

The Accountability Roundtable:

An Oration in Honor of Jim Carlton AO: The next long wave of reform - where will the ideas come from?

University of Melbourne, 25 March 2019

Could I acknowledge the traditional owners of the land on which we stand and their elders past, present and future.

Good evening Ladies and Gentlemen, I'm delighted to be with you tonight to deliver an Oration named to honor a great Australian, Jim Carlton.

Having worked in management and as an early Australian consultant for McKinsey, Jim moved into a key role in the NSW Liberal party and then the Federal Parliament where he held Ministerial and Shadow Ministerial positions. He was an early dry and one of the significant contributors to defining ideas for the second long wave of policy reform since the Second World War. The first wave had focused on national development after the Great Depression and Second World War. It started with Curtin and concluded with Holt.

Later, no longer a Parliamentarian, Jim began a distinguished career as a reforming General Secretary of the Australian Red Cross from 1994 to 2001 during which his service was acknowledged through the Red Cross Movement's highest honour, the [Henry Dunant Medal](#). Jim was also recognised as an Officer in the Order of Australia.

Subsequently, Jim and I saw each other every few weeks. Among many endeavours in his busy life, three brought us together – his appointment as a Director of the Cranlana Programme, a foundation Director of the Australian and New Zealand School of Government and as a Senior Adviser at the Boston Consulting Group. All these roles gave him a seat at the table in discussions of contemporary public policy and public sector management.

I miss him since his death in late 2015. I'm sure many present feel as I do. I'm glad Di is with us tonight.

No former professional colleague feels Jim's death more than Fred Chaney, a very close friend who spoke at his memorial service. Fred was one of the inaugural patrons of the Centre for Policy Development, which I chair.

I mention Fred not just because of Jim and CPD, but because he gave the inaugural lecture for this Roundtable in 2011.

Fred focused in that lecture on the idea of duty — he asked where the politician’s duty lies. I want to quote the end of Fred’s speech as a way of beginning mine. He said:

“There is a need to define our national purpose, to have a light on the hill. There is a need for a story which explains where all the different policies fit and how they advance the national purpose. There is a need to re-engage the electors by giving them a story about Australia they can believe in.”

Tonight, I want to talk about this quest, what I’m going to describe as a mission – Australia’s next long wave of reform. It is this third wave of reform which must bring us to a compact on the big ideas which will drive policies and programs at all levels of government and within our national community for a generation. It should give effect to consistent Australian attitudes on government and democracy described by Rebecca Huntley in the latest *Quarterly Essay*, citing CPD’s research prominently.

I hope this third wave may have something of the impact we experienced from the second wave.

In the late sixties we started a long national conversation. Over fifteen years economists, some journalists, academics, government economists (mainly from Canberra), leading

business and union figures and a few parliamentarians began to debate how to energise Australia and open it to the world.

Over the years the Australian and the Australian Financial Review were focused on this debate. It set Australia up for major reform and decades of general prosperity.

But, we are now established on a descending path of trust in our parliamentary and political institutions.

- 70% of Australians don't think their elected representatives are serving their interests.
- 75% of Australians believe our politics is fixated on short-term gains instead of longer term challenges.
- Just 20% of Australians think the only responsibility corporations have is to create value for shareholders.

We have reached a point where general public support for the second wave of reform has dissipated. Yet we are in aggregate prosperous and something of a national economic success story. Why then are so many Australians grumpy? Seen from a community perspective:

- the proceeds of economic activity have shifted from families to business, with wages stagnant;
- the outsourcing of Commonwealth service delivery to the private sector (for example, employment services, aged care, VET) has failed and it is clear Canberra knows this;
- reduction in the value of key benefits, such as those received by the unemployed, has left large numbers without dignity and hope;
- social housing for those displaced and impoverished by Commonwealth reforms has been neglected while we led the world in rising house prices;
- the Commonwealth has been very late to recognize the consequences for our larger cities of rapid population growth flowing from the time of Peter Costello's Intergenerational Reports;
- too many corporations have become rent seekers with little serious commitment to investing in R&D, product and service innovation and staff training (all of which are in aggregate decline across the private sector);
- until recently, many of these corporations have been at the heart of deflecting attention at the political level from what most Australians believe is a must do reform in the third wave – urgent attention to decarbonizing our economy.

Democracy's Triple Helix

You may be familiar with the concept of the triple helix, used to model University-Industry-Government collaboration.

I want to use the triple helix as a metaphor for critical relationships between the strands of Australia's democracy on which the future of our country depends.

Firstly, **Institutions**, which embody the health and vibrancy of our representative democracy, its parliamentary expression and the professional and ethical public sector agencies accountable to parliament through Ministers. Trust in these institutions sustains legitimacy. But this extends beyond public institutions. Royal Commissions and inquiries into the Banks, Aged Services, Child Sexual Abuse, and now VET tell us that private and community institutions matter too.

Secondly, **Big Ideas**, which respond to long term challenges and give birth to major policies and the effective program initiatives which define what Governments do in the community and the economy. Those ideas also define how government works in concert with industry and civil society. Nation Building and then economic thought reflected different sets of critical big ideas. They were right for their time.

Thirdly, **Delivery**: the efficacy, honesty and accountability of public administration and the institutions of which it is comprised and the quality of their services.

The **Axis** of the triple helix is the legal foundations, conventions, values, expectations, democratic practices including public discourse, and the acceptable path to the future on which most agree. Taken together, these are accepted by the community generally as the rules of the game — the boundaries defining what is acceptable.

We know quite a lot from CPD's attitudes research over the past two years about the public's view of the axis of the triple helix. And it isn't captured by the slogan "*Aussie Rules*" carried on the front page of *The Economist* last October — even that article articulated the growing uneasiness Australians feel about the future.

The results of CPD's attitudes research suggests to me that, to a varying extent, **institutions**, **big ideas** and **delivery** are now weak reflections of the **axis** of our democratic system – the views and expectations Australians have of their democracy.

Importantly, the axis of Australia's democratic system is not the same as the axis of the American democratic system. It's not the same as the ever-shrinking axis of Britain's Brexit democracy.

What we have found is that Australians don't want to blow up

their democracy, they want to save it. When Australians are asked what they think the main purpose of democracy is, the answer twice as popular as any other is “ensuring people are treated fairly and equally, including the most vulnerable in our community”. This is actually the Australian story from times past and it remains valid.

In my view, a big problem is the absence of agreement on the big ideas to drive the next long wave of policy reform designed around an Australia which citizens aspire to live in.

Certainly, institutions and delivery need reform but this is best done in the light of agreement on where we are to go — what the light on the hill is, and where that light is.

There is much around at the moment on improvements to the systems and processes of Australian democracy. I think some of the suggested reforms have value but will not in isolation solve the problem. Much of it is embroidery at the edge of the real debate we need to have.

To be clear: we’ve reached the end of a nearly 50-year policy cycle, dominated by ideas derived from macro and micro economics. Community sentiment has swung away from the primacy of light touch regulation of markets, the unexamined

benefits of outsourcing, a general preference for smaller government, and a willing ignorance of public sector values and culture as a means of underwriting commitment to the public interest and the needs of communities.

Instead, there is increasing acceptance of a larger role for government, including involvement in service delivery, more effective regulation and bolder policy initiatives. Australians want government to be active and collaborative players, not just investors or market fixers. We know they support reinvestment in the delivery of essential services.

Interestingly, local government is now trusted more than the Commonwealth Government.

The changes ahead will be comparable in their breadth to our national experience of economic and social reform from the early 80s to the late 90s. That period of immense change transformed Australia. Just like then, we're going to need fresh ideas. Big, bold ideas which can drive new policies and the programs to foster a more sustainable economy and greater wellbeing across society.

‘Missions’ Mindset

You may have heard of Mariana Mazzucato, an economist

CPD hosted for her first Australian tour last year. Mariana's work on the entrepreneurial state and public value has struck a chord worldwide — from Martin Wolf, Theresa May, the EU, and even new American congresswoman Alexandra Ocasio-Cortez. Mariana made a big impact in Australia, speaking to around 2000 people and briefing the heads of the CSIRO, Clean Energy Finance Corporation, the Chief Scientist, senior public servants and the Shadow Economic Team.

Mariana doesn't just speak of bold ideas. She speaks about missions and moonshots. It's another way — perhaps a more powerful way — to describe the light on the hill and a story about Australia all of us can believe in. A mission is something we can all buy into, not just watch.

Mariana's work urges governments, industry and the community to identify core “missions” and go for them. Her missions framework doesn't pit government against business or the community. It doesn't speak about picking winners. It picks the willing — those in our society who believe in a better future for all Australians who are prepared to chance their arm (and balance sheet) to get there. Interestingly, philanthropic foundations have already started to play a role in helping to shape possible missions and underwrite a collaborative model to achieve them.

My view is Australians want government to seek tailored, smart, creative solutions that draw on the experience of civil society, business and the public. They want missions. They want government to admit they don't have all the answers and organise the search for them. And they must work *across* departments and other levels of government, industry and the community to find the best entry points.

It's precisely this frame we need to think about Australia's next long wave of reform.

What are our missions?

Tempting as it is to invent a set of big ideas to frame the third wave of reform, I can only mention those things I believe are strong candidates.

- Decarbonizing our economy;
- Equipping our workforce and businesses with the capabilities to succeed in the new digital era,
- Finding a new configuration of national security relationships for Australia as China and the US struggle for dominance in our region.
- A new emphasis on successful integration of new national, ethnic and religious communities into an Australia which has dropped the ball on settlement. To

this we must add our shameful failure with respect to empowering indigenous communities and embracing the Uluru Statement from the Heart.

- An approach to national economic development which emphasizes goals of national competitiveness, regional integration and a fuller embrace of the region and its peoples in all their diversity.
- Subsidiarity, driven by a respect for individuals, families and communities seeking to find comfort and support in local connection within new approaches to governance and service delivery.

In fact, I want to suggest that **subsidiarity** is one imperative to underpin success. I see it as a means of providing new respect for communities at the local level while equipping them with resources, strategies, systems and opportunities to work within local community and business networks and systems of democratic accountability.

Economies such as ours are now experiencing a new debate about localism (as it is described in the UK) or a broader role for city government or regions (this being the focus of the debate in the United States). The Europeans have called this subsidiarity for some time. **Community deals** is another way of thinking about it.

This trend to localism has also begun to emerge in Australian

public policy debates which turn on a more positive view of the public sector and its many institutions. We have seen this over the past 12 months in the reviews done by Sandra McPhee into *jobactive*, by Peter Shergold in his review — still not released — of settlement outcomes for refugees, and just last week by David Thodey in his ongoing review of the APS. It is all about connecting flexibly at the local level with networks, service providers, local government and opportunities. By this means we can localize accountability and build connection and support for those who need it.

CPD has been active on this front for some time. We have found that locally connected, place-based approaches to delivering critical services achieve better results. In recent months, we have had a staff member embedded in the City of Wyndham to help them to develop a new economic and social inclusion framework — the City looks set to receive State and Federal funding for the trial. This requires activity based funding for recognised pathways to employment, not a tender-based model driven by price rather than results. It means Canberra letting go to a backbone institution at the local level. It requires an active role for government on the ground.

The current system is madness. We have buckets of money being spent by federal, state and local departments — and by

charities — on the same people, without any coordination, often without local experience and usually with poor results. Coombs found in the mid seventies that the Commonwealth needed to find a new way to operate at the local level. It has been a singular failure in social policy programs. We need to admit failure and invent new approaches.

I hope local approaches are backed and our obsession with the contracted state ends because of David Thodey's review of the Australian Public Service. But I fear we are at grave risk of dancing around the most critical reforms. The announcement last week by Minister O'Dwyer that jobactive contracts would be extended by two years to 2022 is the latest example of putting the hard reforms into the too hard basket.

World's best APS

Which brings me back to my brief and to the Australian Public Service. In a speech about 18 months ago, I argued government and the public service must get *back in the game*. We need that now more than ever.

The starting point for Australian missions — the starting point for our new moonshots — is to reinvest in the creative elements of our public services, enriched by direct experience

of the services that Australians expect government to provide.

Just as it was rebuilt to deliver on nation building and rebuilt again for the second wave of reform built on insights from economics, the APS will need to be rebuilt once more for the third wave of reform once it is agreed. Reform initiatives focused on **institutions** and **delivery** will support if not open the way to these big ideas or others like them. Such initiatives might be based on five proposals

1. We must return to a public service able to provide frank advice to Ministers while securing continuity in our system of Government. This must involve respect for the culture and values of the public service, a significant investment in its capability and, acknowledgement that the untested and supposed superiority of the private sector is actually an illusion cultivated by rent seekers monetising service delivery opportunities, constraining advice in the public interest or pretending that efficiency and nothing else matters. Security for the most senior public servants such that they may safely offer tough, independent professional advice in the face of stakeholder blandishments, whims and aggravation at the Ministerial level, must be reintroduced.

- 2 A strong Public Service Commission, which brings together many of the functions scattered to PM&C, Finance and

Secretaries when the Public Service Board was abolished, should be legislated. The NZ model is the best of those available, better indeed than the current PSC in Canberra and the stronger NSW approach introduced at the beginning of the Premiership of Barry O'Farrell.

3 Formalising the role of Ministerial Advisers to make them accountable for their actions, able to be summoned before Parliamentary Committees and investigated by integrity agencies. The current system of advisers dates from the Whitlam period but has morphed into something quite different and dangerous. It needs far more formality and accountability to avoid a descent into assaults on the national interest.

4 An Integrity Commission with a broad brief to investigate maladministration, deficiency in policy advice and incompetence in program management. This is likely to be most effective where FOI legislation is substantially reformed to reduce the range of exemptions from release and actually require the public release of business cases and business plans prepared to support capital investments and program initiatives actually approved for implementation. Current FOI systems encourage obfuscation and support Sir Humphrey's dictum that Freedom of Information should actually operate as Freedom **from** Information. Other comparable democracies

have disclosure regimes that look like the speed of light compared to our glacial progress. It breeds distrust and needs to stop.

5 Thorough overhaul of laws governing political donations and the early release of information about donations. Again, NSW has taken important steps in the right direction but we should go further. The expense of political campaigning is considerable and requires greater public subsidies not donations from rent seekers who seek preferment.

Unless we renovate our institutions and the approach taken by the federal government to the delivery of services we are at risk of heightened populism in the next decade and all the disharmony and simple nastiness which will flow from it.

All of us have a responsibility to advocate for a debate about the next wave of big ideas - the missions we can all support and - a contemporary view of the light on the hill.

I'm sure that Jim would be up for it if he were with us still.
Thank you.

Terry Moran AC FIPAA

Chair, Centre for Policy Development