, the Fitzgerald Report examined the link between poverty and education, showing that almost one-quarter of Australians aged over 15 years had either never attended school or had attended only primary school.

While government intervention had not adequately dealt with social inequality, it had been used to positively discriminate against some social groups. The postwar commitment by governments to the **policy of assimilation** involved intervention in the lives of Aborigines and migrants in ways that constituted gross violations of human rights. Assimilation was based on the belief that all migrants and minority groups should become indistinguishable from mainstream

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Policy of assimilation: devised after World War II to encourage non-Anglo-Celtic groups such as migrants and Aborigines to dispense with their own culture and live in the same way as Australians of Anglo-Celtic background.

white Australia. For many Aborigines, it resulted in forced removal of children by governments to be raised in missions and foster homes, where they could be prepared to take their place at the bottom rung of the white social structure.

However, overall, there is little to indicate that the public was dissatisfied with the model of interventionist government, despite changing perceptions. Disagreement tended to be confined to the extent to which it should be applied in social and economic affairs, and which of the major parties was best suited to manage the processes of government. In fact, one of the distinguishing features of Australian society of this period was a general distrust of markets and a preference for government-sponsored solutions. Some commentators have argued that this distrust of markets is the natural outcome of a geographically isolated country in which there are few economic players and a reliance on government to take a leading development role. So ingrained has this attitude been that Australians are said to prefer government-determined outcomes in many cases to market solutions, even if efficiency is sacrificed. Certainly, the public was not systematically consulted about the vast changes to the size and role of government that gathered momentum from the mid-1970s, capturing both the Labor and Liberal parties in what amounted to a backlash against 'big government'.

Implications for policy

Despite the tide of intellectual opinion against intervention as a framework for governing, the ideals associated with this approach remain relevant to the opponents of the 'market model' (outlined in chapter 4). The general idea that the power of government can, and should, be harnessed for the collective good of society is receiving attention from some prominent writers and commentators. Lester Thurow, for example, has highlighted the limitations of capitalism as a framework for public policy of modern societies: 'Capitalism postulates only one goal—an individual interest in maximising personal consumption. But individual greed simply isn't a goal that can hold any society together in the long run'.

The ideals of government intervention remain a powerful source of ideas for those advocating social democracy. Broadly, the social democratic tradition stands for a balance between the market economy on the one hand, and state intervention on the other. It is infused

with political goals of social justice and equality of opportunity. These ideas have a long tradition in Australia, as this chapter has attempted to show, and interest in them continues to be expressed. Recently, for example, the Social Sciences Academy of Australia convened a workshop to consider the future likely trends in public policy. From this exercise emerged a book—*Contesting the Australia Way: States, Markets and Civil Society*—in which the 'Australian way' is enthusiastically depicted as the mixed economy, a harmonisation of social and economic goals and a commitment to equality of opportunity, all of which are seen as having contemporary relevance. Likewise, the Evatt Foundation Group, chaired by former Governor of the Reserve Bank Bernie Fraser, recently argued in a review of taxation reform that balancing government intervention with market forces was essential to the development of a cohesive society: 'a better economic and social future for ordinary Australians would follow from a gradual shift away from market outcomes based on self-interest towards government decision-making based on community interest'.[5]

Clearly, the boundaries of government intervention in society remains a central issue for public policy debate, and especially among those whose major interests lie in issues of equality and fairness.

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4

Markets and policy

Summary

- New Right ideas about smaller government have led to reductions in the size and functions of government.
- Smaller, more competitive government is seen as a necessary response to new global economic forces.
- Means to achieve this end have included reduction in government services, privatisation, deregulation, corporatisation and competitive tendering of government services.
- A National Competition Policy has been implemented to ensure compliance with competitive principles.

In 1993, a landmark decision was taken by the Victorian government led by Premier Jeff Kennett. In October of that year the State Electricity Commission of Victoria was effectively abolished after 70 continuous years of service. During this time, the Commission had controlled virtually the entire 'production chain' of the electricity industry, from mining coal through to generation, transmission and distribution. The passage of the *Electricity Act 1993* broke the Commission up into three separate and functionally independent bodies. The government's aims were to increase competition and efficiency, enhance customer choice, privatise the electricity industry and use the proceeds to reduce government debt. To sell off to the private sector the entire electricity grid of a state government would have been

unthinkable just a few years before. This sale represents one in a growing list of privatisation of government assets—decisions which have reshaped Australian public policy along completely new lines. It is symbolic of the new framework of public policy, which is constructed around the ideas of the New Right. The policy agenda of this influential political movement stresses the need for smaller government and a more competitive economy.

The intellectual origins of this movement lay in the work of two American economists who combined to revive the 18th century ideas of philosopher Adam Smith. It was Smith who articulated the workings of the free market system at the time of its earliest development. He formulated the laws of the market, showing that the drive of individual self-interest results in competition. In turn, competition results in the provision of those goods society wants in the quantity and at the price people are prepared to pay. He likened the operation of this competitive self-interest to an invisible hand, which guided the economy towards social harmony.

In the post-World War II period, the potency of these ideas had largely been overshadowed by the influence of John Maynard Keynes and his call for government intervention. However, F.A. Von Hayek's *The Constitution of Liberty* (1960), together with Milton Friedman's *Capitalism and Freedom* (1962), breathed new intellectual life into the notion that the free market is the most efficient distributor of resources because it alone is in constant interaction with the forces of the supply and demand for goods and is possessed of the self-interest to respond efficiently to these.

In the USA, New Right ideas spread quickly in the business community. Large business enterprises believed government intervention had restricted corporate activity, economic growth and, hence, profits. The wealthy resisted the forces of redistribution and were intent on rebalancing the political and economic scales put out of alignment by the combination of union power and government intervention.[1] To further their cause, corporate America funded conservative 'think tanks' to provide the intellectual rationale for the all-out attack on the role of government.

From the USA, the New Right influenced politics in much of the English-speaking world, and especially the United Kingdom where, under the enthusiastic support of Prime Minister Margaret Thatcher, it became the dominant policy framework from the late 1970s. It acted as a powerful prescription for the uncertainty of the times. The slump in economic activity accompanying the quadrupling of oil prices unleashed by the oil-producing nations in one single decision taken

in 1974 undermined faith in Keynesian economics. Under the Keynesian model, high inflation meant there was too much demand, while high unemployment meant there was too little. These two phenomena were not supposed to coexist. As Marquand has explained, the intellectual system on which Keynesian social democrats based their claim to power was crumbling:

> In a profound sense, they no longer knew what to do. Ministers waited in vain for coherent official advice; officials waited in vain for firm ministerial decisions. It was as though a sleek ocean liner had suddenly become a rudderless craft. The New Right offered an alternative craft.[2]

The social justice purposes behind the expansion of government—especially under the Whitlam Labor government in the early 1970s—fuelled the critics. Intervention became labelled as 'big' government, and 'big' became synonymous with 'bad'. Too much government activity was argued to be economically unsustainable. New players competed for ever-increasing amounts of scarce resources, driving up government spending and creating harmful inflationary effects. Thus, in Australia and overseas, conservative politicians and like-minded associates in academia, journalism and the business community attacked the expansion of government and its perceived role in creating economic decline and social malaise.

The influence of the New Right stemmed from its all-encompassing appeal. It is simultaneously a set of philosophical ideas, a call to political action, a framework for policy and a set of specific proposals. As a philosophy, the New Right is predicated on self-interested individualism and the beneficial effects of the free market. Bessant provides a concise summary of the interaction of the key pillars of New Right thought: individual choice, freedom and the marketplace:

- Individuals are rational, autonomous beings and they only care about pursuing happiness. Moreover, there is no such thing as social relations or 'society' because only individual choices and actions exist.
- The best way to establish who should have access to resources (like accommodation, food, education or health) is to establish a market where each individual can buy or sell what they want.
- The marketplace will deliver the best products and services at the best price. This is because individuals determine in rational ways the price of each service or commodity. Given that each individual comes to the marketplace (allegedly) as an equal, the result of

market transactions can only be fair because no-one would agree to something that did not satisfy them.

- Governments should be democratically elected. However, they should only intervene in our lives so as to defend property, or to deliver certain goods or services that markets cannot or will not.[3]

It is this set of philosophical ideas which continues to be among the most influential determinants of public policy in Australia. 'Economic rationalism' is the term most associated with the New Right agenda. This term denotes a model of public policy by which decisions are evaluated primarily on the grounds of economic efficiency. This is justified on the following grounds:

- Competitive free markets work perfectly because they distribute resources to the most productive areas of the economy.
- Uncompetitive industries should be phased out and resources reallocated to new, competitive industries.
- Government can best serve the public interest by refraining from intervention in the economy and thereby eliminating any impediment to efficiency.

The self-interested individualism at the heart of the New Right philosophy has not only been the basis for ideas about economic efficiency, it has motivated a wider ideological drive to reshape society. It has driven the desire to redistribute wealth from wages to profits (or from wage and salary workers to business owners/managers and shareholders) with the justification that this would generate greater investment in the economy.

Self-interested individualism has also been behind the call for a moral rejuvenation of society. The New Right has led a campaign against the welfare state. The problems with the welfare state were identified as the following:

- *It is fiscally unsustainable.* It demanded tax revenue at a level people were not prepared to pay and which caused high debt structures for government.
- *It sucks people into welfare dependency.* By providing a range of income supports, the welfare state robs people of a sense of responsibility and conditions them to believe that subsisting on welfare is preferable to the alternatives, especially when it might be possible to earn an equivalent amount.
- *It destroys the sense of community.* The fact that government looks after the needs of the socially disadvantaged weakens the sense of moral obligation that people used to feel for their neighbours and

friends. The rich, in particular, are spared the need for a charitable impulse because governments have 'crowded out' this impulse with social welfare programs run by bureaucrats.

During the 1980s, New Right ideas came to dominate the policy agenda. This radical thinking was in the ascendancy in both the Liberal and Labor parties of the time. Forceful advocates were also located in the upper echelons of the Commonwealth (and state) public service, among economic writers on major newspapers, and in academia.

It was the most comprehensive rethinking of the role of government in society since the days of Keynes, whose influence the New Right largely sought to eradicate from the body politic. Henceforth, competition became the dominant policy framework.

The competition state

Adoption by governments of the New Right agenda has made competition the centrepiece of policy-making. Competition is justified on the grounds of national efficiency, to improve Australia's international competitiveness and its level of productivity. In short, it means the capacity to produce goods and services for national and international marketplaces at a price and quality demanded by consumers. It represents the triumph of economic over every other single policy goal. Developing competitiveness has had the following distinct elements:

- reducing the size and functions of the public sector;
- microeconomic reform;
- privatisation of public assets;
- corporatisation;
- deregulation;
- introduction of competitive tendering into government service delivery.

Reducing the size and functions of the public sector

Economic rationalism dictates that as much of the national funds as possible should be shifted from the public to the private sector. The once respected public sector has been battered with criticism. Claimed to be inefficient because of the low productivity of many of its workers, the public sector was also devalued for the government debt

it generated. This debt, it was further claimed, was one of the factors making Australia less attractive to foreign investors.

From 1989 to 1995, the number of public servants employed by the Commonwealth fell by nearly 24 per cent and by 37 per cent in the states. Since the election of the Howard government in March 1996, a further 32 000 Commonwealth public service jobs have gone, together with a further 50 000 from various statutory authorities and commissions. Significant losses have also occurred at the state government level: altogether, well over 200 000 jobs have been cut from the public sector over the past 10 years.[4] More are likely: the persistent rumour has been a target of 50 000 Commonwealth public servants, from a high point of 178 000 in 1986.

In one of the largest single federal government cutbacks, workers at the federal government's central welfare agency and largest public sector employer, Centrelink, announced that 6000 staff were expected to be offered packages to leave, in a move that would slash the size of the agency by more than a third since the Coalition came to power. Centrelink, the government agency hived off from the Department of Social Security last year to administer social welfare payments to about 6 000 000 Australians, has already lost 2000 of its 24 000 staff nationwide to meet budget cuts. The job cuts were the agency's response to the federal government's efficiency dividend imposed annually on all Commonwealth agencies and departments, by which they are expected to reduce their annual running costs.

In addition to job losses, government spending in a number of areas has contracted sharply. In the decade 1985–95, spending on public infrastructure (the building of roads, bridges, ports, telecommunications etc.) fell by about $3 billion. As a consequence, Australia has among the lowest levels of public sector activity of any OECD nation. In 1995, Australia's level of public spending was third-lowest among OECD countries; its level of revenue raised also third-lowest; and its public debt second-lowest.[5]

This reduction in expenditure on public infrastructure has led state and Commonwealth governments to explore private sector involvement. Private developers, for example, have been engaged by government to build roads for which they charge a toll. In Sydney and Melbourne the role of providing major road services has passed from public to private hands, with corporations embracing the opportunity to make money from toll charges. To supposedly cash-strapped governments, the imposition of such charges on the motoring public are seen as preferable to the alternative—no new roads at all.

Private provision of public infrastructure

Sources: House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform (1997) *Planning Not Patching: An Inquiry into Federal Road Funding,* Canberra; G. Costa (1997) 'A case study on competition and private infrastructure', *Australian Quarterly,* 69(2).

The provision of road infrastructure is a service that has been traditionally provided by government. In recent years, however, there has been an increasing trend towards private sector involvement in the provision and maintenance of road infrastructure. This has occurred through two main mechanisms: competitive tendering for design and construction contracts whereby the work is carried out by the private sector but funded by the government sector and the provision of road infrastructure through build, own, operate and transfer (BOOT) schemes. This involves the private sector in undertaking construction as a form of investment from which companies derive a revenue stream through charges to the public in the form of tolls. Examples of BOOT schemes include the Harbour Tunnel, the M2, M4 and M5 motorways in Sydney and the City Link in Melbourne. The latter is the largest privately funded road-building exercise in Australia's history. BOOT schemes are most likely to be successful in densely populated areas where they offer a more efficient alternative to heavily congested roads. The projects are seen as relieving government of the burden of borrowing large funds to undertake such works and maximising the efficiency in which such works are completed and maintained. In the case of the City Link project, an estimated toll of between $3–4 will be needed to make the project profitable in the long-term. The legislation governing the project stipulates that all profits earned by the contracting firm flow to them except in the event of 'super profits' whereupon the government is eligible for a slice.

Exercises

1. What equity issues might be raised about the operation of BOOT schemes?
2. What are the limitations of this approach to the provision of public infrastructure?

Some of the leading New Right thinkers have argued that all key infrastructure assets should be privatised. The Tasman Institute, for example, a right-wing policy **think tank**, has been pushing for

privatisation in aviation, telecommunications, ports, electricity, transport, health and education. Governments at both federal and state levels are increasingly moving in the direction of this agenda. It is the ultimate expression of minimal government, and the triumph of the prevailing belief in free markets to deliver better than government.

At both state and federal government levels sustained efforts have been made to reduce expenditures in social services. Traditionally, the states rely heavily on federal government grants to provide health, education and housing, but these have been declining for years. The Howard government's first budget in 1996 drastically reduced Commonwealth outlays in a range of areas, including: health and dental services; labour market programs; legal aid; universities; migrant support programs; and home and community care.

Child Care

Sources: Senate Community Affairs Committee (1998) *Child Care Funding*, AGPS, Canberra; A Horin, 'Crunch time for child care centres', *Sydney Morning Herald*, 28 June 1997, p. 4.

The provision of child care services to children under school age is one illustration of the reduction in government funding to human services. Commonwealth involvement in child care expanded greatly when Labor came to power in 1983 with a policy of providing a universal system of child care services. The expansion was justified on several grounds: government assistance would ensure affordable child care; quality care delivered benefits to children through the promotion of early childhood development and socialisation; the provision of child care would encourage parents and especially women to enter the workforce; and it would minimise depreciation on previous public investment in education and training. In fact, work-related care accounted for most of the growth in care services throughout the 1980s and early 1990s. A fee relief system was introduced for low-income families and for those with more than one child in care. Commonwealth subsidies to community-based centres were designed to underpin the provision of quality care. By the early 1990s, demand for places in child care had grown sharply and a network of privately owned and operated centres opened to compete with government-funded ones. In 1997, the federal government decided to

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Think tank: a privately funded organisation established to research and promote policies usually associated with a particular set of ideological beliefs. Think tanks can be influential in contributing to public debate on an issue and in providing advice to government.

substantially reduce the funding to community-based centres so that they could compete more evenly with the private centres which received no subsidy. In 1998, a Senate Committee found a range of impacts on families flowing from the changes to funding, including:

- Greater use of informal care to limit child care costs.
- Increased stress in families that need child care but find it unaffordable.
- Changing patterns of work, for example, one parent working at night.
- Withdrawal from formal study due to costs of child care.
- Decisions to have fewer children.

The Committee also found changes in the quality of care offered in centres and a disproportionate impact on child care arrangements among low-income families many of whom could not afford the higher charges. Many of the centres have been compelled to engage in marketing their services, crack down on parents with bad debts, reduce support staff and pay less attention to community needs. As a result of these changes, some commentators have speculated on the emergence of a two-tiered system of child care: an exclusive system for wealthy parents willing to pay and a poorer quality service for those with fewer means.

Exercises

1. Why might access to quality child care be regarded as an essential social service?
2. What are the advantages and disadvantages of having it provided mainly in the private sector?

Microeconomic reform

This all-embracing term became fashionable during the 1980s to distinguish between the need for government to focus on the underlying component structures of the economy and not just the macro economy, which is concerned with 'big' issues such as the level of demand in the economy and inflation. Microeconomic reform includes policies such as a reduction in protection to manufacturing industries; restructuring the taxation system; reforming union–employer relationships; and reforming public sector operations and ownership. It aims to remove government controls in key sectors of the economy that are regarded as impediments to efficiency and productivity.

The need for Australians to increase their productivity is the central thrust behind the Productivity Commission's case for mircoeconomic

reform which it outlined in its 1996 report *Stocktake of Progress in Microeconomic Reform*. The Commission is one of the Federal Governments key economic advisory bodies. Among the points raised were the following:

- A country's ability to improve its standard of living over time is highly dependent on its ability to raise its output per worker.
- Australia's productivity performance has been significantly below that of other industrialised nations and compares poorly with that of dynamic Asian economies.
- With slower productivity growth, Australia's place in the international 'league table' of per capita incomes has dropped from tenth to twentieth over the past 25 years.

For Australians to achieve higher living standards and reduce the economic and social costs of unemployment, the Australian economy will have to be more flexible and grow more rapidly. That essentially means achieving greater output from our available human and capital resources.

Notable examples of mircoeconomic reform over the past 15 years include:

- *Removal of restrictions on the entry of foreign banks into Australia*. This was regarded by the Hawke government as necessary to add competitiveness to Australia's financial sector.
- *Reducing tariffs on goods imported into Australia*. In 1981/82, the average effective rate of tariffs for manufacturing was 25 per cent; this fell to an average rate of 12 per cent by 1992, with further falls planned to the year 2000. Tariff reduction has been promoted as a key policy to encourage Australian industry to manufacture, in conditions of domestic competitive pressures, for the world and not just the local market.
- *Reducing the role of Australia's centralised industrial relations system through the introduction of enterprise bargaining*. As a more flexible arrangement, enterprise bargaining is seen by government and business as adjusting wages and conditions to the needs and productivity levels of individual workplaces.
- *Reducing the perceived inefficiencies of the taxation system*. Under the federal Labor government the focus was on cracking down on tax evasion and fringe benefits, while the Howard government has put its energies into the introduction of a Goods and Services Tax (GST), which has been promoted as providing a number of benefits including the provision of additional incentives for workers through substantial

tax cuts and the reduction of costs to business through the removal of the wholesale sales tax.

- *The opening up of Australia's telecommunications industry to competition.* The monopoly Telstra had over both domestic and local calls has been broken with the entry of a range of new players in this market. Advantages to consumers from this injection of competition are seen to include lower charges and improved products and services.

The election of the Hawke government in 1983 began the focus on this policy area, which has been pursued as a central theme of policy by both the Keating and Howard governments. The various components of microeconomic reform are discussed below.

Privatisation

One of the prime ways in which both Labor and Coalition governments have sought to reduce both the size and functions of government is through the sale to the private sector of key government-owned assets. This process is known as privatisation. According to economic rationalism, it is not the business of government to own and operate commercial activities, as these could be undertaken more efficiently in the private sector. In undertaking asset sales, governments have argued that publicly owned industries are inefficient because they lack market disciplines, entrepreneurial management and access to sufficient capital for development. King elaborates on these arguments:

> A government enterprise is immune from the day-to-day judgement of the financial markets and is free from the ultimate forms of private sector corporate discipline—takeovers and bankruptcy. These pressures mean that private sector owners have strong incentives to ensure that their companies operate efficiently, producing a product range that satisfies the desires of consumers at the minimum possible cost.[6]

The case for privatisation rests essentially on a belief in the efficiency of private enterprise—that the discipline of the private sector will ensure its better performance through the incentives of profit maximisation. Additionally, it is argued that the discipline of the private sector will encourage enhanced services and lower prices. Privatisation has also suited cash-strapped governments, which use the sale of public enterprises to raise revenue thereby limiting the need for rises in taxation. It has also suited the ideological shift towards smaller government.

By international comparison, Australian governments have been among the most enthusiastic in embracing privatisation. Since 1990,

federal and state governments have raised $61 billion from the sale of government assets. The number of people employed in government-owned enterprises fell 42 per cent between 1989 and 1997. At the Commonwealth level Qantas, Australian Airlines, Australian National Rail Line, Australian National Shipping Line, the Commonwealth Bank, most of the capital city airports, and one-third of Telstra have been privatised. State governments have also been heavily engaged in privatisation, and none more heavily than Victoria, which has sold off its electricity system, among other services, to private enterprise. Other states have sold government insurance offices, banks, ports and energy pipelines.[7]

Throughout the implementation of this program of sell-offs, privatisation has incited controversy and debate. Opponents have argued that:

- through privatisation, governments are selling for short-term gain taxpayer's assets that were developed over a long period;
- government regulation over natural monopolies such as telecommunications and energy and water supplies will prove to be an inadequate method of controlling them;
- governments have a responsibility to ensure the equal supply of essential goods and services;
- governments raise capital more cheaply than anyone else and do not pay taxes, and are therefore the most efficient owners of capital-intensive industries such as the above.[8]

These arguments have been overshadowed by one perceived reality: bureaucrats and politicians are disinclined to take normal commercial risks and governments have been disinclined to fund the injections of capital needed to develop state-owned industries. Governments have attempted to moderate some of the criticisms of the privatisation program by ensuring that it retains some regulatory control through the policing role of the Australian Competition and Consumer Commission (ACCC). This body, established in 1995, is responsible for protecting consumers from any anti-competitive behaviour or misleading conduct on the part of companies. Heavy fines apply for breaches.

The commitment by governments to the concept of privatisation has seen a steadily evolving agenda. Prisons are an emerging part of the privatisation agenda for Australian state governments. In fact, Australia has a larger percentage of privatised prisons than any other country. Victoria has nearly half of its prisoners in these institutions. According to Stern (1998), their greatest selling point is that they are supposed to be cheaper than state institutions. So far the evidence is

inconclusive. A study done for the British Home Office in 1996 showed that private prisons were between 13 and 22 per cent cheaper than public prisons, but indicated that the cost gap had narrowed since 1993/94. A study published by the British Prison Reform Trust showed the cost gap had narrowed because private prisons had become more expensive and public prisons cheaper. As Stern highlights, the extent to which private prisons are cheaper reflects the lower costs associated with the payment of lower wages and poorer working conditions for staff in the private sector. However, politicians are attracted to the privatisation of prisons, believing the competition will frighten prison staff in the public sector and their unions into greater cooperation by instilling in them fear of losing their jobs to private competitors.

Private prisons

Source: E. Wynhausen, *The Australian*, 26 July 1999, p. 4.

With almost no public debate, Australia has become a proving ground for private prisons. Less than 3 per cent of prisoners in the US are in private jails. In Australia it is closer to 20 per cent. There are private prisons in almost every State. Western Australia has now joined the rush to privatisation, after a series of riots in its overcrowded public prisons. 'We'll never change our public prisons until we've got a private prison to act as a benchmark', says West Australian Attorney-General Peter Foss. Others voice doubts about the whole experiment. 'There is less accountability and greater secrecy', says Paul Moyle, a senior lecturer in criminal law at the University of Western Australia. Late last year an official inquiry into suicide and self-harm in Victorian prisons found the number of deaths in custody 'transformed Victoria's rate of death by suicide among prisoners from the lowest in Australia to the highest'. However, 45 per cent of the State's inmates are in private prisons . . . In Australia, Corrections Corporation of America will soon be able to link the prison to be built in Western Australia to the new women's prison at Deer Park in the western suburbs of Melbourne, where 'accommodation is provided in single cells with ensuite facilities', the company says. Whatever the cells look like, says Gow of the custody watch committee, 'the private prisons are more likely than the State prisons to use isolation as a form of punishment'. But all else pales beside the disasters at Port Phillip. In his final report last May, Victorian Auditor-General

> C.A. Baragwanath said that in the first five months at Port Phillip there were three prisoner deaths instead of the target number of nil, and 49 self-mutilations or attempted suicides instead of the target of 19.2 . . . At one extreme are the realities of prison life. At the other are contracts. Nowadays, says Peter Olszac, managing director of Group 4 in Australia, 'we're meeting all our service delivery objectives . . . We will do whatever we need to do to meet contractual obligations'. Experts question this approach: 'My scepticism is that it is difficult to manage complex organisations by way of contract', says Arie Frieberg, Professor of Criminology at Melbourne University. 'You can't specify all the details'. . . Whether or not private prisons save taxpayers money, the operators make money by cutting labour costs and training costs.

Questions for discussion

1. To what extent do the problems outlined in the article undermine the case for private prisons?
2. How might they be overcome within the model of privatisation?

This program of privatisation represents a bold policy experiment and is regarded as too recent a development to fully judge whether the objectives have been met.

Grounds for questioning that the objectives might have been met can be found. First, privatisation might merely involve the transfer of a public monopoly to a private one. In such circumstances the pursuit of profit by a private monopoly might not be in the public interest. Second, privatisation has been associated with a considerable reduction in employment which, while maximising profits, might not always ensure the provision of the best quality service. Third, the reliance on the regulatory regime may exceed its capacity to perform the task. As Kohler (1999) has argued: 'Whether it regulates prices directly (as with airports and power), enforces access (as with telecommunications), or determines the return on capital that can be earned (as with gas in Victoria), the regime [through the ACCC] will require eternal vigilance'.[9]

Corporatisation

Not all government enterprises have been privatised, or are thought suitable for privatisation. Some government-owned enterprises such as Telstra and Australia Post have, at least until recently, been regarded

as 'natural' monopolies, in that the costs associated with the provision of essential services can be offset by a single provider. Conversely, to allow a private sector company to duplicate the infrastructure needed for some essential services would be inefficient. This is the theory. A number of these public enterprises are also regarded as having community service obligations: that is, in the interests of equity all Australians should have access to the same essential services at the same cost, irrespective of where they live.

As an alternative to privatisation, state and federal governments have attempted a 'halfway house' between private and public ownership known as 'corporatisation'. This involves a deliberate attempt by governments to set in place some of the requirements of a private industry—incentives, including cost minimisation and efficient pricing as goals.

Deregulation

To deregulate involves the removal of restrictions or subsidies to competition within the economy. It is part of the idea about the economy and the need to reduce the involvement of government in favour of an enhanced role for free markets on the basis that this is the best means to ensure the most efficient allocation of resources. The need for deregulation has been justified on the following grounds:

- Regulation of the economy cannot realise the goals of protecting the public interest because it ends by serving the interests of those who are regulated.
- Regulation is costly and burdensome for producers and leads to higher prices for consumers.
- Regulation leads to declining productivity in the workplace because it removes much of the competitive ethos.

Using these arguments, successive federal governments have progressively deregulated key sections of the Australian economy. Foreign banks were allowed to establish branches in Australia in the mid-1980s to provide more competition; controls governing foreign ownership of Australian industry were relaxed in order to attract more investment; and tariffs on a wide range of foreign goods were reduced in order to expose Australian manufacturing to more overseas competition.

A major focus of governments, and particularly the Howard government, has been the deregulation of the Australian labour market which, as pointed out in chapter 3, has been heavily centralised under government regulations. Freeing up the labour market, making it more

'flexible', has been the motivation behind the changes. The objectives, according to the government, are threefold: to facilitate economic growth, to improve productivity and, hence, to improve international competitiveness.

Under the Hawke-Keating governments, the unions, through their peak body the Australian Council of Trade Unions (ACTU), exercised considerable influence over wages and conditions via a formal 'Accord' with government. However, the approach taken by the Howard government has been to reduce the influence of third parties, whether unions, the Industrial Relations Commission or the government. It seeks to free up employers and employees to negotiate on wages and conditions that have traditionally been part of minimum award conditions. By devolving this responsibility to the individual workplace, the Federal Coalition government believes that workplaces will become more productive and the generation of higher profits will lead to the employment of more people. It is a view based on the belief that changes in the workplace must be responsive to changes in the broader economic environment.[10]

Accompanying these changes was an acceptance that wage rates would vary between industries and within an industry.

Removing restrictions on competition in the energy and telecommunications industry has also been a priority over recent years. Federal and state governments have worked towards increased competition in the supply of electricity and increased competition between gas and electricity. The overall aim is to reduce the cost of electricity to consumers and especially to business, which carries the benefit of lowering production costs. Much the same aim has been pursued in the telecommunications industry, where the monopoly of Telstra has been reduced through the entry of new competitors such as Optus.

While the moves towards deregulation have been an important focus of public policy, a countermove to strengthen regulation has, as previously mentioned, accompanied the privatisation agenda.

Competitive tendering and contracting out

Traditionally, governments have contracted out services to the private sector that cannot be supplied by government itself or for which governments have been unwilling to invest in the necessary capital equipment. Contracts are awarded based on competition between potential contractors for the work of delivering the service.

However, contracting out of government services has moved from the periphery to a central strategy for government. Governments are,

for example, contracting out services which once their own employees fulfilled, such as hospital catering and school cleaning.

The reasons behind the emergence of contracting out have been extensively surveyed by Davis and Wood. They argue that the ideological attractiveness of the concept fitted the need to reduce government expenditure:

> Contracting moved from the margins to the centre because an influential body of innovative concepts caught the imagination of decision-makers offering them not only an apparently simple and quick method for major cost reduction, but also a new vision for government.[11]

Contracting out is an important extension of the ideology of competition. By subjecting services to competitive tendering, governments are operating on the assumption that competition creates efficiencies and keeps costs down. It also offers the benefit of greater direct control over policy by directing the actions of tendering agencies. It expresses the movement towards smaller government so favoured by the New Right agenda by removing government from much of the process of implementing policies, leaving it with the overarching task of setting policy directions.

Government is also subjecting services it funds, but does not provide, to competitive tendering, especially in the human services area. Traditionally, government has relied on a range of community service organisations to provide community education, counselling and family support services. Much of this work was funded on a submission model. Community organisations perceived a need for a service and submitted a proposal to government for funding its full cost. Governments, especially state governments, are now assuming greater control in determining which services are required in the community and putting these out to compulsory, competitive tendering.

The model attempts to separate the funding body (i.e. the government) from the provider (i.e. the service agency). By doing this it is claimed that clients of services are given more choice of service and service agencies have to be more efficient and effective in delivering quality service or face the consequences. These might include loss of client support or loss of future government funding.

At the very least, support for contracting out and competitive tendering remains controversial. Much depends on the circumstances of the particular area being subjected to competition. The perceived benefits gained from the process of the Kennett government's privatisation of public transport, for example, reveals the positive side to this

process. Professor Tony Richardson, from the Transport Research Centre at Royal Melbourne Institute of Technology, recently assessed the benefits of the policy:

> When public transport operators' income is largely dependent on getting 'bums on seats', it is amazing how innovative and customer responsive they can become. A good example of this is the National Bus Company, operating in the north-east suburbs of Melbourne. Since taking over these services from the Met in late 1993, NCB has dramatically changed and improved the service. New buses, new routes, new timetables, friendly drivers, and a company-wide commitment to acting upon feedback from customers has resulted in a significant improvement in service. This has been followed by a growth in patronage, improvement in staff morale, and a happier bunch of customers.[12]

It is these perceived benefits from contracting out services to the private sector that are being used in many areas of government to justify the policy. At a federal level, the Howard government's scrapping of the CES and its replacement with a competitive/contracting out model is another example of the policy in action. This approach involves the creation of a competitive market for the provision of employment assistance programs funded by government. Henceforth, both community and for-profit organisations will tender to undertake job placement, counselling and assistance services for specified amounts of money. The scheme is based on the premise that the 'successful' agencies will be those which do the most to find jobs for their clients.

Contracting Road Maintenance

Source: Senate Select Committee on the Socio-Economic Consequences of the National Competition Policy (1999) *Competition Policy: Friend or Foe,* Canberra, p. 50.

> The issue of road maintenance contracts being let out for significant periods of time, in Western Australia's case up to ten years, together with the amalgamation of road sections into large areas, meant that small state and large local contractors are disadvantaged . . . [it] has the effect of locking out all but the large state and national contractors. This practice was explained by Mr Brown of the Shire of Jerramungup (WA): 'Main Roads [the WA Department] are going down what they call the net term contracts, which I think are nine- or 10-year contracts, to carry out all maintenance and construction in the Narrogin and Albany regions, which cover a very large area of the Great Southern area

> of Western Australia . . . They are going to put out to tender . . . that one organisation will get all their roadworks for a nine- or 10-year period. The companies that are in the short list are all national or multinational companies. There is no local content . . . if they [large contractors] want to use local contractors, they will just tell the contractors what price they will employ them at . . . the only contribution they make to the local economy is buying the occasional carton of beer from the hotel.

Exercises

1. What might be the benefits of long-term contracts?
2. How might they compromise the spirit of competition?

National Competition Policy

To sustain the reform process, and with the ostensible aim of meeting the demands of globalisation, a National Competition Policy has been developed. However, competition is more than a set of policy goals: it has become a philosophical statement about the nation. As McCoy points out:

> Competition in modern life can provide people with the opportunity to exercise their talents and to expand the boundaries of social life. It can promote social and economic development. In economic terms, competition has become a major component of national economic identity as Australia has sought to compete in international and regional markets.[13]

In 1993 the federal government appointed an inquiry into competition, headed by Professor Hilmer. He brought down a landmark report which has been the basis for the National Competition Policy, finalised in 1995. Hilmer argued that the focus of competition policy should be economic efficiency. His report considered competition in terms of six specific elements, summarised by Lewis:

1. limiting anti-competitive conduct of firms;
2. reforming regulation, which unjustifiably restricts competition;
3. reforming the structure of public monopolies to facilitate competition;
4. providing third-party access to certain facilities essential to competition;
5. restricting monopoly pricing behaviour;

6. fostering 'competitive neutrality' between government and private businesses when they compete.

The report focused mainly on such areas as non-incorporated bodies, including legal partnerships, statutory marketing authorities and state-based public sector organisations, which are currently exempt from the *Trade Practices Act*. The aim is to expose these to competition, which should result in enhanced economic efficiency and lower prices.

Hilmer did concede the argument of 'natural monopoly' for some public enterprises, but acknowledged the need for private enterprise to have legal access to publicly owned infrastructure.

The implications of the Hilmer Report are hard to overstate. As Quiggin has observed, the report expanded the existing debate on the need for competition and competitiveness. Competition policy became shorthand for more competition in areas as diverse as electricity, legal services, health care and ports. In recognition of its importance, the federal government reached agreement with the states in 1995 on a National Competition Policy, which was designed to open up state business enterprises such as rail, water and electricity to competition which, in turn, was designed to produce lower costs and better services to business and individual consumers. This reflected concern among business leaders that Australia's push for international competitiveness was being seriously hampered by public sector inefficiency—the cost to business from inputs such as electricity, water, and telecommunications.

The Australian Competition and Consumer Commission was established to oversee the implementation and compliance with the new competitive framework. Its has wide-ranging powers and responsibilities, including;

- securing compliance with the *Trade Practices Act*, by responding to complaints and inquiries, and by observing market conduct and initiating action where necessary;
- developing and implementing regulatory frameworks which maximise the potential for promotion of competition and efficient outcomes;
- reviewing price notifications from declared companies and monitoring prices as required under the *Prices Surveillance Act*;
- consumer protection.

The consequences for state governments of this new policy framework have been profound. The new market principles enshrined in the National Competition Policy require that charges set by state governments for utilities such as power and water can only be based on

competitive standards in that industry, thus limiting the ability of states to raise additional revenue for other purposes. Furthermore, community service obligations attached to utilities must be added to the price charged.

As with privatisation, these developments are of such recent origin that it is difficult to assess their impact. Needless to say, the benefits from these reforms remain in dispute. However, the Productivity Commission has made the following estimates:

- Airfares have fallen by one-fifth since deregulation, with passenger numbers up by 57 per cent.
- Telephone bills are cheaper for households and businesses with savings of $500 million to consumers in 1994/95 alone.
- Payments to governments around Australia have increased in real terms from $1.6 billion to $3.9 billion as a result of greater business orientation of government business enterprises.
- Real average electricity prices fell 13 per cent between 1988 and 1995.
- In the Commonwealth Public Service productivity had increased more greatly among those workers with workplace agreements than it did among those without such agreements.[14]

More broadly, the changes introduced in response to the combined forces of globalisation and New Right ideology have revolutionised government in Australia. Creating more competitive public enterprises has been part of a broader approach which, over the past decade and more, has been directed at achieving three interlocking objectives: reducing the size of government; reducing the functions of government; and encouraging a more competitive economy and public sector. The effect of these policies on both the economy and the social fabric is an issue of considerable debate. Adopting a narrow economic view shows the impact in its best possible light. As Argy (1998) has pointed out, Australia has enjoyed one of the strongest growth rates in the Western industrialised world during the 1990s. This growth rate has resulted from improved productivity—better ways of doing and organising things—which, in turn, is at least partly attributable to the unleashing of new competitive forces in the economy. However, the improved performance does not reveal the full impact of these policies, as the following chapters illustrate.

Implications for policy

The policies associated with the New Right have become the dominant policy framework in Australia and overseas in the late 1990s. They constitute a policy paradigm referred to as the 'Market Model' of governance. The development of this model has been heavily influenced by the ideas of Friedman and, especially, Hayek. The Market Model constitutes an all-embracing approach to governing, based on a combination of philosophical principles and administrative mechanisms. Both the major parties have embraced key elements of this model, although to varying degrees. The similarities and differences between the parties are highlighted throughout the book. As a generalisation, and in brief, the key elements of the Market Model include:

- the primacy of free enterprise and individualism—hence the preference to limit government intervention. Steps to this ideal have been made by recent governments through privatisation, contracting out and a reduction in the number of government employees;
- creating conditions for stable, non-inflationary growth. Recent governments have pursued this objective by striving to reduce overall government spending in the economy;
- suspicion of extensive welfare systems which become captive of special interests and contribute to inflation. Recent governments have attempted to target welfare payments to the most needy by tightening up on eligibility requirements;
- keeping taxation low because promoting redistribution through taxation is inconsistent with a free society. Recent governments have lowered taxation imposts on the wealthy and substantially reduced commitment to redistribution through progressively higher income taxation on these citizens;
- a commitment to ensuring that wherever possible citizens pay for the services they consume, on the grounds that no link between the resources that individuals must make available for it and the costs of a service will create unlimited demand. This has been a difficult objective for governments to pursue due to public opposition, but a 'user-pays' philosophy has been introduced through higher costs of such services as transportation and university education.

Further reading

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5

Globalisation and policy

Summary

- Globalisation is the term used to define the growing interconnectedness of the world, and especially the emergence of global capitalism.
- Global capitalism is based around the expansion of world trade, the move towards free trade between nations, falling costs of transportation and communications, the application of technology, worldwide markets, the growth of global finance, the power of transnational corporations, and the growing economic power of Asia.
- As a result of globalisation, economic policy and the need for national competitiveness are the prime concerns of governments.

In the closing years of the 20th century, the world has been transformed by a series of historic developments conveniently labelled as globalisation. At its broadest, the term signifies an intensification of global connectedness in economic relations, cultural identity and political decision-making, together with a growing consciousness of this intensification. However, the driving force behind this connectedness is the emergence of a global capitalist economy. This development has, for the first time in human history, bound together most of the world's countries in a single, integrated economy, and thus created an immense market for the world's goods and services. The steady intensification of economic globalisation is regarded by influential

writers as a new stage in the economic history of the world and as unstoppable. Importantly, this development has given added force to the ideas of the New Right and its policies to enhance Australia's international competitiveness.

The emergence of a single, integrated capitalist market has slowly evolved since the late 19th century. From its base around North America, Europe and other Western nations, economic globalisation was further enhanced with the rise in the postwar decades of the Asian 'tiger' economies of Japan, South Korea, Taiwan and Singapore. The intensification of this process occurred with the collapse of communism in the Soviet Union and Eastern Europe and the opening up to foreign investment of China. These countries, together with parts of Latin America, have combined to create the first integrated global economic system based around capitalism. It is this development which signifies the unique character of the modern age.

The globalisation of the world's economy has been felt in countless businesses, large and small. Fully understanding its effects is among the greatest challenges facing business and government. In a global market, national boundaries have become increasingly irrelevant. For business this means competing on a much larger scale than most Australian companies had ever imagined possible or even necessary. One example will help illustrate its effects. In the early 1990s Hoyts cinemas was a dwindling Australian conglomerate, which had unsuccessfully tried to grow within Australia by diversifying into other businesses. Within a short time, Hoyts revived its fortunes by taking its cinema expertise into the global marketplace. Today, more than 60 per cent of its business is generated outside Australia.[1]

For companies involved in manufacturing, the process is even more involved. Companies, especially **transnational corporations (TNCs)**, base their operations around the idea that anything can be made anywhere and sold everywhere. The car is the typical example of the new, global product. Cars are no longer made in one country of origin but assembled from components from a range of countries, shipped to a point of assembly and exported to the world market. This is exactly the model followed by Toyota, one of the giant global motor corporations. One-third of its global output is derived from operations spread over 25 countries in the Americas, Europe and Asia. Moreover, Toyota exports nearly 40 per cent of its domestic production to foreign markets.[2]

Transnational corporations: large companies which operate across national borders through investment, production and trade.

Components of globalisation

The actual components of globalisation of economic activity have been identified by a number of writers.

Expansion of world trade

For several decades, the total world trade in goods and services has increased every year. In fact, world trade has grown at twice the rate of the production of goods and services throughout the world. Between 1990 and 1998, cross-border trade in goods and services has grown at an annual average rate of 6.6 per cent, almost twice as fast as the average annual growth rate of 3.2 per cent in this period.

The growth in world trade has transformed the conduct of business in most countries. It has enhanced the power of transnational corporations, as discussed below, but it is also having important consequences for small and medium-sized companies. To compete effectively, these firms have to consider international markets and foreign competitors at an earlier stage in their business development cycle.

These new realities for business have political consequences. Policy-makers in most nations have been forced to accept globalisation and develop strategies which attempt to limit its threats and capitalise on its opportunities.

Commitment to free trade

A commitment to free trade has long been widely supported in economic theory, which held that it causes each country to produce what it produces best. Rich countries, with highly skilled workforces and sophisticated technology, are able to manufacture complicated, expensive machinery. Poorer countries, on the other hand, with cheap labour are able to produce low-cost, low-technology commodities such as clothes and toys. According to economic theory, free trade is supposed to benefit all countries by creating opportunities to produce and trade on a larger scale than is possible in a system where trade within nations is protected from outside competition.

The process of lowering tariffs among the world's nations began in 1948, when 23 countries agreed to cut tariffs. This was formalised in the General Agreement on Tariffs and Trade (GATT), and represented the first multilateral accord to lower import barriers since the early 19th century. GATT set in motion a series of agreements which consolidated the movement to freer trade between nations. The 1993

round of GATT established the World Trade Organization as a permanent agency to arbitrate trade disputes between nations. Countries found to have erected unfair trade barriers are required to change their policies and/or pay compensation.

Transport and communications

The expansion of trade has also been facilitated by rapid advances in the technology of transport and communications. Both the cost and speed of transportation and communications has fallen. In this way, components in the manufacture of goods can be made wherever in the world it is cheapest to do so and shipped to assembly points, thus maximising total profits. This has facilitated the spread of global trade. It has also reduced the time lag between the development of a product and its penetration worldwide.

The diffusion of technology worldwide

The spread of information technology and telecommunications is one of the enabling forces of global capitalism. It has enabled the rise of global networks within the same firm. For example, the first transatlantic telephone cable, laid in 1956, could transmit no more than 36 conversations at one time. In 1966 only 138 simultaneous calls between Europe and North America were possible. The advent of the first fibre-optic cable in 1988 saw a dramatic lift in carrying capacity—up to 40 000 voice connections. By the early 1990s, this number had lifted again to 1.5 million. Such dramatic improvements in telecommunications, when combined with microchip technology, mean that different parts of the one company, located in distant parts of the world, can function as one team via computer. Technology is also instrumental in producing further gains in productivity. In addition, the application of technology in areas such as health, biotechnology, pharmaceuticals and computer software provides an expanding range of opportunities for new product development. Many of these so-called 'brainpower' industries have facilitated globalisation of the economy because they are geographically free—capable of being located in many parts of the world.

Knowledge-based industries rely on highly creative scientific and engineering expertise in their initial developmental stages and depend on continuing technological innovation to maintain a competitive edge. Electronics industries are responsible for a reconfiguration of the traditional labour force built around manufacturing industries. Unlike the steel and car industries, which for decades employed large numbers

of skilled and semi-skilled workers, electronics industries employ large numbers of engineers and technicians but declining numbers of skilled and unskilled workers. In fact, automated technologies have been reducing the need for human labour in every manufacturing category. Noted American scholar Jeremy Rifkin argues that over the next quarter century 'we will see the virtual elimination of the blue-collar, mass assembly-line worker from the mass production process'.[3]

Worldwide consumer markets

Brands for many consumer goods are no longer country-specific but global, reflecting a worldwide demand for many similar products. In large part this derives from the spread of popular culture and images through the growth of a global media industry based in the USA. The move towards global brands is spearheaded by American giants like Coca Cola and McDonald's but the process is open to other players. The Australian surfing company Ripcurl is an example of the global market for brand names. Founded in the 1960s in a Victorian seaside town, it is now an international brand, marketing surfboards, clothing and accessories.

Economics also plays a part in the global brand movement. By geographically extending a product, companies can recoup the costs of research and development, achieve economies of scale in production, and defray the costs of advertising by producing advertising material with global appeal. In promoting global brands, companies are not only selling a product but also imparting an image, largely based on 'young, dynamic, all-American images'. Brand names such as Coca-Cola, Nike and Levis are among those that successfully promote largely mythical images, which transcend nationality, to young people in search of identity.[4]

The growth in global finance

The growth of global free trade has resulted in a growth in competition between nations to attract and retain finance investment capital, which is the basis of growth in jobs and the uptake of new technology. Investment capital is productive in the sense that it is linked to the 'real' economy of producing goods and services. However, it differs from finance capital, the other major form of capital in the global economy. It is based around trade principally in currencies and stocks and bonds. Before the 1970s, countries maintained a system of fixed exchanges by which each country priced its currency in relation to the US dollar. This system began to be replaced in the early 1970s

by floating exchanges, in which market forces, rather than government regulation, were expected to adjust the relative value of each nation's currency. It is this system, in combination with the introduction of cheap and easy communications and massive stocks of short-term capital, which has led to speculators buying and selling money in order to make profit. Every day, more than one trillion dollars of financial capital move across the globe in search of this short-term profit.

The growing power of transnational corporations

The transnational corporation (TNC) is one of the major driving forces behind the globalisation of the economy. The largest 500 TNCs conduct well over 80 per cent of the world's stock of foreign direct investment and over half its trade. TNCs set up competition between nations for investment, and some have grown beyond any single national interest. The largest—such as Microsoft, Shell and GMH—generate revenues greater than countries with middle-sized economies. In seeking investment opportunities in countries with the loosest regulation over the economy, they compel all countries to move in this direction. In such ways TNCs are increasingly becoming global institutions.

The operations of TNCs are among the most controversial aspects of the global economy. Some claim they are the engines of wealth and income generation in the global economy through their capacity to underwrite research and development, enhance the volume of world trade, encourage the training of workers and control investment capital. However, their very wealth brings political power, and this worries many observers of the global economy. Korten (1995) has argued that TNCs seek to create a political culture that equates the corporate interest with the human interest in the public mind. Petrella is even more direct: 'Today's global corporate leviathans decide which regions and countries of the world will receive new flows of investment for job creation and where the production facilities will be built. A handful of global companies . . . have the power to fashion the world as they deem fit'.[5] While some writers have argued that the power of TNCs is overblown because they are too concerned with profitability to interfere in the non-economic activities of nations, there is wide agreement that TNCs are effective lobbyists at influencing government policy in the areas of trade, investment, science and technology privatisation, and levels of government spending.

Among the most controversial aspects of TNCs is their role in

reshaping the place of labour in the production process. They have been responsible for a massive shift of jobs from industrial nations to developing ones with cheaper labour. This process has intensified with the entry of many Asian nations, and especially China, into the global capitalist economy. The giant American shoe company Nike has attracted criticism for participating in this shift. It pays its Asian workers a fraction of the hourly labour costs it would incur by locating its manufacturing plants in the USA. This shift in production of low-skill industries is having profound effects. It is enabling some developing nations to gain a toehold in the export trade, but the issue of the exploitation of these workers is a real one. Among many Western nations, relocation of business offshore is exacerbating unemployment and the decline in the power of trade unions, which have lost considerable membership in once heavily unionised industries.

A pressing problem confronting governments is the loss of taxation revenue resulting from the ability of TNCs to minimise their income. Globalisation makes it difficult for governments to decide where a company should pay tax. With their geographical spread, TNCs are able to design a product in one country, manufacture it in another and sell it in a third. This allows ample scope to minimise tax bills through transfer pricing, by which companies move their taxable profits to low-tax countries. The Australian Taxation Office recently announced that it would concentrate on 200 TNCs with a combined income of over $34 billion but which together paid only $40 million in taxation, an effective tax rate of 0.12 per cent.[6]

Shift in the centre of economic activity

Since the late 1970s, the rise of East Asia as an economic powerhouse has seen a redistribution of world economic power. In 1960, East Asia accounted for just 4 per cent of world economic output; by the mid-1990s it was 25 per cent. The migration of investment capital to the developing world has resulted in a number of these countries developing rapidly into industrialising nations, manufacturing commodities primarily for export.

Notwithstanding the recent economic downturn in parts of Asia, this shift has introduced 'mega-competition' into world trade: countries must now compete not only against rivals in their own league but against an ever-expanding range of new players. In addition, the entry of these new players has placed great pressure on wages and working conditions in the established industrial countries.

Although the USA remains the world's largest single economy, its

hitherto unrivalled position is being challenged by globalisation. Its share of total world production, which stood at 50 per cent at the end of World War II, has nearly halved since that time.

Australia and globalisation

The policies to internationalise the Australian economy undertaken by the Hawke, Keating and Howard governments are outlined in chapter 4. Globalisation, especially as it intensified from the early 1990s, provided much of the justification for this policy direction. An important landmark in the influence of globalisation over policy came with the Garnaut Report in 1989. Ross Garnaut, an academic economist, was appointed by the Hawke government to review the implications for Australia of economic growth and structural change in East Asia. In his report he argued that Australia must embrace global free trade. Placing this call for a new economic direction in the context of the rapidly occurring changes in the region, he noted that:

- Industries needing low skills and paying low wages were shifting from the industrialised countries of the region to countries such as China, Malaysia and Indonesia.
- Complex manufacturing and high technology processes were being concentrated in the most advanced economies in the region.

Garnaut forecast profound consequences for the Australian economy from these developments. He argued that the Australian economy was not well placed to respond to these changes because many Australians were paid high wages to make goods that were being produced more cheaply elsewhere. Consequently, the nation suffered declining exports and a continual **balance-of-payments** problem. However, Garnaut believed the situation could be rectified so long as governments adopted policies consistent with the new climate of international free trade:

- Abolish all tariffs by the end of the century and let the international marketplace decide what the country best produced.
- Press for the liberalisation of free trade in the region to enhance the integration of Australia's economy into that of the region.
- Encourage foreign investment from the region.

Balance of payments: a set of accounts recording all transactions between a country and all other countries.

➢ Adopt policies to ensure the nation reaches internationally competitive standards in all areas of its economy.

Garnaut's arguments for free trade were no more forcefully put than in his consideration of the politically sensitive textile, clothing and footwear industries. For decades these had enjoyed protection from foreign competition to maintain employment in both metropolitan and regional centres. However, according to Garnaut:

> Protection for clothing and footwear is exceptionally damaging to domestic social and economic objectives. These goods feature much more strongly in the consumption patterns of the poor than the rich. When the girl in the Social Security advertisement for the new family assistance measures pulls on her new shoes, we should recall that her mother could buy two pairs with the money under a liberal trade policy. Textiles, clothing and footwear protection contribute significantly to a concerted effort against inflation. Given the close links between consumer prices and wages in a tight labour market, it causes wage costs for all industries, including export industries, to be a couple of percentage points higher than they would otherwise be.[7]

What globalisation means for companies: Ford Motor Company

Source: Industry Commission Staff Information Paper (1996) *The Changing of Australian Manufacturing, Industry Commission,* Canberra, pp. 97–8.

> The Ford Motor Company of Australia was formed in 1925 in Geelong as a subsidiary of the Ford Motor Company of Canada, becoming one of the first major car manufacturers in Australia . . . Today Ford has plants in Broadmeadows, Geelong and Brisbane and in 1995 revenue of $3.3 billion or about 30 per cent of the total motor vehicle and parts market in Australia . . . Ford has invested heavily in new technologies and capital equipment in recent years in an effort to increase the efficiency of its manufacturing processes. For example, the use of robots in the welding process was introduced in the mid-1980s. Computer aided design, computer aided engineering and computer aided manufacturing are also employed . . . Ford has experienced many other changes in recent times. The company's employment has fallen from about 13 800 in 1990 to the current level of about 6500, although the number of cars produced (about 105 000 per year) is much the same as six years ago. Investments in new capital equipment and better technologies have contributed to this

> improvement, as have better work practices and a greater commitment to training and education . . . While exports declined from $346 million in 1990 to $176 million in 1995, Ford nevertheless posted a $202 million dollar profit in 1995. The forces behind these changes are varied. Increased competition from imports stimulated in part by reductions in tariffs have placed cost pressures on Australian producers. These pressures have encouraged plant and model rationalisations. High volume sales are particularly important in motor vehicle manufacturing due to the large capital outlays involved. It was partly because of a case of cost penalties associated with somewhat limited production runs that Ford stopped the assembly of Lasers in its Sydney plant in 1994. (Lasers are now imported from Japan.) Another cost pressure over the past decade has come from the Japanese and more recently, the Koreans. These producers have reduced the lifecycle of their models forcing local producers to do the same . . . As the Australian market has become more open, local producers like Ford have felt competitive pressures more strongly, with imports taking an increasing share of the domestic passenger car market . . . Australia currently produces less than 1 per cent of the total world vehicle output. Sales limited to the domestic market are insufficient to reap the benefits of economies of scale required to be at the forefront of international best practice. For this reason Ford sees its export program as increasingly important to its future success.

Exercises

1. What aspects of the processes associated with globalisation have affected the company?
2. To what extent does globalisation mean that Australia cannot produce motor cars locally in the future?

The thrust of the Garnaut Report was adopted by the Hawke Labor government, which supported the view that responding to globalisation was a necessity to ensure economic revival. In 1990, then Treasurer Paul Keating reiterated the case for globalisation as the major thrust of Australia's economic policy:

> The question at issue is whether we build on our approach of the last seven and a half years—of deregulation, of removing the meddling hands of bureaucracy from the operation of markets, and forcing our business and our workers to confront the realities of

> world markets and international opportunities—or to return to the failed policies of the past.[8]

As Keating's explanation shows, globalisation has some compelling logic for Australian public policy. Australia is a small domestic market, and business relies on trading internationally to prosper. Australia, it could be argued, must be competitive internationally or suffer steadily lower standards of living. However, in pursuit of this policy framework, recent Australian governments have faced some significant dilemmas. Policies which assist Australia in facing globalisation have also fragmented society, and the consequences of this fragmentation are seen in higher unemployment and in various forms of social dysfunction. (These issues are taken up in chapter 11.)

Implications for policy

Such a profound development as the creation of an integrated global, capitalist market inevitably has consequences for governments, although there are differences of opinion on the extent of these. However, most agree that globalisation has made economic policy the prime focus of government. As Petrella has argued:

> For government, the competitiveness of the nation is now the primary concern, with a view to attracting and retaining capital within its territory, in order to secure a maximum level of employment, access for local capital to global technology, and revenue needed to maintain a minimum of social peace.[9]

The notion of competitive advantage arose from the realisation that, in a global economy, a nation's trading capacity is not necessarily determined by producing goods at the cheapest cost but by encouraging the international competitiveness of the companies and industries operating within its borders. These companies must produce goods in innovative ways, create a technological edge, differentiate their products from those of other companies and find new markets.

The fight to retain competitiveness is especially important in the emerging technology-based industries. The implications for Australia were squarely put in the influential Garnaut Report in the late 1980s:

> Will the emerging international division of labour provide opportunities for Australian leadership of a range of technologically sophisticated manufacturing and service industries? Or will our role

> be confined to supply of natural resource-based products and standard technology goods and services?[10]

(These issues are taken up in more detail in chapter 12.)

The emerging global economic competitiveness is exerting more widespread policy effects. Some commentators have argued that globalisation has meant the end of the traditional social democratic approach to government: that is, one that seeks to promote policies of equality of opportunity through redistribution of wealth and resources. Gray has argued this point:

> Global capital markets . . . make social democracy unviable. By social democracy I mean the combination of deficit-financed full employment, a comprehensive welfare state and egalitarian tax policies that existed in Britain [and elsewhere in the Western world] until the late 1970s and which survived in Sweden until the early 1990s.[11]

The nature of global capitalism has undermined this venture. Some critics argue that US-led global capitalism is directed at strengthening market forces at the cost of the institutions of social protection, which appear as impediments to the maximisation of corporate profits. At the forefront of global capitalism is the power wielded by TNCs. As Thurow (1996) explains: Any country which now contemplates raising taxes to expand welfare risks an economic backlash. As capitalist economic activity naturally migrates to the places with the fewest regulations and the lowest social charges, national governments are now competing with each other for economic activity. In a global economy, if a country is a high-tax, high-spending society, business will simply move to low-tax, low-spending societies. Thus, the ability of nations to pursue national goals, as articulated by Keynes, is now widely seen as outdated.

At the very least, globalisation has put great pressure on governments to reduce their social expenditures in order to satisfy the demands of international financial markets. These dictate that the major aims of public policy should be low inflation, low taxation, and reduced government spending. Attempts to reinvigorate social democratic thinking in light of globalisation have recently attracted a number of policy thinkers. (These ideas are discussed in chapters 11 and 12.)

The focus on competitiveness has led to widespread concern about the diminished power of national governments to control policy responses. According to many writers, the power of governments to control key economic and social policies within their own boarders is diminishing in the face of the immense power of global capital. Whether or not this is an exaggerated claim, many nations do perceive

the need for similar policy goals aimed at attracting international capital. The world over, governments own less and regulate less in favour of market forces. From a public policy standpoint, this means that governments are under continuous pressure to adopt policies consistent with the global ideological agenda, identified by Herman and McChesney (1997) as consisting of the following:

- reducing inflation over reducing unemployment;
- carrying out deregulation and privatisation;
- reducing social services as part of debt reduction;
- curtailing the power of unions as part of developing an open and 'flexible' labour market and reducing industrial disputation.

The idea of a global policy agenda to serve the interests of international finance seems to confirm theorists' view of the demise of the nation-state. Yet this argument cannot be taken too far. While the role of government has undergone great change over the past decade, globalisation is also posing new challenges for governments, especially in the areas of social fragmentation and the development of industry and technology. (These issues are taken up in chapters 11 and 12.) In light of these challenges, governments in Europe, for example, are actively exploring ways in which government can assist the development of the market economy under conditions of globalisation and enhance moves towards social integration. As Emy remarks, the intellectual tide seems to be turning in favour of a new synthesis between state and markets in which governments become central players 'in systematic strategies aimed at maintaining the viability of both economy and society in the face of rapid and often destabilising forms of change'.[12]

Theorists writing in the area of the emergence of new economic forces in the global economy in which knowledge has become a prime factor in production have been rethinking the role of government. The theory of competitive advantage encompasses the importance for governments to shape the development of high-quality education, communications infrastructure and a culture of business innovation. Similarly, theories about how economies grow in a global environment have stressed the driving force of new technology, research and human capital and private enterprise is likely to under-invest in these factors because it can only capture a fraction of the ensuing benefits.

Thus, globalistion may have profoundly changed the role of government and limited its capacities in some traditional areas of responsibility, but it has not diminished the need for government to

respond to the new challenges opened up by globalisation. Fashioning this new role for government is the subject of ongoing debate.

Further reading

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6

Public opinion and policy

Summary

- The formation and structure of public opinion is a complex process.
- Public opinion often reflects economic position and interests.
- Ways of testing public opinion include the use of sophisticated opinion polls and focus groups.
- While great store is placed on the use of polls on many social issues, little heed was taken of public opinion when implementing New Right economic policies.
- Many of those affected by economic restructuring became supporters of One Nation.

The shape of public policy, as previous chapters have tried to explain, is the outcome of the broad ebb and flow of ideas about the role of government. The ascendancy at any one time of ideas favouring either government intervention or free-market economics provides much of the intellectual climate for public policy. However, in democratic systems governments cannot develop policies without considering public opinion. Governments require support to enhance the legitimacy and, therefore, the success of their policies. In chapter 2 the role of consultation in the development of policy is examined. This chapter develops the interaction between government and the public from another dimension: the role played by the systematic gathering of

public opinion, either by government or by large media organisations, to which government pays considerable attention. This process differs from consultation in several fundamental ways. First, whereas consultation is designed to be a two-way information exchange, the gathering of public opinion presents to government a representative sample of public opinion. Second, consultation is designed to be an open and accountable process, whereas the gathering of data on public opinion from polls and surveys presents information to political elites without their having to justify the manner of its use or influence. Third, the systematic gathering of data on public opinion presents government with comprehensive information on public views which is typically composed of a range of socioeconomic variables, including age, gender, party affiliation, geographic location and income group. This information is of great strategic value to governments and political parties in the planning of their policy responses.

Thus, while governments have the ability to shape public opinion in favour of a set of particular policies, they are also able to tap into and respond to community views and tailor policies accordingly. Often there is an inherent tension between these two approaches. Should governments attempt to lead public opinion but risk losing popularity? Should they respond to community views but risk the charge of populism? There is no easy path between these two routes to governing. Overwhelmingly, governments feel the desire to stay in office which, naturally, leads them to seek public approval. However, the experience of public policy since the early 1980s shows some contradictory trends in the role of public opinion. On key economic policies governments have often ignored the views of the public, while on a range of social issues there is evidence of governments seeking out and responding to public opinion.

However, in general terms, whether governments are trying to lead or follow public opinion, the structure of mass opinion does set limits on the range of policies they can adopt. This can make it difficult for governments to act in a coherent and consistent fashion, as public opinion may vary widely across issues and change over time. The growing sophistication of measures to test public opinion, together with the breakdown of long-term party-political loyalties, are additional pressures on political parties to be more responsive to public opinion.

The structure of public opinion

The formation of public opinion is a complex process. Russett and Starr (1996) argue that people may support a policy for three main reasons: because doing so satisfies psychological needs; because on the basis of available information they perceive the policy as consistent with certain interests and beliefs; and because the segment of their social environment reaffirms support. As this argument suggests, there is no single public voice on any of the major issues facing government or, indeed, on the role of government itself. Rather, there are a series of voices that tend to reflect social class. However, the social structure of Australia has been fragmenting under the economic changes of the past decade. The impact of technology on jobs, the growth of unemployment, the downward pressure on middle-class salaries, and the growing disparities between the very rich and everybody else, has significantly frayed the traditional three-tiered class structure of Australia. Hence, public opinion is also fragmenting. Despite these complexities, dominant patterns of public opinion still exist, and these have a tendency to reflect socioeconomic position. The difficulty for government is to hold together enough of these disparate groups to implement its policies while staying in power.

The wealthy elite

A feature of Australian society throughout the 1980s and 90s has been the growth in wealth of the top echelon of society. This group consists of the mega-wealthy—those who make up the Rich 200 list, with fortunes in excess of $42m—and a broader group, consisting of top management, the elite professionals, and the higher ranks of the banking, finance and service industries. As the biggest winners from the moves towards the free market agenda and minimal government, they are among its staunchest and most influential advocates. While it is important not to overstate the unified outlook of this group, there is, as McGregor (1997) comments, 'enough common interest among members of the class to form a recognisable, interlocking class group in which social and kinship ties can be almost as important as financial ones'. This wealthy elite has its parallels in all English-speaking industrial countries where similar New Right policies have been pursued by governments. Christopher Lasch (1995) has characterised the outlook of this elite in the USA which bears some resemblance to Australia's elites. While diverse in occupation, the elite are:

- removed from the lives and concerns of ordinary people;
- tied to a global network of work and leisure;
- isolated from the problems of industrial cities and declining public services, living in a few, select wealthy enclaves;
- opposed to paying for public services they no longer use;
- prepared to buy all their services—including health, education and individual security—from the private sector;
- indifferent to the obligations of citizenship, including the need for reciprocal obligation to the less well-off.

Similar developments are occurring in Australia. The workforce is increasingly made up of people living in separate worlds, completely foreign to one other, as groups of professionals, company executives and entrepreneurs reap record incomes. As one commentator on these developments recently wrote:

> The geographic divisions of have and have-not neighbourhoods that have followed in the wake of income divisions have all helped to further the new isolationism that is becoming a feature of Australian life. How long will it be before Sydney and Melbourne see as commonplace the **'gated' residential places** so popular in places like Los Angeles?[1]

The fragmenting middle class

Australia's reputation as the most middle-class nation in the world—where jobs and incomes for the majority were secure—has come under threat from forces of economic change. This has created a more complex structure for those 'in the middle'. One stratum, which is tertiary-educated and professional, is widely seen as radical or progressive on social issues, strong on the environment, and focused on **'quality of life' issues** rather than just economic issues.

Underneath this group is a core of lower-paid white-collar workers, described by McGregor as 'struggling away on worsening incomes, worsening conditions and worsening job chances'. These are the lower middle-class, earning $25–30 000 and characterised by McGregor as having been dislocated by the new economic order of deregulation and globalisation. Many have been de-skilled, been made unemployed

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'Gated' residential places: a community of wealthy people protected from the outside by high walls and extensive security.

'Quality of life' issues: policies that are seen to be part of the broader social and community life of individuals, as opposed to more narrowly focused economic issues.

or redundant, while others have been forced into re-training or casual work with a loss of award protection. They are angered by the 'cataclysmic loss of security and upward mobility which were thought to be the prerogative of their middle class identity'.[2]

Many in this group fear they are losing ground and feel anxious about future job security for themselves and their children. Sociologist Michael Pusey has recently studied the attitudes of 'middle Australia' and found that most believe that life is getting worse:

> Two-thirds said that 'government is mostly, or entirely, run by a few big interests, rather than for the benefit of all', and three quarters felt 'big business has too much power'. There was also a generalised belief that the Middle Class was being 'hollowed out' by economic changes and by the surge of 'economic rationalism' over the past 15 years, and even those whose incomes had risen steeply felt pessimistic about the future of middle Australia.[3]

Despite this feeling of pessimism about the future, 'middle Australia' has a strong streak of self-reliance, as articulated by Don Watson, speech-writer to Paul Keating when he was Prime Minister:

> As much as they might believe in the elimination of poverty, the desirability of social equality and the responsibility of governments to look after the weak and the dispossessed, Australians also believe that effort should be rewarded above sloth, and that those who take responsibility for their own lives and those of their children should receive encouragement.[4]

Watson was alluding to one of the pervasive features of lower-middle (and working-class) opinion which emerged in the mid-1990s: the politics of resentment. People struggling on low wages, and who have seen the quality of public service decline, resent the least privileged sections of the community whom they perceive as still able to access government benefits. This group includes welfare recipients, immigrants and Aborigines.

The traditional working class

A decade and more of economic restructuring has brought great hardships to many in this group. Many working-class men, especially, have traditional associations with the union movement, and are usually characterised as conservative on social issues, supporters of a stable and structured economic framework, government intervention, industry protection and jobs-first policies.

However, this group's political attitudes are no longer quite so

clearcut. They have much in common with elements of the lower middle class in terms of economic pressures and hardships. This was recognised by Liberal Party strategists in the lead-up to the 1996 federal election, and the term 'battlers' was coined to conceptualise the interlinking of the two social groups and their shared economic and social concerns. Together, they formed a decisive group at the 1996 federal election, underpinning the size of the Coalition victory. Attempts by both major parties to represent this group provide one of the ongoing dynamics of federal politics.

Below the traditional working class is a group that survives on social security payments. Members of this group have been characterised by some sociologists as an 'underclass'. This is a controversial term devised originally in the USA to describe (and often deride) the behaviour and outlook of the mostly young, black and Hispanic unemployed of the country's large cities. Significant numbers of this group resort to crime and drug use/dealing while appearing to remain indifferent to work and mainstream American values. According to some, these are signs of a lack of moral values prevalent among this group. However, Australia's system of compulsory voting gives this group a voice in national affairs. In voluntary voting systems, such as in the USA, considerable numbers of the underclass do not vote because they perceive little value in doing so.

The term 'underclass' has also gained currency in Australia, to describe long-term welfare recipients whose material lifestyle is therefore below that of the traditional working class. Typically, these are people who have left school early and experienced periods of unemployment. As McGregor (1997) writes: 'There are now class ghettos in Australia which are not so different from their American counterparts; not unexpectedly, equivalent patterns of social distress and violence have begun to emerge'. The numbers of such people have grown steadily since the early 1980s, but little is known about the political attitudes of members of this group.

The influence of polled public opinion

It is not always easy to demonstrate the effect public opinion has on the outcome of particular policies, because it is usually not in the interests of political leaders to be seen to be pandering to public opinion. However, several points can be made.

Public opinion is obviously more likely to be influential when it

has reached a critical mass—that is, when it somehow is seen to represent majority opinion. There are a number of examples of mass opinion influencing policy. In 1985, for example, the Hawke government commissioned ANOP to conduct an opinion poll of community attitudes to Aboriginal land rights. In its analysis of the results to the government, ANOP found that public opinion was divided into three main camps: one-quarter strongly opposed to land rights; one-quarter firmly supportive; with the remaining half predisposed to opposing the granting of land rights due to ignorance, misinformation and 'soft' racism.[5] Thus, the poll supposedly found that most people opposed, or potentially opposed, land rights. The results are thought to have been critical to the decision by the Hawke government to drop its stated policy to grant national land rights.

Polled public opinion often carries influence if it affects the support of a core block of supporters of the party in power. The Howard government's difficulties with nursing homes policy during 1997 is a prime example of this impact. The original policy had potentially profound implications for the frail aged. It meant some might be forced to sell their homes to pay for a 'bond' to enter a nursing home. It was designed by the Howard government to be a **user-pays approach** to help fund nursing homes. In addition to causing considerable anxiety among the aged, the policy was particularly unpopular with voters in the 50 and over group, the majority of whom are core Liberal supporters. This fact was confirmed by newspaper opinion polls, which were thought to be influential in forcing the government into making a series of politically damaging backdowns on key aspects of the policy's details in an attempt to make it more palatable.

In a similar way, polled public opinion can bolster a government's preferred course of action if key members of its own constituency are shown to be on side. This is especially the case on those issues where governments are compelled by the pressure of circumstances to come up with a policy response to matters not of its own making. There are several examples of this occurring over recent times. Coalition voters, for example, were found to be strongly in support of Prime Minister John Howard's refusal to give approval to the ACT heroin trial and to his refusal to offer a national apology for the stolen generations of Aboriginal children.

However, it is not always the case that supporters of a political

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User-pays approach: a form of delivery of government services in which people pay the full costs of the service rather than these being made cheaper or free through government subsidy.

party hold similar views on every issue. At times supporters are deeply divided. Forestry, and the calls to protect old-growth forests from logging and woodchipping, was one such issue during the ALP's (1983–96) term in office. Timber workers opposed moves to further protect forests, while the educated urban professionals were often in the vanguard of such calls. In such instances government policy becomes an exercise in compromise, through a process of protracted negotiation. Policy can also get bogged down while governments sort through competing political demands.

Public opinion is volatile and capable of substantial shifts, especially on controversial issues. The proposal for the part-privatisation of Telstra is a telling case in point. When John Howard devised this policy in the lead-up to the 1996 election, the AGB-McNair poll found only 41 per cent favouring the sell-off while 51 per cent were against. By mid-1996, following a thorough airing of the issue during the election campaign, 51 per cent were in favour and 42 per cent against.

On critical issues, political leaders will seek to shape public opinion. Some of the more dramatic illustrations of these attempts include Paul Keating's 1986 declaration of Australia as 'a banana republic' in an effort to shock the nation into the need for economic reform. More recently, John Howard has used a variety of devices to deal with the controversial Aboriginal lands rights claim to pastoral leases. Initially he used the imagery of a pendulum that had gone too far in the direction of Aboriginal rights, and later he deployed a map of Australia as a television prop to show the 78 per cent of the continent which, he claimed, could be subject to title if corrective measures were not taken. Political interventions of this sort may well have an impact. However, the low standing in which most of the public holds politicians means they are rarely looked on as a source of reliable information.

The complexities of public opinion

It should not be overlooked that public opinion on complex issues is often very difficult to accurately assess. Krueger (1988) argues that some opinions may be developed quickly and held with absolute certainty, while others are malleable and dynamic. Public opinion researchers, for example, had very differing understandings of the public's response to the federal government's proposed 10-point Wik

legislation, following an extensive public debate during 1997. Social researcher Hugh McKay, whose specialty is small, **focus-group research**, noted a recent trend developing in middle-class suburban Australia that was more positive towards Aboriginal justice issues. McKay explained this trend:

> Five years ago it was 'we have no idea what Aborigines want so we have no idea what we are supposed to do about it, so please don't mention it'. Now people are beginning to understand what the issues are about and what Aborigines want. It's not even to do with particular compassion for Aboriginal people. It's more 'isn't it pathetic that we can't sort this out?'.[6]

However, a different conclusion was reached by ANOP pollster Rod Cameron, who had been conducting commissioned private polling on the issue:

> Those who are neutral or liberal minded have been mobilised on this issue. The small 'l' liberal members of society found in [wealthy suburbs] feel very passionately. But I don't think their views extend beyond the leafy suburbs. In terms of the raw numbers in society, they are not the majority and our research does not indicate a great deal of change.[7]

The interesting point about this exchange is the different methods involved in trying to determine the nature of public opinion. Cameron was relying on the standard opinion poll, which attempts to take a representative sample of public opinion across socioeconomic areas from which generalisations can be made. McKay, on the other hand, gauges public opinion by talking to smaller groups of people in situations where it is possible to discuss their opinions in greater depth. However, on very complex, technical issues such as land rights on pastoral leases it is not surprising that public opinion can be difficult to determine. It is an issue that does not directly affect the vast majority of Australians, and many people probably have limited interest in it and equally limited information on which to base a confident opinion.

Focus-group research: the eliciting of information from small groups of people in order to collect a wider range of data than is possible through opinion polls. Focus groups are especially valuable for surveying underlying emotional responses to issues.

Waterfront reform

Source: P. Williams, 'The secret poll that sank a union', *Financial Review*, 11 April 1998, p. 1.

> Secret government research showing widespread community support for an assault on the wharfies convinced the Prime Minister, Mr John Howard, to press on with his bid to crack the power of the Maritime Union of Australia. Virtually all participants in the research agreed that 'something' had to be done to break open the wharves, with a significant number advocating a 'get tough' approach. Based on focus groups in capital cities, the . . . outcome was crucial reinforcement for the government's desire for tough action on the waterfront by convincing senior ministers the assault could be launched with limited political risk . . . During the discussions, each group was shown newspaper reports and TV footage, including a report on the Nine Network's 60 Minutes screened last year, which detailed alleged rorts and poor work practices on the docks. The groups were shown news footage of the ACTU Secretary Mr Bill Kelty's threats last year to mount the 'biggest picket ever assembled' if the MUA was attacked. The report recommended that the Government use the public debate to 'position' the MUA as 'bullies' while alerting the population that tough action was essential. It also made the point that few of the participants expressed 'top-of-the-mind' concerns that an attack on the wharfies would be the first step in a wider assault on the union movement. When asked their views on the waterfront, the report states that most participants with even a vague knowledge agreed that 'something' had to be done about it. Some instantly argued that a 'get tough' approach was required.

The 'get tough' approach had two common threads. Participants were 'convinced' that the waterfront was a sufficient national problem requiring action and they regarded the ultimate source of the problem as the 'dominant power of the union'. This was interpreted to mean that negotiation would not fix the problems. Participants expressed annoyance that the wharfies would not want to give up perks and benefits.

Questions for discussion

1. How might government find this research valuable?
2. What might the pitfalls be in its use by government?

Sources of public opinion

Governments have a range of formal and informal mechanisms available to them to gauge public opinion. The most widely used and influential of these are opinion polls, both those commissioned privately by political parties and those commissioned by the media and especially newspapers.

Public opinion polling began in Australia in the 1940s by the Morgan Gallup organisation which, for a long time, was the sole player in this field. However, since the 1970s a number of competing organisations offer opinion poll services to media outlets. It is customary today for all major issues of public debate and policy to be the subject of an opinion poll. Recent examples include polls on immigration levels, the issuing of a government apology to stolen Aboriginal children, the ACT heroin trial by which heroin addicts were to be given access to heroin, the introduction of a GST, and the introduction of voluntary euthanasia. Polls assume great importance in election campaigns, especially in determining the issues of importance to voters.

From the sheer number of opinion polls now used, it would seem politicians have effective means to determine public opinion. However, opinion polls have limitations:

- Polls assume that everyone has an opinion on a particular topic. A great many people do not have opinions on many issues facing the nation. Public opinion polls often create opinions by asking questions that respondents had only dimly thought about until they were asked. Moreover, interpretations of polls often fail to acknowledge the 'don't know' category.
- Polls often do not record the intensity with which people hold particular views. This may be important in determining the extent to which people may be prepared to change their vote on a particular issue.
- Poll results are capable of varying interpretations. Polls translate complex human attitudes and behaviours into quantifiable units of opinion that may not always be as definitive as the results seem to suggest.
- Poll results can vary considerably according to the wording of the question. There are few questions which have been asked in exactly the same manner over the past two decades, so tracking continuities and change in public opinion is difficult. Thus, most polls only give a 'snapshot' of current opinion, which may be an

unreliable guide given that opinion can be unstable and liable to change, even in relatively short periods of time.

To overcome some of these limitations, governments have increasingly resorted to obtaining information from focus groups. These are small groups of people, similar to each other, brought together for informal discussions on particular topics. Krueger explains that focus groups are ideally composed of strangers. The interviewer is not placed in a position of power or influence and encourages comments of all types—both positive and negative. The interviewer is careful not to make judgements about the responses and to control body language that might communicate approval or disapproval. This permissive environment gives individuals the confidence and freedom to divulge emotions that do not often emerge in other forms of questioning. It maximises self-disclosure. Although used by a variety of organisations, it is particularly useful in uncovering information about the intensity of people's views on contentious issues.

Informal means

Other than opinion polls, governments have available to them a range of means to test public opinion. Governments monitor the calls to radio talkback programs (e.g. John Laws and Alan Jones) which receive large numbers of calls from 'ordinary' voters on various contentious issues, although the listeners to these programs do not represent the full spectrum of age and socioeconomic backgrounds. Governments can also seek the views of its **backbench members**, especially those representing **marginal electorates**. This can provide leaders with feedback because local members are regularly in touch with a range of community views. For example, when John Howard was contemplating making changes to his unpopular nursing homes 'bond', the Prime Minister tested out the policy on five newly elected backbenchers who held marginal seats. He was reported to have opened with a frank admission:

> The issue was a serious problem for the Government, warranting 'decisive action'. Before outlining his preferred course, he asked each of the five for their own analysis of the situation. What followed was a politely measured account of self-inflicted mayhem. No one held

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Backbench members: Members of Parliament who do not occupy senior positions within a political party.

Marginal electorates: parliamentary seats held by a narrow margin, usually defined as less than 3 per cent of the vote of the particular electorate.

back in describing the level of anger among older and middle-aged Australians.[8]

The importance of public opinion

The degree of influence exerted by public opinion on government decision-making cannot be determined with great precision. Much depends on the weight ascribed to public opinion by individual leaders. Recent Australian governments led by Paul Keating and John Howard present contrasting examples. Paul Keating is said to have been dismissive of the overreliance on public opinion. This came from a view that it was the role of government to try to lead public opinion on key issues. In pursuing this line he is thought to have been at odds with many of his political advisers, who unsuccessfully tried to persuade him to pay more attention to opinion poll data commissioned by the ALP.

By contrast, John Howard is thought to pay great attention to the results of opinion polls commissioned by the Liberal Party on a regular basis. The success with which the Liberal Party used polling to fashion its 1996 campaign is thought to have convinced Howard of its value. In reality it is difficult to tell how much reliance current parties are placing on formal opinion polling, as they are mostly not open to disclosing information on their use of this technique. However, it was widely speculated at the time of the Howard government's release of its 'work for the dole' scheme for the young unemployed that this policy had derived from opinion polling carried out for the government.

Despite the varying degree of importance which particular leaders and/or parties place on the gathering of public opinion, the pressure is growing to increase reliance on the results of opinion polls and other methods of public opinion-gathering. Several factors are combining to sustain this pressure. The spread of opinion polling in politics mirrors events in the commercial world, where the notions of 'market sampling' have become well established. Increasingly, political parties are borrowing commercial ideas about marketing to position themselves within the electorate in an attempt to gain an edge over their rivals. Any sort of marketing revolves around knowing as much about customers—or, in political terms, voters—as possible.

The spread of opinion polling is partly the outcome of technological developments in computer data processing, which has become

more sophisticated and, importantly, cheaper. This technology is able to process more dimensions of public opinion than at any previous time. Of particular value is the ability of data processing to construct detailed portraits of 'voter blocks'—that is, segments of voters defined by their socioeconomic status with a range of attitudes in common. When this information is overlaid with data on their geographical locations, politicians have a powerful tool for communicating with voters about issues. These market research techniques are especially valuable at election times, when parties poll extensively in order to determine campaign themes and issues. During the 1996 federal election, for example, the Liberal Party broke new ground with the intensity of its polling strategy. Each night of the campaign the Party polled 2500 electors, asking them each 40 questions which in turn generated 2000 pages of polling information daily. With these data the campaign understood better than ever before the aspirations, emotions and prejudices of two-and-a-half million voters in marginal seats.[9]

The growing use of these techniques is leading to some sustained debate about their effect on the policy process and, hence, on the quality of democracy itself. Defenders of the techniques see in them the expression of a pure democracy: governments can now be in touch with community opinion and be responsive to the views of ordinary voters. Critics are more sceptical. They claim excessive reliance on polling can invert one of the key requirements of democracy: the need for leaders to be in front of public opinion, at least some of the time, rather than being mere followers of public opinion. Too much public opinion produces defensive, cautious government, it is argued. There probably is no way to mediate these diverse claims. However, public opinion is now being given more emphasis in the decision-making process and theories about policy which fail to capture this omit an important ingredient.

Drought policy

Source: J. Gow, 'Commonwealth drought policy: 1989–1995. A case of economic rationalism', *Australian Journal of Social Issues*, 32(3).

Every 10 years or so in Australia, a major drought cripples the productivity of Australia's agricultural areas. Prior to the late 1980s, few questioned the need for governments to respond to the plight of farmers with relief measures to tide them over the bad times. However, in 1989 the Federal Labor government reviewed this ongoing commitment to farmers in keeping with its economic rationalist agenda to reduce the

role of government. A task force was set up to devise a new policy framework which, a year later, reported its principal recommendation that rural Australia adopt self-reliant approaches to the management of drought. Four years later this policy was dramatically reversed. Economist Jeff Gow has studied this policy reversal and the reasons behind it. He found public opinion the chief catalyst:

> The resistance of the Commonwealth Labor Government to drought assistance until September 1994 was probably finally broken by urban middle class sensibilities and concerns about the distressing scenes of the physical and social manifestations of the drought which had been broadcast into their loungerooms over the preceding six months in particular . . . Labor does not expect to win farmers' votes and so maximise the extent of its voter base. Symbolic attention to farmers' attitudes and grievances can reduce farmer political intensity. The September 1994 statement was not necessarily solely a defensive tactic against the demands for pork barrelling by farmers, it was an attempt to portray a positive image to middle class voters that the government was not forgetting about other Australians who were perceived to be 'doing it hard' at the time.

Questions for discussion

1. How does this example indicate the influence of public opinion on policy-making?
2. What are the implications of this case for the manner in which policy issues are dealt with?

Public opinion and One Nation

In many parts of the industrialised world a **populist**, right-wing backlash is challenging the economic rationalist and globalist policy agendas. In Australia this backlash has been centred around the rise of the One Nation Party led by Ms Pauline Hanson. Although defeated at the 1998 federal election, Hanson has proved herself to be an exceptional politician, adept at understanding one important strand of public opinion ignored by the major parties: the grievances felt by

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Populist: a political movement based on representing the views of 'ordinary' people/the 'little man', and especially the defence of the traditions of such a group against change seen as being imposed by outsiders.

'ordinary' Australians who felt themselves to be victims of social and economic change. Thus, One Nation is a fascinating case study in the unpredictability of public opinion. Although it managed to secure only one Senate seat at the 1998 poll, approximately one million people voted for the party. In the lead-up to the federal election, it had achieved a stunning result in the Queensland state election, where it captured over 20 per cent of the vote, securing 11 seats.

Hanson's own political origins foreshadowed her appeal. A dis-endorsed Liberal candidate at the 1996 federal election, she won representation to federal Parliament from the Queensland regional town of Ipswich. Her background as a fish-and-chip-shop owner was widely thought to have given her a uniquely intimate exposure to the insecurities and prejudices of 'ordinary' Australians caught up in the maelstrom of change. She instinctively articulated the widespread disillusionment with major political parties, which were perceived as failing to protect the interests of ordinary people and as pandering to the 'special' interests of Aborigines and migrants. At the time, Ipswich had been blighted by massive economic upheaval following the closure of mining and railway operations and steel fabrication and wool-scouring factories. Amid this economic downturn came significant social and economic change, with white Anglo-Saxon families being thrown into poverty and a growing number of Aboriginal people and migrant groups from countries like Vietnam, Taiwan and Tonga moving into the old housing commission areas that form part of Brisbane's western suburbs, the eastern extremity of Hanson's electorate.[10]

In decrying the so-called special benefits to Aborigines and migrants, Hanson articulated a potent, but hitherto submerged, current of public opinion: the politics of 'downward envy'. This is best described as the feeling of unfairness of some white Australians on low incomes over their perception that Aborigines and migrants can obtain special benefits and assistance, unavailable to them, at a time when many feel abandoned by government.

While race was a dominant theme articulated by Hanson in her pitch for public support, it was closely matched by that of economic globalisation. Hanson captured the mood of insecurity and anxiety among many 'ordinary' Australians fearful about their job prospects. Surveys of the main support groups behind One Nation showed the clearest indication of the strain of public opinion the Party had captured. These were mainly men over 50 with blue-collar jobs and poor levels of education. In the new global economy they were rapidly becoming vulnerable to lower wages, longer hours of work and,

ultimately, to unemployment. Such men came from three distinct groups:

- farmers battling free trade in agriculture and a downturn in farm incomes;
- workers in regional country towns suffering high unemployment and reduced government services;
- workers in outer suburbs of major cities suffering from high unemployment and job insecurity.

In pledging support to Ms Hanson and One Nation, people were issuing a protest vote against the policy direction adopted by both the major parties and in support of traditional Australian policies of the postwar era. Traditionally, the pillars of Australian political culture have been economic nationalism, underpinned by extensive government intervention, a commitment to egalitarianism and a belief in **white monoculturalism**. In the debate about One Nation it is too easily forgotten that these pillars of Australian policy were only dismantled from the early 1970s. The abandonment of these policies by elites, and especially by the major media, has masked a lingering connection with these policies among many ordinary people, and especially among those who grew up in this era. Hanson wanted to reverse the tide of globalisation. She told Parliament: government 'must stop kowtowing to financial markets, international organisations, world bankers, investment companies and big business people'.[11]

On matters of race, for example, Hanson's opposition to 'special' privileges for Aborigines, and her statement calling into question the wisdom of giving Aborigines the vote, echo the attitudes of the generation who grew up in the era of the White Australia Policy and assimilation of Aborigines. Dismantled only two decades ago, belief in a white monoculture for Australia still has an active claim on sections of public opinion. Public opposition to land rights, to the establishment of the Aboriginal and Torres Strait Islander Commission and to a national apology to the 'stolen generation' of Aboriginal children are potent demonstrations that race remains a mainstream social attitude. Before Hanson's entry into the political debate, the Commonwealth Race Discrimination Commissioner wrote about a

> new wave of racism [which] has been bubbling under the surface for some time but has erupted in the past year [1995] quite publicly. It

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White monoculturalism: the desire among Australians to establish and preserve a British culture and racial background.

> manifests itself in the view that policies, legislation, and even funding for Indigenous Australians and people of non-English speaking background have gone too far.[12]

Many people, and especially those outside the country's major capital cities, still hold hostile views on Aboriginal rights. This has been confirmed in a number of studies and none more succinctly than in the 1994 Western Australian Task Force on Aboriginal Social Justice. This study found that attitudes towards Aborigines were being driven by the following components: negative stereotyping, a denial of past injustices, a 'we' versus 'they' attitudes and resentment over supposed 'privileged' handouts. The taskforce was compelled to acknowledge the existence of deeply entrenched racist attitudes in the Western Australian community, attitudes that regard 'Aboriginal people of less value than others—and consequently requiring a lesser level of service from the community'. Clearly, then, the attitudes which Hanson has articulated about race have been an often-overlooked feature of modern Australian political culture: they have existed, barely submerged, but without a mainstream political voice—until Hanson.

Hanson's utterances on Asians are also a direct connection to the remnants of the era of white Australia. Echoing the 'yellow peril' mythology deeply embedded in Australian history, she recently commented: 'My fear is that if we keep going the way that we're going, as my mother has said for many years, the yellow race will rule the world, because they have a different culture. A different way of life'. Yet again, there are clear demonstrations that a sizable section of mainstream public opinion has not endorsed the push towards an immigration-driven, multicultural society. A poll taken in June 1996 showed majority support for the proposition that the levels of immigration were too high. This confirmed the results of polls over the previous decade that public support for immigration ebbed from the 1990s, coinciding with concern over unemployment and the entry of too many Asians.

Hanson's statement in opposition to Asian immigration harks back to the mid-1980s, when prominent historian Professor Geoffrey Blainey politicised the immigration debate by arguing that multiculturalism was essentially an idea imposed on Anglo-Australian working classes who were vulnerable to competition for jobs and likely to have their lifestyles threatened by Asians moving into their neighbourhoods. Blainey's warnings were dismissed. The policy elites who, in rejecting his claims, upheld the principles of tolerance and equality appear, in retrospect, to have paid too little attention to the

substratum of public opinion and its potential to erupt in social division and the politics of downward envy.

One Nation supporters are opposed to the process of globalisation. They do not believe in the existence of a level playing field in international trade. This view is consistent with the historical attitudes of Australians described in chapter 2 which have looked upon government as a key instrument of nation-building. As Hanson declared in her maiden speech: 'The government must be imaginative enough to become involved . . . in job creating projects that will help establish the foundation for a resurgence of national development and enterprise'.[13]

The surge of support for Pauline Hanson and One Nation during 1997 and 1998 provides telling insight into public opinion on the course of economic restructuring in Australia. Public opposition to the dismantling of tariffs and to the privatisation of government trading enterprises has been a constant feature of political debate throughout the 1980s and 90s, extending to the most recent opposition to the full privatisation of Telstra. The potential pool of voters disaffected by the major parties' endorsement of the dismantling of the public sector is considerable. A detailed survey of public opinion on the public sector was commissioned in 1994 by the Economic Planning Advisory Commission, which found that:

- There is substantial support for increased government expenditure. Areas particularly favoured for increase include medical and hospital services, education, environment and police.
- There is no overall desire on the part of the community to reduce its own tax bill in exchange for a reduced level of government service provision.
- There appears to be an awareness among people of the need for collective provision of certain goods and services, and understanding that the quality and level of provision of such goods and services depend on the direct and indirect contributions of all citizens.

There were also strong views on public versus private provision of many government-funded services, with major support for public over private provision, especially in such areas as roads, garbage collection and police services. Public opinion showed more support for private provision in the areas of hospitals, airlines and schooling, but even in these cases a preference for public involvement was the dominant view.[14]

Argy's conclusions on public opinion and economic restructuring seem to draw the appropriate balance:

> The evidence suggests that the more extreme hard-line variety of economic liberalism has still to gain the hearts and minds of the community at large . . . public opinion surveys consistently suggest that the community wants to see a reasonable freeing up of markets, the public seems to want to draw a line on market liberalisation and the contraction of the role of government.[15]

Public opinion polls repeatedly show significant levels of public concern about unemployment, health, family issues and the environment, all of which are issues requiring an active role for government.

A snapshot of public opinion

Among the most comprehensive surveys of public opinion is the Australian Election Study, which commenced in 1987 coinciding with federal elections. While a detailed comparative study of the data from these surveys is beyond the scope of this text, the 1998 survey reveals significant data in light of the major socioeconomic changes Australia has experienced in the last several decades. A summary of key results shows:

- a strong belief in the role of government
  - over 60 per cent of people believe government is the best instrument for promoting the best interests of society;
- this extends to the provision of specific government programs, for example
  - nearly 70 per cent of people think heath and Medicare are extremely important issues;
  - over 80 per cent of people strongly agree/agree on the need for government to increase spending on the environment;
- a commitment to social equality
  - nearly 50 per cent of people strongly agree/agree that income and wealth should be redistributed to ordinary working people;
- feelings of powerlessness about the political system
  - nearly 45 per cent of people believe that politicians usually look after themselves;
  - nearly 55 per cent of people believe that politicians usually do not know much about what ordinary people think;

  - over 70 per cent of people think that big business has too much power;
- a belief that the quality of life is falling
  - nearly 80 per cent said that the best years are definitely/probably in the past in terms of getting good jobs for Australian workers;
  - over 60 per cent said that the standard of health services has fallen a little/a lot in the past three years;
  - over 50 per cent said the quality of education services had fallen a little/a lot in the past three years;
  - nearly 60 per cent said that the level of crime had grown a little/a lot since 1996.

Implications for policy

The advent of sophisticated means to collate public opinion, supported by a professional industry to apply its techniques, has been a major development in the policy process. But how much influence should the systematic gathering and interpretation of public opinion have over policy decisions? Not surprisingly, this is a complex matter to resolve. It is intertwined with a number of theoretical perspectives.

Foremost among these are theories about the reliability of public opinion itself. Since the beginnings of representative democracy political philosophers have been divided about the true nature of public opinion. How reliable and rational is public opinion when it is expressed as a collective force?

One of the earliest writers on public opinion, Walter Lippmann, concluded rather gloomily in the early 1920s that 'a plurality of people sampled in a poll think one way has no bearing upon whether it is sound public policy . . . the statistical sum of their opinions is not the final verdict on an issue. It is rather the beginning of the argument'.[16] Lippmann's view about the fallibility of public opinion was comprehensively challenged in 1992 by political scientists at the University of Illinois. Their publication—*The Rational Republic*—emanated from a study of several decades of opinion poll data. Their conclusions offered optimistic support to the emerging emphasis on public opinion in the policy process. The study found that, while individuals can be prone to ignorance, shallowness and volatility, as a collective people tend to make sensible, coherent and consistent judgements which are stable and meaningful. In other words, the public's collective judgement tends to be better than the sum of its individual parts, and

certainly no more irrational or contrary to the national interest than the opinions of governing elites.

This may be a significant conclusion in light of predicted future political developments. On the fringes of political debate are advocates of electronic democracy—the harnessing of interactive telecommunications technology to give the public greater say in major government decisions.[17] Steps are already being made in this direction via the growing use of the fax machine and e-mail by individuals and interest groups concerned to express their views to Members of Parliament.

However reliable public opinion may be, one strand of democratic thinking has long maintained that public opinion should not hold too much sway over governments: governing is about doing what is right rather than what is merely popular. Leading democratic theorist Robert Dahl puts the counterargument. Any theory of democracy, he argues, must be grounded on the principle of inclusion; that is, everyone must have an equal voice in government: 'If you have no voice, who will speak up for you? . . . The answer is clear. The fundamental interests of adults who are denied opportunities to participate in governing will not be adequately protected and advanced by those who govern.'[18]

Whether Dahl believes opinion polling is an effective way to ensure everyone gets a voice is not clear from his work. Nevertheless, it is one way to provide for inclusiveness in decision-making and to avoid the problem of undemocratic forms of decision-making by elites. Yet practicalities have to be considered. Not all issues can be the subject of extensive and expensive gathering of public opinion. Finding the balance between providing opportunities for public input into policies and decisive leadership is one of the dilemmas of decision-making in an era of pervasive opinion polling. One conceptual model to resolve this dilemma is the notion of responsive leadership, in which responding to public opinion and seeking to direct it are not thought of as mutually exclusive processes but part of a coexisting and reinforcing one.[19]

Further reading

There are few specific studies of Australian public opinion. General references include:

The Australian Election Study: 1998 User's Guide, The Australian National University, Canberra.

Beresford Q and Phillips H (1999) 'Australian Political Culture and the Rise of One Nation', *Journal of Australian Studies*, April.

Kruger R (1988) *Focus Groups: A Practical Guide for Applied Research*, Sage Publications, New York.

Lasch C (1995) *The Revolt of the Elites and the Betrayal of Democracy*, W. Norton and Co., New York.

McGregor C (1997) *Class in Australia*, Penguin, Melbourne.

Russett B and Starr H (1996) *World Politics: The Menu for Choice,* W. H. Freeman and Co., New York.

Various authors (1998) *Two Nations: The Causes and Effects of the Rise of the One Nation Party in Australia,* Bookman, Melbourne.

7

Interest groups and policy

Summary

- Many people are involved in the formulation of policy proposals.
- Operating through peak bodies, interest groups can be influential in shaping government policy.
- Interest groups can be categorised into producer groups, welfare state client groups, welfare state provider groups, and promotional groups.
- Not all interest groups enjoy equal access to government: only those with close political affiliations with government are likely to be able to negotiate policy outcomes with government.
- The presence of rival interest groups on policy issues can create policy stagnation.
- Alongside interest groups are broader social movements whose ideas for change have been influential in adding issues to the policy agenda.

One of the characteristic features of modern policy-making on just about any issue before government is the involvement of a wide range of interest groups. These groups not only have the capacity to influence the agenda of policy issues, they rival the policy-making capacity of political parties. Data collected by Marsh (1995) show 7000 individual groups listed in the Australian Dictionary of Associations under more

than 100 headings including ethnic, environmental, welfare, religious, charitable, business, educational and professional.

The capacity of interest groups to influence public policy decisions flows from one or more of the following characteristics:

- An interest group possesses power to influence the direction of the economy (especially business but also trade unions). Governments rely on such groups to produce the positive economic outcomes which are regarded as a priority of government activity.
- An interest group possesses specialist knowledge of interest to government about a particular issue and well-developed policy positions consistent with this information.
- An interest group has the capacity to influence votes at an election. Many community-based groups threaten this tactic, but only those groups with organisation and resources are likely to be perceived as a major threat. The environment movement is often regarded as one of the most successful.
- An interest group has the capacity to exercise moral persuasion. This is usually the preserve of the churches, which purport to speak 'above' politics, invoking broader ethical considerations of justice and fairness. On some issues, such as abortion and euthanasia, the role of the churches is to promote religious teachings.

An ongoing close relationship can exist between governments and some interest groups. Policy networks or communities link government officials to a range of experts in a particular field. This network exchanges information and shared beliefs about policy directions in a range of forums and especially through formal advisory committees. The existence of policy networks has been useful in highlighting that policy is not developed just in the close confines of Cabinet and the party room but in a more varied and dynamic set of relationships.

The extent of influence

Interest group influence over policy expanded during the 1980s. The Hawke and Keating Labor governments favoured close relationships with a limited number of **peak interest groups** including business, unions, environmentalists and welfare. As Warhurst (1997) and others

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Peak interest groups: organisations established to represent the interests of affiliates in the same area.

have pointed out, this style was characterised by bargaining and consensus among these peak groups where emphasis could be placed on efficient professionalism among knowledgeable elites. Many of the leaders of these peak organisations had direct access to the Prime Minister and senior ministers, and were prominent public figures who openly promoted their policy positions through the media.

Some concern was expressed about the influence interest groups had over government policy-making during the Labor era (1983–96). In its 1996 election campaign, the Liberal Party cleverly exploited public concern about the access some groups had to government in its slogan 'For All of Us', which was intended to convey the message that under the Liberals government would become more inclusive and less reliant on interest groups. In reality, there has been a reordering of interest group access and influence under the Coalition government but much of the corporatist style of government remains. Groups close to the previous Labor government such as the welfare, environment and civil rights groups have been distanced, while those groups traditionally close to the Liberal and National parties—business, miners and farmers—have gained greater access. The ongoing relationship between government and interest groups is assured by the presence in Canberra and major state capitals of paid staff representing various interest groups. The job of these people is to liaise with ministers to advance the interests of their particular group. Such people are often well networked among bureaucrats, who are used to dealing with them.

In their policy formation role, interest groups present a number of difficulties for a democratic society. As mentioned in chapter 1, not all pressure groups exercise equal influence over government policy, raising basic issues of democratic fairness. Those groups with better access to government are described as having 'insider' status, which is conferred mainly on those groups towards which government is ideologically and/or politically disposed. An important further distinction needs to be made about the precise nature of a group's access to government. Some writers on interest groups draw a distinction between access and influence: 'Many groups are given access to decision-makers . . . but few are given a significant influence over substantive policy outcomes . . . Access merely leads to consultation, while privileged access leads to bargaining and negotiation'.[1] Whereas insider groups are valued by government for their ability to work through shared goals, outsider groups are often overlooked because their agendas are perceived to be at odds with those of the government

of the day. Those on the inside are regularly brought to the tables of decision-making as participants in government.

Whether an interest group enjoys an insider or outside status will depend on which party is in power. Trade unions achieved considerable insider power under Labor but were relegated to outsiders once the Coalition was elected. The peak welfare body, the Australian Council Of Social Services (ACOSS), has suffered a similar transition. During Labor's period in office (1983–96), ACOSS gained substantial access to government, including regular meetings with the Prime Minister and Treasurer together with invitations to sit on influential government advisory bodies. This degree of access enabled ACOSS to influence the government's social policy agenda on issues such as social security payments, taxation, superannuation and labour market programs. ACOSS has not had the same insider relationship with the Howard government. The two have fundamental differences over the government's agenda for reduced government spending and competition in the welfare sector.

The environment movement has occupied something of a halfway house in the insider–outsider model. Enjoying a brief period of close access to the Labor government in the early 1990s when it was seen by key government figures as an electorally powerful movement, it has generally not achieved insider status with either party. Walker explains that major national, state and regional environmental organisations are not firmly integrated into the policy networks:

> They are fitfully and incompletely consulted on major issues, and they gain some attention through the media. Their full message is rarely heard or comprehended, largely because their construction of the environmental problem does not fit easily into the prevailing growthist, developmentalist mentality.[2]

To better understand the nature of group access to and influence over government, the following categories of interest groups provide useful insight.

Producer groups

These are organisations representing individuals involved in the production process, but particularly business and trade unions.

Studies of interest groups have long recognised the power of business groups in influencing government decisions. In general terms, this power derives from its pivotal role in a capitalist economy to make decisions over investment and employment. However, the influ-

ence of business is not necessarily uniform. Exerting this power can be done overtly by funding and supporting political parties sympathetic to it or it can be exercised more covertly through signals to government. As Gruen and Gratten explain: 'Business's power, albeit exercised passively, is tremendous; a loss of confidence by business may not be organised or even deliberate, but it is tremendously destructive'.[3] This undercurrent of influence is heightened by the forces of globalisation. In a highly competitive global economy governments are under pressure to support business in the interests of economic development.

However, the interests of business are not homogeneous. What is good for big business is not always the same as what is good for small business. Moreover, the interests of manufacturers are not always akin to those of rural industries. Thus, business does not speak with one voice to government. In fact, there are several influential business interest groups, each with their own separate constituency, but there is no mistaking the power of the largest of these groups—the Business Council of Australia (BCA). Formed in 1983 the BCA has an operating budget of over $5 million and a staff of 16, many of whom are former senior government officials. It meets six times a year and it uses such meetings:

> to communicate its opinion on current or emerging issues to government. The Prime Minister and the Treasurer each attend at least two of these meetings. The meetings are closed. The Council invites Cabinet ministers and reports average attendance of about ten at Canberra meetings. Ministers dine informally with Council members. The organisation reports that they move from table to table as dinner proceeds and thus direct private exchanges occur.[4]

From such high-level but closed interactions, it is impossible to determine the exact nature of the influence the BCA is able to wield. However, the very nature of these contacts clearly indicates extensive influence. During the 1980s and 90s, as governments become increasingly committed to the need for economic restructuring, a shared view developed between government and large industry on much of the agenda for reform. This meant that on key economic issues business became an effective partner in government decision-making.

The influence of business also works through its membership of various government consultative committees where policy issues are developed. Singleton offers the following account:

> The ACCI [The Australian Chamber of Commerce and Industry] was a member of the National Labour Consultative Council working on

such issues as productivity and the International Labour Organisation, and the National Occupational Health and Safety Commission. The MTIA [Metal Trades Industry Association] was represented on Worksafe Australia and had an input into educational and training policy through its membership of NETTFORCE, a national employment and training taskforce established by the Keating Government. Stevedoring employers were members of the Stevedoring Industry Finance Committee that determined fees and levies for the industry. Engineering, architectural and property investment companies were represented on the construction Industry Development Agency charged with the reform of the construction industry.[5]

Tax reform

Source: S. Burrell, *Sydney Morning Herald*, 19 July 1999, p. 37.

Corporate Australia is mounting intense behind-the-scenes pressure on the Howard Government to give it a central role in any political compromise on business tax reform . . . Leading business figures have vigorously lobbied senior government figures to extend the historically unprecedented level of consultation it has had with the Ralph review [into business tax reform] and Treasury on the tax package into the next, more political, phase of the reform process. And they are bluntly warning the Government that unless the business community can feel some 'ownership' of the reforms it cannot expect business to be an unquestioning 'cheer squad' for the final outcome. Although not going as far as a right of veto, the role envisaged would give business a strong influence over the legislation. The business groups are concerned that decisions could be made in Federal Cabinet's consideration of the Ralph recommendations—and in deals with Labor or the Australian Democrats to ensure Senate passage of the reforms—which could be damaging for business and the economy. They fear a repeat of the experience of the GST package, which was substantially recast in a compromise deal with the Democrats, leaving business disappointed that the final result fell far short of the original reform proposal that it had supported strongly . . . The degree of influence of the private sector and the level of consultation that has been associated with the Ralph review has been virtually unprecedented in the history of Australian public policy formation. The closest parallel is the strong influence of the ACTU in areas like superannuation and wages policy during the Hawke and

Keating governments. The peak groups representing corporate Australia were instrumental last year in persuading the Government to split off business tax reform from the rest of the reform agenda—against resistance from Treasury—and to set up an independent review led by leading corporate figure, Mr John Ralph. Business then had extensive and regular consultation as the package came together, giving it more influence over the detail of significant policy changes than any interest group has ever had.

Exercise

Assess the potential benefits and disadvantages to the government of allowing the degree of influence in tax reform outlined in the article.

The power of business transcends whichever party is in power. However, this is not the case with trade unions, the other major producer group. Under the Hawke/Keating Labor governments, trade unions, through their peak body the ACTU, enjoyed unparalleled access to government policy-making. The 'Accord' was the main economic policy instrument of these governments and involved the ACTU being brought directly into the policy-making process of executive government through discussions to set policies over wages, superannuation and levels of government spending.

The ACTU/ALP approach to economic planning was often cited at the time as an example of corporatism—that is, the formulation of government policy-making via the involvement of major peak organisations. While the historic relationship between the ALP and the unions made such an approach possible, it came to an end in 1996 when the Coalition won office. Under the Howard Government unions have not only lost access to government decision-making processes, there is a widespread belief that the government remains hostile to trade union influence in the workplace. It has been widely reported that when the Howard Government came to power it was determined to tackle the issue of union power. Among its prime concerns was the need to reduce the influence of the Maritime Union of Australia (MUA) along with the Construction, Forestry, Mining and Energy Union and the Transport Workers' Union (CFMEU). In short, 'the Government's industrial relations advisers had identified those unions which they believed held particular strategic power and determined that that power should be attacked'.[6]

Welfare state client groups

This category covers a variety of interest groups with a stake in the modern welfare state including health, housing, education and income support. The most prominent peak organisation involved in this area is ACOSS, representing over 2500 community welfare organisations. Labor sought to draw ACOSS into the policy-making consensus, but the relationship was not always an easy one for the organisation to handle due to differences it had with the Hawke/Keating governments over the direction of economic policy. However, according to Gruen and Gratten (1993) the relationship was, on the whole, a productive one: ACOSS felt it secured a number of the measures it wanted, including improvements in family assistance and urban development.

Welfare state provider groups

This category covers a variety of interest groups provided by services, including doctors, teachers, pharmacists, welfare workers and academics. Many of these professionals—notably doctors and teachers—are serviced by well-funded organisations with a history of extensive political campaigning on behalf of their members. Their concerns range from the self-interested, such as salaries and working conditions, to promotional campaigns involving the interests of the clients they represent. The Australian Medical Association (AMA), for example, has a multi-million-dollar budget and is actively involved in liaison with government through membership of official advisory councils. Equally influential are the state teachers' unions, which are able to exert pressure on governments not only in winning improved conditions for teachers but in conducting campaigns on behalf of issues such as class sizes and the needs of Aboriginal and other disadvantaged students.

Organisations such as the AMA and the teachers' unions are especially skilled at conducting political campaigns. Among their numerous staff are specialists in media relations, whose job it is to liaise with the major media in an effort to influence the coverage of issues in a way favourable to their interests.

The categories mentioned above are often referred to as 'sectional' groups because they aim to advance the interests of a particular section of society. Another category of pressure group represents causes; these are defined as 'promotional' pressure groups, and are often organisations representing the ideas and values of social movements such as the Australian Conservation Foundation, the RSPCA, the Women's Electoral Lobby and the churches (see below).

The churches as interest groups

Source: 'Should the church stop interfering?' *The Australian*, 23 April 1998, p. 13.

Over recent years the major churches have been active in trying to influence the outcomes in a number of policy areas. This activity is in response to the concern among many church leaders about moral values and social justice in Australia. Various church leaders have been vocal about issues including Aboriginal land rights, waterfront reform, employment services and taxation reform. Their involvement in policy issues has attracted considerable debate about the proper relationship between the secular and the religious.

Prominent federal Liberal Party backbencher Tony Abbott argued the case for limiting the churches' involvement in policy issues. He claimed that by becoming involved church leaders risk 'a misuse of the prestige of the church'. While he agreed that church leaders have a duty to take a public stand in defence of faith, morals and basic human rights and responsibilities, their advocacy should go no further than this:

> Church leaders must weigh three issues when taking sides in political fights: is it an issue that involves a fundamental mission of the church; have they thoroughly researched the matter in fairness to all sides; and will public comment help or hinder the unity of the church and the faith of the believers.

In taking the contrary view, religious affairs writer James Murray argued that taking sides and seeking remedies for community ills were part of the 'prophetic right' of the churches. He advanced three main justifications for this argument. First, churches are representative of society at large and have a right to be heard. Second, church leaders have a vast amount of experience in social areas: 'Governments are only too willing to allow the church's agencies to meet the pressing needs of the sick, the aged, the disadvantaged, families in poverty and single parents—but complain when the church dares to speak out about the consequences of government action'. Lastly, Murray argued that those who oppose the interference of the church in politics misunderstand the nature of its mission in society: 'It is interesting that when the church appears to have a leftish bias, it is always accused of interfering in politics. But the Christian gospel is ''good news to the poor and liberty to captives'' and its charter is radical even if its behaviour tends to be conservative'.

Questions for discussion

1. Do churches conform to the promotional category of pressure groups?
2. To what extent are churches likely to be influential in shaping policy outcomes?

Effects on policy

Debate about the impact of pressure groups on the development and implementation of policy is inseparable from the broader debate about the impact of these groups on democracy generally. From a pluralist perspective (see chapter 1), interest groups are the very stuff of participatory democracy: they encourage participation in the political/policy process; they provide important grassroots perspectives to government; and they allow for the input of policy expertise. Members of interest groups often know more about their particular area than anyone else, and governments often find their input indispensable.

However, no-one is convinced that all interest groups exercise equal influence. Therefore, the growth of interest group activity carries potential consequences that more policy decisions will be affected by interests that government perceives as having great power. Power, of course, comes in several forms. The traditional power wielded by big business has been noted earlier. Interest groups can also exercise power through the ballot box if their membership is sufficiently strong. There has been an upsurge in groups campaigning against governments/and or oppositions because of particular policies they happen to oppose. This exacerbates the politicising of policy, forcing governments to take decisions for electoral survival rather than on the merits of the case.

Environmental politics

Source: M. Hogarth 'Seeing woods through the trees', *Sydney Morning Herald*, 14 November 1998, p. 41.

Chainsaw politics bit deep into the politics of the NSW Government this week. The crunch came when more than 174,000 hectares of could-have-been national park, in one of the State's most bitter forest battlefields on the North Coast, suddenly fell out of a deal that was meant to secure an historic peace. For the powerful logging lobby, the Government has probably blinked and buckled just in time. However, for the rival

conservation movement, a vast swath of land, and the fauna and flora it harbours, have been sacrificed mainly to defend one endangered marginal seat . . . held by a modern Labor pro-logger, Harry Woods, who snatched the seat back from the National Party at an important by-election in 1996. Woods will go to March's [State] poll with a 5.7 per cent margin, and now, it seems, with the blessing of many who log and vote. 'It all came down to Harry Woods's seat', a Government scientist told the Herald . . . The decision [to allow logging] was made after a long, complex and expensive process that aimed, rather optimistically, at satisfying conservationists and loggers. To the critics the result is a triumph of tough political brinkmanship over science. It also marks the breakdown in the Premier's relationship with the green movement. Eight days ago the State Government's minimum position was about 554,000 hectares of new national parks and other reserves, a figure thrashed out by one of the ALP's most loyal and powerful Public Service figures, Gerry Gleeson. It had fallen to Gleeson, as Head of the Resource and Conservation Division of the Department of Urban Affairs and Planning, to achieve compromise between warring Government agencies . . . On the one side was State Forests, on the other the National Parks and Wildlife Service. At stake were more than 1 million hectares of State-owned forests, potentially thousands of jobs, big corporate investment in the timber industry, 240 types of ecosystem and 140 animal species. Even on Monday, after talks involving the Premier's Office, green negotiators were still seeking more than the Gleeson compromise and thought they were winning. But by Tuesday things had unraveled badly, amid green dismay and timber industry and union pressure, and by Thursday the conservation prize had shrunk to 380,000 hectares.

Questions for discussion

1. What does this example illustrate about the role of pressure groups in the policy-making process?
2. What elements of Australia's electoral system underpin the political processes outlined in this example?

In the early 1980s it became fashionable to ascribe to interest groups the phenomenon defined as 'pluralistic stagnation'. This referred to the thwarting of government's policy-making by its inability to mobilise the necessary support to carry any proposal through to

successful execution. Marsh extensively examined this concept in the Australian context. Although he draws on examples from a different era, his findings are worth revisiting. Marsh's central claim was that public policy seemed to be foundering, a situation that began around 1970. From that time the polity became fragmented and pluralised by two forces:

1. an excessive number of interest groups which won considerable political power for themselves, thereby complicating the task of achieving concerted action toward common national problems;
2. the rise of attitudes favouring the need for participation and decentralisation, which obstructed the role of political parties as the key decision-makers.[7]

Hence, governments became immobilised and simply drifted. Since this concept was raised, there are indications that governments have made substantial accommodation to a new style of politics based around negotiations with interest groups and, thereby, have incorporated many of their demands into the policy agenda. Moreover, governments have demonstrated considerable capacity by actively pursuing an economic rationalist agenda. Thus, the relevance of stagnation might not now be so apparent. On the other hand, the difficulties governments have experienced in recent times mobilising public support for consistent policies on Aboriginal land rights, the rights of trade unions, uranium mining and population policy suggest that governments are still prone to immobilisation in the face of opposing interest groups.

Population policy

Sources: D. Rowland (1998) 'Population policy in Australia cut off at the impasse', *Australian Quarterly*, January/February; N. Rothwell (1998) 'Populate or perish', *The Australian*, 23–24 May, p. 30.

A population policy sets a target for the optimal future population of the nation and establishes strategies to achieve this target. Australia's first population strategy was adopted 50 years ago with a target of 2 per cent annual growth, made up equally of natural increase and immigration. This remained the basis of government planning for many years but was abolished in the early 1970s. Since then there have been several government-sponsored reports on the future of Australia's population, but no new policy has emerged. The impasse: no population policy has emerged due to disagreement about the nature and purpose of an Australian population policy. While proposals have focused on environmental concerns, estimates of sustainable numbers and other 'visions

of the future', none have received more than partial acceptance. Lobby groups and administrative bodies are concerned about different aspects of the population—such as immigration or the environment—and have contrasting opinions about the desirable course of demographic trends. Today, conservationist ideals are prominent in the definition of general goals for an active population policy. The most commonly stated goal is ecological sustainability or preserving options for future generations. Another frequently advocated demographic goal for population policy is a zero growth rate, or population stabilisation.

On the other side of the argument, the need for Australia to engage in a fast-expansion growth in population is supported by a range of largely conservative and business interests. One of the most outspoken of these is former Prime Minister Malcolm Fraser, whose support for population growth is a blend of both positive and negative arguments. On the positive side, a population of 40 million, he says, would enable Australia to be a regional player of weight and significance, well able to advance its values of egalitarianism, fairness and tolerance on the world stage. On the other hand, a nation of 25 million is not defensible into the future.

Alongside these interests is the force of popular opinion. The poll data on immigration are clearcut. The public does not support a large immigration program, at least until unemployment can be brought under control.

Questions for discussion

1. If government were to develop a population policy, which factors should it take into consideration?
2. Which interests groups might be expected to take an active involvement in the development of a population policy?

Issue movements

In addition to the activities of specific interest groups, organised community action in the form of social movement groups is widely credited with expanding government activity. Since the 1960s social movements have fundamentally altered the policy agenda, adding a continual stream of new issues to the public agenda where, over time, many have been picked up and addressed by government. Social movements differ from interest groups in their breadth of membership and in the nature of the commitments they represent. Social

movements may encompass political parties, campaign organisations and unaffiliated individuals. They are organised around ideas for new forms of social and political change. Marsh (1995) identifies nine major social movements in modern politics: women's peace, environment, social, consumer, gay rights, animal liberation, ethnic, racial minority, and the New Right movements. Many of these have developed into organised interest groups and/or single-issue political campaigns. However, it is their role in stimulating ideas about society and the role of government that most clearly demonstrates their influence, as the following examples show.

Aboriginal rights

From the time of settlement white Australia's response to Aborigines was characterised by attempts to marginalise, oppress and even exterminate them. While organised Aboriginal opposition was clearly evident from the beginning, and remained on the fringes throughout early decades of the 20th century, the mobilisation of Aboriginals into a 'black movement' did not commence until the late 1960s. The 'freedom rides' organised by activist Charles Perkins and the Aboriginal Tent Embassy, erected outside Parliament House in 1972, were potent expressions of Aboriginal demands for an end to discrimination and the granting of land rights and self-determination.

Beginning with the Labor government 1972–75, Australian governments have responded to the pressure exerted by the black rights movement, which has helped place a range of issues on the policy agenda, including:

- granting of land rights;
- funding for specific Aboriginal-controlled services, especially legal and health services;
- coordinated responses to reduce deaths in custody.

The success Aborigines have experienced in exerting continuing pressure over successive Australian governments is illustrated by the growth in government spending on Aborigines. With constant pressure from Aboriginal groups, Aboriginal policy has been a key area of government decision-making throughout the 1980s and 90s.

Women's rights

In the mid- to late 1960s, a series of high-profile challenges to male dominance symbolised a much broader movement by women activists

demanding more choice for women and an extension of their rights as full citizens.

The contemporary women's movement has been ideologically diverse and organisationally fragmented. However, it spoke for a growing number of women (and men) seeking major policy shifts from government in recognition of women's rights and interests.

From the mid-70s the women's liberation movement succeeded in placing on the political agenda the following policy issues:

- equal pay;
- equal opportunity in education and employment;
- access to affordable, quality child care;
- access to abortion;
- a reduction in domestic violence;
- an end to the culture of sexism.

Homosexual rights

From the early 1970s prominent homosexuals argued that the suppression of homosexuality in Australian society represented an act of power similar to the attempts to silence Aborigines and women. An organised movement began to challenge the heterosexual dominance of society.

By the mid-1970s the movement spanned a wide network of organisations comprising several peak bodies—CAMP (Campaign Against Moral Persecution) and Gay Liberation, together with gay groups in many professions and workplaces. This broad-based movement has been highly successful in placing on the policy agenda the following issues:

- an end to laws criminalising homosexuality;
- protection of gay civil rights through anti-discrimination legislation;
- greater social acceptance of gay lifestyles;
- promotion of safe-sex campaigns to combat AIDS.

Environment

Organisations to protect the environment can be traced to the 19th century. However, the contemporary environment movement which dates from the late 1960s had fundamentally more radical aims than the spread of national parks. Its aim was to transform the exploitative power humans exercise over nature in order to prevent the destruction of the world.

Organisations established to promote these ideals include: the

Australian Conservation Foundation, Friends of the Earth, the Tasmanian Wilderness Society, and Greenpeace. By the 1980s the environment had become a mass movement, with many more paid-up members than all political parties combined.

The environment movement has been able to use this mass base to place on the policy agenda an ambitious range of ongoing issues, including:

- wilderness protection;
- preservation of urban heritage;
- an end to uranium mining;
- an end to woodchipping in old-growth forests;
- commitment to alternative sources of energy;
- reduction in greenhouse gases;
- commitment to sustainable development.

Animal liberation

Advocates for the rights of animals to equality of existence represent another challenge to mainstream values because they seek an end to human tyranny over other species. These campaigns have drawn often extensive publicity on issues such as medical experimentation on animals, cruel and inappropriate farming practices such as battery hens, and the promotion of vegetarianism as a lifestyle. While its central claim about the immorality of killing animals is not widely shared, animal liberation has been influential in changing attitudes towards and practices in the care and handling of animals and in the gradual toughening up of legislation in this area.

The influence of these social movements in setting the agenda of politics cannot be overstated. Since the 1970s, many of the issues they have sponsored have entered the institutionalised policy agenda. However, this has mostly been incremental, and movements have been compelled to maintain their pressure on governments in an ongoing struggle for policy influence. As Marsh acknowledges, the power of social movements in setting much of the agenda for politics represents a corresponding smaller role for parties: 'The parties have ceased to be the primary champions for an agenda they themselves initiated, and have instead become a conduit, or ''brokers'', for agendas that originate with others'.[8]

Implications for policy

Nothing better illustrates the operation of pluralism—and its problems—than the rise in power and influence of a multiplicity of interest

groups and social movements. Generally these are valued as an important supplement to discussion and representation. However, Maddox (1996) highlights the essential problem of the uneven influence exerted by pressure groups: 'there are large minorities in the community who, much as they would like to influence government policy, are insufficiently well organised to influence government policy, or are too diffused throughout the electorate, to make much headway at all'. In particular, Maddox draws attention to the power of big business and transnational corporations. When united with government, 'they are almost irresistible'. Thus, he identifies the need for restoring a balance between the competing interests groups to enhance democratic government: 'parliamentary government needs more openness, more strength and more independence to control the excesses of certain interests'. However, achieving a better balance between competing interest confronts the politics of dealing with interest groups—the reality that governments will deal with particular groups in a partisan manner.

Determining the appropriate boundaries of influence remains another implication arising from the current level of interest group activity. If the case is strong that interest groups have a legitimate place in the policy process, the issue naturally arises of how much is enough. As Warhurst (1997) has written, conventional wisdom about the years of the Hawke/Keating Labor government (1983–96) has it that in some key policy areas, such as immigration, waterfront reform and uranium mining, government was seen to be pandering to interest groups. But how does a government determine how much influence particular groups should wield over policy? As discussed earlier, public choice theorists in part see ministers as captives to special interests driving up the cost of government and creating waste. Marsh has referred to stagnation emanating from the existence of too many competing groups. Other writers have drawn attention to the relationship between Australia's economic decline from the mid-1970s and the power wielded by industrial interest groups to maintain Australia's protectionist policies. These all point to the fact that too close a relationship with interest groups can have a deleterious impact on policy. Yet the reverse is also true. Corporatist styles of governing in which governments deal selectively with peak bodies of key interest groups attract criticism that such an approach denies effective access to non-mainstream interests. So too are populist appeals, such as that mounted by the Liberal Party at the 1996 federal election, to limit the influence of 'politically correct' interest groups by which it was widely thought Party leaders were referring to rights-based groups,

including Aborigines, feminists, greens, the disabled and ethnics. Attempts to marginalise such groups run the great risk of damaging Australia's human rights record.

Democratic theory is not much help in resolving the precise relationship between governments and interest groups, even though the nature of this relationship is an important determinant of the policy process. Ultimately, Maddox's point is also relevant in this context: only through open and accountable government can the level of influence wielded by interest groups stand a chance of being revealed and scrutinised.

Further reading

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8

The media and policy

Summary

- The media is an important source of information about policy.
- It helps determine the agenda of issues for government.
- The media is governed by a set of values that determine what is newsworthy.
- These values shape the way policies are presented during elections.
- The commercial aspects of the media help to reinforce the values associated with capitalism.

Under the headline 'Teen pregnancy a neglected issue', the Melbourne *Age* carried a small article on page five of its 15 May 1998 edition reporting the concern of a medical professor arising from his research into teenage pregnancy. This showed that, in 1996, 12 500 teenagers gave birth, more than 1500 of them aged 16 and under. The experience of motherhood at such a young age, he explained, greatly affected the young women and their families, disrupting family life and restricting educational opportunities. For these reasons, 'teenage pregnancy was a public health issue that deserved greater attention'.

In any year countless proposals for action come to the attention of politicians and the public predominantly through the various media outlets. Daily newspapers, weekly magazines, early morning, midday and evening television current affairs shows, and radio news and

talkback all carry commentary on policy issues. Anyone bothering to tabulate and categorise the range of proposals raised in these media outlets might conclude that policy development is a surprisingly open process. At first glance it seems to conform to the pluralist model already outlined.

However, governments do not act on all these demands. They are selective about the issues with which they choose to deal. To state the obvious: conditions in society that are not defined as a problem, and for which alternatives are never proposed, never become policy issues. This raises one of the most fundamental—and complex—problems of the policy process: why do some issues get dealt with and not others? This process of sifting and sorting is referred to as 'agenda-setting'.

The media as an agenda-setter

Of all the actors capable of influencing the policy agenda, the media is accorded an increasingly influential role. In fact, commercial television news and current affairs are the leading players in this agenda-setting process. This influence derives from huge audience reach: repeated surveys have found that the vast majority of people obtain their information about politics and policy issues from commercial news media outlets. Their influence works in at least two ways. The more publicity an issue receives from the media the more likely it is to receive government attention. Moreover, those issues regularly covered by commercial television shape the public's perception of what constitutes the most important issues for government.

These two forms of influence raise the same, fundamental question: what does commercial television regard as important? In other words, from the many events going on in any one day, or week, which ones are selected by this media form for public consumption? Moreover, what process governs the choice? Media analysts refer to the presence of 'news values' in media organisations which govern both the selection of items and the treatment they receive. Golding and Elliot (1996) have offered a recent assessment of news values, as follows.

Drama

The very term 'news stories' conveys the twin elements involved: they are dramatic stories as well as information. Thus, 'good' news stories comprise human drama, and especially those items which can be presented as conflict between opposing sides of an issue. Crime is the

classic news issue, and the heavy coverage given to it by commercial news has led state governments into an ever-escalating policy drive to toughen sentences. In the mid-1990s, Queensland Premier Wayne Goss lamented that the law-and-order debate was not about the facts relating to trends in crime patterns, it was driven by perceptions and images on the TV news: 'Any rational contribution is swamped by the technicolour violence at six o'clock'. The Queensland Criminal Justice Commission (CJC) supported Goss's contention. According to the CJC: 'if elements of the media choose to focus attention on a particular type of crime, such as home invasions . . . this can easily create the impression that there is a crime wave, even though there may be no statistical evidence of an upsurge in such crimes'.[1]

Visual attractiveness

Television is a visual medium; it holds the interest of its audience by screening material which is interesting to watch. Therefore, judgements about what is newsworthy will be heavily influenced by the quality of the visual material accompanying the issue.

Entertainment

It is the business of commercial news and current affairs to develop large audiences to attract advertisers. Therefore, they must provide an entertainment component to the issues they select for broadcast.

Importance

The more a story focuses on important people, or the more it can show that the issue affects large numbers of people, the more likely it is to be selected as newsworthy.

Negativity

The old saying—bad news is good news—is a standard guideline for newsworthiness. News stories are often the disruptions in the normal current of events and not the normal and expected flow of daily events.

Personalities

To make often complex news stories comprehensible, the commercial media personalises the news by focusing on individuals.

The more a potential news story embodies some of these criteria, the more likely it is to be selected for public consumption. It follows, therefore, that the media is likely to either ignore or marginalise some

which might otherwise be important. Tiffen (1989) argues that neglect is likely when either:

- no significant political group has the interest or the capacity to dramatise the issues; or
- the problem's appearance or causation are not easily perceived or formulated.

Potentially, there is a long list of issues that fit either or both of these categories. Tiffen nominates social problems that are not neatly encapsulated in normal news stories, or whose importance is not immediately apparent to organisational decision-makers, as among the issues prone to being neglected. The media has, for example, been poor at investigating and explaining the problems associated with low income, racism and inadequate housing, among others.

Juvenile crime

Source: Q. Beresford and P. Omaji (1996) *Rites of Passage: Aboriginal Youth Crime and Justice*, Fremantle Arts Centre Press, Fremantle.

For state governments, juvenile crime is one of the recurring issues of government. From the early 1980s governments in most states had been reviewing and reforming their systems for dealing with juvenile delinquents in response to growing public concern about the incidence of crime in this age group. In Western Australia, juvenile crime became a major issue for government in the early 1990s. Just how this occurred says much about the agenda-setting process outlined above.

In the early 1990s, an outbreak of high-speed car chases involving police and mostly Aboriginal youths resulted in the deaths of 10 road users as well as six juvenile drivers and/or passengers. As this toll mounted, public disquiet grew about a perceived major new threat to the safety of the roads. In one widely publicised and tragic incident, an Aboriginal youth sped through a red light on Christmas Eve 1991 travelling in a stolen Commodore at 150 km/h. He ploughed into a VW, killing a young mother and the couple's infant child and unborn baby. The father was seriously injured, but survived.

The actions of these youths caught the attention of the media which, in turn, fed public disquiet. The issue of high-speed car chases was tailormade for media interest. It embodied many of the ingredients seen as essential to commercial news: dramatic footage of cars at high speed; the human drama of the deaths of innocent victims; and easily identifiable villains in the form of alienated Aboriginal youths. Newspapers,

television and talkback radio were peppered with stories about the issue, often presented in dramatic fashion.

The issue carried a number of other ingredients likely to ensure its place on the public agenda. It tapped into community fear of crime generally and into long-standing hostility to the perceived antisocial behaviour of many Aboriginal youths. They brazenly challenged the authority of police by daring them into high-speed chases. However, they were also seen to disregard the authority of the Children's Court by repeatedly engaging in acts of delinquency. Through the media, the activities of these young Aborigines came to represent a crisis of authority between them and the police.

Perth's three newspapers were particularly overt in constructing the connection between Aboriginality and violent crime. In February 1990 the *West Australian* ran a front-page news story headlined 'Aboriginal gangs terrorise suburbs', which was subsequently shown to have had no basis in fact. A study of the paper's reporting on Aboriginal youth showed that 84 per cent of articles over a two-year period dealt with crime.

The extent of the public's perception of a crisis was clearly manifest during a protest rally on Parliament House, the purpose of which was to call for tougher juvenile justice laws to deal with serious and repeat offenders. The organiser behind the rally was a commercial talkback radio announcer whose efforts at publicising the issue resulted in the attendance of 100 000 people at the rally. At this point the issue quickly passed from the 'public' to the 'institutional' agenda. The state government acted by devising, and enacting, the toughest juvenile justice laws in the country. Minimum mandatory sentences were to be handed down to serious and/or repeat offenders, which contravened established practice favouring detention as a last resort for juveniles.

Questions for discussion

1. What does this example illustrate about the role of the media in agenda-setting?
2. How might the media have handled the issue of the crisis of authority between Aboriginal youth and police?

Selection of issues occurs within a strictly commercial environment which, according to journalist Damien Murphy, is designed to 'maximise commercial profits'. In a recent review of the media, Murphy made the following claims:

- Commercial radio has all but pulled out of news gathering, 'preferring the sure-fire money-making mix of music, talk-back and comedians'.
- Television news has become formularised in a tabloid format. Its advertisement and entertainment culture are based around a formula that emphasises conflict over content, fun before facts, and drama over discourse.
- Newspapers have also gone 'down-market', employing celebrities as columnists.[2]

Some might see this as an unduly harsh judgement of the Australian media. It ignores the contribution the ABC and the handful of quality newspapers make to serious discussion on policy issues. However, in other respects Murphy captures the growing trend towards commercialisation and trivialisation in large sections of the Australian media. Among the most influential opinion-makers are thought to be the talkback radio comperes. Sections of commercial media, in particular, have developed a confrontationist style. Some high-profile radio presenters abandon any pretence to objectivity and vigorously campaign for policy outcomes of their choice.

The emergence of mobile phones brought an expanded audience to these programs during the 1990s by enabling people to phone in while driving to and from work. Using a hard-hitting but right-wing format, the prime items on their agenda are law and order, immigration, welfare, 'dole bludgers' and Aboriginal affairs. Such is the reputation of these programs that they are widely monitored by government.

One of the most influential of the hard-hitting radio personalities, Alan Jones from Sydney radio station 2UE, is a one-time speech-writer for former Liberal Prime Minister Malcolm Fraser. In his three-and-a-half hour breakfast show, Jones combines direct party-political promotion with advocacy of a range of populist causes. Branded by some as employing the style of a demagogue, Jones's technique has been described as blending 'an unpredictable mix of right-wing authoritarianism with populist outrage against predictable targets such as government bureaucracy, big banks, environmentalists, welfare recipients, ABC listeners, Aboriginal activists, the judicial system and selected politicians'.[3] However, Jones seeks to use his audience reach in more direct ways. In recent federal elections he has been outspoken in his support for the Coalition parties and, by implication, their policy agenda. None other than a prominent Liberal Party functionary, Micheal Kroger, explained in a television interview that Jones had

played a pivotal role in delivering the Coalition's message to voters in marginal seats during the 1998 federal election.[4]

Recently, some high-profile commercial radio presenters have drawn widespread criticism for entering into commercial deals for positive editorial comment on the business interests of large corporations, including those involved in the banking, gambling and telecommunications industries. Such deals carry with them the potential to elevate the role of the media as policy agenda-setter to new heights. The business activities of corporations are not just a matter of private business interests: there are often issues of public policy involved—such as the level of government regulation and control of particular industries—which should be free of commercial arrangements and potential conflicts of interest between announcers and corporations. The conduct of the commercial radio industry in forging such deals is the subject of a number of official inquiries for any possible breaches of broadcasting regulations and the criminal law.

While it is impossible to determine the full extent of the impact these confrontationist radio presenters have on specific policy issues, there is a general tendency to limit open-ended policy debate and to impede rational and/or progressive discussion of some policy issues. This is true, to a greater or lesser extent, of all commercial media. Recently, prominent Labor backbencher Mark Latham lamented the trivialising effect modern media, and especially television, had on policy debate:

> It is not that the public has suddenly become irrational: it is that they have only got 1 per cent of the information available to them. That is a product of the medium—TV—driving the message. Politicians are told to talk much more in slogans. They are more likely to be practising their TV grabs than sitting around for hours talking about complex issues of policy.[5]

Commercial current affairs has been described as being in a state of declining quality, with the major networks opting for a program format of semi-serious and lighthearted content driven by producers' negative views of their audience. This has been described by one ABC producer as stories based around:

> 'those pesky dust mites that are threatening your life' and 'just what is that dirty dishwashing rag in your sink fermenting'. They [commercial TV] obviously think that people aren't particularly interested in world affairs or serious political analysis. They've gone back into the lounge room and the kitchen, to that very domestic viewpoint.[6]

Implicit in the role of the media as agenda-setter is the omission of items that do not measure up to 'news values'. According to experienced newspaper journalist Mike Steketee, competition between media organisations, and within organisations, results in the availability of more stories than there is space to publish or broadcast, which encourages journalists to dramatise the significance of events in order to get published. In this way less interesting but worthy stories concerning policy often take second place to conflict oriented personality-type stories.

> This may have important consequences for policy in limiting access to the public agenda—and therefore the political agenda—of issues which merit policy action. Agenda setting implies, too, a number of other potentially important consequences for groups and individuals with the expertise and resources to package material for media consumption. The pressures on commercial television to entertain their audience by presenting them with a constant flow of arresting visuals limits the ability of this medium to engage in sustained examination of complex issues or to examine a wide range of policy alternatives on any one issue.[7]

Even when an issue complements the media's agenda, its presentation can often depend on the news values of a particular organisation. A number of studies show that newspapers sometimes treat controversial social issues in an unbalanced manner. Aboriginal youth have been subject to negative press reporting. A study of the *West Australian*'s reporting on this group of young people between April 1990 and March 1992 identified 275 separate articles dealing with Aboriginal youth, of which 84 per cent dealt with crime. As the author of the study concluded: 'the news about Aboriginal young people is crime news'.[8]

A similar example of newspaper bias surrounded reporting of the 1984 Queensland government's controversial proposal to construct a road through the Daintree rainforest. The proposal for this road split the local Cairns community. However, a content analysis undertaken by Doyle and Kellow of the *Cairns Post* revealed the following:

> Of the 28 stories only seven (25 per cent) were deemed to be 'anti-road' (pro-conservation) . . . A massive 64 per cent of all stories (18) were constructed as 'pro-road' (anti-conservation). Almost half of these stories appeared on the front page, thereby signifying the importance of their message to the papers' editors.[9]

The cases of media bias outlined above are thought to have a role in shaping attitudes and values toward policy issues. However, there are

difficulties in the way of showing such a theory at work because the media is only one of a range of potential influences shaping individual attitudes. Family background, for example, remains a powerful determinant of political views.

The media is not only influential in shaping which issues are placed on the policy agenda: it can help determine the outcome of the decisions. This operates at several levels. Most obviously, the more prominent an issue in the media, the more likely it is to receive government attention. At a deeper level, the media can affect the choice of policy decisions taken by government. While it is important not to exaggerate its role in this respect—the major role of the media remains agenda-setting—there have been a number of recent examples.

In recent times, calls for more political control over the expenditure of funds by the Aboriginal and Torres Strait Islander Commission (ATSIC) were fuelled by commercial talkback radio in response to unsubstantiated reports that former head of the Council for Aboriginal Reconciliation, Patrick Dodson, was paid $81 000 for organising a two-day conference on Aboriginal land rights. When John Howard went on radio talkback in Adelaide the presenter questioned him about the costs of the conference and then commented: 'Well, I would imagine that this is just the tip of the iceberg. I guess there are all sorts of examples of profligate waste [in ATSIC]'. In this case, senior members of government, including the Prime Minister, used talkback radio to exploit public resentment about Aboriginal funding in order to build political momentum for a review of the ATSIC Act. Talkback radio hosts are more than willing servants in instances where they can satisfy public stereotypes about 'bludgers'. In instances such as this, the facts can be overlooked. In the case of Dodson's consultancy fee, Bachelard reported in *The Australian* that: 'Dodson's fee so far is $22 000—and will, at most, be $20 000 more for up to 20 days post-conference work—well within industry standards and much less than the Government spent on numerous waterfront consultancies'.[10]

Mandatory reporting of child abuse

Source: P. Mendes (1994) 'The historical and political context of mandatory reporting and its impact on child protection in Victoria', *Australian Social Work*, 49(4).

By 1980, all Australian States bar Victoria and Western Australia had introduced some form of mandatory reporting. However, the 1984 Carney Report into Victorian Child Welfare Practice and Legislation recommended against mandatory reporting on the

grounds that it would be unenforceable, discourage families from seeking help, take away the discretion of professionals who know the particular needs of their clients, and weaken the ability of local community services to stop child abuse . . . [In 1986 and 1992 Victorian governments reaffirmed their opposition to mandatory reporting.] On 26 February 1993, Paul Aiton was sentenced to 22 years in jail for the murder of his de facto son, two year old Daniel Valerio. Mr Justice Cummins said he had no doubt that Daniel's life would have been saved had the reporting of child abuse been mandatory in Victoria . . . Following the trial of Daniel Valerio's stepfather, the Minister for Health and Community Services Michael John initially said that mandatory reporting was 'not a priority of the government.' Intense media pressure forced the government to change its mind. The *Herald-Sun* and radio commentators like Neil Mitchell lobbied heavily in favour of mandatory reporting. According to Liddell and Goddard 'the intensity of the campaign by the *Herald-Sun* was unprecedented. During and after Paul Aiton's trial, barely a day passed without Daniel's face on the front page of the newspaper. The photograph used was a particularly poignant one: a severely beaten child attempting an impish grin.' The *Herald-Sun's* coverage of the Valerio case was passionate and emotive. A typical Editorial trumpeted 'Daniel's case cries for action.' The Editorial argued that 'had Victoria required the mandatory reporting of child abuse the two year old (Daniel Valerio) would have been alive today.' The Editorial added that other reforms such as 'better education in detecting child abuse plus upgraded government services would also be necessary to improve a system which proved so powerless to save Daniel. Yet, the other recommended reforms were quickly forgotten. The result of the *Herald-Sun*'s campaign was to narrowly focus attention on mandatory reporting as a cure-all for child abuse. This was despite the fact that mandatory reporting would probably not have saved Daniel's life since all the authorities responsible for child protection already knew of the case.

Exercises

1. How does the role of the media on this issue conform to theories about the media's news values?
2. What might constitute a more balanced approach to reporting the issue of child abuse?

Elections and policy

Source: E. Wynhausen, 'Redfern: a bogus war on drugs', *The Australian*, 1 February 1999, p. 13.

Even by the standards of political life the hypocrisy was breathtaking. The front page photograph, in the Sydney *Sun-Herald* yesterday, showed a boy who looked to be 12 or 13 in Caroline Lane, in Redfern, Sydney, shooting up heroin. He was using a free 'fit'—an injecting kit with syringe, swabs and spoon—from a needle exchange program operated by the NSW Health Department. Confronted with the picture the NSW Health and Deputy Premier, Dr Andrew Refshauge, promptly took action, suspending the needle exchange and saying he'd have a 'top level investigation into the circumstances surrounding this incident' . . . In reality Redfern—and its notorious Block—are in Refshauge's electorate; if the locals are any guide they've spent years telling him exactly what goes on in the area. Each month a reported 10 000 needles are left in Caroline Lane. But locals complain that the needle exchange is an exchange in name only. The health department car parks daily in the seedy laneway. Workers open the boot and start handing out the kits . . . Local delegations have gone to see him [Refshauge] and begged him to do something about it . . . Nothing happened until a newspaper ran a photograph of a fair-headed kid shooting up in a lane where nine in 10 of the people you see nodding out are Aborigines. The picture could have appeared any day of the week, any week of the year since Redfern was flooded with heroin in the mid 90s. But this is election season in NSW: suddenly the Minister (and the Government) turned on a dime. Unfortunately the shock value of the photograph failed to translate further into good public policy. The needle exchange was suspended. Locals hailed it as a long-overdue measure. But that left a neighbourhood that shames all Sydney . . . On the Block, a fragile, crumbling community of several hundred people who live in sight of the glittering towers of downtown Sydney, heroin is more prevalent than it was in New York's South Bronx in the early 80s. Children grow up in poverty, violence and filth, [and in] tumbledown tenement houses no one notices until there's a picture in the newspaper . . .

Questions for discussion

1. How is the minister likely to weigh up the advantages and disadvantages of continuing the needle exchange program in Redfern?
2. What wider responsibilities should the media have in further coverage of this issue?

The media and elections

Elections are supposed to function as the mechanism by which electors choose between the rival policy programs of political parties. Increasingly the media, and especially commercial television, exert great influence over the style of campaigning and hence the presentation of policy. Throughout the 1990s an intensified form of political marketing drove the conduct of Australian elections. This follows the important spot television now occupies in election campaigns. Surveys have confirmed that more people derive their information about elections from commercial television than any other single medium. From this, an ironclad law of Australian politics has been developed. This holds that prime time television is the target of election campaigning. The dominance of television means that political parties attempting to convey a message about their policies must develop strategies that model the 'laws' of successful commercial advertising.

The well-established elements of political marketing in election campaigns now include:

- elevating media advisers and advertising consultants to a central place within political parties during election campaigns and their growing influence over the direction of party policy;
- using computer databases and survey research to construct voter profiles and identify broad electoral themes;
- deploying hard-hitting, 'negative' message techniques of persuasion to influence voters;
- developing strategies to control and/or manipulate information to news outlets to engineer positive images;
- styling campaigns to focus attention on leaders rather than parties.[11]

The combined impact of these techniques is to restrict the quality of information about policy for voters. Negative advertising is focused on attempts to denigrate an opposing party's policy and/or leader, rather than to extol the virtues of a party's own policies. News stories can be influenced by the timing and amount of information released and the location in which it is delivered. Televised leaders' debates have largely replaced traditional policy launches and have become conspicuous political theatre, with much attention given to leaders' styles and their competitive struggles. In all these ways, the use by political parties of commercial television deflects interest from serious policy debate across the range of issues for which governments carry responsibility in modern society.

Advertising and the 1998 federal election campaign

Source: A. Meade 'Last week of the campaign and we've ad enough', *The Australian*, 30 September 1998.

A gleeful, dancing Gareth Evans and a disappearing family dog were the creative highlights of a rather dull, negative election advertising campaign. Liberal strategists hoped the sight of the unpopular ALP figure celebrating Labor's victory at the 1993 True Believers dinner would make voters sick. Without the gift of a GST to bag, Liberals have had to rely on unpopular Labor figures and Paul Keating's economic record to press the right buttons. In turn, Labor's creative minds came up with the idea of the GST as chewing gum that sticks to you and cannot be removed, and a blowfly that can only be squashed by Labor. Yuk! Then there was the now familiar family tableau, complete with dog, to convey the message the Coalition was not as inclusive as Labor. As each family member gets crossed out by the GST, the dog walks out of the picture. A touch of whimsy. By the time the ads come to an end at midnight tonight, viewers will have been bombarded, irritated and amused by dozens of them. This week, as the parties battle to win over the still undecided voter, their frequency in prime time has vastly increased . . . While a reported $30 million has been spent on the campaigns, advertising executives say their quality as television productions is dismal. The trade refers to them as being of 'retail' quality; not much better than those late-night ads for bargain basement goods . . . High marks also to the Howard camp for its 'Labor wants power again' ad, which condenses a number of complex issues—welfare rorting, government debt, work-for-the dole, unemployment, mortgage rates, interest rates and taxes—while comparing its record to that of Labor. Not bad for 30 seconds.

Questions for discussion

1. Why is television advertising now so much preferred over newspaper advertising in election campaigns?
2. What might the advantages and disadvantages be to policy debate of placing controls over the use of campaign advertising?

Implications for policy

Television has become a pervasive influence on modern society and has long been recognised as a major shaper of cultural values and attitudes. But how do we account for the extent of its impact on policy? Theories about the power of television in shaping people's world view are the necessary starting point. Competing theories on this issue have evolved since the late 1940s. Initially, the mass media was thought to be easy prey on a socially fragmented, uncontrolled and irrational public. The so-called 'effects model' of the mass media maintained that television, in particular, acted directly on the individual audience member, who is helpless to resist. Later research failed to demonstrate this degree of influence. A revised view maintained that media messages might be accepted, ignored and rejected by the viewer. More recently, theorists have highlighted that the mass media has a broader ideological impact. Writers such as Kellner (1990) claim that television promotes an ideological view of the world. The television industry, he argues, is embedded in the structure of corporate capitalism. It is controlled by major corporate institutions whose unspoken agenda is to reinforce behaviours and attitudes that strengthen the power of capital. Specifically, television:

- maximises its audience by offering non-controversial programs;
- which leads to a 'lowest common denominator' programming that avoids challenging its audience; and
- promotes consumerism through programs and advertising.

Globalisation has intensified the ideological tendencies of the media. According to Herman and McChesney (1997), during the 1980s a global media market emerged characterised by the dominance of three or four large TNCs which, through acquisitions and mergers, reflected an unprecedented level of media concentration. Driving the operations of the global media players are an increased dependence on delivering affluent audiences to advertisers in order to satisfy shareholders' demands for profits. The TNCs of the global media market are characterised by:

- a close alignment with the interests of large corporations and a tendency towards political conservatism;
- the need to create a congenial media environment for advertisers' goods with the resulting preference for entertainment over serious political debate and, hence, the marginalisation of discussions and

documentaries that investigate, inform and challenge conventional opinion;

- the dissemination of subtle political messages through programming which coincide with advertiser interests—individualism, the importance of consumption, and wealth creation.

This theoretical perspective may be important in explaining the types of policy issues shown on commercial television news and current affairs programs. Equally significant is the influence this approach may have on the types of policy issues ignored or given little exposure on television. In the broadest sense, these may include alternative ideas about the economic organisation of society and the wealth and power of elites.

Part of the mass commercial media's broad ideological impact is its lack of commitment to serious policy analysis. Theories about the 'dumbing down' of the mass media under the relentless forces of commercialism have been attracting increasing attention. Prominent federal Labor politician Gareth Evans has added impetus to these claims. He argues the mass media is consumed by its portrayal of politics as entertainment and spectacle. Such claims challenge long-held ideas about the ideal role of the media in a democratic society.

American philosopher John Dewey argued in the 1920s that a healthy process of democracy was at least as important as an efficient result. Unless citizens were actively engaged in the large political decisions that affected their lives, the results would inevitably be flawed. Therefore, according to Dewey, both government and the media have a responsibility to work out ways to engage the public in the decision-making process. The relevance of Dewey's comments is not lost in an era in which there is a widespread perception that societies are being confronted with countless issues 'too complicated for most people to spend the necessary time to understand'.[12]

Further reading

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9

The public service and policy

Summary

- Public servants play an important role in advising governments on policy and the implementation of policies.
- Significant changes have been made to the public service to give governments greater control over the way the public service discharges these duties.
- Concern has been raised that these changes have limited the independence of the public service.
- Successful implementation of policies requires a number of favourable conditions, including a clear understanding of the problem, effective intergovernmental coordination, and a cohesive and functioning department.
- Following implementation, polices are evaluated to assist in determining what has been achieved.

The postwar growth in government programs and budgets has made the administration of public policy a critically important area. To successfully implement policy, governments need to be supported by experienced public servants dedicated to achieving ministers' aims. The size of the public service has reflected this central role. At Commonwealth level, the number of public servants peaked at over 170 000 people in the early 1980s. However, since the mid-1980s the role and organisation of the public service has emerged as a controversial issue

as governments embarked on a series of far-reaching reforms designed to shift the culture and operation of the service. Henceforth, a new model of public service was built around the principles of managerialism in an effort to improve efficiency and effectiveness in the delivery of government services and to bring them more firmly under political control. Significant disruption has flowed from the implementation of the managerial reforms, not only to the actual workings of the service but to its relationship with the public. An appreciation of the extent and significance of these changes requires some understanding of the historical development of the public service.

The traditional model of the public service

At the turn of the century a model of government administration based around a professionally staffed public service was established in many Western countries. Regarded as a major reform in its day, the public service was developed around a theory of bureaucracy devised by sociologist Max Weber according to the following criteria:

- The public service should be under the formal control of the political leadership.
- It should be operated under a strictly hierarchical model: that is, along the lines of graded authority.
- Officials should serve any party equally.
- Officials do not become involved in policy issues, but merely administer those decided by politicians.

Thus, this traditional model assumed a separation of administration from policy-making: they were regarded as separate activities. As the model came to be applied to ever larger and more complex organisations, this separation became a myth. Senior public servants became involved in advising governments on policy options available to them and more directly in articulating preferred directions. The basis of this fusion between elected government and appointed public service was a symbiotic relationship between the two. Governments came to rely on the public service for legitimate reasons: the public service had access to information and expertise often unavailable to ministers. In turn, each public service department relied on its minister to advance the interests of the department within the Cabinet.

The rise of managerialism

During the 1960s, the apparent success of management techniques in the private sector is thought to have been the foundation of concern that the rigid style of the public sector was no longer appropriate. Interest in the reform of the public sector was part of the Whitlam government's reformist agenda. Aware of its reliance on the public sector to achieve its objectives, the government was anxious to achieve a responsive public service and one that was efficient in its operations. It appointed a Royal Commission on Australian Government Administration, headed by respected public servant Dr H.C. Coombs. Its wide-ranging recommendations included the need to promote the accountability of public servants, increasing the power of ministers, improving the relationship between officials and the public, and increasing efficiency. In some crucial respects Coombs articulated key elements of the reform of the bureaucracy which were taken up almost a decade later. However, he did not map an ideological perspective for reform of the public service. This came later with the advent of managerialism, which complemented the thrust of the New Right agenda to make government smaller, to enhance market solutions and to improve efficiency through competitive forces.

By the early 1980s a set of complementary forces had coalesced to enhance the appeal to government of the managerialist reform agenda, including:

- criticisms of the practices of the traditional public service model, such as its risk-averse, inward culture; its focus on the processes by which decisions occur rather than the outcomes that are achieved; and its tendency to seek to protect its own institutional agenda;
- the ideological shift to the right in politics with accompanying hostility to the public sector;
- the advent of economic recession and the resulting focus on cost-cutting and eliminating waste; in other words, the perceived necessity to do more with fewer resources;
- the concern by government to reassert its authority over the public service, which was widely thought to have assumed too much power at the senior levels.

The Hawke Labor government initiated a thorough reform of the Australian federal public service, a task that was complemented by most state Governments. Defined by most writers as the adoption of

a 'managerial' approach, the 1980s reforms aimed at improving the implementation of policies, in accordance with the intentions of government. Hughes (1994) has identified five major changes associated with 'managerialism':

1. far greater attention paid to the achievement of results and the personal responsibility of managers;
2. an expressed intention to move away from rigid bureaucracies to make public service organisations more flexible;
3. the establishment of clear organisational objectives which are capable of measurement to show results;
4. acceptance that senior staff are politically committed to the government of the day and its policies;
5. a commitment to market-test government functions through such mechanisms as contracting out.

This shift has been further encouraged by an international public sector management movement based around American writers Osborne and Gaebler's (1993) influential ideas about reinventing government in a more entrepreneurial framework. Hence, the job of governments has increasingly been defined as providing policy direction, while leaving much day-to-day implementation to non-government workers. Osborne and Gaebler define this as 'steering' rather than 'rowing'. While not all sections of the public service conform to this ideal, the theory associated with their ideas has been an important guide to reform, along the following lines:

- *Cutting red tape:* where unnecessary layers of regulation are stripped away to focus organisations on achieving results.
- *Putting customers first:* listening carefully to customers and restructuring operations to meet customers' needs.
- *Empowering employees to get results:* decentralising authority within organisations to allow front-line workers to solve more of their own problems.
- *Producing better government for less:* investing in greater productivity and finding ways to make government work better and cost less.

As a means of implementation, this framework was intended to shift the traditional 'top-down' bureaucratic approach to one that provides more scope, initiative and responsibility to people working at the local level.

In turn, the public service has altered its relationship with the public. Behind the thrust of managerialism has been a commitment to transfer private sector techniques to the public sector. Hence, users of

government services have become 'customers', and greater effort is spent identifying their needs and assessing their contact with government agencies.

To a number of writers, these remain a controversial set of operating guidelines with which to manage government policies. In particular, critics of the managerialist approach argue that an emphasis on results, performance and efficiency runs the risk of omitting considerations of the distinctive ethical and legal responsibilities of the public service. Critics also highlight that key differences between the public and private sectors limit the application of managerialist approaches:

- *Time differences*. Government managers tend to have relatively short time horizons dictated by political necessities, while private managers appear to take a longer time perspective in the development of their products and services.
- *Measurement of performance*. There is a clearer set of performance standards that can apply to a private sector manager linked to economic returns.
- *Greater public scrutiny*. Government processes have to be more open to public scrutiny since the introduction of measures such as **freedom of information legislation** and because the press closely monitors government decision-making.

In spite of these differences, governments have persisted with managerial reforms committed to a belief in its advantages:

- Focusing on tasks and on results can facilitate innovative, problem-solving approaches.
- It produces a culture of cost-effective public services.
- It holds managers to account for their achievements.
- It allows closer scrutiny of individual programs.

The public service as political

Prompting changes to the public service at both state and Commonwealth levels has been the desire of governments to gain direct political control over the bureaucracy. Senior public servants are now placed

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Freedom of information legislation: establishes procedures for public access to the documents relating to decisions by government based on the principle that freedom of information is an important part of the accountability of government.

on contracts, usually for five years, and most are appointed because they are seen to broadly share the government's goals. This model of public service more closely resembles the USA, whereby governments control their own policy and appoint their own people to senior positions. As FitzGerald has commented:

> This shift has been accompanied by a trend by political parties to develop their policy positions in considerable depth in opposition, often using 'think tanks' to assist. They are then better able to control the policy making process when in office and to draw more on a range of external sources of advice, not just the public service.[1]

Some commentators worry about the effects of these changes on policy making, alleging they have resulted in the decline of the traditionally independent public service and its replacement with a politicised one—that is, a service that is far more focused on helping a government achieve its objectives. This switch to outcomes reflected the accumulated experience of senior politicians frustrated with a public service which was often overly focused on the process by which decisions were made and/or which attempted to define and defend its own institutional view of desirable policies. However, in creating a more responsive public service, concern has been raised about the loss of independent advice. Government has traditionally relied on the public service to provide it with independent advice on policy, in addition to its role in implementing government policy. This has involved undertaking much of the 'spade work' of policy—the collection of information and statistics, identifying administrative and technical issues and compiling options. Key parts of this work have, over recent years, transferred to ministerial staffers, whose loyalty—not to say tenure—is linked directly to the minister.

Senior public servants are now widely thought to be wary of giving advice seen to be unpalatable to governments. With the power relationship now having tilted decisively in favour of governments, senior public servants are vulnerable to being sacked. Nowhere is the power imbalance greater than in Victoria, where the Kennett government created a new managerial executive model of public service, characterised by Sheil as the following:

> The Premier has taken to himself all power to hire, classify and terminate his government's chief executives. He has also assumed responsibility for defining the duties, performance criteria and remunerative levels of his chiefs, whom he has bound tightly to himself with exorbitant salaries and the promise of lucrative bonuses for continuing loyalty and service. At the same time, the Premier has

> eliminated all risk of encountering displeasing senior behaviour by also acquiring the power to break the chief executive contracts with four weeks' notice and no bonuses, no compensation and his discretion over their access to superannuation.[2]

A recent NSW report into the senior levels of the public service found evidence of politicisation. The report, based on over 200 interviews with existing and former senior public servants in that state, found the ideal of giving frank and fearless advice—that is, advice independent of the interests of the government of the day—far from the reality. Almost 90 per cent of the staff interviewed admitted they allowed political factors to influence the policy advice they gave. Moreover, almost one-third of the staff said 'that they believed promotion came easiest if you had the correct political affiliation. A quarter said bureaucratic patronage (who you know, not what you know) influenced promotional prospects'. Consequently, job tenure—or the lack of it—was a concern to many of those interviewed. These staff feared they could be removed from their positions despite satisfactory performance.[3]

Changing the public service

Source: Parliament of Australia Joint Committee on Public Accounts (1997) *An Advisory Report on the Public Service Bill 1997 and the Public Employment (Consequential Transitional) Amendment Bill 1997,* AGPS, Canberra, pp. 17–18.

In 1997 the Howard Government introduced a Bill to reform the 1922 Public Service Act which was a defined as a 'very significant piece of legislation' because it sought to redefine the nature of the Australian public service (APS) and embody a new conceptual framework for public sector management. The Joint Committee heard evidence from a number of witnesses critical of the Bill and its potential impact. Among these was Sir Lenox Hewitt, a former Secretary of the Prime Minister's Department. Sir Lenox argued that the Bill would destroy the public service because of the provisions in the Bill which allowed the Prime Minister to dismiss secretaries of departments 'at any time' and giving heads of public service departments similar power over public service employees. This, he said, would undermine the willingness of members of the service to provide frank and honest advice. 'In Sir Lenox's view, the threat of dismissal will have serious consequences for good governance in Australia.' These sentiments were shared by Harry Evans, the Clerk of the Senate

who argued that 'if enacted the Bill will establish a service which belongs body and soul to the ministers of the day.' This, he further maintained 'could have significant consequences for the relationship of the APS and the Parliament to scrutinise the Executive. Currently the public service is still a valuable source of independent advice to the Parliament, with many public servants recognising that they have a duty to assist the Parliament by cooperating with parliamentary inquiries and by answering frankly and freely questions put to them in the course of parliamentary inquiries'. Mr Evans contends that the employment regime proposed in the Bill will make it difficult for public servants to fulfil this responsibility and that Members of Parliament are increasingly likely to be confronted with ministers and their (dismissible) employees 'all singing the same well-orchestrated song.'

Exercises

1. What are the perceived benefits to government of increasing their control over the public service?
2. What are the implications for policy of the problems outlined in the above?

The effects of the politicisation of the bureaucracy are hard to measure. There is a widespread assumption, confirmed by recent research, that in curtailing the independence of the public service government has limited alternative advice to its policies and their impact. In this way, governments have made it easier to pursue the economic rationalist agenda set by the New Right. However, there are some difficult points to resolve about the changes to the public service. Some argue it is a good thing that ministers can now better rely on senior public servants to implement their policies. After all, ministers form the elected government. Others maintain that much stands to be lost. A professional public service can be vital in the translation of broad party political statements into workable policy on the basis that it can provide independent advice. Good public servants have accumulated expertise in specific areas, and are likely to have a broader perspective on policy and know about the mid-term and longer needs of the nation. The mangerialist reforms may have reduced this capacity. Moreover, under the new arrangements, public servants risk becoming more isolated and remote from the programs and

policies they oversee. Teachers are one group that has complained about this isolation in evidence to a recent Senate Committee:

> One aspect of the politicisation of the teaching profession to which teachers from most jurisdictions drew attention was the politicisation of the bureaucracy. Experienced teachers in particular commented on the way in which relations between education departments and teachers had changed. Formerly seen as allies of teachers, who helped and supported them, departmental staff are now viewed as agents of government. This change was attributed by teachers to the change in employment conditions for departmental staff. Formerly permanent public servants, they are now employed on contract, with performance assessed against the achievement of government objectives. Teachers perceived departmental staff as isolated from the business of teaching. They claimed staff did not understand what happened in schools and had different priorities from teachers. Some teachers also claimed that public servants put the short term political interests of ministers before the long term educational interests of schools.[4]

This is unlikely to be an isolated example. However, it is simplistic to romanticise the operation of the public service in the years before the introduction of major reforms in the mid-1980s. While senior public servants in earlier times may have felt freer to give independent advice, how do we determine whether this advice was better and did not just reflect the interests of the department providing it? Critics of the pre-reform public service argued that it often became captive of the special interests of its own workforces. For better or for worse, the public service has been politicised because politicians believe this is the best way to achieve the goals for which they are elected.

In addition to loss of tenure, the operation of the public service has been fundamentally changed in other ways. The introduction of compulsory competitive tendering of an increasing number of government services has radically altered the operations of some sections of the public service. Moreover, cutbacks in funding and staffing have also had a severe impact in many areas. While the former is intended to make the public service more efficient and effective, the latter is widely thought to undermine this objective. There is some evidence to suggest that bureaucracies become less efficient and effective as they are cut back. Hood outlines the arguments:

> A climate of adversity and income reduction does not change the behaviour in public bureaucracies in the same way as it may do in private firms. This is because of legal and structural constraints . . . Equally it is argued that public bureaucracies often have no feasible

> method of coping with cutbacks other than by a hiring and promotions freeze which denies youthful talent to the bureaucracy and results in a middle-aging body of bureaucrats . . . Further it is said that increased stress, frustration and bureaucratic infighting associated with deepening cutbacks has a devastating effect on bureaucratic morale.[5]

Despite the changes that have reduced the size of the public sector and altered some of its functions, an important role for the public service remains for the foreseeable future. Many of its traditional functions, such as providing basic services in health, housing, education and social security, continue. Therefore, implementing policy will remain a central task for the public service.

Implementation is a phase in the policy process which occurs after government has taken a decision but its outcome is unknown. The task of implementation is to carry out government intentions to achieve positive outcomes. However, a degree of pessimism surrounds the implementation process. Much can go wrong, leading some writers to argue that perfect implementation is unattainable.

Conditions for sucessful implementation

Clear understanding of the problem

Policy decisions affect issues involving varying degrees of difficulty. Problems with complex causes are obviously more likely to experience implementation problems than those where the issue is more straightforward. Planning for future schools in developing suburban areas is less complicated than reducing crime in those same areas. In the more complex problems, the policy must be based on a valid understanding of its causes otherwise, no matter how well implemented, it is likely to fail. Grappling with causation presents governments with among its most difficult challenges. As writers such as Hogwood and Gunn (1990) remind us, governments tend to get landed with problems with which no other group has been able to cope.

Effective intergovernmental coordination

Human problems and needs do not fall neatly within the administrative structures of government. Not all the issues involved in a child's success at school, for example, come within the responsibilities of an education

department. If the child's performance is affected by illness or family dysfunction, other departments may be required to cooperate. Therefore, many programs necessarily involve more than one government department for their implementation. Difficulties arise because individual departments may have different understandings of their roles and responsibilities in any given area. Some departments may feel a sense of territory about a particular responsibility and resist the intrusion of other departments. Also, there may be a reluctance between departmental officials to share resources and information. Coordinating departments to achieve a common purpose and common solutions is thus a major challenge. The problems exist not only between departments at the level of state government but also between Commonwealth and state government departments. At this level, attempts at coordination can become enveloped in the power relationships that sometimes exist between the two tiers of government, especially when they are divided politically.

Youth homelessness

Sources: Human Rights and Equal Opportunity Commission (1989) *Our Homeless Children*; House of Representatives Standing Committee on Community Affairs (1995) *Report on Aspects of Youth Homelessness*.

The provision of services for homeless youth has been found to be bedevilled by poor coordination between state and Commonwealth government departments, between departments within each state, and between services operating at the regional or local level. Youmg people who are homeless, and those at risk of becoming homeless, have needs straddling a wide range of government departments, including: income support, accommodation, education, employment and training, counselling, and drug and alcohol programs. In 1987, the Human Rights and Equal Opportunity Commission began an extensive inquiry into youth homelessness in Australia which found significant evidence of fragmented services to homeless young people, together with a lack of clearly demarcated responsibilities between government agencies and a lack of planning.

Six years after the publication of the Commission's report, *Our Homeless Children*, the House of Representative's Standing Committee on Community Affairs conducted a separate inquiry into the issue. It found little to indicate any improvements in the coordination of services. At the Commonwealth level, the Committee reported that there was no effective coordination and integration of policy or programs. Policy and planning was characterised largely by the initiatives of individual

departments, 'often resulting in the duplication of services and the lack of consistency in approaches and expected outcomes'.

At state level, the Committee drew attention to the lack of influence exerted by the Offices of Youth Affairs located in each state. These offices were charged with the task of coordinating policy and programs across government, but were unable to do so. As small agencies with few staff and limited direct program funds, they were no match for the large bureaucracies of health and education concerned about taking on new responsibilities and protecting their existing authority. As an illustration of the problems, the Committee noted that while state and territory education departments are key players in any early intervention strategy to support families and children, there is considerable reluctance by these agencies to accept a primary role in this field and a corresponding tendency to seek to limit their responsibilities.

Exercise

Develop an outline for a coordinated youth policy. Identify the issues that should be tackled; broad policy strategies; and main roles and responsibilities of various agencies.

A cohesive and functioning department

Even where policies are delivered through a department with specific responsibility for the portfolio covered by the policy, much depends on the way in which it discharges its responsibilities. Departments depend on professionally trained, experienced and committed staff to carry out government policies. However, in recent times the capacity of departments to successfully carry out government policies has been affected by reductions in personnel and direct funding. Moreover, the constant flow of changes to the operation of departments, and the direct attacks on the efficiency—even the desirability—of the public service have damaged the morale of workers in some agencies, as the following example shows.

The New South Wales Department of Community Services (DOCS)

Source: A. Horin, 'Nursing DOCS', *Sydney Morning Herald*, 2 May 1998, p. 45.

> [During the 1970s and early 80s, DOCS (Department of Children's Services)] was an interesting and satisfying place to work, even though then, as now, it was at the hard end of welfare work.

DOCS's deterioration cannot be ascribed to one thing. But what happened to DOCS should be a lesson to all politicians against needless and thoughtless restructuring and downsizing . . . DOCS has never recovered from the blows it first suffered under the Coalition at the end of the 1980s, compounded by subsequent years of Labor's indifference and incompetence . . . By the mid 1980s DOCS was so short staffed and mismanaged that raw recruits were being sent into the field with no training. [This contrasted with the situation a decade earlier] when District Officers had their patch and were responsible for its welfare needs. They dealt with truancy, juvenile criminals, child neglect, adoption. They even licensed pre-schools and gave handouts to the poor. They visited families and liaised with the other helping agencies in the neighbourhood.

But all that changed by the end of the 1980s. Workers were more narrowly focused; child abuse, and especially sexual abuse, had been 'discovered'; and it became for the workers a case of get in, confirm abuse, register it, refer the family on, and get out. Staff had no time to monitor what happened to families who were 'referred on' . . . It would be wrong to exalt the old days . . . social problems were less complex in the 1970s. And workers like the rest of society underestimated the extent of physical and sexual abuse of children. Many children would have suffered in silence . . .

Greater public awareness of child abuse and the 1987 expansion of mandatory reporting to many professionals put new pressures on the department. Notifications rose to 34,000 a year. But any ability to cope was shattered by the Greiner Government's corporate approach to public sector management . . . The Coalition Government stripped the department of 1000 administrative officers, forcing trained staff to do their own filing and paper work. It cut 77 high level child protection specialist jobs and closed down one in four of its offices. The top-down restructuring created new fiefdoms that destroyed the old camaraderie . . . As well, Disability Services was brought into the department, and the disability experts, according to the new fad for generic managers, were put in charge of child-welfare matters. Many failed to learn quickly. It didn't take long for the department to implode under the pressures . . . By 1997, the Wood Royal Commission described a regime where district officers were operating in a 'dysfunctional environment whilst trying to treat

dysfunctional families' . . . DOCS had become a closed and defensive system where many workers were fearful.

Questions for discussion

1. What do you think is meant when DOCS is referred to as having become a 'closed and defensive system'?
2. What are the potential strengths and weaknesses of having 'generic managers' in specialist policy areas?

Implementation as a process

Allowing senior public servants greater autonomy to manage has placed greater emphasis on devising appropriate processes for implementation. Studies showing the range of obstacles in the way of successful implementation of any policy highlights the critical importance of developing effective implementation strategies. Failure to carry out required tasks in the correct order and the correct time can lead to full or partial failure. Brown and Rowlands (1995) have provided an account of implementation strategies devised for the Department of Social Security's Home Care Allowance which began in September 1994 and the Parenting Allowance which began the following year. Their account of devising implementation strategies has general application to many policy areas.

The starting point for implementation of these two new programs involved the project manager focusing on two issues: the specific task, and the available resources. The task is most likely to be found in a statement of government intentions and the costs already determined as part of the budget process. Moreover, the implementation date is likely to have been set beforehand by government. Among the key steps are the following:

1. *Identify the tasks*. Each major project comprises a plethora of tasks, some of which appear to be of minor significance if taken in isolation. Yet each task has potential influence to the overall success of the policy and, if poorly executed, can place it at risk of failure.
2. *Devise a strategy for task management*. The very start of a project is an opportune time to consider setting out all these tasks, identifying the relationships between them and determining the order in which they must be undertaken. Use of an appropriate software package facilitates this planning.

3. *Marshal organisational support*. The task of the project manager is to 'convey the distinctiveness and importance of his or her own project, how it fits into a broader policy context and, most of all, that sense of enthusiasm and urgency necessary to get it done'.
4. *Manage external stakeholders*. This involves liaising with relevant community interest groups and other government agencies affected by the policy.
5. *Tease out micro-policy issues*. Many policies, and especially those involving direct payments, involve the development of rules to specify its operation: 'This must explain how the policy set out in the legislation is to be translated into administrative action. It has to take account of the variety of circumstances in the world in which the policy will be applied'.
6. *Devise publicity*. Adequately informing potential customers about a new policy is a complex task, as these may come from a variety of social, ethnic and geographic backgrounds and possess a range of literacy skills. Strategies will include consideration of mailouts, newspaper and television advertising.
7. *Organise staff training*. Many policies will involve change to existing staff duties. Programs and materials capable of being used in a variety of locations have to be devised.
8. *Identify information needs*. Each new policy will bring with it the need to compile and store information covering such issues as number of clients, profile of clients and outcomes from the program. Computer systems are likely to be needed to handle this information.

Problems arising out of implementation

Adverse effects

The implementation of some policies can create adverse effects for other social groups or in other policy areas. This may not be due to poor implementation but because the side-effects of the application of the original policy were poorly thought through. The implementation phase reveals these effects and can be critical in the development of follow-up policy action. A clear example of this can be seen in the Western Australian public housing agency Homeswest's implementation of the state's *Residential Tenancies Act*. This Act gives the agency as landlord the power to evict a tenant without specifying any grounds for doing so. In 1995/96 the number of such evictions escalated, and

a great many involved Aboriginal people. One major cause of eviction is overcrowding, which is a particular problem for many Aboriginal people who, for reasons of culture and disadvantage, often have large households together with responsibilities to house otherwise homeless relatives. Moreover, a spiralling effect can resulting from an eviction. An evicted family can often end up living with relatives, exacerbating overcrowding there and leading to further evictions. Children caught in family evictions are vulnerable to school absenteeism, juvenile crime and even removal from their parents. Thus, the original policy allowing Homeswest such powers—which in some cases may be justified—has been implemented in such a way as to create a range of potential problems for Aboriginal people, all of which call for additional measures.

A second example of adverse effects arising from policy decisions can be seen in the problems several state governments have experienced from the effects of rising prison populations. Under tough 'law-and-order' approaches to crime, prison muster levels have soared in several states without the capacity of the prison system to cope. Tension inevitably flows from the consequent overcrowding because of the pressure this places on accommodation, exercise, mealtimes and opportunities for employment. Prison riots periodically accompany overcrowding, leading to damage to prison property and injury to prisoners and prison staff.

Compliance with implementation goals

Public service workers who interact directly with citizens fill a critically important position in the implementation of policy. Referred to as street-level bureaucrats, people such as teachers, police officers, social and welfare workers and psychologists exercise significant discretion in the way in which they deliver government services, and government policies can either be enhanced or restricted by their effectiveness. Complaints about individual teachers unable to implement a new curriculum, dissatisfaction with the way in which police deal with minority groups, and lack of confidence in the decisions made by social workers in child abuse cases, are but a few examples of the way in which public policy goals can be perceived at the community level.

Policy evaluation

Part of the new managerial approach to implementation is the systematic evaluation of policies and programs. The need for evaluation

should be obvious: with large government expenditures on public programs, their effectiveness in meeting objectives should be assessed. More specifically, evaluation involves making judgements about the worth of a program or policy based on certain information. As Dye (1994) argues, even if programs and policies are well organised, efficiently operated, well utilised and adequately financed, we may still want to ask about their effects on society. Thus, the purpose of evaluation is to measure the effectiveness of a particular policy or program with a view to deciding on whether:

- to maintain the program in its present status;
- to expand the program to a broader base;
- to modify the program to help achieve its objectives; or
- to phase out or abolish the program.

However, in spite of the obvious need, evaluation is enormously difficult to undertake effectively. Hogwood and Gunn (1990) identify the following:

1. If policy objectives are unclear or are not specified in measurable form, the criteria for success will be unclear.
2. Information necessary to assess impact may not be available or may be available in unsuitable form.
3. Separating the impact of the policy from other influences can be difficult.
4. In problem areas with large numbers of programs it can be difficult separating out the impact of any single one.

Conducting evaluation

Evaluation is typically designed to produce information about inputs, outputs and cost–benefits. Inputs relate to the resources (staff, funding equipment etc.) used to meet a program's objectives: this offers only limited information about the program, as it does not measure how well the program achieved its objectives. Outputs seek to measure what the program actually achieved: that is, its effectiveness in relation to the set objectives. Cost–benefits seek to measure a program's efficiency: that is, the extent to which its objectives have been achieved in relation to the resources used.

Governments can approach evaluation in two broad ways:

1. Evaluation can be contracted out to outside consultants. This practice has expanded over recent years as it is seen to be consistent with the move towards smaller and more competitive government.

Typically, government departments specify those aspects of a program to be evaluated but leave the methodology to the consultant. The principal benefits from this approach lie in the impartial nature of the evaluation, at least to the extent that the consultants have no vested interest in the policy/program and its continuation or change.

2. Evaluation can be carried out 'in house' by public servants familiar with the policy/program. While this approach carries the benefit of involving those who may be knowledgeable about the operation of the policy/program, it creates a potential for evaluation that is coloured by the interests of the responsible department or agency.

In each case, decisions have to be made about methodological approaches to measure the impact of the program/policy. How should the information be collected? Broadly, there are two types. First there are *quantitative* data, which can provide such information as number of program participants and costs as well as results from any surveys of program participants. However, quantitative data give only limited insight into the experiences of people participating in the program. For this reason, those involved in evaluation sometimes engage in *qualitative* data collection, which usually involves open-ended interviews with a cross-section of participants.

Evaluations and accountability

Many government policies and programs are reviewed and evaluated as part of the process of accountability. This refers to the involvement of agencies, independent of the government of the day, which rigorously examine and evaluate government performance in selected policy areas. A range of organisations are involved in this work. An ombudsman, located in each state and at Commonwealth level, investigates complaints made by the public against the conduct of government agencies. An auditor-general, responsible to Parliament, also located in each state and at Commonwealth level, reviews the activities of government departments. Senate Standing Committees and the Human Rights and Equal Opportunity Commission (HREOC) each have the power to call and examine witnesses and government documents.

Report of the National Inquiry into the Human Rights of People with Mental Illness

Source: National Inquiry into the Human Rights of People with Mental Illness (1993) *Human Rights and Mental Health*, Human Rights and Equal Opportunity Commission (HEROC), Canberra, Vol. 1, pp 386–90.

One of the functions of the HREOC is to conduct inquiries into issues dealing with the protection of human rights in Australia. In 1993 it published a 1007-page report into the human rights of the mentally ill. Among its key findings were:

- a serious failure by governments to provide sufficient resources to protect the fundamental rights of many thousands of Australians affected by mental illness or psychiatric disability;
- widespread ignorance about the nature and prevalence of mental illness in the community;
- widespread discrimination against people affected by mental illness;
- a widespread belief that few people affected by mental illness will ever recover.

These findings were based on:

- interviews with approximately 300 witnesses across Australia ranging from health specialists in hospital and private practice, officials from the various health departments, representatives from support services for the mentally ill and people representing patients;
- over 800 written submissions representing the same diversity of groups;
- visits to over 30 facilities for the mentally ill across Australia.

Of the many issues examined by the Inquiry was boarding houses:

> Many thousands of mentally ill Australians live in boarding houses. According to an Adelaide outreach team working with people in boarding houses, about 70 per cent of its client population have a psychiatric disability. The single most prevalent disability is schizophrenia. An expert witness giving evidence to the NSW hearings estimated that of the 1300 people in boarding houses in central Sydney, 70–80 percent are seriously mentally ill (the majority with schizophrenia). This is, he said, the equivalent to the average population of three psychiatric hospitals. However, these mentally ill people rarely, if ever, see a mental health worker—unless their illness escalates and they are hospitalised

during an acute episode . . . Some boarding houses are run by caring people who make a conscientious attempt to provide a decent 'home' for their residents. But the conditions in many are a national disgrace: 'The physical conditions are appalling . . . The environment is very bleak . . . There is very little heating or cooling . . . The long hallways are dark and pungent with the smell of cats'. Residents of boarding houses commonly live in shared rooms with no other space of their own. They generally have no say about who they share with . . . This lack of private space makes it impossible for residents to entertain visitors with any dignity in what is supposed to be their 'home' . . . Many people affected by mental illness live in boarding houses because they are cheap. However evidence was presented that mentally ill individuals are frequently discharged from psychiatric wards directly to a boarding house, without having any choice in the matter. One expert witness suggested the placement system is open to corruption: 'It is reported that sometimes placement officers from mental hospitals get kickbacks for placing patients in certain boarding houses'.

Questions for discussion

1. What would be the obstacles facing the relevant government department from compiling such findings?
2. How would you expect government to respond to the findings on boarding houses?

Senate Standing Committees, which collect evidence in a similar fashion, cover most areas of government policy. They, too, make wide-ranging recommendations for government to improve policy outcomes. Established in 1970, the structure of Senate Standing Committees has helped strengthen the power of the Parliament in relation to the executive. The task they perform in reviewing controversial legislation and policy fields can help expose weaknesses and limitations of government policy. However, there are clear boundaries to their effectiveness. They are thought to be less effective when tackling broad policy issues requiring substantial community consultation. Moreover, where a committee is dominated by the governing party there will always be a tendency to contain scrutiny of policy. In addition, governments are not bound by the recommendations from committees.

Implications for policy

The past decade has been a time of relentless change in the public service. Although the managerialist philosophy that has underpinned these changes is not directly related to New Right ideology, the close parallels between the two served to reinforce the view that public administration required extensive overhaul. The claim of public choice theorists that bureaucracy suffered from inefficiency and waste because it was too focused on serving its own self-interested agenda was influential in spreading acceptance of the reform movement. Naturally flowing from these ideas was the need to gain greater political control over government agencies. Over recent years, both Labor and Liberal governments have travelled a significant way down the managerialist path. However, the issue for the immediate future is the extent to which managerialist principles will restructure the remaining services operated by the public sector. Will the model developed for private prisons and labour market programs (discussed in chapter 4) become the norm in all service areas?

For several years, New Zealand has been held up as an example of public sector reform more systematically reshaped according to managerialist principles. Tackling all parts of the public sector in a strategic and consistent manner, the New Zealand reforms have been structured on a model whereby senior government officials employed on performance agreements purchase the work they are required to perform through contract with clear goals and measurement of results. Managers are rewarded for meeting performance agreements and can be sacked if results do not measure up.

> New Zealand managers, in fact, talk about their 'business' in language indistinguishable from their private counterparts . . . They market test programs . . . [and] they have ruthlessly focused on the how—the pursuit of efficiency through competition—and they have introduced far more extensive cost counting systems to make managers manage.[6]

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10

Federalism and policy

Summary

- Federalism has a significant impact on policy in Australia.
- The Commonwealth can dominate key areas of policy through its control over finances.
- Among the advantages of federalism are the opportunities it provides for a wide range of issues to reach the policy agenda.
- Elements of both cooperation and conflict between the Commonwealth and the states are manifest in the operation of federalism.
- Competition between the states for investment has grown.
- Opinion on the future direction of federalism is divided between proposals for improved cooperation and for reallocation of roles and responsibilities.

Federalism is the basis of Australian government. Our system of separate Commonwealth and state governments has a significant impact on both the process of decision-making and its outcomes. However, there is little agreement on either the effectiveness of this model or its future directions. In fact, one of the continuities of Australian politics is the public squabbling between state and Commonwealth leaders about their respective roles and responsibilities.

The impact of federalism on policy

It is beyond the scope of this book to detail the history of federal–state relations in Australia. Rather, the focus will be on how current arrangements affect policy. This will be considered under the following headings:

- the expansion of Commonwealth power;
- the Commonwealth's control over finances;
- the emergence of a wider range of issues;
- federal–state conflict;
- the interdependence of policy;
- competitive federalism;
- problems with duplication and accountability.

The expansion of Commonwealth power

Pressures on the federal government to become actively involved in developing national responses to problems has steadily increased since World War II. During the war, the states handed the federal government the sole power to levy income taxes. This was not only a potent symbol of the power of national over state government, it thereafter left the states without their major source of revenue and hence, financially dependent on the Commonwealth.

Decisions made by the High Court have been a significant factor in the growth of Commonwealth power. At the time of Federation, the Commonwealth was given only limited direct responsibilities, including defence, trade, customs, external affairs and excises. The powers not specified as belonging to the Commonwealth were defined as residual powers belonging to the states. These included health, education, law and order, transport and land use management. In proposing these arrangements the Founding Fathers envisaged a federal system in which the states would be by far the most active tier of government. They also foresaw the potential for conflict, and the Constitution provided that, where these roles and responsibilities clashed, the High Court would adjudicate. In effect, the Court became the umpire of the federal system, a role which gave it significant influence over the development of public policy in Australia.

In the early years after federation, the High Court took a narrow view of the Commonwealth's powers. Most of the early judges had been involved in the movement for Federation and were thus able to reflect the intentions of the Founding Fathers of the Constitution. This

changed in 1920 when a differently constructed Court found in favour of the Commonwealth in the engineers' case. This decision overturned the accepted interpretation of the Constitution that the Commonwealth should not be allowed to interfere in a field of policy reserved for the states. In effect, the decision paved the way for the Commonwealth to realise the full extent of its powers. This marked the beginning of the Court's broader interpretation of Commonwealth powers.

Since 1980 in particular, a succession of High Court decisions has expanded the powers of the Commonwealth at the expense of the states. In particular, the High Court has used the 'external affairs' power of the Constitution (that is, the exclusive right of the Commonwealth to engage in and uphold treaties it makes with other nations) to curtail state policy in a range of environmental and human rights areas. The most celebrated of the cases was the 1983 dams case, in which the High Court upheld the right of the Commonwealth to stop the Tasmanian government from building a dam on the Franklin River, on the basis that the proposed site was located in a **World Heritage Area** and covered by international agreement. The impact of this and other similar cases has been profound. There is now a wide range of international agreements covering a diversity of policy areas, and the Commonwealth can virtually impose its will on state governments if it can invoke a properly constituted international agreement.

Another important area where the Commonwealth has encroached on the policy responsibilities of the states has been the allocation of funding. The Commonwealth government has the power to make 'tied grants' (authorised by Section 96 of the Constitution) to the states for any purpose it sees fit. The states must spend the money for the purposes stipulated by the Commonwealth. These grants have effectively allowed the Commonwealth to substantially influence policy development in the states. The use of these grants was greatly expanded in the early 1970s by the Whitlam Labor government. As Whitlam later reflected, 'tied grants' were seen as a necessary means to achieve far-reaching national reforms in education, medical services, hospitals, sewage, transport and other urban and regional development programs:

> In virtually all these areas we set up expert independent inquiries whose reports were made public and became the basis of our legislative reforms. The extent of our concern and the scale of our

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World Heritage Area: an area designated by individual countries to be of international environmental significance and placed on a listing for protection.

grants were more than justified by the problems faced by our cities and towns. To ensure that the grants were used to meet the most pressing needs we increased greatly the percentage of tied grants from approximately 30 percent to 50 percent of the total of all grants. We did so not from any wish to dictate from the centre, but to ensure that the problems identified by expert inquiries were tackled promptly and effectively in accordance with the wishes of the electorate.[1]

Literacy grants

Source: L. Slattery, *The Australian*, 16 September 1997, p. 1.

An aggressive campaign to improve literacy in the early school years was launched yesterday by the Federal Government, tying $600 million in Commonwealth grants for the States to the reduction of illiteracy. The threat follows the release of a literacy survey that showed about a third of students in years three and five cannot read or write adequately. The survey results, branded by federal Schools Minister David Kemp a 'national disgrace' and evidence of the education system's failure, provoked angry exchanges between Dr Kemp and State education ministers. Speaking at the survey launch in Sydney, Dr Kemp said the $600 million in federal government grants—the money was formerly used for programs to help disadvantaged schools—from next year would be tied to performance in improving literacy.

'Every school will have to make its results available,' Dr Kemp said. 'The schools and the States will be required to put forward a detailed plan to inform the Commonwealth what they will be doing to ensure that students are brought up to the national standard. We simply can't go on pouring money into programs without knowing the results.' He pledged that from next year all students entering school should be literate within four years. 'If they are not, we are failing them', he said. However, the NSW and Victorian governments claim that Dr Kemp had distorted the findings in the Australian Council for Educational Research report, *Literacy Standards in Australia*, the first of its kind in 16 years. NSW Education Minister John Acquilina claimed it was 'the height of hypocrisy' for Dr Kemp to tie federal funds to the improvement in literacy. 'My question for Dr Kemp is: where is the Commonwealth money for special literacy programs? The only money is $60 million from the Carr government.' Victorian Education Minister Phil Gude said Canberra had removed $8 million in specific payments from his state over three years.

Dr Kemp used the findings of more than 8000 State and private school students to stress the link between literacy problems and socioeconomic disadvantage. 'It is now clear Australia has a serious literacy problem among its children', he said. 'The system is failing tens of thousands of children. It is feeding the unemployment queue and denying children basic skills to participate fully in society. This situation has been allowed to drift for too long. It must not be tolerated.'

Questions for discussion

1. Is the Commonwealth's stance on tied grants justified in this instance?
2. In what other areas might the same reasoning apply?

The states have forcefully opposed the growth in tied grants. Premiers representing both the major political parties have argued that:

- The Commonwealth has increased its involvement in functions which were constitutionally assigned to the states.
- Some of the grants require matching state finance, thereby further reducing the policy and budgetary choices available to state decision-makers.
- The system is wasteful because it creates overlap and duplication in administering programs.

The Commonwealth's control over finances

The most distinctive, and the most contentious, aspect of Australian federalism is the unequal financial relationships between the Commonwealth and state governments. This arrangement is referred to as vertical fiscal imbalance, which simply means that the Commonwealth raises more money than it spends while the states spend more than they raise. The approximate figures show that Commonwealth raises 70 per cent of total government revenues, spending 50 per cent of this amount, while the states raise about 30 per cent but spend about 50 per cent. Vertical fiscal imbalance is a result mainly of the combination of High Court decisions limiting state government revenue-raising and the growth of tied grants. However, the states have, over the years, acquiesced in their own financial demise. Decisions taken by individual state premiers to abolish and/or to lower taxes to gain competitive advantage over other states has depleted the revenue-raising capacity of all the states. As a consequence, the states are left with inferior

kinds of taxes. A raft of adverse consequences is attached to many of the taxes on which the states are forced to rely. Payroll tax, for example, is levied on businesses according to their number of employees and, in an era of high unemployment, acts as a disincentive to job growth. Many state premiers have complained about their inability to remove what amounts to a tax on jobs.

Gambling is one of the few growth areas for taxation available to the states. Victoria, especially, has aggressively developed this sector of its economy, which now provides 15 per cent of total government revenue. However, there have been widely recognised social and economic costs associated with such a reliance on gambling. Among these are the rise in the number of compulsive, problem gamblers, and a fall in returns to some small businesses as many people's income is soaked up by expenditure on gambling.

Gambling

From: reports in The Age, 20 July 1999, pp. 1, 7; The Australian, 23 July 1999, p. 1.

In July 1999 the Productivity Commission released its draft report into gambling which had been commissioned by the Federal Treasurer, Mr Peter Costello. It was the most far-reaching study into the gambling industry which state governments have allowed to expand rapidly, principally as a means to obtain access to the considerable taxation revenues it generates. The Commission's findings on the economics of the industry included:

- Over 80 per cent of Australians had had a bet the previous year, with 40 per cent trying their luck at least once a week.
- Australia had over 20 per cent of the world's electronic gaming machines.
- Revenues from gambling composed between 10–15 per cent of state budgets, with Victoria having the highest dependence on gambling revenues.
- The economic advantage to Australia of gambling is estimated to be between $150 million and $5 billion a year.
- The social damage of gambling costs Australia between $1 billion and $5 billion a year.

Among these social costs, the Commission found that:

- Australia had 330 000 problem gamblers, losing an average of $12 000 per year.
- About 400 problem gamblers committed suicide each year, while

others suffered from depression, marriage failure, poverty and a propensity to commit crime.

Political opinion was divided on the significance of the Commission's report. In responding to its findings Prime Minister Mr Howard said that he was 'ashamed of Australia's rapidly growing gambling industry' and intended to talk to state premiers to put a break on its growth and curb its abuses. However, Victorian Premier Mr Kennett said that the 'Federal Government can feel warm and express concern, but I think this is something that is quite rightly the responsibilities of the States'.

Questions for discussion

1. To what extent are gambling and its effects matters for federal government involvement?
2. What factors are fuelling the growth in gambling revenue?

Vertical fiscal imbalance has consequences for the manner in which public policy decision-making occurs. Up until the 1980s, it was commonplace to argue that the Commonwealth was too readily responsive to interest group pressure and to initiate policies in areas of state responsibility, because it raised more than it was directly responsible for spending. Conversely, the states were often portrayed as spendthrifts because they primarily spent money raised by the Commonwealth for which they were not directly accountable. However, since the mid-1980s, attempts by Commonwealth governments to reduce overall spending has led to declining payments to the states, with the consequence that the states have struggled to maintain an adequate level of service provision in some key areas.

The Howard government's introduction of a GST will have significant bearing on Commonwealth–state financial relations. Howard has described the GST as a historic change in relations between the Commonwealth and the states, on the basis that monies raised by it will be given back to the states which provides them with access to a growth tax. However, from the perspective of the states, the GST ties them even more firmly to monies raised at Commonwealth level.

The emergence of a wider range of issues

A federal system, through multiple governments, can accelerate the entry of issues onto the policy agenda. This has been referred to as a process of hyperreaction, in which a bandwagon effect can create very different responses to policy issues. Innovations in one state can be

subsequently built on by others, thus expanding the scope of policy. This process is a consequence of three main factors: the frequency of elections in a federal system; the multiple entry points into the political system provided for interest groups to advance their causes; and the ability of a variety of these groups to gain election to Upper Houses.

The introduction of road safety and environmental measures are examples of initiatives implemented in one state eventually being adopted nationally.

The potential for policy diversity and experimentation exists in many areas, and this is argued by defenders of our federal system to be a great strength. It is a potential that could be eliminated by a unitary system of government or crushed by an overly dominant central government.

Federal–state conflict

Conflict over roles, responsibilities and outcomes of policy is endemic in Australia's federal system. There are two principal manifestations of federal–state conflict: first, regular disagreements over the distribution of Commonwealth grants to the states, manifest in heated political attacks by state premiers on the federal government; second, frequent and protracted disputes over roles and responsibilities, most often manifest in complaints by state governments about interference from Canberra. Health funding has emerged in recent years as a major source of Commonwealth–state tension. State premiers have persistently claimed that the Commonwealth is underfunding the operation of hospital services.

However, over the past several decades conflict over environmental issues has been at the centre of disagreements over roles and responsibilities. Underpinning environmental conflicts has been the constitutional ambiguities of Australia's federal system. While the Founding Fathers regarded land management as a state matter, the Commonwealth has been able to expand its power by reference to the foreign affairs power within the Constitution.

Toyne (1994) has examined the federal tensions involved in all the major environmental disputes in Australia since the late 1970s. A brief summary of two of the examples he includes highlights the nature of the conflict.

During the mid-1980s, the federal Labor government attempted to dissuade the Queensland Coalition government from extensively logging the tropical rainforests in the far north of the state. Finally, in 1987 the federal government moved to stop logging by including the

region on its World Heritage Listing, an action which incited the Premier of Queensland, Sir Joh Bjelke-Petersen, to declare that his state was 'at war' with the federal Labor government. Conflict ensued through several unsuccessful High Court challenges to the listing decision and through a separate Queensland delegation to the World Heritage Committee to lobby against the nomination.

The Tasmanian and Commonwealth governments were also locked in conflict throughout the mid- to late 1990s over forestry in the Southern Forests. The issue in Tasmania was the refusal of the state government to stop logging in the National Estate, a register of significant historic, cultural and natural assets. However, unlike World Heritage areas, the National Estate was not covered by external treaty obligations. Finally, the federal government obtained an injunction against the Tasmanian government arguing that the National Estate should be protected from hasty or ill-conceived development. Tasmania challenged this decision in the High Court, which upheld the right of the federal government to ensure interim protection of areas before official World Heritage listing. A subsequent federal government inquiry attempted to resolve whether there were viable alternatives to forestry operations outside the disputed National Estate areas. The Tasmanian government remained hostile and uncooperative to the work of this inquiry, whose split decision created further disagreement by insisting that only 10 per cent of the Southern Forests were worthy of inclusion in the National Estate. This decision contravened nine of the eleven experts called to give evidence to the inquiry. The subsequent federal Cabinet decision on how much of the area to protect was something of a compromise between the interests of conservationists and foresters, paving the way for continued confrontation.

These and other confrontations between federal and state governments during the 1980s and early 90s reveal the problems inherent in a federal system. Among the problems highlighted by Toyne are the following:

- Federalism has led to a complex array of regulation by three levels of government, which has resulted in lack of uniformity of coverage, duplication and, in some instances, no coverage of some important areas.
- Federal governments are reluctant to interfere with the state's management of their own land resources and, when they do, they do not act consistently and decisively.
- There are differences between the major political parties on Commonwealth intervention in state affairs. The Labor Party is

more prepared to adopt a national approach, the Liberal Party less inclined.

- Perceived political advantage or disadvantage often determines whether or not federal governments will intervene to protect the environment.

The Commonwealth and the rights of children

Sources: Parliamentary Joint Standing Committee on Treaties (1998) *United Nations Convention on the Rights of the Child 17th Report*; D. Sandor, 'Child laws are state's shame', *The Australian*, 20 January 1999, p. 11.

As a signatory to the United Nation's Convention on the Rights of the Child, Australia is pledged to uphold its terms. However, there has been persistent criticisms of Australia's record in both abiding by the Convention and in generally providing for the interests of children. Problems in areas such as child abuse and neglect, paedophilia, Aboriginal children, and children who are disabled, seeking asylum, and those in trouble with the law have been widely reported. The role played by state governments in encouraging ever-more punitive laws for children in the juvenile justice system has caused particular concern among human rights advocates. The Commonwealth Parliament's Joint Standing Committee on Treaties received numerous submissions concerned about inconsistencies across the Australian states in dealing with children's issues and the lack of a strong and cohesive national approach. It was argued in a number of these submissions that child protection and juvenile justice laws should be uniform throughout Australia. Developing a national approach would enable a review of the roles and responsibilities of stakeholders, the identification of areas of overlap and duplication, the highlighting of inconsistencies between jurisdictions and the provision of a forum for discussion to develop a greater understanding of the difficulties in some jurisdictions. The Human Rights and Equal Opportunity Commission suggested that the inconsistencies in Australian legislation could be addressed by a Commonwealth, states and territories partnership which could develop national standards for the various aspects of children's services. However, the Western Australian government stated to the Joint Parliamentary Committee that to assume everything needs to be standard can be a problem. The Tasmanian Government also commented that it is important for each jurisdiction to have some flexibility to respond to local needs and circumstances.

Exercises

1. To what extent would such a national approach deny the states legislative control over children's service areas?
2. To what extent is the claim of 'local circumstances' valid and where might it apply?

The interdependence of policy

Despite the record of often bitter conflict between state and Commonwealth governments, policy formation is characterised by interdependence and cooperative activity. There is an inevitability about the need for cooperation given the powers and responsibilities of each tier of government. While the Commonwealth can use its revenue strength to dictate to the states, it is dependent on them for the administration of most public services. Moreover, there are now many areas of policy where responsibility between the two levels of government is shared, and some issues can be solved only by joint action. Thus, mechanisms for cooperation between federal and state governments have proliferated, including consultative councils, ministerial meetings and committees.

The degree of cooperation necessary in Australia's federal system encourages criticism that policy development is slow and likely only to be incremental. There is some justification to this view. Significant political obstacles do exist in the way of reaching common agreement among the various state and federal governments. Prominent among these are party political differences among the various governments, which create different understandings of problems coming onto the national agenda.

Nevertheless, there are a growing number of examples where federal–state cooperation has resulted in mutually agreed national goals in areas such as education, the environment, gun control and company law. The adoption of Commonwealth–state agreements on macroeconomic reforms and competition policy, achieved out of the formation of the Council of Australian Governments (COAG), are among the most significant examples of this federal cooperation. Formed in 1992, and comprising state premiers and senior Commonwealth government ministers, COAG became the mechanism through which the Keating government achieved competitive markets in the area of state trading enterprises (water, gas, electricity and rail transport).

Competitive federalism

In the key policy area of economic development, the states are forced to compete among themselves to attract investment and industry. Typically, this takes the form of offering tax and electricity concessions to major investors. It amounts to the use of public resources to influence the level and location of business investment. In such a game of interstate bidding wars, business is well placed to play one state off against another to achieve the maximum rate of concessions. A recent Industry Commission report found that such concessions cost taxpayers $7 billion a year.[2] In recent years, competition between the states has extended to bidding for large sporting and entertainment events. Interstate rivalry for events such as the Formula One Grand Prix, which Melbourne recently poached from Adelaide, raises the price paid for those events. The presence of two or more bidders transfers to the promoter most of the power in negotiations and, hence, the ability to obtain concessions from the public purse.

States also compete to achieve the lowest overall rate of tax charges, especially for business. In 1995, for example, the decision by the Queensland government to halve the tax on share transactions, in an effort to lure more business to the state, caused great concern to other state treasuries, which were obliged to follow its lead or lose business.

There are two views on the impact of competitive federalism. Maddox (1996) argues that interstate competition adds costs to state taxpayers in the form of higher charges for domestic power consumption, stamp duty and other indirect taxes and reduces state budgets, already under strain from Commonwealth cuts, for much-needed social services. Some economists, on the other hand, argue that competition forces the states to become much more efficient in their operations. According to Wood, for example, states are being forced 'to compete away tax bases that are inefficient, regressive, inequitable and inhibiting Australia's ability to compete internationally'.[3]

The very different policy outcomes across the states do highlight that some are struggling to meet their social service obligations, in particular. Among the findings of the 1997 Report on Government Service Provision were the following:

- The clearance time to provide services to all those on elective surgery waiting lists (assuming that services remained constant and no new patients were added to the list) ranged from 2.1 months in NSW to 6.1 months in NT.

- Expenditure per person on vocational education and training ranged from $237 in QLD to $572 in NT.
- Expenditure per secondary school pupil ranged from $5648 in QLD to $9900 in NT.
- The proportion of people on public housing waiting lists for five years or more ranged from under 1 per cent in QLD to 24 per cent in SA.[4]

Differences in policy outcomes between the states have been measured by the Evatt Foundation, a public sector think tank (Table 10.1).

Table 10.1 Social policy performance

Services	*NSW*	*WA*	*SA*	*VIC*	*TAS*	*QLD*
Health	1.02	1.11	0.91	1.01	1.00	0.91
Education	1.01	0.96	1.04	0.96	0.94	1.01
Welfare	1.00	1.12	1.04	1.19	1.01	0.64
Safety and emergency	1.57	0.45	1.05	0.45	0.52	0.85
Transport	1.29	0.86	1.10	0.52	0.97	1.20

>1.00 = average performance; <1.00 = below average performance.
Source: Evatt Foundation (1998) *The State of the States 1998*, UNSW Public Sector Research Centre, Sydney, pp 7–12.

Australian federalism has always operated on the basis of horizontal equalisation, which simply means that people living in smaller, less wealthy states will not be disadvantaged in their access to government services. These states are compensated by additional grants from the Commonwealth.

Problems with duplication and accountability

The greater the number of government agencies involved in any policy area, the greater the difficulty in distinguishing the jurisdiction of one government from another. As the Commonwealth has taken a more active interest in many of the areas traditionally the responsibility of the states over the past several decades, the duplication has grown. It can be found in many areas of government. Health is a prime example. 'Australia has one of the most complex health systems in the world', writes Latham:

> The Federal Government alone has established 60 separate health programs, each with its own statutory base, eligibility rules and funding arrangements. The States and Territories have layered onto this structure their own programs and initiatives, thereby producing a myriad of uncoordinated and unfunded health outlays.[5]

Housing is another area characterised by a blurring of accountability. The first Commonwealth–State Housing Agreement was signed in 1945 in response to a housing shortage after World War II. It formalised the joint responsibility for providing public housing based on Commonwealth funding and state delivery. It was designed to ensure that every person had access to secure, adequate and appropriate housing at a price within his or her capacity to pay. Although many changes have occurred to the scheme over the decades, assistance has been delivered primarily in two forms: first, the development of public housing stock for rent by low-income groups; second, schemes to help people buy their own homes and subsidies to those renting in the private market. However, the involvement of both state and Commonwealth governments has attracted criticism. The Industry Commission, for example, argued that Commonwealth funding, mostly through untied grants, had left state agencies with 'a great deal of latitude in how they formulate and manage their programs', with the Commonwealth acting as 'a partner with joint responsibility but with little real control over the effectiveness and efficiency of programs'. Moreover, the Commission argued that the arrangement was wasteful. The shared responsibility reduced the incentive to provide services at the least cost: 'state governments do not receive any financial benefit from cost savings because they must match Commonwealth payments. Indeed, funding on the condition that monies must be spent may provide a perverse incentive'.[6]

Such overlapping responsibilities can not only blur the responsibility for policy outcomes, it can lead to outright evasion in some areas, as the example below illustrates.

Emergency services

Source: J. Yates (1997) 'Federalism and disaster mitigation in remote Aboriginal communities in Western Australia', *Australian Journal of Emergency Management*, 12(3).

Since the Federal Government assumed constitutional responsibilities in Aboriginal Affairs, there has been a disengagement of mainstream State and local government agencies from the development and management of remote Aboriginal and Torres Strait Islander communities. Oombulgurri, an Aboriginal community of some 370 people north west of Wyndham in Western Australia, is one such remote community to have suffered from federal buck passing of responsibilities. Established as a self-managed community in 1972, its location makes it vulnerable to a number of natural hazards including cyclones and flooding. No government agency

had taken responsibility for planning for emergencies in this community and when, in 1997, the community was extensively flooded with little warning, it was not prepared to cope with the impact. Almost everybody had to be airlifted out and the damage was so severe that an early return was not possible.

Despite Oombulgurri having a known history of flooding, there had been no consultation with the responsible State government agencies to prevent floods from having a significant impact. There are, for example, a range of strategies that can be employed to limit the impact of a flood, including avoidance, building above the flood line, levee banks, floodproofing, warning systems and response plans. Good disaster mitigation in Oombulgurri would have identified that the community was not well located and that some or all of the above strategies should have been implemented.

According to Yates,

> Since responsibility for disaster mitigation lies largely with State and local governments, they should have been involved in the establishment and development of Oombulgurri to ensure that appropriate flood mitigation strategies were in place. This did not occur for two reasons. The first reason is the disengagement of State and local governments from responsibility for remote Aboriginal communities . . . This is a direct consequence of federalism where avoidance and transfer of responsibilities is common. The second is the lack of interaction between the Aboriginal affairs and disaster mitigation communities—they do not yet have the habit of consultation and liaison . . . As a result, the development of disaster mitigation strategies for Aboriginal communities is retarded because the field crosses two quite separate policy communities.

Question for discussion

1. Who should have responsibility for disaster management in remote Aboriginal communities, and why?

Implications for policy

For more than 20 years proposals have been advanced for the reform of federalism. Labor Prime Minister Gough Whitlam did much to stimulate this debate when, in the early 1970s, he called for the

abolition of the states and their replacement with regional governments. Yet the vast majority of Australians do not support this position.

In any consideration for reform of federalism in Australia, four broad alternatives are possible:

1. working to achieve a greater level of cooperation between state and Commonwealth governments in the areas of shared responsibilities;
2. working to achieve a greater degree of centralisation via tied grants and limiting the revenue-raising options available to the states;
3. reallocating roles and responsibilities between state and Commonwealth governments to avoid duplication;
4. reforming Commonwealth–state financial arrangements to provide greater autonomy for the states. (Points 3 and 4 are complementary.)

While over recent years Australia has moved towards a more cooperative model of federalism, Australian Prime Ministers have been reluctant to cede too much of their authority to the states. A strong, Commonwealth-dominated federation is defended on at least two grounds. First, strong national policies are seen as the most effective way of dealing with economic and political globalisation. Second, it is only through Commonwealth political leadership that the ideal of national policies, based on equitable access to services and economic opportunities, can be achieved.

Legal Aid

Source: Senate Legal and Constitutional References Committee (1997) *Inquiry into the Legal Aid System, Second Report,* Senate Printing Unit, Canberra, pp. 20–1.

In its 1996–97 budget, the Howard government announced a significant reduction in Commonwealth spending on legal aid, which provides funds for legal representation to people on low incomes. The government's decision was justified on the basis that provision of legal aid should be a states' issue, however it caused widespread concern in the community, especially as the states argued that they were unable to pick up the shortfall. The Senate Committee inquiring into the issue heard evidence about the roles and responsibilities of governments in this area. One point of view put to the Committee suggested that the Commonwealth government, having power to levy income taxes, has the primary responsibility for funding legal aid. The Australian Council of Social Service argued that the Commonwealth has this responsibility not only because it has the power to raise taxes, but also because it has 'special

responsibility for Commonwealth persons' and for ensuring that there is consistent national access to essential social and public services, and responsibility for ensuring compliance with key international treaties governing human rights. The Committee was also told that, although there is no national legislation enshrining a right to legal aid for indigent Australians, responsibility has been assumed by the Commonwealth and the state and territory governments.

> The *Dietrich* decision of the High Court has determined that some defendants are entitled to representation provided by the state . . . The National Association of Community Legal Centres considers that 'democratic governments are responsible for the provision of a fair and effective application of the law and the efficient administration of the legal system. The Association, along with many other witnesses, believes that for access to justice to be facilitated lack of funds or lack of information must not be barriers . . . [In addition to specific grants to the States for legal aid], the Commonwealth also provides untied general revenue grants to the states and territories for the administration of justice. The Commonwealth has no right to dictate to the States how they should administer these funds. However, the states do have the capacity themselves to determine priorities, and it is this right which has seen them tend to neglect legal aid provision in favour of law and order activities such as policing.

Exercise

How should the impasse between the Commonwealth and the states on this matter be resolved?

Defenders of revitalising the role and responsibilities of the states argue the claim that good government means having smaller government closer to the people. State governments form important links to the community. State politicians enjoy greater contact with people and their problems, and are thus in a better position to develop effective policy. Moreover, in a country as large and diverse as Australia, a fully centralised government could not respond positively to the diversity of social and economic needs.

There is no ultimate means to resolve the dilemmas involved in Australian federalism. Any moves to rationalise roles and responsibilities between the two tiers of government run into the difficult problem of deciding which areas would best be handled exclusively by the states and which best handled by the Commonwealth. Is there a strong case,

for example, for the Commonwealth government to take over from the states responsibility for the environment? Conversely, should the Commonwealth vacate such policy fields as housing to the states? Currently, there seems little political commitment at either state or Commonwealth level to fully reform the federal system. Even if a rationalisation of roles and responsibilities were possible, it is unlikely to resolve problems of duplication. As Painter (1998) has argued: 'it is logically and practically impossible to enumerate powers, functions or responsibilities in such a way that the result is watertight boundaries'.

Compounding the problem of reform of federalism has been the reluctance of the states to take on additional taxing powers for fear of voter backlash. Over recent years state leaders have limited their push for financial reform of federalism to achieving high, and more predictable, levels of Commonwealth grants. It has suited state politicians to blame Canberra for any shortcomings in their policy agendas. The Commonwealth, on the other hand, is reluctant to diminish its national authority. Not surprisingly, the concept of cooperative federalism is seen differently by the states and the Commonwealth. As Painter (1998) has observed:

> this language mobilised contradictionary agendas. The states saw the problem of duplication in terms of repelling Commonwealth invasions of their jurisdiction, while the Commonwealth saw the problem in terms of a need for the states to submerge parochial concerns and agree to national standards.

In those instances where the interests of both sides converged, some innovative experiments have been achieved.

On the sidelines of this debate are the Australian people who, according to Gerritsen, 'seem perversely content with the overlap and duplication in the system—probably because it allows ''**forum shopping**'''.[7] Federalism remains a policy muddle.

Further reading

Gerritsen R (1997) 'Some progress was made: intergovernmental relations in the second Keating government', in G Singleton (ed.), *The Second Keating Government*, Centre for Research in Public Sector Management, University of Canberra.

Forum shopping: individuals and groups approaching different levels of government to advance their interests.

Maddox G (1996) *Australian Democracy in Theory and Practice*, 3rd edn, Longman, Melbourne.

Marsh I (ed.) (1993) *Governing in the 1990s: An Agenda for the Decade,* Longman, Melbourne.

Painter M (1998) *Collaborative Federalism: Economic Reform in Australia in the 1990s,* Cambridge University Press, Melbourne.

Toyne P (1994) *The Reluctant Nation: Environment, Law and Politics in Australia*, ABC Books, Sydney.

Wood M, Williams C and Sharman C (1989) *Governing Federations: Constitution, Politics and Resources*, Hale & Iremonger, Sydney.

11

Evaluating the policy agenda

Summary

- The impact of the New Right agenda presents a very mixed picture.
- While economic growth has continued, it has been at the expense of social equality.
- Unemployment remains high and people in work are working longer hours.
- There are concerns that competition is undermining community cohesiveness.

In the past 15 years, Australian society has been fundamentally reshaped by the impact of public policy decisions engineered by the combined force of New Right ideas and globalisation. But have these been appropriate policy choices? Have they improved the Australian economy and benefited its people? These are important questions. If public policy represents the choices made by government, these choices need to be subjected to sustained examination and evaluation.

The core changes to public policy since the early 1980s represent the intellectual victory of the marketplace. Yet the transfer of more duties from government to the market have led to new questions about the ability of markets to deliver economic growth, employment, higher standards of living, and enhanced social wellbeing. The evidence presents a mixed picture.

The economy

From the outset, the New Right agenda was promoted as the only means to revive a flagging economy. More than a decade later, opinion remains divided over its impact. One school of thought argues that the dictates imposed on national economies by the forces of globalisation and competition are an overall benefit to an economy. Makin points out that 'financial globalisation actually tends to improve, rather than worsen, a nation's overall economic welfare and that having an internationally integrated economy provides safeguards against irresponsible growth and **inflationary policies**'.[1] This is the argument that the market does, after all, know best. To support his case, Makin highlights that Australia's average annual economic growth rates since the commencement of the internationalisation of the economy in 1983 have been half a percentage point higher than they were on average during the last decade of the regulated era. Respected economist Peter Dawkins agrees, arguing that the major strides to reform the Australian economy have improved productivity and internationalisation:

> We moved in time to avoid disaster. Reforms have allowed a freer flowing of goods, capital and technology and skilled immigrant labour into Australia. This has enhanced the economic health of Australia in an increasingly globalised economy. Microeconomic reform has helped Australian industry and exports to develop and grow more than would otherwise have been possible. Even some of our manufacturing and service industries have become leaders in niche markets.[2]

Nevertheless, critics argue that, despite the return to growth rates of between 3–4 per cent, some of the long-standing underlying problems of the Australian economy remain and the actual benefits have been few. Bell gives an overview, the thrust of which remains relevant:

- Profits have been rebuilt at the expense of wage levels and rising economic inequality.
- The expected pay-off in terms of higher investment has not materialised. Overall, private sector investment levels have deteriorated while there has been an even more drastic fall-off in public sector investment.

Inflationary policies: policies based on a rise in government expenditure, which creates too much demand in the economy and, hence, a rise in the price of goods.

- On the trade front, rapid export growth of manufacturers since the late 1980s has been outweighed by a wider pattern of lacklustre trade performance, particularly in terms of the high level of imports flooding into Australia.
- After more than a decade of 'restructuring' aimed at reducing the nation's dependence on low value-added exports, overall trade performance has slipped to a point where Australia is more dependent on commodities and low value-added exports than it was at the start of the exercise.[3]

In comparative international terms, Australia's trade performance has been less than impressive. Australia's trade has been growing more slowly than world trade in general, mainly because significant overseas markets have not been found for manufactured products, which are the fastest-growing component of world trade. While this fact may not be held as an argument against the direction taken by economic restructuring, it does suggest that the challenges of internationalising the economy may be greater than indicated in the New Right's reliance on competition and market forces.

A key to economic growth, as mentioned by Bell, is the level of investment in the economy—that is, the level of spending by business in the form of plant and equipment. A review of investment patterns by Dundas (1998) confirms that investment patterns are less than encouraging. While acknowledging the conditions for investment (falling interest rates, steady growth rates, low inflation and contained wage rises) are excellent, Dundas argues that unemployment and job insecurity are an important part of the patchy investment picture. High levels of unemployment, combined with **business downsizing**, have produced fears about job security:

> With so many rapid changes taking place in the workforce and in the nature of work, there is a reluctance by employees to undertake large financial commitments. This lack of commitment adversely impacts on the stock levels of business and hence their willingness to invest.[4]

This is an important point in the debate about the impact of economic restructuring on Australia. As Dundas suggests, part of the restructuring agenda which has called for a shift from wages to profits may have been self-defeating, with growing numbers of people lacking sufficient income to spend and stimulate further demand.

Business downsizing: the efforts by business to reduce costs by cutting staff levels.

Moreover, not all analysts agree that deregulation and privatisation have realised their expected economic benefits. Recent studies by Quiggin (1996) reveal the following:

- The savings governments make from paying off debt from the sale of privatised assets, such as the Commonwealth Bank, are insufficient to offset the loss to the public sector of the earnings of the enterprise concerned.
- Deregulation in telecommunications has led to uneconomical duplication of infrastructure, which could be supplied at around half the cost by a single provider.
- There is no evidence of dynamic efficiency gains from airline deregulation because Australia's dispersed population and small distances make the airline industry a natural duopoly.

Thus there is resistance to further privatisation. Australia Post is being held up as an example of an effective public sector organisation which, through public ownership, is able to meet community service obligations while maintaining competitiveness. In 1990 Australia Post embarked on a process of corporatisation which unleashed a reform process. While it has faced competition in some delivery areas, it has maintained, through government regulation, a monopoly over standard letters. A recent analysis of its performance has shown the following:

- It has improved delivery times, productivity and financial returns to government, putting it in the top rank of Australian companies.
- It has kept the price of an ordinary stamp fixed since 1992 and promised not to lift it until at least 2002. Bulk mail prices have fallen more than 12 per cent in real terms since 1992.
- Productivity has improved at double the national average even though the workforce is more than 80 per cent unionised.
- Surveys show a steady improvement in the level of customer satisfaction.

In all, Australia has one of the best postal services in the world—certainly one of the cheapest.[5]

The labour market

The expected benefits of economic restructuring to meet global competition have brought mixed benefits to ordinary workers. While there has been a sustained growth in employment during the 1990s (in

1991–95 it grew by 7.7 per cent), a large component of this has not been in full-time, secure or well-paid jobs. The fastest-growing industries have been cultural and recreational services, property and business services, accommodation, cafés and restaurants, all heavily reliant on part-time workers. A study undertaken by the Australian Centre for Industrial Relations Research and Training outlines the significant changes that have transformed the workplace and how many have carried the costs of this change:

- Excessive work hours are becoming commonplace, with the proportion of full-time workers performing more than 49 hours a week doubling during the past two decades. Excessive work hours are common to all occupational categories, including managers, professionals and blue-collar workers. (A separate survey of 1000 workers conducted by the human resource management firm Morgan and Banks found that 'all employees were working at least an hour more than they did two years ago, with 74 per cent putting in between five and 10 extra hours. A majority, 87 per cent, of those surveyed said they received no additional pay for the extra hours'.)[6]
- Work intensity is growing, with 58 per cent of workers reporting an increase in work effort, 49 per cent an increase in stress on the job and 48 per cent an increase in the pace of work.
- Work stress is contributing to ill-health, with the number of workers' compensation claims for stress-related conditions doubling between 1990 and 1994.
- Precarious forms of employment such as contract and casual work are dominating jobs growth. The number of workers hired out by temporary labour agencies doubled in 1990–95, while the number of companies using temporary employment agencies grew by one-third over the same period.
- Workers employed on a casual basis grew from 17 per cent 10 years ago to 24 per cent in 1995, one of the highest rates in the industrialised world.[7]

Not surprisingly, anxiety about work insecurity has been growing rapidly. A 1998 study undertaken by the Melbourne Institute of Economic and Social Research showed that almost half the surveyed workers felt insecure in their jobs, with only 17 per cent answering 'definitely'. The survey also found that many workers prefer stable jobs over better-paid but less secure ones.[8] The health effects of changes to the labour market are emerging as a policy issue. The Western Australian Chamber of Commerce, for example, recently criticised

doctors for 'dishing out medical certificates for stress complaints like confetti'. However, the WA Chairman of the Royal Australian College of General Practitioners defended the action of doctors by explaining they were 'seeing more patients with stress-related disorders since the onset of economic rationalism, downsizing and changes to the Workers' Compensation Act'.[9] The full impact on workers of economic restructuring is difficult to measure, and clear patterns may not be known for some time.

Entrenched unemployment also has a causal link to the policies of economic restructuring. Stuck at around 7 per cent of the workforce, unemployment has seemingly become an intractable feature of the modern, competitive economy marked by declining public sector employment. Of particular concern is the number of long-term unemployed—those who have been out of work for more than 12 months. Constituting more than 30 per cent of all unemployed people, the numbers in this category have been rising. More disturbing still are the 1998 Australian Bureau of Statistic's figures, showing that the number of Australians out of work for more than two years has also grown significantly: from 13 400 to 144 500 over the past ten years. This rise confirms concern that those in this latter category are unlikely ever to get another job. Included in the category are many mature-age blue-collar workers already disadvantaged by lack of education and training.

For many commentators, unemployment remains Australia's most destructive economic and social problem. There are significant costs both to the individual and to society from entrenched unemployment. For the individual, loss of income is only the beginning. Non-monetary costs such as loss of self-esteem, stress and consequent ill-health have been widely documented. In turn, governments carry the direct costs of this ill-health. There are also less easily costed but still tangible social ramifications in the form of family breakdown, crime and loss of community cohesion.

Social equality

Australia's reputation as a reasonably fair and equal society has been significantly undermined by the impact of New Right ideas and globalisation. At the heart of this agenda has been a trade-off between economic efficiency and social equity, the consequences of which have become serious policy issues. Critics of economic rationalism have

repeatedly warned about the social consequences of the overreliance on the free market approach. Many argue that it has led to widespread social breakdown and pervasive human misery engendered by mass unemployment, insecurity and, for many, a sense of hopelessness about the future. Considerable data exist confirming the social misery afflicting parts of Australia's cities and its country towns. There is little doubt that a decade of economic rationalism and the pursuit of globalisation has been accompanied by a more unequal society.

This growth in inequality should surprise no-one: markets reward people unequally. Orthodox economic theory does not claim that markets, even if perfectly competitive, will produce equity, social justice or environmental justice. These trends towards greater inequality are not only an outcome of 'market failure', they are the product of the set of ideas about government that accompanied this transition: that is, governments should spend less, taxation should be lower, and people should display greater individual responsibility. Some argue that privatisation of government assets, through flotations on the stock market, contribute to the growth in inequality. As Wettenhall and others (1998) point out, the sale of government businesses such as the Commonwealth Bank and Telstra merely increases share-ownership for a relatively small segment of the population, widening the gap between rich and poor and opening the door to greater foreign investment: 'Within a relatively short time after public flotation, many individual investors and small investors sell out to large investors, and institutional ownership rises accordingly'. In the meantime, 'the Australian people as a whole lose what they once owned through their own hard work and diligence'.[10] The nature of this inequality can be shown in various ways, and particularly in the growth in wealth among the rich.

Not surprisingly, there has been a rise in the number of millionaires: from about 25 000 in the mid-1980s to nearly 72 000 by the mid-1990s.[11] The mega-rich, in particular, have benefited substantially during the 1980s and 90s. A 1998 study by the Australian Centre for Industrial Relations and Training shows that the richest 10 Australians increased their wealth fivefold in real terms during the 1980s, and the richest 100 increased their wealth threefold. Media magnate Kerry Packer, for example, increased his wealth from $100 million in 1983 to $2700 million by 1992. Globalisation, in particular, has benefited the chief executive officers of Australia's top companies, many of whom now command annual salaries and bonuses in the millions of dollars. This level of remuneration is based on the claim that, to be

internationally competitive, companies must pay large salaries to attract the best managers from around the world. At the same time, the number of those living below the poverty line has grown. The first systematic national study of poverty since the Henderson Report in 1975 found growth of the number of people in this category of 5 per cent. The Report's co-author, Dr John Nieuwenhuysen, explained the significance of the findings: 'Whatever means poverty is measured on, and whichever segment of the population the line of inquiry took, the level, spread and severity of poverty has deteriorated since the Henderson Report'.[12]

The growing disparity between rich and poor in Australia is resulting in a deepening social divide. The wealthy elite are increasingly concentrated in a few prestigious suburbs of major cities, where house prices are booming. The less well-off are concentrated in the marginalised outer suburbs and regional towns. A recent study found growing income disparity between rich and poor neighbourhoods over the past several decades. In 1976, the average income of people in the bottom 5 per cent of neighbourhoods was 60 per cent that of people in the top 5 per cent of neighbourhoods. Fifteen years later, those at the bottom earned less than 40 per cent of the income of those at the top.[13] Disadvantage is not only concentrated in particular suburbs of our major cities, it is intensifying in certain regions within the nation.

Unemployment is part of the explanation for this growing gap but so are falling wages for those in low-paid jobs. These are the working poor—people existing on low wages which the increasingly deregulated industrial relations system has forced on a number of workers in unskilled industries. Many have gone from being poor and unemployed to poor and at work. Nearly half a million adult workers fall into this category, more than double the number in the early 1980s. Low hourly rates of pay and too few hours of work have contributed to the rise in the working poor. Throughout Labor's period in office, real wages were held down as part of a policy to increase the profits returning to large corporations. In theory, this policy would encourage investment and further employment, but many companies simply took the option to seek quick profits through property and asset speculation.

The economic position of the most disadvantaged in the community—those surviving on Commonwealth government social security benefits—has stayed roughly static. The increased level of government payments, especially rises in family payments, has helped stabilise levels of inequality. Thus, while the poor may not have got much poorer, they have certainly become more numerous. In 1994, one in every

nine Australians was living in poverty. This translates to 1.8 million people, including 630 000 children. The figure rises to one in three if the 20 per cent living just above the poverty line—within 20 per cent—are included. Concern has been expressed for the poor quality of life endured by these groups. The Australian Council for Social Services has claimed that:

> The two million Australian who live on or below the poverty line do not have enough money for social and economic participation consistent with the community standard. In addition, the households with incomes described as being 120 per cent of the Poverty Line and living in 'relative poverty' clearly also struggle on inadequate incomes.'[14]

Growing inequality over the past decade is also manifest in the growth of an underclass. This is a group of people whose living standard is below that of the lowest-paid unskilled workers—mostly long-term welfare recipients. While it should be recognised that Australia has maintained a social security system for those at the bottom, it is widely recognised as being inadequate to maintain minimum living standards. The opportunities facing children living in these families is often a bleak one.

These limited opportunities are reflected in the experience of school. Studies in several states show that students in lower socio-economic suburbs record significantly lower average examination scores in year 12 than students from more affluent suburbs, and fewer of the former go on to study at university. The reasons for this poorer performance are linked to their social environment. Lower incomes translate into fewer resources for extracurricular activities, reduced school fund-raising ventures for additional materials, lack of space at home for study and diminished family support for children because of financial pressures.

Reviewing the data on income distribution in Australia since the mid-1970s, Saunders highlights two major points: first, the inequality in incomes which have developed in Australia are large by international standards; second, the genesis of this inequality lies in the policies of economic rationalism with its focus on improving efficiency and growth. Irrespective of the success of these policies: 'One thing which is apparent is that the more deregulated the economy becomes, the more inequality it will generate. This rise in inequality is not only morally questionable, it has undesirable economic effects.'[15] To this analysis must be added the effects of globalisation. As already noted,

international competitiveness has become the primary goal of business, resulting, Stilwell argues:

> in strong pressures to reduce costs of production, especially labour costs. For Australia, whose nearest neighbours are low wage nations like Indonesia and the Philippines, seeking 'international competitiveness' through wage reductions is an awesome prospect. Meanwhile, it seems that there are pressures to raise executive salaries to compete in the international market for business managers, competing not with Indonesia or the Philippines but with New York and Tokyo! Growing inequality between incomes of workers and managers is a predictable outcome.[16]

Community wellbeing

For all these reasons, some commentators have tried to argue that advanced, competitive capitalism may be boosting prosperity but at the expense of wellbeing. Wellbeing itself is not easily defined, although its absence is more often recognisable in various forms of social dysfunction. Cox argues that our sense of wellbeing 'must be in the linkages, in the bonds we have within families, amongst friends, workmates, neighbours, communities, and the broader social system'.[17] Cox and others refer to these relationships as social capital, as a means to highlight its importance alongside financial capital and as a vital component of well-functioning communities.

The degree of wellbeing, or social capital, is also difficult to measure. How do we know whether we are more or less contented with our lives than people, say, in the 1950s? But this has not stopped some commentators from arguing that some sort of relationship exists between modern capitalist society and the growth of unhappiness. James argues that a great many people in developed countries are unhappier now than 50 years ago in spite of greatly increased prosperity. The rate of unhappiness is manifest in skyrocketing levels of depression, voilent aggression, compulsive disorders, and drug and alcohol abuse: 'The fact is, there is no correlation between the wealth of a country and the likelihood that its citizens will say they are happy with their lives. The wealthiest (those in the United States) are by no means the happiest, and some of the poorest (the Irish) are the most contented.'[18]

Typically, politicians have looked to the GDP as the main indicator of community wellbeing. The GDP measures economic growth—that

is, the rise and fall in the total amount of goods and services produced by the economy. It has long been the assumption that healthy economic growth (usually 3 per cent or more) flows into a sense of community wellbeing due to rises in rates of employment and/or wages. However, the relevance of the GDP as a measure of community wellbeing has been criticised for its narrow focus. According to work carried out by Hamilton (1997), the GDP is a faulty measure for recording national wellbeing, mainly because it does not factor in the adverse consequences of growth. Hamilton has devised an alternative measure of national wellbeing—the 'Genuine Progress Indicator' (GPI). Its advantages in recording national wellbeing include its capacity to:

- capture the value of output not recorded in the market, such as household work and voluntary community work;
- adjust for economic inequality;
- take account of some of the social costs of the growth process, including the costs of unemployment and crime;
- include a range of measures of environmental degradation.

The picture of wellbeing drawn by the GPI is radically different from the more restricted focus of the GDP. The latter assumes that, through economic growth, Australians have steadily become better off. Using the broader accounting framework of the GPI, national wellbeing has actually declined. Hamilton argues that for the past two decades the benefits to society of economic growth have been wholly offset by the costs. Among these costs are: unsustainable levels of foreign debt; the growing costs of unemployment and overwork; the combined impact of a number of environmental problems; the escalating costs of energy resource depletion and greenhouse gas emissions; and a failure to maintain investment in the national capital stock.[19]

Such criticisms have raised a central philosophical issue about the overreliance on free markets and the needs of the wider community. To what extent have the spread of New Right ideas and globalisation left competitive self-interest as the dominant form of relationships between people? Is self-interested individualism now lauded before community? McCoy has argued:

> The pitting of one person against another person for the sake of individual self-gain may be 'dynamic' but at the same time it is anti-social and a serious barrier to national integration and social harmony. When competition ceases to serve the social purpose—by strengthening social cohesion and promoting development—it destroys the basis of stability and cooperation upon which modern complex economic production depends.[20]

It is difficult to assess the extent to which these criticisms now apply. How do we know, for example, when there is too much competition or when its costs in cohesion outweigh its benefits in increased efficiency? Argy (1998) refers to the equity/efficiency trade-off. The striving to make the economy more efficient, because it is good economic policy, is an inadequate policy goal if the rises in inequality seriously erode the sense of community so essential to a healthy democracy. There are some signs that the equity/efficiency trade-off may have become unbalanced. In the area of compulsory competitive tendering in community services, for example, experience is beginning to highlight problems with the application of competition in areas that are not natural markets.

- The quality of services can decline due to the pressure placed on organisations to compete for services at the lowest cost. While this approach saves government money, it means organisations have to 'cut corners' in the services they provide to clients.
- The goal of competition often conflicts with the goal of continuity of care, which can be important in mental health care and child care, among others.
- The needs of the most disadvantaged in the community can be overlooked because they are too costly to service. With limited funds and increased accountability to government for their outcomes, community service organisations can be forced into a process of 'creaming'—focusing services on those most easily served.
- The process of compulsory competitive tendering is leading to greater control by government in deciding which services should operate. Governments may not always have the community networks to identify areas of unmet need.
- Cooperation between community-based agencies, essential for sharing scarce resources and servicing clients' broader needs, can be undermined by the competitive ethos. In competition with each other, agencies are reluctant to give away their competitive edge to one another.

Concerns about broader issues involved in the equity/efficiency trade-off were raised in the Senate Select Committee's Report on the socio-economic consequences of competition policy. While evidence to the Committee highlighted some of the beneficial effects of competition—improved efficiency, productivity increases and higher morale—there was also contrary evidence about 'poor administration of contracting processes, amalgamation of work to the detriment of local suppliers, contract determination on the basis of price alone,

acceptance of unsustainably low or aggressive prices. Small towns or companies were particularly affected with the loss of human capital and reduced economic activity'.[21]

The privatisation of essential services such as electricity, telecommunications, transportation and banking are seen by some to conflict with broader community needs. Essential services were originally placed in public ownership so that they could, in part, fulfil community service obligations. This ensured equitable access to services. Under public ownership, all consumers have equal access to services through a process of cross-subsidisation. Those living in remote regions are funded from the profitable parts of the enterprise. Equitable access is threatened by private owners adopting an exclusively financial focus.

The privatisation of prisons provides a case in point about broader government obligations to the community. Australia is privatising its prisons more rapidly than any other country. While government prisons have a long history of shortcomings, the privatisation of prisons—allowing private companies to run prisons for profit—raises a number of concerns. Specifically, the desire for profit may conflict with the commitment of companies to providing rehabilitation, such as education and sex-offender treatment programs. The pressure placed on a private prison to cut costs in an effort to maximise profit could well have serious implications for rehabilitation and, in the longer term, community safety.

These examples appear to be part of a broader concern about the fraying of moral and social values in large sections of the community. A review by Eckersley of recent data dealing with Australian social values found that, in contrast with a decade or two ago, of greatest concern in the 1990s were topics embracing moral, ethical and economic issues in the community. Moreover, this concern went to the heart of what Eckersley defined as 'the greatest challenge of our times: how to create a society that provides a high, equitable and sustainable quality of life, instead of making us merely materially richer'. In other words, the fixation of policy-makers on economic growth has not produced the quality of life many people are seeking primarily because important issues of values have been sidelined. Studies cited by Eckersely (1999) appear to indicate that, while many people appreciate that consumerism has made their lives easier, this has been accompanied by concern about the loss of a sense of community in people's lives and a distrust of the reliance on the free market. As Eckersley explains: 'we know that an increasingly unequal society is a more unhealthy society. Promoting an ever widening income inequality may be economically legitimate, but it

is morally wrong'. However, these deeper concerns about values are not part of the political debate on policy: they are largely ignored by politicians still committed to the pursuit of economics as the only choice about society.[22]

In sum, the New Right/globalisation policy framework presents a mixed picture. There is little doubt about the scope of its impact. Australia has become a nation in transition. Most obviously, it has shifted from a mixed economy, underpinned by considerable government intervention, to a more open economy with a diminished direct role for government. As such, it is conforming much more to the model presented by American capitalism, characterised by self-interested individualism, national competitiveness, the fostering of entrepreneurial spirit, and an international focus. Combined with the impact of new technology, such a model is creating more jobs and expanded opportunities for wealth creation. For many, it is underpinning a higher standard of living though the provision of material goods in range, price and quality unthought-of just a few decades ago. However, this form of modern capitalism comes with profound social impact. It exacerbates social fragmentation as wealth becomes more unevenly distributed. Such fragmentation is producing new social divisions. This has been manifest in heightened racial tensions, feelings of social envy towards those perceived to be in receipt of increasingly scarce government resources, and in the widespread incidence of property crimes and drug abuse.

Thus, views about the perceived benefits of economic rationalism/globalisation have become polarised. Those whose major preoccupation is economic efficiency are likely to appreciate the heightened competitive forces that have created new opportunities in the Australian economy in an era of unstoppable globalisation, while those who worry about the social impact of such competition are likely to be among its critics. Finding common ground among these differing agendas is perhaps one of the emerging policy challenges.

Implications for policy

The inequalities and social fragmentation widely associated with the onset of globalisation and the Market Model of government have led to growing interest in conceptualising alternative frameworks for governing. Notable among these attempts have been advocates of a so-called 'Third Way'. This has seen the application of traditional social

democratic thought to the new realities of global capitalism. Both the President of the USA, Bill Clinton, and Prime Minister of Great Britain, Tony Blair, are seen to express key policy ideas associated with the Third Way approach. While some critics have decried the absence of a formal statement of principles in this approach and wondered about its credibility as a political philosophy, several respected international figures have attempted to provide substance to the enterprise of reshaping capitalism in a post-communist 21st century.

Robert Reich, a professor of economics and former member of President Clinton's Cabinet, has argued that a key component of the Third Way is a new focus on lifting up the economic losers from globalisation and economic rationalism:

> Importantly, it is a moral precept as well as a policy idea: work is the core responsibility. If people are willing to work hard, they should have a job that pays enough for them to live on. In order to qualify for such a job, they should have access to adequate job skills. If that's not enough, their wages should be subsidised.[23]

A more extensive attempt to give policy flesh to the idea of a Third Way has recently been developed by Anthony Giddens (1998), director of the London School of Economics and Political Science. He argues that government 'has an essential role to play in investing in the human resources and infrastructure needed to develop an entrepreneurial culture'. He conceptualises this role as creation of a 'new mixed economy': 'a synergy between public and private sectors, utilizing the dynamism of markets but with the public interest in mind'. Central to Giddens' ideas about a Third Way is the need to rethink the nature of equality and inequality and the role of government in tackling both. He argues that people need protection when things go wrong, but they also need the material and moral capabilities to move through major transition periods in their lives. While the traditional concerns of social democrats to secure the redistribution of wealth should not disappear from the policy agenda, there must be more emphasis on the 'redistribution of possibilities'—that is, cultivating human potential.

Active attempts to develop a policy framework around Third Way principles have been made by a number of Australians, including academic writers on policy and prominent federal Labor politicians. (A range of their proposals is examined in chapter 12.)

Further reading

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12

Future challenges

Virtually no area of Australian life is isolated from the impact of change. It is now commonplace to refer to the rapidity with which our lives are constantly being transformed. Prominent among the agents of change are the globalisation of the economy and the continued application of new technologies. Change, too, is occurring in the structure of the population, with an emerging trend towards a higher proportion of aged people. Each of these changes will continue to have profound implications for policy-makers. The purpose of this chapter is to provide a brief outline of some of the key policy issues that will occupy the attention of policy-makers in the immediate future. A consideration of each of them illustrates some of the underlying themes in this book, especially the role that governments, markets and globalisation play in the policy process.

Industry policy

As discussed in previous chapters, maintaining competitive advantage in the global economy is one of the prime tasks of current economic policy-making. The key issue, therefore, is the future direction of the global economy. Where will economic growth come from? Most economists agree on one area in particular as crucial: elaborately transformed manufactures (ETMs). These are manufactured goods produced through the application of sophisticated research and tech-

nology. For some time, ETMs have been the largest and fastest-growing segment of world trade. While international trade in services is also growing rapidly, it is insignificant by comparison and in many cases is related closely to the growth of manufacturing technologies. Macmillan (1997) puts the challenge even more bluntly. Technology, he says, 'promises to be the new battleground of international business'; a battleground on which 'countries and firms will expand jobs or lose markets, build enterprises to attack global competitors or retreat and seek domestic protection'.[1] Not only do ETMs represent the future growth industries, they are pivotal to the future of existing industries. ETMs provide the information infrastructure—the network of modern communications technologies—that underpins the growth of just about all other industries.

If ETMs represent the future, those countries like Australia that continue to have a heavy reliance on the export of primary commodities (agricultural and mining products) are likely to face the most uncertain future. These countries have experienced the sharpest falls in trade and corresponding downturns in the value of their currencies.

There are substantial policy implications from these developments. Bryant puts the challenge clearly: 'Knowledge, not physical labour, has become the key resource of all work in advanced industrial societies. For manufacturing to survive and prosper it must be converted from a low-wage labour-based sector to a high-wage knowledge-based sector'.[2] Specifically, national prosperity will more than ever depend on mastering and marketing advanced technologies such as semiconductors, composite materials, robotics, instrumentation, microcomputers, superconductors, cognitive sciences and biotechnology.

Australia's current performance in ETMs

During the 1980s and 90s, the performance of Australia's manufactured exports was a cause for some optimism. Manufactured exports have risen substantially over the past decade, but the picture is not an altogether bright one. ETM imports grew even faster, contributing to Australia's overall poor trade performance. In fact, in 1996 the value of all ETM imports was more than three times higher than the value of all ETM exports.

A significant part of Australia's less than impressive performance in ETM exports is its low rate of expenditure on research and development (R&D). Investment in R&D is obviously crucial to the advance of innovative technologies and products that maintain competitive advantage in this area. Yet, Australia's expenditure on R&D

remains low by international comparison. As a recent Industry Commission Report found: 'Australia's position is low relative to the largest performers of R&D (like Japan, the United States and Germany), some Asian-Pacific performers (like South Korea and Chinese Taipei) and even quite a few medium and small performers (like Sweden and Switzerland)'.[3]

This performance is lagging especially in the technology of genetics, arguably the most important emerging science and technology of the 21st century. Genetics is the science of understanding how life works. Its implications extend from medicine and pharmaceuticals through agriculture and natural products to environmental management. Recognising the huge wealth-creating potential from research into this area, hundreds of small biotechnology companies have been established in the USA which, collectively, are spending billions of dollars to take advantage of developments.

According to John Mattick, a professor of molecular biology at the University of Queensland, Australia is not adequately positioning itself to reap the benefits from this 21st century industry:

> The US government has come to the realisation that research and development is the main driver of the growth in its economy, and has committed itself to double the budget of its National Institutes of Health, which for this year [1999] stands at $US15.6 billion, about 150 times that of Australia. The British Government, in conjunction with the Wellcome Trust, has just announced an enormous increase in its R&D budget. By comparison, Australia's investment in this area is paltry. The budget of our National Health and Research Council for this year is only $165 million, only about one tenth that of the US on a per capita basis.[4]

Policy responses

Since its election to office in 1996, the Howard government has considerably wound back support for Australia's manufacturing industry, expanded during the Hawke/Keating years. Reflecting its commitment to smaller government, budget cuts have been made to R&D programs and export programs. The government has preferred to regard support for manufacturing as inseparable from its broader economic policy. Innovation and the diffusion of technology would, the government believes, occur through the creation of a positive business environment marked by low inflation, low interest rates, industrial relations and other microeconomic reforms. In this way, business will have incentives to invest.

By way of contrast, the ALP has moved towards a much more interventionist approach, with statements calling for the need to build an industry policy for the emerging industries and the new jobs of the next century. To match this commitment, Labor promised, during the 1998 election, the allocation of more than $1 billion in new spending to promote infrastructure and R&D.

In spite of these policy differences, some convergence of thinking has recently emerged from two reports commissioned in 1997 by the Howard government into aspects of industry policy. The Goldsworthy Report into the future of information technology and the Mortimer Report into manufacturing both called for a stronger role for government in developing Australia's manufacturing future. The recommendations in both reports have been widely endorsed.

Future policy directions

In securing a future for Australia in the highly competitive world of high-tech manufacturing a key issue is the extent to which government should be involved as a partner with industry. In the absence of active government support is the risk that international capital may not regard Australia as a prime location for such development.

What role, then, can government provide? Latham (1998) argues it is critical for governments to be actively involved: in the information age, the public sector needs to invest in the enhancement of knowledge just as the industrial age invested in machines. The reason, he argues, is that private companies are not always prepared to meet the large commencement costs involved in developing technological breakthroughs and/or innovations.

First, governments can establish appropriate institutional frameworks. In its report on the future of Australian industry, *Rebuilding Australia*, the Australian Metal Workers Union called for the establishment of a National Centre for Workplaces of the 21st Century and for the reinstatement of the Australian Manufacturing Council, abolished by the Howard government. The latter was valued by the union for its ability to develop strategies for individual industries: 'its industry sector working parties, constituted on a cooperative, tripartite basis, have the capacity not only to develop a vision for their sectors, but also to translate the vision into reality'.[5]

Equally ambitious institutional arrangements were proposed in the Goldsworthy Report. It called for the appointment of a Minister for Information Industries to coordinate a strategic focus in government, as well as the establishment of an Information Industries Council.

Comprising leaders from across the information industries, it would be responsible for providing leadership and strategic planning. In particular, the work of the council would involve identifying industry development opportunities and challenges for the future and advising on the appropriate government response.

The second major role for government is the provision of financial assistance to industries engaged in high-tech manufacturing. The Goldsworthy Report recommended the establishment of an Information Economy Development Fund to enable Australia to explore and be in a position to seize development opportunities as they arise. In recommending such a fund, the Report appeared to contradict the government's commitment to reduce overall government spending. This, it said, was a short-term goal and should not be the only goal of government. It was also important to invest in the future.

Other means to financially support companies involved in high-tech manufacturing are assisting companies to find export markets and allowing them taxation concessions in return for investment in particular ventures and/or for undertaking research.

A commitment to education and training is thought to be another vital role government can play in securing a future in high-tech manufacturing. Using examples such as Singapore, a number of commentators argue that one of the factors sought out by investment capital is a highly trained workforce. To this extent, the reduced funding made available by the Howard government to universities and state schools has attracted criticism.

Labour market policy

It is widely agreed that unemployment remains one of Australia's most pressing social problems. There is much less agreement over what can, and should, be done to lower unemployment and, eventually, to reach full employment. Today, full employment is variously defined as between 2 and 5 per cent unemployment.

Challenges

The changing labour market

As in all industrialised nations, the structure of the Australian workforce is undergoing profound change.

➢ The composition of the workforce has changed over the past two

decades from a predominantly male, full-time workforce relatively low-skilled, and concentrated in the traditional manufacturing, infrastructure development, commerce, and transportation industry sectors, to a workforce that is increasingly part-time, 58 per cent male and 42 per cent female.

- The services sector has expanded and diversified, and there has been an increasing polarity between information- and knowledge-related employment requiring high skill levels on the one hand, and personal and hospitality services-related employment requiring low skill levels on the other.
- There is relatively high demand for skilled and professional workers and relatively low demand for unskilled workers.
- Work is no longer a job for life, nor do most people work in the same kind of jobs. People are working at a greater variety of increasingly specialised occupations.
- While Australia has moved steadily towards becoming a post-industrial, information-driven society there has also been a tendency towards the creation of dual labour markets. The primary labour market is characterised by high skill levels, comparative security of employment, and a full range of award-related conditions. The secondary labour market may be characterised by insecure work, low skill levels, and a deteriorating range of award coverage.[6]

Another way to examine the changing labour market is to examine the prospects for occupational types. Reich (1991) has identified three broad types of workers in the modern economy, and classified each according to the competition they face:

1. Routine production workers, who are involved in simple routine and repetitive work. These include blue-collar workers such as labourers, machine operators, tradespersons and clerical assistants. Employment opportunities for these types of workers are being affected by labour-saving technologies and growing international competition from developing nations.
2. In-person service workers, who also perform simple and repetitive tasks but whose tasks must be delivered person-to-person. These workers include sales workers and many paraprofessionals. They are largely insulated from global competition, but their employment opportunities are affected by the level of domestic demand in the economy.
3. Symbolic analysts, who undertake tasks involved in problem identification, problem-solving and the development of strategic responses. These occupations include managers, professionals and

some paraprofessionals. While these workers are increasingly open to international cost-competitive pressures, they are a valued group for their creativity and skill.

A study undertaken by the Department of Employment, Education and Training came to the following conclusions regarding employment opportunities in each of Reich's three classifications:

- The projected greater openness of the Australian economy to international competition in manufacturing and reform of government-owned enterprises will result in labour-shedding or muted employment growth for routine production workers.
- In-person service workers will benefit from their location in strongly growing industries such as retail, recreation and personal services, and hence this group of workers is expected to increase its share of employment growth across a range of industries.
- Symbolic analysts are generally projected to experience strong employment growth in response to the pressures from industry to become more competitive.[7]

As the above analysis suggests, unemployment affects disproportionately the lowest-paid and poorest-educated sections of the workforce. Concerns about a rising underclass, alienated from mainstream society, forming within this group has been noted earlier. Respected American author on the future labour market Jeremy Rifkin has placed the problem of unemployment among this group within the context of the Information Age, with obvious parallels to Australia. He writes that the major political parties have ignored the impact of labour-saving technologies in foreshadowing the near-workerless factories of the immediate future. The productivity gains from this technology, he argues,

> have been used primarily to enhance corporate profits, to the exclusive benefit of stockholders, top corporate managers and the emerging elite of high-tech knowledge workers. If that trend continues, the widening gap between the haves and have-nots is likely to lead to social unrest and more crime and violence.[8]

Unemployment in Australia

- Australia's unemployment rate averaged 2 per cent during the 1960s, rose steeply during the 1970s to around 7 per cent and rose sharply again during the early 1980s, fell back again by the late 1980s, but peaked at a postwar high of 11.1 per cent in October 1993. Since then it has levelled out at around 7 per cent, where it appears to have become entrenched.

- A significant component of unemployment is the long-term unemployed—that is, those out of work for 12 months or longer. The numbers of these people have grown substantially.
- Unemployment has hit hardest low-skilled male workers, young people and minorities, especially Aborigines.
- There are major regional variations in the rate of unemployment, with the highest concentrations in the cities hit by formerly protected manufacturing enterprises and including the southern and northwestern suburbs of Melbourne, Geelong, western Sydney, Newcastle and Wollongong and the northwestern suburbs of Adelaide. Tasmania has a uniformly high rate of unemployment, with its worst concentration along the old industrial belt of the northwest coast.

Considerable debate continues to surround the causes of Australia's continuing high rates of unemployment. The effect of globalisation in the form of the transfer of low-technology industries to developing nations, the impact of new technologies in raising productivity and reducing demand for labour in some sectors, and the winding back of the public sector in the search for competitiveness, are cited as among the major causes. There is considerable debate, too, on the most appropriate policy options to deal with the problem.

Policy responses

The response of the Labor Party during the mid-1990s in developing the *Working Nation* program is discussed at the beginning of chapter 2. These programs were disbanded by the Howard government on coming to power in March 1996. During the 1998 federal election the Labor Party campaigned on a proposal to cut unemployment to 5 per cent over a period of two terms. At the time, the Liberal Party rejected as impractical the notion of targets. However, at the beginning of 1999, Federal Treasurer Peter Costello revived the idea of targets, arguing that a rate of 4–5 per cent unemployment was achievable, with a combined policy mix of the GST, continued economic growth, labour market flexibility and welfare reform.

Future directions

1. Deregulation of the labour market

Deregulation of the labour market has been widely advocated, especially by New Right thinkers, as the major policy contribution to lowering unemployment in Australia. This amounts to a 'low-wage'

option because it entails further weakening of Australia's centralised award system and allows wages and benefits for the less skilled to fall to a level where they will find jobs. It also involves relaxing worker protection laws and welfare benefits. As Argy (1998) has explained, deregulation means a system of individual employment contracts, without the countervailing power of either trade unions or the Industrial Relations Commission. It means the stripping away of many benefits built up over the years, including holiday, sick and overtime payments.

International parallels have convinced some commentators of the benefits of this policy mix. Alan Wood, a conservative economics writer with *The Australian*, sums up this position:

> In Europe, where labour markets are rigid and welfare benefits are generous, the main response has come through higher unemployment. In the US, UK and New Zealand, where labour markets are deregulated and welfare benefits tighter, unemployment has fallen sharply but income disparities have widened.[9]

Not surprisingly, deregulation is a controversial policy option. It involves not only economic considerations but social and ethical ones. Is a fully employed workforce, with a significant component of low-paid workers, a better society than one where good wages for the less well-off are maintained but at the cost of jobs?

Adding to the disputes about deregulation of the labour market is what some see as a wider political agenda. A deunionised workforce is thought by some on the left of politics to be part of the Howard government's campaign for deregulation. In the absence of unions, employers would be in a stronger position to force workers into individual contacts, where they have reduced power to determine wages.

The Howard government, as discussed in chapter 4, has moved to deregulate the labour market, but as yet not to the same extent as the UK, New Zealand or the USA. The question remains: how far should the government move to lower wages and conditions in an effort to boost employment? In other words, how effective is it likely to be? Respected economist Fred Argy (1998) sums up the conflicting evidence:

- Wage deregulation may, if it were ruthlessly applied as in NZ and the UK, lead to some improvements in aggregate employment; but the extent of the benefits is uncertain and likely to be small.
- The potential economic gains are likely to be small relative to the

social costs, which include widening in wage relativities, the creating of a '**working poor**' and pressure on those earning just above the minimum wage to accept lower wages.

Others have taken a closer look at the perceived benefits of the US model of wage deregulation. According to Sicklen (1998), these are not so great as often claimed. He argues that the official unemployment rate of 4.8 per cent is not so low as it appears: 'Bureau of Crime Statistics figures show that more than three per cent of the workforce is either awaiting sentence, in jail, or on parole. By adding these back into the unemployment statistics the difference in the unemployment rate is about one percentage point'. The US imprisonment rate is nearly six times that of Australia. But Sicklen argues that high imprisonment rates are unlikely to uncover the full extent of unemployment in the USA: 'there are vast numbers of Americans who have simply dropped out of the labour force because wages are too low and after six months they are unable to obtain any welfare benefit'.

Aside from the less than expected falls in rates of unemployment delivered under the US model, its real failing, argues Sicklen, is its poor productivity: 'because American productivity growth has been so poor that US industry has had to rely on low wages to try to compete globally . . . Lower wages actually discourage innovation and productivity and this has been precisely the route taken by American industry'.[10]

2. Economic growth

Economic growth is imperative to ensuring both that unemployment does not rise and, conversely, that it falls further. It has been estimated that an average annual growth rate of 4 per cent is necessary to make any substantial inroads into unemployment. Therefore, a large part of government policy has always been to maintain broad economic policy settings consistent with attracting investment, from which it is hoped employment opportunities will flow. However, in recent times, as government has wound back its involvement in the economy, the free market has failed to generate sufficient jobs. This has led to some consideration of the need to reinvigorate government assistance to industry to promote growth. A recent articulation of this view can be found in the Mortimer Report, which recommended a 'whole of

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Working poor: those in low-paid jobs whose wages are barely sufficient to cover the necessities of life.

government industry policy' with the aim of doubling Australia's growth rate:

> Moving Australia from a low growth to a high growth economy, per head of population, is the single most important thing the Government can do to address the nation's most pressing problem: high unemployment. For example, the Review estimates that Australia's unemployment rate could be reduced by a third to around 5 per cent after five to seven years of rapid growth.[11]

The Report argued that to achieve a high growth objective Australia needs to boost its investment, because the current levels are insufficient to reduce unemployment. It calls for an 'investment analysis' to identify global investment proposals and those best suited to Australia, and the allocation of $1 billion over five years to provide incentive packages for particular investment projects.

The impediment to this policy option has always been the downsides of rapid growth, such as inflation and a surge in imported goods.

3. Public sector job creation

Calls for government to fund the creation of jobs runs counter to the two decades of policy thrust to reduce its size and role. However, in a climate of 'market failure' characterised by high unemployment, some argue government must rediscover its commitment to creating jobs. The aim would be to create cost-effective jobs at award wages in the public sector by channelling resources into projects of community value. In the early 1990s, it was calculated that a $2 billion dollar scheme would create over 230 000 jobs. This was the approach taken by the Keating government when it faced record high levels of unemployment in the mid-1990s. However, under the Howard government public sector job creation conflicts with its commitment to smaller government.

The usual arguments mounted against such schemes are their ineffectiveness in creating jobs of lasting value and the adverse economic effects they have in increasing the size of government debt and deterring the private sector from investing. Nevertheless, there may not be many other alternatives, especially for poorly educated male workers displaced from traditional manufacturing jobs. As Latham (1998) argues, community services such as municipal maintenance, environmental programs, urban renewal initiatives, and ancillary services in education, health and transport are not only socially useful but provide a critical source of employment for semi-skilled labour.

In addition to the community services sector, proposals for public sector job creation advocate public spending on economic infrastructure. Capital works projects, including roads, railways, communications and the like, are economically effective in that they form the basis for all economic activity. Moreover, spending in this area stimulates other job creation because the materials used are largely Australian-produced.

4. The tax credit system

The central feature of this proposal, which has had the backing of some influential economists and the endorsement of the ALP, is to replace wage rises for the low-paid with tax credits. It is intended to act as an incentive for the employment of this group at the same time as avoiding the 'low-wage' option. The tax credits are argued to be more beneficial to the low-paid than wage rises because of the extra tax paid on wage income and the withdrawal of social security payments.

5. Reform of the welfare system

Reform of the welfare system as part of the attack on unemployment has supporters from across the political spectrum, depending on the type of reform proposed. One option that has gained broad support is referred to as 'welfare to work'. Its supporters include British Labor Prime Minister Tony Blair and US Democratic President Bill Clinton. 'Welfare to work' strategies have three interrelated objectives: to increase job opportunities available to welfare recipients; to improve their motivation and job skills; and to reform social security payments to provide greater incentive to take advantage of the opportunities created.

A range of social and philosophical ideas has driven interest in this proposal. In part it attempts to address concern about the creation of welfare dependency. This is a term used to describe people who are thought to have given up the search for work and who are content to rely on social security payments. In regions of high unemployment, research has indicated that children growing up in households where parents are unemployed are likely to suffer from low self-esteem and low expectations, thereby perpetuating the cycle of unemployment and poverty. 'Welfare to work' strategies inject an enhanced toughness into public assistance to the disadvantaged. Without it, proponents argue, the long-term jobless will be unable to escape poverty even with a rise in the general demand for work. Moreover, requiring commitment on the part of the welfare recipients is a cornerstone of the new thinking about the communal obligations that underpin a civil society.

This new thinking, best represented by Tony Blair, seeks to emphasise the responsibilities people have in a society, and not just their rights. Thus, in return for the community's support, welfare recipients have obligations to seek meaningful work. It was this line of thinking which Prime Minister John Howard articulated when introducing the 'work for the dole' scheme, whereby young people can be required to undertake some form of community work in return for their unemployment benefits. Mr Howard refers to the concept of 'reciprocal obligation' to explain his belief that the unemployed owe something to the community in return for the community's assistance to them. He extended this principle in requiring young unemployed people to undergo literacy and numeracy tests, with the obligation on those who cannot pass such tests to undergo remedial learning if they want to retain their full unemployment benefits. The tightening up of eligibility to welfare benefits for young people has also been part of the government's thrust to get this age group into the workforce.

Whatever the merits of such a scheme, practical difficulties lie in its path. The time and resources needed to get some people 'job-ready' can be intensive, as is the range of supports—such as child care—needed by many to keep them in work. Moreover, such schemes amount to little without readily available employment opportunities. In regions hard-hit by structural unemployment—the withdrawal of whole industries—there is no likelihood of jobs in the private sector. Thus governments are required to be engaged in job creation which, for reasons discussed above, they are often reluctant to do.

6. Education and training

If a deficit of skills is one of the reasons some people become unemployed, it follows that enhanced education and training schemes are part of the solution. It is now widely acknowledged that workers in advanced industrial societies require high levels of basic education, together with a commitment to engage in lifelong learning, and that to achieve this governments will be required to invest heavily in education.

However, the starting point for this education reform should be primary schools because of the problems some children experience in mastering literacy and numeracy skills. Moreover, consideration is being given to the curriculum design in schools to enhance problem-solving, vocational learning and work experience. A major challenge exists in supporting educational reforms in lower socioeconomic regions, where entrenched unemployment affects the aspirations of many young people.

Social welfare policy

One of the negative consequences of the growth of globalisation of trade and the impact of economic rationalisation in Australia has been the growth of social inequality. This growth in inequality has, in turn, focused attention on the adequacy of Australia's system of social welfare. Is it capable of meeting the challenges of a global era? If not, do we need to redefine our tradition as an egalitarian society?

Challenges

1. Globalisation

One of the most persistent arguments about globalisation is the claim that the welfare state is no longer affordable because the costs of providing welfare services reduce global competitiveness. Restating briefly the arguments examined in earlier chapters, globalisation has been associated with policies to reduce taxation on the wealthy and on business which have put pressure on the overall revenue intake available to government. Moreover, the advance of global capitalism has, for some, brought a heightened individualism to social attitudes and behaviour, inconsistent with the desire of many wealthy people to pay higher taxation rates for the overall social good.

2. Aging of the population

During this century, the percentage of the population 65 years and over has risen dramatically, from 4 per cent to 11 per cent today. It is expected to rise to over 20 per cent by 2030. This trend is known as the aging of the population and has resulted from declining fertility rates and greater life expectancy. In other words, we are having fewer children and living longer.

The implications of this trend are potentially profound in a range of policy areas including taxation, social security, health and immigration. Some writers have argued that the higher proportion of elderly people in the population will bring on a crisis in the social welfare system because the proportion of working-age people capable of paying, through the taxation system, the increasing costs of pensions, health and nursing home care will be insufficient. As Pierson has highlighted: 'The mature welfare states were created in societies where pensions were small and the years spent in retirement comparatively few. We now have much more generous pension provision . . . and periods in retirement may stretch into decades'.[12]

Others (including Pierson) have questioned the extent of this impact, arguing that continued economic growth will assist in raising the revenue necessary for the social security system to meet the challenges of an aging population. Moreover, a lifting of the age of retirement, a reduction in the social security costs associated with young children and youth, and a rise in the rate of immigration could all help to modify the impact. The Howard government's GST is based, in part, on the claim that its introduction is needed to secure Australia's revenue base into the next century to pay for the social security system.

3. Changing social circumstances

Australia's social security system was originally designed primarily as an income security 'safety net', to prevent people from falling into poverty. However, like its counterparts in the rest of the industrialised world, Australia's social security system was designed for a post-war age in which three factors minimised the need for government payments for the disadvantaged:

- full employment, coupled with a minimum wage;
- a life cycle in which both sexes started work in their teens, men working full-time until 65; and
- women becoming full-time housewives after a few years in the workforce.

Several factors have combined to undermine these policy assumptions. First, the onset during the 1980s of high levels of entrenched mass unemployment, especially long-term unemployment, has forced tens of thousands of people to rely on unemployment benefits for their sole source of income on a permanent and/or semi-permanent basis. The dramatic increase in unemployment for young people, especially early school-leavers, has resulted in the permanent exclusion of many from the labour force. Referring to all those in the long-term unemployment category, Carney and Hanks (1994) find weak demand for people with few or outmoded skills and a reluctance among employers to re-engage members of this group, who have often suffered a damaging decline in morale.

Changes in family structure have also affected the social security system over recent decades. The rise in the number of single-parent families, and especially those raising children full-time, has been the cause of considerable policy attention. There is widespread concern that low-income single parents in poverty create poor-quality environments for their children.

The rise in the number of such families followed trends towards rises in out-of-wedlock births and in the rate of divorce. The impoverishment of many of these families resulted from their unwillingness and/or inability to enter the workforce, combined with the failure (at least before the introduction of the Child Support Scheme in 1988) of many fathers to pay maintenance. Research has highlighted the overall negative effects of single-parent families, including the higher rates of school failure, delinquency and drug and alcohol abuse among these children when compared with children living in intact, two-parent families.

Policy responses

Australia's social security system has undergone significant change over the past decade and more, as governments have tried to grapple with the twin challenges of budgetary restraints and growing numbers on welfare. The federal Labor government during its 13 years in office (1983–96) pursued three broad goals following the extensive review of the system undertaken by Bettina Cass in the mid-1980s:

- Levels of payments for the various categories of welfare recipient (unemployed, disabled, sole parent) were raised in real terms.
- Criteria for eligibility were tightened by targeting social security payments to those perceived to be most needy. This was undertaken mainly through a means test whereby people's incomes and assets were assessed to determine the level of payment, if any.
- There was a shift away from **'passive' income support** to 'active' measures to facilitate workforce participation. This meant that income support was linked to education, training and other support programs.

Added to this series of reforms have been those introduced by the Coalition government under John Howard:

- Increased assistance has been given to families where one partner stayed at home to care full-time for children.
- Funding of some programs, especially labour market training programs, has been cut.
- There has been more emphasis on contracting out the delivery of some programs.

Passive income support: the payment of social security benefits without requiring participation in education/training/work.

In spite of the decade-and-a-half of reforms, concerns are still raised about Australia's social security system. Among these are the following:

- that rises in payment levels have not stopped the growth of poverty;
- that rises in payments, in combination with the fall in wages for low-income groups, has created poverty traps. This is a term used to refer to the disincentive to work among some categories of recipients, and especially those with large families, because the level of wages they would receive in the workforce approximates to the level of their social security payments;
- that the largest growth in recipients has been in invalids, supporting parents and the unemployed, all of whom could be in the workforce if not for the lack of jobs in the labour market. Thus, the notion of 'active' programs—which stress training and workforce participation—has been difficult to implement.

Concerns about the shortcomings of the system mask unresolved, deeper questions about the purpose of social security in the modern world. Should a social security system aim to reduce the inequality of income in society? Should a social security system aim to maximise citizen participation in mainstream social activities? Or, is it satisfactory to merely maintain a targeted safety net which, for most recipients, alleviates only the worst aspects of poverty? These questions are difficult to answer because of the lack of agreement about the philosophy that should underpin and guide the social security system. Historically, it has been the latter approach that has dominated policy development in Australia. There has been no great commitment to linking the social security system to a reduction in inequality. As Jones argues:

> Australian social policies undertake little large-scale systematic redistribution of income to reduce inequality . . . There are no death duties or other wealth taxes, and capital gains apply only to realised gains and are generously indexed for inflation. Company tax has been lowered to make Australia internationally competitive. Government reluctance to become involved in Scandinavian-style income suppression and equalising taxes between those in the workforce may explain the absence of tax revolts in Australia. The more affluent may be prepared to tolerate 'expressive' (humanitarian) taxes to support a targeted safety-net poverty group, as long as they are not targeted with equality based taxes.[13]

In such a political climate, can governments undertake further meaningful reform of the social security system?

Future directions

Debate about the future of social welfare has been very much tied to the debate about the role of government. Ideological advocates of smaller government remain hostile to the concept of the welfare state. The USA has generated the strongest policy positions to limit welfare, because there is widespread acceptance in government circles and across political parties that the welfare state can create dependency among recipients; that it causes disincentives to work; and that its ill-effects can be transmitted to future generations within families. These ideas have gained currency in right-wing Australian think tanks. In 1996, for example, Mike Nahan, director of the Institute of Public Affairs, explained:

> Australia is ready for a revolution of social services that would see the end of the welfare state and produce a society which prides itself on the self-reliance of its citizens . . . with the welfare state, what governments are doing is promising to absorb the risks of life. By doing that they take responsibility away from the individual. And the promise they make is to free people of risks but governments cannot do that. Life is full of risks.[14]

This rhetoric of individual responsibility has led to some far-reaching reforms to the American welfare system, already one of the less developed in the Western world. Radical legislation introduced by President Bill Clinton held out the grandiose promise to 'end welfare as we know it'. The federal law stipulated, among other things, that federal funds cannot be used to pay benefits to a family for more than 60 months. The concept of time limits is designed to send a clear message to beneficiaries that they must become self-sufficient in the labour market and set goals to achieve this. There is little overt commitment in Australian politics to this style of reform, the trend in thinking in the Howard government being for more personal responsibility among welfare recipients. More broadly, the idea of 'welfare to work' has gained policy support in the UK as well and is representative of the same style of thinking, that an active welfare system needs to replace the largely passive one in order for people to improve their employability.

The idea of a more active welfare system has gained some support in **left-of-centre thinking** about welfare in Australia. One of the more developed policy positions on the future of welfare has been

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Left-of-centre thinking: based on the ideological left/right divide where left represents political ideas associated with greater redistribution of wealth.

assembled by federal ALP backbencher and author Mark Latham, who has argued that social welfare policy must match the changing economic reality. In short, the new economy has produced new welfare needs. According to Latham, the impact of the changing economy is being felt most severely among people without an effective skills base. People who have experienced long-term unemployment and/or intergenerational unemployment lack the lifestyle skills to make the best use of services: their capacity for effective citizenship has been depleted. Latham labels such people as being afflicted with 'capability failure'. Responding to capability failure requires a new, broader policy focus, which Latham summarises as consisting of the following:

- active welfare, which is defined as funding social responsibility as well as rights—responsibility to make the best use of assistance in return for the 'right' of that assistance;
- case management, which is defined as customising government resources to meet the different needs of each disadvantaged person;
- whole-of-government solutions, which is defined as coordinating public resources in localities which can work to meet local needs;
- lifelong learning, which is defined as ensuring that each citizen in an open economy can respond to change by developing new skills and personal capacity.

Whether or not such a framework represents a significant alternative to the conservative agenda is open to debate. There is little in Latham's analysis that indicates the need for the social welfare system to reduce inequality.

More far-reaching in its potential impact is the 'progressive liberal' agenda proposed by Australian economist Fred Argy (1998). The broad aim of this agenda is to ensure a minimum standard of material wellbeing for everyone and equality of opportunity without damaging the productive potential of the economy. It consists of three elements: a war on poverty; protection of the living and working environment; and an all-out effort to ensure that all Australians get an equal opportunity to improve themselves. It is predicated on broadening the revenue base through the introduction of inheritance taxes on the wealthy and tax surcharges on higher incomes. However, as Argy acknowledges, such policies are not easy to implement because they are unpopular with influential individual and business interests.

Greenhouse gas policy

Australia, like most parts of the world, has witnessed a considerable rise in concern over the state of the environment. Public opinion polls in Australia regularly rate the environment as among the top issues of concern with voters. This concern is not misplaced. Significant threats to the habitability of the planet are now widely accepted and Australia has one of the worst environmental records of any of the developed nations. Among the most urgent environmental issues on the political agenda is climate change resulting from the pollution of the earth's atmosphere from greenhouse gases, including carbon dioxide, methane and nitrous oxide. For many years Australians were isolated from the major pollution problems affecting the industrialised countries of the northern hemisphere, but climate change now affects all parts of the globe.

Challenges

The term greenhouse effect is used to describe the heating of the earth resulting from trapped gases which, like a greenhouse, allow the penetration of the sun's energy but hinder its release back into the atmosphere. Too much warming, generated by the burning of fossil fuels such as oil and coal and by **deforestation**, is thought likely to produce climate change: that is, the average temperatures on earth will rise. This process cannot be detected quickly because of the natural variation of temperatures from year to year. Climate change can therefore only be measured over decades. The evidence supporting rises in average temperatures is slowly accumulating worldwide. In Australia, the average nationwide temperature for 1998 was 22.54°C, the hottest on record and .73°C above the average in 1961–90.

Driving this trend towards climate change have been the steep rises in energy consumption worldwide, notably among Western nations. Australia has one of the highest rates of energy consumption per head in the world, growing more than one-third in the past 20 years. In addition, one of the nation's largest export-earners, coal, is a main contributor to the greenhouse effect.

Climate change resulting from greenhouse gases is predicted to have significant economic and community effects throughout Australia. Among those identified by Aplin (1995) are the following:

Deforestation: the cutting down of forests, usually as part of land-clearing for agriculture.

- Rises in sea-level will affect Australia's shoreline through salt-water intrusions into coastal lands, increased temporary flooding of coasts and coastal structures, and changes in coral reef structure.
- A rise in surface ocean temperatures is likely to result in the formation of tropical cyclones further south than at present, with rises in intensity and frequency.
- Rises in land temperatures will result in more frequent heat waves, with corresponding rises in deaths due to heat stress.
- Changes to temperature and rainfall patterns could result in a larger area under risk of mosquito-borne diseases such as malaria.
- Changes to the growing season may well result in reduced agricultural yields in some areas, although this will be offset by greater productivity in others.

Policy responses

Climate change is a prominent example of the emergence of a global environmental policy agenda. Other topics on this agenda include ozone depletion, deforestation, loss of **biodiversity**, and **desertification**. These are global issues because their impact will be felt planet-wide, irrespective of whether a country has contributed to the problem. They are global issues, too, because all have been the focus of international agreements seeking management of them on a global rather than a national basis.

The search for global agreement to reduce the emission of greenhouse gases dates from 1988, when a UN-sponsored conference on climate change met in Toronto, Canada, recommending a 20 per cent reduction in emissions by 2005. A second world climate conference was convened in 1990, where some governments were prepared to support a final statement committing industrialised countries to a stabilisation of emissions at 1990 levels by the year 2000. However, resistance by the USA watered down the language on targets and strategies.

Further steps were taken at the Rio Earth Summit in 1992 when countries began signing the UN Framework Convention on Climate Change, with developed countries agreeing to attempt a voluntary target of stabilising their greenhouse gas emissions by 2000, based on 1990 levels. However, over the next five years, progress in reaching

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Biodiversity: the diversity of plant and animal life and the recognition of the value of such.

Desertification: the spread of deserts because of loss of vegetation.

this agreement was virtually non-existent. As one commentator wrote, 'most politicians went home and got on with business as usual'.[15]

However, as part of their commitments under the Rio agreement, governments of industrialised countries were required to prepare national reports on policies and programs focused on stabilising greenhouse gases. This process revealed the limitations of the voluntary approach, and negotiations began on a proposal for legally binding targets in the lead-up to the third conference held in Kyoto, Japan, at the end of 1997.

Throughout these protracted negotiations, successive Australian governments have placed national interests above international obligations. Although the Australian government was a signatory to the 1992 Framework Convention, its subsequent response strategy represented only a partial commitment to the principles contained in the agreement—or, as described by Aplin (1995), a plan of least possible change. It stipulated that no industry or region should be economically burdened by responding to the enhanced greenhouse effect, and committed government to only small and fragmented initiatives.

At issue was the future impact on the large and powerful coal mining industry, which Australian governments sought to protect. In the lead-up to the Kyoto conference, the Howard government hardened its position, described at the time as directed at protecting the Australian economy from potential costs of any agreement on greenhouse gas emissions. The government made it clear that it cannot agree to reduce emissions, it can only agree to increasing them less quickly. Moreover, it rejected any legally binding target.[16] Australia maintained this position, even in the face of considerable domestic and international criticism. However, it managed to secure recognition in the final Koyto agreement of differential targets in recognition of the different economic circumstances of Australia.

This process of trying to secure international agreement on climate change illustrates both the potential and the obstacles of politics in the global era. While reaching agreement between nations is a highly politicised process because some nations—like Australia—will seek to protect their national interests, the process of reaching agreement is a vital starting point for establishing minimum standards and for raising awareness among governments about their responsibilities.

Future directions

There is little doubt that governments will come under continuing pressure—both international and domestic—to play a part in reducing

greenhouse emissions. However, there is no consensus about the extent to which Australia should commit itself to this process. One approach, advocated by some environmentalists, is to move towards a sustainable society. This is usually defined as one which balances the exploitation of the environment with its capacity to replenish so that future generations enjoy the same environmental standards. It represents a radical restructuring of national economies and international relations. Advocates of this position call for a society that is not dominated by the capitalist ethic or consumerism and for resources to be more equitably shared between the world's rich and poor nations. Trainer (1998) has defined the components of a sustainable society:

- Our material standard of living must be simple and frugal.
- We must develop small, highly self-sufficient settlements and economies.
- There should be more opportunities for communal and cooperative living.
- There should be more opportunities for participatory democracy.

Outside the Green Party, there is little political support for this interpretation of the concept. Policies are more likely to be developed around a reformist approach: that is, one that seeks overall reductions without greatly disrupting the scope of free enterprise or the pursuit of a materialist lifestyle. Alpin identifies the following four areas:

1. Developing renewal energy resources: There is huge potential for renewable energy resources and Australia is in a good position to utilise technology in areas like solar power, where we lead the world.
2. Energy conservation. Australia uses about twice as much petrol as Europe and four times as much as Japan. In light of this, measures are needed to curb the urban sprawl and the extent of private car use. The promotion of energy-efficient products could reduce domestic energy consumption by 75 per cent.
3. Tradable emissions and emission charges. Under this proposal, each country would be given a limit on its greenhouse gas emissions, a portion of which it could trade to other countries for technology or aid.
4. Reafforestation and sustainable land management. Planting more trees and vegetation cover will result in more oxygen released into the atmosphere, thereby absorbing more of the carbon dioxide released into the atmosphere.

Many of these issues are taken up in the federal government's National Greenhouse Strategy, but the question remains: how far and fast should

Australia pursue a reduction in its greenhouse gas emissions? There is a case to be made that Australia's international obligations require a more determined approach. Opinion poll data suggest there may be significant public support for such an effort, but governments worry about the economic costs of doing so. An important component of Australian exports is the processing of minerals, which consumes high levels of coal-fired energy. Any rise in the price of coal to encourage industry to cut its energy use risks the relocation of these industries to cheaper countries. Gruen and Gratten explain the dilemma for governments:

> Whatever may be the electoral benefit to government of taking symbolic action to ratify an international convention to preserve the global environment, unilateral Australian action to curtail the emission of greenhouse gases would have very large economic costs—while such action would have little, if any, measurable effect on world emission of such gases.[17]

Aboriginal health

In recent years, the disadvantaged position of Aborigines in Australian society has emerged from the shadows of official neglect and indifference to being recognised as a significant moral and human rights challenge for Australian governments. One of the key indicators of this disadvantage is the high rate of ill-health in the Aboriginal community. On almost every indicator of ill-health, Aborigines are substantially worse off than non-Aboriginal Australians. While the need to improve health outcomes is obvious, this should be approached from a broad perspective. Rates of ill-health, especially among Aboriginal people, are linked to their experience of colonisation, dispossession and marginalisation.

Challenges

1. The extent of ill-health

Despite some improvements, Aborigines continue to experience the worst health of any identifiable group in Australian society. In this unenviable record, they present a sharp contradiction about Australian society. In one of the most affluent nations in the world, Aborigines who comprise only about 2 per cent of the population suffer health statistics approximating some of the world's poorest nations.

The Australian Institute of Health and Welfare recently documented some of the main indices of this ill-health:

- In 1992–94, life expectancy at birth in Western Australia, the Northern Territory, and South Australia was 14–16 years lower for Aboriginal males and 16–20 years lower for Aboriginal females than for other Australians.
- In 1994, Australia's infant mortality rate was 5.8 deaths per 1000 live births. The infant mortality rate for Aboriginal infants was 24.1 in Western Australia, 19.4 in the Northern Territory and 12.6 in South Australia. This represented a rate 2–4 times higher than the national average.
- In 1995/96, the crude rate of hospitalisation for the Australian population was 285 per 1000. The rate for Aborigines was 50 per cent higher, at 440 per 1000.
- Aboriginal people are more likely than other Australians to be classified as obese.
- Aborigines are twice as likely as other Australians to smoke.
- Although less likely than other Australians to drink alcohol, those Aborigines who do drink are more likely to drink at unsafe levels.[18]

In addition, Aborigines suffer from high rates of many diseases, including respiratory and circulatory diseases, diabetes, ear and eye disorders, skin infections and sexually transmitted diseases. Aborigines also experience high rates of mental health disorders, including low self-esteem (especially among youth), depression, self-harm and suicide.

2. The causes of ill-health

Accounting for the tragically poor health outcomes for Aboriginal people requires an understanding of the impact of past policies on Aboriginal people, a brief sketch of which follows.

The progressive dispossession of Aboriginal people from their tribal lands, under the doctrine of **terra nullius**, has had a drastic impact on the general wellbeing of generations of Aboriginal people. As is well documented, land is the vital link to culture in Aboriginal society, and culture is the foundation of self-esteem. The removal of land, therefore, is a significant contributor to an intergenerational sense of despair and hopelessness among many Aborigines.

As a result of dispossession, many thousands of Aborigines moved

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Terra nullius: the doctrine existing in Australian constitutional thinking from first settlement until the High Court Mabo ruling that Australia was an unoccupied land.

to the cities by the 1950s, where they became trapped in a vicious cycle of poverty and powerlessness. They lived in the poorest housing, occupied the lowest-paid jobs and were often unemployed. The Henderson poverty inquiry in the early 1970s found more than 50 per cent of Aborigines living below the poverty line. The consequences of this poverty were malnutrition and ill-health on a massive scale.

Aborigines also carry the burden of past government policies, including the forced removal of Aboriginal children from their families, widely practised to assimilate children into mainstream society in the 1930s–70s. The policy has left deep emotional scars in many of the people subjected to this abuse of human rights and is manifest in a range of health problems, including depression and alcohol abuse. The policy has also had intergenerational effects, as many of those subjected to forced removal have experienced difficulties with their later role as parents. Many Aboriginal groups around the country were removed from their traditional areas to live on missions and reserves, where essentials like water and sewerage were often inadequate and poor health resulted. Policies pursued by many state police forces targeting Aboriginal people contributed to the high rates of imprisonment for Aboriginal men. A number of these people have died in custody, while others left families without breadwinners and children without fathers.

Community attitudes are another underlying cause of poor Aboriginal health. For decades, there were no effective long-term solutions pursued by government. This was a reflection of racist attitudes to Aborigines manifest in widespread opposition to government's committing the necessary funds to alleviate the very problems which the above policies created.

Policy responses

For most of this century, public opinion resisted attempts to improve public health for Aborigines. In several states, hospitals practised racial discrimination in refusing entry to Aborigines, and governments showed great reluctance to spend money in providing essential services to Aboriginal communities. More broadly, an attitude of indifference permeated the thinking of many health officials. One Queensland official wrote of his experience in the 1950s and 60s:

> I worked for many years in the state with the largest Aboriginal population. I can honestly say I never once thought about their health, in particular their infant mortality, as a concern any different from these matters in the population as a whole. It was a subject which we did not . . . discuss as a specific problem.[19]

Matters changed in the early 1970s, following a period of sustained Aboriginal activism and the election of the Whitlam Labor government. Whitlam initiated the principle of self-management for Aborigines, establishing the first Aboriginal-managed medical service. Whitlam also raised government expenditure on Aboriginal health by over 230 per cent. A national plan for Aboriginal health was drawn up in 1973 with the ambitious goal of achieving equal health status between Aborigines and non-Aborigines within 10 years. However, lack of cooperation from state governments and bureaucratic inertia undermined this goal.

Health for most Aborigines remained a national disgrace. In 1981 the World Council of Churches (WCC) sent a delegation to Australia which spent three weeks touring Aboriginal and Islander communities. It compiled a report which condemned Australia's treatment of its indigenous population. The WCC found that racism was entrenched in every aspect of Australian society, that Aborigines had been socially and spiritually denigrated by hostile Australian governments, by paternalistic churches and by brutal police forces. It argued that neglect of Aborigines' needs had caused alcoholism, disease, illiteracy and unemployment.

A new round of reforms was instituted by the Hawke government after it came to power in 1983. Over its term of office, the Hawke government furthered the principle of self-determination through the establishment of the Aboriginal and Torres Strait Islander Commission (ATSIC), which became the principal agency for distributing funds to Aboriginal communities. The government also substantially raised funding to Aboriginal affairs and set the first wheels in motion towards reconciliation between whites and blacks. However, the Labor government backed down on its promise of national land rights for Aborigines in response to organised opposition from the mining industry and state governments. Despite advances, the health situation remained critical in many Aboriginal communities. A follow-up visit made by the WCC in 1991 issued a blunt assessment: the conditions in some areas were 'not just horrific but genocidal'.[20]

Aborigines have themselves begun to frame a campaign for improved health within the emerging human rights movement. The changing perception of rights internationally to include group or collective rights is strengthening their case. In 1994, the Chief Executive Officer of ATSIC explained to a Commonwealth parliamentary committee:

> What rights does the Aboriginal baby have who is born into a remote community where there is a high incidence of petrol sniffing, where there are no education facilities, and many miles from the proper provision of services because State Governments have not met their responsibilities to their Aboriginal citizens? . . . It seems to me that Aboriginal people can start to depend upon individual rights when their collective rights as a group are recognised.[21]

The heightened moves internationally to give expression to human rights, and especially the rights of minority and indigenous groups, is likely to exert growing pressure on Australian governments to improve the living standards and opportunities of Aboriginal people.

Future directions

As this short account illustrates, there are no quick fixes in Aboriginal health. Although the expenditure of money is vital, money alone will not solve the problems. Above all, improvements in Aboriginal health will necessitate a broad understanding of the ways in which Aboriginal people have been marginalised in Australian society and the ways in which such marginalisation can be overcome.

Specific directions to achieve this goal include giving greater emphasis to Aboriginal self-management of programs. The ideal of self-management has always fallen short of actual practice, as governments and white bureaucrats fear the loss of control and accountability over funding. However, as the experience of the Aboriginal Medical and Legal Services demonstrates, Aboriginal-managed services dramatically improve the rate at which Aborigines access essential services. Self-management is critical for Aborigines to be able to establish their own priorities based on their cultural and social realities.

The provision of economic opportunities and work in Aboriginal communities—both urban and remote—is critical to positive health outcomes because of the well-established connection between unemployment and greater levels of alcohol abuse and low self-esteem. The provision of adequate community infrastructure in the form of housing, water and sewerage is obviously vital to Aboriginal health. Redressing the problems of parenting in some Aboriginal communities must be a priority because positive social environments are known predictors of good health. Lastly, ongoing education efforts must be made to inform the broader Australian community of the situation in which many Aboriginal people are forced to live and of the responsibility of the broader community to work with Aboriginal people to offer equal opportunity for health alongside all other Australians.

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Canberra Times
http:///www.canberratimes.com.au/

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Australian Education Union
http://www.edunions.labor.net.au/aeu/Policy/

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