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# Models of government–business relations: Industry policy preferences versus pragmatism

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## Introduction

I first came to know John Wanna in 2005 when he acted as an assessor for my doctoral confirmation seminar. I had just started as an associate lecturer at the time, teaching a large first-year class in government–business relations, and my research was focused on government–business relations in the Australian and Canadian telecommunications sectors. I had conducted strategic planning seminars with several small Australian internet service providers and it was clear that regulatory issues were stifling their ability to innovate and to deliver services outside of the traditional provider models, even if the smaller firms had the technological capacity and human capital to deliver to areas that were under-served by the major players. Canada was a world leader in broadband at the time and I had conducted interviews with Canadian telecommunications businesspeople and policymakers: the 'culture' of the relationships between government and businesses was significantly different there and this seemed worth exploring. But I was struggling to find the research supervision I needed. After a discussion with Professor Ian Eddie, then the head of my school at the University of Canberra, Ian asked John if I could transfer across to The Australian National University under John's supervision. And thus, my education in government–business relations began.

Often students would tell me they did not need to know anything about government–business relations because they were going to be accountants. Having worked as an accountant in a suburban practice, and later with the Royal Australian Army Pay Corps and in government financial management, I knew this was incorrect. Time and again I had seen accountants, especially in the public sector, make mistakes because they had commercial training but no experience working in government. So, I set about trying to convince students that, since the market liberalisation agenda had gathered pace from 1983, understanding the relationship between government and business had become more important than ever (Catley 1996, 129). With the establishment of the Business Council of Australia during Bob Hawke's Labor Government, various Prices and Incomes Accords were able to be negotiated, involving tripartite, consensus-based power sharing arrangements between the government, the Business Council of Australia and the Australian Council of Trade Unions (ACTU). By this time, the traditional industries could no longer rely on government protection (which the Whitlam Government had started to dismantle during the early 1970s), and it was recognised that they would need to become internationally competitive if they were to survive. The nature of the government–business relationship in Australia that had been heavily focused on targeted industry policy now had to adjust to a climate of international engagement and competition (competition regulation within Australia had only been seriously pursued since the establishment of the *Trade Practices Act 1974* [Cth]).

John Wanna introduced me to the academic subdiscipline of government–business relations. The notes from our first meeting record the scholars I was to read: Frank Stilwell, Ted Wheelwright, Greg Crough, William Byrt, Ann Capling and Brian Galligan,[1] Bob Catley, Gwynneth Singleton, Stephen Bell, Kenneth Dyson and Stephen Wilks, among others. But it was Frank Stilwell's model of the capitalist economic system that become the basis for my understanding of the nature of government–business

1 Sadly, Professor Brian Galligan passed away on 14 December 2019. With co-author Ann Capling, his work *Beyond the Protective State: The Political Economy of Australia's Manufacturing Industry Policy* is one of the most important works in the study of Australian government–business relations (see Capling and Galligan 1992).

relations, especially in cross-national comparative work, and also for my approach to teaching the subject to first-year students (Stilwell 2006, 49–52). Stilwell's model is founded on the private ownership of the means of production, with a distinctive ideology and a distinctive role of the state that shape the labour, financial, land and property, and goods and services markets, all of which have an expansionary tendency. Using Stilwell, I introduced students to a history of political and economic ideas, the major political ideologies, comparisons of national industrial cultures and how these impact ways of organising markets, political parties' preferences in relation to trade agreements and industry policy, how governments regulate for externalities, the impact of globalisation and international institutions, and later the links between the public, private and voluntary sectors and the impact of climate change.

In a podcast for John's festschrift, I interviewed John and asked him to reflect on his career (de Percy 2019). During the discussion, John suggested that the great ideological battles between the two major political parties were a thing of the past, and that there had been significant convergence (outside of perhaps climate change and immigration or socially divisive issues such as same-sex marriage and euthanasia), to the point where the major political parties tend to agree on the role of the state in the economy. In this chapter, I want to consider the nature of this convergence from the perspective of the interactions of government and business since the 2007 election. I draw on Stilwell's model of capitalism to frame the concept of government–business relations and to establish a framework for analysing the convergence of the major parties' preferences in dealing with businesses. The empirical discussion follows with a comparison of the various Labor and Coalition[2] governments since 2007, focusing on four areas of industry policy: the telecommunications industry, the automotive manufacturing industry, trade policy and reducing carbon emissions. I have chosen these industry policies because each represented significant policy challenges for the major parties following John Howard's 11 years in office, two involving particular industries and two having broader or horizontal impact. I conclude by examining the extent of convergence in the major political parties' preferences towards the role of the state in the economy and argue that short-term governments face powerful policy legacies that are difficult to remake in the space of one or two electoral

2 Although the Liberal and National parties have separate policy platforms and members of the respective parties can and do come into conflict over policy issues, for the purposes of this chapter, the Coalition will be treated as one entity based on its actions when in government.

terms. The analysis suggests that the convergence in ideas about the role of the state in the economy is the result of pragmatism in response to rapidly changing circumstances rather than inherent ideological preferences.

## A model of capitalism

Stilwell's model of capitalism acknowledges a distinctive ideology about the role of the state in shaping the market. While some consider capitalism an ideology (Grey 2013), Stilwell's model makes better sense when capitalism is viewed as an economic system with ideologies incorporated into the model. Ball and Dagger (2004) also suggest moving beyond the explanatory function of political ideologies (such as Cunningham's definition of an ideology as an 'integrated system of beliefs by which we make sense of our lives' [2003, 234]), to include the evaluative, orientative and programmatic functions that ideologies perform. The main political ideologies explored by Ball and Dagger can be understood in relation to the 'proper' role of the state within the economic system. In the West, debates have been between democratic socialism (in its Fabian reformist sense), conservatism (emphasising traditions and incremental reform rather than radical change) and liberalism (stressing individual freedoms combined with equality of opportunity). However, within the confines of the capitalist economic system, political ideologies manifest differently in specific policies. Strict adherence to the programmatic function of political ideologies at the level of political parties, then, ignores the extent of pragmatism at other levels of economic and social policymaking and is not helpful in identifying distinct models of government–business relations.

Nevertheless, when a cross-national perspective is adopted, democratic socialism and liberalism bring to light some of the differences in government–business relations. For example, Hall and Soskice (2001) referred to these differences as 'varieties of capitalism', with countries such as Sweden working to a consensus-based, collective system of 'coordinated capitalism' and the US favouring 'rugged individualism' in a system of 'competitive capitalism'. Countries such as Australia and Canada are regarded as 'mixed economies', somewhere between the two extremes, with Japan's 'statist' model reflecting neither socialism nor liberalism but a unique blend of conservatism and business acumen (Curran and Van Acker 2007; Ryan, Parker and Brown 2003, 61–69). The problem with macro- or national-level generalisations is that, on the one hand, there will be several industries that do not comply with the particular variety of capitalism (such as agriculture in the US), while on the other hand, the 'culture' of government–business relations may not necessarily reflect the type of capitalism practised in a particular country in general (e.g. the extent of industry interest group lobbying in the US). At some meso or industry levels, however, clear patterns of government–business interaction can be discerned over time. For example, what is the role of the state in the Australian telecommunications industry? Historical practice suggests that politicians, policymakers and citizens have a preference for government control of the network, as practised from the time of the telegraph up until the privatisation of Telstra in 2006. Such habits are hard to break and, following the 2007 election, the traditional government control approach to telecommunications policy was reinstated. The same can be said of the health sector in Australia. Despite the introduction of Medicare, now with bipartisan support, private health insurance continues to exist with substantial government regulation and subsidisation. When the automotive industry requested further subsidisation, then prime minister Tony Abbott refused on liberal economic grounds, but later refused to establish a market-based carbon trading scheme, preferring to subsidise the energy industry as a way of reducing carbon emissions. Such contradictions suggest pragmatism rather than preferences based purely on ideological platforms.

At the meso or industry level (see de Percy and Batainah 2019), political ideologies can shed some light on government–business relations as practised, whereas at the macro level, ideology as a defining characteristic does not. Similarly, normative ideas about the role of the state in 'the economy' in general do not exhibit the characteristics of a peculiar model of government–business relations. Stilwell's model does, however, provide a framework for analysis when both the ideological components and normative ideas about the role of the state are considered at the meso level. The final element of Stilwell's model of capitalism, the expansionary tendency of the economic system, reflects the traditional economic problem – endless wants and finite resources – and to some extent explains concerns about the sustainability of the postwar welfare state and the necessity for both sides of politics to address environmental concerns. Government–business interaction about social and environmental policies are better described as horizontal industry policy, as distinct from targeted industry policy – whether anticipatory or passive (de Percy and Batainah 2019).

In constructing a particular model of government–business relations, Jacoby (1975) lists a number of interactions from the perspectives of both business and government. These interactions reflect the underpinning ideologies and the 'proper' (or expected) roles of the state in given contexts and circumstances. This approach is adopted in analysing two targeted (telecommunications and automotive) and two horizontal (trade and carbon emissions) industry policy case studies below. First, however, 'models' of government–business relations are outlined in relation to the policy preferences of the federal Liberal/National Coalition and Labor parties.

## Models of government–business relations

At the meso level, industry policy is a major component of the government–business relationship. The policymaking process involves various institutions, interest groups and competing claims for legitimacy amid differing ideologies. Traditionally, governments have had to juggle between their party's policy platform, interest groups (including voters and rent-seekers), economic ideas and international arrangements about how to implement industry policy in a given situation. A fundamental issue in the provision of government assistance to specific industries is the impact on the economy and often the unintended consequences that may result. For example, long-term, institutional protectionism is no longer deemed appropriate for supporting 'ailing' industries such as the textiles, clothing and footwear (TCF) and automotive industries in developed nations, where such government intervention might prove 'politically attractive in the short term, but globally harmful in the long term' (Agah 2015; Productivity Commission 2017, 56). Short-term 'sunset' industry policy measures to facilitate industry transition (such as retraining workers) or 'sunrise' industry policy measures (such as providing tax incentives for investment in information technology or research and development) to assist emerging industries, however, are typically World Trade Organization (WTO) compliant. These internationally accepted arrangements may still involve different government–business relationships in different industries and different countries, and under different governing parties.

A model may help to represent the ways in which governments and businesses interact within a given jurisdiction, incorporating the characteristics of government–business relations within a particular country or industry. The Australian TCF sector provides an interesting example of traditional party preferences in industry policy. The TCF industries had been protected by tariffs that were gradually reduced over time, and, in line with a significant increase in global competition, employment in the sector had decreased significantly (Karanikolas 2014). Nevertheless, the industries remain supported by organised lobby groups, many that were established during the protectionist era, and these groups remain a powerful voice in sector-specific policymaking. Pacific Brands (including Bonds), for example, was a major employer in Australia, but moved its manufacturing operations offshore in 2010 (Sharp and Zappone 2009) and continued to be involved in industry lobbying. Tariffs of around 5 per cent remain on many imported TCF items (for imports from countries outside of extant trade agreements)[3] and grant programs – such as the Howard Coalition Government's 2005 TCF Small Business Program and later the Rudd Labor Government's 2009 Building Innovative Capability – provided significant funding as part of a drawn-out, decades-long process of the TCF sector adjusting to an 'open economy' (Karanikolas 2014). Each political party's policy approach was influenced by its respective preferences.

The Australian Labor Party's (ALP) historical formal commitment to democratic socialisation did not inhibit the 1983 Hawke Government's ability to tackle stagflation (ALP 1979; Singleton 1990, 120). Recently, the party has attempted to 'renew' this commitment – being prepared to intervene in the economy in order to achieve social and economic objectives 'to the extent necessary to eliminate exploitation and other anti-social features in those fields' (and therefore within the bounds of the rules-based trading regime established later by the WTO) (Johnson 2015). Yet democratic socialism tends not to represent the reality of Labor's policies in the last four decades; or, in the words of Labor's George Campbell: 'Does anyone seriously believe that our policy agenda since 1983 was governed by the socialist objective?' (Campbell, Smith and Puig 2002). In 2016, Labor's objectives were formally reconsidered for the first time since 1981, although the term 'democratic socialisation' retains a degree of vagueness that has fallen short of the original desire to 'nationalise' industries (Johnson 2015). Clearly, the absence of any attempt at nationalisation by a Labor government since Chifley's prime ministership suggests there are certain limits to intervention in industry by any potential Labor government.

3 See, for example, Australian Border Force website: www.abf.gov.au/importing-exporting-and-manufacturing/tariff-classification/current-tariff/schedule-3/section-xi/chapter-61.

Nevertheless, consistent preferences in industry policy are evident in the political parties' approaches to providing industry assistance. The Howard Government's assistance to the TCF sector was provided as part of a larger package of support for small businesses, a preference that is clearly stated in the Liberal Party's (2002, 11) *Federal Platform*, rather than the TCF sector in particular. For the Coalition, assistance tends to be both 'horizontal' in that it focuses on, for example, small-to-medium enterprises (SMEs) across sectors, and 'passive' in that it does not attempt to 'pick winners' or influence the choices of industry. As revealed under the Rudd Labor Government, however, Labor's assistance tends to be 'targeted' in that it applies to a specific industry, and 'anticipatory' in that it attempts to align firms' behaviours with specified policy objectives. While these contrasting preferences were evident up until the first Rudd Government, the discussion below examines two sets of targeted and two sets of horizontal industry policies to assess the extent that policy legacies can be overcome in the short term to implement the major parties' policy preferences.

## Telecommunications policy: The National Broadband Network

Traditionally, Australia's telecommunications sector has been dominated by government, and not necessarily because of market failure (Trubnikov and Trubnikova 2018). This historical policy approach is often justified due to Australia's geographic remoteness and the lack of a local industry capable of manufacturing and maintaining the necessary technologies to support telecommunications networks (Barr 2000, 79). Yet this view ignores the extent of local inventiveness that existed in Australia in the early days of telecommunications (Moyal 1984, 78). An alternative view suggests that Australian governments have habitually adopted telecommunications policy as social or economic policy, rather than industry policy per se (de Percy 2008; see also Quiggin 1998, 427). For example, the Howard Government set about privatising Telstra and using the economic returns to shore up the 'Future Fund', a sovereign wealth fund designed to make 'provision for unfunded superannuation liabilities' (Department of Finance 2020). Telstra's sale, along with numerous other reforms, had been on the political agenda for the major parties for some time, albeit with Labor wanting to retain majority public ownership (Lewis 1997). Nevertheless, in-principle, bipartisan support existed for privatisation (Aulich and O'Flynn 2007).

When the Rudd Government came to power in 2007 amid growing controversy over Australia's expensive and limited broadband services with lagging internet speeds (Crowe 2006), Labor was faced with two challenges. First, Telstra had not been structurally separated to distinguish between the monopoly infrastructure and the competitive retailers (so an effective market structure had not been established); and, second, privatisation had not delivered the connectivity required to support the emerging digital economy. In response to a 2008 Request for Proposal to build a high-speed broadband network, Telstra's noncompliant proposal response encouraged the Rudd Government to increase its initial $4.7-billion government contribution to the network to some $43 billion after opting for a fibre to the home (FTTH) network in 2009. Effectively, the Rudd Government decided to structurally separate Telstra by bypassing the existing copper network and building a wholesale-only fibre network with the aim of increasing competition in retail broadband services (Taylor 2014). While not 'nationalisation' in the traditional sense of the word (as the government intended to privatise the network in the future) the National Broadband Network (NBN) re-established government control of the telecommunications sector (see Aston 2019) and took much of the risk.

After Labor won the 2010 federal election, the Abbott opposition appointed Malcolm Turnbull, an acknowledged telecommunications industry expert, as the communications spokesman with 'orders' to 'demolish' the government's NBN (Rodgers 2010). However, soon after winning the 2013 federal election and following a series of reviews, the Abbott Government announced that Labor's NBN plan to deliver fibre to 93 per cent of the population (with 4 per cent delivered via fixed wireless and the remaining 3 per cent via satellite) would be modified to a 'multi-technology mix' rather than replaced (Knezevic 2016). In a 2014 press briefing, Malcolm Turnbull and Ziggy Switkowski outlined their cost-benefit analysis and the multi-technology mix plan (de Percy 2014). In effect, the NBN would be delivered faster and cheaper, but at slower speeds and with fibre to the node (FTTN) delivered to the 93 per cent, rather than FTTH as proposed by Labor. By this stage, and as pointed out by the cost-benefit analysis, the sunk costs of the NBN were such that it would be more difficult to scrap the plan or continue with the FTTH option, rather than adopt the multi-technology mix proposed by the Coalition. In effect, the Coalition's preference to leave telecommunications infrastructure predominantly to the market could not be achieved because of the lock-in from the former Labor Government's plan. At the time of writing the Coalition is also planning to introduce what some have referred to as a 'broadband tax' to subsidise satellite and fixed wireless services in regional and remote areas, thereby increasing state intervention in the telecommunications sector (Duckett 2020; Hendry 2020; Lane 2020). The cost recovery model used to fund the NBN was inherited from previous Labor governments and has been extended by the Coalition despite its traditional industry policy preferences.

## Automotive manufacturing policy: From 'green car' to 'goodbye'[4]

Protectionism in the Australian manufacturing sector has a long history of contestation between political party preferences. In the early days of federation, Australian political economy was contested between the free traders, protectionists and labour. Protectionism developed as a form of 'tariff ratchet', where protection only escalated rather than declined. Behind the protection wall, wages were highly regulated. Despite recommendations to address the growth of protectionism by the Brigden Report in 1927 and later the Vernon Report in 1965, it was not until the 1972 Whitlam Government that the reform direction advocated by G. A. Rattigan, then chairman of the Tariff Board, could be pursued. The Tariff Board became the Industries Assistance Commission (IAC) and, despite Labor's historic predilection for protectionism, Whitlam decided on an across-the-board tariff reduction of 25 per cent. This led to the IAC being dubbed by critics the 'Industries Assassination Commission' as part of a strong political backlash. The subsequent Fraser Government was ineffective in implementing further reforms as it remained mired in the politics of protectionism (Capling and Galligan 1992, 108–111; Catley 1996, 63–64). It was not until the 1983 Hawke Government that trade liberalisation got back on the agenda, this time not through unilateral tariff reductions but more carefully designed industry restructuring.

4 Interestingly, John Wanna's 1984 doctoral thesis focused on the car industry, metal unions and vehicle builders and the negotiations for the first accord between the ACTU and a Labor government. John's interest in government–business relations was inspired by Doug McEachern, Professor of Politics at the University of Adelaide. After a lifetime career as an academic, McEachern completed a PhD in creative writing at the University of Adelaide and published his first novel, *Stardust and Golden*, in 2018. The novel explores the culture of resistance during the during the Vietnam War era from the perspective of a group of students living in a commune (McEachern 2018).

The IAC became (symbolically) the Industry Commission in 1990, and subsequently the Productivity Commission in 1998 under the Howard Government and, in the space of three decades, decades of protectionism were unwound. Australia's industry policy environment changed from structural protection to economic liberalisation (Productivity Commission 2003). However, the automotive industry,[5] like the TCF sector, continued to be assisted by governments.

Up until 2007, government assistance to the Australian automotive manufacturing industry consisted predominantly of tariffs that had for many years restricted international competition to some 20 per cent of the market (Industry Commission 1997, xxvi). Indeed, under the Button Plan, the Hawke Government continued to assist the industry to become more competitive and to increase exports by rationalising the industry, although most of the export growth was related to specialised automotive parts manufacture rather than passenger vehicle manufacturing and assembly (Thomas 1993).[6] By the late 1990s, however, an inquiry into the automotive industry noted that: 'History shows that the higher the level of assistance to the industry the poorer the industry's performance' and that as the industry was 'now nearing the end of a 20-year adjustment plan', no further inquiries should be conducted (Industry Commission 1997, xxii). Yet, in the late 1990s, the Howard Government paused further reductions in tariffs for a five-year period, and, while providing some relief to the industry as a whole, the action led to increased lobbying efforts by the industry and by the mid-2000s the industry was receiving special industry assistance as a series of cash payments (Scales 2017). Nonetheless, the payments were then on the public record, and therefore transparent, achieving a long-held objective of industry policy reform that had not been realised despite repeated recommendations since the time of the 1927 Brigden Report. Bill Scales (2017), appointed to implement the Button Plan[7] and later chair of the Industry Commission, suggested that the transparency and greater scrutiny of the cost of industry assistance

5 I use the term automotive manufacturing industry loosely here to mean the passenger vehicle industry (PVI) and associated industries. Despite the loss of the PVI industry, other facets of the industry such as design and advisory services continue to operate. Robert Bosch Australia, for example, recently invested in its Clayton factory, albeit as part of an evolution strategy following the demise of passenger vehicle manufacturing in Australia (AuManufacturing 2020).

6 The 'Button Plan' influenced a unique period in Australian automotive history, where government-led rationalisation resulted in, among other brands, the Holden Commodore being rebadged as the Toyota Lexcen, and such creations being referred to as 'Buttonmobiles' (Oastler 2018).

7 Scales was appointed as the head of the Automotive Industry Authority of Australia, the body designed to implement what was referred to as the 'Button Plan'.

(and therefore economic trade-offs elsewhere), signalled the death knell for the automotive manufacturing industry. The industry was offered a transitional compromise with a further decade of support ('at diminishing levels') but no support guaranteed beyond 2015 (Colebatch 2013).

Yet when the Rudd Government came to office, Rudd announced that Labor would implement a 'green car initiative' designed to utilise Australia's highly skilled labour and manufacturing capability to overcome the challenge of competition from low-income manufacturers offshore. The general plan was that Australian automotive manufacturers would take advantage of their 'high-tech' capabilities and develop efficient vehicles that would enable the Australian manufacturing industry to remain competitive despite the obvious higher cost of wages. By mid-2013, however, the first Gillard Government had reduced the amount of the 'green car innovation fund' once, then again in response to the flooding disasters in Queensland, and refused to increase tariffs to protect the industry further (Borrello and Kirk 2013). Later, the second Rudd Government, while still desirous of the benefits of a manufacturing sector, was out of ideas for the automotive industry and automotive manufacturing was effectively off the policy radar (Sales 2013).

Accordingly, the Rudd Government's initiative failed (Preistley 2010); and the subsequent Gillard Government had no interest in continuing the protectionist agenda to the automotive industry, despite what may have been considered Labor's traditional preference for industry policy. While the Rudd Government's anticipatory attempts aligned with Labor's industry policy preferences, the actions taken by the Gillard Government and second Rudd Government had little to do with party preferences, and more to do with a necessary response to contemporary events: subsequent events had turned attention towards pragmatism. And while the demise of passenger vehicle manufacturing in Australia has not signalled an end to government support for the industry as a whole, by the time the Abbott Government came to power in 2013, government assistance to the industry had run its course, and soon after the remaining manufacturers announced their intention to cease operations in Australia by the end of 2017.[8]

8 Holden announced its intention to cease operations on 11 December 2013. Followed by Toyota on 10 February 2014. Ford had made their announcement on 23 May 2013 while the Gillard Government was in power, months before the Abbott Coalition Government won the 2013 federal election.

Although the former Labor industry minister Kim Carr (2016) blamed neoliberal ‘ideologues’ in the Coalition Government for the demise of the passenger vehicle industry, he was quick to accept Ford’s decision to leave on the basis of the higher dollar affecting exports during Labor’s time in government. Yet the time frame for the end of industry assistance had been foreshadowed a decade earlier and Carr’s claims about the efficacy of ongoing industry assistance to support automotive manufacturing were not supported by the evidence (RMIT ABC Fact Check 2013). Further, industry assistance did not cease under the subsequent Turnbull and Morrison Coalition governments. For example, in late 2019, the Morrison Coalition Government implemented the Manufacturing Modernisation Fund (Department of Industry, Innovation and Science 2019), focused on small-to-medium manufacturing firms. While this program reflected the Coalition’s preference for passive, ‘horizontal’ policy, as it applied to the manufacturing sector as part of a broader package focused on SMEs, other packages designed to assist the automotive industry such as the Automotive Diversification Programme (funding to assist supply chain firms to find new markets) and the Automotive Industry Structural Adjustment Programme (funding to assist redundant automotive industry workers transition to new jobs) were targeted and anticipatory and therefore pragmatic in their intent. But none of these pragmatic initiatives were able to halt the industry’s decline.

## Trade policy: Preferences, lock-in and international pressure

Trade policy has a major influence on firms and industries – and therefore may be considered a form of horizontal industry policy – and is ‘passive’ in that it focuses on improving the economic conditions in which firms operate. To be sure, anticipatory industry policy may result from trade policy; for example, the Australia–United States Free Trade Agreement resulted in the Sugar Industry Reform Programme 2004 to assist cane growers to exit the industry following the Howard Government’s inability to secure concessions on sugar from the US. Nevertheless, the trade policy preferences of the major parties can be considered from the perspectives of multilateralism versus bilateralism, and the overall cultural and national identity priorities communicated by different governments. As with industry policies, Labor and Coalition governments have displayed particular preferences for engagement in the global economy; for example the Hawke Government's focus on multilateralism led to its role in founding the Asia-Pacific Economic Cooperation (APEC) group, and the Howard Government's 1997 foreign and trade policy white paper set out its preferences for bilateralism (Department of Foreign Affairs and Trade 1997). Similarly, Paul Keating had argued that Australia must identify itself as an Asian country, whereas John Howard vigorously opposed Keating's ideas and instead fostered a 'practical' or 'transactional' (rather than 'cultural') regionalism, where history (including shared Anglo-Saxon values) was privileged over geography (Gulmanelli 2014, 590). When the Rudd Government came to power in 2007, the trade minister, Simon Crean, reinstated Australia's preference for multilateralism, stating that the government would only pursue bilateral agreements where these were in line with the aims of multilateralism.

Several key issues influence preferences for multilateralism versus bilateralism. Multilateralism became the norm following the Bretton Woods conferences, supported by the multilateral institutions that emerged after World War II. By creating a rules-based trading system, multilateralism ameliorates the asymmetries of power that exist when a powerful nation negotiates with a less-powerful nation. That is not to say that bilateral free trade agreements are not WTO-compliant, but that multilateralism promotes fairness in the global trading system (Capling 2003, 379). Multilateralism does have its weaknesses, however, and the history of the Bretton Woods institutions is testament to this fact. In particular, multilateralism requires a degree of consensus that is difficult to achieve at a global level in the short term, more so since the number and hence the diversity of its membership has increased. The failed attempt at establishing the International Trade Organization in the late 1940s meant that the General Agreement on Trade and Tariffs (GATT), a temporary measure, remained in place until the establishment of the WTO in 1995 (de Percy 2020). In addition, multilateral arrangements have been subject to populist sentiment since the 1990s, claiming national policies are controlled by 'unelected' international institutions; the Howard Government responded by reinforcing Australia's national interest through statements of 'core values' (de Percy 2020). This is not to say that party preferences are at odds with multilateralism per se; rather that, much like earlier bipartisan support for protectionism, subtle differences in the relevant approaches to trade policy represent different party preferences in the conduct of trade policy agendas (Conley 2007, 165).

The different policy preferences exhibited by Labor and Coalition governments in the trade liberalisation era can be summarised as follows: (1) Labor has a preference for regionalism leading towards multilateralism, perhaps reflecting its traditional trade union consensus-based decision model; whereas (2) the Coalition has a preference for strengthening traditional, cultural ties through bilateral agreements where other policy objectives, such as strategic and security alliances, can be reinforced, and the benefits of these agreements can be realised faster than through multilateral arrangements (Capling 2008). These preferences stem from long-term governments and were not implemented consistently during periods of shorter-term governments. From the first Rudd Government in 2007 to the present Morrison Government in 2020, nine trade agreements have become operational, including two 'plurilateral' (meaning more than two countries, as opposed to multilateral, meaning global) trade agreements. But rather than reflecting party preferences, Australia's trade policy tends to be the result of long-term negotiations that have more to do with the temporal aspect of trade policy development than deliberate design by particular governments.

While history certainly matters in the ability of the major parties to implement trade policy preferences, statements concerning national identity in their national and international context are somewhat easier to expound. For example, the various foreign and trade policy white papers that have been produced over the years reveal Labor's preference for engagement with Asia on a cultural level and the Coalition's preference for engagement on a practical or transactional level.[9] Yet the practicalities of domestic politics combined with the obstacles to multilateralism on the global stage led to the Howard Government establishing the Joint Standing Committee on Treaties within weeks of coming to power in 1996, partly as a reaction to the success of Pauline Hanson's One Nation party and the promise in her first speech to 'find out how many treaties we have signed with the UN, have them exposed and then call for their repudiation'.

9 White papers are generally regarded as a government's 'declaration of intent' or a commitment to a policy (Senate Foreign Affairs, Defence and Trade References Committee 2003, 2). The Howard Government produced two, *In the National Interest* (1997) and *Advancing the National Interest* (2003), whereas the Hawke Government had adopted its approach from Garnaut (1989). The Gillard Government more or less adopted Paul Keating's idea of 'the Asian century' in its white paper (Department of Foreign Affairs and Trade 2012). Equally interesting is that Julia Gillard's foreword mentions 'drifting' versus 'planning' – the same language used previously by Paul Keating (1992).

Australian governments tend to reflect their global aspirations through domestic policy statements. The Howard Government, for example, in its 1997 and 2003 foreign and trade policy white papers, established a list of core values as part of a wider project to establish an Australian identity in the region. In contrast, the Gillard Government's white paper mentioned Australian values in a general sense rather than in the context of a preconceived national identity (Department of Foreign Affairs and Trade 2012). Further, party preferences are complicated by the long-term nature of ongoing negotiations between nation-states. In trade policy at least, negotiations over multilateralism, regionalism and bilateralism seem to be temporally specific and do not necessarily indicate a policy preference of a particular political party. Rather, major political parties tend to communicate a sense of national identity through trade deals, as opposed to how they operationalise their trade policy preferences in practice. The long time frame required by negotiations with other nation-states means that the way a nation-state presents its policies externally can be distinctly different from the inward representation as communicated to its constituents. Hence, trade policy, as far as it represents horizontal industry policy, suggests that Australian governments of all persuasions tend to be pragmatic in their pursuit of trade policy goals rather than deliberately pursuing party preferences.

## Reducing carbon emissions: Left–right, right–left

One of the more bewildering debates in horizontal industry policy in Australia has been the approach to pricing carbon emissions. Australia is one of the highest per capita greenhouse gas emitting nations and has been a laggard internationally in capturing the cost of carbon emissions. Australia's power sector emits more carbon than any other, yet fossil fuel consumption continues to be supported by the government while not being subjected to emission reduction constraints (OECD 2019). To be sure, the mining industry is a powerful lobby group concerned about reduced demand for fossil fuels, and any attempt at reducing carbon emissions could risk the industry using 'advocacy advertising', a technique it has used in the past to influence public policy to great effect (McKnight and Hobbs 2013). Nevertheless, since 2007, the major parties have each attempted to address carbon emissions using either pricing, to capture the externality, or direct subsidisation, to assist industry to reduce emissions.

Based on the ideological preferences of the major parties, one might reasonably expect the Coalition to pursue a market-based strategy, with Labor more likely to adopt a 'democratic socialisation' strategy through some form of direct action. But whether because of the threat of advocacy advertising by the mining industry or other reasons, the major parties have overturned their traditional preferences since 2007.

Australia ratified the Montreal Protocol (to reduce the use of ozone-depleting substances) in the late 1980s and first announced a greenhouse gas emission reduction strategy in 1990. The Hawke Government 'adopted an Interim Planning Target to stabilise greenhouse gas emission at 1988 levels by 2000 (known as the Toronto target)' and the approach became known as a 'no regrets' strategy: Australia would not, in the absence of similar actions by other countries, put its economy or international competitiveness at risk unless there were benefits beyond greenhouse emissions reductions to be gained (CSIRO 2019). The Howard Government adopted a similar approach, with a focus on businesses adopting 'voluntary reductions' promoted by the Greenhouse Challenge (Kay 1997). Little else happened in terms of policy action on emissions reduction and it was not until just before the 2007 election when the Howard Government, with Malcolm Turnbull as environment minister, announced a 'cap and trade' emissions trading scheme. Such a scheme fits with the Coalition's usual policy preferences, as it provides an economic incentive and a market pricing mechanism to constrain carbon emissions. Put simply, the 'cap' refers to a limit to the amount of emissions allowed, and the 'trade' refers to the market where companies can buy and sell the allowances to emit, and supply and demand set the price. As the cap is reduced over time and the price of allowances increases, companies have strong incentives to reduce emissions (Environmental Defense Fund 2020). Clearly, such a market-based solution suits the traditional preferences of the Coalition.

In an interesting turn of events, soon after the Rudd Labor Government came to power in 2007, it released the 2008 white paper *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future*. Labor would implement the Carbon Pollution Reduction Scheme (CPRS) – effectively a cap and trade emissions trading system (ETS) – in 2010. In 2009, however, the mining industry launched its first major advocacy advertising campaign against the government and the CPRS bill was twice rejected by the Senate (McKnight and Hobbs 2013, 308). Rather than go to a double-dissolution election, Prime Minister Rudd shelved the legislation, but with pressure mounting from the Abbott opposition and the mining industry lobby also campaigning against Rudd's proposed Resource Super Profits Tax, Rudd was deposed as party leader because of fear of election loss, and was replaced by Julia Gillard as prime minister (Manne 2019). Gillard's policy response was to replace the CPRS with the Clean Energy Bill 2011, setting, among other measures, an initial price on greenhouse gas emissions of $23 per tonne to be paid from 1 July 2012 by the nation's largest 500 emitters, transitioning to a cap and trade system by 1 July 2015 (Swoboda, Tomaras and Payne 2011).

Before the 2010 election, the Gillard Government had campaigned on a range of measures to address climate change, but Gillard specifically stated that there would be no 'carbon tax'. The Tony Abbott–led Coalition, on the other hand, had campaigned for a direct action package with some form of payment or subsidy to businesses. Gillard was able to form minority government after the election. Subsequently, Abbott called on the mining industry to mount a two-year campaign against her government's 'carbon tax', which it did successfully (McKnight and Hobbs 2013, 308). To be fair, the Gillard Government's attempt at carbon pricing was confusing, to the extent that even Parliamentary Library researchers had difficulty deciding how and when to use the terms 'carbon price' or 'carbon tax' in the Clean Energy Bill briefing for parliamentarians (Swoboda, Tomaras and Payne 2011). Abbott won the 2013 election convincingly, and his government's emissions reduction fund white paper (Commonwealth of Australia 2014) set out the direct action plan in detail.

While the replacement of Abbott by Turnbull in 2015 was not directly related to climate change policy, the ongoing internal debate within the Coalition was very much concerned with climate policies. While paying lip service to the need to contain greenhouse emissions, some in the Coalition parties were unconvinced of the need for any substantial action that might have short- or medium-term costs. The debate ostensibly centred on the form of the action to be taken, but the underlying differences related to the extent of any action. In any case, Turnbull was replaced by Morrison in 2018, two years after a narrow election win in 2016.

As the policy currently stands under the Morrison Government, firms voluntarily participate in a 'reverse auction' where the Clean Energy Regulator secures 'contracts for the provision of carbon offsets'; firms then report on their offsetting project's outcomes, then claim Australian Carbon Credit Units (ACCUs) for the reductions achieved and either hold or sell these on secondary markets (CSIRO 2019). Major emitters that exceed their baseline emissions are required to surrender ACCUs, thus creating a secondary market. While not a price on carbon per se, the latest Energy Reduction Fund (ERF) auctions resulted in a price of $16.14 per tonne being paid by the ERF (much lower than Labor's $23 per tonne) (Clean Energy Regulator 2020). To date, demand for compliance offsets is low and unlikely to increase under the current policy (Tyers 2019), and, despite falling for a brief period during the term of the Gillard Labor Government's 'carbon tax', Australia's carbon emissions began to rise again (Slezak 2017). But what does this say about the major parties' policy preferences?

Compared to the Coalition, Labor has generally demonstrated more of a commitment to international greenhouse gas reduction obligations. The Coalition, despite Turnbull's 'almost' deal with Rudd for an ETS (Crabb 2019), has continued to pursue a 'no regrets' strategy and an unwillingness to sacrifice the economy for the environment (in the short term at least). While the economic impact of the recent bushfires and, at the time of writing, the global COVID-19 crisis will provide an interesting counterpoint for the next federal election, the lack of action on environmental policy may well be something Australians come to regret. But in terms of policy preferences in this case, the Coalition's anti-Greens stance took precedence over its support for markets, whereas Labor's 'democratic socialisation' agenda was ignored in an attempt to move to an ETS. In the absence of regulations to the contrary, the power of the mining industry to sway public policy outcomes in Australia has been a major driver of pragmatism over policy preferences for the major parties. The clash of preferences in environmental policy, especially for the Coalition, suggests that pragmatism takes precedence in this case, and it will be difficult for any future Labor Government to avoid accusations of, for example, 'Carbon Tax 2.0' (Murphy 2019).

## Short-termism: Pragmatism versus preferences

The purpose of analysing the cases above was to test the extent that party preferences in industry policy are converging as a result of pragmatism and to what extent short-term governments and rapid leadership changes prevent the major parties from implementing those preferences. Since the 1980s, following the demise of the Soviet Union and China's expanding involvement in the global economy, there seemed to be some international convergence of ideas about the role of the state in the economy. This has since been upset by, among other events, the 2008 global financial crisis and the COVID-19 pandemic. Once again, governments are expected to play a much larger role. But whether that intervention is market- or state-based, the overall strategy that the major Australian parties have adopted in industry policy has traditionally reflected their ideological differences (Byrt and Bowden 1989, 190–192). With different approaches to government–business relations, one might expect Labor to adopt an 'internationalist' commitment (hence multilateralism), targeted state industry assistance or anticipatory intervention and consensus-based decision-making, and be more likely to consider negotiating with the Greens on environmental issues. For the Coalition, one might expect less state intervention in the market, passive industry policy, a focus on horizontal rather than targeted industry policy, and a commitment to traditional allies in trade policy. Of course, these preferences have never been static (Colebatch 1997, xiv–xvi; Parkin and Hardcastle 2006, 344), but looking to the past and the earlier capacity to implement reforms due to 'continuity of office-holding' during the long-term Hawke–Keating and Howard governments, short-termism has certainly resulted in the major parties adopting more politically pragmatic rather than preference-programmatic responses to industry (Halligan 1995, 6).

In the cases examined, the Rudd Government attempted a state-controlled solution to the broadband problem, which subsequently forced the Coalition to modify but not undo the state's intervention in the industry; the Morrison Government seems to be going even further considering an additional tax to cross-subsidise the NBN. In the automotive industry, we see the preferences more clearly with the Rudd Government focusing on targeted, anticipatory measures to support manufacturing, but this policy tinkering was insufficient to stop the inevitable demise of the automotive industry. The Abbott Coalition Government certainly followed its preferences in leaving the outcome to market forces. The ongoing assistance to the industry by the Morrison Government has been largely passive and horizontal, thus following the traditional party preferences.

In trade policy, Labor's preference for multilateralism was not fully realised, with 'plurilateral' agreements set in train well before the party returned to power in 2007. For the Coalition, the economic realities of Australia's reliance on China meant that both siding with the US and preferring bilateralism could not stop Australia's involvement in the successor to the Trans-Pacific Partnership. It would seem that in targeted industry policy, policy preferences are easier to implement, but are still difficult when changes in government occur in quick succession. The most pragmatic of all responses to reducing carbon emissions was the Coalition's avoidance of a market-based solution and opting for direct action by the state. Even for Malcolm Turnbull as prime minister, who preferred an ETS, pragmatism won the day in response to the party and the power of the mining industry and any talk of an ETS was shelved. Labor, on the other hand, had attempted to implement a market-based solution that was contrary to its traditional preferences and faced an aggressive mining industry protecting its own interests. Governments have taken decisions 'based on immediate electoral advantage, rather than long term "public" or "national" interest' (Davis et al. 1993, 158). In terms of public policymaking in this field, it seems, a 'mix of principle and pragmatism' may well be prudent (Halligan 1995, 12–13).

## Conclusion

It is interesting that the decline in the study of government–business relations as a standalone academic subject has coincided with a period of high turnover in prime ministers. Further, the decline of faith in Australia's political system has coincided with a period in which federal governments have lost their appetite for major economic reforms (Grattan 2014; Howard 2017). Contemporary bipartisanship on politically risky issues resembles failed attempts of the past (GST in the 1980s, Workchoices in the 2000s), or those that remain too politically unpalatable to tackle (such as road pricing, see de Percy 2018). Most reforms are too politically risky for short-term governments to pursue, until a tipping point occurs and their time has come. Although some policies have received bipartisan support (e.g. the National Disability Insurance Scheme, national security and border policy, and health and education policy generally), deeper economic reform has taken a back seat while the major parties squabble over the reality of budget surpluses (Wanna 2015). Almost a decade ago, Lindquist and Wanna (2011, 1) observed that flu epidemics represented 'tipping-point challenges [that] seem to be increasing'. Given the nation and most of the world is under lockdown due to the COVID-19 pandemic, a major tipping point may have arrived. Does the current crisis mean that party preferences will further converge? Or is it simply a case of the circumstances demanding government be pragmatic? If the Morrison Government's recent decision to introduce a Labor-style economic stimulus package that is effectively doubling welfare payments is any indication, there is certainly evidence of convergence (Hutchens 2020). But whether party preferences return once the crisis is over and the nation tries to rebuild the economy remains to be seen. In the words of Davis, Wanna, Warhurst, and Weller (1993, 157):

> There is no single best way of making choices, no method guaranteed to deliver the right answer every time. Values, interests and resources, mediated through institutions and determined by politics, are too volatile a mix to allow agreement on process.

Finally, to paraphrase Hal Colebatch (1997, xvi), we have to ask not only what is the model of government–business relations, but what is the process that shapes them? Based on recent experience, and more so now in the present circumstances, the necessity for pragmatic responses to global crises may well drive the convergence of the major parties' industry policy preferences in the foreseeable future.

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