



# FUTURE SUMMIT 2005

INVESTING IN OUR FUTURE



Berri Ltd

## Leadership and Political Structures



Australian Government  
Australian Public Service Commission



City of Melbourne



### Introduction

Compared with most countries, Australia's democratic and social institutions have preserved and reflected an enviable degree of stability and wellbeing. In the democratic sphere, we invented the secret ballot, were one of the first countries in the world to extend the franchise to women, and we are one of the few nations to require that all citizens participate in elections. Once known as the "social laboratory of the world", Australia was among the first to institute a minimum wage, unemployment benefits and a universal pension.

Yet while we have a proud history of achievement and innovation, much of our institution-building took place in the early part of the twentieth century. In the 1980s, there were some good flashes of bold policy thinking: the Higher Education Contribution Scheme, the Immigration Points System, and our child support scheme are particular policies now being copied. Yet it is difficult since then to think of Australian initiatives in the policy arena that are likely to win us back the "social laboratory" tag<sup>1</sup>. While the introduction of a Goods and Services Tax was radical for Australia, in a broader context it merely brought us in line with the rest of the developed world. Other recent initiatives - such as work for the dole, the offshore processing of asylum seekers, or the free trade agreement with America - are more in the nature of incremental amendments to our existing policy structures than exciting reforms which will bring the rest of the world knocking at our door, asking for policy advice.

Yet there is no dearth of opportunities for innovative policy thinking. Some of our biggest challenges are in economic policy (infrastructure, innovation and skills), social policy (family fragmentation and inequality), Indigenous policy (reconciliation and Indigenous health), the environment (salinity and climate change), international affairs (globalisation and the rapid changes in China and India), and science (nanotechnology and gene technology). The question is whether our leadership and political structures are up to managing them.

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<sup>1</sup> The 1998 introduction of the Job Network system of contracted out unemployment support provision may be one exception

## Back to the Future?

After the depression and World Wars that marked the first half of the twentieth century, Australia settled into the salad days of the 1950s and 1960s. It was only when then Singaporean Prime Minister Lee Kuan Yew warned that we were at risk of becoming the “poor white trash of Asia” and Australian Treasurer Paul Keating spoke of the danger of becoming a “Banana Republic” that there was substantial policy response, and the extensive and systematic market liberalisation that then followed, itself complementing the social liberalisation of the 1970s, has produced a different Australia. Journalist Paul Kelly has characterised the period from the 1980s as “The End of Certainty”<sup>2</sup>.

In the words of federal health minister Tony Abbott, “the fact that Australia is such a fair, free and prosperous country entitles its politicians to two cheers”<sup>3</sup>. Yet our laurels are already slipping – as economist Ross Garnaut recently warned when he spoke of four years of policy complacency.<sup>4</sup> The benefits of economic liberalisation take time to come to fruition: one study suggests that they take some 3-4 years to commence, peak after ten years and run down to nothing after fifteen years<sup>5</sup>. This is because liberalisation per se shakes things up, introduces new ways of doing things, and then can itself become stale. So what do we do for an encore? How can our politicians earn three cheers?

A hundred and twenty years ago Australia was actually “world’s best practice”, with our economy generating the highest GDP per capita of any country. And while wool, wheat and copper contributed much, even more our position as the “working mans paradise” came from our willingness to invest more in innovation, infrastructure and skills than any other country. We spent more per head on capital formation and education than any other country and had more patents per capita. And we were globally integrated and open to flows of goods, capital and people.

Today we are again globally integrated and open, and we are again liberalised and flexible. But we have yet to return to investing in ourselves on the scale of the Long Boom of that earlier era. So as the benefits of liberalisation begin to slow down, our future prospects are looking less rosy<sup>6</sup>.

It seems that current elevation of infrastructure bottlenecks and skills shortages to the headlines is at last showing recognition of the predictable supply-side problem for sustainable growth. A debt-funded consumer boom, underpinned by a prolonged increase in

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<sup>2</sup> Paul Kelly, *The End of Certainty: Power, Politics and Business in Australia*, revised edition, Sydney: Allen and Unwin, 1994

<sup>3</sup> Michael Duffy, *Latham and Abbott*, Sydney: Random House, 2004.

<sup>4</sup> Ross Garnaut, Address to the Melbourne Institute Sustaining Prosperity Conference, 31 March 2005.

<sup>5</sup> EPAC, *Tariff Reform and Economic Growth*, Canberra: AGPS, 1996.

<sup>6</sup> One early warning is to be found in G. Withers, “Sustaining Reform and Investing in People”, *ASX Perspective*, Third Quarter 2000 and, more recently, N.Gruen, V.Fitzgerald, A. Fels, J.Freebairn, P.Jonson and G.Withers, “Making Our Own Luck”, *The Australian*, 22 September 2004.

current housing wealth, has begun to run into inevitable supply limits arising from our neglect of productive investment. One calculation is that we need an increase in investment as a share of GDP from 27% to 33% especially in education and training, infrastructure, innovation and environment<sup>7</sup>. Business has in fact been playing a constructive role by maintaining and increasing investment in plant and equipment as a share of GDP, but it has not matched this with R&D spending. Most importantly, government investment in skills and infrastructure has been inadequate. But why?

### **Modern Institutional Failings**

We believe that there are four main causes of the failure of contemporary Australia to invest in the future: short-termism, divided responsibility, risk, and uncertainty, and a lack of trust in politicians. Here, we outline each of these problems, before turning to some possible solutions.

#### *1. Short-termism*

Short-termism is a distortion towards more consumption and less savings and toward investment projects with short payback periods. It is most found in Australia in both the private and public sectors. On the private sector side, examples are:

- The tendency for some superannuation funds to emphasise monthly or quarterly returns as the correct measure of performance. Such short-termism will increase further as exercise of member choice provisions become prevalent. Funds are already conservative in investing in areas such as infrastructure and venture capital.
- The requirement for private sector equity investors to receive a substantial equity premium over the long-term government bond rate. While there are often good rationales for privatisation and public-private partnerships, it is worth recognising that one implication of these programs is that the private sector equity rate applies – which reduces net investment below levels that could apply under government debt funding of such investment.
- The limited development of venture capital markets for high-tech start-ups from small to medium enterprise activity. Slow availability of tradeable investments in unlisted companies of this kind has hampered financing of innovation in Australia, though with some promising locals finding support overseas rather than in domestic finance markets.

More generally, Commonwealth Bank Chair John Ralph said at the 2004 AGM that “In today’s climate it takes a brave CEO to promote a long-term risk R&D project that will reduce current earnings and deliver the benefits well past his or her tenure”<sup>8</sup>.

Worse still is the short-termism in the public sector. This is often blamed on our short federal terms. With just three years between

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<sup>7</sup> Glenn Withers, *Australia’s Population Future: A Position Paper*, Melbourne: Business Council of Australia, 2004.

<sup>8</sup> *The Australian*, 6 November 2004

elections, the stereotype of Australian political cycles is that the first year is spent recovering from the election, the second year is spent implementing policies, and the third year is spent preparing for the next election. But the problem goes beyond our overly short election cycles. Australia's political culture is overly focused on the here-and-now.

Policies with a long payoff time, such as R&D, early childhood interventions and infrastructure, remain under-funded. It has been said by journalist Laura Tingle that under the Hawke and Keating Governments, access to Ministers required an economic modelling report, but that under the Howard Government access to Ministers only requires a polling report. The Opposition is also to blame for an overly short-term focus. At the 2004 election, the federal Labor Party promised that if it won government, it would always run surplus budgets, a policy that would have limited its capacity to invest in the future.

The media as an institution also has a role to play here. Regrettably Australia has amongst the most concentrated newspaper ownership, most advertising dependent television and most parsimoniously funded public broadcasting amongst the OECD countries.<sup>9</sup> This is not a suitable foundation for diverse and reflective views to contend. In addition, despite the fact that policymaking has become substantially more complex over recent decades, the policy expertise of parliamentary press gallery has not increased at the same rate. Media outlets should rethink their standard policy of mainly employing intelligent generalists, and consider instead hiring political journalists with substantial policy expertise. Journalists that are able to see the big policy picture are more likely to focus their attention on long-term policy development. The alternative is the "who's up, who's down?" sportsplay version of political journalism that too often fills our newspapers and airwaves.

## *2. Divided Responsibility*

The advantages of a single nation would have been a long-time coming if federal principles had not formed the core of the constitution in 1901. Moreover there are significant advantages to be gained from sub-national levels of government that provide services that need to account for local preferences and knowledge. There are also advantages from a competitive federalism whereby different jurisdictions experiment with better ways of delivering services rather than assuming a single known uniform best way exists for service delivery.

However the Australian constitution was written in the late-1800s, in a nation very different to the one we occupy today. Powered flight was in its infancy. Only a tiny elite attended university. Women were expected to quit their jobs upon getting married. Racism and ill-treatment of Indigenous Australians was widely accepted. Our founding fathers, ambitious as they were, could hardly foresee the Australia of 2005. Yet the federal-state balance of responsibilities

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<sup>9</sup> R.Tiffin and R.Gittins, *How Australia Compares*, CUP, 2004.

entrenched in section 51 of the constitution has remained virtually unchanged for over a century<sup>10</sup>.

The current situation of blame-shifting between Commonwealth and State/Territory jurisdictions which so irritates voters today in Australia is the outcome of the inconsistency between a late-nineteenth century constitution and early-twenty first century problems, and the difficulties under existing incentives for politicians to alter that. Although section 128 of the Constitution allows for reform by referendum, less than one in eight referenda have been successful. Instead, buck passing has become a national sport for the political class. One only has to look at stalled progress on tax reform, schooling, universities, population policy and infrastructure to see the perverse incentives to existing politicians and the costs to the national interest and future generations.

### 3. Risk and Uncertainty

Liberalisation of social relations and then economic relations in the last quarter of the 20<sup>th</sup> century has opened Australians much more to new risks and uncertainties in their personal and work lives. For some this is a long overdue liberation: women, gays, ethnic groups who previously felt oppressed and exploited can feel some greater empowerment. Others however have disliked change and have problems accommodating the options. The surge of support for the One Nation party was arguably a response to rapid change and a product of “reform fatigue”. Some writers speak of a deeper anomie affecting many with the ascendancy of individualist and humanist values<sup>11</sup> and reflected, among other things, in the rapid growth of evangelical Christianity.

In the labour market, a growing incidence of self-employment, part-time and casual work is evident. Of 18 developed economies with comparable data, Australia is ranked as follows: first on the proportion of temporary employment; second on the proportion of part-time employment; second on the proportion of part-time workers who would prefer full-time employment; fourth last on indices of employment protection legislation; and last on the median and mean duration of employment. Full-time working hours have risen and are second longest in the OECD<sup>12</sup>.

Again for some this is liberating and a source of fulfilment, while for others this is another source of anxiety and stress. Certainly, getting the work/family/life balance right has been elusive as reflected in indicators ranging from the incidence of depression through to the fertility rate<sup>13</sup>. The new social science of “happiness studies” is

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<sup>10</sup> The two major exceptions are the decisions of the states to hand over to the Commonwealth their income taxing power (in 1941) and corporations power (in 1990).

<sup>11</sup> John Carroll, *The Wreck of Western Culture - Humanism Revisited*, Scribe Publications, Carlton North, 2004.

<sup>12</sup> Tiffin and Gittins, *op.cit.*

<sup>13</sup> It is interesting that while per capita GDP in the USA continues to exceed that in Europe, EU productivity has risen from 65% of US productivity in 1970 to 90% of US productivity today: Olivier Blanchard, 2004, “The Economic Future of Europe”, *Journal of Economic Perspectives* 18(4): 3-26.

grappling with the claim that liberality and affluence have not led to unambiguous increases in happiness, along with deeper issues of what does produce happiness<sup>14</sup>.

Social safety nets are in place as they were not in the nineteenth and earlier twentieth centuries, but there is fear that these may be wound back severely as pressure on government budgets increases, including through demographic ageing<sup>15</sup>. Australia has a more economical welfare state than in Europe due to its means-tested, flat rate systems of support, but growing numbers on disability support and single parent payments in Australia are a focus for debate here already.

#### 4. Distrust

Australians do not feel well-disposed towards their politicians. Overall, the fraction of Australians who agree that their politicians are ethical and honest has fallen from one-in-five in the 1970s to one-in-ten today. In the 1960s, half the population agreed that “people in government can be trusted”. Today, only one-third do.<sup>16</sup>

In part, politicians have contributed to this outcome. They have themselves abused the trust that Australians had in key institutions such as the civil service, military, judiciary and universities. Ill-motivated sackings of senior public servants upon taking office, encouragement of irresponsible vendettas against judges, disciplining of senior police for speaking frankly, appointing political mates to sinecures, allocating funds by electoral “whiteboards” and self-indulgence in “culture wars” are all contributing to cynicism in an increasingly educated electorate. And the sins are at all levels of Government and across all parties.

With the party machines, change is needed too. The proportion of the population who are members of a political party has dropped from 3 percent in the 1960s to around 1½ percent today – despite the occasional branch-stacking. As Liberal politician Chris Puplick once wrote, the risk is that the only ones left in our political parties are “the mad, the lonely and the ambitious”. As parties fade into irrelevance, the business of candidate selection is increasingly being taken over by head offices and powerbrokers. The process of selecting members of parliament – and sometimes even members of the frontbench – is too important to be decided by party apparatchiks and factional warlords.

Another factor that erodes trust in politicians is question time. For ordinary voters, it is the main window into how politicians behave on

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<sup>14</sup> C. Hamilton and R. Denniss, *Affluenza*, CUP, 2005. R.Eckersley, *Well and Good: Morality, Meaning and Happiness*, Text Publishing, 2005.

<sup>15</sup> L Kotlikoff and S. Burns, *The Coming Generational Storm* MIT Press 2004

<sup>16</sup> In 2002, when one of the authors (Leigh) co-edited a book on trust in politicians, the publisher thought the situation was so bad that the cover illustration they chose was of one dog sniffing another’s backside. D. Burchell and A. Leigh, *The Prince’s New Clothes: Why Do Australians Dislike Their Politicians?* Sydney: University of New South Wales Press, 2002.

the job – and many are appalled. And reasonably so: no citizen should have to look at their political leaders and say “I wouldn’t let my children behave like that”. By contrast, in the British parliament, the questioning is equally rigorous, but interjections and catcalls are rare – proving that parliamentary accountability does not necessitate a daily slanging match.

### **Solutions to Institutional Failure**

In the words of social commentator Donald Horne, if the people running Australia rust up, Horne argues, Australia will rust up<sup>17</sup>. In past decades, Australia has been fortunate to have policy wonks on both sides of politics. In 1972 Gough Whitlam’s policy manifesto included 140 specific promises - the most comprehensive election platform ever seen in Australia at the time. In 1982, Labor produced a series of policy monographs around the theme of “Preparing for Government”. And the record for policy entrepreneurship must surely go to John Hewson, who oversaw the production in 1991 of *Fightback!* - a 650-page policy platform whose executive summary alone ran to 70 pages.

Since Hewson’s loss in the 1993 election, the political wisdom has been that oppositions should present “small targets”, offering not bold visions of the future, but small increments on the status quo. It is difficult to imagine that this philosophy does not carry through to the way in which a successful opposition goes on to govern the nation. “Small target” politics is not in the national interest. In this section, we therefore suggest some ways in which we might rekindle policy entrepreneurship, reinvigorate the national debate, and focus attention on the challenges of the future.

#### *A. Encouraging Long-Term Thinking*

Focussing on the public sector issues of short-termism, one way forward is to move to reinforce the farsightedness of the 1980s. Australia did take a leadership position then in anticipating the need to break the “boom and bust” cycle and to address the demographic ageing of the population. It did this through the introduction of “social wage” policies which “snapped the inflation stick” previously built into the wage system and turned this to looking forward by introducing compulsory superannuation for workers.

It would be a logical step to increase the superannuation contribution to 15% to improve retirement self-provision for an ageing population and to impose obligations on superannuation funds to invest in Australian infrastructure projects as a minimum 15% compulsory share of assets. Management of funds and project delivery and operation would remain with the private sector but within a new planning and regulatory framework. In this latter respect a new National Development Commission would be needed and would overcome some of the divided responsibility issues that so bedevil this area. The self-imposed restriction on raising

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<sup>17</sup> Donald Horne, 2001, *Looking for Leadership: Australia in the Howard Years*, Melbourne: Viking

government debt would be removed for long-lived productive assets and a long-dated government bond market would be encouraged.

Within government itself the goal could be to increase the opportunities for reflection on national direction and avoid the exigencies of “one-size fits all” party-based elections. One vehicle to increase deliberation is to increase the role of Parliamentary committees as vehicles of scrutiny. We support Ian Marsh’s call for the elevation of the Commonwealth Senate to serve directly as a house of policy formation, with well-resourced committees facilitating rigorous analysis<sup>18</sup>.

Several major policy challenges also call for more long-term thinking. We should tackle the issue of reconciliation between Indigenous and non-Indigenous Australians, which has eluded political leaders for a generation. Australia should no longer be the only Commonwealth country without a treaty with its original inhabitants. Indigenous health is in a parlous state, with Aboriginal life expectancy today comparable to white life expectancy in 1901. Boosting the health of Indigenous people should be a national policy priority.

Australia should also work to improve the evidence base from which we build our economic and social policies. Cost-benefit analysis for all large public investment projects should be obligatory and made publicly available. Similarly, randomised policy trials, considered the gold standard in policy evaluation, are widespread in Canada and the United States, yet virtually non-existent in Australia. Like medical researchers, we should rigorously test social policies, discarding those that do not work, and moving on to new solutions. There is no contradiction between being optimistic about the ends, yet scientific and critical about the means.

#### *B. Getting the Federal Balance Right*

The division of responsibilities between the states and the Commonwealth is sorely in need of redress. The principle of subsidiarity is a simple basis for this, with each level of government raising the revenue required for its own functions. This means largely eliminating vertical fiscal imbalance and ending the buck-passing. A Federalism Commission would have an allocation for fiscal equalisation, and for dispute arbitration.

Tax reform to underpin this should recognise that Australia overtaxes incomes **and** undertaxes spending compared to other OECD economies. Our overall tax take is at the lower end of industrial economies as a share of GDP but, that said, is strongly biased toward income tax sourcing. This latter is the origin of our tax disincentive problems, not high overall taxation<sup>19</sup>. One solution would be to raise the GST as the states’ tax to 15% with all

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<sup>18</sup> Ian Marsh. 2002. *Australia’s Choices: Options for a Prosperous and Fair Society*. UNSW Press: Sydney

<sup>19</sup> The clamour for tax relief is therefore either ill-informed or disingenuous in so far as it focuses totally on income taxes without discussion of the total tax take or of the spending implications of tax reductions.

exemptions eliminated, abolishing most state taxes<sup>20</sup> and, as Ross Garnaut has recently proposed, set Commonwealth taxes at a flat 30% for all corporate and personal income, including capital gains<sup>21</sup>.

This approach has the virtue of simplicity, but it would also substantially raise the share of tax paid by low-income Australians. Given that many would not wish to do away with the progressivity inherent in the current taxation system, a preferable way to reduce some personal income tax rates would be through the introduction of an earned income tax credit, or negative income tax, for low-income earners. This would especially address the problem of the high effective marginal tax rates which arise from our highly targeted welfare system, and encourage the movement from welfare into work. With concomitant rebalancing of the share of indirect and direct tax, some reduction in marginal rates on higher incomes would also be possible.

Essential to any long-term reform is agreement on responsibilities of state and federal government. We do not believe that Australia should abolish the states.<sup>22</sup> The New Zealand experience of too much reform too fast serves as a warning on undue concentration of power. Similarly limited Commonwealth experience with service delivery would not auger well for effectiveness and efficiency either<sup>23</sup>. Nor do we favour replacing states with regional governments. Despite the wishful thinking of some regionalists, the reality is that it is difficult to envisage new regions of any significant population size that would be centred around any capital of consequence. But there are many issues upon which the existing federal compact should be renegotiated – and for this purpose the task is to reach beyond the status quo instincts of present incumbent politicians and seek a New Deal.

Lastly, in seeking to achieve the right state-federal balance, we need not be in thrall to the founding fathers. Nor would they have wanted us to be. Robert Garran, secretary to the 1897-98 constitutional convention, advocated periodic review of the constitution, preferably by elected conventions<sup>24</sup>. Over a century later, we should heed Garran's call. Constitutional conventions should be held every ten

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<sup>20</sup> Under this solution, payroll tax and land tax would be retained.

<sup>21</sup> R. Garnaut, "Cracking our Complacency", *The Australian*, 31 March 2005. Supplementary payments for age, unemployment (with mutual obligation tests), education participation, disability and child dependency would be made with only very high income and asset tests. Expenditure adjustments as necessary could come from policy ineffective areas such as health insurance and family support where "windfall gains" are all too deeply entrenched. Thirty per cent is a continuing benchmark, as the present nominal corporate tax rate at that level, when combined with the tax provisions applying in achieving taxable income, is actually highly competitive as a marginal effective tax on business investment.

<sup>22</sup> For a good discussion on this issue, see Greg Craven, 2004, *Conversations with the Constitution: Not just a piece of paper*, UNSW Press, Sydney

<sup>23</sup> The Commonwealth's heavy-handed planning of tertiary education does not serve as a basis for believing the Commonwealth would operate with a lighter touch than state bureaucracies.

<sup>24</sup> Biographical entry on Sir Robert Garran, *Australian Dictionary of Biography 1891-1939*, pp.622-625.

years, allowing Australia to fine-tune the state-federal-local balance to fit the evolving needs of our community.

### *C. Mitigating Risk and Uncertainty*

In a more uncertain world there is the danger that a government already overloaded with demands for support will begin to retreat from providing security. Many European countries are now reducing the generosity of their welfare systems. In the United States, which saw the time-limiting of welfare in the mid-1990s, further reductions in social insurance are already envisaged. US economist Paul Krugman<sup>25</sup> has denounced what he sees as the continued erosion of protection that government provides against personal misfortune, even as ordinary families face ever-growing economic insecurity. In the case of bankruptcy reforms, instigated by credit card companies, he characterizes the outcome as the return of the 'debt peonage' society, named after the old Southern system in which debtors were forced to work for creditors.

In Australia, the notion of "mutual responsibility" has strong resonance with taxpayers. Few things are more unpopular in Australia too than unconditional aid in welfare (though it is less well understood by governments and lobbies that this applies as much to business welfare as it does to personal support).<sup>26</sup>

One possible variation on passive welfare that promises a new way forward here for individuals and firms alike is the income-contingent loan. Invented in Australia as the Higher Education Contribution Scheme<sup>27</sup>, income-contingent loans involve the government acting as banker – rather than its usual position as taxer, spender and regulator. But it does so only where individuals do not have access to normal credit markets, and where there is both a private and social benefit.

The notion of income contingent loans can spread readily beyond university funding to community development, assistance to elite athletes, innovation by small business start-ups to drought assistance and support for ex-prisoners. Conditionality would apply, meaning support would be for productive investment that has a reasonable probability of pay-off, and repayment would be related to income or revenue (and interest) and it would be set to cover costs,

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<sup>25</sup> P. Krugman, "The Debt-Peonage Society?", *New York Times*, March 8 2005.

<sup>26</sup> G. Withers and L. Edwards, "The Budget, the Election and the Voter", *Australian Social Monitor*, 4(1), June 2001. We await equal scrutiny by think tanks of business welfare as for individual welfare. The sums in the business field are also large. See Productivity Commission, *Trade and Assistance Review*, 2003-03 and Industry Commission, *State Territory and Local Government Assistance to Industry (Report No. 55)*, 1996, IC Inquiry Report

<sup>27</sup> The idea is also gaining international recognition, not just for university finances, but as a new role for government. See N. Barr, *The Welfare State as Piggy Bank*, Cambridge University Press 2001 and D. Moss, *When All Else Fails*, Harvard University Press, Cambridge, Massachusetts, 2002.

so paying the taxpayer back. We propose that Australia establish a new Australian Development Fund to manage such schemes<sup>28</sup>.

#### *D. Restoring Trust in Politicians*<sup>29</sup>

A reasonable cause for distrust by Australian voters today is the limited say they have in choosing their parliamentary representatives. Two-thirds of Australians live in 'safe' seats—seats where the winner has a margin of 6% or more. For these voters, the real choice is not between the Labor Party and the Coalition, but which individual will represent the dominant party at the poll. Yet the task of preselecting party candidates is typically performed by party committees comprising representatives from the local area and administrators from the central party office. In most cases, this means that a few hundred people—invariably less than 1% of the electorate—are involved in choosing the candidate.

Under the current system, candidates are too often preselected as a reward for loyal party service, rather than because they are the best person for the job. Today's preselection system also discourages many talented individuals from underrepresented groups in our community—including women, Indigenous Australians and migrants—from seeking elected office. In *Imagining Australia: Ideas for Our Future*, Macgregor Duncan, Andrew Leigh, David Madden and Peter Tynan propose making the process of choosing political candidates more democratic by adopting a system of open primary preselections, in which voters need only register as party supporters in order to vote in a preselection. Such preselections, perhaps administered by the Australian Electoral Commission, would significantly invigorate the candidate preselection processes from the current system – in which new members of parliament are effectively chosen by unrepresentative factional cabals. A more competitive and transparent process would raise the quality of candidates, as well as boosting public participation in the political process. While less than 1% of Australians now vote in member-only preselections, open primary preselections in the US attract between 10% and 50% of the electorate.

To involve more Australians in our democratic process, Duncan, Leigh, Madden and Tynan also propose that Australia implement a national Deliberation Day, an annual national holiday on which citizens come together to discuss political issues. On Deliberation Day, citizens could assemble in groups of, say, 500 people, at specified locations within their local neighbourhoods (schools, churches or community centres). In an election year, the day would focus on the issues of the campaign, and could begin with voters

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<sup>28</sup> The promised Commonwealth Future Fund could serve as the basis for this, instead or simply investing in conventional market instruments. Naturally such a change of focus would be resisted by the private investment sector seeking large fees.

<sup>29</sup> A number of the ideas in this section draw on *Imagining Australia: Ideas for Our Future*, by Macgregor Duncan, Andrew Leigh, David Madden and Peter Tynan. Sydney: Allen and Unwin, 2004

watching a live telecast debate between the prime ministerial candidates. In non-election years, the focus of the discussion could be largely determined by the participants themselves. An opportunity could be provided for participants to split into groups of about fifteen, in order to facilitate face-to-face discussions. Afterwards, the entire group could reassemble into the large group for a question-and-answer session with local decision-makers and representatives of the parties. Admittedly, Deliberation Day would be a large-scale affair. If 30% of Australia's 10 million registered voters attended a Deliberation Day session, this would necessitate 6000 meetings of 500 people each. Yet it would make a significant contribution to the life and fabric of Australian democracy.

A third way in which trust in politicians could be improved is through a radical revamping of question time. Several useful procedural reforms have been canvassed in recent years: banning so-called "Dorothy Dixers", expanding the use of follow-up questions, and restricting the ability of Ministers to waffle when answering. But the most important reform to question time does not require any alteration to the rules, merely a change in behaviour. By reducing the level of personal abuse, ceasing to shout interjections, and creating a sense of decorum in question time, Australian politicians could do much to win back the respect of their voters.

## **Conclusion**

Australia faces two core challenges today. The first is to regain the confidence and the ingenuity that once placed us ahead of other nations in terms of our economic growth, our social policies and our democratic innovations. There is no country better poised for a new era of progress if new and farsighted public leadership can be forthcoming. But reformers must also be persuaders.

The second challenge therefore is to make a persuasive public case for continuing reform. To avoid slipping back into isolationism or sclerosis, Australia needs a political leader who can engage in a clear, honest discussion with the population about economic policy. The challenge for Australian leaders is not merely to implement bold reforms for the sake of our future, but to bring national sentiment with them. This is the nation building agenda for the future.

## **Members of the Task Force**

### **Leadership and Political Structures**

#### **Chair:**

- Andrew Leigh is a Fellow in the Economics Program of the Research School of Social Sciences at the Australian National University, and the co-author (with Macgregor Duncan, David Madden and Peter Tynan) of *Imagining Australia: Ideas for Our Future, 2004* More information: [www.andrewleigh.com](http://www.andrewleigh.com).
- Glenn Withers is Professor of Public Policy at ANU and the Australia and New Zealand School of Government. He has been a Government and Business Adviser including chairing a Private Infrastructure Taskforce for the Commonwealth and authoring *Australia's Population Future*