Fairness, Opportunity and Security: Filling the Policy Vacuum

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Contents

Preface
John Menadue and Michael Keating xi

Introduction
Ken Henry xvii

Foreword
John Menadue *xxi*

Part One
Democratic Renewal

1. Vested Interests And The Subversion Of The Public Interest
John Menadue 3

2. Loss Of Trust In Institutions
John Menadue 9

3. Towards A Post-Majoritarian Policy Making Structure?
Ian Marsh 17

4. Policy Making Practice
Ian Marsh 21

Part Two
The Role Of Government

5. The Importance of Values
John Menadue 29

6. The Role and responsibility Of Government
Michael Keating 35

7. Australia To the 1980s—Government At Commanding Heights
Ian McAuley 41

Part Three
Foreign Policy

8. Security In The Region
Stephen Fitzgerald 55

9. Australian Foreign Policy
Cavan Hogue 63

10. An Independent Australian Foreign Policy
Richard Butler 69

11. What Australia's Foreign Policy Should Look Like?
Stuart Harris 77

12. Foreign Policy: Australia, The United States and Asia
John McCarthy 85

Part Four
The Economy

13. Fixing The Budget: Part One
Michael Keating 93

14. Fixing The Budget: Part Two
Michael Keating 99

15. Taxation Reform
Michael Keating 107

16. The Future Of Federalism
Michael Keating 115

17. Making The Federation Work Better
John Menadue 125

18. Improving Employment Participation
Michael Keating 135

19. Improved Productivity
Michael Keating 143

20. Innovation In Australia
David Charles 153

21. Infrastructure: Improvement Or Impoverishment?
Michael Keating and Luke Fraser 161

Part Five
Retirement Incomes

22. A Fair, Effective And Sustainable Retirement Income Scheme
Andrew Podger 171

Part Six
Population, Migration And Refugees

23. Immigration Policy And Administration
Peter Hughes, Arja Keski-Nummi and John Menadue 181

24. Refugee Policy
Peter Hughes, Arja Keski-Nummi and John Menadue 193

25. Settlement Policy And Services
Peter Hughes, Arja Keski-Nummi and John Menadue 201

Part Seven
Communication And The Arts

26. Comparative Advantage: Culture, Citizenship And Soft Power
Julianne Schultz 209

27. Creative Arts Policy Formulation
Kim Williams 221

28. Regulating Convergent Media: An Ongoing Policy Challenge
Terry Flew 231

29. The National Broadband Network
Rob Nichols 239

Part Eight
Internal Security And Human Rights

30. Counter-Terrorism And Human Rights
Spencer Zifcak 249

31. A Human Rights Act For Australia
Susan Ryan 259

32. The Dangerous Politics Of National Security
Michael Wesley 263

Part Nine
Health

33. Health Policy Reform:
Part One—Why Reform Is Needed?
John Menadue 269

34. Health Policy Reform: Part Two—Why Reform Is Difficult.
Health Ministers Are In Office But In Power
John Menadue 277

35. Health Policy Reform: Part Three—Principles For Reform
John Menadue 285

36. Australia's Health Workforce—What Needs To Be Done
John McGinty 293

37. Co-Payments In The Australian Health System
Jennifer Doggett 301

Part Ten
Development Of Our Human Capital In The Fields of Education, Science, Innovation, Research And Development

38. A Smarter Australia
Glenn Withers 309

39. Eroding Human Capital In Our Schools
Chris Bonnor 317

Part Eleven
Environment And Climate Change

40. Australia's Climate Change Policy
Ross Garnaut 327

41. A Healthy Environment And A Productive Economy
Peter Cosier 335

42. A Policy Approach To Climate Change
Jon Standford 345

43. Green Vision For Brown Country
Brendan Mackey 353

Part Twelve
Indigenous Affairs

44. The Challenge of Providing Fairness, Opportunity And Security For Indigenous Australians
Fred Chaney 365

45. What Is Needed To Fix Indigenous Aboriginal Health?
Michael Gracey 373

Part Thirteen
Welfare And Families

46. Australia's 'Welfare System': Family Assistance And Tax Elements
Andrew Podger 383

47. Inequality And Australia's Welfare System
Andrew Podger and Peter Whiteford 389

48. Inequality Matters
Ian McAuley 395

Biographical details: John Meandue 407
Biographical details: Michael Keating 409

Index 411

Preface

Over forty years ago, Donald Horne warned a complacent Australia that it was relying too much upon its good luck, and not doing enough to secure its future. Unfortunately, our country's recent experience of good luck with mineral booms and Chinese growth, has again beguiled Australians. This complacency combined with a failure of political leadership is leaving us ill-prepared to resolve the challenges that we cannot avoid.

Thus we continue to ignore climate change, how best to respond to the impact of technology and globalisation, structural budget problems, growing inequality, erosion of our capital base—both social and physical—overdependence on the United States at the expense of our relations in our region and a growing loss of liberty with draconian anti-terrorist laws.

Yet Australia has a proud record of reform. Democracy did not come to Australia by accident. From the time Governor Macquarie decided Australia was to be a nation rather than a penal colony, to the twentieth century, Australian democratic innovations provided examples for others to follow. Australia was to shake off the ways of the old world, but would not become a mini-United States; unlike the Americans, we would regard government as a benign force in our lives, capable of protecting the individual's dignity and liberty and promoting a harmonious society. Australia pioneered female suffrage, developed its own forms of federalism, gave the world the 'Australian ballot', developed new forms of public institutions at arm's length from executive government (such as the Conciliation and Arbitration Commission, the Tariff Board and publicly supported broadcasters) and helped shape the global institutions of the post-war order, including the United Nations (UN), the World Bank

and the International Monetary Fund (IMF). We built a benign democracy whilst the other new societies in South America built plantation societies.

After the Great Depression (1929–1930) and World War II our governments laid the basis for economic growth, full employment and opportunity.

The Menzies Government (1949–1966) funded a major expansion of universities.

The Whitlam Government (1972–1975) engaged us with our own region, made major reforms in education and health, and pioneered multiculturalism.

The Fraser Government (1975–1983) continued reform on land rights, entrenched multiculturalism and implemented the most enlightened refugee programs in our history.

We have now had more than twenty years of continuous economic growth and prosperity for most Australians. An outstanding achievement, both by our own past standards, but also relative to almost all other advanced economies.

This long period of uninterrupted economic growth was not, however, mainly due to luck. Actually, because of its dependence on commodity exports, the Australian economy tends to be more volatile than most. So our recent economic success has mainly been due to the economic reforms introduced in the 1980's and 1990s which improved the flexibility and competitiveness of the Australian economy and thus its ability to withstand external economic shocks.

Other major changes during that earlier era included:

- reforms of publicly funded services to improve their coverage, targeting, effectiveness, and responsiveness to the varying requirements of different individual clients, and
- a recasting of our foreign policy based on the clear recognition that Australia must seek its security in Asia and not from Asia, with Australia taking the lead in the initiation of new architecture for the Asia-Pacific region to help realise that objective.

Lee Kwan Yew (Prime Minister of Singapore from 1959 to 1990) warned us that unless we changed, we could become the Cheap White Trash of Asia. We responded to his very colourful criticism.

But in the last decade and looking further ahead, new challenges are emerging. Many doubt that we are presently well equipped to meet them. Such challenges include:

- There is a loss of trust in government and consequently in its authority. The excessive power of vested interests, and the many more political issues that can no longer be grouped under the old labour-capital divide, make it more difficult to assemble continuing majority coalitions to support ongoing reforms. Political parties, once a vibrant source of conflicting ideas and ideology, have too often become forums for factional conflict and the spoils of office.
- We have a variety of threats to the environment, especially through climate change, but also ranging to issues such as how best to deal with increasing traffic congestion, the design of our major cities, and the future provision and charging for infrastructure,
- The slower growth in productivity, an ageing population and increasing inequality of primary incomes, raise questions about the capacity of the economy and the government budget to meet all the expectations of the Australian public for future living standards
- We need to address the implications of technological change and globalisation and how best to take advantage of the opportunities presented as well as to guard against the possible threats and assist the consequent adjustments to employment
- We must recognise the importance of maintaining the security alliance with the United States but at the same time maintaining sufficient independence where the respective interests of Australia and the United States may differ, especially in the necessary adjustment to the emergence of China as a major power.
- In dealing with the threat from terrorism a balance

needs to be struck between national security and the freedoms essential for a civil society, including the humane treatment of refugees. The politicisation of security has arguably made us less safe.

- Medicare has stood the test of time but it now represents the single biggest budgetary challenge and it is over thirty years since it has been seriously reviewed and reformed.
- The talents of many children are not properly supported and encouraged. Equally their fore-bears who missed out in their youth, now need more and better training to develop their skills and adaptive capacity so that they can maintain their participation in a changing and more highly skilled labour market.

In reflecting on the reforms initiated in the 1980s and 1990s, success was not only due to a remarkably good period of government (although of course that was important) but also the various reforms reflected quite a long gestation period, informed by considerable public discussion. For example, the opening up of the Australian economy to competition was first mooted by a number of economists towards the end of the 1950s; a discussion that was later prosecuted by the then Tariff Board, before the first major cut in tariffs was introduced by the Whitlam Government in 1973. In effect the policy climate for reform was prepared by public analysis and discussion, and only after that did the government feel able to take the political initiative and actually change the policy. Much the same was also true of the process that eventually led to financial deregulation in 1983–84.

The blog, 'Pearls and Irritations', was launched in January 2013. It focused on policy issues as well as current affairs. We felt however that a policy series, 'Fairness, Opportunity and Security' would be helpful in focusing public discussion on important policy issues that were being ignored. We are both disappointed by the lack of political leadership by the major parties on important policy issues. This lack of leadership has also been a feature of our business community which too often confuses self-interest with the public

interest, and thus fails to argue effectively for genuine reform. While the mainstream media has become highly politicised, and this has impoverished public discussion on key issues such as climate change and the Iraq War (2003–).

The forty-eight articles from thirty-one contributors on fifteen subject areas which were posted in Pearls and Irritations in May and June of 2015 are now published in this book. We felt that publishing the articles in book form as well as on line would enhance debate on important issues.

We are conscious that most of the contributors in this policy series are male. Perhaps this reflects the networks that both of us developed in our careers some years ago.

In the absence of political leadership, as Ken Henry points out in his opening comments, our problem may not be so much complacency about the need for future reforms as a public lack of awareness about the challenges that we face. Accordingly our hope is that this book will raise public awareness and act as a catalyst for further public discussion of what we see as the most important issues facing Australia at this time.

The selection of articles covers what we see as the key policy challenges for the future. They reflect the views of independent commentators who are experts in their field and able to draw on the available evidence to support their arguments. In the present policy vacuum we consider it is only by this type of informed public discussion that sufficient consensus will emerge to encourage the political parties to embrace a proper reform agenda.

From the beginnings of responsible government in Australia, we have embarked on major and successful reforms. The results are clear although often taken for granted. With that history of success and despite the current discouraging prospects, we are confident that reform will come again.

Introduction

Ken Henry

'I can't recall a poorer quality public debate, on almost any issue, than what we have had in Australia in recent times.'

Ken Henry

In December 1983 the Australian dollar was floated and restrictions on the free international movement of capital were abolished. On 1 July 2000 a broad-based goods and services tax replaced a plethora of highly inefficient, inequitable and unintelligible indirect taxes. These events 'bookended' an extraordinary period of policy reform that 'opened up' the Australian economy, transforming just about every aspect of microeconomic and macroeconomic policy and institutions.

It is sobering to wonder how much of what was achieved then could be achieved today. The Australia that was capable of delivering that policy transformation seems like a very different place.

In the early 1980s, Australian policy makers, haunted by another deep recession attributable to policy failure over many decades, found themselves on a burning platform. With high inflation and high unemployment, and another negative terms of trade shock that threatened a further hit to living standards, the imperative for action was broadly understood and accepted.

Today, Australians find themselves in an economy that has avoided three serious recessions affecting many other countries: one associated with the Asian Financial Crisis of the late 1990s; another associated with the 'tech wreck' stock market crash and subsequent developed world recession a few years later; and a third, more recently, as the so-called Global Financial Crisis (GFC) paralysed the rest of the developed world.

Unlike most of the rest of the developed world, the Australian economy has continued to experience low inflation, relatively low unemployment, and rising average living standards.

It must be tempting to conclude, as many people have, that because of our strong economic performance, Australians have simply become complacent. And that complacency could provide a reason for Australians being so disinterested in further economic reform; and so disinterested, too, in addressing the wider set of challenges and opportunities associated, especially, with unsustainable environmental practices and the economic, social and security dimensions of the emergence of Asian powerhouses in China and India.

But Australians might not be complacent. It is just as likely that they do not understand what is going on. Indeed, given the quality of contemporary public policy debate, I wonder that any significant proportion of the population could have a coherent view of national challenges and opportunities. The confusion in public debate seems to me to be a lot worse than at any other time over the past twenty-five years or so. Indeed, I can't recall a poorer quality public debate, on almost any issue, than what we have had in Australia in recent times. Today, it is almost certain that, in almost any area, what people generally understand to be the case is, in fact, a myth.

For example, one could conclude from commentary on the challenges facing trade-exposed Australian businesses that our future in the Asian century rests on winning a race to the bottom on wages, taxes, social protections, environmental standards and animal welfare. The truth is very different. An Australia that has made a success of the Asian century will feature Australian businesses deeply integrated into the economies of Asia, through trade and investment linkages and in partnership with regional businesses, employing people in Australia and from across the region, supplying global markets. It will feature a highly skilled and educated, dynamic and optimistic Australian community that understands the region's diversity and builds enduring relationships with its people through tourism, education, science and research collaboration and cultural exchange. And it will feature Australian

governments, at all levels and in all parts of the country, enjoying productive relationships in the region, based on consultation, collaboration and mutual respect.

The challenges posed by the Asian century should energise a focus on the quality of Australia's national endowments, both natural and created. But Australia's success in the Asian century will rest on more than this, demanding the development of collaborative business relationships with Asian partners, a strong contribution to sustainable security in the region, and deep and enduring people-to-people links across a broad sweep of human activity: commercial, social, cultural and political.

Among the many public policy requirements of this time, I would draw attention, especially, to these: the more effective protection of vulnerable species and eco-systems; the need for high yielding investments in human capability and physical capital, including both economic and social infrastructure; the development of effective commercial, cultural and security relationships in the Asian region; and insisting that national benefits are shared widely so that all Australians, especially those suffering entrenched disadvantage, have the opportunity to choose a better life.

It is my hope that the writings you will find here will play a substantial role in improving the quality of public policy discourse, in these and many other areas. You will read contributions from people who know what they are talking about, and who care about the impact of their ideas. Many of the writers have been here before; taking responsibility for the quality of public policy debate, playing key roles in the development of better policy outcomes.

Dr Ken Henry AC was Secretary of the Department of the Treasury from 2001 to 2011.

Foreword

John Menadue

Policy Is Now More Relevant

The articles in this volume of essays were posted first online in May and June 2015 in the blog 'Pearls and Irritations'. At that time Tony Abbott was Australian Prime Minister but was voted out of office in September 2015. Both Michael Keating and I were concerned then (and now), along with many others, about the vacuum in public debate on many major national issues. I believe that these articles are just as relevant and perhaps more important now than they were six months ago before the change of leadership to Malcolm Turnbull. As the new Prime Minister, Turnbull has made some political concessions to obtain the prime ministership, but he will need to thread his way politically and carefully in addressing key public issues like the economy and climate change. This, I believe, will make this volume of essays even more relevant today. There will also be better prospects of them being implemented. With Tony Abbott as Prime Minister, the Australian Labor Party (ALP) was showing clear signs of expecting to win the next election by default. This is now less likely. The ALP will need to develop credible alternate policies to persuade the Australian public. In short, the articles are even more relevant today than they were six months ago.

Every attempt has been made to alter dates and positions in government in this volume following the change of leadership in September 2015.

28 September 2015

PART ONE
Democratic Renewal

1

Vested Interests And The Subversion Of The Public Interest

John Menadue

There are many key public issues that we must address such as climate change, growing inequality, tax avoidance, budget repair, an ageing population, lifting our productivity and our treatment of asylum seekers.

But our capacity to address these and other important issues is becoming very difficult because of the power of vested interests with their lobbying power to influence governments in a quite disproportionate way.

Lobbying has grown dramatically in recent years, particularly in Canberra. It now represents a growing and serious corruption of good governance and the development of sound public policy. In referring to the so called 'public debate' on climate change, Professor Ross Garnaut has highlighted the 'diabolical problem' that vested interests brought to bear on public discussion on climate change.[1]

Ken Henry, a former Secretary of Treasury, has said in the forward to this volume of essays that 'I can't remember a time in the last twenty-five years when the quality of public policy debate has been as bad as it is right now'. He was followed as Secretary of Treasury by Martin Parkinson who warned us about 'vested interests' who seek concessions from government at the expense of ordinary citizens. The former Australian Competition and Consumer Commission (ACCC) Chairman, Graeme Samuel, cautioned us that 'A new conga line of rent seekers is lining up to take the place of those that

1. See below chapter 40.

have fallen out of favour'. In referring to opposition to company tax and carbon pollution reform policies, Ross Gittins in the *Sydney Morning Herald* said 'industry lobby groups [have] become less inhibited in pressing private interests at the expense of the wider public interest. [They] are ferociously resistant to reform proposals'.[2]

These Problems Are Widespread And Growing

There are 266 lobbying entities registered in Canberra with the Department of Prime Minister and Cabinet. These entities employ a significant number of lobbyists, for example Barton Deakin employs twelve lobbyists, Newgate Communications twelve, Crosby Textor seven, Government Relations Solutions seven, and GRACosway seventeen. Some accounting firms, including three of the majors who undertake lobbying are not obliged to register. Charitable, religious and non-government organisations do not have to register. On top of these 'third party' lobbyists, there are the special interests who conduct their own lobbying, such as the Minerals Council of Australia and the Australian Pharmacy Guild. These lobbyists encompass a range of interests including mining, clubs, hospitals, private health funds, business and hotels that have all successfully challenged government policy and the public interest. Just think what the Minerals Council of Australia did to subvert public discussion on the Mining Super Profits Tax and the activities of Clubs Australia to thwart gambling reform, or the polluters over an Emissions Trading Scheme and the Carbon Tax. I estimate there are over 1,000 lobbyists, part time and full time and of all shapes and sizes operating in Canberra. Secret lobbying is pervasive and insidious. It must be curbed and made transparent.

With journalism under-resourced, the media depends increasingly on the propaganda and promotion put into the public arena by these vested interests. The Australian Centre for Independent Journalism at University of Technology Sydney found in a survey of major metropolitan newspapers published in Australia in 2010 that fifty-five per cent of content was driven by public relations handouts and twenty-four per cent of the content of those metropolitan newspapers

2. *Sydney Morning Herlad* 7 October 2013.

had no significant journalistic input whatsoever, relying heavily on public relations handouts.

Many of the so-called economic experts we read, hear and see on our media are in the employment of the banks and accounting firms with their own self-interested agendas.

With over sixty per cent of metropolitan newspaper circulations in Australia, News Ltd is a major obstacle to informed debate on key public issues like climate change and our role in Iraq. Essential Media found that the ABC (Australian Broadcasting Corporation) and Special Broadcasting Service (SBS) were the most trusted media in Australia. Not surprisingly the least trusted were the Murdoch papers; *The Australian*, *Herald Sun*, *The Telegraph* and the *Courier Mail*.

The health 'debate' is really between the Minister and the Australian Medical Association (AMA), the Australian Pharmacy Guild (APG), Medicines Australia and the Private Health Insurance (PHI) companies. The debate is not with the public about health policy and strategy; it is about how the Minister and the department manage the vested interests.

The wealthy private schools with their lobbying and political clout are obstacles to needs based funding which is necessary for both equity and efficiency reasons.

Much of the policy skills in Canberra departments have been downgraded and 'policy' work is contracted out to accounting and consultancy firms. Policy work within the government is now undertaken more in specialist organisations such as the Productivity Commission (PC) rather than in the departments. Departmental policy capability has been seriously eroded. That is the real story behind the problems of the pink batts scheme.

Inexperienced and young ministerial staffers are much more likely to listen to vested interests. Recently we had a staffer in the heath portfolio coming from a lobbying firm

What Can Be Done to Assert The Public Interest Against These Powerful Vested Interests?

Federal lobbyists have to be registered with the department of prime minister and cabinet, but this is inadequate. They should

also be obliged to promptly, publicly and accurately disclose the discussions and meetings they have had with ministers, shadow ministers and senior public servants. That same rule should apply to vested interests like the Minerals Council of Australia (AMC) that lobbies directly on its own behalf. A clear lesson to be learnt from the subversion of the public interest by the AMC is that giving in to rent seekers does not appease them. It just makes them and others much bolder. The government is seen as a craven 'patsy'.

All proposals by special interest groups should be accompanied by a public interest impact statement prepared by an independent and professional body. That statement should be made public. This public impact statement would be attached to representations from the vested interest group. Many of the major private consulting firms should be excluded from this process as many of them have shown themselves to be compromised in the interests of their clients.

Tax benefits for 'think tanks' like the Institute of Public Affairs (IPA) which are secretly funded and act as fronts for vested interests should be denied.

Departments such as Health which are so influenced by special interests should have different governance arrangements. The traditional minister/department model in health is a happy hunting ground for vested interests that significantly influence outcomes in health. The Reserve Bank of Australia (RBA), composed of independent and professional persons, has shown the benefit of such governance arrangements in keeping vested interests at bay and promoting an informed public debate. We need such an arrangement in the health field particularly.

No minister or senior official should work with a vested interest group that they have been associated with for at least five years after retirement or resignation.

Adequate funding of the ABC to assert the public interest and promote public debate is now more important than ever. The ABC, despite its shortcomings is still the most trusted public institution in the country.

Major reform of election funding to stop powerful groups buying political favours is essential.

A federal Independent Commission Against Corruption (ICAC) and in each state is required to examine allegations of corruption.

Citizen assemblies of randomly selected people who are fully informed on key public issues could assert the public interest and help governments counter powerful vested interests.

The problem of vested interests and their corruption of public debate must be addressed. It is urgent if we are to have democratic renewal, restore some faith in our public institutions and develop sound public policies.

John Menadue AO was formerly Secretary Department of Prime Minister and Cabinet, Secretary Department of Trade, Ambassador to Japan and CEO of Qantas

2

Loss Of Trust In Institutions

John Menadue

We speak often about the need for new ideas and policies to fill the void in the public debate.

But I think there is a prior problem. We need political reform to restore trust in our political system and our polity.

In the community there is a pervasive sense of powerlessness and disillusionment with governments, parliament and political parties. We are tired of one liners, zingers and endless rhetoric. We want to be treated as adults in a serious discussion, on issues like climate change, fairness and our colonial type dependence on the United States.

That disillusionment goes much wider to many other institutions—the churches, the media and corporations. In late April of 2015 the Governor of the Reserve Bank of Australia (RBA) Glenn Stevens criticised Australia's major financial institutions for treating their customers poorly and forgetting that the financial system relies on trust. He spoke of 'the erosion of a culture that placed great store in acting in a transparent way' He added 'where trust has been damaged, repair has to be made' In early May 2015 the former Secretary of Treasury, Martin Parkinson, told the *Australian Financial Review* (AFR) 'I think our institutions are being eroded in their capabilities and eroded in public trust'.[1]

But my focus here will not be on corporations or government departments. It will be chiefly on our 'political' institutions.

1. *Australian Financial Review,* 1 May 2015.

In examining our institutions, I make two important assumptions. The first is that we need institutions for stability, cohesion and progress. The second is that over time power exercised through institutions is always abused, even by the best of our fellow citizens. Reform and renewal must be an ongoing process.

In January 2015 Essential Research outlined our alarming lack of trust in institutions. Asked how much trust they had in institutions and organisations the interviewees responded as follows.

ABC.....53%
High Court.....53%
Reserve Bank.....48%
Charitable organisations.....44%
Environment groups.....33%
Local Councils.....32%
Commonwealth public service.....32%
Newspapers.....30%
Online New Media.....27%
Federal Parliament.....25%
The News media.....25%
State Parliament.....24%
Trade unions.....23%
Business groups.....23%
Religious organisations.....22%
Political parties.....14%

It is disturbing reading. Other surveys tell the same story. Perhaps it is noteworthy that the three most trusted institutions are public institutions, the Australian Broadcasting Corporation (ABC), the High Court of Australia and the RBA.

The Nordics are probably the most successful societies and economies in the world. As I have argued the key to their success in my view is trust–trust of the government by the governed and vice versa. There is preparedness to pay quite high taxes based on a confidence that the government will spend money wisely. If only!

Major political parties in Australia are losing support. In the 1970s over ninety per cent of people were basically committed to a major party. At the 2013 federal election it fell to less than eighty per

cen. According to an Australian National University Social Research study forty-three per cent of Australians at the last election believed it did not matter who was in power. In particular young people are opting out. About twenty-five per cent of eligible people did not enrol at the last federal election, did not vote or voted informal. According to a recent Lowy Poll forty per cent of Australians did not believe that democracy was the best form of government.

Membership of the Australian Labor Party (ALP) and the Liberal Party has declined from about 300,000 after World Ware II to about 50,000 today. No one will admit how bad the numbers are. Money, not party membership has replaced membership as the driving force of political campaigns. It is called 'donocracy' in the US.

In 1950, forty-four per cent of Australians claimed to attend church at least monthly. It is now about twenty per cent and falling. Almost all the churches have been damaged by the cover up of sexual abuse.

Union membership is now down from over fifty per cent in the 1950s to about twenty per cent of the workforce today. In terms of trust unions are on a par with organizations like the Business Council of Australia (BCA).

This breakdown in confidence and trust in institutions is not because we don't want to participate in institutions in our community. The republic referendum some years ago was lost because of the quite strong view by many Australians that they wanted to be directly involved in choosing our future president.

I do not think the alienation has occurred so much because institutions have changed. The problem is that they have not changed enough. The ground has moved beneath them and they have not responded. The information and education revolution has made us much better informed and much better equipped to participate in institutions, but we are often denied the opportunity. Women particularly have more time to be involved in institutions outside the family, but they are often excluded.

The media and particularly television have contributed to the alienation. Public figures are trivialised and their personal foibles take pre-eminence over temperate and informed policy debate. At election

times, what matters is the swinging voter in the swinging electorate, rather than the important issues of concern to the wider community.

We are clearly not the innovators we were a hundred years ago in institution building. In 1856 Victoria led the world when it introduced the secret ballot for parliamentary elections. It was known internationally as the 'Australian ballot'. In 1859 all male British subjects in the eastern states and South Australia had the vote. In 1894 South Australia was an international pacesetter in votes for women. The first democratically elected Labor government in the world was in Queensland in 1899. In 1901 six disparate states joined together in our federation.

How then can we renovate at least some of our public institutions?

Politics is about how power is exercised and for whose benefit. It is a noble calling and disparaged too much, particularly by those who want untrammelled private power for themselves. But to change the way our institutions operate, faces one major obstacle—the power of those who benefit from the present system. Insiders want to hang on to power.

In many pre-selection ballots for either the ALP or the Liberal Party, a hundred or so members select the party candidate, yet in the wider electorate there are probably 40,000 to 50,000 supporters. As a result of declining memberships and tight control, successful candidates are, not surprisingly, insiders—staffers of politicians, friends or relatives of faction leaders. Many of these new 'white bread politicians' have limited life experience.

There are possible options to address some of the clear democratic deficiencies in our major parties. We need to debate them. Party members in federal electorates could directly choose delegates to federal conferences and break the power of state officials.

Whilst guarding against abuses the community as well as party members should be able to vote in party pre-selections for parliament.

Unless the political parties broadly represent their voter constituencies, we will continue to tread the slippery road of personalities and political spin, rather than addressing the real issues and concerns of the community. While the major parties

refuse to treat the community seriously and run away from public discussion, their natural constituencies are disenfranchised. Those that are really enfranchised are a small group of party power brokers and aspirational swinging voters in swinging electorates. Because the major parties are out of touch with their constituencies, the debate on the big-ticket items runs into the sand—reconciliation, the republic, relations with Asia and climate change.

Parliaments are in need of renovation. The cabinet and party machines dominate parliament. The executive has become arrogant 'Question time' is 'spin time'. I am sure the community would welcome parliamentary renovation which should be guided by the principle that the separation of powers must be enhanced whether it is to discourage a Prime Minister dragooning parliament or a minister intimidating the judiciary. Particular reforms could include: four year fixed term federal parliaments to discourage excessive and almost continual electioneering; an independent speaker to encourage a more inclusive, open and less adversarial parliaments; regular audits not only of the entitlements of members of parliament (MPs) but also their performance; more conscience votes by MPs with less party discipline on 'non-core' issues.

To assist members of parliament to counter the power of the cabinet and the public service the last parliament established a Parliamentary Budget Office (PBO). It provides independent and nonpartisan analysis of the budget cycle. It was a good start. But its work is restricted to budgets. Similar offices should be established in such areas as health, defence and foreign affairs. The research resources of the Parliamentary Library should also be enhanced. In the development of former Australian Prime Minister Gough Whitlam's (Prime Minister 1972–1975) policy program the Parliamentary Library was a critical enabler.

We need an improved parliamentary committee system where hopefully we can begin to see again the art of negation and compromise. The Senate has shown that improvements are possible. A good start in our next parliament would be an all-party committee to consider ways in which the performance of the parliament could be improved and the power of the executive contained.

We need a broad agenda for parliamentary reform. The major party that is credible on parliamentary reform will reap a large electoral dividend. The best way for the Prime Minister (Tony Abbott 2013–2015)[2], and Bill Shorten (present Leader of the Opposition), to prove their bona fides as parliamentarians is to demonstrate by actions how they value the Parliament and use it as their forum and not television grabs, and talk back radio. What a pleasure it would be to see the parliament as a lively forum for debating policy and asking genuine questions to elicit information rather than a means to score political points. If only our politicians would seriously endeavour to find common ground by starting on such issues as senate electoral reform, political donations and ending the abuse of power by lobbyists. Leadership by Australian leader of the Liberal Party Tony Abbott between 2013 and 2015 and leader of the ALP Bill Shorten in these areas is the best way to restore confidence in parliament and politics. Do not talk about it. Do it.

At the political level the former Hawke Government provides us with an example of the way we need to proceed. It was about building consensus—within his government, within his party, with the opposition and with the community which responded to this consensual style of leadership by being prepared to consider the need for reform. Consensus building was politically appealing and effective in policy outcomes. We are a long way from this style of politics today.

Institutions, like people, are all prone to error and abuse of power. Robust democratic institutions and democratic debate are critical. Too often we avoid addressing institutional failure by suggesting that they are all leadership problems. 'If only we had a better Prime Minister, or a better Chairman, all would be well'. But all leaders inevitably disappoint us. We need institutions and a public culture which are in good order.

In addition to renewal of our democratic institutions, I suggest there is something even more essential—the values and conventions that we need to hold in common. Decades of failure to keep promises

2. This paper was writteon before Malcolm Turnbull was voted leader of the Liberal Party in September 2015.

have taken an inevitable and heavy toll. Fairness, respect for others, openness, integrity and trust, are the glue that hold us together. A democratic and free society will remain free only if the virtues necessary for freedom are alive in our community. Democracy cannot be separated from public morality. The democratic project and institutions within it must be informed by what is right and true. Every society needs a moral compass.

We speak about the failures of our political leaders to outline policies. That is valid criticism. But behind that failure is an even more important issue, the failure of our institutions and the institutional processes necessary to assert the public interest in the face of very powerful vested interests.

Like individuals, institutions also depend on trust. That trust must be shared and reciprocated.

Moral behaviour is in the end about how our words and actions enhance human dignity and human flourishing. Robust and well functioning institutions are an important means to that end.

We have a lot of work to do.

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3

Towards A Post-Majoritarian Policy Making Structure?

Ian Marsh

Whoever wins the next Australian federal election due sometime in 2016 or 2017, the challenge of dealing with a hung senate will almost certainly loom large. Perhaps also a hung house of representatives. The present Minister of Communications, Malcolm Turnbull, tells us that the appropriate response is a compelling narrative delivered with conviction and resolve by a sufficiently competent leader.

Is this enough? In this short note I will argue that the problems in present political arrangements are much deeper—they are systemic and structural. The present political and policy system is largely gridlocked. This is the result not of incompetent leaders or deficient narratives, important though both certainly are, but rather of a slow-burn legitimacy crisis that has been many years in gestation.

Put another way—recent decades have witnessed not one but two seismic shifts: economic globalisation and social pluralisation. The former has been more or less addressed by the major parties. The latter has yet to be assimilated.

Evidence of social pluralisation and the consequent political gridlock is clear in the recent political record. John Howard (Prime Minister 1996–2007) passed the Goods and Services Tax (GST) but at the following election lost the popular vote. Hardly auspicious. After much delay and much cash, he also privatised Telstra. Otherwise, despite ten years of office, tough reforms were conspicuous by their absence. Moreover, he governed with a windfall revenue gain of $283 billion. Despite this, in the ten months prior

to defeat, the Howard Government u-turned on not one or two but seven measures. These were not minor matters: they were issues at the heart of its programme—Work Choices, climate change, broadband, the Murray-Darling, education funding and so forth.

Things hardly improved thereafter. The only significant policy matters to survive the Rudd/Gillard/Rudd Governments (2007–2013) were based on bipartisanship—plain cigarette packaging, the National Disability Insurance Scheme (NDIS) and perhaps the Abbott-Morrison-led (Scott Morrison, Minister for Immigration and Border Protection from 2013–2014) race to the gutter on refugees. Climate change is on-going.

Short of bipartisanship, we have no recent examples of successful policy change on a major contested issue. Not one.

If further confirmation is needed, look no further than the rise and decline of fomer Australian Prime Minister Tony Abbott (2013–2015). As an uncompromising and negative Opposition leader, he was lauded by some for his ruthless pursuit of office, reflected in wholly populist negative campaigns. But in government he faced the reality of office. Nemesis intervened. His slogans created expectations that even his most ardent supporters must now recognise to be contrary to Australia's national interests. At one level, his fate is testament to combative hubris. At another, to a dysfunctional political incentive structure.

Underlying political gridlock is a crisis of democratic legitimacy. This will afflict any government. It derives from a disconnect between the formal political and policy making system and its publics. This is a fundamental systemic problem. It has not sprung up overnight or over one government. It has been driven by a variety of structural changes. The following sections explore first, the nature of these structural shifts; second, the requirements for renewing citizen engagement; and third, the systemic changes that might be required to make this wider engagement a reality.

Three Structural Changes

Why has democratic legitimacy so eroded? This outcome has been driven by three structural changes: first, the decline of major party

organisations; second, a convergence of major party (particularly economic) agendas; and third, and most importantly, a pluralisation and differentiation of citizen identities. Let's look briefly at each.

First, the story of major party organisational decline is well known. From a membership of some eight per cent of the entire adult voting population in 1966, the major parties now attract only some 0.8%. Moreover, whereas only two per cent of citizens did not identify with either major party in 1967 the number rose to twenty-eight per cent in the early 2000s and has since hovered around this level. Hence, around fifty per cent of the electorate now have weak or no identification with either major party. Further, about twenty per cent of us vote for minor parties and independents and about another twenty per cent of those eligible do not vote or do not enrol or vote informal. An astonishing number!

But this decline extends well beyond public support. Party organisations used to be important sites engaging activists and aggregating various interests. Party branches were widespread and embedded in local communities. Party conferences were important policy making forums. Citizens could advance motions at local and regional party meetings and thus experience political efficacy. These capacities are long gone. Conferences now only occur infrequently and are largely stage managed. A small coterie of parliamentary elites substantially influence manifesto design. Member influence is marginal. The dense tissue that once connected the major parties to their publics has gone.

A second reason for citizen disaffection arises from convergence of major party agendas. The days when they stood for significantly different directions for national social and/or economic development have long gone. The Hawke-Keating Government (1983–1996) led a national response to economic globalisation. The illusion of effective government continues to be sustained by memory of this era. But crisis-induced bipartisanship was its essential condition. The end of a shared sense of economic crisis around 1996, or even earlier, was also the end of that era.

Remember the political incentive structure rewards differentiation. Hence the amount of illusion and make-believe in

the political world that we now experience. This is reflected in the short-termism, populism and often opportunistic, fabricated or manufactured difference which characterises contemporary politics Moreover, responses are framed with an eye to media impact rather than any underlying values or ideology. Leaders who do not play these games have been given short shrift by their supporters.

These changes in the formal political system have marched in step with another more fundamental change. This is the transformation of Australian society. The social movements of the 1970s were the proximate cause. Think of the women's, gay, environment, Indigenous rights, multicultural, animal rights, consumer etc movements, and the more conservative counter-mobilisations that they stimulated. These attitudinal changes have effected a fundamental transformation in the political orientations of Australians. The days when you could think about politics exclusively in binary or class terms are long gone

This change in Australian political identities is absolutely fundamental. The Australian community is now pluralised and differentiated and, in some contexts, increasingly regionalised. The best image is a kaleidoscope. This reflects not only the diverse values that are held by Australians, but also the challenge in framing persuasive political narratives. The assumption that basic partisan values are widely shared no longer holds. Rather leaders need to craft appeals that can reach out to majority coalitions.

In sum, the slow-burn crisis of legitimacy, which the three foregoing structural changes have occasioned, is perhaps only now fully apparent.

In the following article I will be examining the implications for policy-making practice.

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4

Policy-Making Practice

Ian Marsh

In the previous article I pointed out that the Westminster style two-party system is in trouble.

Implications for Policy Making Practice

At least four implications would seem to follow from the above analysis.

The first concerns the need to create systemic capacities to address single issues. As Bernard Crick observed many years ago, the present forms and processes of parliament under the Westminster system are tantamount to a continuing election campaign[1]. This suits majoritarian or winner-takes-all government. This *mis-en-scene* was designed for an era in which the major parties championed different ideologies and different medium-term agendas. It assumed that these parties enjoyed support from more or less half the community. It also assumed that their approach to particular domestic issues as they arose could be derived from their distinctive overarching programmes.

Neither of these conditions now holds. There is no party platform or canonical document from which to infer attitudes to gay marriage, euthanasia, the financial crisis, live cattle exports, refugees or Gonski[2]: to nominate just a few recent matters. Each of these issues is associated with distinctive alignments, distinctive

1. Bernard Crick, *The Reform of Parliament* (London: Weidenfeld andNicolson, 1954), 95.
2. A 2012 report on the future of education funding in Australia.