

# Introduction

*Paul Kildea, Andrew Lynch and George Williams*

Much has been written about the dysfunctional state of the Australian federation. Over several decades, political and legal commentators through to political leaders and public service chiefs have spoken about the need to fix Australia's federal arrangements so that they better serve the needs of the nation and underpin, rather than hamper, our future prosperity.

Attention has been drawn in particular to the imbalance at the heart of our system of government. As the Commonwealth has grown in power and influence due in large part to its fiscal domination and expanding legislative capacity, the role of the states has continued to diminish. There are a number of well-recognised causes for this pronounced disparity between the two tiers of government, including the steady centralising effect of High Court interpretation of the Australian Constitution.

It is fair to say that this course of events runs counter to what the framers of the Constitution had intended that their labours would create. While they anticipated that some centralisation would be necessary to aid the nation's political and economic development, they would be startled to see today the extent to which the Commonwealth is able to override or leverage compliance from the states. But, if the current state of the federation would disappoint the founding generation, it is also of deep concern to the present one. The practice of federalism in Australia is sub-optimal, both in terms of its costs and inefficiencies, and its failure to capitalise on the strengths of divided government, such as diversity and innovation. This has major ongoing repercussions, including the wastage of taxation revenue, the inefficient and inappropriate regulation of areas, including water policy, and lower standards of government services in areas like health and education.

Given that the unhappy state of Australia's federal system has long been recognised, it is no surprise that much has also been written about what needs to be done to repair it. Indeed, discussion of the topic far exceeds what has actually been done to fix the problem. Common prescriptions include a reallocation of roles and responsibilities between the Commonwealth and the states, and restoring revenue-raising powers to the latter so as to reduce vertical fiscal

This is a preview. Not all pages are shown.