State Capacity for Policy Making:

Has it diminished? Can it be renewed?

Responding to a leaked Cabinet submission on possible future funding arrangements for higher education, Prime Minister Howard commented: 'We have got to have a capacity in this country to have a sensible discussion about long-term policy issues without everything being distorted and blown out of the water by misrepresentation' (*Sydney Morning Herald*, 16th October 1999, p. 49). This paper, in endorsing the Prime Minister's observation, advances three propositions. First, this gap has emerged in the past couple of decades and ultimately reflects profound changes in the character of the Australian community. Second, it limits the effectiveness of the entire policy making system and is thus a significant impediment to state capacity. And third, the renewal of state policy-making capacity involves a transfer of tasks from the executive to the legislature.

A threshold issue concerns the distinctive contribution of a strategic phase to broader policy making capabilities. Recent management literature offers guidance.[1] 'Learning organisations' are in vogue. These are distinguished by their capacity to sustain activity in two modes termed respectively first and second order organisational learning. In the former mode, organisations focus on current operations. Information systems are designed to monitor such factors as product quality, customer experience, production technologies and so forth. Second order learning by contrast, introduces a distinctive, strategic, phase involving outreach and scanning to identify wholly new activities or exigencies. This covers such factors as new technologies, new customer needs, new conceptions of the business system. Further, the task is not merely to identify and document these factors, but to embed the knowledge in organisational routines and practices. Knowledge is thus linked to organisational action.

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[1] David A. Garvin, Building a Learning Organisation, *Harvard Business Review*, July, 1993, pp. 78-91; Peter Senge, The Leaders New Work: Building Learning Organisations, *Sloan Management Review*, Fall, 1990, pp 7-23; John Kay, *Foundations of Corporate Success*, Oxford University Press, Oxford, 1995.

'Second order learning' at the political level offers a vastly more complex (and more significant) challenge than in a single purpose organisation. Does an existing major program need to be reconfigured? Does a new program need to be initiated? The funding of higher education and the introduction of the GST illustrate the former. Emissions requirements or the admission of gay people to the military might be examples of the latter. 'Second order learning' is both a prolonged and contested process. At a prudential level, uncertainties are usually large, evidence may be ambiguous and overlaps can be significant. The definition of the issue and the criteria appropriate to narrowing the range of feasible remedies are all likely unclear.

Further, at a political level, interests which are immediately affected negatively will doubtless have strong positions, but others who stand to gain, or who are more distantly connected, or who may not recognise their stakes, may not be mobilised. Indeed, it is typically unclear which interests are stakeholders – since the definition of an issue itself largely determines this outcome. The mobilisation of interests is implicated in the process of choice.

Public opinion is the medium in which these transactions occur. But public opinion is not a 'given', or indeed a unidimensional, artifact. Although open to a variety of influences, political institutions remain the most significant intermediary. They are perhaps the biggest single influence on both the structure of (and 'moments' in) opinion formation, and its substantive content. There is no 'right' approach to designing the intersection between political institutions and opinion formation. Institutional design is a contingent, path dependent process. At the level of the political system, the administration, the legislature, independent state agencies and political parties might variously share aspects of the task.

In the sections that follow, the reciprocal links between public opinion and political institutions are first explored. Then, the means by which this activity has been mediated in the classic two party system are sketched. The third section reviews developments that have undermined this system's strategic policy making capacity. The fourth section

explores factors conditioning the present need for strategic capacity. A final section discusses means by which strategic policy-making capacity might be renewed.

Public Opinion and Political Institutions

State capacity for policy making is embedded in public opinion and public opinion is significantly influenced by political institutions.[2] Rousseau recognised 'the empire' of opinion. Tocqueville classically explored its varied strata, textures and sources. The critical - and reciprocal - linkage between public opinion and policy-making occurs at least three critical nodes. First, opinion is the medium through which underlying continuities (e.g. national traditions, political values) are transmitted. Public opinion is thus the medium in which the aspirations and concerns of individual citizens incubate. This begins with primary socialisation. In this dimension, public opinion constitutes the deep ground for policy making. One expression of its influence lies in the delineation and transmission of a relevant past. This can be contested in, and reconstituted through, contemporary debate - thereby amplifying the complex dialectic of traditions. Current debates about indigenous issues or the possibility of a Republic express this process. These also illustrate the particular role of political institutions as the medium for attaining authoritative resolution. In an immediate and underlying, and in direct and indirect, senses political institutions are arguably the biggest single influence on the expression of historic experience in present practices, attitudes and aspirations (e.g. Tocqueville).

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[2] J. March and J. Olsen, *Democratic Governance*, The Free Press, New York, 1995; on the role of institutions more generally, see D. North, *Institutions, Institutional Change and Economic Performance*, Cambridge University press, 1992 ; D. North and A. Denzau, Shared Mental Models: Ideologies and Institutions, *Kyklos,* Vol. 47, 1994, pp. 3-31; also E. Immergut, The Theoretical Core of the New Institutionalism, *Politics and Soci*ety, Vol. 26, No. 1, March, 1998, pp. 5-34; J. G. Ruggie, What makes the World Hang Together? Neo-utilitarian and Social Constructivist Challenges, *International Organisation*, 52, 4, Autumn, 1998, pp. 855-885; R. Scott, Institutions and Organisations, Sage Publications, California, 1995; P. Hall and R. Taylor, Political Science and Three New Institutionalisms, Political Studies, XLIV, 1996, pp. 936-957; for empirical accounts see for example, D. Yankelovitch, Coming to Public Judgement, Syracuse University Press, 1989; J. Kingdom, *Agendas, Alternatives and Public Policies*, Harper Collins, New York, 2nd Edition, 1995; D. Schon and M. Rein, *Frame Reflection, Towards the Resolution of Intractable Policy Conflicts*, Basic Books, New York, 1994.

The second dimension of linkage between public opinion and policy making occurs at its 'surface'. Here current issues are registered and negotiated. Patterns of political conflict significantly influence policy-making possibilities. Public opinion is the medium through which these processes are transacted. The single most important influence on the pattern of opinion is the structure of political exchange - for example, who has standing in the process, the architecture of participation, the patterning of legitimate opposition, the phasing of decision-making and processes of check and consent. The scope and focus of media comment, citizen awareness and interest group mobilisation is largely determined by such factors. The management of the GST issue is illustrative. Opinion might be conceived as the coinage of exchange - except this metaphor has a number of inappropriate implications. Unlike economic exchange, choice in political transactions is mostly collective, it cannot be crystallised in a price, preferences are largely endogenous, and there is no generally applicable calculus of decision. Learning is perhaps a more apt metaphor - although uncertainty and ignorance are chronic, power qualifies any disinterested imputation, and the 'tutor' is an expressive practice.

Nevertheless, conceiving opinion formation as learning points to the third, dynamic, dimension on which linkage between opinion and policy making occurs. Viewed dynamically, the structure of conflict is the medium through which a community transacts its future - shared problems and issues are recognised, remedies are identified, and adaptations are negotiated. Here the scope and 'quality' of opinion is at once a significant determinant, and reflection, of the scope and 'quality' of political deliberation and debate.

Political leaders are the immediate agents of change. But their judgements about the scope for action are 'embedded' in public opinion - 'received' opinion is perhaps the single most important influence. Their judgements might be based on a variety of pointers, for example, supporters views, the spectrum of media and editorial comment, events, opinion polls, interest group attitudes and alignments, opposition positions, bureaucratic and expert advice, contingencies (e.g. the public standing or activity of a rival) and, not least, a leader's intuitions about public moods, and experience.

The approach of all agents develops reciprocally and through phases - in Anthony Downs' apt metaphor, issues have a 'life cycle.' At least five moments might be identified - agenda entry, definition of options, choice of preferred remedy, implementation, review and revision. The structure of these phases, the individuals or groups who have standing, their duration and dynamics, and the iterations that occur are all contingent outcomes - dependent on wider systemic characteristics. Momentum can be generated by events - but more often it arises from the artifice - the stagecraft - of the political process. The political system constitutes a kind of *mise en scene* for opinion formation. For example, Bernard Crick has described the theatre of parliamentary rituals in adversarial systems as a simulated 'continuing election campaign'.

The capacities in the formal political system through which these (reciprocal) linkages to opinion are comprehensively - or functionally - realised are generally expressed in notions of representation and integration. Representation requires systemic capabilities to give voice to all actors who can meet the prevailing criteria for standing. These criteria are implicit in democratic norms. The regime structure implicitly defines the fora in which representation is registered. For its part, integration requires processes that progressively mobilise majority coalitions for action. The regime structure implicitly defines the social units which are relevant in the composition of majorities (e.g. socio-economic class, interest groups, social movements, individual citizens, regions), and assigns mobilising responsibilities to institutions. Opinion formation is thus ultimately a (partial) function of systemic or regime capabilities. How has it been realised in Australian practice?

The 'Classic' Two Party System.

The two party system emerged in Australia roughly in 1909. Prior to this time, mass parties did not exist. Instead, local action committees selected candidates who stood mostly as independents. In parliament they generally aligned behind one or other of the acknowledged faction leaders - either because of shared agendas or for promised electoral

pay-offs or for some combination of these factors. The parliamentary norm of independence meant allegiance could vary on particular issues. Executives thus were frequently defeated on particular measures - but they resigned office only on specific confidence votes.[3] The contemporary reemergence of independent MPs gestures to these older patterns.

The Labor Party was the first mass party in Australia. It emerged on the parliamentary stage in the 1891 NSW state election.[4] Its electoral success precipitated the progressive consolidation of non-Labor groups. At the federal level, three parties or groups shared power - the Deakinite liberals, the Free Traders and the Labor Party. The 1901, 1903 and 1906 elections awarded a clear majority to no single party. In the period before 1909, the Deakinite liberals and the newly emerging Labor Party had overlapping agendas for social reform and governmental action. By 1909 these produced the legislation that constituted what has since become known as the Federation settlement. But the Deakinites opposition to nationalisation and their imperial loyalties divided them from Labor and thus, in 1909, they linked with the Free Traders to constitute what has become the modern Liberal party. This marked the emergence of the two party system.[5]

A hegemony of only two (later three) parties was a remarkable achievement, which familiarity has since obscured.[6] The sources of the encompassing power of the major parties provide a perspective on current dynamics and possibilities. First, party ideologies

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[3] on independence in nineteenth century parliaments see, P. Loveday and A. W. Martin, *Parliament, Factions and Parties, The First Thirty Years of Responsible Government in NSW,* Melbourne University Press, Carlton, 1966; on the emergence of the two party system see, P. Loveday, A. W. Martin and R. S. Parker (eds), *The Emergence of the Australian Party System*, Hale and Iremonger, Sydney, 1977.

[4] Bede Nairn, *Civilising Capitalism, The Beginning of the Australian Labour Party*, Melbourne University Press, Carlton, 1989.

[5] summarised in my *Beyond the Two Party System,* Cambridge University Press, Melbourne, 1995, especially Chapter 1, The Formation, Structure and Impact of the Two Party Regime, and Chapter 10, Governments and Parliament; also Alfred Deakin, *Federated Australia, Selections from Letters to the Morning Post, 1901-1910,* Melbourne University Press, Carlton, 1968.

[6] 'What makes political parties so indispensable is the aggregating and representational functions that they fulfil.' Clive Bean, Parties and Elections, in Brian Galligan, Ian McAllister and John Ravenhill (eds), *New Directions in Australian Politics*, Macmillan Education, Melbourne, 1997, pp.102; also Peter Mair, *Party System Change: Approaches and Interpretations*, Clarendon Press, Oxford, 1997.

then attracted, broadly, one or other half of Australian society. The initial fervour of activists subsequently congealed into strong party identification, in which socio-economic class and religion were also significant factors.[7] In the electoral arena, these loyalties were later theorised in the link between party identification and voting behaviour.[8]

Second, if ideologies provided the rationale for encompassing parties, the party *organisations* provided the institutional means. They provided machinery through which hitherto independent groups and activists could be integrated into political processes. In keeping with party ideologies, the Labor party linked to the trade union movement and the non-labor parties linked to business and larger mining and rural interests. Until roughly the 1960s, the trade unions and business were the principal organised economic interests active in politics.[9]

Interest integration was one prime function of party organisations. Agenda setting was another. This is evident in the two great periods of strategic agenda development in Australian politics prior to the 1970s - that is the 1901 to 1909 period and the 1945 to 1950 period. The Labor Party, with its nationalisation and welfare agenda, was the primary party of change. Its influence in the 1901-1909 period tilted the Deakinite program in an egalitarian direction. Sir Robert Menzies, in reconstituting the Liberal party in the 1940s, renewed its Deakinite legacy in endorsing the post-war extension of the welfare state and managed economy.

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[7] Ian McAllister, Political Parties in Australia: Party Stability in Utilitarian Culture, a paper prepared for *Political Parties and the Millenium: Emergence, Adaption and Decline in Democratic Societies*, Brunel University, March, 1998.

[8] Ian McAllister, Political Behaviour, in Dennis Woodward et al, Government, Politics and Power in Australia, Longman, Melbourne, 6th Edition, 1997,pp.240-

[9] on the Labor Party, see L. F. Crisp, *The Australian Federal Labor Party, 1901-1951,* Longman Green, Melbourne, 1955; on the Liberal Party, see Katherine West, *Power in the Liberal Party,* Cheshire, Melbourne, 1965; also Gerard Henderson, *Menzies Child, The Liberal party of Australia*, 1944-1994, Allen and Unwin, St Leonards, 1994; other organised interests, such as returned servicemen, were also active in federal politics.

Labor's internal processes were influential in determining the agenda for the parliamentary party. The structure of the party gave the trade unions special status and its national Executive for many years exercised considerable influence over the parliamentary party. Resolutions of its biannual conference were binding. The Labor Party organisation provided a structure for integrating trade unions as its ideologies provided a rationale for broader community identification and mobilisation.[10]

For its part, the Liberal party (in its various forms) was defender of the status quo and this was reflected in its organisational structure. State rights was a powerful theme. Thus the state organisations preserved their relative strength and the national organisation lacked disciplinary powers. Business groups, the principal source of funds, were integrated directly through a federal committee and indirectly at the state level.[11]

Electoral dominance, organisational agenda setting roles and the integration of interest groups through party organisations was the ground for the particular division of roles between the parliament, the executive, and the bureaucracy which emerged. This is the familiar adversarial system. This particular political architecture had many attractive features. From a policy-making perspective, it consolidated political power to a remarkable degree. The cabinet, some fourteen people, constituted the link between the bureaucratic system on one side, and the parliamentary, party and electoral arenas on the other. The parliamentary arena, where electoral considerations dominate, and where the Opposition maintains significant powers to project its alternative program, was sharply separated from the arena concerned with policy-making, where the 'operational' business of government was largely framed and conducted.[12]

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[10] Crisp, op. cit; Dean Jaensch, *Power Politics,* Allen and Unwin, St. Leonards, 3rd Edition, 1994.

[11] West, op. cit.; Jaensch, op. cit.

[12] I. Marsh, Political Learning Disabilities of the Two Party Regime, *Australian Journal of Political Science,* Special Issue, Vol. 30, 1995 pp.40-61.

But the two party system rested on particular organisational and electoral foundations. Organisationally, it involved the mobilisation of activists and interests groups through party forums. Party conferences and committees allowed activists and interest groups to influence the formation of the strategic political agenda. Electorally, it was based on a broad division of the community into supporters of one or other of the major groups. The party label or brand provided a sufficient cue for the formation of opinion by most electors on most issues. [13] This allowed strategic policy development to be (largely) internalised within the major parties and muted the need to seed the broader 'education' of public opinion.

Recent developments have undermined, if not destroyed, these foundational features of the two party system.

The Systemic Gap in Interest Integration and Opinion Framing.

Major party organisational change in the past couple of decades has basically excised interest integration. Over the same period, the capacity of party labels to cue public opinion has diminished. These developments have been caused by the coincidence of at least four factors.[14]

First, economic globalisation made the (Lib-Lab) Federation settlement no longer viable. Manufacturing industry could no longer be developed to serve only domestic markets. Economic globalisation, new technologies and a new role for service industries required

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[13] In his classic study of collectivist politics, Samuel Beer distinguished the creative, opinion-forming role of the British parties in the following terms: 'It has been said that a principle function of a major party is to aggregate the demands of a large number of groups in the electorate. Where party government is as highly developed as in Great Britain, I wish to emphasise the role of party is much greater. Party does not merely aggregate the opinions of such groups. *It goes a long way towards creating these opinions by fixing the framework of public thinking about poolicy and voters sense of the alternatives and the possibilities.* The parties themselves, backed by research staff, equipped with nation-wide organsiations, and enjoying the continuing attention of the mass media, have themselves in great part framed and elicited the various demands to which they then respond.' (my italics) *British Politics in the Collectivist Age*, Vintage Books Edition, New York, 1969, p. 347.

[14] Paul Kelly, *The End of Certainty*, Allen and Unwin, Sydney, 1992; John Edwards, *Keating, The Inside Story*, Viking Books, Melbourne, 1996; Stephen Mills, *The Hawke Years: The Story from the Inside*,

new capacities for economic adaptation and adjustment. Needs-bases, nationally determined wages were seen to introduce dysfunctional rigidities and inflexibilities. Both major parties have been obliged to progressively redefine their policy stance. This has had ideological, organisational and arguably electoral consequences. At the ideological level, differences between the major parties have progressively blurred as their approach to economic strategy has converged. After 1983, both major parties broadly adopted the neo-liberal economic agenda. Thereafter electoral considerations, not ideological dispositions, determined which parts of this agenda would be championed or resisted in public.

The jettisoning of old agendas has had different organisational consequences for the major parties. In recasting its agenda, the Labor Party parliamentary leadership has often found it expedient to by-pass formal party forums. Conferences and councils have become stage-managed affairs. The organisation now rarely exerts influence on policy issues. For its part, the Liberal party has turned from being defender of the status quo to being a (the principle?) advocate of economic change.[15] In the process, it has largely jettisoned its Deakinite wing and thus weakened its encompassing capacities.[16]

Electorally, ideological convergence has arguably been one of the factors eroding the standing of the major parties. Federally, the number of electors casting a first preference vote for other than the major parties in the House of Representatives has doubled from around 10% in the 1970s to around 20% in 1998. Over the same period, the proportion voting for other than major parties in the Senate increased to 25% in 1998.[17] Further evidence of the weakening role of the major parties is provided by trends in party

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Viking, Melbourne, 1993; Dean Jaensch, *The Hawke-Keating Hi-Jack* , Alen and Unwin, St. Leonards, 1989.

[15] see for example, the (albeit unofficial) Commision for Audit Report, (R. Officer, Chair), Australian Government Publishing Service, Canberra, 1996.

[16]Ian Ward, Leaders and Followers: Reforming the Liberal Party, *Current Affairs Bulletin*, November, 1994.

[17] I. Marsh, Political Integration and the Outlook for the Australian Party System, in P. Boreham, R. Hall and G. Stokes, (eds), *The Politics of Australian Society: Political Issues for the New Century*, Addison Wellsley Longman, Melbourne, forthcoming, 1999.

identification, for so long the sheet anchor of the stability of the Australian political system. The number of Australians without a party identification has increased from roughly 2% in 1967 to around 18% in 1997. Further, the number acknowledging only weak identification has increased from 23% in 1967 to around 37% in 1997. Thus over half of the electorate have no or only weak identification with one or other of the major parties.[18] This is a particularly significant trend if party labels are relied on as a primary cue for citizen attitudes.

The second factor contributing to the excision of interest integration and the weakening of opinion framing by the major parties has been loss of their agenda setting roles. The major parties have been displaced by the social movements which have emerged in the post-70s period. These have become a new source of agendas and new agents for the mobilisation of activists. Their emergence will be considered again in the context of the pluralisation of Australian society. The women's, environment, gay, Aboriginal, consumer, multi-cultural, so-called 'new right', republican and so forth movements are all organised independently of the major parties. Every significant extension of the political agenda in the past decade or so has originated with one of the social movements, not the major parties.[19]

This development is symptomatic of a significant change in the role of major party organisations. The locus of agenda development has shifted and activists are detached from especial allegiance to one or other party. Agenda development has largely ceased to be an internal process. Party forums are not the principal arenas for activists. Internal processes have not provided the medium for testing strategic acceptability and for initiating opinion formation. The initiative has moved elsewhere. Public opinion has been framed through public campaigns by activists, and through the resultant media attention. This has been used to pressure the parliamentary leadership of the major parties to adopt

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[18] Ian McAllister, Political Parties in Australia: Party Stability in a Utilitarian Culture, p.9.

[19] see Chapter 3, Setting and Implementing the Political Agenda, in my *Beyond the Two Party System*, op. cit.

new agendas. The success of these campaigns has significantly widened the national political agenda, raised the importance of public opinion formation and diminished the influence of major party organisations.

Third, the major party organisations have been unable to manage interest integration. This was partly because the general proliferation of interest groups overwhelmed older patterns. Peter Drucker has described the contemporary US as a 'society of organisations', a description that is equally applicable to Australia.[20] A version of corporatism was tried, but proved unsustainable.[21] Established organisational linkages - the trade unions with Labor and business with the Liberals - have demonstrably weakened. Finally, a disinclination to deal with groups was reinforced in the major parties by a fashionable economic ideology, public choice theory, which caste interest groups as selfish and self-serving, and disputed their representational legitimacy. This has reinforced the disengagement of interest groups from the major parties.[22]

The fourth factor contributing to the loss of opinion framing and interest integrating roles by the major parties results from change to their organisational orientation and staffing. Party managers are much less likely to be organisational loyalists. They are much more likely to be professionals in public opinion polling, and marketing and advertising techniques. Direct marketing, polling and media advertising and packaging promised to make organisational policy development activities and the associated membership base dispensable. Clever marketing, focussed on the parliamentary leadership, could, it was imagined, sufficiently compensate for weakened party identifications amongst electors. Indeed conferences, large memberships and internal policy development processes came to be seen as constraints on the political leadership. Liberation from them allowed the

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[20] P. Drucker, *Post Capitalist Society*, Harper Collins, New York, 1993, esp. Chp.2, The Society of Organisations

[21] for European contrasts P. Schmitter and J. Grote, The Corporatist Sisyphus: Past, Present and Future, *Working Paper*, European University Institute, June, 1997.

[22] see, for example, F. Gruen and M. Grattan, *Managing Government, Labor's Achievements and Failures*, Longman Cheshire, Melbourne, 1993; G. Singleton, *The Accord and the Australian Labor Movement*, Melbourne University Press, Carlton, 1990.

parliamentary leadership to reach out directly to electoral opinion. Sophisticated marketing techniques seemed capable of delivering the required outcomes in mass opinion formation.[23]

In combination, these four factors have progressively resulted in the major party organisations largely jettisoning their roles in interest integration and opinion framing. Instead, party leaders now mostly rely on a direct reach to public opinion via elections and a direct reach to interest and cause groups. Summits express the latter strategy. Meantime there could be no stronger evidence of the strengths and weaknesses of a direct reach to public opinion than the present (Howard) government's approach to gain electoral support for the introduction of a general sales tax (GST).[24]

A direct reach to public opinion by the leadership of the major parties is clearly one viable approach to building public opinion. But this approach is suffused with constraints. First, it is extremely risky politically. The leadership of the rival party will almost certainly oppose what is proposed, irrespective of its own past policies. This creates a public debate in which one side invariably declares black whatever the other asserts is white. This outcome, almost inevitable in a wholly adversarial structure, is wholly dysfunctional from the point of view of building electoral understanding about real choices and options. It is wholly dysfunctional from the perspective of mobilising supporting interest group coalitions.

Aspects of these propositions are lillustrated by the slow advance of the switch from income to consumption tax (GST) through the Australian political system. The GST proposal was the principal issue in the 1998 election. Its advocacy here occurred 24 years after the proposal for a GST was first registered on the public agenda. There were three preceding attempts to introduce this measure - a push by (Liberal) Treasurer

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[23] Stephen Mills, *The New Machine Men*, Penguin Books, Ringwood, 1986; Ian Ward,

[24] Ian Marsh, The GST and the Policy Making System: Is There a Gap in Strategic Capacity? How Might It be Closed? paper prepared for conference on *Tax Change in Australia*, Centre for Public Policy, University of Melbourne, February, 1999; .

Howard (the Prime Minister in 1998) in 1981, a Tax Summit of 1985 initiated by the then Labor government, and another Liberal initiated campaign of 1993 when that party was in Opposition. The adequacy of the tax system was also an issue at the 1983, 1984, 1987 and 1990 elections. It is hard to believe this protracted period of public exposure had no impact on public opinion.

The effort to mobilise public opinion in the 1998 election came after over two decades of more or less explicit partisan contention. In the last phase, presumably to keep control of the agenda, the Prime Minister staunched public debate. Government support for tax change was only announced 8 weeks before the election. This announcement was not preceded by an official enquiry. The proposal was outlined only in general terms. It was accompanied by a business-funded advertising campaign. In the event, the government won the election but did not win control of the Senate. It was thus obliged to negotiate concessions with minor parties and independents. These negotiations occurred over a relatively confined period (3 months) and took place mostly in private. The GST was apparently successfully introduced in July 2000. But subsequently, compliance arrangements for business, amongst other factors, have attracted voter hostility and caused a collapse in government support. The almost wholly closed process through which this major change in the tax system was negotiated must surely be arraigned in any analysis of the lessons.

Is it necessary to wait decades to settle major issues? Is the political hypocrisy that adversarial politics imposes on the major parties unavoidable? Is this inevitable, part of the nature of things, and of no consequence from the perspective of public confidence in the political system? Is there no better way of introducing major strategic issues to electors and of testing their feasibility? Is there no better way of testing the scope for even partial bipartisanship, engaging interest groups and seeding the development of public opinion? [25]

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[25] John Hewson, Yes Minister, There's No Debate, *Australian Financial Review*, 26th February, 1998; John Stone, Some Modest Proposals, *The Adelaide Review*, December, 1998, p. 14.

In Australia's case a variety of issues continue to jostle for attention in public opinion. These include: reconfiguring the welfare system, drugs, Aboriginal reconciliation, a reorientation to Asia, euthanasia, the republic, possible developments in Indonesia. All of these issues raise fundamental questions.[26] All mobilize differing interests and coalitions. All engage a cadre of immediate activists, and all are opposed by other significant sectional groups. On some of these issues, the groups immediately affected have been mobilised - but the system has so far demonstrably failed to institutionalise interaction between protagonists or to raise the level or quality of attention in broader community forums.

The erosion of interest integrating and opinion framing capacities, formerly mostly contributed by the major party organisations, leaves a gap in policy-making capacities. This gap concerns the ability of the political system to explore contested issues in a strategic phase. A strategic phase in opinion formation and interest mobilisation is critical in constituting shared interests among citizens and groups in particular longer-term outcomes.[27] The political system needs a capacity to routinely engage interest group and broader opinion in a strategic, what might be termed 'framing' phase. This constitutes a prelude to an 'operational phase' when detailed distributional or other issues might be settled. These phases are fused in the current GST deliberations.

A strategic, framing, phase in opinion formation can lay the groundwork for subsequent action in an operational phase. This phasing of policy development is recommended in relevant scholarly literatures and routinely practiced in business and voluntary organisations and institutions. Yet in the much more important political domain, where shared aspirations are articulated, common purposes are constituted and common interests are realised, the capacity to focus public and interest group opinion on emerging issues has substantially diminished. Yet the need for strategic capacity has been significantly enhanced by the pluralisation of Australian society.

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[26] on the welfare system see for example, Gosta Esping-Anderson, op. cit.

[27] D. Schon and M. Rein, *Frame Reflection: Towards the Resolution of Intractable Policy Conflicts*, New York, Basic Books, 1996.

The Pluralisation of Australian Society.

The proliferation of interest groups and social movements is arguably the single most significant change in the character of post-war domestic politics.[28] It is hard to overstate the degree to which Australia has become a group-based community. The array of organised actors on any issue is legion. These groups vary enormously in size, budgets, political skills, organisational sophistication and campaigning capacities. But the major ones are as effectively organised as any of the major political parties.

The social movements articulate new patterns of political differentiation. There are at least nine major movements: environment, ethnic, consumer, Aborigines, women, gay, peace/third world, animal rights and the New Right or neo-liberal movement. All represent a concern at some level of generality below, or different from, that of socio-economic class. In each case the evidence of organisational capacity and political capability is clear.

In turn, these groups have stimulated imitators advocating new issues (e.g. euthanasia, legalised heroin, a republic) or defenders of traditional approaches (e.g. shooters party, monarchists, anti-abortion, anti-euthanasia etc groups). This approach to political engagement recalls patterns last seen in the nineteenth century - indeed movement membership was then the standard mode of citizen political participation.[29] Their existence was symptomatic of the wider differentiation then evident in citizen attitudes - but in political communities in which participation was more narrowly confined. With their emergence, the modern mass parties subsumed most such organisations behind their

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[28] P. Drucker, op. cit.; S. Tarrow, *Social Movements*, Cambridge University Press, New York,

[29] eg Suffragette, Temperance, Single Tax,, Anti-Slavery, 8 Hour Day movements, Anti-Corn Law League etc

broader agendas - or delegitimised the more narrowly focussed concerns to which the movements gave expression. [30]

So the image of the contemporary community as a kind of vast silent majority with a noisy fringe of pressure groups is fundamentally wrong. Talk of a 'new class' as some alien sectional minority who have subverted the public interest in favour of their selfish and unrepresentative concerns is fundamentally wrong. The idea that a minority imposed, 'politically correct' discourse has excluded a majoritarian, but muted, voice is fundamentally wrong.

Images of a silent majority, of political correctness and of a new class may all be useful rhetorical ploys in the political game. But as pictures of social reality, they do not square with the facts. The pluralisation of society is the fundamental fact - and the proliferation of interest groups and issue movements is its organisational expression. Unless political leaders can persuade the community to jettison some of its varied aspirations, a new level of pluralisation is here to stay.

The space between the major parties and the community is now filled with political organisations with political capacity and media skills. These organisations have a demonstrated capacity to shape opinion on particular issues. The capacity to move opinion, or at least salient chunks of opinion, is the currency of political influence. Opinion influence can take many forms, including public happenings, talkback radio and suitably crafted media events.[31] The impact on public opinion of the parties, groups and movements creates the contested purposes that constitute the public conversation - the political dialectic - of contemporary society. A reframing of the political agenda coupled with the proliferation of interest groups has transfigured the opinion-forming task.

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[30] V. Burgman, *In Our Time, Socialism and the Rise of Labour*, 1885-1905, Allen and Unwin, Sydney, 1985.

[31] eg. L. Galbraith and I. Marsh, The Political Impact of the Sydney Gay and Lesbian Mardi Gras, *Australian Journal of Political Science*, Vol. 30, No.2, pp. 300-320.

The neo-liberal economic strategy, more or less adopted by both major Australian parties after 1983, required a reduction of the role of the state and a diminished scope for politics. A new tacit economic consensus between the major parties has emerged. However there is no evidence that the overall agenda has contracted.

Environmental concerns, Aboriginal rights, the new role for women, new protections for consumers, for example, are now all government responsibilities. This expanded agenda spawns more new issues as developments in one area have consequences in others. The emergence of biotechnology provides an example. Policy trade-offs are now more complex. Protagonists need to share perspectives. The grounds for supporting or opposing particular developments amongst relevant interests can be fluid. Dialogue, deliberation and interaction are all required - but in settings in which benefits and costs can be clarified, issues can be redefined in more encompassing terms, and compensation strategies can be explored. In Australia's case, what are termed Summits have been created by governments as forums for bringing relevant interests and constituencies together. They can be effective as the capstone of a more embedded process, but otherwise they are too short for the necessary development of views.

Further, in a more complex world, new issues are abundant - for example, euthanasia, drugs, the republic - incidentally attesting to persisting widened citizen expectations for politics. Externally, the political environment remains uncertain and, in Australia's case, regional linkage requires a fundamental development of public attitudes and orientations. Even in the economic area, the development of the so-called knowledge economy poses new challenges to the state. An extensive literature proposes roles for the state in economic development considerably beyond those championed by the neo-liberal movement and so-called economic rationalists.[32] I have argued elsewhere there is

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[32] J. Dunning (ed), *Governments, Globlaisaiton and Internaitonal Business*, Oxfpord University press, 1997; R. Nelson, The Sources of Industrial Leadership: A Pwerspective on Industrial Policy, *De Economist,* 147, 1, 1999, pp. 1-18; Michael Porter, Clusters and Competition, in *On Conmpetition*, Harvard Busiess School Pres, 1999; Peter Hall and David Soskice (eds), *The Institutional Foundations of Comparative Advantage*, Oxfords University Press, 2000..

considerable potential to build the role of the catalytic role of the state.[33] Working with the grain of markets, governments might contribute to the achievement of outcomes superior to those available from market forces alone. Thus the need for capacities to frame and develop public and interest group opinion has actually increased. This is the context in which the role of the Senate deserves fresh appraisal.

The Legislature and Policy-making.

Australia's bicameral federal legislature consists of a lower House elected by proportional representation in single member districts and an upper House, the Senate, elected on a regional (State) basis by the same means. This creates opportunities for minor parties and independents to be elected to the latter chamber. Public disaffection with the major parties has meant the government (formed in the lower House) has not controlled the Senate, at least since 1982. Meantime Australia's founders constituted the Senate as a 'strong' House. The immediate stimulus was fear by the small states of domination by their larger cousins.[34] But more deeply, this particular constitution of power has deep roots in liberal traditions - majorities should rule but not heedless of collective minorities. Protections for minorities need to be entrenched in the structure of power.[35] The principal collective minorities at the time of Federation were the states.

State identity continues to be a potent force in Australian politics. But it has been joined by crosscutting sources of sectional or minority identity. This is expressed in the proliferation of interest groups and social movements considered earlier - for example, unions, small business, or the women's, gay, aboriginal, multicultural, or republican

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[33] *Australia's Wine Indistry: Collaboraiton and Learning as Sources of Competitive Success*, Australian Business Foundation, Sydnay, may 2000.

[34] Brian Galligan, *A Federal Republic*, Cambridge University Press, Melbourne, 1994; Helen Irving, *To Constitute a Nation,* Cambridge University Press, Melbourne, 1997; J. A. LaNauze, *The Making of the Australian Constitution*, Melbourne University Press, Carlton, 1965 ;Alfred Deakin, *The Federal Story*, Robertson and Mullens, Melbourne, 1944

[35] J. Uhr, Deliberative Democracy in Australia, Cambridge university Press, Melbourne, 1998; C. Sharman, The Senate and Good Government, *Occasional Address*, The Senate, 11th December, 1998; G. Brennan, The Unrepresentative Swill Feel their Oats, *Policy,* Summer, 1998-99, pp.3-9.

movements. These and many other organisations are the sites through which, and from which, the opinions, aspirations and interests of a newly diversified and pluralised community are refracted and framed.

Australia's founders created, and intended to create, a distinctive constitutional structure - looking to Britain for ways to institutionalise 'strong' government - and looking to the United States for ways to institutionalise collective minority rights. Strong government was necessary to realise aspirations for nation building and equality of opportunity between citizens from vastly different initial conditions. Collective minority rights were essential as protection against illiberal majorities. This resulted in a distinctive constitutional settlement - made up of two virtually co-equal federal Houses.[36]

The potential of the Senate as a forum for minority representation was displayed in the first ten years after Federation. In this more pluralised world, no party enjoyed an absolute majority in either chamber. The main parties, Alfred Deakin's Protectionists, George Reid's Free Traders and the newly formed Labor Party, needed to reach accommodations with each other to form governments and to pass legislation. In three elections, the public awarded a clear majority to no single group. In addition, the norm of freedom of conscience for individual members of parliament was then dominant, at least on the non-Labor side. So governments could not automatically rely on the votes of their supporters on contentious issues.

A variety of hotly contested strategic issues needed to be resolved in setting the economic and social foundations of the Australian federation. Tariffs and wages were the most divisive issues, but others such as old age pensions, nationalisation, the construction of national railways, and the establishment and role of the Post Office, were also prominent. Joint or Senate select committees were established to investigate each of these issues, to establish the options for handling them and to build awareness amongst key

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[36] Richard Mulgan, The Australian Senate as a House of Review, *Australian Journal of Political Science*, Vol. 31, No. 2, July, 1996, pp. 191-205.

constituencies.[37] Findings were debated in both Houses. Since the government could not be assured of a majority, debate on particular issues was decisive.

The Senate used its powers regularly against governments in the first ten years.[38] The Senate functioned not as the poodle of the major parties - which is the role it mostly adopted up until the loss of a government majority in the past decade. Then it functioned as the house of review it was intended to be. It used its committees to gather information and to build opinion amongst senators.

Indeed its committee system became the key institutional mechanism for investigating strategic issues. There were frequent disagreements between the houses, particularly on tariff issues. Disputes between the chambers were fierce, but accommodations were ultimately reached. Indeed, these cameo dramas became an occasion for public learning. Contention was sited not in party conferences or in internal party committee processes. It was based in parliamentary committees and in debates within and between the Houses. The political drama constituted the *mise en scene* in which the educative role of political investigation and deliberation was more fully realised.

Indeed committees are the only mechanism available to express the investigative capacities of parliamentary institutions and they provide essential foundations for parliamentary deliberations.[39] They are the only mechanism through which the scope for even partial bipartisanship between the major parties might be explored.[40] In the more confined, but more plural, political world of nineteenth century Britain, and in the more

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[37] *Beyond the Two Party System*, pp.294-297.

[38] Surveyed in Geoffrey Sawer, *Australian Federal Politics and Law*, 1901-1929, Melbourne University Press, Carlton, 1972.

[39] eloquently explored in Walter Bagehot, *The English Constitution*,

[40] The power of bipartisanship was clearly displayed in policy changes in the 1980s. The major policy developments, floating the exchange rate, financial deregulation and the reduction of protection all attracted explicit bipartisan support. By contrst party u-turns under electoral and/or interest group pressure were evident on tax change and privatisation of the telecommunications carrier.

democratic Australian colonies, before the genesis of mass politics, legislatures and their committees were a primary means for investigating contested issues. In the process, the development of member, stakeholder and perhaps broader community views was seeded.[41] The legislature and its committees have always contributed to interest group integration and to community education in the very different political system of the United States.[42]

Building a consensus about strategic issues, about the options for handling them, and building public understanding of the benefits and costs of alternative courses of action, and perhaps about how winners can compensate losers, are all challenges of representation and integration. Since the party that won government in Australia's 1998 election did not win sufficient seats to control the Senate, the tax debate continued through action in that chamber. The springboard was a series of committee enquiries. This process points to the means for renewing interest integrating and opinion framing capacities in a strategic phase - that is, through committees of the legislature. Some 448 interest groups and movements gave evidence to the various Senate enquiries. These included welfare groups, business associations, community groups, local government, educational, environmental, arts and educational groups and associations and various religious denominations. I have earlier surveyed the impact of participation in such enquiries on group views. The evidence was positive.[43] Legislative enquiries illustrate the unique capacity of parliamentary structures to mobilise expert, bureaucratic and interest group opinion, to attract publicity, and perhaps to contribute to the formation of a

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[41] 'After 1820.…Select Committees were used with a regularity and purpose quite without precedent. It is difficult to overestimate the importance of this development. Through session after session, through hundreds of inquiries and the examination of many thousands of witnesses a vast mass of information and statistics was being assembled. Even where (as was uncommonly the case) the official enquiry was in the hands of unscrupulous partisans, a sort of informal adversary system usually led to the enlargement of true knowledge in the end. A session or two later the counter-partisans would secure a counter exposition of their own. All this enabled the administration to act with a confidence, a perspective and a breadth of vision which had never hitherto existed. It had also a profound secular effect on public opinion generally and upon parliamentary public opinion in particular. For the exposure of the actual state of things in particular fields was in the ling run probably the most fruitful source of reform in nineteenth century England.' Oliver MacDonagh, *Early Victorian Government, 1830-1870*, Holmes and Meir, New York, 1977, p. 6.

[42] Arthur Maas, *Congress and the Common Good*, Harvard University Press, Cambridge, Mass.,
[43] *Policy Making in a Three Party System*, Methuen, London, 1986, esp. Chp 5, Select Committees and Interest Groups.

majority coalition for action. In the classic two party system, these roles were mostly located in the major party organisations.

The tax debate in Australia emerged at the, so-to-speak, operational end of the policy development cycle. Senate committees played a small part at one stage at this end of the prices. Their intervention illustrates a mechanism whose role could be routine at the strategic end of this cycle. This would require a significant enhancement of the Senate Committee system and a more focussed appreciation of its potential contribution. I have explored these issues in detail elsewhere.[44] The structure of committees needs strengthening and they would need to intervene routinely in the policy development cycle within departments. Staff support for committees would need to be augmented. The capacity of committees to challenge the executive may need to be refurbished. Clashes between the Senate and the executive at appropriate moments in the policy development process, far from occasioning hand wringing, might be welcomed for their contribution to the broader development of opinion.

Of course, the risks in such developments must also be acknowledged. The lack of assured government authority imposes distinctive behavioural norms on participants. Above all, protagonists would need to be willing to compromise, and to display qualities of moderation in the parliament or its backrooms, that they might not choose to display to their more ardent supporters. But such are the familiar ways of democratic politics.[45] In the mutation envisaged here, the major parties might even occasionally combine to discredit unpalatable opinions or to make public that bipartisanship on broad strategy that is now mostly tacit.

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[44] *Beyond the Two Party System*, Chapter 9, Parliament and Policy-Making.

[45] for example procedural norms in the US Congress

Protagonists for majoritarian, winner-take-all conceptions of government now, as in the past, see only instability in the further development of a role for the legislature.[46] On the contrary, in Australia's case, underlying electoral trends seem likely to progressively precipitate a significant mutation in the familiar two party system.[47] The Senate, armed with a clear sense of its potential policy-making contribution and with appropriate capacities, is the principal potential agent of regime change in Australia. The minor Senate parties have most to gain immediately by a change in the structure of policy making.[48] But the major parties too may ultimately come to see gains in a structure that holds in prospect improved opportunities for all participants to advance their policy agendas.

For reasons developed earlier, Australia's particular political structure creates a legislative chamber of substantial power which future governments are unlikely to control. This chamber provides a potential setting for committee deliberations. It also provides a setting in which the parliamentary dramaturgy might be reconfigured to seed public opinion formation and interest group mobilisation in a strategic phase – all threshold steps in rejuvenating systemic policy making capacities. Functionally equivalent means would need to be identified in other systems with similar gaps.

If the argument earlier in this paper is correct, the need for a strategic phase in public and political 'learning' or opinion formation, far from contracting, has grown.[49] This phase would need to be partially decoupled from contention about current and medium term

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[46] *The Weekend Australian,* editorial, Undue Power Shows Senate Reform Needed, 28th November, 1998, p.18; *Sydney Morning Herald*, editorial, The Senate Needs to be Reformed, 8th February, 1999; *Herald-Sun*, editorial, The Tyranny of Minorities, 25th November, 1998; Helen Coonan, The Senate: Safeguard or Handbrake on Democracy? *Address to the Sydney Institute*, February, 1999; for an overview, see Hugh Emy, The Mandate and Responsible Government, *Australian Journal of Political Science*, Vol. 32, No. 1, pp. 65-78.

[47] Parallel developments seem possible in New Zealand and the UK. In the former case, electoral reform has produced a version of multi-party politics. In the latter, devolution, Lords reform and voting reform all make regime mutation a possibility.

[48] I. Marsh, *Liberal Priorities, the Lib-Lab Pact and the Requirements for Policy Influence,* Parliamentary Affairs, Vol. 43, No. 2, July, 1990.

[49] A recent OECD study on capacites for longer term policy-making in aged care concluded: 'Very few of the countries have consciously addressed the question of building public consensus behind their long range

issues, which would continue as the primary focus of partisan concern. Articulating such a phase would provide an opportunity for the scope of the strategic partisan consensus to become explicit; it would seed public opinion development; and it would initiate the mobilisation of interest groups and social movements, thus beginning the process of coalition building, which is essential to effective policy action in contemporary, pluralised conditions. In refurbishing representation and integration, such developments would augment policy-making capacities.

More deeply, the metaphor of 'learning', used throughout this paper, signifies the contemporary change in political atmosphere. In his magisterial study of modern identity, Charles Taylor finds its heart in 'subtler languages'.[50] In political conversations, these are expressed in a vastly more differentiated agenda, and through the post-60s turn to politics as a source of moral legitimacy and renewal. Taylor introduces this theme with a chapter entitled 'Our Victorian Contemporaries.' Mill is one such. In *On Liberty* his abiding concern was for free individuals, for the value and potential of human moral agency, and, beyond freedom of expression, for freedom of lifestyles. Reciprocally, in *On Representative Government*, his concern was for the 'quality' of the political conversation - for a primary atmosphere in which individual agency germinates and flowers. This provides an underlying, and more general, perspective on the possible mutation in political systems, reviewed here. Specific institutional remedies may vary. But broader challenges of representation, integration and learning seem ubiquitous. In Mill's perspective, these general challenges are transmuted into a general opportunity - to lift to a new level both the institutionalisation of liberal democracy and the practice of citizenship.

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aging policies. D. Mathiasen, The Capacity for Long-Term Decision Making in OECD Countries: The Case of Ageing, *Working Paper AWP6.1 Eng*, OECD, Paris, June, 1999.
[50] C. Taylor, *The Sources of the Self*, esp. Part V, Subtler Languages, Cambridge University Press, Cambridge, 1989.