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## REVIEWS

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### Governance

Glyn Davis and Michael Keating (eds), *The Future of Governance: Policy Choices*, Allen and Unwin, Sydney 2000

Michael Keating, John Wanna and Patrick Weller (eds), *Institutions on the Edge? Capacity for Governance*, Allen and Unwin, Sydney, 2000.

Reviewed by **John Freebairn**

Governance of modern economies, including Australia, has become more difficult, and there is more doubt that our political institutions are capable of resolving the conflicts and ensuring further rises in economic and social well-being. These two books represent the first two of a series of three arising from a project Future of Australian Governance explaining 'the implications for policy, institutions and citizenship of global and domestic pressures'. The two volumes reviewed provide a description and critical evaluation of Australia, with particular emphasis on the last 30 years, and they provide some commentary and a limited projection of future challenges and options. A general theme is one of optimism with a reasoned set of arguments that Australia in general and its governance institutions in particular have adapted well to a changing world.

*The Future of Governance: Policy Choices* explores the forces for change on Australia in general, and on its governments in particular. Forces for change are grouped under the headings of globalisation, technology, society and community, political divides and ideas, and attitudes to government. After a general introduction there are individual chapters on economic policy, industry and regional policy, labour markets, equity and social policy, environmental policy, cultural policy, and international policy.

Forces for change creating both opportunities and threats to well-being are partly exogenous and endogenous and the forces are partly domestic and world wide. The global interdependence of economies, people, images, values and ideas has been important in Australia since white settlement, but the focus has changed over time. Keating in his chapter argues that the Australian governments will continue to have considerable autonomy and independence. The impact of technology has been one of simultaneous job destruction and job creation placing a premium on a flexible and adaptable work force. Recent developments in the power of information technology are placing different pressures on political systems and players. Society and community expectations are changing with higher education, greater material wealth, demographic and social changes, and increased individual aspirations and empowerment. Much of the current popular

concerns with government are attributed to aspirations and wants running ahead of government capacity to provide, especially with a reluctance by the electorate to increase the share of resources diverted away from private use to governments. Australians continue to be staunch defenders of democracy and of systems of checks and balances on politicians and bureaucracies. The electorate is now much more volatile, with less attraction to the main political parties and more weight to a growing number of special interest groups. However, as the main parties search for the median voter, changes in government result in a high degree of policy continuity.

Economic performance of the Australian economy over the 1980s and 1990s is shown to have been surprisingly good, with the exception of unemployment. Globalisation, technological changes, and neo-liberalism policies have combined to significantly increase GDP per capita. While the distribution of market incomes tended to become less equal, developments in taxation and especially social security systems improved effective disposable income equality. It is argued that the responsibilities and objectives of economic policy have changed very little, but that different policy strategies have had to be developed, and that the Australian governments retain considerable independent capacity to assist or hinder economic outcomes. Future policy debates on the relative roles of cooperative solutions versus market solutions to economic policy decisions are highlighted.

Keating and Mitchell provide an excellent review of the evolution of social policy over the twentieth century and of future challenges. Over the century government support was extended to more and more categories of people, but with the almost unique Australian system of means testing. While the latter has the virtue of reducing social security outlays, the adverse incentive effects of high effective marginal tax rates and complexity will have to be considered. The authors write optimistically about the compulsory superannuation scheme. Given the relatively low contribution rate of 9%, when others suggest 14% or more is required, the increasing share of the workforce with part-time jobs and broken careers, and evidence that a proportion of the increases in compulsory superannuation substituted for less voluntary saving in other forms, together with complexity of the system, it seems likely superannuation reform will have to return to the policy debate agenda.

Environmental policy provides an illustrative example of the evolution of forces on government and of government adaptation to these economic, social and political changes. Papadakis and Young describe changing policy responses in the 1970s, 1980s and 1990s. The environment is a good example of market failure, yet one where market type solutions based on property rights, taxes and tradeable permits are promising. The international dimension of some externalities and policy pressures, the likely quite large redistributive effects of policies affecting the environment, and the importance of environment interest groups in the policy process are noted as challenges to good government affecting the use of the environment in the coming decades.

Because of market failures governments have, and will continue to have, important policies affecting the arts, cultural productions, the media,

communications, multiculturalism and other dimensions of cultural policy and national identity. A wealthier and more diverse population has increased the complexity and challenges of governance. Craik, Davis and Sunderland track major changes in government policy towards culture. These include the greater use of arms length organisations to dispense funds, more emphasis on competition and international benchmarking, and greater integration of national culture in a global world.

Building on the first book, the second book, *Institutions on the Edge? Capacity for Governance*, examines the way parliament, the public service, cabinet, political parties, quasi-government agencies, federal-state relations, interest groups and the High Court have evolved in the process of collective governance of Australia over the twentieth century. Most of these institutions were originally established around the time of Federation, some quite formal and others more a result of convention. In the face of very significant economic, political, social and technological changes already described, the institutions as well as the personalities have evolved and adapted. The editors and authors of chapters in this volume conclude there are no crises, in fact the system has and is performing remarkably well, and they are optimistic that further incremental evolution of Australian governance institutions will continue to generate and administer effective policies.

Cabinets, and especially the leaders, are seen as the power focus in the modern political system. This is where political and administrative interests intersect and where the bulk of policy coordination takes place. With the growth in the number of issues and the complexity of issues, cabinet focuses on broader policy coordination, with details left to individual ministers and the bureaucracy. Secrecy is seen as a major area of concern, with growing pressures for more open and transparent government.

Davis and Rhodes describe a process of continual and substantial changes in the public service over the twentieth century. With domestic pressures for value for taxes paid and with benchmarking to achieve international competitiveness there have been changes to raise efficiency. Changes include adoption of business management practices, flatter operating structures, international benchmarking, contracting out supply, and in some cases privatisation. It is argued that the reform process still has some way to go, and that problems associated with fragmentation in service delivery, accountability of agencies and the development of effective monitoring mechanisms remain.

An important component of governance in Australia is undertaken by quasi-independent government agencies such as the Reserve Bank of Australia, the Australian Industrial Relations Commission, the National Competition Council and the Australian National Training Authority. While operating under government guidelines and ultimately responsible to government, these agencies are at arms length to the government, they are highly specialised and in general are considered more transparent than the public service. Argy documents a shift in focus of these agencies from consensus building to greater emphasis on promoting the development of competitive markets over the last decade. His questioning of

the trend is one example of concerns expressed in these two books about the relative merits of competitive market versus consensus decision making for future governance of Australia.

Keating and Wanna discuss the evolution of federal-state governance relationships and reach the unfashionable conclusion that cooperative federalism has served Australia well. While agreeing that relations are often strained and that Australia's federal system is perceived by many as a hindrance to good policy development and to efficient supply of public services, they argue that 'Federalism has provided the escape valve of democratic expression that has helped to sustain unity through its capacity to respond to and thus contain differences. This has been achieved while still maintaining a sense of national purpose'. Virtually no consideration is given to options of dispensing with the states or of clarifying relative responsibilities over health, education and other areas.

Continued dominance of the two main political party groupings is predicted by Weller and Young. Despite the fall in share of first preference votes, the small and declining party memberships, and the breakdown of the old labour versus capital split, the political system favours incumbent parties and the associated adversarial system. Party leaders are seen as policy brokers. The ever increasing number of special interest groups and think tanks described by Marsh are more likely to initiate and develop new policy options than the main political parties.

Future Australia will have to confront many difficult issues. Those now known include aged care, aboriginal rights, the environment, consumer protection, unemployment and biotechnology. No doubt issues not now of concern will arise. *Institutions on the Edge?* is more concerned about the ability of Australian governance institutions to provide forums for informed and logical debate about the relative merits of different options, than it is about day-to-day administration. Parliament itself is not seen as effective, and the authors are not convinced the system of parliamentary committees as now operating is effective.

Both books provide highly readable, informative and challenging discourses on the changes bearing on the Australian economy and society, and on the ways in which governance institutions have evolved over the twentieth century, and of some options for the future. Clearly not all readers will agree with the arguments presented, however all should be informed and stimulated to develop their own positions.

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