

**IDEAS IN GOVERNMENT – RENEWING MANDATES AND
CLAIMING LEADERSHIP IN THE AUSTRALIAN FEDERATION**

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Abstract

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Abstract

This case study of policy initiatives of an Australian state government shows how sub-national governments can use ideas as drivers for national agendas to reinforce their identity as states and promote themselves as proponents of reform initiatives in government generally.

Federations of strong central governments and subordinate sub-national governments are constantly adjusting the balance of power between them. Sub-national governments such as states or provinces, which make up a middle tier of government, face a loss of independence when confronted by federal government 'vertical' fiscal control and international economic, trade and cultural pressures that derogate from their residual powers. Local government, as a third tier, also competes for attention and relevance as the appropriate service provider and manager of available resources. A federal government, citing demands for efficiency, can choose to bypass a sub-national government, deal directly with local government and undermine the public perception of the middle tier. Sub-national governments may thus be seen as mere conduits – and not necessarily the preferred conduits – between distant central authorities and citizens.

Yet unless federations move to a unitary system, sub-national governments must be accommodated as active partners in policy development and service delivery – or risk becoming expensive 'shells'.

In Australia, the role of the states in recasting themselves as active participants in national policy arenas has been variously described as collaborative or competitive federalism. The states use collaboration and competition to complement one another as they propose policy resolutions in response to changing demands from citizens, other tiers of government, and external influences arising from globalization and concerns about terrorism and national security.

This study focuses on Victoria, the second largest Australian state by population. It examines how Victoria handles ideas-driven policy, drawing widely on initiatives and people in other governments and in the private sector. Victoria is carving out a role in entrepreneurial policy leadership through initiatives under the National Reform Agenda, which takes the economic and structural reforms of the 1990s and moves them forward into areas of human capital, health, education, infrastructure and further rounds of regulatory reform. Where the state's power is in question or weakened, it responds with claims for the priority of its policy ideas.

Three examples of ideas-driven policy are examined: national water policy, strategies to combat rises in type 2 diabetes, and strategies to improve numeracy and literacy among school children. Competing political powers, professional authorities, organised interests and proponents of ideas strive for national influence on each issue. Ideas-based proposals are central to vigorous contests in managing infrastructure, health and education. How these contests are resolved may be crucial to the future of federation as a real rather than symbolic description of Australian government, and may provide lessons for federations elsewhere, and indeed for governments that, while not formally federated, comprise a multiplicity of communities and levels.

IDEAS IN GOVERNMENT – RENEWING MANDATES AND CLAIMING LEADERSHIP IN THE AUSTRALIAN FEDERATION

When the hares addressed a public meeting and claimed that all should have fair shares, the lions answered: 'A good speech, Hairy-Feet, but it lacks claws and teeth such as we have'.

– Fables of Aesop 25¹

INTRODUCTION

This paper explores how a government can use ideas and policy analysis to promote change in policies and institutions. It examines policy initiatives by an Australian state government to show how sub-national governments can use ideas and analysis to drive national agendas, reinforce their identity as states and promote themselves as proponents of reform in government generally.

In federal systems attempts to change the balance of relations between levels of government are frequent. However, in Australia the most recent round of attempts has been stimulated by a particularly rich mixture of factors. Following initiatives in the 1990s to liberalize the economy, issues in Australian public policy have increasingly crossed boundaries. International, national, state and local policy dimensions intermix. So do the ambits of the public, private and non-governmental sectors.

Policy leaders and the institutions of governance at all levels are challenged to define new directions. In these circumstances the federal government has claimed that the need for nationally consistent policies justifies intervention in a wide range of fields formally the responsibility of the states. The states have responded by articulating their own proposals for new directions in national policy.

The paper focuses on proposals by Victoria, the second largest Australian state by population. The significance of Victoria's approach is that it responds in an explicitly analytic way to the mixing of issues between sectors and levels of governance. The paper examines how Victoria deploys ideas-driven policy initiatives, drawing widely on views and people in other governments, in the private sector and internationally.

Victoria has sought to build a role as the leader of initiatives under a National Reform Agenda, which takes the economic liberalization and structural reforms of the 1990s and moves them forward into areas of human capital, health, education, infrastructure, water management and further rounds of regulatory reform. Ideas-based proposals are central to vigorous contests about managing each of these fields. The National Reform Agenda is proposed as a vehicle through which to integrate and keep up to date state and national responses to exposure to a global economy. An active program of state initiatives is also used as a bulwark against federal government claims that it alone can formulate nationally coherent policies. Where Victoria's power is in question or weakened, it responds with claims for the priority of its policy ideas.

The paper also suggests that comparing federal and Victorian initiatives reveals a policy paradox. The federal government led by a Prime Minister with a reputation as a reform-oriented 'conviction politician' has charted directions incrementally and used the considerable expertise of the Australian public service mainly after the event. The Victorian government with an early reputation for excessive caution has melded political leadership and expertise in policy analysis to craft a policy narrative that combines hard-headed economics with social sensitivity.

Three examples of ideas-driven policy are examined: Victoria's response to national water policy, strategies to combat type 2 diabetes and strategies to improve numeracy and literacy among school children. Competing political powers, professional authorities, organised interests and proponents of ideas strive for national influence on each issue. How these contests are resolved may be crucial to the future of federation as a real rather than symbolic description of Australian government. Examination of these contests may also provide lessons for federations elsewhere, and indeed for governments that, while not formally federated, comprise a multiplicity of communities and levels.

TRENDS IN AUSTRALIAN FEDERATION

The Australian constitution, and the federal system it creates, is a curious beast. Commentators would advise us, like the lost traveller in search of a way forward, that we ought not to start from here. But we have it, have lived with it for a little over a century, and are likely to have it for some time.

Australia's system of federal government remains in outline as it was at federation in 1901: it comprises six states and two mainland territories, each with their own elected government, most bicameral, and a national federal government, also bicameral. At the national level, the lower house is elected through single-member electorates which have approximately the same number of voters, while the upper house or Senate continues to be based on the constitution's original provision of equal numbers of senators (currently 12) for states, irrespective of size, and a smaller number (2) for each territory.

The constitution is silent on the existence and operation of parties, the executive and the Cabinet. 'Executive power' is in fact formally vested in the sovereign and exercised by the Governor-General (s61). When it comes to disputes over precedence, s109 resolves the potential for inconsistency by ruling that the federal government's power takes pre-eminence over a comparable but inconsistent state power. This deceptively simple formula belies hard-fought claims and counter-claims. Structurally, the Australian system provides for a high proportion of shared and contested functions.

Further, the constitution is silent on the subject of local government. Local government is controlled by the states on conditions they impose. State governments can and do restructure, dismiss and otherwise manage local government. A referendum in 1988 to recognise local government in the federal constitution was resoundingly defeated (Galligan 1995: 126-128). However, local government is far from powerless: strong city governments may seek to bypass their creators and deal directly with the national government (for example, in extensive infrastructure proposals: *Weekend Australian* 14-15 July, *Australian* 17 July, 2007). Moreover incentives for the federal government to build direct relations with local government and other local institutions are also tending to strengthen.

Another provision, s122, which provides for laws for territories, has been applied to exercising federal power over the two territories where the federal government has disagreed with a territory parliament decision. Most recently, the federal government imposed its own policy solutions on the Northern Territory in respect of managing aboriginal health and welfare. Earlier it had overturned the territory parliament's legislation to permit voluntary euthanasia.

But it is not merely a matter of constitutional ease; willingness to spend has a substantial role even where power appears to lie elsewhere. In July 2007, the federal government announced its attention to bypass the states on public housing provision (*Age* 27 July 2007). It also intervened to 'support' a state hospital facility (in a marginal electorate), against state and expert policy, and at a cost to other local facilities (*Age* 2 August 2007). Side-stepping a state government to appeal directly to the voters has its attractions. The Opposition's federalism spokesman, Bob McMullan, was succinct: "It's a helluva way to run the country" (*Australian* 8 August 2007).

On 25 July 2007 the federal government announced that, because of Victoria's refusal to sign up to a national water resources plan, which involved yielding up state powers, the federal government would proceed with its own plan, using its own selection of constitutional powers – and incidentally imposing its solution on all parties. Early comments from the national minister dismissed state objections that the constitution itself (s100) reserved to the states reasonable use of water for conservation or irrigation. A provision for compensation on just terms (s51(xxix)) is also likely to be called into play. Any suggestion that a 'recalcitrant' state might be disadvantaged calls up s99, which requires fair treatment of all by the federal government. On the federal government's side, there is the power over external affairs, the corporations power and interstate trade powers (ss51(xxix), (xx), 92, respectively). Ratification and implementation of treaties has made the external affairs power increasingly attractive to the federal government as a means to extend its domestic policy and administrative reach.

At first sight, it is not easy to chart a course through these strong but competing instructions. However, despite formidable resistance to amending the constitution, because of in-built constraints (changes require a national majority and a majority of voters in a majority of states: s128), the national government's power has steadily increased since federation, and especially since World War II, because of vertical fiscal imbalance, transfer of powers and judicial interpretation. The national government controls the major taxation functions and is able to direct its grants back to states for specific purposes (s96; Painter 1998: 97-100). Although the introduction by the federal government in 2000 of a Goods and Services Tax (GST), the revenue from which goes without strings to the states, was supposed to provide the states with a 'growth tax', the arrangements contain ambiguities which the federal government continues to exploit (Parkin and Anderson 2007:296). In the *WorkChoices* case the High Court effectively decided to allow an expansion of the corporations power in such a way as to permit Commonwealth pre-eminence wherever a corporation was involved (High Court 2006; Twomey & Withers 2007: 31-33). In the *Tasmanian dam case*, much earlier, it upheld broad application of the external affairs power. It is likely, therefore, that current and future disputes will also come before the Court for its decision.

Issues of making the constitution work in a federation are thus very lively ones for Australia. Pessimists in the states can easily see themselves as inheritors of an empty shell, where formal authority has been progressively stripped away and national centralism has been imposed by a combination of judicial interpretation and skilful federal manipulation, against the protections they read in the constitution's text (Craven 2001).

In the past, the resolution of policy problems between the federal government and the states tended to take place through lengthy periods of conflict and negotiation. In ministerial and official forums federal and state governments tried to best each other with competing definitions of problems and solutions. Business and community

groups tried to influence any level of government to which they could get access. 'Solutions' emerged from protracted interaction.

However, recently it has been argued that current trends have shifted the balance decisively in favour of the federal government. A former senior state official (Wilkins 2006: 11-12) has defined three ways in which the federal government can now pull selected policy fields under its control:

- Principal/Agent Scenario
 - Federal government determines policy and uses financial power to require states to implement it
- Contracting Out Scenario
 - Federal government determines policy and tenders out implementation. Private sector and local government providers as well as state agencies submit tenders
- Public Choice Scenario
 - Federal government directs funds to end users who choose from a range of private and public providers.

Similarly Parkin and Anderson (2007:296) have distinguished three dimensions in recent federal-state relations through which the federal government has sought to extend its reach:

- Regulatory federalism
 - The states resemble regulatory agencies operating within federal-dominated clusters of regulatory regimes
- Program federalism
 - Stronger system of federal oversight of and prioritisation within state-delivered programs
- Parallel federalism
 - Unilateral action by the federal government that bypasses, marginalises or directly overlaps with state jurisdiction and programs.

More trenchantly Twomey and Withers (2007:33) have characterised such trends as "opportunistic federalism".

Is it any more a federation when one party can choose at any time to abrogate key parts of the federal compact?

A 'COMPETITIVE FEDERALISM' OF IDEAS?

Much has been made – or attempted to be made – of the competitive benefits offered by federalism, both for innovation for its own sake and for the capacity to experiment with applications on a smaller than national scale (see Twomey & Withers 2007). Yet there remains a series of fundamental perspectives that the federal government and their second tier competitors also seek to present as a way of marking out their territory.

Competition across various strata, not only government, includes management of a national story. For the current federal government (a coalition of the Liberal Party and National Party) this has been overtly political and short-term. It has advanced a narrative of economic liberalism and reciprocal obligation through which

improvements in welfare take place as a result of business and personal effort and remain within the control of individuals (Howard 2007b):

We in the Coalition believe in trusting people. We believe that by giving people more control over their lives at the local level, we encourage responsibility and so build a better society.

Much as he used to give major speeches only from notes, Mr Howard has developed narratives to support federal initiatives by linking successive federal policy improvisations to themes of localism, populism, nationalism and economic aspiration.

For the opposition political party (the Australian Labor Party), and for the trade union movement, this leads to imbalance in rights and capacity. It misunderstands the fundamentals of the labour market, in that individuals can never enjoy and exercise a sufficient power to preserve their entitlements against the wishes of employers. A collective solution is necessary. At state level, this counter-narrative has proved successful (for example, in New South Wales: Clune 2005: 41).

Governments at both levels tweak their narratives to suit audiences, and these range from the international to the national and down to the regional and local. The intense demands created by the electoral cycle (three years at national level; four years in many states) bring to the fore competing views on the use of analysis versus electoral necessity.

The federal government cites state spending as a risk to international credit ratings, and therefore to domestic interest rates. It argues that state governments are inefficient, failing to put GST revenue to responsible use and to deliver services how and where they are required. It therefore argues for bypassing the states in delivering services and funding directly to local communities. The Prime Minister has argued that, after all, the focus is on outcomes, not systems (Howard 2007b):

Sometimes that will involve leaving things entirely to the states. Sometimes it will involve cooperative federalism. On other occasions, it will require the Commonwealth bypassing the states altogether and dealing directly with local communities.

State governments point to vertical fiscal imbalance, where states are responsible for service delivery but the Commonwealth collects the bulk of the funds and dispenses these according to its own priorities. They argue that borrowing for infrastructure spending is not a risk to inflationary pressure but rather a productive investment, and they are able to bring economics back in to support their contention (*Age* 21 August 2007). They argue that they are constitutionally responsible for many services (health, education, policing, for example) and for the structure of local government. They argue further that this is both a historical legacy and a guarantee of due process, because state governments are closer to their communities than the national government.

THE FEDERAL GOVERNMENT'S APPROACH

The federal government's approach to federation as a system has been communicated as a work in progress, but unfolded with bewildering speed in the lead-up to the 2007 federal election. The Prime Minister himself pointed to the features he believed are central. In his "Federation Address" (Howard 2000) he outlined achievements and reforms, and threats to ongoing benefit. Chief among

these was the 2000 change to taxation that introduced the GST, whose revenue flowed back to the states in return for reductions in state charges. It was “an historic legislative reform package ... [that had] the support of the States and Territories”. Yet “there is a negative obstructionist agenda that is being pursued at the moment by the enemies of taxation reform”. These recalcitrants were left unnamed. Second, there was the pursuit of a “fairer” society. This, too, was articulated as an outcome of economic reform and offsetting measures that became possible because of prosperity arising from reform:

We will only achieve the national goal of a strong economy in a fair and decent society if there is a complementary approach to economic and social policymaking.

With “liberalization in economic policy” went “a modern conservatism in social policy”; “individual potential” balances “social obligation”. (Individual benefit and participation were also implied in the appeal to Australia as “a great share-owning democracy”.) Here also there are unnamed, misguided critics, who charge the government with reducing its commitment, when what matters is recognition of limits on government effectiveness. As a part of this fairness agenda, labour market flexibility must be increased to improve the prosperity that supports it. Here, first, the states were drawn in:

... State Governments should look more sympathetically and creatively at more sensible school hours that better reflect modern family realities, needs and work patterns.

“Reconciliation” that redresses the significant disadvantages of Australia’s indigenous population was to build on “economic independence and more genuine equality of opportunity”.

National infrastructure was to be improved through reduction in federal government net debt and through privatisation (telecommunications is the theme but with the continuing controversy about the manner and impact of telecommunications privatisation uncanvassed).

In his final section, Mr Howard pointed to Australia’s role in the Asia-Pacific region, in particular through its economic ties and a segue into defence policy (an enlarged military capacity). The key, he concluded, was the economy:

If sound fiscal management were compromised, if the inefficiencies and inequities of a failed tax system were preserved, if workplace relations were returned to centralised controls, if microeconomic reforms were reversed, if we fail responsibly to meet the challenge of infrastructure renewal, and if the balance in social policy reversed in favour of dependence over incentives to personal responsibility, then the outcomes for Australia will be very different.

While this brief summary understates the extent and detail of Prime Minister Howard’s presentation, it delineates the underlying principal idea. The theme of economic reform marches with consequent economic prosperity, making social advances possible, but it remains basically a single idea to produce coherent policy. And ownership of this idea lies with the federal government, as manager – and controller – of much of the economy. Although other issues emerged subsequently, such as climate change, they were interpreted as challenges for or subsets of the economy. Water reform (Howard 2007a), for example, targeted not just the economics of water as a resource but as an outcome of a longstanding focus on

economic change. If this was the dominating idea for developments in Australia's governance, the federal government remained pre-eminent in the realm of such ideas.

Where, then, does this leave the states? Notwithstanding federal government attempts to cast the states as fiscally irresponsible, through borrowing to pay for infrastructure, the states generally have behaved as fiscal conservatives (*Age* 27 July *Weekend Australian* 11-12 August 2007), while at the national level the federal opposition has been accused of "echo-nomics" (Howard, reported *Australian* 10 August 2007) because of its matching of philosophy in this area with government policy. Challenging the focus on the economy as an idea does not therefore immediately commend itself.

VICTORIA'S APPROACH

The creation of the Council of Australian Governments (COAG) by Prime Minister Paul Keating (Australian Labor Party) in 1992 provided a framework for strategic discussions and initiatives concerning the federation. It substituted for the states' proposed Council of the Federation (Painter 1998: 43-44). COAG's role in promoting economic reform in the 1990s was especially marked. However, it remained under federal leadership and its name signalled its role as a peak *government* body, not as a forum for federation issues.

Led by Victoria the states' 1992 proposal was in 2006 given life as the Council for the Australian Federation (CAF), which provides a states-only framework for commissioning and developing policies, including an analysis of federalism itself (Twomey & Withers 2007). It moved attention away from the finalisation of federal-state agreements, where the focus was on finance, and from a process essentially managed by the federal government (see *Australian* 8 August 2007: "a series of love-ins"). Because the Australian Labor Party led all state and territory governments, proceedings of CAF also added a partisan flavour to relations with the federal government.

Much comment about the Victorian Labor government has suggested that caution in policy dominates. After the neo-liberal whirlwind of the previous Liberal-National government it was often characterised as a 'do-nothing government'. The response of Premier Bracks (1999-2007, when he handed over to John Brumby) was to emphasise balance, inclusiveness and fairness in addition to market-oriented methods, in implied contrast to his predecessor, Jeff Kennett (1992-1999) (Costar & Hayward 2005: 111). It is only by reaching into the detail of policy initiatives that we see how inadequate conventional perspectives have been. While in its first term the government lacked a majority in either house of parliament, and therefore was rightly careful, behind the fiscal conservatism and acceptance of many of the policy decisions and instruments of the previous government there has emerged a clear interest in policy ideas as drivers of the government agenda.² This is reinforced by the people it has engaged as consultants or recruited as policy advisers and program managers in the public service. The skills demanded by the government come not only from experience in the public sector, but from strategy consultancy, think tanks, business, political offices, scholarship, and working in other countries.

Victoria's leadership role, and response to the federal government, can be read in and into its proposals on future directions for COAG (Bracks et al. 2007). The letter acknowledges economic reform, but seeks to expand the agenda to include human capital. It cites the federal government's Productivity Commission research in support of claims to meet demands on services from an ageing population (which

also is a theme in Howard 2000). It moves down into detail: nationally consistent teaching standards; diabetes assessment; school entry assessment and early childhood learning and care; competition regulation and reform; and road freight infrastructure pricing. The emphasis is on a package approach, rather than “cherry-picking”. As the federal government will benefit from these initiatives, the states merit a reform dividend. However, they must be free to implement reforms in their own way. An attachment details further initiatives, such as a climate change strategy.

The proposals therefore seek to integrate a number of initiatives and to represent these as a significant advance on the primarily economic focus of existing reform policy. The time horizon is 10 years.

Elements of this comprehensive plan can then be traced through individual initiatives.

At a similar ‘high’ level, Victoria had provided its own short history of the National Reform Agenda (Victorian Government 2007e). This initiative is a “partnership” because the challenges posed by an ageing population and global economy are “not within the power of just one government. Success will rely on all governments working together to deliver Australia’s future prosperity”. Structurally this can be the only solution:

Australia has a federal system of government, embedded in its constitution. The NRA is built on the notion that cooperation between different tiers of government will lead to better outcomes for Australians.

The document provides links to “original research commissioned for the Victorian Government”, whose scope is not principally the state’s responsibility and which directly impinges on the interests of the federal government: private health insurance (Victorian Government 2004c), school effectiveness Australia-wide and a new agenda for education and training (2004b, e, f), and general practice in medicine and public health insurance (‘Medicare’) (2004g), and public-private engagement for private hospitals (2004d).

Now it is true that Victoria has formal responsibility for regulating private hospitals and for providing most education and training within its borders, but private health insurance, the national Medicare system,³ strategic planning in medical training and cross-border assessments of all jurisdictions are very much federal government interests. Moreover, the federal government’s initiatives in re-establishing its own technical education providers and its ongoing proposals for reforming the education curriculum, as well as its overwhelming role in funding almost all tertiary education directly and much of the rest indirectly, are here challenged by claims to authority and offering of reform options.

Also encroaching on federal government claims are research papers, advocating strongly a collaborative approach, that cover infrastructure investment (2005d) and workforce skills (2005a). In human capital there is the next stage of competition reform (2005b) and Treasury modelling of outcomes (2005e).

Within the spheres of federation and COAG, Victoria’s history reports that the state even proposed its own communiqué as an alternative to the ‘official’ version (2005c). At COAG itself Victorian chaired the working group on the national reform initiative and – charitably! – acknowledged that the National Competition Policy working group’s findings were “consistent with the Premier’s *Third Wave*”. In 2006 “Victoria was asked to lead key work in health and education, and was actively involved in the negotiations across competition and regulation”. A further stream of research and

policy followed. When in 2007 the federal government's Productivity Commission released its report on reform benefits (Productivity Commission 2007), Victoria pointed to agreement with its own "longstanding assertion".

Continuing research into federalism itself, sponsored by Victoria, has been cast as a series (we might assume from titles and numbering) of "Federalist Papers", a claim to historical and international legacy not unfamiliar to students of US constitutional development.⁴

Victoria's history of reform also acknowledges that the federal government has agreed to some funding for policy measures, but not all, and not to the extent required "to help States and Territories implement the full package of reform proposals":

While the outcomes of COAG fell short of what was required, Victoria remains committed to the rationale and principles of the NRA. The NRA has generated many important policy initiatives, particularly in relation to human capital. It has been crucial in raising to a national level the importance of investment in human capital as part of future national prosperity.

Victoria will progress future work in key human capital areas through the action plans developed for COAG. All States and Territories will continue to pursue reform in the national interest through the Council for the Australian Federation.

Tracing reports cited in the history reveals that a number are commissioned from universities (2004b, c, d, e, f, g) and consulting firms (2006b, c, 2005d). In one case, a leading health academic-administrator, who was at the forefront of radical reforms to Victoria's hospital system under the Kennett government, before moving to head a federal department (then being unceremoniously removed by the Howard government), appears to provide expertise to the Bracks government (2004d).

Titles assert binding themes, such as 'governments working together' (2005a, b, d, 2004a) and 'sharing' (2006d).

The reports collectively do not disguise their origins when the originals are consulted, but in each case they are published as Victorian government documents and appropriately 'badged' or 'branded' as such. In each instance, the credentials of the consultants are difficult indeed to dispute. Thematically they present an interlocking set of ideas that animate a federation but can be read to oppose centralism.

The theoretical report underpinning this position is also an 'expert' document, particularly as the second author, Glenn Withers, is an experienced player in policy and academe (Twomey & Withers 2007). It is a comprehensively researched and annotated document for an official report. Notably it draws on significant conservative commentary that favours a federal system, including now-retired High Court judge Ian Callinan and neo-liberal think-tank executive John Roskam, along with the economically rigorous Productivity Commission's research (2007: 12). It cites the Liberal Party's founder, Sir Robert Menzies, speaking in his own words "as a federalist" (2007: 9), and, tellingly, Prime Minister Howard's claims to sympathy with regional variations.

From the outset Twomey and Withers's report challenges claims to historical inevitability:

...Australian attitudes towards federalism are out of step with those in the rest of the world. (p.2)

Later, implicitly countering the Prime Minister's occasional musings about alternative directions in 'history revisited', it says:

...if we were starting afresh, it is likely that Australians would choose a federal system. (p.19)

Whereas much attention can be focused internally on dysfunction, Twomey and Withers prefer a global perspective. Their internal interest, in part, lies in opportunities for 'competitive federalism' that leads to innovation, because individual state initiatives can be tested before becoming national policy (p.4 and *passim*). The list of state-initiated successes is impressive (p.15), the list of federal government management failures – some tellingly reported from the federal government's own analysis and review – not complimentary (p.23). The last 'big idea', they report, the National Competition Policy of the 1990s, was a joint effort of the federal government and the states, not a centrally managed initiative (p.25). This leads into promotion of the Bracks government 'third wave' of reform (p.29).

Much of the report is given over to statistical analysis to support broader claims that federation underpins fiscal success, rather than imposing a net cost (p.5). The thrust of the report is to mount an overwhelming economic case for federalism, which addresses the federal government's objections at their heart, rather than on the more disputed territory of history, rights or even law.

Such reliance on expert advice, internal and external, has become the hallmark of Victoria's counter-proposals. The federal government itself cannot claim a similar record of policy critique. Victoria's central management of policy development has ensured coherence, consistency and focus: from the title down to the detail and the advertising, the Victorian government 'stays on message'.

CASE STUDIES

Three brief case studies provide examples of Victoria's attempts at policy leadership. The first case, about a proposal for a national plan for water management shows how the Victorian government used policy analysis to sustain political opposition to a national initiative. The other two cases, about plans to combat obesity and type 2 diabetes and improve literacy and numeracy, are examples of initiatives in setting long term agendas.

Water

Since federation use of water from the Murray Darling Basin has been an under-managed problem. The basin extends over four states - Queensland, New South Wales, Victoria and South Australia, and supports the biggest river system in the country. Demand for water for rural irrigation and urban use has stimulated construction of elaborate systems of locks, weirs and dams. However, over-allocation of water rights, persistent drought and increasing concern about adverse environmental impacts have supported demands for a coordinated national management plan.

Since the 1980s the federal government and the four states involved have made several attempts to build coordinated arrangements for managing the basin. As

drought persisted during the 2000s, discussions between the federal and state governments proceeded with increasing urgency. In these circumstances Prime Minister Howard announced in January 2007 an ambitious plan for the federal government to take control of management of the basin (Australian Government 2007). The approach involved payments to the states by the federal government in return for state referral of constitutional powers to the federal government. After considerable argument Queensland, New South Wales and South Australia accepted the plan. So did the federal opposition. However, Victoria did not. Moreover, Victoria stood firm.

Victoria's firmness combined political will (enunciated by Premier Bracks and confirmed by Premier Brumby) supported by urgently but persuasively compiled policy analysis (Victorian Government 2007a, b). The nub of Victoria's case was that the federal government's plan appealed piecemeal to stakeholders and was not truly national. Three points stand out: Victorian interests, especially farmers, would be disadvantaged because Victoria had already addressed problems of water over-allocation; the really acute problems were in another state; and the federal government's plan to divide management of urban and rural water supplies would be unworkable. The report used economic language to identify costs and benefits and maps and analogies to highlight key perceived drawbacks (a map showed a preponderance of over-allocation problems in New South Wales and another labelled the division of urban and rural water management a 'Swiss cheese' model).

The Victorian government proposed a four-part program to draw together environment, market protection, governance and adjustment as the minimum, inseparable requirements for Victorian agreement:

In the absence of assurances that a new model would encompass each of these elements, it would be a dereliction of duty to communities, farmers, businesses and the environment for the Victorian Government to refer its powers [to the Commonwealth].

It added that time and consultation were required – in implied contrast with the secrecy and speed surrounding the Commonwealth's initial proposal.

The use of public service advice by Victoria contrasted strongly with that of the federal government which excluded the Department of the Treasury and the Murray Darling Basin Commission from its planning. Victoria also ensured that its negotiating position had Cabinet approval. These two factors allowed the Victorian Premier to question both the policy commitment of the federal government and the details of its proposals. On the other hand federal minister Malcolm Turnbull rejected Victoria's claims to leadership and expertise and commented that Victoria's arrogance found little favour outside the state.⁵

Victoria's position was supported by the Victorian Farmers' Federation (although for reasons different from those deployed by the government—Watson 2007) and initially by the Victorian National Party, a rurally based party. Despite extensive negotiations agreement was not reached; it is reported that Victoria insisted on a side deal to accommodate the state's 'specific needs, interests and objections' (*Age*, 26 July 2007, p6). On 24 July 2007, the Prime Minister laid down an ultimatum: sign to the federal plan or he would use constitutional power to take control (*Age* 25, 26 July 2007). Victoria replied that it would initiate a challenge in the High Court. The possibility of such a challenge drew support from the view of legal scholars that the powers on which the federal government intends to rely are incomplete (Williams 2007).

By drawing on economic ideas and analysis Victoria distinguished itself from other jurisdictions. It was widely believed that officials not only in other states but also in the federal government accepted the technical merits of its case. However the large number of continuing professional disagreements about ideas and information combined with vocal and well organised interests continued to hinder progress towards agreed national policy (Watson 2007). As with the wolf's decision to eat the lamb, ideas risk being overrun by interests, might and the proponents of other ideas.

Health

Victoria's initiative on obesity and type two diabetes linked preventative action on a costly health problem with existing COAG agreements on reform. It formulated a plan with a 10-year horizon (Victorian Government 2006). The costs of type 2 diabetes were quantified. The implementation formula, repeated precisely in a similar plan for education plan (below), was a variant on the requirement for an integrated approach:

The most efficient way to ensure these initiatives are co-ordinated across levels of government is to create an integrated approach to government investment.

Federal government commitment to "fair sharing of costs and benefits of reform" was similarly invoked.

This initiative addressed an immediate need but also a longer-term challenge to provision of health services. Many of the consequences of type 2 diabetes would require expensive hospital treatment, whereas prevention, early intervention, and management would divert demands away from stressed hospital services in both volume and complexity.

Victoria's plan was published as a Consultation Draft (repeated again with education). A final version followed in 2007.

The federal government did not make any commitments. However Victoria's analysis placed its proposals on a broad agenda of nationally acknowledged items which could be brought forward when opportunities arose.

Education

The plan for literacy and numeracy improvement (Victorian Government 2007c, d) formed part of the human capital agenda. Foundation skills in literacy and numeracy would generate social and economic benefits. The program also proposed a 10-year plan and posited increased benefits to the federal government, which in turn were used to support requests for federal funding for the plan.

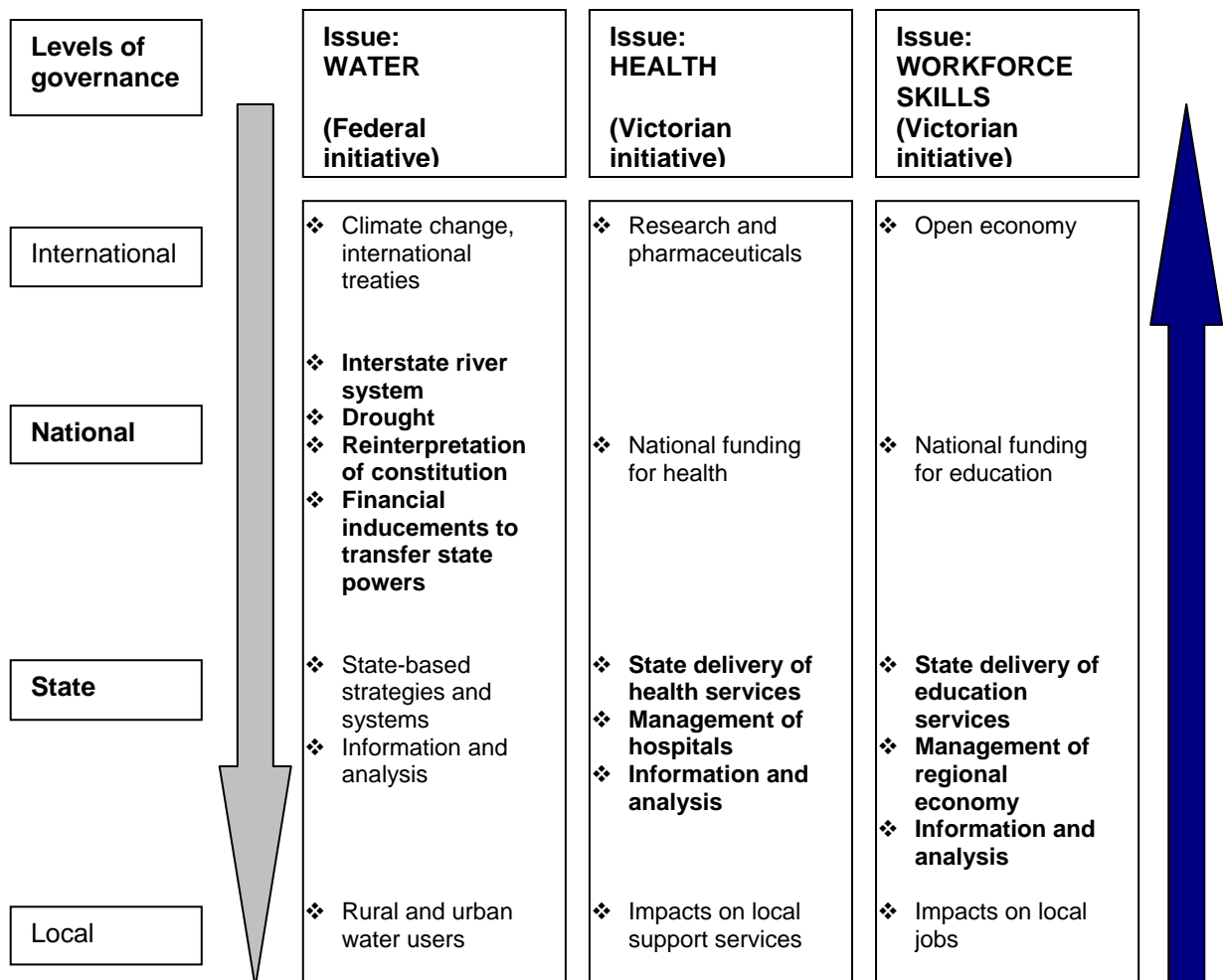
Again the emphasis was on anticipating a future need (a skilled, flexible workforce) and simultaneously mitigating a future risk (the social and therefore also governmental costs of a workforce unable to adapt to shifting patterns and technological change).

In this way Victoria gave practical expression to its view that state governments needed to take initiatives to ensure the international competitiveness of their regional economies.

Cases-Summary

Figure 1 summarises the issues at stake in each of the cases and sketches the links between levels of governance.

Figure 1: Initiatives and Agendas



While the most pressing issues fall within the scope of the federal or state levels of government the potential importance of dynamic links from the international to local levels and back is clear. It is suggested that future analysis of the kind Victoria has conducted will increase awareness of the significance of such links.

CONCLUSION

The 'headline' account presented in the paper shows pursuit by Victoria of a consistent, multi-faceted agenda. The agenda sought to lift awareness of the salience of international economic trends for sub national governments, use economic analysis to advance state interests and, simultaneously, to move beyond a narrow economic focus. Victoria presented plans as leadership options, extending beyond the life of any one government. Moreover plans were national and to be pursued through collaboration. Victoria deployed the language of economic reform

and management but tied it to notions of fairness and cost sharing. It sought to shift the focus from the one- or, at best, two-election interest that characterises much political activity in Australia, in favour of medium term programs for implementation and review, then long-term impacts on society at large. It sought also to enlist citizens in a common effort for mutual benefit. The language was ‘softer’ than the language of economic reform of the 1990s, but it was also robust and well able to be cast as ‘rational’ economic planning. In this respect, it sought to engage citizens anew in individual effort without emphasising too strongly the negative elements many associate with economic reform in the 1980s and 1990s. Finally, Victoria tried to place each issue within an overall national plan of which the sum is more than the parts but the sum is only achievable with all the parts.

The purposive approach by Victoria to the presentation of ideas, structuring of agendas and building of institutions contrasted sharply with the more reactive approach of the federal government. Figure 2 summarises the differences

Figure 2: Federal Government and Victorian Approaches Compared

Factor	Federal Government	Victorian Government
Ideas	<ul style="list-style-type: none"> ❖ Economic reform ❖ Improvisation within broad themes ❖ Analysis after the event 	<ul style="list-style-type: none"> ❖ Economic analysis with a social dimension ❖ Systematic use of policy analysis
Agendas	<ul style="list-style-type: none"> ❖ Counterpunching ❖ Rapid exploitation of tactical opportunities 	<ul style="list-style-type: none"> ❖ Proposed long term agendas ❖ Responded to federal government with substantive, long term proposals
Institutions	<ul style="list-style-type: none"> ❖ Highly flexible approach to national constitution ❖ Public service advice sought after political decisions 	<ul style="list-style-type: none"> ❖ Defended federalism on economic performance grounds ❖ Promoted Council of Australian Governments ❖ Promoted Council for the Australian Federation ❖ Public service advice sought on complex policy issues

However Victoria’s claims to leadership in ideas have not gone unchallenged. There is a stereotypical view, precisely because of this attachment to pretensions of leadership in intellect, that Victorians and their governments are arrogant (Craven 2001). Greg Craven, a respected commentator on the constitution and the federation (and Victorian by origin), has opined that “Victoria, the historic powerhouse ... almost certainly will decline”; it will be “increasingly forgotten”. But that was before the latest round of ideas. Meanwhile, a transition to a new Premier in Victoria, smooth and unexpected, suggests that ideas as drivers will remain a priority, albeit with a sharper edge to decision making.

For the Australian states, federal proposals, however loosely articulated, that systems are less important than outcomes, that the federal government can weave its way around the constitution to bypass key players in the federation, have presented opportunities to connect again with citizens by playing the ‘local card’ supported by sharply deployed analysis. In the long run, as Aesop suggested, eloquent Hairy-Foot may have to yield to Claws. But federal government Claws may also find that well deployed policy analysis will provide state government Hairy-Foot with more than a little ability to make their own future.

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Notes

- ¹ Similarly applicable is Fable 28, where the lamb argues the logic of the wolf's grievance – only to find that the wolf's intention to eat is all-powerful!
- ² We offer this perception on the basis of interviews in 2006-2007 with senior public servants in Victoria, who all spoke of Premier Bracks's focus on ideas-driven policy (and, incidentally, demonstrated their own high-level commitment to policy ideas), and of his attention to briefing detail. It is these 'mechanics' of day-to-day operation in the executive that do not make news, while public presentation and media image become the preferred interpretive frame. See also a paper by the head of the Department of Premier and Cabinet, Victoria (T. Moran 2007, 'In the National Interest—Reform is in the Air', Institute of Public Administration Australia in Victoria, *Art of the Long View* paper, April).
- ³ A 'universal' system, that supports treatment in public hospitals and refunds most medical costs up to 85% of the 'scheduled fee' (which often falls far short of fees charged). It is not the same as similarly named US programs.
- ⁴ See Madison et al. 1788. Isaac Kramnick's introduction to the 1987 edition points to the controversy and bitterness that accompanied the US Constitution's development. Federalism is not always an easy, agreeable debate. The Victorian Government's publication titles bear watching: recourse to the original documents shows 'Federalist Paper [#]' as the main entry, not the topic entry that is reported on websites.
- ⁵ Mr Turnbull expressed this view on ABC broadcast footage, but it has not proved traceable in the print media.