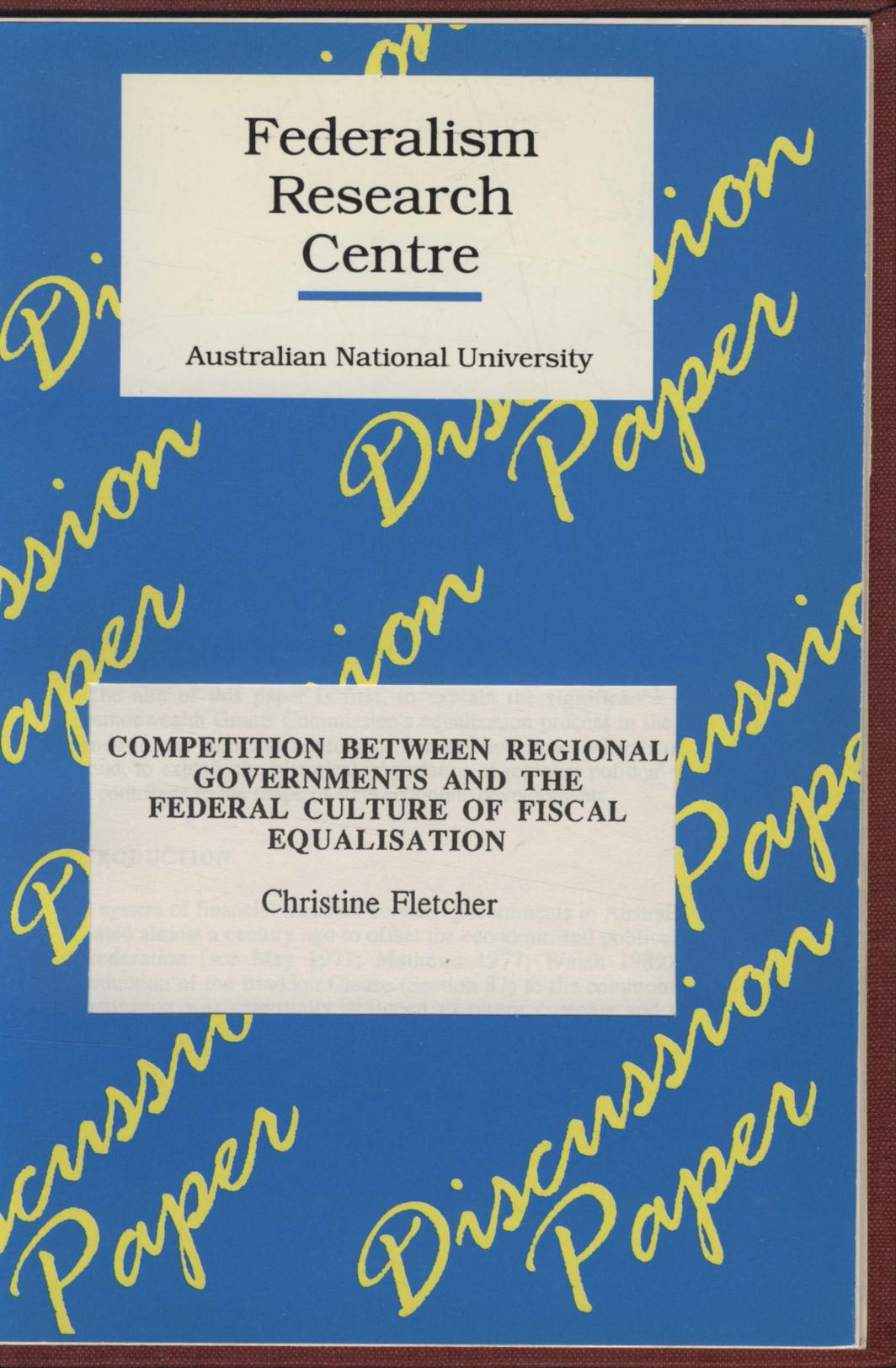


Federalism
Research
Centre

Australian National University

COMPETITION BETWEEN REGIONAL
GOVERNMENTS AND THE
FEDERAL CULTURE OF FISCAL
EQUALISATION

Christine Fletcher



FEDERALISM RESEARCH CENTRE

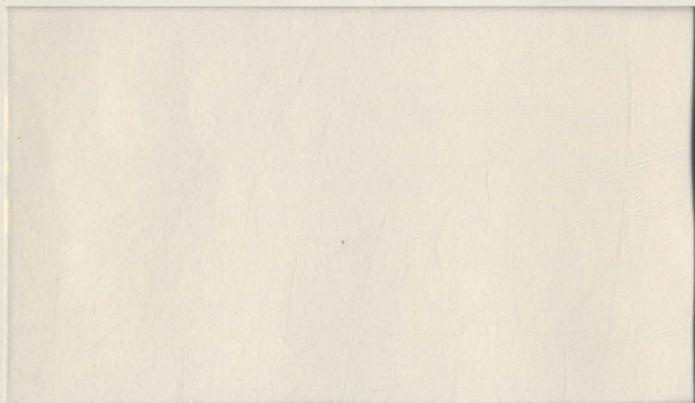
The Federalism Research Centre was established in 1972 with a special research grant from the Commonwealth (initially under the name Centre for Research on Federal Financial Relations). With effect from 1990, all States and Territories have agreed to match the Commonwealth's grant for an initial period of 3 years.

The Centre's research involves a focus both on fiscal issues and on the constitutional and institutional arrangements and operating conventions which shape federal financial, political and administrative interactions. It thus involves both 'fiscal federalism' and 'intergovernmental relations', and brings to bear perspectives from a range of disciplines, including economics, political science, public administration and constitutional law.

Information about the Centre's activities and publications can be obtained from

The Publications Officer
Federalism Research Centre
Research School of Social Sciences
The Australian National University
PO Box 4, CANBERRA ACT 2601.

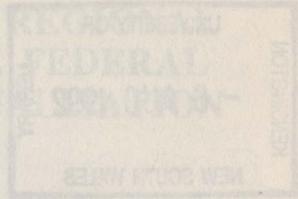
Telephone (06) 249 3668
Fax (06) 257 1893



Don

S

COMPETITION BETWEEN REGIONAL GOVERNMENTS AND THE FEDERAL CULTURE OF FISCAL EQUALISATION



**FEDERALISM RESEARCH CENTRE
DISCUSSION PAPERS**

Since federation, regional economic development in Australia has been shaped by fiscal competition among state and Commonwealth governments. Variations in the fiscal capacity of the different governments to provide goods and services, together with the Commonwealth's grant and revenue collection powers since 1942, has led to significant political competition between the states over their share of the general purpose funds through a process known as fiscal equalisation. The state Premiers themselves have been at the forefront of the debates over fiscal equalisation and, in 1992, surrounding the 1992-93 Finance Conference have indicated competition over an equitable share of the fiscal resources will continue to be a major federal dimension of economic development.

The aim of this paper is first, to evaluate the significance of the Commonwealth Grants Commission's recommendations for the wider economic and social implications of the proposed changes.

COMPETITION BETWEEN REGIONAL GOVERNMENTS AND THE FEDERAL CULTURE OF FISCAL EQUALISATION

Christine Fletcher

No. 20

June 1992

S
336.94
36

ISSN 1036-8655
ISBN 0 7315 1404 1

KENSINGTON
UNIVERSITY OF
- 6 AUG 1992
LIBRARY
NEW SOUTH WALES

COMPETITION BETWEEN REGIONAL
GOVERNMENTS AND THE
FEDERAL CULTURE OF FISCAL
EQUALISATION

Christine Fletcher

June 1992

No. 20

ISSN 1086-8022
ISBN 0 212 1041 1

COMPETITION BETWEEN REGIONAL GOVERNMENTS AND THE FEDERAL CULTURE OF FISCAL EQUALISATION

Christine Fletcher

Since federation, regional economic development in Australia has been shaped by fiscal competition among state and commonwealth governments. Variations in the fiscal capacity of the different governments to provide goods and services, together with the commonwealth's increased revenue collection powers since 1942, has led to vigorous political competition between the states over their share of the general purpose funds through a process known as *fiscal equalisation*. The state Premiers' themselves have been at the forefront of the debates over fiscal equalisation and, as events surrounding the 1992 June Premiers' Conference have indicated, competition over an equitable share of the fiscal resources highlights the strong federal orientation of economic development.

The aim of this paper is first, to explain the significance of the Commonwealth Grants Commission's equalisation process in the wider economic and political context of competitive state federalism and, second, to explain the historical importance of regional political values that contribute to the shape of state economic developments.

INTRODUCTION

The system of financial transfers between governments in Australia was initiated almost a century ago to offset the economic and political costs of federation (see May 1971; Mathews 1977; Walsh 1989). The introduction of the Braddon Clause (Section 87) to the commonwealth Constitution was essentially designed to return customs and excise revenue, collected by the commonwealth government, back to the states. Prior to federation, customs and excise was the most important source of government revenue although states such as New South Wales had a relatively strong revenue base compared with small states such as Tasmania and Queensland. Western Australia's colonial economy also was relatively healthy at the time of federation (see tables in Galligan 1992). The Braddon clause effectively institutionalised fiscal federalism: at the 1891 Convention debates in Sydney, Samuel Griffith, for example, argued that:

We must secure for the Federal Government and for the separate Governments, who will derive a great part of their revenue from the surplus Customs income of the general government, a sufficiency of money to carry on their work. (*The Case of the People of Western Australia* 1934, 94)

The commonwealth government now collects almost all of the revenue and it also has a disproportionate influence on general expenditure decisions in policy areas where it has no explicit constitutional authority. Nonetheless, it is arguable whether the commonwealth's powers over direct taxation is a design fault of the system. Most of the fundamental functions of government, such as police powers, control of lands, health, schools, transport, metropolitan infrastructure, are based in the state, rather than the commonwealth legislatures. From an economic perspective, however, the commonwealth has its own set of reform objectives to meet amongst those of the states and this sets the scene for competition between governments over what each state and territory considers to be a fair share of the fiscal cake (see SPC 1990).

Each government develops its own revenue-raising formula within the overall fiscal framework (for example, Gates 1974; Walsh 1990; see also Mathews 1979). State taxes slot into the wider fiscal system and, although primarily aimed at increasing their regional asset base, needless to say the formulae are directly organised into an environment determined by tariffs, subsidies and other commonwealth and state economic and political imperatives (see Warhurst 1980). At some point, despite their differences, state revenue efforts, along with their ability to provide an acceptable standard of government services to their regional constituents, lock themselves into the federal fiscal process through the distributive process of commonwealth general purpose grants. The Commonwealth Grants Commission plays a major role in exhorting recommendations for the actual distribution of general revenue.

In theory, the competitive nature of governments in the Australian federation go far beyond the type of constitutional model developed by Wheare (1966) several decades ago. Wheare's model of separate government authority is useful in explaining sovereignty and, perhaps, even direct fiscal powers, but it falls short as an adequate political explanation of the federal process because it completely blocks out competition for resources. Even in a normative sense, federalism is difficult to explain without at least some reference to political competition between the constituent parts. The concept of competitive federalism has been stridently argued by Breton (1985; 1991) with particular reference to the Canadian system and by Walsh (1992) in relation to the Australian system.

Breton's model is seductive; and while many of the assumptions are translated from market competition, he places a strong emphasis on the importance of legislatures. Federally arranged legislative processes

provide overall political stability and, in Breton's (1991) view, a relatively powerful national legislature, subject to checks by provincial powers, is fundamental to 'achieve competitive viability' (p. 51). The problem in adapting such a concentration of legislative power in the Australian system is that fiscal power is already unevenly dispersed whereas political power, and the constitutional authority of the states, is less clearly defined.¹ The federal fiscal equalisation process and the role of the Commonwealth Grants Commission is very relevant to all of this.

Walsh (1989a), for example, deals extensively with the role of the Commonwealth Grants Commission in the fiscal federal process. He argues,

The independence of the Commission's work may not be in question but its recommendations and its terms of reference (like those of the IAC before it) have become an important part of the political battlefield and the submissions presented to it must be expected to increasingly reflect the broader political competition from which it previously had been partly protected (p. 2).

During the recent Commonwealth Grants Commission review of state 'fiscal capacity' in May 1992, competition over the direction of the review process and inter-government rivalry to convince the Commission to adopt a regional orientation favourable to some states, but not others, was conditioned more by state, rather than commonwealth, experiences.

Theoretically, the strengths of the equalisation process can be traced back to the attitudes of 'community-building' in Australia when a scattering of individuals cast around for support in a system which was predominantly held together by collective public institutions and private ventures (see Butlin, Barnard & Pincus 1982; see also Hancock 1930). The colonial settlement of local political communities has had a major effect on the resource potential of a region and on the fiscal capacity of governments to provide goods and services. State and commonwealth debates on the overall costs and benefits of equalisation are, inevitably, debates between conflicting regional political values. It is important, therefore, that these values be seen as much within interpretations of the political framework of state federalism as within 'national' economic arguments in support of state micro-reform policies.

In view of almost a century of the historical evolution of the fiscal federal process, many questions of equity and autonomy within the federation remain unanswered; equity is usually brought about as a result of fierce competition, between governments, for a larger share of the national purse. This results in some governments having to live with the

¹ For a detailed analysis of the degree of fiscal centralisation in Australia, compared with other OECD countries, and using 'indicative' evidence, see Barwise & Castles 1991.

financial decisions of other governments; state political legitimacy loses ground to state financial security.

The fiscal system which now operates in Australia is designed to reduce any adverse effects of federalism on the various member states. Some states may prosper more than others, both through political competition, a relatively healthy tax base, and regional economic prosperity, but there is no indication that federation was ever seen as the ultimate blueprint for prosperity. Doubtless, though, despite the view that fiscal convergence would occur as a result of federation, some states, such as Western Australia, knew that the existing regional inequities of the colonies would benefit some regions and not others (see *The Case for the People of Western Australia* 1934). Mathew and Jay (1972) have set forth a detailed outline of this; in the federal system, they say, 'there is a clash between the desire for more state independence and the principle of equal treatment for all Australians' (p. 14). This is a paradox; the equalisation process concentrates on methods for distributing financial benefits to the states as a way of allowing the states to develop their fiscal capacity to provide equal services to *all* Australians.

THE FEDERAL 'GLUE'?

In essence, commonwealth equalisation processes run counter to politically independent institutions, such as the states themselves. On some occasions, this may stifle political vitality but, on the evidence contained in the Commonwealth Grants Commission's current review of the recommendations for general purpose funding, equalisation processes seem to stimulate the states into a market-style regional competition.

This is consistent with the nature of the Australian fiscal federal system overall and, since Australia is a liberal democracy, it fits comfortably into the criteria developed by Walsh (1992) for mature federations; in his contribution towards developing a theory of European federalism, the Walsh view is that,

in mature federations, where federal governments have access to major revenue bases and substantial responsibilities for social security and welfare services, inter-regional differences in economic performance (reflected in per capita output and income) generate substantial implicit inter-regional transfers through the federal fisc: high incomes are associated with relatively high federal tax liabilities and low incomes with relatively high receipts of federal transfer payments and/or welfare services. (p. 32)

Walsh then goes on to say:

Both at 'federation' and subsequently, the case for an equitable distribution of benefits may give rise to the need for compensatory interjurisdictional transfers as part of the 'glue' which holds the federation together (p. 33).

In the Australian case, the 'glue' has its counterpart in the distribution of commonwealth general revenue. Basically, the fiscal 'glue' is designed to compensate the states for the constitutional erosion of their revenue raising powers in 1942. Given the level of political tolerance required to be built into relationships between governments, a mature federation of the type described by Walsh needs to be implicitly liberal and, consequently, able to increase government's potential to cope with vigorous competition for revenue through market orientated expressions. The liberalness of the mature federation also encourages the system to tolerate the tension between the application of formal rules for fiscal equalisation and the constitutional autonomy of state political authority. The way that state, territory, and commonwealth governments overcome this is through conscionable political competition; that is, competition with respect for federal constitutionalism. According to Walsh (1992), economic and political security are the foundation elements for reliable fiscal stability in 'mature' federal systems.

Given Australia's constitutional ambiguities and the difficulties associated with locating clear-cut and managable reasons for federation in the first place, the commonwealth's fiscal powers can be argued to be a compensatory measure for the maintenance of stability in a system where strong legislatures can, and do, look relatively favourably on state authority (for example, the constitutional crisis in 1975).

Political tension is caused by the system having to fulfil the financial 'needs' of the states, which they themselves define, and by constantly having to arouse institutional support for the constitutional authority of regional governments. This begins with the design of the commonwealth parliamentary system, which gives equal significance to majoritarianism (the House of Representatives and mass party structures) and state federalism (the Senate and consensus), through to the economic limits and political constraints which temper governmental choice, inhibit uniformity and dynamite centralisation in the day-to-day federal process (for examples, see Sharman 1990; Ljiphart 1984).

Inevitably, the formal interpretation of the equalisation principles for the redistribution of funds is inextricably tied to the development of governing values and competition for power between the political communities themselves; the costs and benefits of federalism, like many aspects of political life can be measured by concentrating on reasons for the persistence of diversity which, in the Commonwealth Grants Commission equalisation process, are actually identified by the states themselves.

Shared control of federal revenue is conditioned by the formal recognition of commonwealth fiscal powers, regional diversity and state constitutional authority. Financial relations between governments are driven by political decisions based on perceptions of regional differences and on the ability of different governments to balance their

strengths and weaknesses through competition, with each other, for the distribution of national resources. In 1934, for example, in anticipation of developing a method for calculating the special financial regional needs of the Australian states, a questionnaire prepared by the Commonwealth Grants Commission (1983) was distributed 'to Economists and others' to seek advice on the distribution of revenue. The first question was, 'If a State in a Federation is not in financial difficulties, or not more so than other States in general, to what extent has it a claim for compensation for the unequal effect of Federal policy between the States?' (1983, 28).

FEDERALISM AND EQUALISATION

Equalisation and federalism are a relative combination in Australia: that is, as a choice for organising the fiscal dimension of federalism, so long as the federal process can withstand the competitive pressure that the various outcomes bring to bear on the system itself, and so long as the participating governments can maintain their constitutional authority, the equalisation process supports the federal principle.

As it currently operates, the fiscal equalisation cycle can be explained, in a simplified form, as follows: since 1942, the commonwealth government, through the application of the Uniform Income Tax Act, collects income taxes, applied uniformly, across the country; the commonwealth notionally divides the revenue between own-purpose (commonwealth) and state reimbursement. The states and territories then compete (for recurrent outlays only) for general revenue grants from the commonwealth which bases its distribution methods on the assessment of the Commonwealth Grants Commission.² State governments outline all manner of regional economic diversity and claim as many disabilities as possible within what the Commonwealth Grants Commission terms the policy-neutral decision-making process (see the CGC 1991). Following a highly complex assessment process of state and territory fiscal capacity, the Commission then makes recommendations to the commonwealth for the equalisation of general purpose payments to the states and territories.

One question characterised by the Commission's role is the extent to which the functions performed by the Commission in fulfilling state, territory and commonwealth expectations within the equalisation process

² According to Walsh, Before the 1980s the Commonwealth Grants Commission only assessed special grants to states which felt that their needs were undervalued in the *direct* process of, 'competitively negotiating' with the commonwealth for *shares* of resources.

is stained by politics (see Sharman, forthcoming, 1993; see CGC Transcript of Proceedings 1992).

The Commission's 'policy neutral' approach to the assessment of states' fiscal capacity appears to be aimed at removing any sinister political connotations from the formal bargaining procedures engaged in by the commonwealth, state and territory governments; that is, in principle, the fiscal *capacity* of each state and territory to provide services to their citizens is kept at arms length from aspects of 'politics' which:

- influence the policy choice of a state governments;
- might be seen distinctly to advantage one state over another; and
- which, if the equalisation language was loaded, might seriously alter the meaning of 'fiscal capacity'.

This, it seems, encourages a hallowed environment in which the interpretation of 'relativities' (such as, what the Commission thinks should be considered in the process of determining the distribution of revenue) and equalisation principles can flourish; it allows the Commission to retain a degree of explicit political independence. It also seems to invite competition from state and territory treasuries which, otherwise, might be inhibited from vigorously competing for what are essentially state resources. 'Policy neutrality' is aimed at eliminating the impact of the Commission's decisions on state political choice about the *level* of the provision of services.

The Commission has managed to retain its credibility, both with the states and with the commonwealth government, by defining its role in the equalisation process as a technical arbitrator. This does not mean, however, that there is consensus over the role of the Commission; according to Sharman (forthcoming 1993),

no matter how sophisticated the formula becomes, this remains a contentious issue both because there are arguments over whether equalisation is desirable at all given its effect on allocative efficiency, and because equalisation rests on politically sensitive assumptions in its attempt to quantify the fiscal needs, disabilities and potential resources of state governments. (p. 37)

Sharman's view focuses on the Commission as a commonwealth agency and as an intrusive element in the federal fiscal cycle. The reason for this is that the commonwealth government has a natural bias towards collective uniformity and this is apparent in various policy areas, particularly in the area of tariff policy, revenue collection and the application of uniform laws (for example, the Uniform Income Tax Act, the Commonwealth Grants Commission's attempt to equalise the fiscal capacity of the states, and the Mutual Recognition process for uniform

standards).³ Uniformity, however, is not completely captured by the commonwealth; the states also share an interest in developing uniform guidelines but only if it suits them (see for example Painter 1991). Even then, the states themselves place a different premium, or a different political value, on uniform laws and standards to those of the commonwealth (see SPC 1990).

POLITICAL VALUES AND EQUALISATION

Political values in Australia, or, what Holmes and Sharman (1977) refer to as the 'federal culture' seems obviously to have a federal orientation. Political and economic differences among the constituent governments have their origins in the historical development of colonial Australia and in the emergence of democratic political values in Australia's governing institutions. Just how strong those values are remains relatively unclear. However, in their relationship with liberal political doctrines, they offer a fall-back position for state constituents who wish to protect their regional differences from the prescriptive nature of economic determinism, that is, from the fiscal, predatory, tendencies of other governments. According to Hancock (1930), Australian political values were created from a tense relationship between collectivism and individualism. Hancock had in mind the early, isolated settlements where people depended on the machinery of government to support the political life of individuals and to offer a degree of security from the 'economic onslaughts' of federation (p. 71).

Powers between the states and the commonwealth were initially divided up along lines which reflected the authority of the colonial governments (see Warden 1992). From the perspective of the governments at that time, the intention was for the states to retain post-colonial control of all the major policy areas and public utilities which would affect regional development, both politically and economically. Railways, lands, local government, agriculture, settlement policies, hospitals, forestry and mining, were, and still are, subject to the authority of the states; ironically, the proviso for the maintenance of state authority and regional development is fiscal equalisation.

³ For the purpose of arguing on behalf of diversity, it is possible that the development of the commonwealth's political strengths through its highly centralised revenue raising powers is a substitute for its limited ability to ultimately control the institutional autonomy of the States. In other words, if the commonwealth's fiscal powers had been substantially less, it may have developed a less tolerant, and more coercive, attitude to institutional liberalism.

Prior to the establishment of the Commonwealth Grants Commission, state and commonwealth financial distributive policies were seen, particularly by the smaller states such as Western Australia and Tasmania, as reinforcing almost every perceived disadvantage which had a causal relationship to federation (see *The Case of the People...* 1934). This also is clearly set out in the first chapter of May's analysis (1971). May points out that the Western Australian case against the continued maintenance of fiscal federation had direct links to the Western Australian secessionist movement during the 1930s (1971, 37). The rule of equalisation, applied by the Commonwealth Grants Commission recommendations, and vigorously fought over by the states, is that the states have an opportunity, through the maintenance of their fiscal capacity, to provide a fair standard of services to their citizens; fairness is a central part of regional development in Australia and, in political terms, it is a central part of policies ranging from social justice through to regional economic reform.

In theory (and in a spatial sense) regional development is primarily a state concern but, in reality, the politics of regional economies have been shaped as much by the commonwealth's fiscal decisions, acting on pressure from other states, as anything else. New South Wales, for example, has always been in a relatively powerful position to influence commonwealth fiscal policy. Apart from being the most populous state, since the early years of federation New South Wales has been the incubator for many commonwealth centralising policies and even before federation, the New South Wales government was the pilot-host for Victorian representation when that colony had no legislative structure. Prior to federation, New South Wales was the 'central' government and, according to Finn's account of colonial settlement New South Wales allocated six Legislative Council seats to the Victorians (1987, 79).

STATE FEDERALISM AND REGIONAL COMPETITION

Australian nationhood was balanced on the success of fiscal unification at federation. This was despite intergovernmental discontent over the distributive process itself (that is, competition between states for a preferred method of financial distribution and redistribution). It was in the intergovernmental provisions of financial redistribution that state regional differences were to become the most contentious and revealing.

Competition between governments span all principal areas of resource development; governments, particularly state and territory governments, challenge each other for regional economic benefits, either through competing to influence commonwealth decisions or attempting to organise the tax base to 'secure' their own regional objectives against erosion by other states, or by commonwealth policy (see Walsh 1992).

Dozens of complex regional subsidies, incentives and cross-cutting fiscal processes, formed during the late nineteenth and early twentieth centuries, remain firmly in place today. An example is the Queensland sugar industry. The Colonial Sugar Refining Company (CSR), incorporated under the New South Wales Companies Act in 1887, attained protective status under a 1915 intergovernmental Agreement between the commonwealth and the Queensland government which not only assured CSR of government protection but also placed the commonwealth government into the role of chief financier. Under the terms of the Agreement, 'the commonwealth purchased all the sugar grown in the commonwealth (of which 95 per cent was grown in Queensland). The commonwealth also agreed to meet management, interest and depreciation costs relative to the refining and distributing of sugar by the company' (*The Case of the People...* 1934, 197). Prices were fixed and a monopoly was created.

These type of arrangements focused on the development and underdevelopment of regional economies and altered the capacity of governments to finance goods and services delivery. As one scholar argues, 'once federal systems of government have been put in place, they structure not only the society but also politics along federal lines' (Gibbins 1987, 19).

Government intervention altered conditions for economic and political competition in the very early stages of Australia's federal development. Also, Butlin, Barnard and Pincus (1982) point out, for example, that in the 1960s, there was a change of governmental attitude which led to an encouragement of private capital into the development of infrastructure: tax incentives covered the expansion of 'land transport and housing infrastructure; it extended to concepts of public and private joint ventures also in port development and the provision of facilities' (p. 41).

The overall impact of governmental enterprise policies throughout all states has a direct bearing on the future resource potential of a region and, ultimately, it affects the political links between commonwealth general purpose funding principles and other fiscal transfers which drive fiscal federalism.

Also, state and territory governments have had a major influence on the development of their regional resource industries through the application of their own tax subsidies. State subsidised infrastructure policies, for example those in the resource related industries in Western Australia, South Australia and the Northern Territory, have been boosted by increased levels of intergovernmental competition: for example, activity over the provision of infrastructure lead-in development costs for mining towns in Western Australia and the Northern Territory, and government subsidised industrial developments in South Australia (see Butlin, Barnard & Pincus 1982; Warhurst 1980, see also Capling & Galligan 1992). Indeed, the shape of regional economic development in

the first few decades after federation was to become an indication of the future economic well-being of the states. In 1929-30, for instance, when the production of the manufacturing industries accounted for approximately 38 percent of the total production of Australia, Western Australia was then, as it is now, largely dependent on primary, rather than secondary industries (*The Case for the People...* 1934, 217).

Competing perceptions of potential disparities in the process of financial redistribution, more recently, have increased governmental awareness of the importance of the equalisation principles in lodging fiscal fairness into the federal process, especially from the perspective of the major contributing states: the populous eastern states of New South Wales and Victoria from where most of the personal income tax is collected, uniformly, by the commonwealth. The commonwealth's fiscal powers are far in excess of those required for commonwealth own expenditure (see Walsh 1991).

On state evidence, there are many important factors which the states believe should receive consideration in the development of recommended equalisation principles: demographic factors and the outcome of local, state and regional political initiatives form an important part of the overall federal organisation of resources and prosperity. In a direct sense, some questions surrounding the complexities of commonwealth general purpose funding are the same as those that support competition for the power to interpret 'prosperity', particularly interpretations, by New South Wales and Victoria, which paper over their own state's subsidies while at the same time, they demand a return to the *less* fair per capita method of redistributing of commonwealth general purpose funds on a per capita basis (see the public debates between state Premiers in the media prior to the June 12 Premiers' Conference).

Per capita distributions, applied in the early years following federation, ignores the complex range of interlocking fiscal sub-systems which have an historical bearing on the development of regions (such as tariff policies, state taxes, commonwealth subsidies and a range of other policies). Tariffs, such as the sugar tariff in Queensland, or industry tariffs in New South Wales and Victoria, for example, alter the economic shape of regions. This, then, creates incentives, and disincentives for the movement of people, local community development and it affects the level of state goods and service provisions (for a thorough statistical analysis of internal migratory patterns in Australia, see Bell 1991).

Economic arguments which strongly favour a per capita distributional process of commonwealth general purpose grants to the states are invariably aimed at scuttling the equalisation process by attempting to reconcile the disparities in the fiscal capacity of state governments with a microeconomic reform agenda of the commonwealth (underwritten by some of the more powerful states, such as New South Wales; see CGC 1992a). This runs counter to most versions of the federation

doctrine: 'The success of Federation itself must depend on the success of every State in it' (Holder 1897, cited in *The Case for the People...* 1934, 94).

Scrutiny, by the states themselves, of the principles which support the recommendations of the Commonwealth Grants Commission, and the nature of the Commission itself, are issues which have been substantially driven by the question of 'why should the taxpayers of New South Wales and Victoria be forced to subsidise those of weaker States' (Mathews & Jay 1972, 14). Tariffs and other cross-cutting elements are an important feature of this argument and, as Mathews and Jay have suggested, this highlights the tension between fiscal equalisation and state political autonomy. The fiscal equalisation process is essentially dominated by state political authority. The following section illustrates the authority of state governments by explaining some of the revenue raising capacities which have been built into the state tax field. Tax systems differ between regions and they provide the basis for assumptions concerned with identifying state authority and, at another level of debate, this has a direct bearing on the perennial arguments over roles, responsibilities, accountability and the costs and benefits of Australian federalism more generally (see Wilshire 1990; Fletcher 1991). Basically, state federalism rules itself; economic flexibility is tied to the revenue-raising capacity and the expenditure authority of the states (see Walsh 1991).

TAX COMPETITION AND EQUALISATION

Each Australian state and territory has a different tax system. The revenue raising capacity of the states and their choice of state taxes are issues which are firmly bound by state powers. But, according to the states, the design of state taxes impacts on state assets and, if the asset base shrinks, so also does state revenue and, ultimately, this could influence the fiscal capacity of the states to provide an acceptable level of goods and services.

This can be explained with reference to state stamp duties. (Different state payroll tax legislation is actually far more complex than state stamp duties laws, but inconsistencies in the application of payroll tax are so confusing and tax laws are so 'fragmented' that, as a study in regional diversity, it is beyond the scope of this paper (but see Rounds 1992; ATA 1991).) From a nation-wide perspective however, the tax types that range across the country, including the commonwealth's direct taxing powers, form a fundamental part of the federal system of government and, in conjunction with state tax systems, this underwrites a considerable part of the equalisation process: as Walsh (1991) argues, if the states had the power to raise direct taxes, the commonwealth would experience a severe decline in fiscal superiority (see also Mathews 1977).

State stamp duty tax, along with other state tax laws, affect the size of the state revenue base. By the same token, if a state reduces the amount of revenue available by amending state stamp duty laws to attract business investments, there is every possibility that the state will increase its general revenue intake through the Commonwealth Grants Commission equalisation recommendations. This, it is argued by some states, will lead to microeconomic reform through tax reconstruction.

Stamp duty as a percentage of the states' total receipts varies throughout Australia; in 1987-88, in New South Wales, for example, the figure is 19.5 per cent whereas in Tasmania the total is 9.4 per cent (Rounds 1992, 7). Western Australia has a percentage of 19.9 and, in South Australia, the figure is 13.1 per cent. From an regional economic perspective, there are significant political differences which, if further research was carried out, would be probably shown to mirror the economic (and constitutional) development of each state and territory. Different governmental priorities are clearly emphasised by the states themselves when they articulate their policy preferences before the Commonwealth Grants Commission's fiscal review process.

According to the Commission's transcript of its current 1993 review proceedings:

New South Wales argues that the Commission should revise its treatment of corporate reconstructions. It considers that no part of the value of reconstruction which receive exemptions or refunds should be included in the revenue base. This is because its legislation requires that applicants must satisfy the NSW Treasurer that the reconstruction would not proceed in the absence of the exemption. (CGC 1992b, 53).

The Commission goes on to say:

At the opposite extreme, Western Australia proposes that the Commission acknowledge the policy nature of these concessions and revert to including the full value of corporate reconstructions in the revenue base (p. 53).

Under the New South Wales stamp duty laws there are no clear provisions for business employment or establishment exemptions. In that state, there are exemptions for trustees appointed by will, certain provisions for transfers between spouses, some insurance policies, residential leases, small mortgage loans and a variety of transfers involving bonds, debentures, stocks, bills and mining shares (ATA 1991). Legislation in Queensland, Victoria and South Australia contains various provisions for partial or full tax exemption depending on the items. South Australian exemptions cover certain employment (manufacturing) conditions, the sale of some goods (if valued at less than \$100 and subject to other qualifications), insurance policies, grants of Crown land, some conveyances (Crown land, corporate debt) and various other agreements (ATA 1991); the exemptions on taxes levied in South

Australia indicate, to some extent, the manufacturing base in the state although, alternatively, there is no indication in the state stamp duty laws of other fundamental governmental characteristics in South Australia, for example, the historical importance of the Housing Trust in shaping regional development (see Marsden 1986).

Western Australia has limited and ambiguous stamp duty exemptions; many of the exemptions reflect the corporate image, now tarnished, that developed in that state during the 1970s and 1980s. Exemptions tend to be focused on such items as public companies listed on the stock exchange, bankruptcy shares, liquidations, government cheques, intra-bank transactions, charities, some conveyancing, some brokerage activity and plant hire (ATA 1991). In 1992, that state argued against reducing its own revenue base which, it claimed, would reduce its relatively small asset base. The asset base in Western Australia is essentially derived from primary industries and mining (see for example, Ghosh 1981). If the state government wishes to encourage claims for 'tax relief' outside of state stamp duty laws there are ways to minimise establishment costs for industry; for example, of the 21 state stamp duty exemptions granted by the state government since the mid 1980s, nine claims were from the mining industry.

State taxes are built into regional economies at the core and governments, particularly New South Wales and Victoria, are under pressure from groups such as the Business Council of Australia, to design a more flexible taxation base which would allow generous tax exemptions for investment (CGC 1992b).

For equalisation purposes, the costs and benefits of federalism are assessed using a seemingly unlimited range of factors. Remoteness, for example, is a cost factor and, to secure the fiscal capacity of some governments, there is compensation for such disabilities, particularly in Western Australia and Tasmania. Alternatively, urban 'convenience' also can be costly; in New South Wales, for example, the government argues that metropolitan locations, particularly in the central business district (CBD), are expensive to maintain. This, argues the government, encourages the regionalisation of government administrative structures and governments have to meet new, or increased, demands for services which directly result from regionalisation. The policies of relocation then tend to spill over into the equalisation process as the states compete to have the commonwealth take notice of policies which fall within the increasingly slippery category of relativities. It is partly within the review process itself that many 'relativities' are actually established and the decisions associated with the determination of relativities results from the ability of the states to convince the Commonwealth Grants Commission of their needs.

The financial dimension of regional development is generally where the most explicit competition between governments can be seen and this

is closely linked to commonwealth revenue-raising and commonwealth-state government expenditure. The Commission's recommendations for the distribution of commonwealth general purpose grants are often difficult to measure. One example is the Commission's 'point of delivery scale factor' (CGC 1991, 95); this takes 'a measure of the additional costs of providing a service incurred where services need to be delivered through units (offices, schools and so on) of less than economic size, because the population served is small and remote from other points of service delivery' (p. 85).

State participants argue that, for the purpose of equity, it is important to consider the location of the commonwealth public offices in addition to the state's own administrative structure. The expansion of commonwealth administrative structures in various regions, and the number of public officials, can be inherently costly for the host state in terms of additional pressure on the system of essential services, particularly health, transport and education facilities and particularly in small states. And from the perspective of the 'outside' government (the commonwealth), state goods and services policies have a bearing on the location costs of regional public sector accommodation.

Alternatively, certain types of commonwealth national policies, such as defence, have strong regional components which have a direct influence on the shape of state policies, ranging from state land classification through to the development costs of power and water. A prime example of the complex development of regional location policies can be seen in Northern Australia where almost all state, territory and commonwealth policies are designed around defence, Aboriginal community development and the resource industries.

The commonwealth government has focused on developing a regional administrative function for the pastoral industry across Northern Australia since the Premiers' Conference in 1944 when the Northern Australia Development Committee was established by a joint agreement between Western Australia, Queensland and the commonwealth (see Kelly 1971). There have been various equivalents since then, the most recent being the Office of Northern Development (OND). Although small in size, other commonwealth agencies (such as the Department of Social Security) host the expansion of OND along regional, rather than state, lines. There are potential political implications of this for the states themselves but, that aside, according to some arguments, commonwealth administrative expansion across northern Australia affects the regional fiscal capacity of Western Australia, the Northern Territory and Queensland (see Gray 1992).

Themes of historical governmental development, reproduced in all the states and territories, contribute to regional social and cultural determinants. The same can be said of some of the state and territory legal and political influences.

In the absence of stark regional language and cultural differences, the search for diversity in Australia has tended to focus on different regional demographic factors and economic development rather than on political differences between the states. This type of claim was thoroughly worked over by Holmes and Sharman (1977) in an attempt to locate, among other things, a federal culture in Australia which would help explain the persistence of federalism through the development of attitudes to election issues in each state. Their investigation of regional voting patterns and characteristics of the federal organisation of political parties showed some interesting results in the 'ranking of election issues' (p. 41). According to the authors, the ranking of issues reflected the 'regional circumstances related to traditional party support' (p. 41). The study concentrated on the consequences of regionalism on state political priorities and the likely effect of all this on competition between commonwealth/state relationships.

In general, the cumulated policies that contribute to the regional profile of the different states are likely to show up, at one time or another, as a consequence of competition for an increased share of resources. Notwithstanding the fiscal assertiveness of the commonwealth at the expense of regional communities, the commonwealth's 'line' in the equalisation process appears to be pushed into shape, over many issues, by the states themselves, particularly New South Wales and Victoria. Consequently, if larger, economically powerful states have the ability to argue their case before the Commission with more conviction than the smaller states, the principles of equalisation are likely to come under increased pressure for change (see, for example, CGC 1992b). For example, the Commission suggests that:

With regard to matters not specifically cited in the terms of reference, we intend to follow the proposals made in the Issues Report. However, we interpret 'generally' to mean that there is scope for reconsideration of proposals in the Issues Report where new argument and/or new information suggest that a change is warranted. (p. 1).

The formal political union of the states in 1901 institutionalised economic security and political competition into Australian community development. For example, in the summary of the secessionist case for the people of Western Australia in the 1930s, it was argued that 'A single tariff for the whole of Australia is one of the fundamental principles of Federation: but it is an utter impossibility for the commonwealth Government to frame a tariff that will meet the varying needs of the whole continent' (*The Case for the People...*, 342). Political dissent among the smaller states had been apparent for some years and discontent over the impact of federation echoed in the early development of greater fiscal fairness (May 1971, 137; see also CGC 1983). General fiscal tension in the power arrangements for governing contributes to

competition for resources between all governments and also leads to some confusion over the interpretation of political and economic values in the equalisation process (see Breton 1985; Walsh 1992)

A FISCAL EXPLANATION FOR AUSTRALIAN POLITICAL VALUES

The Australian form of fiscal equalisation is considered to be more complex and more formally institutionalised than fiscal equalisation in any other western federation, according to Walsh (1992). In searching for an explanation of the values which support concepts of equity and fiscal federalism, in this section it is argued that political competition between governments, for the opportunity to influence the federal fiscal arrangements, are supported by values that hark back to the formative years of Australian federation.

Walsh (1992) argues that, 'workable, cohesive federations require some form of transfer of resources between constituent units. These might arise from a variety of sources' (p. 32). In Australia, they arise, in part, from what Hancock (1930) recognised as strong sentiments of collectivism and individualism which reflect the individual's dependence on government. A more pragmatic explanation, already outlined above, follows: taxation is collected uniformly but the equity of the redistributive process is determined by state and commonwealth competition (see Prest & Mathews 1980). Moreover, competition between states has its history in colonial Australia when many of the political values were set in place.

It became obvious in the early years of federation that some small state governments, particularly Western Australia and Tasmania, saw their position in the federal union as extraneous. Unfair policy decisions, such as the Surplus Revenue Act 1910 which transferred payments to the states on a basis equal to 25s per head of population, per annum, challenged the independent authority of the state governments (*The Case of the People* 1934, 68; see also May 1971).

General revenues distributed on a per capita basis can have an 'unfederal' outcome. The doctrine which supports such grants is decidedly majoritarian. For example, per capita distribution allows the central government to assume the mantle of uniformity by assessing the 'needs' of regional people rather than regional governments; it means that the commonwealth can ignore the constitutional autonomy of the states. On the other hand, as this paper has explained, the actual *process* for the distribution of grants (whether per capita or otherwise) is, by design, federal. Indeed, the regional communities gave their assent to federation with the proviso that their regional governments would not be obliterated nor their economies retarded by a strong central government.

Regional development in other 'new world' countries, for example the United States, is also closely characterised by early settlement: the expansion of frontier settlements in America and the the different political cultures which emerged as a result of immigrants moving west, is stylised in much of that country's literature on federalism and public policy (see for example, Elazar 1982; Wirt 1991; Patterson 1982).⁴ Turner (1920), the creator of the frontier concept in the United States, believed that the 'frontier' increased the individual's innovating tendencies).

There have been various attempts to compare the American and the Australian 'frontier' concept (see for example, Allen 1959; Bowman 1931; Ward 1966). Comparisons differentiated between regional characteristics and identified differences that could be used to explain something unique about the Australian political ethos. For the most part, however, frontier analyses have been dominated by attention to geography more than anything else. Most scholars, with the exception of Ward, found the Australian environment somewhat less than inspiring and this tended to colour many assumptions concerning Australia's political characteristics (for examples, see Bolton 1981). Whereas settlers in America consolidated their combined political strength behind the protective barrier of the Appalachians, (Allen 1959, 5) settlers in Australia, in pockets far removed from each other, consolidated their political strength behind the collective characteristic of government protection policies.

Patterns of white settlement in Australia were shaped by the availability of natural resources and, since there was a premium on arable land, the colonial governments strengthened their nineteenth century political systems through the design of their legal and political regimes (Finn 1987). Nor were colonial governments conditioned by the same evolutionary phases of political developments as those that shaped British institutions in that country. Australian regional values associated with government and administration, at least according to Finn's analysis of colonial law in New South Wales, Queensland and Victoria, have been underwritten by the design and interpretation of colonial, rather than British, legislation; the laws were British in tradition but, as Finn points out, they were indigenous in practice. Legal judgements and the maintenance of central colonial authority in the construction of public utilities, the organisation of colonial bureaucracies and the administration

⁴ See F.J. Turner's thesis, *The Frontier in American History*. There are a number of debates on Turner's thesis: for example, *The Frontier in Perspective*, Wyman & Kroeber (eds) 1957. Turner's thesis provided a valuable basis for Daniel J. Elazar to explore the nineteenth century national character of American federalism and Elazar's work on American political culture, and subsequent reexaminations of his thesis, has been published widely (see, for examples, Elazar 1982; 1991; Wirt 1991).

of local communities, differed markedly between Britain and Australia and, also, between the colonies themselves. Finn writes that

the raw conditions of the colonies, the patterns of settlement and investment and the imperatives of the development impelled governments into activities without counterpart in Britain or which in that country were conducted by local government, private enterprise or private and charitable organizations. (1987, 3)

Also, regional communities in most of the emergent colonial states were a bulwark against social disarray in a country where infrastructure, other than the most basic communications, was virtually non-existent outside the main population centres. In Hancock's words, the towns were the 'centres of life' which, if they were to survive, were linked by the more adventurous individuals (1930, 5).

Communities in various parts of the country looked towards the colonial/state government to provide the basic goods and services and, in most states, with the exception of the remote northern territory region of South Australia, local governments had an active role in the establishment of local infrastructure.⁵ Colonial/state governments were the centres of power in each region. In many regions of Australia, emerging communities were peripheral settlements and, in the early half of the twentieth century, this gave rise to ideas of an Australian frontier (see, for example, Bowman 1931; Ward 1966; Allen 1959, Bolton 1981). From Hancock's observations, the frontier is seen as the final, outer reach of settlement; it is something which generates resource competition among constituents. Hancock believed that competition over the limited resources which supported Australian settlement would strain the relationship between the collective power of government and the Australian individual's self-styled obligations. (The 'Australianisation' of political theory and the identity of the individual was developed into a sophisticated argument along similar lines, but without much of a federal emphasis, by Collins in 1985).

Many of the collectivist values which shaped the equalisation process were modelled in the early years of Australian responsible government. Finn (1987) writes that the intrusion of government 'into industrial regulations and welfare' resulted in a 'blending of individualism and collectivism, of liberalism and socialism' (p. 82) which government practitioners, themselves, acknowledged. Pearson (1894), a former parliamentarian in colonial Victoria, noted, on his return to Britain, that

⁵ Many of the nineteenth century colonial newspapers, and state government department records produced in the early part of this century, contain substantial information on the development of post-colonial infrastructure. More recent publications include, for example, the history of the Housing Trust in South Australia (Marsden 1986).

The settlers of Victoria, and to a great extent of the other colonies, have been men who carried with them the English theory of government: to circumscribe the action of the State as much as possible; to free commerce and production from all legal restrictions; and to leave every man to shift for himself with the faintest possible regard for those who fell by the way. Often against their own will the colonists have ended by (sic) a system of State centralisation that rivals whatever is attempted in the most bureaucratic countries of the Continent. (cited in Finn 1987, 82)

From the standpoint of analysis, Australian collectivism and individualism are sentiments, but, they contribute to the historical basis for debates over uniformity and diversity. From the Commonwealth Grants Commission's viewpoint, the fiscal capacity of each state and territory has paramountcy over the revenue and expenditure activities of state budgets. Nonetheless, each state and territory has a different view on the interpretation of equity and also of fiscal capacity.⁶ Fiscal federal reform has been, and will probably remain, a central issue in the federal organisation of regional resources (see Walsh 1992; Galligan, Hughes & Walsh 1991)

CONCLUSION

The role of the Commonwealth Grants Commission is seen by some observers, particularly the strong states (so called), like New South Wales and Victoria, as a potential vehicle for pressing home changes for state federal reform. Recent strategic reform proposals, outside of the functions of the various parliaments, have taken place at Premiers' Conferences and, more recently, within the Special Premiers' Conference process (SPC 1990). The states compete for the chance to push as many buttons as possible for the distribution of commonwealth general revenue to suit regional needs.

The equalisation process is an ongoing function of governments and has been so for some time; equalisation is a very federal activity.

In Australia, fiscal capacity forms the basis of the doctrine of state federalism. The states and the commonwealth are in a much more powerful position now than they were when Hancock was writing *Australia*. The states, for example, have rejected their image of 'the genteel poor', as Hancock portrayed them following the 1927 intergovernmental agreement, 'like a gathering of the genteel poor at a distribution of rations ... trying so hard to feel dignified and stable'

⁶ The range of views are too lengthy and complex for the argument here, however, they are publicly available in the Commission's 1993 review of relativities (CGC 1992a).

(1930, 92). Now, in the 1990s, the states and the commonwealth governments participate with more aggression than in the past, frequently entering into public displays of inter-state and intergovernment rivalry for increased fiscal powers. However, because of the focus on economic competition, most fiscal issues are approached from an economic perspective which may, or may not, recognise the important political impact of regionalism, pre-federation. On current political evidence, however, what may have been the residual effect of the early fiscal union is now part of much of the driving force of fiscal equalisation. In 1901, economic policies were the political cornerstone of federation: the fiscal equalisation process is now an essential part of the Australian federal culture.

BIBLIOGRAPHY

- Allen, H.C., 1959. *Bush and Backwoods: A Comparison of the Frontier in Australia and the United States*, Michigan State University Press, Michigan.
- ATA (Australian Taxpayers Association), 1991 *The Taxpayer: Tax Summary*, Eric Risstrom (ed), Wrightbooks of Melbourne.
- Barwise, Kerry & Castles, Francis, 1991. *The 'New Federalism', Fiscal Centralisation and Public Policy Outcomes*, Discussion Paper No. 27, Public Policy Program, Australian National University.
- Bell, Martin, 1991. *Internal Migration In Australia 1981-1986*, Bureau of Immigration Research, AGPS, Canberra.
- Bolton, Geoffrey, 1981. *Spoils and Spoilers: Australians make their environment 1788-1980*, George Allen & Unwin, Sydney.
- Bowman, Isaiah, 1931. *The Pioneer Fringe*, American Geographical Society, New York, NY.
- Breton, Albert, 1985. 'Supplementary Statement', in Royal Commission of the Economic Union and Development Prospects for Canada, Report, Vol. 3, Minister of Supply and Service, Ottawa.
- Breton, Albert, 1991. 'The Existence and Stability of Interjurisdictional Competition', in D.A. Kenyon & J. Kincaid, *Competition among State and Local Governments: Efficiency and Equity in American Federalism*, The Urban Institute Press, Washington, DC.
- Burt, A.L., 1957. 'If Turner Had Looked at Canada, Australia, and New Zealand When He Wrote about the West', in W.D. Wyman & C.B. Kroeber (eds), *The Frontier in Perspective*, University of Wisconsin Press, Madison.
- Butlin, N.G., Barnard, A. & Pincus, J.J., 1982, *Government and Capitalism: Public and Private Choice in Twentieth Century Australia*, George Allen & Unwin, Sydney.

- Capling Anne, & Galligan, Brian, 1992, *Beyond the Protective State: The Political Economy of Australia's Manufacturing Industry Policy*, Cambridge University Press, Melbourne.
- CGC (Commonwealth Grants Commission), 1983. *Equality in Diversity: Fifty Years of the Commonwealth Grants Commission*, AGPS, Canberra.
- CGC, 1991. *Report on General Revenue Grant Relativities 1991 Update, Volume 1: Main Report*, AGPS, Canberra.
- CGC, 1992a *The 1993 Review of General Revenue Grant Relativities CGC 92/2, Annotated Agenda for General Conference, 5-7 May*.
- CGC, 1992b. *Transcript of Proceedings of Conference in Relation to a Review of the Per Capita Relativities to Apply to the Distribution of General Revenue Grants After 1992-93*.
- Collins, Hugh, 1985. 'Political Ideology in Australia: The Distinctiveness of a Benthamite Society', in S.R. Graubard (ed), *Australia: The Daedalus Symposium*, Angus & Robertson, Sydney.
- Elazar, Daniel J., 1991. 'Cooperative Federalism', in D.A. Kenyon & J. Kincaid (eds), *Competition among States and Local Governments: Efficiency and Equity in American Federalism*, The Urban Institute Press, Washington, DC.
- Elazar, Daniel J., 1987. *Exploring Federalism*, The University of Alabama Press, Tuscaloosa.
- Elazar, Daniel J., 1982. *The American Cultural Matrix*, in D.J. Elazar & J. Zikmund II (eds), *The Ecology of American Political Culture: Readings*, Thomas Y. Crowell Company, New York.
- Emy, Hugh V. & Hughes, Owen E., 1991. *Australian Politics, Realities in Conflict*, 2nd edn, MacMillan, Melbourne.
- Fightback! *Taxation and Expenditure Reform for Jobs and Growth: The Liberal and National Parties' Plan to Rebuild and Reward Australia*, 21 November 1991.
- Finn, Paul, 1987. *Law and Government in Colonial Australia*, Oxford University Press, Melbourne.
- Fletcher, Christine, 1991. *Responsive Government: Duplication and Overlap in the Australian Federal System*, Discussion Paper No.3, Federalism Research Centre, Australian National University.
- Galligan, Brian, 1992. 'Australia's Constitutional Design: The Fiscal Dimension', paper prepared for the Federalism Research Centre's Research Advisory Committee Seminar, ANU, 4 June.
- Galligan, Brian, Hughes, Owen & Walsh, Cliff (eds), 1991. *Intergovernmental Relations and Public Policy*, Allen & Unwin, Sydney.
- Gates, R.C., 1974. 'The Search for a State Growth Tax', in R.L. Mathews (ed), *Intergovernmental Relations in Australia*, Angus & Robertson, Sydney.
- Gibbins, Roger, 1987. 'Federal Societies, Institutions, and Politics', in H.Bakvis & W.K. Chandler (eds), *Federalism and the Role of the State*, University of Toronto Press, Toronto.
- Gosh, R.N., 1981. 'Economic Development and Population Growth in Western Australia Since 1945', in C.T. Stannage (ed), *A New History of Western Australia*, University of Western Australia Press, Nedlands.

- Gray, W.J. 1992. The Delivery of Commonwealth Social Justice Programs and Services in Northern Australia: Some Future Directions and Technology Implications, speech to the Transport and Communication Conference in Darwin, March 1992.
- Hancock, W.K., 1930. Australia, The Jacaranda Press, London.
- Holmes, Jean & Sharman, Campbell, 1977. The Australian Federal System, George Allen & Unwin, Sydney.
- Keating, P., 1992. 'One Nation Policy', the Prime Minister's Statement to the Nation, February.
- Kelly, J.H., 1971. Beef in Northern Australia, ANU Press, Canberra.
- Marsden, Susan, 1986. Business, Charity and Sentiment: The South Australian Housing Trust 1936-1986, Wakefield Press, Netley, SA.
- Mathews, Russell, 1979. The Distribution of Tax Sharing Entitlements Among the States, Reprint Series No. 31, Centre for Research on Federal Financial Relations, Australian National University.
- Mathews, Russell, 1977. Revenue Sharing and Australian Federalism, in D. Jaensch (ed), The Politics of 'New Federalism', Australasian Political Studies Association, Adelaide.
- Mathews, R.L. & Jay, W.R.C., 1972. Federal Finance: Intergovernmental Financial Relations in Australia Since Federation, Thomas Nelson, Melbourne.
- May, R.J., 1971. Financing the Small States in Australian Federalism, Oxford University Press, London.
- Ostrom, Vincent, 1987. The Political Theory of a Compound Republic: Designing the American Experiment, 2nd edn, University of Nebraska Press, Lincoln.
- Painter, Martin, 1991. 'Policy Diversity and Policy Learning in a Federation: The Case of Australian State Betting Laws', *Publius*, 21(1), 143-58
- Patterson, Samuel, C., 1982. 'The Political Cultures of the American States', in D.J. Elazar & J. Ziskmund II (eds), *The Ecology of American Political Culture: Readings*, Thomas Y. Crowell Co., New York.
- Peachment, A.G. & Reid, G.S., 1977. *New Federalism in Australia: Rhetoric or Reality?* APSA Monograph No. 18, University Relations Unit, Flinders University, Adelaide.
- Prest, W., & Mathews, R.L. (eds), 1980. *The Development of Australian Fiscal Federalism: Selected Readings*, Australian National University Press, Canberra.
- Rounds, Taryn, A., 1992. Tax Harmonization and Tax Competition: Contrasting Views and Policy Issues in Three Federations, Discussion Paper No. 15, Federalism Research Centre, Australian National University, ANU.
- Sharman, Campbell, 1990. Parliamentary Federations and Limited Government: Constitutional Design and Re-design in Australia and Canada, *Journal of Theoretical Politics*, 2(2), 20530.
- Sharman, Campbell, 1993 (forthcoming). *Federalism in Australia*, Allen & Unwin, Sydney.
- SPC (Special Premiers' Conference) 1990. Communique, October.

- Taylor, John, 1991. *Immigration and Its Labour Market Impact in the Northern Territory*, Bureau of Immigration Research, AGPS, Canberra
- The Case of the People of Western Australia, 1934, The Secession Referendum Act, 1932, and The Secession Act, 1934. In the matter of the desire of the people of Western Australia to withdraw from the Commonwealth of Australia established under the Commonwealth of Australia Constitution Act (Imperial). Perth, Western Australia.
- Townesley, W.A., 1976. *The Government of Tasmania*, University of Queensland Press, St Lucia.
- Turner, F.J. 1920. *The Frontier in American History*, Henry Holt (pub); cited in W.D. Wyman & C.B. Croaker (eds), *The Frontier in Perspective*, University of Wisconsin Press, Madison, 1957.
- Vaillancourt, Francois, 1992. *Subnational Tax Harmonisation in Australia and Comparisons with Canada and the United States*, Discussion Paper No.17, Federalism Research Centre, Australian National University.
- Walsh, Cliff, 1989. 'Fiscal Equalisation and Allocative Efficiency: Introduction', in C. Walsh (ed), *Fiscal Equalisation Allocative Efficiency and State Business Undertakings: The Commonwealth Grants Commission 1988 Report on Relativities*, Centre for Research on Federal Financial Relations, ANU.
- Walsh, Cliff, 1990, *State Taxation and Vertical Fiscal Imbalance: The Radical Reform Options*, in C. Walsh (ed), *Issues in State Taxation*, CRFFR, Australian National University.
- Walsh, Cliff, 1991, *Reform of Commonwealth-State Relations: "No Representation without Taxation"*, Discussion Paper No.2, Federalism Research Centre, ANU, Canberra.
- Walsh, Cliff, 1992, (with contributions by Jeff Petchey), *Fiscal Federalism: An Overview of Issues and a Discussion of their Relevance to the European Community*, Discussion Paper No. 12, Federalism Research Centre, ANU, Canberra. (This paper will appear in a special edition of *European Economy* later this year.)
- Ward, Russel, 1966. *The Australian Legend*, Oxford University Press, Oxford.
- Warden, James, 1992. *Federalism and the Design of the Australian Constitution*, Federalism Research Centre, Discussion Paper No. 19, Australian National University.
- Warhurst, John, 1980. *State governments and Australian Tariff policy*, Research Monograph No. 33, Centre for Research on Federal Financial Relations, ANU, Canberra.
- Where, K.C., 1963. *Federal Government*, 4th edn, Oxford University Press, London.
- Wyman, Walker D. & Kroeber, Clifton B. (eds), 1957. *The Frontier in Perspective*, University of Wisconsin Press, Madison.
- Wiltshire, Kenneth, 1990. 'Barriers to Rationalising Commonwealth/State Overlap', in *Towards A More Cooperative Federalism?*, EPAC Discussion Paper 90/04, AGPS, Canberra.
- Wirt, Frederick M., 1991. "'Soft" Concepts and "Hard" Data: A Research Review of Elazar's Political Culture', in *Publius*, Spring, 21(2), 1-14.

FEDERALISM RESEARCH CENTRE
DISCUSSION PAPER SERIES
ISSN 1036 8655

- No. 1 Christine Fletcher, *The Institutional Logic of Program Management in the Australian Federal Sprawl*, June 1991.
- No. 2 Cliff Walsh, *Reform of Commonwealth-State Relations: 'No Representation Without Taxation'*, August 1991.
- No. 3 Christine Fletcher, *Responsive Government: Duplication and Overlap in the Australian Federal System*, August 1991.
- No. 4 Christine Fletcher & Cliff Walsh, *Intergovernmental Relations in Australia: Managerialist Reform and the Power of Federalism*, September 1991.
- No. 5 Brian Galligan & David Mardiste, *Labor's Reconciliation with Federalism*, September 1991.
- No. 6 Campbell Sharman, *Reporting Federalism: The Press and Coverage of the Special Premiers' Conference 1990*, September 1991.
- No. 7 Cliff Walsh, *Fiscal Accountability, Vertical Fiscal Imbalance and Macroeconomic Management in Federal Fiscal Systems*, forthcoming 1992
- No. 8 Brian Galligan, *The Character of Australian Federalism: Concurrent Not Coordinate*, forthcoming 1992
- No. 9 Brian Galligan & Cliff Walsh, *Australian Federalism: Yes or No*, December 1991.
- No. 10 Neil Marshall, *Intergovernmental Managerialism: Appropriating the Universities*, December 1991.
- No. 11 Nick Greiner, *That 'Obstructive Spirit of Provincialism' Has Been Curbed*, January 1992.
- No. 12 Cliff Walsh (with contributions by Jeff Petchey), *Fiscal Federalism: An Overview of Issues and a Discussion of their Relevance to the European Community*, February 1992.
- No. 13 Christine Fletcher, *The Australian Territories and New Federalism*, March 1992.
- No. 14 Brian Galligan & Georgina Lynch, *Integrating Conservation and Development: Australia's Resource Assessment Commission and the Testing Case of Coronation Hill*, March, 1992.
- No. 15 Taryn A. Rounds, *Tax Harmonization and Tax Competition: Contrasting Views and Policy Issues in Three Federations*, March 1992.

- No. 16 John Bannon, *Cooperative Federalism: Good Policy and Good Government*, May 1992.
- No. 17 François Vaillancourt, *Subnational Tax Harmonisation in Australia and Comparisons with Canada and the United States*, May 1992
- No. 18 Doreen Barrie, *Environmental Protection in a Federal State*, May 1992.
- No. 19 James Warden, *Federalism and the Design of the Australian Constitution*, May 1992.
- No. 20 Christine Fletcher, *Competition Between Regional Governments and the Federal Culture of Fiscal Equalisation*, June 1992.
- No. 21 Cliff Walsh, *Infrastructure Funding and Federal-State Financial Relations*, June 1992.

Discussion
Paper

Discussion
Paper

Discussion
Paper

Discussion
Paper

Discussion
Paper

Discussion
Paper

Discussion
Paper