

UNCOOPERATIVE FEDERALISM*Rechecked*
2-3-84

There is merit in decentralised authority but it is a pity that "States Rights" advocacy is mostly a mindless litany of endless theme and little argument. It has been chanted, response upon invocation, since Federation, until familiarity has robbed it of meaning.

So long as we are well governed it matters little whether that good government comes from Canberra or from a State capital, and good government neither equates with State nor Federal authority. The public is not interested in the rights of politicians as such, but only asks that each power should reside where it can be handled best.

The great advocates of written constitutions did not have much to say about politicians' rights either. They were too busy building a case for laws to divide and restrain governmental authority. Their purpose was to protect people's rights from bossy governments. Yet Australian politicians who are in continual dispute over constitutional powers seldom seek jurisdiction ^{so as} to return power to the people, but always to regulate, spend or tax. Something has gone wrong with Federalism.

In all the argument about use (or misuse) of the Federal Parliament's external affairs power to veto the Tasmanian dam, the economy of the dam received least public attention. At a cost of about \$250 per kilowatt, compared with \$1300 to \$1400 for the coal powered Loy Yang station in Victoria, it was probably not a bad bet, but the electricity authority is a statutory monopoly which can pass on its costs either to Tasmanian industry, Tasmanian householders, or the Tasmanian Government. The Tasmanian Government, in turn, gets most of its revenues from taxes raised by the Federal Parliament for which Federal politicians collect the odium, and by long tradition is able to avoid unpleasant responsibilities by winning subsidies from the national taxes.

Not all the blame for avoided responsibility rests with the States. In the Frankland dam case, to avoid a politically costly row, Fraser was prepared to commit 500 million dollars, or \$130 per Australian family, from future budgets, to compensate the government for loss of the dam. The huge compensation, irresponsibly thrust

at the Tasmanian Government, contrasted sharply with the relatively meagre compensation paid to the private enterprise Dillingham Corporation for the loss of sand mining rights on Fraser Island in Queensland. Ironically the Tasmanian Premier had an election on the way and saw more mileage in toughing it out than taking the money. If instead of throwing even more money at Tasmania, the Federal Government had somehow been able to insist that all State Governments were effectively accountable, it is possible that the Gordon below Frankland dam would not have been an acceptable cost. It is certain that many high cost services, kept in place for only political reasons, would be judged to be too expensive, not only in Tasmania, but in all States.

However, other arguments aside, it is really beyond the Federal Government's administrative competence to monitor the expenditures of uncooperative State Governments. The political will to do so is not easily found either. It is very difficult for Federal politicians to win arguments within the home camp against State politicians who not only outnumber them, but do not have to run off to Canberra in mid-argument.

I once received copies of two letters written by the same State politician to our mutual constituents; one blamed the Federal Government for a shortage of funds for schools, and the other demanded that I take a stand against a Federal tax. So long as the power to spend and the responsibility to tax are in separate hands, our Federal system will be in trouble. Money will be wasted, responsibility will be avoided, powers will flow to Canberra and State/Federal bickering will be endless.

With a policy which it chose to call Co-operative Federalism, in 1976, the Fraser Government tried to get the States to resume prime responsibility for raising their own revenues. Only one Premier, Court, had enough courage or faith in himself to offer to take up the challenge. Even he backed off when faced with some quite dishonest arguments, started by Neville Wran, about double taxation, and no support from other State Liberal leaders. Fraser did not risk the politically hazardous step of slashing States Grants and so forcing the States to raise their own revenues, so Co-operative Federalism slipped from the agenda.

(The case for devolving powers to the States has nothing to do with political rights, and is a weak one unless and until the problems of divided fiscal responsibility are sorted out.) However, the fiscal problems aside, there are good pragmatic reasons for devolving many responsibilities. Such a policy might be called "Competitive" or even "Uncooperative Federalism".

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Competition between States is good, or bad, depending on whether State Governments compete to attract industries and population with generally available efficiencies, or with selective favours such as below cost electricity, water and land. State Government competition is responsible for ^{so} much high cost uncompetitive industry that it is often assumed that State rivalry is necessarily bad. It need not be bad however, and in the absence of a Federal Government willing to finance mistakes, could not be as wasteful as it has been.

Real competition to offer people the lowest taxes or the best services should tighten up State administrations. Anyone might then vote with his feet for the tax/service mix of his choice, as many fled to the Gold Coast to escape probate duty. Example should demonstrate opportunity and reveal mismanagement. So long as major instruments of income redistribution remain with the Commonwealth, there is no risk that the tax base will migrate to one corner of the continent leaving the poor to fend for themselves. In other matters imposed "national standards" only lead to sameness and inefficiency.

We are one nation and most of us are proud of it. It is high time we grew out of those bits of the States Rights litany which petition for the trappings of State sovereignty, but it is also time State Governments regained fiscal responsibility and the independence which naturally accompanies it. I see no risk that the resultant diversity will do as much damage to national purpose as the present States Rights jingoism and attempts to blame Canberra for the inescapable fact that in the long run tax must equal expenditure.