

DONDUNSTAN**FOUNDATION** FOR A BETTER FUTURE



**An Address to the
Don Dunstan Foundation – Queensland Chapter
Kevin Rudd, MP
Shadow Minister for Foreign Affairs, Trade and International
Security**

THE CASE FOR COOPERATIVE FEDERALISM

15 July 2005
*****Embargoed until 6pm*****



In launching the Don Dunstan Foundation in New South Wales in 1999, the Honourable Justice Michael Kirby paid tribute to those in Australian political life:

“...who believe, contrary to the opinion polls, that politics is an honourable vocation of ideas”.

For such was Don Dunstan’s vocation.

Not a career. Not a job. But a vocation.

A vocation that compelled him to engage in the battle of ideas. And in his case, a battle that shaped the nation over half a century.

Dunstan did not just engage the battle. He did not just engage the debate. Dunstan took command of the debate through the power of his ideas and the sheer force of his political personality.

Dunstan was not a follower. He was a leader. And it was through the power of his political advocacy that he was able to bring onto the agenda of his state and his nation policy challenges which none before him had the courage to raise.

In many respects, it was Dunstan at the state level and Whitlam at the Federal level who inaugurated the modern Labor era.

Together they helped modernise the Australian Labor Party.

Together, through the party in government, they helped modernise the Australian nation.

They were not perfect. They made mistakes. They made no claim to infallibility - although on this score there is now some revisionism on Gough’s part.

But both possessed that quality of leadership through which they could glimpse the future, and then haul the body politic - invariably kicking and screaming, towards the opportunities and challenges that the future contained.

Leadership aside, what was the central organising principle that underpinned Dunstan’s contribution to the battle of ideas?

To answer this, I looked at two of his speeches: one from 1972 when he delivered the *John Curtin Memorial Lecture*, the second, a quarter of a century later, when he delivered the *Whitlam Lecture* in 1998, the year before he died. Both speeches quote extensively from John Maynard Keynes’ work *The End of Laissez-Faire* written in 1926:

“The world is not so governed from above that private and social interest always coincide. You do not so manage here below and in practice they coincide. It is not a correct deduction from the principles of economics that enlightened self-interest always operate in the public interest.”

Dunstan’s views on the unbridled individualism of neo-liberalism did not change. They shaped his entire political philosophy. A philosophy which had at its core, a central role for government both in the proper management of markets and in the active delivery of social justice.

It was his central political credo as he engaged the conservatives of his time in the great battle of ideas - a battle in which, by and large, he prevailed.

The Battle of Ideas

Australia, today, is once again engaged in a great battle of ideas – a battle for the nation’s heart, its soul and its mind; a battle for the nation’s future.

With the introduction of the Government’s industrial relations legislation, the battle lines are drawn and the armies marshalled.

Because this is not just a debate about industrial relations. It is a debate about the future of fairness in the Australian federation. It is a debate about the future of the Australian social contract - a contract between government and the governed and a contract grounded over a century in a deep and abiding sense of the great Australian “fair go”.

At present, there are two competing sets of values for Australia's future; two competing visions for Australia's future; and two competing sets of ideas for Australia's future.

This is a battle of fundamental importance because it is our values that shape our vision and it is our policy ideas that translate that vision into reality.

If the conservatives prevail in this values debate, then our prospects are dim because values are fundamental. They are the foundation stone on which everything else is built.

In this debate, I believe that Labor can prevail.

The reason I believe this is because the Labor story is a good story.

It is a good story because for more than a century it has said to the Australian people that to look after myself I must also look after my fellow man.

It is a good story because we dare to proclaim that life is something more than the pursuit of absolute self-interest. That human nature (as Adam Smith rightly argued two centuries ago in his Theory of Moral Sentiments) is both self-regarding and other-regarding.

It is also a good story because when we talk about the great Australian fair go we are talking about something that our movement, the Labor Movement, has grafted onto the Australian soul. Let us be clear about this. Fairness is a 100 per cent Labor value.

There was nothing about fairness in the original convict settlement. Nor did fairness play any part in the belief structure of the various conservative administrations that ruled the Australian colonies prior to Federation.

Fairness has been the bone and marrow of our message to the Australian people.

From the rudimentary beginnings of our movement to the great industrial upheavals of 1891. And when, in the decades since then, the political parties that have made up the conservative side of politics have articulated their concern for fairness, they've been forced to do so because our movement has placed fairness front and centre as a core component of the Australian political terrain.

The Australian sense of a "fair go" is in fact the Australian Labor Movement's lasting legacy to Australia's political culture.

As I noted in the Andrew Fisher Lecture, there are, of course, many other reasons why the Labor story is a good story.

Labor is also the party of Australian nationalism. We're a party that believes that the Australian nation has not somehow spontaneously combusted from market forces alone. Rather it is a nation built by the blood, sweat and tears of the Australian people combined with the active agency of government.

And just as we are the party of Australian nationalism, so too are we the party that by its essential nature is proudly internationalist by instinct, by conviction and by tradition. And a party that cannot be indifferent to injustice wherever it occurs.

These, therefore are the reasons why the Labor story is a good story.

As I have said elsewhere, it is a story that speaks to the good angels in our human nature, not just the bad.

It is a story that speaks to hope rather than a story that speaks to fear - for the exploitation of fear has always been the preferred political terrain of our opponents. Within this framework of fairness, nation-building and internationalism, what then are the core values that shape our narrative for this nation's future?

First, and perhaps surprising for some, security – by which we mean security for all, not just for some.

Second, freedom, but freedom for all, not just for some.

Third, opportunity, equality of opportunity, and once again for all, not just for some.

Fourth, compassion. The unapologetic embrace of compassion. A concept of the social minimum. The social safety net. This core premise of the dignity of all humankind.

And fifth, sustainability so that we can hand on the planet to those who come after us rather than leaving it stripped bare and gasping for air.

These then are the values which shape our vision for the nation – a vision that is broader than the country itself.

And for Labor, a vision and values which do not stop suddenly once you reach the continental shelf. They also shape our vision for the world. For values to be valid they must, by definition, be universal.

Conservative Values

What are the competing values on offer by the conservatives?

John Howard in an address to the Menzies Research Centre in Melbourne earlier this year stated and I quote “the Liberal Party is the trustee and custodian of two great traditions - the classical liberal tradition and also the conservative tradition”.

If this were true, the clash between us would not be as great as it is. But the truth is that the party which John Howard leads today has extinguished its ‘classical liberal tradition’. John Howard’s Liberal Party has become an unbridled conservative party. This has not been an accident of evolution. This has been the product of deliberate culling. First in Victoria where Peter Costello and Michael Kroger during the 80s set about destroying what was left of the ‘small l’ liberals and more recently in NSW where the conservative faction (affectionately known as “the uglies”) have taken control of the State Executive, the Young Liberals and the Liberal Women’s Organisation.

The right-left balance within the Parliamentary Liberal Party is now in the proportion of more than ten to one. And if you wanted to see external evidence of this, look at the strength of Petro Georgiou’s support base when he attempted to amend Howard’s draconian asylum seeker legislation at the margins. In a Liberal Party of 108 members, Petro Georgiou’s supporters were limited to a grand total of six. Australia, therefore, no longer has a Liberal Party. It has become a conservative party. It’s nearest international ideological bedfellow cannot be found in Europe. Not even the British Tories. Its closest soul-mate on the international political scene is the US Republicans. And the fact that the organisational relationship between the two parties is so close is not accidental.

John Winston Howard now leads the most radical, right-wing, extremist government in the history of the Australian federation.

John Howard has dedicated his entire political career to the reconstruction of the nation in his own image. And he’s not about to stop now.

However the radical dimensions of John Howard’s agenda are masked by the calculated dullness of the man himself, the “everyman” qualities he seeks to exude, and by constructing a political persona that purports to be reasonable, non-threatening and about as non-inspiring as your average suburban bank manager in the 1970s.

Howard’s apologists describe him as a conviction politician. But as I once again noted in the Andrew Fischer Lecture, for a conviction politician he is remarkably coy about the substantive enterprise in which he is engaged.

Stripped of its camouflage, John Howard’s core political mission is the most radical, right wing agenda this country has ever seen. Its objective is the fundamental redistribution of power in this country – political, economic and cultural – from the weak to the strong; from working Australians to the wealthiest Australians; from the universities, the institutions and the arts to new politically well-connected elite.

And in doing so, John Howard is deliberately fracturing whatever social contract remained between government and the governed.

John Howard may use some of the language that we use to describe the values that we hold dear; although behind the language there is a radically different meaning.

When John Howard speaks of security, he speaks almost exclusively of our alliance with the United States. He does not speak of comprehensive security.

When John Howard speaks of freedom, he speaks of political and economic liberties granted almost a century ago. He does not embrace an expanded concept of freedom, including freedom from want.

For John Howard's conservatives, it is opportunity for some rather than opportunity for all, and there is no doctrinal commitment of any distinction to what we would describe as equality of opportunity.

When it comes to compassion, it's missing almost entirely from the Prime Minister's vocabulary. In fact, for the conservatives, compassion is at best a private discretionary act. A type of *noblesse oblige*. At best a desultory commitment to the concept of a safety net. And then only because it is feared the absence of a safety net will cause civil unrest or a breakdown in law and order.

And on sustainability, the continuing refusal to ratify Kyoto says it all.

So what sort of vision do these conservative values (or non-values) add up to; an Australia almost totally dependent on the US alliance; an Australia where government seeks to absent the field in the critical economic challenges of infrastructure; an Australia where the individual is left to fend almost entirely for him or herself. It is, in fact, an increasingly American Republican view of the world and our country within it.

Political Convergence

However, despite the starkness of the contrast between the two values systems on offer, some in our national commentariat still speak of the politics of convergence between this country's two major political parties.

My argument is that this is to confuse strategy and tactics. The conservative strategy in this country is to produce an increasingly individualised and atomised Australia in which (in Margaret Thatcher's immortal words) there is no such thing as society.

The Conservative's tactics are to pretend that none of this is happening. In fact they declare the modesty and inherent reasonableness of the changes which John Howard has on offer. As I have already noted above, this tactic is in part underpinned by the deliberate construction of an unassuming image of "Captain Average" and a decidedly non-revolutionary image for the Prime Minister. After all, how could anyone who walks each morning wearing a Wallabies tracksuit be accused of being guilty of fermenting a right-wing revolution.

But John Howard's non-threatening manner is not the only masking device on which the conservatives rely. The other masks employed are three parts fear; one part patriotism and half a part religion. Once again, there is a heavy borrowing from the US Republican script. John Howard rarely misses an opportunity to keep Australians on their toes about security. Add to that a rolling dose of patriotism where the Prime Minister insists on supplanting the Governor-General on most major national occasions. And then periodic appearances at Hillsong and elsewhere to make sure there's an appropriate spiritual gloss attached to his governmental enterprise.

The purpose of all the above is to create a reassuring aura around the Government which effectively masks the radical substance of its political and policy agenda. The proof of this proposition lies in asking a simple question; when was the last time we saw a conservative Member of Parliament standing outside a railway station before an election promising to remove the Medicare safety net; promising to increase

HECS charges or say that to gain access to a nursing home bed you will have to sell your family home.

The bottom line is these are ugly political messages which proceed from an equally ugly set of political values, the cornerstone for which is the doctrine of survival of the fittest or a new a form of social Darwinism.

In the political battle which lies ahead therefore, our task is to remove the political camouflage which conceals the conservatives' real agenda. Having done so, we must join the battle. A battle in which the Labor narrative can more than take account of the conservative alternative.

For us to prevail, the Labor narrative must be clearly articulated. Politics without clear cut values and without a clear-cut vision is politics purely of the machine - and, therefore, is politics without purpose.

Conservatism Unleashed

Why is it that this debate, this battle of ideas, has now become so urgent.

And what relevance does all this have to the future of the Federation?

The answer is simple. The conservatives for the first time in a quarter of a century, now have the keys to the kingdom. As of the 1st July, John Howard has become a law unto himself. The extreme, right-wing agenda which the Prime Minister has embraced throughout his political career can now be put into effect. And John Howard's industrial relations agenda is only the beginning.

It's important to step back and see where we have got to in the context of Australian political history.

First we have a Prime Minister who has absolute control of the Senate, the House of Representatives and therefore the Parliament.

Second, after nearly a decade in office he presides over a compliant public service whose independence, contestability and professionalism have been severely compromised. Anyone looking for evidence of this proposition need look no further than the Senate Inquiry into Children Overboard and the complicity of the Australian Public Service and certain senior elements of the Australian Defence Force in prosecuting the political interests of the government.

Third, our major national institutions which historically have acted as a brake on the excesses of executive government, have also become compromised. The chronic under funding of, political intimidation of, and from time to time, direct political manipulation of the Australian Broadcasting Corporation is a critical case in point.

Fourth, there is the office of the Australian head of state, the Governor General.

John Howard has effectively usurped that Governor General's role on so many national occasions. The capacity for the Governor General to speak for the nation (as opposed to the Prime Minister speaking for the government) has been severely circumscribed, has been a deliberate political strategy. But it also effectively puts to one side another constitutional constraint on the abuse of executive power.

Fifth, there is the composition of the High Court, the majority of who have been appointed since John Howard's ascendancy to the Lodge.

Sixth, John Howard has a politically compliant party at his disposal. Peter Costello's opposition to John Howard is personality-based. It is not policy-based. It is difficult to point to a single contentious policy matter before the government over the last nine years where the Deputy Leader of the Liberal Party has seriously challenged the Prime Minister. Not on the Iraq War. Not on Tampa. Not on Children Overboard. Not really on the Republic. Certainly not on recent attempts to modestly amend the laws governing asylum seekers.

And finally, with direct relevance to our remaining deliberations here this evening, the role of the states. The truth of the matter is that John Howard's Commonwealth

has sought financially to intimidate the states into a position of abject political submission. The political objective is clear: to silence or at least marginalise the remaining voices of political dissent against John Howard's conservative juggernaut. The states have become the last remaining battleground for John Howard's radical, conservative revolution. You see it in industrial relations with the proposed abolition of the state Industrial Commissions and the protection afforded Australian families by state industrial awards.

The Rationale of Federation – A Common Foreign, Defence and Trade Policy for Australia

It is important to recall what the underlying rationale was for our Federation in the first place.

The Australian Federation was first and foremost a conscious exercise in nation-building. Its objective was to create a stronger Australia by, for the first time, creating a common foreign policy, defence policy and trade policy for the Commonwealth. With the safe remove of more than a century, it now seems remarkable that the six Australian colonies for example had pursued quasi independent defence policies (albeit within the framework of a common Imperial defence policy from London) – even running as many as six separate colonial navies.

The Federation Fathers, mindful of Australia's changing strategic circumstances in the Far East, concluded that the balkanization of Australia's defences was no longer sustainable. Furthermore, the Founding Fathers concluded that it would be much better for Australia to argue with a single voice in London in seeking to influence the pattern of deployment of Imperial Defence Forces – most particularly the Royal Navy. The same can be said of trade. Not only did Australia face the impossible challenge of a small population and small domestic market being in turn divided into six highly protected colonial markets, we were also unable to speak with a single voice in London on the critical decisions impacting the future of Empire Trade and Imperial Preference. At that stage of Australia's economic development, as now, securing maximum access to global markets for Australia's highly competitive agriculture products was critical to the country's economic future.

Australia's foreign, defence and trade policies, however, were still, by and large, seen as subsets of Imperial policy until the outbreak of the Second World War. It was then that the Curtin Labor Government concluded that Australia was very much on its own. It was from this time, for example, that the modern Department of Foreign Affairs and the Australian Diplomatic Service came fully into being. After the war, there was a rapid expansion in Australian embassies abroad. And Australia, mindful of the experiences of the war, began speaking with its own voice, rather than a derivative voice, in the critical international conferences that followed the war that in turn shaped much of the current international order.

One controversial consequence of this process has been the use to which the Commonwealth over time has made of the External Affairs powers contained in the Constitution. Critics of the Commonwealth have argued that the External Affairs powers have been used and abused by successive Commonwealth governments in expanding Canberra's role in a range of domestic portfolio areas – and in a manner which was never conceived by the Founding Fathers. This is likely to be a continuing matter of Constitutional controversy between the Commonwealth and the States into the future as well.

Role of the States

For the states to be in competition or conflict with the Commonwealth is not an unnatural state of affairs. In fact this was how our Founding Fathers in part

envisaged the Constitution as working. It is not, how John Howard, envisages the Constitution as working.

John Howard's stated views on the Federal contract are unabashedly hostile. On the 25th March this year Howard is quoted in the *Melbourne Age* as stating:

"If we were starting Australia all over again I wouldn't support the existing state structure." "I would actually support having a national government and (perhaps) a series of regional governments having the powers say of the Brisbane City Council."

John Howard's dim view of the states is articulated in the address entitled, *Reflections on Australian Federalism* delivered to the Menzies Research Centre in Melbourne in April this year. The speech is full of classical John Howard dissimulation, including noble statements to the effect that his intention is "not to trample on the states" - before articulating in clear-cut terms just how, precisely, he proposes to trample on them. John Howard's justification for this enterprise is couched in the following terms, *"I am, first and last, an Australian nationalist. When I think about all this country is and everything it can become I have little time for state parochialism."*

The problem is, when John Howard describe himself as an "Australian Nationalist", in fact he means he is an unabashed centralist. As Professor Ken Wilshire, JD Story Professor of Public Administration at the University of Queensland Business School and until recently a Howard Government appointee to the Commonwealth Grants Commission, wrote in April 2005:

"During the life of the Howard Government, one of the most remarkable transformations in the history of Australian politics has occurred. The Liberal Party, once the champion of States' rights has become centralist."

In fact Professor Wiltshire goes on to observe that the manner in which the Howard Government has managed its S.96 grants to the States "makes the Whitlam government pale by comparison".

Beyond s.96 grants, Professor Wiltshire goes on to observe that the centralist tendencies of the Howard Government have become sharper and sharper:

"The Commonwealth has sought to exert control in many more areas which, under the Australian Constitution, are State government powers. These include the health system and public hospitals in particular; in schools - literacy and numeracy, assessment, teacher training and curriculum; in vocational education and training with the establishment of new Commonwealth colleges and the abolition of ANTA which, as a joint Commonwealth-State body, gave the states, which provide the majority of the VET funding some leverage; and universities where more Commonwealth power has been mooted."

Professor Wiltshire goes on:

"The Commonwealth takeover of industrial relations as part of the Howard Government agenda is looming. Local government funding is also in its sights: with funds to flow directly to councils rather than through the states. And moves are in train to allow businesses to enter national rather than state workers' compensation schemes. Add to that the abolition of the national competition payments and the diversion to water initiatives and it is a picture of a national government determined to override or bypass the states."

For those who know Professor Wiltshire well, he is not an automatic cheerleader for the great Australian Labor Party. Nor for that matter is Queensland National Party Senator Barnaby Joyce who must be wondering precisely what sort of government he has been elected to. John Roskam, a former Liberal Senate candidate and former Liberal head of the Liberal Party's Menzies Research Centre put it quite starkly:

“We are living in a strange world at the moment...we have the Labor Party talking about tax cuts and the Federal Liberal Government talking about centralizing everything. They have Health Minister Tony Abbott wanting the Commonwealth to assume control over hospitals; Education Minister Brendan Nelson wanting a National School Certificate and Treasurer Peter Costello wanting even greater control over tax revenue in relation to the states. I and a lot of others are getting very concerned. The centralist push is causing genuine concern in the Liberal Party at the moment.”

Mr Roskam concluded by saying that the Liberal Party stood for competing spheres of power contained in a concept of pluralism.

These disparate remarks by Ken Wiltshire, Barnaby Joyce and John Roskam, all serve to underline the undiluted centralist credentials of John Howard. Furthermore, they demonstrate John Howard's departure from the Liberal mainstream and his radical commitment to implement his extremist program – irrespective of the Constitutional, Federalist or political impediments. In this sense, John Howard is behaving like a winner takes all American Republican with an absolute determination to change this nation forever in his own image.

This brings into stark relief the question of what position the State Labor governments, the Federal Parliamentary Labor Party and more broadly, the Labor movement should be adopting in response to John Howard's assault on the Federal compact. There is no secret to the fact that for many decades, there has been a strong tradition in Labor political thought that when political circumstances permitted, the States should be abolished. Personally, I've never shared that tradition as I have long been a committed Federalist – albeit a Federalist with a difference, one committed to using the Federal compact on a co-operative basis to deliver national outcomes that are politically sustainable well beyond a change in the political complexion of the government of the day. I've never been attracted to a doctrine of Federalism based on chanting the mindless mantra of States' rights. In my view, that doctrine has been too often used and abused in the past to play any genuinely positive and productive role in the 21st century.

Co-operative Federalism, however, is a different proposition altogether. It is based on certain unchangeable constitutional realities. It has positive precedents under previous Labor governments – namely the Hawke and Keating governments. And it stands in radical contrast to the coercive Federalist model much beloved of our current Prime Minister.

Problems with the Federation

In many respects two competing models for the future are beginning to emerge: coercive centralism under the conservatives versus the possibility of a return to cooperative federalism under Labor. Either way, the current Federal compact, following nine years of dramatic abuse under the conservatives is dysfunctional. As Martin Leet noted recently in an article for the Brisbane Institute:

“Too often and for far too long...we have had to endure the blame game between Federal and State governments. From infrastructure to industrial relations through to the health systems, just about every policy issue is plagued by divided and overlapping responsibilities. This situation does not make for responsible or effective government.”

Beyond the fundamental philosophical question of what sort of Federation is best suited to Australia's future, here Dr Leet is pointing to equally fundamental practical problems concerning the dysfunctional nature of the Federation as it currently operates. Voters are understandably outraged by the blame game which has been elevated from an art to a science between the Commonwealth and the states. In fact

a conspiracy theorist could sustain an argument that there may well be interests in both levels of government actively supporting the ambiguity of current arrangements so that no-one in the community is ever precisely certain as to which level of government is finally responsible for a particular government program. Conspiracies aside, however, what it plain for everyone to see is that Federal Coalition MPs routinely campaign on exclusively state political matters at election time in order to give themselves some sort of local political leg up. Everybody knows this is grossly dishonest. For years it has been part and parcel of conservative campaign orthodoxy. Regrettably, its impact over time is to further corrode voter confidence not just in the integrity of individual politicians but in the overall integrity of government. This does not however, appear to faze those who run the campaigns out of Liberal Party Secretariat.

From a financial perspective, the dysfunctionality of Federation is clearly articulated through cost shifting. It is most apparent in the health, disability, ageing and broader social security systems. Given the fact that health costs in particular are projected to rise exponentially with the rapidly ageing of the Australian population, the perverse pricing incentives which currently exist within our national health system are only likely to get worse.

Finally, there is the business community and the general community themselves. Apart from questions of voter disillusionment, and concerns about cost shifting, there is a very basic level of frustration in the business community and the general community about who is responsible for what in our current set of Federal arrangements. To be blunt, the current set of arrangements are not entirely client-friendly. Businesses and consumers waste time, effort and money trying to conduct their business with what often seems to be the hydra-headed Leviathan called government.

For these, and other reasons, there is critical need for the nation to deal with the reform of the federation – arguably the last remaining frontier of micro-economic reform that is in urgent need of attention.

Alternative Federal Models

The literature describes a range of Federal models, but not all of which, are discussed from time-to-time in our on again off again public debate about the future of the Federation.

First there are of course, the abolitionists. This option is usually quickly discounted on grounds of practicality: namely that the Australian people would never support the referendum necessary to abolish the states, replace them with an even greater number of elected regional administrations and/or create a totally unitary system of government.

But before leaving the abolitionist option it is worthwhile briefly canvassing other reasons why the abolitionist argument is unsustainable. The usual argument advanced is that Australia is over-governed. But according to literature, they use total government sector as a proportion of Gross Domestic Product, Australia has either the second lowest or the lowest in the OECD.

By contrast, arguments in favour of a Federal structure include the classical idea of “subsidiarity” – that is, devolving decision-making to the lowest level of government as possible so that decisions are as sensitive as possible to local circumstances and those responsible for these decisions are readily accountable to local communities. Other arguments advanced in support of Federal arrangement include “competitive Federalism” (whereby efficiency is enhanced by the Federation competing against one another, best practice in public administration); diversity (in Australia’s case, hinging on the argument of geography, distance and isolation) as well as the more

traditional conservative argument of checks and balances against any unnecessary concentration of central power.

Beyond these classical Federalist arguments, there is a contemporary phenomenon at stake whereby Federalism is increasingly identified across the international community containing within it the most appropriate system for handling the complexities of emerging states. Federalists rapidly point out that there has been no substantial abolitionist campaign in either social democratic Germany (where the Lander are much more constitutionally powerful than the Australian states) or in progressive Canada (where once again the provinces are on balance, more politically robust than their Australian counterparts).

Once again as Dr Martin Leet observed recently:

“Strangely enough, Federalism is emerging on the world stage, as an ideal system of governance for managing complexities. It is seen as a popular and desirable option in evolving societies of Afghanistan, China and Iraq. It is attractive because it allows for a decentralisation of political and economic power while maintaining cohesion and uniformity at a national level. Even in the United Kingdom, a formally unitary state, Federal-like arrangements are emerging in response to demands for democratic accountability and for efficient service-delivery.”

A second Federalist model on offer could broadly be described as a Constitutionalist model. This is often referred to as “Co-ordinate Federalism”. In Australia this would require a return to our original Constitutional arrangements and division of responsibilities –in particular under s.51 of the Constitution which defines Commonwealth powers.

Once again, this can be ruled out immediately on practical grounds. No Commonwealth government, either conservative or Labor has any intention of retreating to the status-quo ante. The Australian economy of the late 19th century is not the Australian economy of the early 21st century. Of course we now have a truly national economy rather than six isolated, colonial economies. The prima facie requirements for day-to-day national economic management have necessitated a central role for Canberra.

Furthermore, the use of S.96 grants is a means by which the Commonwealth shapes national policy priorities, combined with successive and broad interpretations by the High Court of Commonwealth powers under both the Corporations and External Affairs powers in the Constitution. There is no turning back. Nor should there be. The challenge, instead, is to make our current arrangement more workable, more rational and less dysfunctional.

The third model on offer can be described as coercive Federalism. Traditionally this has depended upon the degree to which the Commonwealth is prepared to use s.96 grants to skew State spending priorities. However with the replacement of the financial assistance grants by the GST payments to the states, the Commonwealth has begun to embark upon a new set of conditionalities which were hither to largely quarantined to specific purpose payments. A coercive Federal approach by the additional creative use of the Corporations and External Affairs power ultimately leads in the direction of what is called a Principal/Agent model. Under this model, the Commonwealth essentially decides policy and the states essentially act as implementation agencies.

There are many arguments against this coercive approach - most of which have already been canvassed in one form or another above in relation to the abolitionist model.

In addition, however, it is important to recognise that if the Commonwealth at any stage is serious about delivering an enduring national policy reform agenda it is far

better to obtain long-term political purchase on such a program by negotiating it with the relevant state governments. This is particularly important if some State governments are of a different political persuasion to the Commonwealth because against the day that the Commonwealth government itself changes through the normal democratic process those reforms most likely to remain in place are those for which there is a general level of political or institutional support. Radical and/or extremist policy or legislative reforms which have been rammed down the throats of the states are likely to be the first to be repealed by an incoming government.

A fourth model for the future of the federation is co-operative Federalism. This model has the advantage of accepting the political and constitutional realities that there are now many shared areas of policy and program responsibility between the Commonwealth and the States. The same also applies between the Commonwealth and the states on the one hand and local government on the other. Under a co-operative Federalist model, targeted inter-governmental mechanisms are necessary to negotiate the best policy and program outcomes to avoid duplication and overlap and to maximise administrative efficiency.

It was for these reasons that the Special Premier's Conferences were established in 1990 – followed by the Council of Australian Governments. National Secretariat of both the SPC and COAG effectively became the senior bureaucratic clearing house for the nation's policy reform agenda. It was my privilege to be the Queensland representative on the Secretariat for nearly five years during the first half of the 1990s.

The usefulness of a co-operative Federalism model understandably depends upon the degree of political good-will between both the Commonwealth and the States and Territories on the one hand and governments of different political persuasions on the other. In the latter 90s after the election of the conservative government, most analysts would concur that COAG fell into considerable disarray. It is, however, in my view, the only viable model for the future if we as a nation are serious about sustainable policy reform.

Co-operative Federalism

Between 1990 and 1995, Co-operative Federalism did yield genuine, enduring results for the Australian Federation. Politically, these results by and large survived the change of Federal Government in 1996 as well as the change in seven of the eight State and Territory governments over the subsequent decades. The fact that policy reform could endure under these enormously politically fluid circumstances is testament to the fact that political purchase for the reform process was obtained in the intensive, and generally collaborative negotiations that took place between senior bureaucrats within the COAG Secretariat and between their respective political masters.

As Roger Wilkins, Director General of the NSW Cabinet Office, one of the few bureaucratic survivors from that period, has noted in a recent address:

“The special Premiers’ Conferences and its successor COAG set about breaking down non-tariff boundaries and impediments to create national markets for energy, transport, water. State-based regimes began to move towards regimes that were national (not necessarily Commonwealth) in areas of regulation, too, there was a move through mutual recognition the establishment of a national environmental and standard setting to get the cost of regulation down. These changes culminated in the national competition agreement of 1995.”

These were not small achievements. They were politically challenging. They took a lot of time. And they spread over a five-year period. And they were by no means

perfect. A number of them require continuing improvements in the post-1995 period. Without doubt, this was the single-most intensive period of national micro-economic reform involving the Commonwealth and the states in the history of the Federation. Regrettably not much has happened since – with the exception of the introduction of the GST as a substitute for the previous Financial Assistance Grants.

The continuing microeconomic reform process has been slow, resulting in an erosion of goodwill between the Commonwealth and the States.

But whereas progress in micro-economic reform might be categorized as slow, progress in this third basket of COAG's original reform agenda (that is the reform of the roles and responsibilities of the Commonwealth and States) has been virtually zero. It is here where reform is most desperately needed.

As Roger Wilkins has noted, in many respects the Commonwealth has passed up a considerable opportunity to deal with the problem of roles and responsibilities when it introduced GST payments to the states. This was a significant shift in the states financial arrangements. Furthermore, the impact of this change on the future of s.96 grants remains to be seen. It is deeply puzzling why the Commonwealth did not choose to use the deep changes brought about by the introduction of the GST payments to the states to fund a review of the questions of roles and responsibilities.

It could be explained by the fact the conservative government has no fundamental interest in deep, administrative reform. It may be explained by the fact that the Howard Government politically prefers the ambiguity of Commonwealth and State roles and responsibilities. After all, were these to be clarified, it would make it difficult for conservative MPs to continue to unashamedly campaign on areas which lie exclusively in the responsibility of the states. Beyond all these possible explanations, it may well be that the Commonwealth simply prefers its current “coercive Federalism” approach as the best way of achieving its radical, even ideological, policy outcomes.

If the Federal Government does not move on the questions of role and responsibilities within the Federation, an option available for Federal Labor as we approach the next election is to embrace fully a co-operative Federalist model. This will be consistent with the approach adopted during the Hawke and Keating governments.

A recommendation along these lines has already been prepared for the Labor Premiers in 2004. In a report entitled *Governments Working Together* prepared by an Allen Consulting Group team chaired by Vince Fitzgerald, it was recommended that:

“Comprehensive reform to improve the lot of Australian families can only be effectively driven by institutionalising true collaboration at the highest level of our Federation. We propose a revival re-vamp of a concept canvassed several years ago: the Australian Federation Council should replace and transcend the current COAG. The AFC should have regular fixed meetings, an agreed agenda for each meeting and an independent Secretariat. We envisage that the heads of all Australian Governments will develop in the AFC a comprehensive strategy for collaboration to meet Australian families’ needs more effectively, in health and education – and indeed to address other national priorities.”

The *Governments Working Together* report is an ambitious project. But if the government of Australia is to properly engage in the large-scale, inter-governmental and inter-generational challenges which the nation now faces, ambition is what is required. The first step under a co-operative Federalism model might be a simple

audit of current roles and responsibilities between the Commonwealth and the States in critical portfolio areas.

Second, COAG (or an appropriate replacement body) could then examine models for dealing with overlapping roles and responsibilities. One model could be a so-called “clean lines” approach which clearly sets out delineation between Commonwealth and state responsibilities with and between portfolios. A second and more probable model would be a “shared responsibility” model which would regularize national policy determination processes as well as agreeing on the most appropriate implementation arrangements.

Third, action plans should then be developed to tackle the most pressing areas of dysfunctionality and where cost-shifting is it at its worst.

To be frank, there is not a lot of magic in this. All it takes is political leadership. Some bureaucratic smarts. And a reasonable dose of good-will. It is worth remembering that the bulk of the microeconomic reform achievements of the first half of the 1990s were achieved by a Federal Labor government working in co-operation with eight states and territories government - the majority of whom most of the time were non-Labor. At that time, a true sense of national purpose prevailed. We do not see that under John Howard’s coercive centralist approach.

For those committed to progressive politics in the tradition of Don Dunstan, such an approach commands an enormous appeal; it rests on the assumption that national policy reform can be achieved collaboratively; that for national reform to be delivered it doesn’t have to be “Commonwealth-only reform”; it can be achieved collaboratively with the States.

Conclusion

In our present political circumstance, we return to where this lecture began. The states represent the nation’s last constitutional redoubt against John Howard’s radical conservative agenda. That is why he is determined to do as much as humanly and politically possible to destroy them. And if not destroy them, then to discredit them on the way through.

The challenge for a future Labor government will be to rebuild the Federation. And it is my argument that the Federation can be rebuilt based on the principles of co-operative (rather the coercive) Federalism. If Federal Labor succeeds in this enterprise, it will create a sustainable political and constitutional mechanism to deliver lasting reform to the nation; to implement a progressive policy agenda that is likely to endure beyond subsequent changes in the political cycle at either a Commonwealth or State level.

Finally, beyond what a future Commonwealth government could do through a co-operative Federalist model, such a model also makes it possible for the States to continue to act as progressive laboratories pioneering new approaches to economic development or the delivery of social services.

It is precisely this system which allowed Don Dunstan in South Australia to become a national path-breaker for the other states and then ultimately the Commonwealth itself in so many areas of social policy reform.

Ten years ago today, another Australian Premier, not far from where we are tonight, delivered a speech which touched on a number of the themes which we have been exploring this evening. As the Queensland Government’s Senior Adviser on Intergovernmental Relations at the time, I seem to recall having some involvement in the drafting of that speech. It was then Queensland Premier Wayne Goss who on 16 July 1995 stated:

“A new Federal compact is required which delineates who is responsible for doing what within the Federation. It is unacceptable from the point of view of

the consumers of government services that we should let confusion reign as to which level of government is responsible for particular government programs.”

When it comes to the Federation, things often move a little too slowly. A decade later it's worth listening again to what Wayne Goss had to say and more importantly resolving to do something about it.

A properly functioning Federation can advance the cause of progressive politics in this country– not retard it.

It would provide the mechanism through which the next generation of progressive policy reform could be implemented. Although we may not get all that we would like, we would have a much better guarantee of reforms remaining on the statute books into the future. Through a culture of national political co-operation and collaboration – as opposed to confrontation and coercion. That way we can look forward to the sort of Australia we would like to fashion for the future: a secure Australia, a competitive Australia, a creative Australia, a compassionate Australia as well as a sustainable Australia.

I conclude in the words of the present South Australian Premier Mike Rann reflecting on his predecessor and the person whom we honour tonight:

“The real legacy of Don Dunstan is not to look backwards with some sort of rose-tinted glasses to the legacy of the 1970s because they were different times and different issues. Don Dunstan’s central legacy for us is to look forward, to actually lead, not follow, to fight above our weight and, in our own ways, become maestros of the possible, in a different time and a different age.”