1 Introduction

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This book is the last in the Cambridge University Press series formally associated with the Reshaping Australian Institutions Project. The Project itself formally came to a close as an activity of the Research School of Social Sciences at the Australian National University at the end of 2001, after a decade of often intense activity. It is of course in the nature of the academic process that pieces of work originally planned under the ambit of the Project will continue to appear over the next five years or so. And, if the Project has been at all successful, it will continue to influence work done in the Australian social sciences for some considerable time. Any such influence will be reflected not only in explicit reference to work done within the Project but also in an increased attention to the specifically ‘institutional’ aspects of Australian social life.

This introduction is not the place to provide an account of the Project – even a brief one. Nor is this book to be seen as an attempt to offer some kind of ‘final word’ on Australian institutions. Nevertheless, it is interesting that this last volume in the series looks backwards rather than forwards. All of the chapters have a distinctly historical orientation. And in several cases, the narrative reach extends well beyond the life of Australia as a nation, back to the earliest days of European colonization. Moreover, it is possible to detect in several of the chapters a certain whiff of nostalgia – a sense of something of value lost.

There is certainly a consensus in this volume on the proposition that something significant has been happening in Australian institutional life over the last two decades or so – a kind of institutional repositioning, a move to a more ‘competitive’ institutional order increasingly like that of the United States and increasingly unlike the Australian egalitarianism of the past. Perhaps that shift is merely the logical working out of more abstract political institutional arrangements, as Castles’ reading of Lijphart in Chapter 2 might seem to suggest. Perhaps it is the result of changed perceptions as to the ‘best’ economic policy regime among the policy-adviser ‘elite’. Pusey argues this in his well-known account, Economic Rationalism in Canberra (1991), and as Brennan and Pincus in Chapter 3 concede in some measure. Or perhaps the decline of
Australian egalitarianism is best understood in the context of global competition for capital as Braithwaite in Chapter 4 argues. In any event, there seems to be widespread agreement that there has been a change, that the change is significant, and that it is to be identified as essentially an ‘institutional’ matter.

The historical orientation is interesting in another connection. When, in the initial phases of the Project, we settled on the term ‘reshaping institutions’, it was with the ambiguity in meaning firmly in mind. ‘Reshaping’ could refer to the normative ambition of the Project. We certainly wanted to accommodate the possibility that inquiry into Australian institutions might lead scholars to want to ‘reshape’ those institutions along particular lines. Much social analysis is motivated by a desire to improve the world we live in; and we wanted the Project to accommodate, at least in principle, the possibility of genuine policy bite. But ‘reshaping’ could also be understood as a purely descriptive term. ‘Reshaping’ is the sort of work that institutions might be seen to do. Institutions do not, on this reading, totally determine social outcomes: they merely shape them. Or reshape them, implying perhaps that in the absence of the particular institutions in place, outcomes would be different but not necessarily ‘shapeless’.

One aspect of this ‘shaping/reshaping’ image is the idea of layers of institutional structure, the layers differing in terms both of abstraction/generality on the one hand, and temporal proximity on the other. Institutions are like pieces of social capital. They last. Even when one doesn’t much like them, they can be hard to change and slow to respond. Ships and icebergs come to mind.

Such considerations encourage a long-term view of institutions. And perhaps a corresponding modesty about just how much reshaping of institutions can be done at any point, or about how long it might take for the full consequences of any current reshaping exercise to have full effect. In short, it seems appropriate as a critical part of the RAI Project to look back on the Australian experience and examine ways in which institutions have changed and evolved and what the consequences of those changes have been. In large measure, that is what the current volume seeks to do, choosing a range of institutional arrangements for detailed examination that seem to us either typical or especially significant or both. There is no attempt to be exhaustive. None of the chapters attempts to take a bird’s-eye view of all the important institutions in Australia that have operated over the last two centuries. And it seems doubtful whether any such ambition would be achievable in the space available here. The topics chosen reflect the interests of the authors.
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Defining Institutions

The foregoing preliminary remarks presuppose some general understanding of what an ‘institution’ is. In fact, the term itself is a matter of some contention. Different disciplines in the social sciences have in mind slightly different phenomena, and lay emphasis on different mechanisms by which institutional effects might be wrought. So, although the rise in interest in institutional analysis has been a more or less common feature of the major social science disciplines over the last two decades, the precise objects of inquiry remain rather different. And confusingly so, because the same terms are used across disciplines with rather different meanings and connotations.

This has been an issue that the RAI Project has wrestled with from the outset. It has been particularly significant because one of the primary objects of the whole enterprise has been to stimulate interaction across disciplinary boundaries. But the use of the same terms to mean different things in different disciplines was hardly an advantage in cross-disciplinary communication. Several responses to this problem were possible. For the Project co-ordinators to have stipulated a particular understanding of terms from the outset was seen to run the risk of ruling certain disciplines out. The alternative was to gesture at what the co-ordinators took to be a fairly inclusive understanding, and to urge authors to clarify their uses of terminology on an individual basis. For the purposes of the current volume, we as editors have decided to attempt a broad stipulation of terminology — though with an eye to maximum generality.

In an earlier Cambridge University Press volume associated with the RAI Project, The Theory of Institutional Design (1996), Bob Goodin provided an excellent extended survey of this issue. From a description of developments in ‘institutional’ analysis across the main disciplinary groups (History, Sociology, Economics, Political Science, and Political Philosophy), he distils seven propositions which he suggests include the main themes of a ‘new institutionalism’ across the social sciences:

1. Individual agents and groups pursue their respective projects in a context that is collectively constrained; …
2. Those constraints (include) … institutions – organised patterns of socially constructed norms and roles and socially prescribed behaviors expected of occupants of those roles, which are created and recreated over time;
3. Constraining though they are, those constraints nonetheless are in various other respects advantageous to individuals and groups in the pursuit of their own more particular projects; …
4. (partly because) the same contextual factors that constrain individual and group actions also shape the desires, preferences and motives of those agents;
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5. These constraints characteristically have historical roots, as artefactual residuals of past actions and choices;
6. The constraints embody, preserve and impart differential power resources with respect to different individuals and groups;
   (Though ultimately)
7. Individual and group action, contextually constrained and socially shaped though it may be, is the engine that drives social life (Goodin, 1996: 19–20).

As Goodin points out, different disciplines place different emphases on these various propositions. Some disciplines dispute some of them entirely. And the mechanisms whereby institutional constraints are presumed to exercise their influence on action also differ according to discipline. Economists, for example, with their conception of institutions as rules of the game, tend to focus on how changing such ‘rules’ alters the incentives for agents to act in different ways. Incentives here are understood as rewards and punishments, often understood in a rather narrow ‘economic’ sense. Economists are also inclined to emphasize individual agents as the core elements of social analysis: they are often sceptical about group agency. Historians often have a similar instinct. And even where they do not do their history through the prism of individual lives, they are often inclined to psychologize social processes in the pursuit of narrative interest. Sociologists and political scientists are more disposed to think in terms of group than of individual agent action and to think of structures and historical forces constraining individual freedom of action. Rather than offering accounts of institutional change in terms of changes in (often implicit) relative prices, as economists do, sociologists and political scientists are more inclined to think of institutions operating through desires, preferences and motives. These differences constitute a major divide within the social sciences.

A simple example may help to make this clearer. Consider a phenomenon that most social scientists would consider an ‘institution’ – democracy. The economist tends to focus on the incentives that individuals have to engage in political activity, and the way in which democratic procedures (competitive elections most notably) influence the behaviour of the main participants. So economists are struck by the fact that in large-scale electoral settings individuals seem to have a very small incentive to vote, because the chance that any individual might make a difference to the electoral outcome is very small. And they note that the desire on the part of candidates to be elected tends to give those candidates an incentive to attend to what the voters want. On this basis, economists seek to discover the circumstances under which that incentive is most effective.

By contrast, political scientists and sociologists are frequently more concerned with the values that the democratic process makes salient. One
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such value is the extent of explicit political representation for particular groups. And this democratic value can operate largely independently of the policy outcomes which different institutional configurations seem likely to generate. The historian qua historian is perhaps more likely to look for salient individuals in terms of whose life and action a compelling story about political conflicts and the operation of democracy can be told. The salient individuals in question might well be ordinary voters—citizens – drawn from the ‘common people’ – rather than prime ministers, admirals and generals. But if so, there will be an eye to a representative quality in the stories of those individuals and/or the events that are supposed to be illuminated.

These differences notwithstanding, Goodin is in our view entirely right to identify a considerable measure of overlap between the different disciplinary approaches. Even where there is a major difference of emphasis or downright disagreement, it is a major intellectual accomplishment to be clear as to where the differences lie, and as to what would constitute the kind of further argument (or evidence) that each of the disputants would regard as relevant. Every proper disagreement depends on prior agreement about something: otherwise, there is not a disagreement – merely a talking at cross-purposes. In that sense, the RAI Project, like other interdisciplinary exercises, has aimed precisely to secure a measure of clear ‘disagreement’ among disciplines.

And several specific points of agreement in the various approaches to institutional analysis are worth noting. First, institutional analysis occupies a middle ground between ‘structure’ and ‘agency’ and denies any false antithesis between the two. Whatever the precise nature of the agents chosen, their actions are neither totally determined (in general) nor totally contingent. Even if anything could happen, some things are much more likely to happen than others. And what is most likely to happen is framed by the ‘institutional structure’ within which it occurs. Second, though institutions can be influenced by explicit acts of collective choice, they are rather resilient things that have some life of their own. Institutions depend on existing practices, norms and habits (of behaviour, beliefs and ways of thinking about the world) that tend to be resistant to change. Third, an ‘institution’ is to be distinguished from an ‘organization’ – contrary to much common usage. If, in the spirit of Talcott Parsons, an institution is to be viewed as some amalgam of norms, practices, structures and organizations, an organization like a university or a large corporation can only be understood ‘institutionally’ when all the norms and habits and structures governing the actual relationships of players within the organization are filled in. Finally, there is agreement that the rules and norms that count are the ones that actually apply – not the ones that may be formally specified. What is formally specified may,
to be sure, influence what actually applies – either because formal rules are backed by formal sanctions and rewards that have real effect, or because formal rules frame perceptions of what is to be done or what others are likely to do. But it is a mistake to think that institutions can just be legislated. Sometimes, often perhaps, there is more going on than the formal descriptions tell us.

**Normative Orientation**

There is a separate issue that cuts somewhat across the disciplinary divide – though there are disciplinary orientations in play here as well. Social analysis is, as we have noted, often the servant of normative ambitions. We seek to understand how institutions work in order to make them work ‘better’. Clearly, any such ambitions are dependent on a particular conception of betterness. And even where the normative ambition lies in the background, or where the scholar attempts to do strictly ‘positive analysis’, the analysis is necessarily focused on isolating particular effects or aspects that derive their ‘interest’ from an underlying normative scheme.

In the ensuing chapters, for example, although much of the concern is simply to describe the history of Australian institutions and related effects on policy, the values of the authors necessarily come into play. There is, just to take an obvious example, a shared judgement that Australian institutions have worked badly in the case of Aborigines, and that this is an area where institutional innovation is called for. John Dryzek’s concern in Chapter 5 for effective democratic representation of the environment as an end in itself is doubtless more controversial.

At a more subtle level, the criteria of evaluation of the workings of institutions carry important normative implications. For example, it has become increasingly common over the last twenty years to evaluate institutions in terms of their capacity to generate economic growth – as measured in terms of GDP or GDP per capita. Economists will often do this unthinkingly as if that were the only relevant value or perhaps the only one that institutions can do anything about. But even in narrow economic terms, there are other possible ‘games in town’. Some economists would want much more emphasis placed on the distribution of economic benefits. Non-economists might be sceptical as to whether GDP is a reasonable measure of well-being, and might want to consult a wider range of social indicators. Or indeed the criteria of evaluation may be such as not to admit fine calibration at all. Economists, sociologists and political scientists will tend to have differing views on these evaluative questions and differing inclinations as to how to approach them analytically.
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It is worth emphasizing in this connection that the kinds of criteria appropriate for evaluating institutions at the most abstract level need not be the same as those that are operative under the institution in question. Institutional arrangements operate in part by articulating and promoting certain norms of behaviour. Such norms often develop an ethical edge. Violating them will bring upon the violator the disesteem of others, and possibly guilt depending on whether the violator has internalized the norm herself or not. But such institutionally specific norms are often not useful in evaluating the institutions themselves. It seems excessively self-referential to evaluate the norms of the medical profession solely by reference to those norms themselves. We would need something broader and more abstract to do the relevant evaluative work.

The norms that govern the work of academics and the structures of universities and professional bodies and disciplines can all be distinguished from broader questions about the criteria by which an increase in university enrolments or an expansion of the academic research system might be judged. Yet these latter more encompassing evaluative norms may themselves be institutionally ‘shaped’ – and certainly receive expression through institutions of one kind and another. For example, the evaluative context for certain types of medical experimentation is likely to be much influenced by the strength and organizational vitality of the Catholic Church and whether the Church is represented in relevant decision-making forums. In other words, the balance between rival normative considerations that is actually struck is significantly influenced by the institutions that operate at the most general level.

Different disciplines have their own evaluative traditions as well as their own conceptions of institutions. Economists tend to be broadly utilitarian, which gives their normative analysis an abstract, non-substantive quality. Political scientists are more likely to adopt a richer substantive evaluative scheme, often using what economists would regard as ‘institutions’ as immediate evaluative criteria for the values required. So, for example, political scientists and political theorists will often refer to ‘democratic values’ (such as ‘inclusion’ and ‘participation’ and ‘critical energy’, which are all in play in John Dryzek’s Chapter 5). ‘Inclusion’ also plays a major normative role in the essays by Marian Sawer, Geoff Stokes and Martin Krygier (Chapters 6–8). And it seems absolutely clear that any evaluative scheme will have to decide on who is to be included. Even economistic evaluation will have to decide whose interests are to count. But economists are likely to take a more critical view of, say, ‘political participation’, regarding it less as an end in itself and more in terms of its benefits and costs across the board (and however exactly measured).
What the Chapters Say

The chapters in the volume fall into three broad categories. First there are those that deal with the interplay between institutions and the external environment to produce particular policies or policy regimes. In this category lie the papers by Castles, Brennan and Pincus, and Braithwaite (Chapters 2–4). Castles aims to give an account of the broad policy consequences of Australia’s institutional array. Brennan and Pincus attempt to explain the choice among policy regimes in the light of those perceived consequences. And Braithwaite looks at the same range of questions from the point of view of globalization, focusing specifically on the way in which Australia has responded to external forces over its 200-year history.

The second group of chapters deal in various ways with the theme of effective inclusion. Dryzek (Chapter 5) does so quite explicitly as a general test of Australia’s democracy as ‘a work-in-progress’ (as he puts it). The chapter by Krygier (Chapter 8) can also be read through this ‘inclusion’ lens. His conceptual frame involves appeal to the distinction between ‘objects’ and ‘subjects’ of the law. He might no less have remarked of the ‘rule of law’ that it is a work-in-progress, to be seen not as an either/or state that nations have or have not yet achieved but as a multi-dimensioned institutional presence that nations exhibit to a greater or lesser degrees. The chapters by Sawer and Stokes (Chapters 6, 7) represent more detailed examinations of aspects of this ‘inclusionary’ project – Sawer dealing with the case of women, and Stokes with the case of Aborigines.

Chapter 9 by Uhr sits outside these two groups. His approach focuses on the role of rhetoric in defining and articulating ‘leadership’ in the Australian context. By directing attention to three cases of Australian prime ministers, his approach is at once more individuated and more historically specific than that of the other authors. It is more ‘textually bound’. And at first sight less ‘institutional’. But Uhr makes a good case for the claim that rhetoric is both a distinctive element of democratic regimes, where public accountability is central, and also a specifically rule-bound enterprise where the particular institutions of parliamentary debate and public address shape the kind of rhetoric that is acceptable. These facts make rhetoric itself a kind of institution and one that, in Uhr’s view, plays a critical role in the Australian system.

In what follows, we offer a brief summary of each of the papers in the order in which they appear. We conclude our introduction by noting a few themes common to the majority of essays.

Castles on Why Institutions Matter

Frank Castles’ chapter opens the volume by going to a central question: do institutions have consequences? And if so what are they? Of course,
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institutional arrangements might be valued for their own sake. Direct democracy might be valued because citizens feel it gives them a more direct say in policy decisions; minimum wage laws might be valued because they express a concern for lower-wage workers. And these values might be essentially independent of the consequences of the arrangements. So the demonstration that minimum wage laws hurt lower-wage workers by making them unemployed, or that direct democracy actually reduces the effect of popular opinion on policy outcomes (both propositions that have received some support in relevant literatures) might on this account not be decisive – and may even be irrelevant. However, that seems unlikely. Consequences matter, even if they are not all that matters. And for the most part, institutions are valued because of the consequences they produce.

So what consequences do Australian political institutions have? Castles answers this question both in the macro-sense, looking at the broad features which Australia’s political order shares with other Western democracies, and in the micro-sense, looking at the features which tend to distinguish Australia’s political institutions. For both purposes, he relies on comparative analysis of a broad empirical kind. He illustrates his theme partly by presenting and interpreting the findings of a number of studies undertaken by others and partly by discussing the findings of his own research on the institutional development of the Australian welfare state.

The first study Castles looks at is the recent work of Adam Przeworski et al. on the relationship between democracy and development. This involves a statistical analysis of 141 countries, or 4730 ‘regime years’ – with about one-third of these ‘democratic’ and the remainder ‘authoritarian’. The object is to use sophisticated multiple regression techniques to uncover the relationship between democracy and per capita income – allowing for as many other factors as is possible. Although the focus of the study is the appropriate aid policies towards developing countries, there are other messages to be gleaned. The basic conclusion is that higher income per capita makes democracies more stable. So if one has reason to want democratic institutions, better to be rich! But another important conclusion is that democracy is conducive to higher per capita income, largely because the development path in democracies tends to be associated with lower rates of population growth. Authoritarian regimes can increase aggregate GDP by having higher levels of population: democratic regimes are constrained to achieve higher GDP by mechanisms that give a substantial share of the benefits to worker-citizens. In short, democracy is associated with higher GDP per head. That is good news for democrats. One can have democracy and higher wealth as well.

The second, more fine-grained, analysis derives from the work of Arend Lijphart. Lijphart attempts a broad classification of democratic
institutional orders according to whether they are ‘consensual’ or ‘majoritarian’. This distinction is essentially a two-dimensional one, involving a ‘parties–executive’ dimension and a ‘federal–unitary’ dimension, with Australia occupying the majoritarian or executive pole in the former dimension and the federal pole in the latter. This classification is the basis of an empirically derived pattern of policy outcomes. Across the sample of countries that Lijphart uses, he finds that, contrary to popular opinion, majoritarian governments are not better macro-managers than consensual ones, but that consensual governments do tend to have ‘kinder, gentler’ policies. ‘Kindness’ here expresses itself in a more generous welfare state, larger international aid and more extensive environmental protection. The implication is that institutions are causally connected to the policy regimes associated with them, and Lijphart (and Castles) conjecture what those causal factors might be. Within the Lijphart classification, it is easy enough to locate Australia: we are a hybrid case with strong majoritarianism on the parties–executive dimension but at the federal end of the unitary–federal dimension. Castles discusses the policy implications of this location: if we are true to type we ought to expect poor performance on the environmental front and low welfare spending. Both features are borne out by the facts. And on Castles’ own analysis, federalism tends to magnify the welfare spending effect.

On the other hand, Castles’ own work on the development of the Australian welfare state has always contended that Australia is a peculiar case in the sense that it has sought to achieve its welfare objectives not through public spending but through wage regulation. An implication is that shares of GDP spent on welfare are not reliable measures of the extent to which a government has pursued welfare goals. The point generalizes. Comparative work that relies on expenditure data may be misleading if countries vary significantly in the extent to which they rely on ‘expenditure using’ rather than ‘expenditure saving’ policy tools. Similar policy outcomes can be achieved via direct provision or subsidization of private provision or by regulation that compels private actors to act in specific ways. For example, a public social security system, or superannuation subsidies or compulsory savings schemes can have quite similar effects. But the public expenditure measures show them as very different. The Australian case of wage regulation as a redistributive device is one example. Our use of regulation to compel firms to insure their workers against industrial accidents with private insurance firms (as distinct from public social insurance schemes) is another such example. Australia’s use of these public-revenue-saving policy instruments makes, in Castles’ view, for a certain ‘Australian exceptionalism’. Simply put, we have had a bigger welfare state than the public expenditure figures imply.