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The Significance of Business Interest Associations in Economic Policy Reform: The Case of Australian Taxation Policy[1]

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ABSTRACT *Taxation reform has dominated Australian politics over the past twenty-five years. Despite this prominence on the political agenda, until recently Australian governments have lacked the capacity to consolidate key elements of this tax reform agenda. While the problematic nature of Australian tax reform can be explained in part by macro-level variables, this protracted policy deadlock has also influenced historical patterns of business–government intermediation. The article argues that the evolution of the Australian tax policy network over the study period was prompted by both associational and state actors reassessing their strategies in the context of the political failure of tax reform proposals. These developments provide empirical insights into the ongoing debate relating to the factors which lead to the formation and evolution of sectoral level policy networks. The article concludes that while the increasing levels of business mobilization experienced over the study period enhanced the electoral viability of reform proposals, these new patterns of sectoral business politics should be regarded as a consequence of the policy deadlock relating to tax reform rather than primary cause of policy change.*

1. Introduction

Taxation reform has dominated Australian politics since the early 1970s. The most contentious element of the overall reform agenda has been the introduction of a broad-based consumption tax (BBCT) to replace Australia's antiquated wholesale sales tax (WST) proposed to reduce Australia's reliance on personal income taxation.[2] Despite numerous attempts spanning two decades, it was not until 2000 that reforms of this type were successfully implemented by an Australian government.[3] The role of the corporate sector whose interests were clearly involved in this extended process was the opposite of what we might initially have expected. The tax reform process caused—and was not caused by—the growing organization of business interest associations (BIAs) and enhanced associational cooperation with the state.

This article has three broad objectives that relate to these developments in Australian business politics. At the empirical level the study seeks to provide an

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overview of the changing nature of Australian BIA activity in relation to domestic tax reform. A second objective is to assess the implications of the Australian experience for the ongoing theoretical debate over the causes of policy network change. Finally, the article will evaluate the significance of increased business mobilization in terms of explaining the contours of Australian tax reform.[4] On this last question it is argued that while business mobilization was an important resource in terms of enhancing the political viability of tax changes, ultimately these new patterns of business politics were not so much a cause of these reforms, as a strategic response on the part of associational and state actors to a persistent, although slowly changing, policy problem. To this extent the study supports the hypothesis presented by Atkinson and Coleman that the institutional structure of the state is a key variable in terms of shaping meso-level policy networks.[5] The study also furthers our understanding of the catalysts likely to prompt actors to modify their collective action strategies in a given institutional context. In this case, BIAs mobilized and gradually developed associational structures and patterns of interaction with the state that enhanced rather than undermined attempts to enact contentious tax reforms.

2. The politics of taxation reform: an overview

The Australian experience with regard to tax reform has been protracted and difficult, described by Prime Minster John Howard in the lead up to the 1998 federal election as 'the thirty year problem.'[6] While in some respects Australia's tax troubles have been exceptional, restructuring national revenue systems has proven nettlesome whenever it has been attempted. Indeed, any significant economic reform has political implications, and one could argue that taxation reforms are among the most politicized. As writers dating back to Schumpeter and O'Connor have argued,[7] the structure of a taxation regime affects not only the levels of profitability and investment of business and the fiscal resources of the state, but also directly influences the economic welfare of an entire society. More recent research on the political economy of fiscal reform (PEFR) has identified specific collective action, distributional and investment problems that plague this type of policy initiative.[8] Many have argued that the 'consolidation' of significant tax reforms,[9] especially those aimed at broadening the revenue base through the elimination of existing exemptions, requires what Katzenstein would describe as a 'strong state' that has the capacity to act despite societal resistance.[10]

While the hypothesis that successful tax reform requires a significant degree of state strength is both empirically and intuitively plausible, evaluating such a hypothesis is complicated by the multitude of factors contributing to state capacity. For example, Steinmo in a comparative study of taxation systems in the United Kingdom, Sweden, and the United States, makes a compelling case that the institutional structure of decisionmaking authority in each of these countries affects state capacity and results in distinctive tax regimes.[11] Steinmo argues that limited state autonomy and the fragmentation of decisionmaking authority in the United States, the case that most closely resembles the Australian policy environment leads to a reactive and incremental style of tax policymaking that is not conducive to substantial tax reform. However, in seeking to explain the relative success of fiscal reform within a given polity the PEFR literature generally argues that economic prosperity, the electoral popularity of the incumbent government, executive unity and prevailing ideologies affect state capacity within a given institutional context.[12] A final determinant of state capacity is the prevailing pattern of interaction between the state and key societal actors in a given policy arena, with Atkinson and Coleman arguing that the structure of policy networks will influence the relative strength of the state in specific sectoral arenas.[13]

In seeking to explain the changing patterns of business politics relating to Australian tax reform, this article will focus on the structure of the Australian tax policy network as a political resource which actors could actively cultivate and modify to enhance the political viability of tax reform. In other words, the failure of Australian governments to consolidate tax reform proposals over the given period provided BIAs with incentives to form more concentrated organizational structures and create a more formalized policy network to facilitate the exchange of political resources with the state.

3. Policy network structure and state capacity

Policy network analysis gained popularity in the late 1970s as an approach to understanding meso-level patterns of interest group–state relations.[14] Despite numerous conceptual and methodological variants within the tradition, the approach is centrally concerned with describing both the actors in the policy process, and the relationships and interdependencies between them,[15] providing a theoretical foundation from which changing patterns of BIA organization and interaction with the state can be analyzed. A consistent theme within the literature is that network structures shape policy outcomes through influencing the relative political power of actors in the policy process.[16] Building on corporatist theory, Klinn argues that higher levels of concentration within a policy network increase the political capacity of both societal and state actors due to the potential for the mutually beneficial exchange of resources,[17] while Rhodes argues that mutual dependence created within network structures creates incentives for strategic compromises between actors.[18]

Perhaps the most comprehensive analysis of the relationship between policy network structure and state capacity is that of Atkinson and Coleman whose work provides the baseline for the current study. Atkinson and Coleman not only proposed a typology of sectoral policy networks but also identified structuring factors that might lead to the formation of a particular type of policy network.[19] Having established these conceptual foundations they assess the implications of these various network configurations for state capacity.[20] Atkinson and Coleman's main proposition is that the structure of sectoral policy networks is influenced by a combination of the state's autonomy and concentration, on the one hand, and the mobilization of business interests, on the other. State autonomy is defined in a manner consistent with the broader historical institutionalist literature as the ability of the state to act independently of vested interests.[21] As outlined above, state autonomy is heavily influenced by macro-

TABLE 1. The conditioning factors for policy networks (Atkinson and Coleman, 1989, p. 54)

Mobilization of business interests	State structure: High autonomy, high concentration	Low autonomy, high concentration	High autonomy, low concentration	Low autonomy, low concentration
Low	State directed	Pressure pluralism	Pressure pluralism	Parentela pluralism
High	Concertation	Clientele pluralism	Corporatism	Industry dominant pressure pluralism

institutional factors, leading Atkinson and Coleman to observe that 'meso-level phenomena cannot be explained in isolation from broader political phenomena.'[22] While related to state autonomy, 'state concentration' denotes the degree to which decisionmaking authority is concentrated in the hands of a relatively small number of officials.[23] Indeed, the Australian Treasury's domination of taxation policy during the 1970s and 1980s represents a good example of high concentration within a weak state. In terms of associational organization, the central characteristics of high mobilization are a clear division of labor between BIAs to prevent overlaps or gaps in representation, member firms' and associations' possession of information, technical and political resources and, perhaps most importantly, associations' capacity to bind member firms to agreements negotiated with the state.[24]

Given combinations of these various organizational attributes, Atkinson and Coleman predict which types of policy networks are most likely to develop (Table 1).

However, of greater significance to the research problem at hand is the hypothesis, based on empirical research on Canadian industry policy, that particular policy networks shape policymaking styles and the success of policy reforms (Table 2). Within this schema, policymaking can be regarded as being either *reactive*, in which the state lacks the capacity to consolidate strategic policy reforms in face of societal opposition, or *anticipatory*, where the state is able to achieve significant policy change.[25] Clearly, for the reasons outlined above, the consolidation of significant tax reform in the absence of a broad consensus requires an anticipatory policy style and a considerable degree of state strength. In this sense the structure of a sectoral policy network affects the government's ability to consolidate politically contentious policy proposals. As Atkinson and Coleman warn, 'where the political conditions for anticipatory policy are not met, that is when policy networks are not based on concentration, corporatism or state direction, and anticipatory policies are attempted anyway, frustration will follow.'[26]

Atkinson and Coleman's approach also provides insights into a more specific research question of direct relevance to the study at hand: given a protracted policy problem, and the given fact that the institutional basis of state autonomy is difficult to change in the short term, how can stakeholders in a particular policy arena reorganize themselves to support an anticipatory style of

TABLE 2. Policy network type, policy approach and implications for state capacity (adapted from Atkinson and Coleman, 1989, p. 63)

Policy network	Policy approach	Implications for state capacity
Concertation/state directed	Anticipatory	Enhanced capacity
Concertation/clientele pluralism	Anticipatory	Enhanced capacity
Concertation/corporatism	Anticipatory	Enhanced capacity
Pressure pluralism/parentela pluralism	Reactive	Diminished capacity
Pressure pluralism/clientele pluralism	Reactive	Diminished capacity
Pressure pluralism/parentela pluralism	Reactive	Diminished capacity

policymaking? Applying Atkinson and Coleman's schema, actors would face an incentive to move away from pluralistic modes of intermediation toward a more formalized and concentrated policy network. An examination of Australian tax policy—and, in particular, the extent to which the changing nature of the Australian tax policy network was a strategic response to the Australian state's lack of capacity to consolidate politically contentious tax reforms—should help us to assess the impact of state structure on associated organization.

4. Associational structure and the Australian state: a first approximation

The limited Australian research on the role of BIAs in the policy process has largely confirmed the basic relationship between state structure, associational organization and policy networks proposed by Atkinson and Coleman.[27] Despite identifying numerous sectoral nuances and cleavages, Bell concluded that Australia's institutionalized systems of protectionism and centralized industrial relations had a significant impact on sectoral patterns of business–government intermediation. Indeed, Bell went on to demonstrate clear relationships between the mobilization of key BIAs and sectoral patterns of intermediation.[28] More generally, the fragmented structure of Australian federalism seems to have contributed to a similarly fragmented system of business representation largely concerned with competitive lobbying in a pressure pluralist network.[29] Beyond this, the collective discipline within associations and the resources available to them has also been limited by the underlying culture of liberalism ensuring that members of representative associations are not especially committed to outcomes which are inconsistent with their narrowly defined individual interest. In an assessment of BIAs that supports this conclusion, Mathews observed that 'No single association enjoy[s] a dominant and unchallenged position as the voice of business or the voice of employers. No clearly established division of labor pertain[s] between various national business groups. … Fragmentation and a lack of organizational unity have always been the hallmarks of business and employer representation in Australia.'[30]

While this limited evidence implies that in most policy arenas the Australian state is institutionally fragmented, contributing to a lack of BIA mobilization and ultimately to a pluralistic policy network and a reactive policymaking, caution must be exercised when generalizing across industry sectors and policy arenas.[31]

A recapitulation of Australian tax policy debate should provide a more nuanced view of these relationships.

The changing nature of the Australian tax policy network: the 1970s

While there is some variation across sectors, specific empirical research regarding patterns of business mobilization on tax reform in the 1970s largely confirms the pressure pluralist mold depicted above, with lobbying efforts reflecting the specific economic interests of a particular firm or industrial sector rather than broader notions of national interest.[32] In contrast, the organization of state actors was highly concentrated, with Treasury dominating both the formation of fiscal policy and the provision of advice to the executive. Indeed, this executive style of decision making was almost closed to organized business interests.[33] Yet up until the 1970s this style of autonomous policy making and the absence of any kind of policy network created little political fallout owing to the broad consensus which existed in relation to postwar Australian fiscal policy.[34] In short, a lack of contestation negated the need for state strength.

However, by the early 1970s the demands of the emerging tax reform debate placed these established patterns of interaction between various BIAs and state agencies under pressure. As early as 1973 the lack of coordination between BIAs had become apparent, with even the best resourced groups, such as the Australian Chamber of Manufacturing Associations (ACMA)[35] and the Institute of Company Directors, expressed private concerns at the quality of, and inconsistencies between, each other's submissions to the government's 1975 Taxation Review Committee.[36] Beyond this lack of coordination, no business submission to the Taxation Review Committee spoke to the central issues in corporate taxation design, let alone to the broader set of issues which the committee had to address under its terms of reference. Instead, the BIAs articulated narrow demands for taxation concessions in much the same way many of them had historically lobbied the Tariff Board.[37]

The combination of Treasury domination of the tax reform agenda,[38] a lack of business mobilization, and the state's lack of autonomy created a pressure pluralist policy network unsuited to the anticipatory policymaking style that would be required to consolidate the tax reform agenda outlined in the final report of the Taxation Review Committee.[39] Despite widespread agreement on the need for tax reform, the absence of a more structured policy network in which stakeholders could negotiate and compromise contributed to the Fraser government's unwillingness to implement the recommendations of the Taxation Review Committee. However, from the late 1970s peak BIAs such as the ACMA subtly reassessed their tax reform priorities and strategies in the light of the experience over the decade.[40] Realizing that significant taxation reforms would be not be implemented without more general popular support, the ACMA began seeking to broaden the tax policy debate, formulating policy submissions that addressed the medium-term economic interests of society as a whole, rather than the parochial interests of specific firms or industrial sectors.[41] For the first time, BIAs were breaking the historically defined patron–client relationship with the state. Moving from self-interested advocacy to what Peters refers to as 'public interest politics.'[42] In essence, this amounted to the realization of a dependence relationship between business and the state in taxation reform: business was dissatisfied with the status quo and demanded reform from the Fraser government. Yet, owing to the politically contentious nature of the agenda, the government was unwilling to move forward without the support of a broader coalition inclusive of key BIAs. Ultimately this interdependence would precipitate increased business mobilization and serve as the basis for the evolution of new patterns of business–government intermediation during the 1980s and 1990s.[43]

The 1980s

Given the pluralistic nature of BIA–state relations in Australia, and general popular resistance to extensive changes to taxation policy, the prospects for comprehensive taxation reform appeared to be less than positive during the 1980s. However, changing structural conditions—such as an improving economy (with inflation brought under control after 1983) and more propitious political circumstances (with the Australian Labor Party's (ALP) electoral popularity and commitment to economic reform)—bolstered state capacity such that tax reform was once again on the national political agenda.

With the election of the Hawke government in 1983, the ALP leadership began to recognize the virtues of consensus building in relation to the implementation of key economic reforms. This process commenced with the National Economic Summit of 1983, which was convened to discuss issues related to a National Prices and Incomes Accord, which had been the centerpiece of the ALP's economic policy agenda. While not directly related to taxation policy, the National Economic Summit did highlight the limits of collective business discipline and a lack of business mobilization. As Wanna has observed:

> Alongside trade unions and community groups, the main business associations were represented but some of their leaders were not the most inspiring figures … The business representatives were poorly organized, multi-directional, and uncertain of the status of any agreements arrived at by the assembled congregation.[44]

Yet business did learn from this experience and created a new and more concentrated association structure in the form of the Business Council of Australia (BCA) in late 1983 which led to an improvement in both the quality and consistency of business advocacy.[45]

However, despite this progress and the optimism which followed the initial success of 'consensus politics' at the National Economic Summit, the National Taxation Summit of 1985 was to humble both the Hawke government and the business community in what was a clear illustration of the limits of the Australian state's capacity to implement contentious policy reforms.

The Hawke government's second term in office between 1984 and 1987 was dominated by the politics of taxation reform, which veteran political commentator Paul Kelly described as 'one of the most intense public policy debates in Australian history.'[46] During the 1984 election campaign Hawke gave an undertaking to prepare a policy paper on taxation reform which in turn would be discussed at a summit of interest groups in 1985 with a view to implementing resulting policy changes later in the parliamentary term.[47] However, despite this rhetorical commitment to consultation, the preparation of the government's policy document, the *Draft White Paper*, like the recommendations of the Taxation Review Committee a decade earlier, was dominated by Treasury and largely overlooked business and popular input. In the words of a former minister in the Hawke government, Graham Richardson, 'Paul Keating (Treasurer) and his Treasury colleagues had made up their minds about this long before the review even started. For twenty years, Treasury had waited for the chance to bring in a consumption tax, and now they had a powerful Treasurer whose success record in cabinet was second to none'.[48] Indeed, Treasury—the bureau responsible for policy formation—was highly concentrated and committed to a technocratic style of policy making unsuited to building the type of policy network required to consolidate the reform proposal.

While the government's proposed broadening of the direct and indirect tax base mirrored the recommendations of the 1975 Taxation Review Committee and the fiscal orthodoxy of the time, it did not enjoy wide community support. Business groups were particularly concerned about the government's proposals to introduce capital-gains and fringe-benefits taxes and to tighten depreciation provisions, while the unions and welfare and community groups were concerned about the equity implications of introducing a BBCT.[49] The government's prospects of negotiating a pre-summit compromise were dealt a final blow when the presidents of five of the most significant national industry associations released a statement 'expressing disappointment with some key aspects of the White Paper and considerable alarm at the potential cost impact of the government's proposals upon the business sector which would increase corporate tax payments by up to 30 percent.'[50] Beyond concerns of the impact of the proposed capital gains and fringe benefit taxes, business was dissatisfied with the lack of consultation in composing the *Draft White Paper* and the lack of choice in the final document.[51] It therefore came as little surprise when BCA president Bob White failed to support the government on the first day of the summit.

Thus the BIA that had been willing to compromise and accommodate the government's agenda in pre-summit negotiations had been unable to support the government's preferred option, Approach C,[52] as a consequence of an 'internal revolt' of the Council's membership in relation to the government's fringe benefits tax proposals.[53] While the BCA was an important new centralized associational structure encompassing a range of sectoral interests, it had failed to enhance the collective discipline of member firms in negotiations with the state. The prevailing 'logic of membership' among Australian firms remained one of policy advocacy focused on winning concessions from the state.[54] Prime Minister Hawke pleaded with the BCA for a compromise and to 'hold some capacity for the broader view and some tempering of narrower short-term sectional interests.'[55] However, his plea fell on deaf ears: in a tactical shift that would undermine the prospects of compromise with the government, the BCA joined with the Confederation of Australian Industry (CAI) to argue that reductions in personal income tax rates should be funded by cutting public expenditure rather than imposing excessive burdens on the business sector.[56] Such a proposal was politically and ideologically unacceptable to the Labor government, which, in turn, decided to broaden the income tax base without introducing a BBCT.[57] Business had effectively been dealt out of the negotiations.

Business groups were quite cognizant of their ineffectiveness in negotiations with the government. In a BCA post-mortem, consideration was given to entering a quasi-corporatist agreement with the state in order to exert more influence over policy, although this agreement was subsequently dismissed on the grounds that it would compromise the political autonomy of diverse business interests. Instead, the BCA would 'seek to simply offer the best practical advice and urge good public policy on governments whose job it was alone to reconcile competing views and back decisions on behalf of electors.'[58] Despite the costs, Australian business lacked sufficient mobilization to enter into a formalized policy participation role with the state and would be left to interact with government on a more *ad hoc* basis.[59] However, within these limitations, business groups did learn a great deal from the 1985 experience that would shape their strategies and associational structures in the 1990s.

The 1990s

In the aftermath of the 1985 National Taxation Summit, the ALP abandoned any ambitions of introducing a VAT to reduce Australia's dependence on direct income taxes. When combined with the ascendance of 'dry' interests within the Coalition, and especially after John Hewson assumed the leadership of the Liberal Party, there was new political support for the indirect tax reform agenda, this time from the opposition benches.[60] After the coalition's 'Fightback' program was unveiled in 1991, there was considerable mobilization of actors on both sides of the political divide.[61] While peak BIAs who were supportive of the Coalition's tax reform and broader neoliberal policy agenda established a group under the banner 'Australians for tax reform' to fund an extensive advertising campaign to promote the 'Fightback' agenda, these developments were neutralized by significant counter trends.

John Hewson ordained a level of political power unprecedented among Australian opposition leaders when he was elected as leader of the Liberal Party in 1990. After the divisive party leadership battles of the 1980s, Hewson enjoyed almost unanimous support from within the ranks of his own party.[62] As a result of the rapidly deteriorating economy and the growing leadership tensions within the ALP government, by November 1990 Hewson became the first coalition leader since 1983 to enjoy a higher popularity rating than incumbent Prime Minister Bob Hawke.[63] This popularity in turn made the opposition leader's personal inclinations a major factor in the Australian tax policy debate. Hewson made no attempts to build coalitions with the business lobby, openly antagonizing politically powerful industrial interests and criticizing the management of some of Australia's largest firms.[64] Hewson aspired to be Australia's first true political leader willing to do what was right rather than what was popular.[65]

In terms of Atkinson and Coleman's typologies, he sought to engage in a form of state-directed policymaking; yet this strategy overlooked both the institutional limits to state capacity in the Australian policy environment and the importance of coalition building to sustaining political support for ambitious reform proposals. Meanwhile, despite the fact that elements of business were mobilized and committed to funding an unprecedented marketing campaign to promote a BBCT among the populace, the ALP built an effective counter coalition that included both disaffected business interests,[66] and community groups, and unexpectedly won the 1993 election after having trailed the opposition in opinion polls for the two years preceding the election.[67]

By this point it was apparent that taxation had become so politicized that the successful passage of reform proposals would require consensus not only among key sectors of industry or even the broader business community, but from a majority of the diverse interests that had been so vocal during the 1993 election campaign. Moreover, it seemed that this consensus could only be achieved if a more concentrated form of policy network was developed in which disparate interests could effectively negotiate and compromise. By 1996 both business groups and community organizations had come to the conclusion that reform of Australia's indirect tax was necessary.[68] Like the Summit of 1985, the National Taxation Summit of 1996 (although this time without state involvement) brought together a range of stakeholders representing both societal and business interests in order to 'promote a strategic approach, with participants being encouraged to think of the needs of the whole community and take a long term view.'[69]

By October 1997 this dialogue between BIAs and community groups was complemented by the formation of the Business Coalition for Tax Reform (BCTR), an association structure formed by forty-two member BIAs aimed specifically at promoting reform. Learning from the experience of 1993, the group was determined to be nonpartisan and committed considerable resources to commissioning independent research into tax reform options, a type of research-based advocacy that would have been unheard of in the 1970s.[70] Associational cohesion was further enhanced by the Coalition government's (elected in 1996) decision to defer detailed decisions on business tax reform until after the 1998 federal election (in which the introduction of a 10% GST became the main policy issue). While inherently difficult to quantify, this organized support from business of a GST (the BCTR strongly promoted the package as in the longer term national interest)[71] was a contributing factor both to the government's decision to promote the agenda in 1997 and its election victory in 1998. However, owing to the Australian tradition of state concentration in terms of formulating fiscal policy and combined with the commercially sensitive nature of taxation policy, this role was confined to a policy advocacy and promotion role, rather than policy participation associated with more developed policy networks.

5. The Ralph Review of business taxation

The one area of taxation policy where the Australian state has made preliminary attempts to establish and maintain a more formal policy community involving BIAs has been business taxation, especially in terms of tax administration.

Business's growing professionalism and mobilization on taxation policy was reflected in the Howard government's post-1998 election review of business tax, the Ralph Review, which not only aspired to improve tax design but also sought to restructure tax administration and the broader process through which business tax reforms would be formulated, implemented and administered. Indeed, the BCTR regarded a policy formulation process which was 'phased with consultation' as essential to managing internal differences among business interests.[72] The most tangible consequence of this new commitment to consultation and consensus building was the creation of a joint business–government Taxation Advisory Board 'with a focus on the overall performance of the business tax system and significant private sector representation to support the reformed framework and processes.'[73]

This initiative to establish a more formal policy community, including an institutionalized Taxation Advisory Board, was vindicated as 1999 unfolded and the Ralph Review handed its detailed findings to government. A central reform proposal was to further tighten depreciation concession on capital investments to fund a reduction in corporate income tax rates. A skeptical financial media believed that this would be the end of business consensus on corporate tax reform because such a proposal would disadvantage capital-intensive industries relative to other sectors.[74] In an outcome indicative of the changes in business's approach to taxation reform over the previous twenty-five years, the Business Coalition for Tax Reform averted a major battle between capital-intensive sectors (mining and manufacturing) and other business interests over the proposal.[75] For example, mining executives such as David Stewart, managing director of Pasminco, were relatively receptive to the findings of the Ralph Review when they were unveiled in September 1999: 'for the mining industry there are obviously some concerns but when you look at it in its totality there are some very balanced outcomes.'[76]

It seems that by the late 1990s a greater level of business mobilization had been achieved in Australian tax reform. New associational structures and member strategies and greater levels of collective discipline all contributed to the creation of what could be described as a mobilized advocacy network that enhanced cooperation and compromise between corporate actors and ultimately made a positive contribution to the political viability of contentious tax reforms.

The Howard government's new GST regime started on 1 July 2000. While business is still engaged with the ongoing corporate tax reform process, relations have become more strained with the government on the issue of GST implementation. While business groups were almost unanimous in their support of the GST legislation and associated reforms, they have been less content with the manner in which the changes have been implemented. To date the most significant issue has been the power granted to the Australian Competition and Consumer Commission (ACCC) to limit corporate exploitation of GST-related price rises, with the BCTR stating publicly, 'The ACCC regime has already begun to demonstrate its absurdity. It is costly for taxpayers, it is costly for business. It infringes against basic standards of justice.'[77] While both business strategies and the taxation policy network did change significantly over the observed period, it would be inappropriate to conclude that the prevailing culture of Australian business politics has been recast. While the political debate over tax reform provided incentives for BIAs to mobilize, it could be that these developments were issue specific, and thus an anomaly in the prevailing pattern of pressure pluralism. Only the passing of time and further research will tell.

6. Conclusion: cause or consequence?

This article has addressed three issues concerning the role of BIAs in Australian tax reform over the past three decades. First, it has identified changing patterns of BIA organization and activity over the study period. Second, it has tracked how the business community's interest in economic reform generally, and taxation reform specifically, led to the formation of interest associations such as the BCA in 1983, Australians for Tax Reform in 1993 and the Business Coalition for Tax Reform in 1997. Third, in terms of the level of policy networks, it has considered a transformation in patterns of business–government intermediation. Australian business interests evolved from the fragmentation and parochialism of the 1970s to become relatively coordinated and sophisticated in their policy research and political advocacy by the late 1990s. Meanwhile, in the light of political defeats in the 1970s and the 1980s, the Australian state modified its technocratic style of policy formation and was more mindful of business concerns when formulating and assessing the political viability of tax reforms. By 1998 these two processes culminated in businesses acquiring a formal, albeit limited, policy participation role under the auspices of the Taxation Advisory Board.

In terms of Atkinson and Coleman's typologies, these developments amount to a significant increase in business mobilization on tax reform and a more modest reduction in state concentration, leading to what could be described as a *mobilized advocacy network* capable of supporting an anticipatory policymaking style. While this study seems to confirm Atkinson and Coleman's central thesis that increased business mobilization enhances state capacity, it also suggests a need to elaborate upon and add to the original policy network typologies outlined in their 1989 study (see Table 1). Clearly, by the late 1990s the organization of Australian BIAs was not 'hopelessly rudimentary' as a pressure pluralism network implies, yet neither state nor business interests were able to dominate the tax reform debate as would be the case in a clientele pluralism or a concentrated network.[78] Thus, a mobilized advocacy network, which arises when business groups are forced to mobilize and form *ad hoc* associational structures to enhance the political viability of contentious reform agendas, represents an important set to Atkinson and Coleman's original schema.

While this study has argued that the structure of meso-level policy networks is important for understanding state capacity, it does not undermine Atkinson and Coleman's central claim that macro-institutional and ideological variables play a significant role in structuring policy networks. Certainly, traditional pluralistic patterns of intermediation observed in relation to Australian tax policy in the 1970s were very much a product of state structure and prevailing business culture. Moreover, the changes to the Australian tax policy network observed later in the study period were a meso-level response to a policy deadlock precipitated by state weakness (determined in part by macro-level institutions). Finally, preliminary evidence points to the fact that, with the majority of the Howard government's reform agenda enacted, the collective business discipline associated with the 1998 election campaign and its immediate aftermath is starting to unravel. Having broken the political deadlock and achieved the desired tax reform BIAs face diminished incentives to cooperate with the state. As such, mobilized advocacy networks will tend to be transient and are likely to dissipate once the policy problem has been solved.

Finally, what conclusions can be drawn regarding the independent impact of the structure of prevailing policy networks on patterns of Australian tax policy? While it is argued that business mobilization enhances state capacity, the changing patterns of business politics documented in this study were not so much the driving force behind the policy agenda as a strategic response to a policy deadlock that in turn was precipitated by a broader set of politico-economic forces. That is, policy network change was a consequence of the state's inability to gain political support for tax reform and says much less about the origins of the agenda.[79] Thus, the evidence supports Atkinson and Coleman's central thesis that macro-institutional characteristics of a given policy environment are a significant determinant of meso-level policy networks.

Notes

1. An earlier version of this article won the 2000 Government—Business Relations Committee 38 of the International Political Science Association competition for the best graduate student paper.
2. Head (1986).
3. This is despite the fact that base broadening measures were successfully implemented in many developed economies during the 1980s and the fact that a tax reform agenda of this type was a central recommendation of the 1975 Taxation Review Committee. This agenda included proposals to broaden both the income and consumption tax bases with a view to funding lower marginal tax rates, remove economic distortions and reduce the opportunities for tax evasion and avoidance. See Groenewgen (1982), pp. 26–27.
4. This article employs Atkinson and Coleman's definition of business mobilization as outlined below (Atkinson and Coleman, 1989).
5. Atkinson and Coleman (1989).
6. *The Australian*, 9 December 1997, p. 2.
7. Schumpeter (1954 [1918]), O'Connor (1973).
8. For a summary of this literature, which is based on research of fiscal reform in transitional Eastern Europe, see Bonker (2000).
9. The 'consolidation' of a policy is used in the above-mentioned political economy of economic reform literature to describe securing a political mandate for such reforms, enacting them into legislation and surviving any political or economic fallout which may follow, the implementation of the reform.
10. Katzenstein (1977). See also Atkinson and Coleman (1989). Historically this has been the case with tax policy with major tax reforms often coinciding with war or economic crisis, times when even weak states can act in a 'strong' manner. See Levi (1988), Chap. 2.
11. Steinmo (1993).
12. See Bonker (2000), Martin (1989).
13. Atkinson and Coleman (1989), Atkinson and Coleman (1992), pp. 154–155.
14. For a summary of the evolution of the approach see Rhodes (1997), pp. 29–36.
15. Atkinson and Coleman (1992), pp. 154–155. It must also be noted that the literature has been plagued by a definitional dispute, particularly in relation to the central concepts of 'policy network' and 'policy community.' The following article employs the concepts in the manner in which they have been defined by Coleman and Skogstad (1990), pp. 23–25, and Atkinson and Coleman (1992), p. 156. A policy

community can be regarded as the actors and potential actors who have an interest in policy issues and a ‘policy network’ describes patterns of interaction within the community.

16. While there has been widespread acceptance of the policy network approach as a means of classifying different patterns of interest group—state intermediation, a persistent band of skeptics have questioned the contribution of the theory to explaining political outcomes. See Blom Hansen (1997), p. 673, Dowding (1995), p. 145.
17. Klijn (1996). ‘Concentration’ within a network refers to an entrenched hierarchy and strong collective discipline within associational structures.
18. Rhodes (1997).
19. Atkinson and Coleman (1989).
20. Ibid.
21. Ibid., p. 52. Indeed, they cite Hall (1983).
22. Ibid., p. 67.
23. Ibid., p. 51.
24. Ibid., p. 53.
25. Ibid., p. 60.
26. Ibid., p. 66.
27. See Lofgren (2000).
28. Bell (1995), pp. 34–35.
29. Some of the institutionalized veto points which limit executive autonomy in the Australian policy process include the structure of federalism and associated constitutional constraints; a powerful Senate which is usually beyond executive control; a short 3-year federal electoral cycle and a competitive two-party system.
30. Mathews (1992), pp. 197–198 in Bell and Wanna (1992). As quoted in Bell (1995), p. 36.
31. The two Australian policy arenas where there was significant BIA mobilization were those in which there was a strong tradition of state intervention at a micro-economic level; centralized industrial arbitration and tariff protection.
32. Bell and Wanna (1992), p. 108.
33. This is consistent with the research of Coleman and Skogstad (1990) in Canada, where they found that executive-centered institutions created barriers to entry for organized interests (p. 314). For an account of the dominant role of Treasury in Australia up until the mid-1970s see Weller and Cutt (1976) and Witwell (1986).
34. Witwell (1986).
35. The ACMA later became the Confederation of Australian Industry (CAI).
36. This opinion was expressed in a confidential letter from the chairman of the ACMA’s taxation committee chairman, Mr. A. M. Simpson to the Institute of Company Directors dated 4 September 1973. The National Labour and Business Archives, Canberra, AT. 1506.
37. See, for example, the ACMA’s submission to the Taxation Review Committee, 14 August 1973. The National Labour and Business Archives, Canberra, AT. 1506.
38. The Treasury agenda dominated the final report of the Taxation Review Committee published in 1975 with analysts arguing that the Taxation Review Committee was lacking in economic expertise and ‘was too closely bound to the apron strings of Treasury.’ See Thompson (1976), p. 82.
39. *Taxation Review Committee: Full Report* (1975).
40. For example, an early example of this more conciliatory approach to tax reform was expressed in the ACMA 1977–1978 budget submission which advocated consideration of increasing the portion of revenue raised from indirect taxation in a manner that was both analytical, objective and addressed longer term issues.
41. For example, the 1977–1978 CAI federal budget submission advocated consideration of increasing the portion of revenue raised from indirect taxation in a manner that was analytical, objective and mindful of longer term economic imperatives. The National Labour and Business Archives, Canberra, Z187/AE-405.
42. Peters (1991). Peters suggests that, in a pluralist policy environment (such as the United States or Australia), a transformation from self-interest to public interest is a prerequisite for tax reform.
43. As was outlined in the hypothesis above, both Klijn (1996), p. 98 and Coleman and Perl (1999) argue that a dependence relationship between actors is a central factor in shaping more structured policy networks.
44. Wanna (1992) in Bell and Wanna (1992), p. 66.
45. The Business Council of Australia (BCA) was formed in September 1983 with a view to representing the

interests of Australia's 100 largest companies. It represented the first significant departure from state-based, sectoral BIAs and demonstrates how business organizations do react to their policy environment. The BCA was perhaps the most powerful BIA between 1983 and 1996, being eclipsed by the Australian Chamber of Commerce and Industry (ACCI). Wanna (1992) p. 74, Bell and Warhurst (1993).

46. Kelly (1992), p. 155.
47. *Reform of the Australian Taxation System (Draft White Paper)* (1985), p. 2. See also McCathie (1984), pp. 1, 6.
48. Richardson (1994), p. 176.
49. The broad-based consumption tax outlined in the *Draft White Paper* was actually a 12.5% retail sales tax.
50. The associations were the Australian Chamber of Commerce, the Australian Mining Industry Council, the Confederation of Australian Industry, the Business Council of Australia and the National Farmers Federation. *The Australian Financial Review*, 20 June 1985.
51. *The Australian Financial Review* (20 June 1985). For a more considered analysis of the impact of the *Draft White Paper* on capital, see Mathews (1985), Graetz (1985), Nevile (1985). On the whole this academic analysis argues that the measures outlined in the *Draft White Paper* should have improved economic efficiency through reducing tax-related distortions to investment decisions, although Nevile (p. 52) highlights the absence of quantitative analysis of this effect in the *Draft White Paper*. Mathews (pp. 415–416) makes the point that business's negative response to the *Draft White Paper* was primarily motivated by self-interest: 'It would have been prudent and in their own long term interests for business leaders to have supported tax reforms directed towards improving the economic performance of Australian business rather than to have concentrated on distributional issues including the preservation or extension of existing concessions and privileges.'
52. Of the three policy options outlined in the 1985 *Draft White Paper*, 'Approach C' was the government's preferred option, which included direct tax reform and a 12.5% RST with few exemptions.
53. See R. Bowden, 'ACTU to End the Accord if Option C Goes Ahead.' *The Australian*, 2 July 1985, p. 1. The BCA's policy reversal demonstrated that the leadership of even the best resourced business associations was constrained by the demands of member firms or associations.
54. The term 'logic of membership' refers to the motivations which firms and member associations have for entering a group such as the BCA. See Coleman and Skogstad (1990), p. 23.
55. As quoted in Singleton (1990), p. 161.
56. Kelly (1985), p. 1.
57. Edwards (1996), pp. 276–277, Kelly (1992), p. 171. It must be noted that the government did offer a concession to business in the aftermath of the Tax Summit in the form of an imputation system for distributed company dividends to replace the existing classical company tax system. This cost the federal government 4% of revenue over the following years. See Keating and Dixon (1989), p. 39.
58. McLaughlin (1991), p. 157.
59. For an account of the relationship between associational discipline and business's ability to enter into more formalized, quasi-corporatist relationships with the state see Dyson (1983), p. 56, Bell and Wanna (1992), p. 110.
60. For an account of the transition experienced in Australia's Coalition parties in the late 1980s, see Kelly (1992).
61. Hewson and Fischer (1991).
62. Kelly (1992), p. 598.
63. Abjorensen (1993), p. 158.
64. *The Age*, 11 August 1992.
65. Since working for the Fraser government in the 1970s, Hewson 'believed that Australia was in an economic crisis and that national governments had been too weak for too long. Hewson declared that he was not a career politician; he had come to get a job done' Kelly (1992), p. 604.
66. Tingle (1994), p. 166.
67. Bean (1994).
68. As had been the case in the 1970s and 1980s, inflation had been pushing salary earners on average incomes into high marginal tax brackets. Moreover, since 1993 the government had been forced to increase tax rates dramatically on Australia's limited WST (Wholesale Sales Tax) base. Given this evidence, welfare groups such as the Australian Council of Social Services (ACOSS) recognized that in order to ensure adequate levels of public revenue into the twenty-first century, the indirect tax base would have to be expanded in a fair and equitable way. See Westfield (1999) in Kelly (1992), pp. 70–71.

69. See the official Web site of the National Taxation Summit (1996): http://www. impactservices.com.au /acci/index. htm
70. See the Business Coalition for Tax Reform's Web site: www.bctr.org/who_we_are.htm
71. BCTR media release, 16 February 1998, http://www.bctr.org; Westfield (1999).
72. 'A platform for reform' (1998), BCTR submission to the Review of Business Tax (Ralph Review), http://www.bctr.org/default.asp?pnewsid = 1106
73. Review of Business Taxation (1998), p. xxviii.
74. See 'Push to End Industry Tax Breaks,' *Australian Financial Review*, 24 November 1998.
75. Sectors which were opposed to the proposed reforms included the housing, tourism and automotive industries. See 'Business Groups at Odds Over Scope of Tax,' *Australian Financial Review*, 20 May 1999.
76. As reported in *Australian Financial Review*, 22 September 1999, p. 16.
77. Warburton (2000), http://www.bctr.org/default.asp?pnewsid = 1106
78. Atkinson and Coleman (1989), p. 55. It must also be noted that these typologies were always intended to represent ideal types.
79. Although it must be noted that over a longer time frame, or in times of dramatic restructuring, the relationship between sectoral policy networks, policy frameworks and their broader institutional contest must be regarded as a complex causal system necessitating a historical-inductive research methodology. See Atkinson and Coleman (1992), p. 167. Describing the system of causation as a complex dualism is based on Gidden's theory of structuration. See Cerney (1990), pp. 93–95.

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