

Another Premiers' Conference.*Published 15-7-83*

Another Premiers' Conference has come and gone. In twelve months since the last performance the cast has mostly changed but not the script. I thought that the theatrical quality of the show had slipped a bit. The new actors mouthed the ritualised lines with just a shade less conviction than yesterday's Premiers. Perhaps the cast isn't quite as good, perhaps I look back on the past with more nostalgia than judgement, or perhaps this year it was more difficult to turn in a convincing performance of hand wringing and breast beating.

After all, following a year when the Gross Domestic Product actually got smaller, a four per cent real increase in the Commonwealth's transfer to State budgets might, in spite of six Premiers and a Chief Minister wringing their hands in unison, be seen as bountiful. Tradition and political interest demand however, that in spite of the size of the grants, that the Feds must be damned as stingy. Mr. Hawke, well cast as Shylock, turned in the creditable performance we have come to expect of him.

Come to think of it, the lines themselves are not really very appropriate. The whole squabble is about the custody of trust money - taxes that are not the property of any of the play's characters. Mr. Hawke can be neither mean nor generous with another's property - merely a good or a bad trustee.

It would, I think, be utterly impossible to interpret the traditional lines in terms of the exercise of a sacred trust, but a little rewriting might yield a satisfying substitute for a hackneyed plot. Mr. Hawke would not be as well cast as The Wise Husbandman but we have seen him fill so many roles with flair that I am sure that he would rise to it.

Although Mr. Hawke has for the moment purchased political peace his husbandry was not at all wise. Not only are the Commonwealth's immediate fiscal difficulties made worse by the larger grants, but these grants become the base line for future years. States grants are 23% of the total Federal budget; it is not possible for any Federal Government to ignore their consequences. This, in spite of some alternative candidates, might be the biggest mistake the Hawke Government has so far made. It is a big enough mistake to haunt the Labor Government at every

budget it writes from now until it eventually loses office.

Premiers, particularly those who are members of a PM's own party, can make a lot of political trouble for a Prime Minister. No Prime Minister can afford to ignore party opinion and a Labor Prime Minister certainly cannot. Public criticism by a leader's own party is more than twice as damaging as an opponent's jibes. But, having conceded the influence of the Premiers, the consequences of not standing up to them must also be reckoned. In 1977 Mr. Fraser, faced with a majority of Liberal/Country Party Premiers, agreed to a formula that was to make it more difficult for him to reduce his deficits. In the end deficits exacted an even higher political price than the Premiers could have done.

State Governments, even State Labor Governments, complain about "centralism" by which they mean a tendency for the Commonwealth to absorb State powers. Since Shire and Town Councils also complain about "centralism" I don't believe that we should be too impressed by any of the Premier's commitment to decentralised authority. Canberra bashing is no more than an uncomplicated struggle for powers, merely rationalised by appeals to principle. None-the-less most people would agree that there is an advantage in government as near the people as possible, and the advantage is no less simple because some people are less than consistent in their defence of it.

Apart from Whitlam's brief, unabashed and honest centralism, everybody in politics, as opposed to the wider public who are not very interested in the issue, has paid lip service to the virtue of maintaining State authority. Power has never-the-less continued to flow to Canberra. Since the 1942 High Court decision on taxing power, not much of the shift in the balance of power has been brought about by further High Court interpretation. Simply, he who has paid the piper has called the tune. Even now that the Tasmanian Dam Case has so widened Section 51 of the Constitution, it is unlikely that international treaties or the Corporate Affairs Power's application to State instrumentalities will take anything like the power away from State Governments that they have already given away by allowing the Commonwealth to raise their taxes for them.

No government that has incurred the odium of raising taxes would wish to see the taxes wasted or see others get the credit for expenditure. Inevitably governments which raise taxes try to control the manner in which they are spent. Conversely, an arm of government that has another raise its revenues, like a man with an expense account, is likely to undertake expenditure it otherwise would not. Power will not return to the States until they are prepared to levy most of their own taxes, but when money is as painless to extract as it was at the last Premiers Conference the temptation to take the money must be great. After all with the money go all the trappings of power if not all the substance.

The Commonwealth is a very convenient whipping boy for State politicians. Time and again State Members complained to me that Federal taxes were costing them votes, while in the same breath telling their, and my, constituents that particular expenditures were impossible, in spite of their pleading, solely due to Federal Government stinginess.

The Fraser Government, taking State politicians demands for States Rights at face value, legislated to give the States access to income tax. Although all State governments continue to complain about the paucity of Federal grants, no State has yet been prepared to raise its own income tax. Most 'States Rights' can be protected under present law if only the States will raise their own taxes.

Our taxes are less likely to be unwisely spent if the government that has the power to spend them also has the responsibility of explaining to us why it must raise them. Mr. Hawke was unwise to go as far as he did to buy the States out of their fiscal problems. In the long run they will not be grateful, the grants system leads to waste and should be wound down, and at the moment he has fiscal problems enough of his own.