

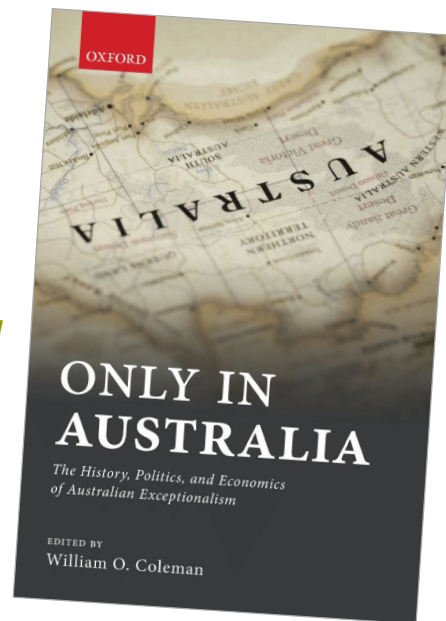
HOLD THE PESSIMISM

Only in Australia: The History, Politics and Economics of Australian Exceptionalism

Edited by William Coleman

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Reviewed by David Alexander



What makes Australia exceptional? Let me start with some impressionistic assessments from outsiders acquainted with our country.

In his farewell round of interviews when ending his posting in Australia, United States Ambassador John Berry gave a notable description of Australians. ‘I think Australians are the most rational people in the world,’ Berry said. ‘We in the United States tend to layer a lot of emotion into our decision-making and public debate, and one of the things I really respect about Australians is that if that starts to happen here you are pretty quick to wet-blanket it. So we’ve noticed just how important rational argument and good scientific basis is in your decision-making and really appreciate that.’¹

The noted British writer on the Anglosphere, Daniel Hannan, says that Australians are the living embodiment of classical libertarianism. ‘The British had, historically, been remarkably ready to defy their rulers’, says Hannan. ‘Australians took these characteristics much further. Any visitor to Australia is struck by the endurance of these characteristics: informality, bloody-mindedness,

individualism, self-reliance. Here, in short, is (John Stuart) Mill’s libertarian philosophy made flesh.’²

American-British writer Bill Bryson wrote in his book on Australia *Down Under*, ‘The people are immensely likeable—cheerful, extrovert, quick-witted, and unfailingly obliging. Their cities are safe and clean and nearly always built on water. They have a society that is prosperous, well ordered, and instinctively egalitarian.’³

Rational, libertarian, egalitarian—these are interesting adjectives which we will come back to later. For the moment it is simply worth noting that these are very positive views of what makes Australia different.

Only in Australia is a book which seeks to discover what makes Australia exceptional, but it has a rather grumpier argument to make: the characteristics which set us apart are essentially ones which let us down.



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Editor William Coleman’s central premise—based on a range of observations—is that Australia is more collectivist than other Anglophone countries with which we compare ourselves. ‘If we think of a spectrum running from collectivism to individualism, from “public” action and concerns to “private” action and concerns, from left to right, and plot societies on this spectrum, it would appear that most Anglophone countries cluster together, while Australia is an outlier.’

The problem with this claim is that it is hard to sustain in an objective sense. The closest that anyone comes to measuring this quality of collectivism versus individualism is the free-market think tank the Heritage Foundation, which in partnership with the *Wall Street Journal* assiduously ranks countries of the world on various criteria of economic liberalism (tax, spending, regulation, open markets, etc) for its annual Index of Economic Freedom.⁴ One can quibble the methodology, but it at least provides a comprehensive and systematic appraisal of the characteristics in question. Australia, on this Index, ranks as fifth out of 166 countries for its economic liberalism (and two of the top five are city-states). Among the six Anglophone countries, it ranks second to New Zealand. In other words, if Australia is an outlier amongst our peers, it is an outlier on the more *liberal* side rather than collective. Of course Australia has its illiberal idiosyncrasies, but so does every other country have theirs—we need to keep things in perspective.

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The fact that we are assessed as an economically liberal society should not be surprising—compared to other developed countries we do government on the cheap. The OECD’s latest ranking puts us at the third lowest government spending level to GDP (only Switzerland and South Korea are lower).⁵ Australia has had a similar ranking

since comparisons began in 1998, but it is fair to surmise that Australia has always been one of the smaller government spending countries among the developed world.

Being a longstanding low spending country marks Australia, naturally enough, as one of the low tax countries of the developed world—the latest figures have us at the fourth lowest tax to GDP ratio in the OECD.⁶ (The US, South Korea and Switzerland are lower.) Of course Australia could do better in cutting both spending and taxes, but if we are looking at the question of what makes Australia different from other developed countries, one important thing to note is that we sit in the small government camp.

Australia’s economic liberalism is one factor in helping to explain another central fact—we are a very prosperous country. We are in the top tier of developed countries based on GDP per capita, and the OECD ranks Australia as having one of the highest standards of living of all countries (second to Norway in the latest ranking).⁷ The OECD ranks Australia as a country of low wealth inequality where the gap between the top and middle is narrowing, and near average income inequality where the gap has been growing.⁸ (We have of course enjoyed a recent mining boom, which Treasury says has increased incomes and income inequality,⁹ but even prior to the boom Australia was a prosperous developed country.)

It’s easy to see why many on the global left find Australia to be an awkward case—as a small government country it should be an obvious example of misery and stagnation. What is less easy to understand is the determination of some on the right to claim that Australia is a big government country which has led to its poor global performance. The danger of claiming that we are a big government country should perhaps be spelt out: the public will come to equate it with Australia’s prosperity and demand higher levels of spending and tax.

In making the case for an Australian exceptionalism, Coleman claims that Australia has lost the reforming spirit of the 1980s, and lists five features which he says increasingly mark us out from our Anglophone cousins.

1. A tightly regulated labour market
2. A heavy reliance on direct taxation and means testing
3. A 'facade federalism' which disguises a unitary state
4. A prominent 'official family' of senior civil servants, complemented by a proliferation of quangos
5. Electoral peculiarities such as compulsory and preferential voting, an independent electoral commission, and a distinct rural party

Most of these are reasonable claims of policy difference, but Coleman's claim that Australia's mandarinism is more prominent or influential than those in other countries is not convincing. Also, it is questionable whether these policies represent increasing points of difference with our cousins or are simply longstanding differences such as voting systems.

The rest of the book has many interesting chapters (Nick Cater on grain handling in Australia compared to the United States, Henry Ergas on Alexis de Tocqueville versus Sir Keith Hancock), but the variety suffers for lack of a coherent theme. What the book really needs is a more compelling explanation of why things are as they are so that we might better plan for the future. Let me now, drawing on some of the book's output, attempt to put together such an explanation which starts with two of the key base drivers of policy—people and geography—after which I shall list the four key areas in which Australia differs from its peers.

1. *People*. Australia was settled from 1788 with mainly British stock (bringing those attitudes and institutions), but without an aristocracy. There was an unusually high proportion of Irish (influential in anti-establishment sentiment, and policies such as schools). Australia's population has been unusually homogeneous compared to its Anglophone cousins—its Indigenous population is relatively small compared to New Zealand, it has lacked large sub-groups (such as African-Americans in the US, French in Canada), and it has always lacked the national differences (English-Scottish-Welsh-Irish) which characterise the United Kingdom.

2. *Geography*. Australia is an island (a natural sovereign entity), a very large country (meaning a federation is logical), with a harsh environment (stronger emphasis on co-operation), remote from other wealthy countries (high barriers to trade, strategic alliances important), and close to lesser developed countries (potentially accessible to foreign migrants).

These two structural drivers—people and geography—should not be viewed as completely deterministic but as useful contributing explanations of the policy settings that we observe. From these two drivers we find four key elements of Australian exceptionalism:

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A strong democratic-egalitarian ethos

Our aristocracy-free origins have had a major impact on policy settings from the time of European settlement. In his own chapter on Australian exceptionalism Geoffrey Blainey writes of Australia's exceptionally early rejection of 'despotism' and strong embrace of democratic reforms. 'In 1860, almost nine of every ten white Australians lived in those colonies where every man had the right to vote. Perhaps only one other country of the world—the USA—had a higher proportion.' Australians created or were early adopters of many democratic reforms including the secret ballot, giving females the vote, allowing females to stand as candidates, compulsory voting and preferential voting. We now have these as well as three year terms of government, three tiers of government, and mostly bicameral parliaments. In any international comparison, this is a very strong commitment to democratic governance.

This democratic sentiment goes hand-in-hand with Australia's famous egalitarianism. We have a strong attachment to the 'fair go', we love the underdog, and we lack the deference to social and

commercial elites that characterises other societies. Sometimes this strong democratic egalitarian sentiment has resulted in useful reforms, such as Australia being one of the leaders in the early adoption of free, compulsory and secular education; sometimes it has led to poor policies, such as an overly prescriptive industrial relations system; but no one doubts its influence across portfolios and over time.

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A liberal-egalitarian policy disposition

Australia is one of a number of small government countries in the OECD, but its parallel commitment to egalitarianism gives it a reasonably unique policy disposition in the world. When you combine these elements it should be no surprise that Australia is the means testing capital of the world. Australia targets government payments to the lower end of the income spectrum more tightly than any other country, thereby allowing our tax burden to be correspondingly lower. We also have one of the most progressive tax systems in the world, with the low level of taxes on people at the lower end again contributing to Australia's status as a low-tax country.

In many policy areas Australia provides government services at modest cost through private sector involvement. Australia has strong commitments to public schools and public health, for example, but it contains costs with extensive private sector involvement in each area. It has a compulsory private saving system for superannuation rather than government outlays paid for by taxation. The overall policy framework is one of the most market-oriented systems in the world, but it has a lesser focus on high earners than other countries. The disposition of Australians might be a touch utilitarian for northern hemisphere theorists, but

one can start to see how visitors might describe Australians as rational, classically libertarian and egalitarian.

A strong sovereignty

Australia has strong sovereignty in several respects. The Australian government has control over not just an island but a continent, meaning that its control over a significant defined geographic area is clear. It has not ceded sovereignty to a supra-national body, as European countries have done. Our strong sovereignty has allowed Australia a powerful degree of control over immigration (numbers and composition), imports of agricultural and manufactured goods (tariffs and quotas), imports of weapons (restrictive gun laws), and imports of possible disease-carriers (uniquely onerous biosecurity laws).

Australia's immigration policy has always reflected our strong sovereignty combined with egalitarian imperatives. The White Australia Policy (which also had less savoury motivations) effectively barred low-cost imported labour from putting downward pressure on local wages. Australia's current focus on skills-based immigration means that competition for jobs occurs more widely across the income spectrum compared to other countries such as the United States (which has high levels of unskilled immigration through illegal and legal means) and the United Kingdom (which—until Brexit—had no ability to control low-skilled immigration from poorer European countries). When we combine the strong desire for sovereign control with Australia's 'fair go' sentiment we see a border control policy which combines tough enforcement of queues with one of the highest intakes of genuine refugees.

A national—rather than regional—sensitivity

More so than other developed countries, including Anglophone countries, Australians identify at the national level significantly ahead of local level. A BBC poll in 2016, for example, has Australians identifying at local level at half the rate of Americans, Britons and Canadians (6% for Australians compared to roughly 12% for the others), and it also had Australians identifying at national level higher than each of them.¹⁰ This is unsurprising when we think of the lack of cultural distinctiveness across

Australia's regions compared to other countries, but it's a sentiment that is significant in shaping some of Australia's unique policy architecture.

When you combine a strong national identification with a strong egalitarian sentiment you end up with possibly the strongest form of Horizontal Fiscal Equalisation in the world. (HFE allocates funds to state governments so that they are able to provide the same level of services to citizens in similar situations). The strong national identification also allows our Vertical Fiscal Imbalance (the extent to which the federal government disproportionately raises revenue for state governments to spend) to be high compared to other federations such as Canada and the United States: people are probably more willing to accept revenue raising powers moving to the national capital if they are less parochially-minded. This national sensibility has always provided strong support for policies which equalise access across Australia such as the Community Service Obligation for postal services and the Universal Service Obligation for telephony.

Conclusion

There are, as mentioned, a number of downsides to these Australian characteristics, but on balance they form powerful ingredients for ongoing success. Our democratic-egalitarian ethos is at its best a strong competitive meritocratic force which underpins political stability and equality of opportunity. Our liberal-egalitarian policy disposition is a rational approach to political economy which embraces market forces but prevents the build-up of dangerous imbalances in society. Our strong sovereignty gives citizens an underlying sense of confidence that we are in control of our destiny—countries with weakened sovereignty and uncertain borders can find themselves unable to address developments which impair their national interest. And our strong national sensibility adds to a sense of national unity and helps to mitigate against destabilising separatist sentiments.

There are numerous threats—external and internal—that might impair our economic and strategic situation, but we need not be too pessimistic. Being, as Ambassador Berry said, a rational people, we should be better prepared than most for difficult developments.

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Endnotes

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