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# ONLY IN AUSTRALIA

*The History, Politics, and Economics  
of Australian Exceptionalism*

EDITED BY

William O. Coleman

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UNIVERSITY PRESS

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# 1

## The Australian Exception

*William O. Coleman*

### 1.1 The Question

To invoke the unusual about Australia is usually to evoke the outlandish: black swans, flying foxes, flying doctors, Ned Kelly's armour, Christmas on Bondi beach, a prime minister vanishing without a trace while surfing. Weird, curious, and unimportant.

This book is concerned with something more significant. In the early twenty-first century Australia appears to be drifting from the tendency of the English-speaking world in matters of economic and social policy. Australia seems to be following a 'special path' of its own that it laid down more than a century ago. It is constituting an 'exception' to the common course of societies to which it could be obviously compared.

Perhaps the five most salient features of this Australian exceptionalism are:

1. A tightly regulated labour market.
2. A tax-transfer system heavily reliant on direct taxation and means testing.
3. A 'facade federalism', where an appearance of a federal structure belies the reality of a unitary state.
4. A lofty prominence in public life of an 'official family' of senior bureaucrats, complemented by proliferation of the 'independent' statutory bodies possessing a state-within-a-state aspect.
5. Certain electoral peculiarities: including compulsory and preferential voting, an unassailably independent Electoral Commission, and a distinct rural party (the Country Party and its later incarnations).

These phenomena make themselves felt in everyday life; a minimum wage of \$A17.29 per hour, which is sternly enforced;<sup>1</sup> an unemployment benefit that requires no previous employment history of its recipient;<sup>2</sup> state governments—more bereft of revenue sources than any other such tier in the world<sup>3</sup>—struggling with hospital expenditure; a compulsion to vote in a plebiscite on same-sex marriage; an income tax in 2015/16 of 49 cents in the dollar from about two and quarter times average weekly earnings (see Table 1.1).<sup>4</sup>

Table 1.1 Top Marginal Tax Rates, 2014

	Australia	New Zealand	Canada	USA	UK	Germany	Japan
Rate	46.50	33.00	49.50	46.25	45.00	47.48	51.08
threshold of top rate, as multiple of average earnings	2.26	1.28	4.45	8.23	4.21	5.66	4.57

Source: OECD.

In Australia career public servants daily claim a public profile and prestige that elsewhere only central bankers could hope for. Only in Australia could a suite of public servants have enjoyed the policy heft of the ‘Seven Dwarfs’ of the post-war period (Nethercote 2012). Today their successors preside over the ‘more or less self-contained administrative satrapies’ (Encel 1960, p. 75) that constitute much of the Australian state; including the Australian Competition and Consumer Commission, the Australian Broadcasting Corporation, the Commonwealth Grants Commission, and others.

It is easy to add other things that single Australia out, at least by the standards of anglophone countries: a state ‘broadcasting corporation’ funded by general taxation; a massive compulsory saving scheme secured through

<sup>1</sup> Measured at market exchange rates, in 2014 Australia had the highest legislated minimum wage rate in the world, bar Luxembourg (OECD 2015). One 2014 study ranked Australia 132 out of 144 countries surveyed in terms of wage determination flexibility and 136th in hiring and firing flexibility. ‘Australian businesses, year after year, have named the restrictive labor regulations the most problematic factor for doing business in their country by a wide margin’ (Schwab and Sala-i-Martin 2014, p. 27).

<sup>2</sup> Australia and New Zealand are the only Organisation for Economic Co-operation and Development (OECD) countries where to be eligible for an unemployment benefit does not require any history of previous employment.

<sup>3</sup> Repeated international comparisons have revealed that Australian states raise from their own revenue resources a substantially smaller proportion of their spending than the same level of government in Canada, Germany and the United States (Dollery 2002). One American observer has judged: ‘I cannot help but be struck by how little most [Australian] public servants and economists appear to care about fiscal federalism’ (Gramlich 1984, p. 273).

<sup>4</sup> In one judgement, ‘the Australian tax system has one of the most progressive structures of all OECD countries, and...the social security system is the most progressive of all countries’ (Whiteford 1998, p. 211). The concessionary taxation of compulsory saving qualifies this conclusion to some degree.

workplace relations law; a taxation of tobacco of a severity unmatched anywhere else (see Table 1.2).

**Table 1.2** Tobacco Taxation Revenue, 2013, \$US

	Australia	New Zealand	Canada	USA	UK	Germany	Japan
Per adult	427	226	249	133	284	268	210
Per smoker	2375	n/a	1244	632	1289	787	582

Notes: Adults are measured as population over 14. Smokers are measured as population over 14 multiplied by the proportion of men who smoke. USA, New Zealand, and Canada, 2012/13. Australia and Japan 2013/14.<sup>5</sup>

Sources: World Health Organization, World Bank.

But perhaps the best illustration of Australia's tendency to keep pressing along a path it has cut for itself is in school education. From the start of the government school system in the 1870s, Australia's administration has been unusually centralized. The 'boards of education' which governed Australia's government schools at the very foundation of the system—themselves 'feeble parodies' of British school boards (Fairfield 1891, p. 177)—had been by 1880 abolished, and the entire conduct of schools vested in the education departments of the states under identical arrangement (Barcan 1995). In the late nineteenth century church school systems were being constructed, but through funding and regulation these were eventually assimilated, in effect, into 'the elaborate State systems which are now the central fact of Australian educational life' (Partridge 1968, p. 9).<sup>6</sup> But in the second decade of the twenty-first century the Australian presumption that a government-funded school must be remote-controlled by an education department has been challenged by the explosion in the number of 'charter schools' in the USA, 'academy schools' in England, and 'free schools' in Sweden. In Australia, however, this movement to maximize the autonomy of government funded schools has only been slightly felt, if at all.<sup>7</sup> Instead, the chosen response to failing government schools was, amid massive publicity, a scheme to substantially increase 'funding' and create new national school authorities; a scheme which promptly won a pledge of support from all major parties (Department of Education and Training 2011).<sup>8</sup> Commensurate with the *froideur* shown

<sup>5</sup> The Australian figure does not reflect the 50 per cent increase in tobacco excise rates that is taking place between 1 September 2014 and 1 September 2016.

<sup>6</sup> In 2010 government grants provided half the funding of non-Catholic non-government schools, and three quarters of Catholic non-government schools. Elaborate registration requirements also keep 'independent' schools under tight rein.

<sup>7</sup> The one parallel to charter schools in Australia is the 'Independent Public Schools' programme in Western Australia and Queensland (Jha and Buckingham 2015). A move to the same in Victoria was reversed by a change in government in 2014.

<sup>8</sup> The 319-page statement of this policy mentions charter schools once. It is sometimes suggested that in Australia non-government schools assume the function of charter schools. But for many reasons non-government schools are far from perfect substitutes for government schools.

charter schools, still more radical initiatives overseas to accommodate schools beyond the superintendence of education departments, such as the recent growth in Sweden and the UK of for-profit schools, have been utterly frozen out: for-profit schools are expressly disallowed federal funding, and in some states are illegal.

These departures from the tendency of anglophone countries are, evidently, not mere curiosities.

Neither are they the vagaries of some passing sway, or the precarious edifice of some creaking ascendancy. I would venture they enjoy the sympathy and indulgence of the Australian public. And for that reason Australia's special path has in its essentials complete bipartisan support; as one political scientist has put it, Australia's political 'competitors are offering only slightly different brews of the same ideological ingredients' (Collins 1985, p. 154).<sup>9</sup> There is a durability and resilience in the approach, which, in the eyes of critics, amounts to something stuck.

Neither are these departures miscellaneous. They appear to share a common character; a character that is approached by terms such as 'egalitarian', collectivist, *dirigiste*—three concepts that, for all their differences, are frequently found in each other's company. If we think of a spectrum running from collectivism to individualism, from 'public' action and concerns to 'private' action and concerns, from left to right, and plot societies on this spectrum, it would appear that most anglophone countries cluster together, while Australia is an outlier.

The aim of this book is to get an understanding of this situation.

## 1.2 Questioning the Question

The remit of this book's undertaking might be denied.

Sceptics of the existence of Australian exceptionalism might point to international surveys of values and institutions that purport to show that Australia floats in an unremarkable proximity with other anglophone countries.

Other sceptics might instance counter-examples to the suggestion that Australia is unusually collectivist: the entrenched National Health Service in the UK; the impregnable regulation of the sugar sector in the USA; or enduring agricultural subsidies in the European Union.

Others will use the distance between Australia and some comparators to confer an abnormality on the comparators, rather than Australia. The USA is

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<sup>9</sup> 'The fact is that the Liberal party has made the policies of the Labor party its own' (Métin [1901] 1977, p. 71). A century after this was written in 1899 the same could be said. And the sentence could be truthfully reversed.

perhaps the only developed country to not have a statutory entitlement to annual leave: let the USA be deemed 'the outlier', and be puzzled over (Archer 2007).

Others will press a lack of distance between the two poles of the relevant spectrum. After all, there must always be 'a largest', and there must always be 'a smallest'; but, it might be maintained, the absolute distance between is so slight that they hardly merit being termed 'extremes'.<sup>10</sup>

None of these attempts to discount Australian exceptionalism have much force.

The existence of Australian exceptionalism is not greatly tested by international comparisons constructed from the arbitrary selection and weightings of institutions; or by the manipulations of survey results, that can only measure circumstantial judgements and rarely general values. Neither is Australian exceptionalism controverted by other countries exemplifying values which are not being claimed especially for Australia. Thus Australia's specialness certainly does not lie in any European-style elevation of the state into some autonomous regnant force; an 'indomitable entity' (de Gaulle), the 'divine idea as it exists on Earth' (Hegel). Neither is Australia's specialness refuted by an incoherence of the policy suite of more polycentric countries, such as the USA. Nor is Australian exceptionalism extinguished by the existence of other exceptionalisms. Any spectrum will have two ends. An American exceptionalism is consistent with an Australian one. Finally, who would say the distance between the spectrum's two ends is so slight it is not worth noticing?

But to give sceptics their due, Australian exceptionalism is not capable of demonstrative proof. For all that, proof is not needed: it will be generally allowed.

Something that would more deeply undermine the point of this work would be a scepticism about the significance of Australian exceptionalism, rather than its existence.

'Isn't every country exceptional?' is a question that might be asked. Isn't every society possessed of its own particular flavour? In this objection, there exists no *spectrum* (left to right, light to dark) which can capture policy differences. Rather, differences are held to be differences in kind not quantity; in hue, not shade. The upshot of this irremediable individuality is every country constitutes a special case of some sort. We have a British way, a New Zealand way,

<sup>10</sup> A methodologically-based scepticism of claims to exceptionalism is also sometimes maintained. This requires that anything deemed exceptional must amount to an anomaly; the 'exceptional' must constitute a disconfirming case of a general model that is otherwise predictively successful. Thus the height of Australia's minimum wage, in this conception, is not 'exceptional' if a model that successfully predicts the minimum wage across countries also successfully predicts the considerable height of Australia's minimum wage. In reply it may be observed that there is no model, generally successful in prediction, that predicts the height of Australia's minimum wage; or any of the other salient features recorded at the opening of the chapter.

an American way, just as much as an Australian way. This objection—that all difference is a difference in kind—is tenable. But differences in kind crave explanation. Let all these kinds be explained, and not omit Australia's.

*'Isn't every country unexceptional? Isn't every country the same in what matters?'* This objection, too, contends that differences are a matter of kind, not degree or quantity, but additionally charges that 'nations' do not constitute kinds. Thus, this objection, instead of elevating national individuality, reduces it to the stuff of quirks, idiosyncrasies, and trivialities. Briefly, only non-national categories count. Thus Marxism will reduce the radical variety of market institutions to a single identity, 'capitalist'. A more current tendency of thought supposes that whatever is important will be captured by some category that is supranational and cultural: 'neo Europe' or 'neo Britain'. This last thought has a particular tug on Europeans and Britons unacquainted with Australia, who incline to perceive it as a wholly derivative society; a dim provincial echo of its British source. But this presumption runs afoul of the many differences in those two societies. Thus Australia's industrial relations system—the platypus of Australia's institutional menagerie—owes nothing to any British inheritance.<sup>11</sup> Australia is different.

Perhaps the most cogent mode of demoting the national is a historicism that holds the things that make up the world are 'ages' rather than 'cultures'. This 'historicism' draws an authority from the distinct tendency of all countries to swing one way or another simultaneously in their policy regimes. The worldwide movement towards deregulation in the 1980s is the stuff of history. The international spasm of protectionism of the 1930s is the stuff of lore. The Progressive era of the USA is the stuff of massive scholarship, and has very plain parallels in the New Liberalism of the United Kingdom, and the Deakinism of Australia.<sup>12</sup> Therefore, in trying to understand and explain policy, our first point of reference should not be 'nation', but 'period'. We should be, for example, contrasting the Age of Keynes versus the Age of Friedman, and not contrasting the antipodes—where people stand on their (policy) heads—with a supposed normality ruling on the other side of the earth. But the believer in Australian exceptionalism can retort that Australia has caught most of these

<sup>11</sup> With a handful of baroque or insipid exceptions, the mass of British legislation on industrial relations was neither drawn on nor imitated in Australia (see Quinlan 1998). Thus, the first footing in the rising Australian edifice of workplace regulation—the Servants and Labourers Act of 1828—rightly begins with the avowal of a fresh start, 'WHEREAS many of the Acts of the British Parliament relating to servants and laborers are not applicable to the Colony of New South Wales...'. To the same effect, one historian of Australian labour law opines, 'We are, I think, correct in stating that no anti-combination laws for the purpose of regulating industrial bargains were ever passed in this country...' (Thomas 1962, p. 27). The claim that UK 'Combination Acts' were deployed in the turmoil of the 1890s is a myth (Bolton and Gregory 1992).

<sup>12</sup> Beyond mere parallels, there were some direct links between Deakinism and Progressivism: for example, Inglis Clark's friendship with Oliver Wendell Holmes, and Henry Bournes Higgins' friendship with Felix Frankfurter (Lake 2013).



international swings, yet barely rode their roundabouts. Thus, the Progressivist outlook managed to endure successfully into interwar Australia—and to leave an enduring impress—despite it rapidly becoming a thing of the past elsewhere.

A different historicism that tames the Australian difference, but without obliterating it, would deploy the contention that the development of all societies is characterized by a sequence of stages. Australia, in this telling is a young country, its differences arise from its youth, and it will retrace the history of its older and more mature siblings (Goodrich 1968). This cues the objection to Australian exceptionalism that probably has the most resonance with contemporary commentators:

*'Australian exceptionalism is just a passing historical aberration.'* In this criticism the Australian way is just the diminuendo of the 'Australian Settlement' of the early twentieth century, so closely associated with the three-time prime minister, Alfred Deakin, 'the great phenomenon of Australian history, even Australian experience' (Roe 1984, p. 18). But that Settlement, says this criticism, was undone in the second generation after the Second World War, and from 1980 Australia quickly began to normalize (Kelly 1994). Therefore, while, once upon a time, Australia was fiercely protectionist, over the past thirty years trade barriers have been massively reduced. Once Australia's banking system consisted of a clutch of government banks (and insurers) plus a suite of regulated and collusive private ones; now government ownership in the financial sector has disappeared, and sixty-six banks compete with one another. Once wages and conditions were decided by judicial legislation; now business and unions decide these matters by bargain, with tribunals merely present (it is said) to provide a benediction. And, most pointedly, whereas once Australian immigration policy sought with some rigour to secure a White Australia, Australia is now an ethnically diverse society on account of an official immigration policy that has accommodated diversity.

To recapitulate the contention: once Australia was floating down its own little stream, but now it has rejoined the Big River.

Perhaps the most ambitious rebuttal to this attempt to dispose of exceptionalism is that the cited shifts are more a matter of form than nature. Yes, tariffs have fallen, but 'budgetary assistance' has ballooned. Yes, banks were deregulated in the 1980s, but at about the same time a massive system of regulated saving was instituted ('superannuation'). Yes, a racist White Australia is now remote history, but it might be argued the policy was, in nature, a drastic economic regulation, and that nature remains unchanged. Australia still drastically regulates immigration on economic grounds: the Department of Immigration has the air of a Soviet planning department in determining, through its Skilled Occupations List, how many antique dealers, sonographers, and welders (first class) Australia will annually admit. But perhaps it is in industrial