

Commonwealth-State Financial Relations

The Case For Competitive Federalism

Jonathan Pincus

Theatre
Parliament House

Friday 14 August 2009
12.15pm–1.15pm

AUSTRALIAN DEMOCRACY is widely admired, but can be improved. Federalism is a vital element of that democracy. The Rudd Government is working to end the ‘blame game’ between the Commonwealth and the states. The Commonwealth is rewarding the states for cooperating on matters of national importance. While cooperation amongst governments can be very beneficial to Australians, it can be pushed too far, into collusion and coercion. This lecture contends that governments work best when they have competition, and concentrates on the advantages of competition at the top level, between the Commonwealth and the state governments.

JONATHAN PINCUS is Visiting Professor of Economics at the University of Adelaide, a Fellow of the Academy of Social Sciences in Australia, and a consultant at Concept Economics. From 2002 through 2007, he was Principal Adviser Research at the Productivity Commission. He has published scholarly works mainly in economic history, fiscal federalism and public economics.

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Inquiries to Senate Procedure Office
Phone: (02) 6277 3072
Email: research.sen@aph.gov.au

1. Introduction

Thank you for the kind introduction and the invitation to speak here.

In a publication for the Committee for Economic Development of Australia, I have argued that Australian federalism is in rough good health. It could be improved, and there are serious threats to its fruitful operation. But by and large, the Australian federal system of government has worked well. Along the way, it has achieved a reasonable balance between centralisation of government functions and decentralisation of them: and a reasonable balance between cooperation and competition between governments. It is concern about the maintenance of that balance that motivates me today.

http://ceda.com.au/email/noindex/docs/pincus_2008.pdf.

The distinctive characteristic of federation is that it introduces a new form of inter-governmental competition, and not a new form of cooperation.

We do not need political federation in order to achieve inter-governmental cooperation. For example, an inter-governmental agreement enables a letter with an Australian stamp to be delivered in any country in the world, by that country's postal workers. NATO involves cooperation between sovereign nations, not all of them members of a single political federation.

So today I will focus on the competitive angle of Australian federalism, because I believe that there is a danger that this could be lost, if there is an insufficient appreciation of its value.

All governments are subject to competition. Some forms of inter-governmental competition, like war, are horrid; but some are conducive to good social and economic outcomes. The best arrangement is to have a formal constitution and informal political traditions that encourage good competition.

'Vertical competition' is the top-level of competition within a federation, and is unique to federations. In Australia, it is competition between the Commonwealth government, on the one hand, and the governments of the states and territories on the other. It is an inter-governmental competition for the affiliation and support of citizens and voters, and it is

manifest in the competitive offerings promised and fulfilled. It is unique because the two levels of sovereign government simultaneously rule over the same pieces of geography. That's what a federated nation is.

Today I will argue that Australians should welcome and approve competition between governments in a range of matters.

However, many politicians and political commentators want to limit inter-governmental competition within Australia, and especially to eliminate vertical competition between the states and the commonwealth. The goal is to reduce or eliminate what Mr. Rudd calls 'the blame game' that can occur when more than one government is responsible for a role or function.

The 'blame game' will only end when the Commonwealth does everything. Australians would then face a monopoly form of government, and citizens would have fewer avenues through which to encourage government to perform well.

A final introductory remark: Neither today nor elsewhere, do I call upon "states' rights". Lawyers tell me that states have rights, and I believe them. But I prefer to regard governments as means to ends, and not as ends in themselves. Any rights that states may have should derive from the rights and responsibilities of citizens concerned.

2. Competition or monopoly

Government is a means of getting done collectively, some important things that otherwise would get done badly, like external defence and domestic law and order, or maybe otherwise wouldn't get done at all.

What level of government should be given the task of, say, running public hospitals, or running TAFEs — should it be the Australian government, the state or territory governments, or local governments? I can make a strong argument that only one level of government, the Commonwealth, should be providing our national defence: for the money, seven state navies will be much less effective than one national navy. But what is it about public hospitals, or TAFE colleges, that make them a case suitable for control by a single government? When should one level of government have a monopoly?

The opposite of monopoly is competition. It took six or seven decades for the idea to be accepted by Australian opinion leaders and politicians, that vigorous competition among businesses and regulated competition in the professions is, by and large, a force for the social good.

The Secretary of Treasury, Ken Henry has called attention to, and I quote, “a community sensitivity to market-determined prices, and also quantities; that is, a sensitivity to market-determined patterns of resource allocation.” This sensitivity, Secretary Henry said, was, quote, a “barrier to the development of efficient markets [that] is at least as old as government.” End quote.

<http://www.pc.gov.au/research/confproc/productivereform>, p. 344.

So, although the Australian opinion leaders and politicians mostly now accept that regulated market competition is a force for the social good, there is still some scepticism among the general public. And even more scepticism that inter-governmental competition can deliver net social benefits. I have a tough assignment today.

3. Vertical competition

First: vertical competition. As recently as 2008, Treasury Secretary Henry wondered at what he called, quote, “a startlingly new concept of vertical competitive federalism – that is, competition between the Commonwealth on the one hand and the States and Territories on the other.” End of quote.

http://www.treasury.gov.au/documents/1351/PDF/Ian_Little_Speech.pdf.

Actually, the concept is hardly new; and the practice has been going on since federation. Let me give one recent example.

The Rudd Labor government has moved to implement its electoral promises, including a reduction in the waiting lists for elective surgery.

The states had not succeeded in delivering waiting lists that are acceptable to many voters, and so Mr Rudd made an election promise to do better.

This is a clear example of *vertical competition* between the Commonwealth and the States and Territories. It is competition for the support of voters, in an area of service delivery traditionally regarded as the responsibility of the States—the states own and run public hospitals.

Vertical competition leads to blurring of responsibilities. Who will be responsible for the public hospital waiting lists or for public hospitals generally: the state or the feds?

Who is responsible for the supply of supermarket groceries, Coles or Woolies?

Very few people would argue that Australia would be better served by a monopoly grocery chain, than by competition. However, many believe that Australia would be better served by a clear and unassailable assignment of governmental responsibilities within the federation. Such a clear assignment means the end of vertical competitive federalism, an end to the blurring of responsibilities, and an end to overlap of their domains, with its the duplication.

Just as competition among private companies and firms safeguards consumers against high prices and shoddy goods and services, so competition among governments can safeguard citizens against bad government and encourage good government.

Democratic government exists to serve its people, with their common as well as their diverse interests and perspectives. In democracies, competition is required to ensure high quality of service by government.

Inter-governmental competition requires governments with capacity for uncooperative and independent action. The formal abolition of the states is unlikely to occur any time soon. However, what started many decades ago is an effective side-lining of the states. If this continues to gather pace, the states will end up no more independent of the Commonwealth, than are Local Governments independent of their own State and Territory governments.

However, if the states and territories become mere service agencies of the Commonwealth, this will not put an end to the blame game. The ‘blame game’ will end only when the Commonwealth does everything. Otherwise, when things go wrong, the States will say

“Don’t blame us, blame the Commonwealth. The Commonwealth refuses to pay us enough to do the job properly. And besides, the Commonwealth hamstring us by regulating the working conditions in hospitals, or schools, or universities, or whatever.”

4. National goals

Federal government forays into areas of policy or services that were formerly occupied solely or largely by the states, are often described in terms of ‘national’ priorities and ‘national’ goals. However, I cannot believe that the hospital waiting lists in Western Australia, or the shopping hours in Western Australia, for that matter, are of great moment to residents of Queensland or New South Wales.

And, although the processes of the Council of Australian Governments seem to me to be superior to those of the Premiers’ Conferences and the Loans Council, which COAG has replaced, there is still a hint of strong-arm tactics from the Commonwealth: ‘Agree to what we say are national priorities and goals, or else.’ Anne Twomey and Glenn Withers call this ‘coercive federalism.’

(A. Twomey and G. Withers, *Australia’s Federal Future*, Federalist Paper No. 1, Council for the Australian Federation, Melbourne, April 2007.)

Earlier I said that Mr. Rudd’s election promise to reduce hospital waiting lists is an example of vertical competition. But this kind of competition, if used more widely, is very unlikely to produce systematically good outcomes. In regulated markets, this kind of competition is called ‘cherry picking’, which occurs when a supplier enters into a regulated market very selectively, supplying only those things with high payoffs and low costs; and leaving to established suppliers the task of supplying everything else that the regulations require to be supplied. It is a kind of behaviour that public schools complain about: namely, that a private school can find ways not to accept students who are costly to teach, knowing that the public schools must take them.

If it is a national goal to have better hospitals generally, then this kind of selective intervention seems a poor way to achieve it. The States have arrangements, maybe good, maybe bad, for managing hospitals. As I look around, I see many public institutions with more than one government master: universities with state charters but within the

Commonwealth's Unified National System; schools that report to State Departments of Education, but also to the Commonwealth; Local Governments that are the creatures of their States, but are partly funded by the Commonwealth and therefore 'responsible to' the Commonwealth; indigenous organizations, similarly. These arrangements mean that the managers of these institutions do not have a single 'line manager'. The deleterious consequences of overlap of government are magnified.

Possibly in response to that kind of thought, the Rudd government has threatened to take over the public hospitals from the states, if the states do not shape up quickly enough. Say the federal government does take them over but, unfortunately, makes a hash of running the hospitals from Canberra. What then? Wouldn't you expect voters to reward a state government that turns around and establishes better public hospitals than those run by the Commonwealth? That would be vertical competitive federalism in action.

Similarly, business has decried the performance of TAFE colleges in some states and territories. Vertical competition in a federation would see the Commonwealth establishing its own TAFE colleges, in competition with those of the states. Then let business and TAFE students choose between the public providers.

Vertical competition is not confined to government providers. It is in action when the Commonwealth directly funds independent schools, and lets parent decide between a public provider and a private provider. And it would be vertical competition if the Commonwealth followed Norway, and issued student vouchers to fund independent schools.

The main advantage that the Commonwealth has over the states, in running things like hospitals or colleges, is its dominant financial power.

Otherwise, what is it about public hospitals that make it likely that the central government will do a better job than the states? Superior understanding of patient needs? Superior ability to change how hospitals are run? Superior capacity to change hospital workforce practices?

The Commonwealth has had unchallenged control of a number of matters, including defence. No doubt defence is one of the most complicated and difficult areas but, that granted, it can hardly be said that the administration of defence has always been a brilliant success.

My point is that we do not know, in advance, whether the Commonwealth is likely to turn out to be better than the states in running public hospitals. Why not experiment with vertical competitive federalism, and let the Commonwealth try its hand at public hospitals, before moving to take all of them over. Best if it were a fair competition, with all Commonwealth hospitals and all State hospitals funded through the same formula (eg, case-mix funding, begun in Victoria, and recently suggested by the National Health and Hospitals Reform Commission).

Even better: let the Commonwealth be the funder and not a provider, and adopt that Commission's suggested new scheme, dubbed Medicare Select, the 'next gen' Medicare—a voucher proposal that dare not speak its name—in which the patient has more choices about how to secure the medical and hospital services that they want, and could choose freely between private and public providers.

5. Competitive outcomes

I will briefly discuss the nature of competition and competitive outcomes.

Some of you may have been exposed to undergraduate economic textbooks, which tend to emphasize what is called 'perfectly competitive markets', with each business producing exactly the same product as each other business. In these circumstances, competition enforces uniformity in prices, in qualities, and in conditions of sale.

But it is mighty unusual in consumer markets for competition to result in many firms producing identical products. Standard specifications are less rare in markets selling intermediate products, like screws. In contrast, the struggle for the consumer dollar induces businesses to differentiate their products, to try variations that appeal to different types of customers. That is, competitors tailor their products to what consumers want and are willing to pay for. The more readily consumers shift their custom in response to different offerings, the greater the rewards to businesses for getting it right—even if the rewards are temporary.

Putting the issue more generally: economists say that the relative uniformity or diversity of the products offered for sale in competitive markets is an **emergent** outcome: the actual

outcome that emerges depends on the process that produces the outcome. Change the process: change the outcome. Competitive processes produce different outcomes from other processes. There is no way for a wise person to predict accurately and systematically what the outcomes of the competitive processes will be. A metaphorical way to put it is to say that the competitive process ‘discovers’ the outcome.

The point of this short excursion into economics of ordinary markets is that its lessons apply to any competitive process. When the various state governments compete with each other, the outcomes are a changing mix of uniformity and diversity. The more readily families and firms move across state lines in response to the social and economic environment offered by the various states, then the larger the rewards to the state that ‘get it right’.

And the notion that the outcomes emerge from competitive processes, gives a warning to those who, observing similar but slightly different policies or offerings in the various states, jump to the dangerous conclusion that there may as well be one national policy (or one national regulation, or one national service provider, or whatever); and that the one national policy will be at least as good as the average of the slightly-diverse state policies.

Moreover, in competitive environments, when someone discovers a better way of doing things, or when the tastes of consumers change, or a new class of products hits the market, then the old offerings disappear, under the pressure of competition. Contrast the uniformity that can arise from deliberative processes of a single rational government, or of a set of governments that have foresworn competition in favour of cooperation, or have retired in favour of the Commonwealth. This uniformity is often the result of experts scanning the horizon for “Best Practice”, which the government adopts, and then gets stuck with it.

(Those of you familiar with Ministerial Councils will appreciate my point.)

I am not pretending that differences across states in public schooling arrangements, in tax rules, in occupational health and safety laws, and so on, do not impose considerable costs on families who move between states, and businesses that operate in more than one state. But I insist that they also bring considerable benefits, especially the important benefit of being able to move to where things are different.

6. Subsidiarity

Today my main target is the claim that vertical competition is strange and always undesirable and should be eliminated. However, I am not claiming that no areas of public action should be set aside exclusively for one level of government.

Here, I should explain why I do not too invest much in the European Union's principle of federal subsidiarity. This principle is that a specific governmental role or function should be left with the lower level of government, unless the higher level of government can handle it more effectively.¹

For a devotee of federalism, the subsidiarity principle is something, but not much. The very idea of subsidiarity is at right angles to the idea of vertical competition. The subsidiarity principle carries with it the notion that all governmental roles and functions should be assigned unambiguously and exclusively to one level of government or the other.

So let me state some conditions under which there should be an exclusive, unambiguous assignment of a governmental power, role or responsibility, and so vertical competition is undesirable.

The fundamental consideration, expressed in the language of economics, is that there should be substantial economies of scale and scope (or synergies) that cannot be secured through contract or agreement. National defence is archetypical: to repeat—for the money, seven state navies will be much less effective than one Australian navy.

An allied condition is that the advantages of standardization outweigh the disadvantages. Standardization of weights and measures, for example, may be best achieved through government and, in a federation, by the central government with exclusive powers.

The second fundamental consideration is that inter-governmental competition can sometimes lead to a disastrous race to one extreme or the other: a race to the undesirable and miserable bottom, or a race to the undesirable and extravagant top.

An example of the race to the top is the nuclear arms race.

¹ 'The principle of subsidiarity is defined in Article 5 of the Treaty establishing the European Community. It is intended to ensure that decisions are taken as closely as possible to the citizen and that constant checks are made as to whether action at Community level is justified in the light of the possibilities available at national, regional or local level. Specifically, it is the principle whereby the Union does not take action (except in the areas which fall within its exclusive competence) unless it is more effective than action taken at national, regional or local level.' http://europa.eu/scadplus/glossary/subsidiarity_en.htm

Tax illustrates the possibility of a race to the bottom. Under Premier Joh Bjelke-Petersen, Queensland sought to attract retired folk by abolishing its death duties. Other states followed suit, and now Australia has no death duties. Death is unpopular, and so are death duties. However, most tax economists think that death duties are a relatively-efficient form of taxation, and should be in the tax mix.

On a less dramatic scale, State governments have competed to attract or retain specific businesses in their states, often by the granting of special exemptions or reductions of payroll or land taxes. The states are, as it were, fishing in the same pond, and whoever casts the most bait, gets the fish. The tax revenues of state governments are, collectively, worsened by this kind of competition; and the efficiency of the tax system, damaged. Possibly spurred by a strong criticism of this kind of competition from Gary Banks, the head of the Productivity Commission, all States except Queensland agreed to limit or cease this kind of inter-state 'bidding wars'. <http://www.pc.gov.au/speeches/cs20021106>

Concern about the tax race toward the bottom leads me to lend some support to the arrangement under which the Commonwealth collects more tax revenues than it spends; and the states, vice versa. (The argument is detailed in my CEDA piece.) In particular, the Commonwealth has control of taxation of personal and company income and the GST; and has the main responsibility for social security payments; but the states retain their own significant tax sources and spending responsibilities.

However, to signal what is coming, the benefits of the assigning the income taxes to the Commonwealth comes with significant costs. Thus there is a third consideration: that exclusive assignment in one area does not cause too severe damage in other areas of governance.

7. Other forms of competition

I say that Australians should think carefully before abolishing vertical competition from the federation. But don't governments feel considerable competitive pressures of other kinds? I will argue that these are not enough and, in addition, the very same people who are sceptical about vertical competition in our Federation are at least as sceptical of other forms of inter-governmental competition. In fact, more effort has been made to reduce or eliminate *horizontal competition* between the states, than has been made to prevent vertical competition between the states and the central government. If both vertical and horizontal forms of inter-

governmental competition are eliminated, then that leaves electoral competition alone to do the job (supported, of course, by a free press).

Whenever there is government, there will be *competition to become the government*. This is true for all kinds of government, including tyranny, hereditary monarchy, rule by theocrats, or by philosopher kings. As any reader of history knows, all of these involve competition, often bloody, to be tyrant or king, or to represent truth or the word of god on earth.

Undoubtedly, fair electoral competition is the foundation upon which decent democratic government is based. And because Australia has no tradition of 'winner-takes-all' after a change of government, this nation has an enviable record of peaceful transfers of power. Federalism is a way to commit not to have 'winner takes all'. Combined with short electoral cycles and party stability, this is one reason Australians have such confidence in government.

(See the international comparisons of perceived state legitimacy, in Ch. 4 of David Denmark *et al.* (eds), 'Australian Social Attitudes 2: Citizenship, Work and Aspirations', UNSW Press, 2007).

Associated with these occasions for transfer of democratic power, is party-political competition, with which we are all familiar. There is competition to be pre-selected for your party, and then there is the competition to be elected as one of the temporary rulers. But there are many other forms of competition, even when there is only one government involved. For instance, there is competition to influence party platforms; competition to influence voter attitudes; competition to influence government decisions; and so on and on.

But is this all the competition that we need: electoral competition to gain temporary control of the one-and-only government?

Imagine a periodic election for the right to be the monopoly supplier of groceries to all Australians. One year, Woolies wins. Next time around, Coles wins, maybe in alliance with IGA. And so on, through a series of temporarily monopolistic suppliers of groceries.

Most Australians would be uncomfortable with this arrangement, fearing, correctly, that periodical competition to become the temporary grocery monopoly is not enough to ensure

good outcomes; is not enough to discipline the supplier; is not enough to prevent price gouging and poor service.

If you agree about groceries, then surely the argument applies more strongly to competition among government? Surely the services of government are at least as important to Australians, as are the services of grocery stores.

Why be content with monopoly control of public hospitals; or school curricula; or tax rates; or industrial relations; or business regulation; and so on? Why work to make the states completely subservient to the Commonwealth, or abolish them altogether, and thereby abolish inter-governmental competition within Australia?

Australia is a federation, comprising sovereign states and a sovereign central government. An Australian is simultaneously a citizen of a state or territory, and a citizen of Australia. Only in a federation can a citizen look to two sovereign governments, each operating over the same piece of geography. If one level of government fails in some way, then the Australian citizen can stay at home and push the other level of government to provide what he or she wants.

8. Voting with the feet

Or, there is another option. If one Australian state offers what a person or family or business wants, and wants it badly enough, then they can move inter-state. For people, examples are education; and laws relating to personal choices—drugs, abortion, and euthanasia. For businesses, examples tend to be financial, like taxes and charges; or the quality of infrastructure; or the nature of business regulation.

This is the basis for horizontal competition.

Until there is only one government in the world, horizontal competition between governments will occur. All Australian governments are competing with governments in other countries for population. Similarly, Woolies and Coles and IGA are competing for customers.

I would rather live in a country into which many people wish to immigrate, like Australia, than to live in a country from which many people want to leave, like Zimbabwe and the

former East Germany. Bad government is the major problem for a long list of countries. Good government is one of the major sources of the attraction of Australia.

Economists say that people and business who emigrate in search of better lives are ‘voting with their feet’. There are many reasons for such migrations, but sometimes an element of attraction is a better fiscal deal: better government services or lower taxes; or the consequences of a long series of government policies have made that state more attractive to some people and businesses. It undoubtedly helps puts competitive pressure on states to perform better.

Competition has its own costs, and I am not arguing that competition always delivers the best of all possible worlds. But I am arguing against the opposite extreme position, that inter-state competition is always detrimental to good government.

On this question, I will again quote Secretary of Treasury Ken Henry:

Competitive federalism asserts that there is a national interest in fostering sub-national decision making in respect of things that are of national importance. The proposition is that while competition among sub-national governments will initially produce a number of different policy models, that same competition will eventually produce convergence on a model better than what any national government would likely be able to design and/or implement.

So, is competitive federalism the reason why nationally operated trains have to be equipped with eight different radios? Does competitive federalism explain why we have such a plethora of inconsistent state-based regulatory requirements for occupational licensing, occupational health and safety, road transport, water trading, and so on? Possibly. But there is a more likely explanation: a stubborn parochial interest in putting the welfare of the State or Territory ahead of that of the nation.

Parochialism is understandable. But a proper accounting of its national economic consequences would be weighted heavily in the negative.

<http://www.pc.gov.au/research/confproc/productivereform>, p. 343.

End of quotation.

There may be something in the claim state politicians and bureaucrats are too parochial, too captured by state and local interests; whereas federal politicians and bureaucrats have a broader, national point of view. But to me, there is a rather anti-democratic tone here: the feds can more easily run roughshod over various inconvenient interests, be they local or regional, or industrial, or occupational, or passionate supporters of a particular parrot, possum or wombat.

And in fact the states have not always stubbornly put the parochial ahead of national interests. In the 1980s, far-ranging reforms of competition policy offered prospects of significant nation-wide advantages from coordinated action. The states pushed for cooperative reform and then came to the party, in the form of the inter-governmental agreements on National Competition Policy. More recently, the initial impetus for the New Reform Agenda, of coordinated efforts to improve the long-term economic and social prospects of Australians by reforms in health and education, came from Victoria.

9. Tax powers and competition

Competition works for the best when there is a close relationship between the costs and rewards of action; and competition is unlikely to further the social good when the relationship between costs and rewards is vague or broken. In ordinary markets, prices should reflect full social costs and benefits. For example, businesses should pay for environmental damage they cause, and should pass those costs onto their customers.

Similarly, for inter-governmental competition to be most beneficial, there should be a close relationship between the costs and the rewards of the government action. In particular, it improves electoral accountability if, when a state wants to increase its spending, the state Treasury can go to only one source of funding, namely, the states' own taxes and charges. Contra-wise: every time a state reduces its taxes and charges, then it should reduce its spending; every time it reduces its spending, then it can give tax relief.

This does not happen in Australia; and I am not sure that it can happen, unless the Commonwealth distributes all revenue grants to the states by a general formula, like that used to distribute the GST monies. The states raise taxes and charges to cover about half of their spending, and receive the other half from the Commonwealth government. But these payments by the Commonwealth are not independent of the actions of each state. Instead, the

Commonwealth enters into arrangements with individual states that blur State incentives and accountability. Recently, these arrangements have been partly codified into a system of National Partnership Payments. But this codification does not make it clear to the electors as to who is paying for what, and weakens fiscal discipline on the states.

The evidence is that State governments are by and large content with the situation in which the Commonwealth to collect much more tax revenue than it spends, and sends the surplus to the States.

However, all this presents a bit of a puzzle: what is the political payoff for the Commonwealth, from taxing too much?

If the Commonwealth were only interested in the national interest, then maybe it should be content with the realization that the assignment of taxes types is roughly in accord with good economic design—namely, assign to the States those taxes that are costly to escape by moving inter-state; assign the other kinds to the Commonwealth.

Rather, it is in the political interests of the Commonwealth to claim credit for services or facilities that it has funded. This has deleterious effects, the chief of which are that voters are confused as to who is funding what; and that states have many ways to seek extra Commonwealth funding. And it has more subtle effects, mentioned earlier: that too many public institutions and agencies have more than one government master, which makes for confused lines of accounting and responsibility.

10. Final remarks

Today I have argued that inter-governmental competition, vertical and horizontal, brings benefits as well as costs. Critics easily see the costs, but tend to ignore or dismiss the benefits.

I have stressed, maybe stretched, the analogy between competition among businesses in ordinary markets, and inter-governmental competition in the ‘political market’. In that context, I suggested that some forms of vertical competition, especially selective intervention, are unlikely to be socially beneficial. More beneficial is competing using structurally different ways of doing things, with the institutions or instrumentalities fully controlled by and responsible to one government.

There is a case for limiting tax competition, by assigning personal or company income tax exclusively to the Commonwealth, in order to improve the efficiency of the tax system. But the methods by which surplus Commonwealth funds are distributed to the states reduce the independence, autonomy, responsibility and capacity of the States. Partly or mainly in consequence, the States have not performed well, and this has opened up scope for the Commonwealth. What one must fear is that the nature and form of Commonwealth interventions will cause the states to become less competent and accountable, and less able to provide effective and productive inter-governmental competition.