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978-0-521-46779-7 - Beyond the Two Party System: Political Representation, Economic Competitiveness and Australian Politics
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Introduction

The purpose of this study is to sketch a possible future for politics beyond the familiar two party system, a future that meets the new requirements for competitiveness and raises political participation to a new level – one that offers to preserve traditional aspirations for distributional equity, fairness and tolerance whilst at the same time responding to the new diversity of contemporary society.

This future is contrasted with its principal alternative – one promoted by the 'new right' or neo-liberal movement, also known (in its least doctrinaire form) as 'economic rationalism'. Economic rationalism proposes to abrogate the liberal–egalitarian project conceived in the first decade of this century, a project which was considerably extended in the welfare state-managed economy of the post-war period. Neo-liberals propose to repudiate the enrichment of citizenship which this political order promised and has, to a considerable degree, accomplished. They hold that government does too much and that the present levels of political interdependence between interest groups and government are unsustainable. The political program that follows from this includes the replacement of political relations by market relations (the so-called 'level playing field'), contraction of the scope of government and, perhaps most importantly, the treatment of interest groups and issue movements as irredeemably selfish, self-serving and hostile to the public interest.

By contrast with this agenda, the arguments developed in this study assign government a key role in building a collaborative and competitive society. Government would have a role in formulating a vision of Australia's medium-term future, in identifying competitive opportunities in conjunction with private interests and in orchestrating action to facilitate their pursuit. Interest groups and issue movements are here treated as potential partners and collaborators with government. The political

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implications of this analysis involve the agenda of governments and the structure of policy making. The agenda of government needs to be reworked to broaden its explicit strategic role. This should include positive measures to encourage dynamic competitiveness as well as allocative efficiency. The structures and norms of policy making need to be recast to permit relations with interest groups to be managed in a manner consistent with actual public interests. Indeed, in the perspective of this study, the activities of interest groups and issue movements, far from being the root cause of our failures of adaptation, represent the achievement and evolution of the liberal–egalitarian state. These political formations recognise differences among citizens that are embedded in the egalitarian promise. The political challenge is to craft a policy-making system which is capable of integrating a newly differentiated society in a manner consistent with the requirements of competitiveness.

Neo-classical economics has had a useful and positive contribution to make in defining the tasks of government in modern society. But in its hands, the challenge of competitiveness has been misinterpreted. A set of theories that shine a light on particular forms of inefficiency, and that offer a partial explanation about the workings of our complex society, has been conflated into a complete philosophy of government. Technical argument masks a backward looking and regressive political program. In the neo-liberal vision citizens are guided solely by avaricious, or at best possessive, motives. These motives are assumed to be so rarely transcended that they are treated as pervasive. This impoverished image of behaviour presumes an atomised individualism and an eviscerated self. Neo-liberal doctrine carries through this profound distrust of the ability of government to contribute constructively to the welfare, attitudes and behaviour of citizens. It discounts the necessity, reality and power of the positive ideal of community.

This study offers an alternative. It offers an amplified and richer picture of the kind of people we are and might aspire to be. This picture is designed to be consonant both with our changing aspirations (evident partly in electoral disaffection from the major parties but mostly in the pervasive issue movements and interest groups), and with the new requirements of global competition. This study begins with the vision of citizenship that gave form and structure to the contemporary political system and concludes with a fresh vision of citizenship that is germinating in the outlook of Australians, one that might flower into a reconfigured pattern of politics.

Five concepts provide the building blocks for the analysis that follows. These are a regime or formal structure of politics, the 'idea' of the polity, the pattern of representation, 'political learning', and competitiveness. These concepts are briefly introduced in the following paragraphs.

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First, a regime or structure of politics refers to the formal pattern of politics. This covers the formation of governments, the division of policy making tasks, the norms that govern policy making, the institutions that mediate this process, the key participants in its various phases and the structure and sequencing of decision making. In 1909, the present two party regime displaced an earlier liberal–individualist order. In the earlier order, so-called parties were a parliamentary grouping with barely any role in electoral politics. Parliament functioned as a genuine deliberative assembly with the detail of legislation, expenditure and revenue regularly changed by votes on the floor of parliament. Governments were made and unmade by the votes of individual MPs as well as by electoral votes. The two party system reversed all these features of the liberal–individualist order. The fundamental norms of confidence, ministerial responsibility and collective cabinet responsibility were reworked. The effect of these changes was to create a new order of politics in which political parties became the exclusive agents of representation. This ultimately permitted executive power to be wholly concentrated in the hands of cabinet. In turn, this provided the concentration of formal authority necessary for realisation of the liberal–egalitarian project. The question to be considered later is the 'fit' between the present formal structure and the tasks that now confront policy makers.

Second, underlying any particular regime is an idea of the polity. Analysts of partisan politics mostly focus on partisan differences. For many purposes this is a necessary and correct emphasis. However disagreement arises within a framework of agreement that can embrace both procedural and substantive matters. The idea of the polity lies in this, usually tacit, nexus. This can cover both the processes by which political authority is acquired and at least some of the purposes for which power is to be used. We shall see that the two party regime was based on considerable common ground between the parties about the purposes of government. This embraced an inward-looking society, protection as the basis for industrial development, needs based wages, fiscal equalisation, and a role for the federal government in welfare and in national development. These purposes constitute what is described here as the liberal–egalitarian idea of Australia. Whether a new idea of Australia is emerging in present processes of change and adaptation is a question considered in later chapters.

Third, the pattern of representation refers to the political actors who are recognised as legitimate representatives of citizen interests and aspirations, both as custodians of the strategic agenda and as stakeholders in current programs. Political parties, interest groups, issue movements, people with special expertise and wisdom, and individual citizens are all potential actors in various phases of the political and policy making

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system. In different historical periods, differing patterns of representative bodies appear and differing patterns of access and transparency prevail. For example, the present system – the familiar two party system – is dominated by political parties. The preceding period, before 1909, was characterised primarily by local, ad hoc citizen groups and by issue movements. Ultimately, so the following chapters argue, the structure of a regime ought, in a special sense, to be 'determined' by the pattern of representation. Whether the pattern of representation that has emerged over past decades requires regime change is a pivotal issue in this study.

Fourth, political learning refers to the way the formal structure of policy making shapes the attitudes, expectations and behaviour of citizens and policy makers. Neo-classical economics takes expectations and attitudes as given. It does not explore the links between institutional arrangements, the formation of attitudes and expectations and the ability of policy makers to manage interest groups. That nexus is the core of this study. Its central argument is that political learning generally, and the capacity to 'manage' interest groups in particular, are both functions of regime structure. The media – whether national, local, or constituency – provide important conduits for political learning, but other actors such as governments, oppositions, interest groups, issue movements, political parties and governing institutions are mostly the initiators. The present system focuses most attention on the leadership elite of the major parties. This elite generally shapes public awareness of both strategic and current issues and dominates the national media through such rituals as question time, ministerial and opposition announcements and responses to exigencies to the point where the demands of partisan conflict are now often in conflict with the requirements of policy making.

If we look at a different political system, for example the United States, we see a very different pattern. The number of actors recognised as significant protagonists in policy making is much greater. A wider array of public institutions plays a substantial role in this process, for example congressional committees, the Senate, House of Representatives and the Supreme Court. There is considerable scope for bipartisanship (and for fragmentation) in policy making. Yet another pattern characterises another federal state, Germany, where functional representation is embedded in the structure of politics and the governance of firms. Similarly, if we look to the order of politics that existed in Australia before 1909, we find the votes of individual parliamentarians counted more since they were less constrained by party discipline. Parliamentary committees played a substantial role in processing strategic issues. Independent MPs and committees with a real role converted parliament into a genuine deliberative assembly. By contrast, parliament in the two party period has become a ritual forum.

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Different structures of policy making would impact on the political learning of the community in varying ways. The understanding of strategic issues and of current policy options and needs in the wider society and among its component interest groups is variously stimulated through alternative patterns of interest group and citizen engagement in the successive phases of policy making. A range of institutions (cabinet subcommittees, select committees, royal commissions, public inquiries, bureaucratic task forces) might mediate these successive phases with greater or lesser levels of transparency and access which, in turn, might produce varying effects on political learning and the alignment of interests. Similarly, different approaches to policy making can affect the 'learning' of ministers and of the public service about policy options, interest group attitudes, and the requirements for interest group management. These linkages and effects will be explored in much greater detail in later chapters. We will see, in the fragmented political environment that now prevails, primary place is given to the potential of ad hoc coalition-building as a strategy for policy making. Its implementation will be seen to require augmented political infrastructure, a different sequencing of the phases of policy making, and a different division of policy making tasks between the legislature, public service and executive. Parliament now plays a largely ritual role in policy making. The proposals developed later envisage a renewal of its deliberative capacity.

Finally, the idea of economic competitiveness includes as a pivotal element a positive role for government in responding to the new international economic environment. Alternative theories of competitiveness interpret the role of government differently. All agree many existing programs and policies are now dysfunctional and need to be abolished or reworked. What remains in dispute is the extent and scope of government's on-going leadership role. The concept of government, to be developed in later chapters, gives it a primary role as the steward of a vision of the economic future and as 'portfolio manager' of key national industries. The central task for government is to lead in the identification and selection of sectors of economic opportunity in collaboration with private interests. It should then be able to monitor their pursuit by private interests to ensure that performance targets are realised or modified to take account of exigencies and circumstances. Government needs to use its control of market access and its ability to purchase goods in large quantities and to negotiate offsets to encourage domestic industry and exports. Appropriate research and development and its diffusion needs to be stimulated. The exchange rate and levels of saving and capital formation can also be influenced. In these latter two areas government needs to ensure that outcomes are consistent with the competitiveness of tradable sectors.

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In this interpretation of competitiveness, the economy should be managed in the interests of citizens as producers as well as consumers. Thus the longer term outlook for employment and the likely pattern and skill-level of jobs are included among government responsibilities. Where necessary, the political system needs to carry the 'transaction costs' in attaining collaboration between social interests. For example, aggregate wage norms should be sought that are consistent both with enterprise level productivity arrangements and with minimal inflation. We shall see later the key role of policy making institutions in bringing about such outcomes. In general, the concept of dynamic competitiveness points to a much more finely grained role for government, with policy frameworks being devised that are contingent on the opportunities and exigencies in particular domains.

Together these five concepts – a regime, the idea of the polity, political learning, competitiveness and the pattern of representation – constitute both analytical constructions and the building blocks of the polity. Their interrelationship is suggested in figure (i). The independent variables, the pattern of representation and competitiveness, frame the tasks of government. The idea of the polity, the regime and political learning are, in a sense, a single phenomenon in three different modes: first, ideal; second, institutional, procedural and programmatic; third, dynamic.

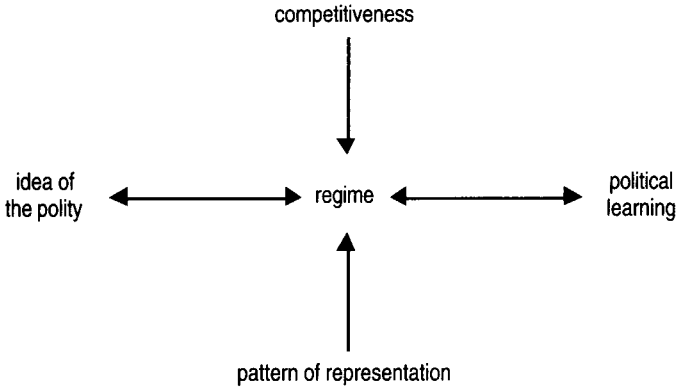

Figure (i) Interrelationship of central concepts

The questions this study addresses are: first, do the changes that are now occurring in the pattern of representation and the requirements for competitiveness point to the need for, and likelihood of, change in the regime; and second, is the sum of these processes, when fully realised, likely to constitute a new order of politics and a new idea of Australia?

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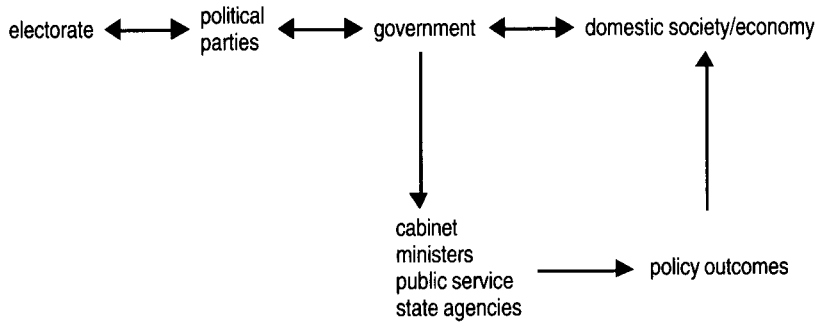

Figure (ii) Genesis, accumulation and concentration of power in a two party regime

These issues can be further illustrated diagramatically. Figure (ii) charts the genesis, accumulation and concentration of power in the two party regime considered as an 'ideal type'. Several points are noteworthy. First, government is focused primarily on domestic society. Second, formal representation takes place exclusively through political parties since they nominate candidates for election and control access to policy making. Third, policy making is conceived primarily as a 'technical' process with the results feeding directly into domestic society. Such political authority as is necessary to underwrite executive decisions is presumed to be gathered through elections. In this world, parliament becomes a ritual arena – in Bernard Crick's perceptive description, the setting for a continuing election campaign. Political participation for most people is formally limited to a vote at election time.

Figure (iii) represents the policy making system as it has evolved. The challenge to governance is clear immediately. One challenge comes from the international economy. Government can no longer give central place to domestic issues. It must respond to the international economy and determine how best to maximise wealth creation. Second, the range of political associations has considerably extended. Interest groups and issue movements join political parties in representing citizen aspirations. Government programs are often negotiated with, and implemented through, other agents creating what, in political science jargon, are termed 'policy communities'. Policy politics can be a distinct category of political action separate from, and supplemental to, electoral politics. In this world, policy making ceases to be primarily technical in character – it acquires both technical and political dimensions.

The question is: how are we to respond to this new and more complex world? As already mentioned, the 'new right' offers one answer. It argues

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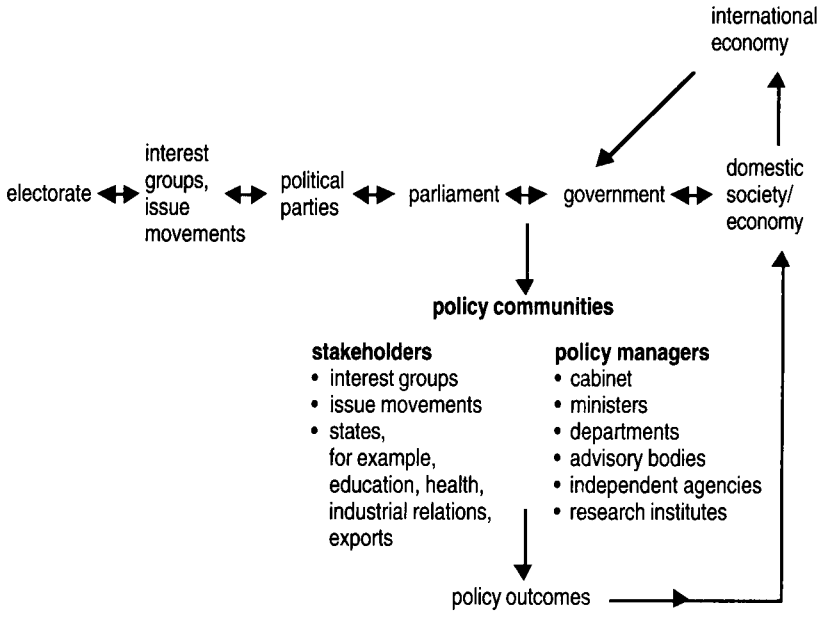

Figure (iii) The contemporary policy making system

for contraction of government, deliberate simplification of the policy agenda and trusts the bracing and invigorating effects of competition to produce the best possible outcome which, if it is ultimately at lower levels of national income, represents our real comparative advantage, and, if national income is less evenly distributed, represents the best result attainable.

The alternative answer developed in this study draws on and synthesises several streams of analysis. The notion of competitiveness that is proposed here draws from what might be termed dissident economists, business strategists and comparative studies (mainly of Japan and the East Asian 'Tigers' – Korea, Singapore, Taiwan and Hong Kong), to define a new, positive role for government in a world in which the long-term interests of citizens as producers (particularly as skilled workers) takes equal place with their interests as consumers. A key element in the role of government in this paradigm is its persuasive capacity – what Chalmers Johnson describes as 'government as a learning system', or Robert Reich as a society capable of 'civic discovery', or Paul Hirst as a 'collaborative culture', or David Marquand as 'politics as mutual education'.

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A virtuous circle is potentially set up between the leadership role of government explicit in the conception of competitiveness developed in later chapters and the demands for participation that characterise contemporary society, exemplified in the proliferation of interest groups and issue movements. New policy making structures, norms and processes are proposed to create this virtuous circle. Providing the politics of policy making are adequately managed and providing the institutional infrastructure is adequate to the task, this study holds out the prospect of strengthening government–interest group–community relationships to realise higher levels of integration, collaboration and flexibility. Conflict will not disappear and there will continue to be winners and losers. Political relations, based ultimately on brute power no less than a concept of justice, would otherwise not be necessary. But the promise of the proposals developed and synthesised in later chapters is to reconstitute the elements of the contemporary Australian state in ways that are consonant both with competitiveness and with the differentiated aspirations evident in contemporary society.

In this context, the flexibility that Australia's founders permitted in the construction of executive authority might be noted. Australia modelled many of its federal institutions on those of the United States. We know that James Bryce exercised a profound influence on our founding fathers. Publication of his book, *The American Commonwealth*, virtually coincided with the federation conventions. Unlike the American Constitution however, the Australian Constitution is silent about the construction of executive authority. Thus such key norms as confidence, ministerial responsibility and collective cabinet responsibility are open to redefinition according to parliamentary and electoral exigencies. This makes it possible to change the pattern and structure of executive authority. There is no requirement or need for constitutional change or amendment, save perhaps at a later point if Australians choose republican status.

Finally, one further contrast between the project that follows and that of the 'new right' might be explicitly drawn. This concerns method. Neoclassical economics aspires to the certainty that resides in a deductive system. This methodology has produced spectacular results for the natural sciences. Whether it is appropriate to humanistic disciplines is problematic. We will see later this approach may ultimately itself obscure and conceal the possibilities that are the subject of this study. In general, attitudes, no less than property rights, have their genesis in politics and require political anchorage. Any structure of politics produces those settled aspirations, attitudes and behaviours that bring calculations of expectations within the realms of feasibility, albeit precariously. Edmund Burke's case against deductive approaches in politics has lost none of its force or relevance:

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> statesman differs from a professor in a university; the latter has only the general view of society; the former, the statesman, has a number of circumstances to combine with these general ideas, and to take into consideration. Circumstances are infinitely combined, are variable and transient; he who does not take them into account is not erroneous but stark mad – *dat operan ut cum ratione insaniat* – he is metaphysically mad.[1]

By contrast to neo-classical economics, all the arguments and theories that underwrite proposals developed in later chapters are inductive: they proceed from observation of the world as it is and from the analysis of specific practices, approaches or developments in particular countries.

Even if one is sanguine about deductive methodologies, the problematic relationship between theory and practice remains. In a perceptive essay on this theme, James Q. Wilson suggests the contribution of intellectuals to public policy lies in the provision of:

> the conceptual language, the ruling paradigms, the empirical examples (note I say **examples**, not evidence) that become the accepted assumptions of those in charge of making policy. Intellectuals frame, and to a large degree conduct, the debates about whether this language and these paradigms are correct. The most influential intellectuals are those who manage to link a concept or a theory to the practical needs and ideological predispositions of political activists and government officials. The most important source of intellectual influence on public policy arises out of the definitions of what constitutes a problem and what standards ought to be used in judging its problematic character.

He concludes:

> In short what intellectuals chiefly bring to policy debates, and what accounts for their influence, is not knowledge but theory. Theorising is not the same as empty talk. Good theory calls attention to obvious truths that were previously overlooked, finds crucial flaws in existing theories, and reinterprets solid evidence in a new light. And some theories, if adopted, will make us all better off. The problem is to know which ones.[2]

At the very least, the following study argues that several theories, now neglected or derided, deserve to be more influential as we decide the policies that will shape Australia's political and economic future.

This study is structured in five parts and twelve chapters. The first part and chapter review the formation, structure and impact of the two party regime. This chapter examines the birth of that regime in the 1901–9 period to light up its substantive and procedural foundations and its genesis in a new pattern of organised mass representation, the Labor Party. The dependence of the formal structure of policy making on strong mass parties is explored. The specific impacts of this regime on political

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