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The Contemporary Growth Regime Has Been Ensured by the Australian State's Mutations (At Least Until Now)

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Abstract

With the ascendancy of neoliberalism, the Australian state has not only remained strongly interventionist but has also expanded its sphere of influence and scope of activity. This is contrary to claims of a reduced, withered or slimmed neoliberal state. The Australian state's interventions have become increasingly varied in the overwhelming pursuit of structural competitiveness. It has developed an extensive 'micro-structuring' role, particularly through the creation of new regulatory instruments and institutions, but has not relinquished its economic 'macro-structuring' role notwithstanding changes to macroeconomic policy priorities. The Australian state's interventions have shaped all institutional forms comprising the mode of régulation *that guides and supports the accumulation regime. This article discusses the reconfiguration of the Australian state and the forms of its ongoing interventions which have secured and sustained the contemporary growth regime.*[1]

Introduction

The notion of different 'varieties', or forms, of capitalism has gained considerable support in the last decade or so, although all forms of capitalism share certain common features of production and consumption (for example, see: Hollingsworth and Boyer 1997; Amable 2003; Hall and Soskice 2003; Hodgson, Itoh and Yokokawa 2003; Boyer 2005). Capitalism's diversity is apparent through four configurations of its institutional architecture or mode of *régulation* (Boyer 2000, 2003, 2005). Nevertheless, sustained but irregular growth continues to be one of capitalism's defining features (Keen 2003). Australia is no exception, having shown exceptionally fast and stable growth during the twenty years following the Second World War, followed by a more erratic pattern in the 1970s and 1980s. The period since the early 1990s has exhibited far

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less volatility with annual economic growth rates persisting within a band of around 5 per cent or less.

This latter period coincides with the ascendancy of neoliberalism which, as a hegemonic discourse, became progressively embedded in Australian policy from the mid-1980s. Market discipline, competition and commodification are hallmarks of neoliberalism, although some acolytes have acknowledged that 'market order requires a particular kind of state to secure it' (Gamble 2006: 22). There is a paramount requirement for a strong state in order to ensure a 'free' market. This article examines the configuration and actions of the state, particularly during the last decade and half, which have secured and sustained Australia's contemporary growth regime.

The Changing Form of the Australian State

Historically the state has been quite pervasive in promoting the development of Australian capitalism since the nation's genesis as a British colonial penal settlement. The colonial state established a local economy and was seen as responsible for economic development by landowners and commercial interests. By the mid-nineteenth century the state was regarded as the vehicle for infrastructure provision (roads, railways, ports, urban services and communications) necessary to overcome economic development barriers in a vast and sparsely populated continent. Federation in 1901 resulted in a Constitution which specified a limited but important set of powers for the state apparatus of the Federal government and allowed State governments considerable scope to pursue their own policies. The turn of the twentieth century also witnessed the historic 'class compromise' engineered and subsequently regulated by the state, based on a policy framework of tariff protection against imports, a guaranteed minimum wage and restricted non-European immigration to Australia. This was also the period in which the Australian state began providing limited social welfare support (Hancock 1961; Butlin, Barnard and Pincus 1982; Davis, Wanna, Warhurst and Weller 1990; Bell and Head 1994a).

The embryonic Australian welfare state expanded between 1940 and 1970 with a considerable boost in expenditure on income security and new education, hospital, medical and housing programs. This expansion coincided with the Federal government's retention of power to levy income taxes which it had assumed from the State governments during World War II. Throughout this thirty-year span, the state steadily became the dominant owner of key infrastructure monopolies such as electricity, water, telecommunications, postal services, shipping, railways as well as banking, insurance and airline services competing with the private sector. This was also a period when a wide range of regulation was progressively introduced by the Australian state. Housing affordability was promoted by interest rate ceilings, higher and higher tariffs on imported goods became more embedded, and there was a marked upsurge in social regulation during the 1960s and 1970s such as controls over tobacco, alcohol and prostitution (Beresford 2000; Fenna 2004).

In the immediate post-war period, the Australian state was very receptive to the adoption and use of new interventionist macroeconomic management policies. Previously the annual Federal government budget had been viewed as a balance sheet and not a policy instrument, and 'balanced budgets were the inviolable ideal' (Whitwell 1994: 121). The Second World War led to the Federal government assuming a role of economic control and then its 1945 white paper, *Full Employment in Australia*, explicitly proposed using budgetary and monetary policies to counter cyclical downturns, a form of economic intervention not previously used but with a 'distinctly Keynesian viewpoint' (*ibid*: 121–22). The scope of state activity expanded during the post-war era at both Federal and State government levels. One consequence of this expansion and changing complexion of state intervention was the growth of the public sector. Government departments assumed responsibility for the direct provision of newly initiated services and programs.[2]

A particular image of statism is invoked by this pattern of state-economy relations. Substantial control by the state over the economy is however only one historical aspect of Australia's political economy. The more critical point is that economic intervention by the Australian state historically — with the exception of the industrial arbitration system — was not

> at the level of specific workplace relationships … in the detailed workings of the economy … The ruling assumption throughout twentieth-century Australia has been that market actors, not government officials, knew best how to run their firms. (Bell and Head 1994b: 10–11)

Thus, the Australian state historically played a strong economic 'macro-structuring' role. It did not seek to intervene, or operate, at the 'micro' level. The focus of its economic policies was very much the macro economy propelled by the need for population growth and infrastructure for economic development and subsequently, to avoid a recurrence of the Great Depression as Australia emerged from the Second World War.

When Australia's long post-war period of economic growth stalled in the 1970s, government expenditure was criticised as being out of control, leading to burgeoning deficits and an increased reliance on high levels of taxation. It was further claimed that the bloated welfare state had eliminated individual initiative, business regulation was excessive and the taxation system stifled incentive and investment. The purported 'twin evils' of inflation and unemployment also emerged, a phenomenon not previously experienced. The further entrenched that these problems became, the more fertile the ground for the acceptance of new approaches as criticism of the state's interventionist role became sustained (Bell and Head 1994b; Woodward 2005). Australia was not singled out for these criticisms which were levelled against many countries as the world became enveloped in the 1970s global recession.

Reversal of the post-war Keynesian approach to economic management began in earnest after the Federal Labor government's election in 1983 and accelerated when the Liberal-National conservative coalition assumed government in 1996. A new era of wage determination began with a series of agreements — commonly referred to as the 'Accord' — between the peak union body, the Australian Council of Trade Unions (ACTU), and the Federal government.

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Throughout this decade the 'Accords' led to real wage reductions and a strong push for decentralised bargaining. The 1980s also witnessed the removal of exchange rate controls, floating of the Australian dollar, abolition of restrictions for offshore Australian investment, the entry of foreign banks, and deregulation of the financial sector including removal of the housing interest rate ceiling and lending directives, along with changes to bank supervisory practices. The focus of monetary policy began to switch from banking system regulatory and credit controls to the general level of interest rates with the abandonment of monetary targeting from 1985. These changes were followed by balanced budgets and then budget surpluses as the Federal and all State governments sought to reduce the growth of public expenditure, reorder the allocation of funds across the functions of government and reduce public debt.

From the mid-1990s, all Australian governments embarked on the nearly-decade long National Competition Policy, a program of measures to dismantle public utility monopolies and create an array of new regulatory bodies, which was accompanied by the progressive abolition of tariff protection. At the same time, Australia became an active participant in international institutions advocating trade and investment liberalisation as well as entering into an increasing number of free trade agreements. In addition, the long-standing centralised system of industrial conciliation and arbitration was disembowelled by the decentralisation of wage determination to the workplace, with active promotion by the Australian state of individual contracts for the employment of labour and the emasculation of trade union power.

The virtue of the market was heralded as the solution to 'opening up the economy' and ensuring that Australia was part of the new 'globalisation' sweeping across the international economy. The rhetoric of market forces and state minimalism became the driver of economic policy (Horne 1992; Bell and Head 1994b) as the Australian state adopted, or moved towards embracing, Friedman's 'golden rules' of a neo-liberal economic agenda

> making the private sector the primary engine of its economic growth, maintaining a low rate of inflation and price stability, shrinking the size of its state bureaucracy, maintaining as close to a balanced budget as possible, if not a surplus, eliminating and lowering tariffs on imported goods, removing restrictions on foreign investment, getting rid of quotas and domestic monopolies, increasing exports, privatizing state-owned industries and utilities, deregulating capital markets, making its currency convertible, opening its industries, stock and bond markets to direct foreign ownership and investment, deregulating its economy to promote as much domestic competition as possible, eliminating government subsidies and kickbacks as much as possible, opening its banking and telecommunications systems to private ownership and competition, and allowing its citizens to choose from an array of competing pension options and foreign-run pension and mutual funds. (Friedman 1999: 86–87)

This 'market' agenda has progressively spread during the last two decades across all areas of state intervention as the Australian Federal and State governments reduced the size and functions of their respective public sectors through the privatisation of public assets, outsourcing and contracting-out (through competitive tendering) for the delivery of government services, and the private provision of economic and social infrastructure (Beresford 2000; Fairbrother, Paddon and Teicher 2002; Fenna 2004; Chester and Johnson 2006). The Australian welfare system has been pared back to direct provision of income 'safety net' payments with ongoing tightening of eligibility criteria, and regulation of private providers for a significantly reduced range of welfare services (Saunders 2002).

These changes to the assets and functions of the public sector were integral to the Australian state's extension of its interventions to an economic 'micro-structuring' role without relinquishing its political and economic 'macro-structuring' role. The state's macro-structuring role should not be confused with the pursuit of particular macroeconomic policy objectives or priorities. There has been no change to the 'basic functions of protecting private business property, mediating internal conflicts between different capitalist interests, and regulating the struggle between capital and labour [which] form the irreducible core of the modern capitalist state' (Moody 1997: 136). The structural competitiveness (particularly international competitiveness) of the national economy has certainly usurped full employment as a primary goal of macroeconomic policy. Moreover the 'overriding priority of macroeconomic policy has shifted towards keeping inflation low and suppressing the stabilisation functions of fiscal policy' (Mitchell and Muysken 2008: 2). This is not, however, tantamount to any cessation, abandonment or relinquishment of the state's political and economic macro-structuring role. It is a change in macroeconomic policy objectives, not a change to the state's 'irreducible core'.

Three dominant examples of the 'micro-structuring' role, of the Australian state's expanded sphere of influence, are:

- introduction of a goods and services tax, income tax cuts leading to a flatter structure of rates, the abolition of wholesale sales tax, and the increasing use of tax incentives to encourage self-provision of services such as health insurance and superannuation;
- the nearly decade-long National Competition Policy program of measures which dismantled public utility monopolies through de-integration, third party access to infrastructure and new forms of regulation followed by the more recent National Reform Agenda, and complemented by an array of specific programs to improve the competitiveness of industry; and
- progressive decentralisation of the determination of wages and working conditions to individual workplaces which reached a high point with the implementation of the *Workplace Relations Amendment (WorkChoices) Act 2005*.

These changes are often cited as examples of deregulation which suggests the reduction or abolition of some form of economic, political or social restriction.

This has not been the case as regulation has become more pervasive rather than less.

It has been suggested that the term deregulation is tantamount to re-regulation which seeks to guarantee profitable markets (Anderson 1999). Although this notion does imply regulatory change that has resulted in new settings of regulation, it is simplistic because of its failure to distinguish between regulation-*of*-competition and regulation-*for*-competition, two different forms of intervention by the state but one of the most prolific forms of regulation that has occurred with the increasing hegemony of neo-liberalism (Jordana and Levi-Faur 2004).

Regulation-*for*-competition is far more intrusive, involving direct control and prescription of the market behaviour of individual firms, as well as of the operation of the market itself. Regulation-*of*-competition involves the economy-wide activity of national regulators such as the Australian Competition and Consumer Commission. The approach of national competition authorities is invariably reactive, involving, for example, reviews of proposed mergers or cross-ownership to prevent market concentration. These broad responsibilities for competition allow less influence on market participants. In the case of regulation-*of*-competition authorities, the responsibilities are sector-specific (such as the Australian Energy Regulator) and bring much more influence to bear on market participants because these regulatory agencies are 'involved in market design and market control to an unprecedented degree' (Jordana and Levi-Faur 2004: 6).

With the extension of state interventions to 'micro-structuring' across the public sector and other areas of the economy, the Australian state has created a new regulatory mode of governance characterised by an emphasis on the use of authority, rules and standard-setting (Loughlin and Scott 1997; Hood, Scott, James, Jones and Travers 1999). All parts of the public sector have become accountable to multiple regulators[3] and in turn, all public sector agencies perform regulatory roles either directly or indirectly. As direct service provision by government agencies has been replaced by contracting-out to the private sector, and the use of intra-public sector service contracts has increased (Alford and O'Neill 1994), the public sector has 'swapped' service provision with contract management. This is a form of regulatory oversight through the use of contractually defined roles and responsibilities, performance standards, and dispute settling procedures. The same has occurred with the increasing — and almost exclusive — provision of infrastructure through the use of public-private partnerships which cover many different types of contractual relationships between government and the private sector to produce an asset and/or deliver services (Chester and Johnson 2006).

New regulatory institutions also have been specifically created to promote competition through both regulation-*of*-competition and regulation-*for*-competition. The former, as previously mentioned, hold economy-wide responsibilities in addition to replicating competition for those government businesses that have retained any natural monopoly advantages. The proliferation of these new institutions has been at both the nation-state and local-state levels.

Jessop (1994) argues that this reconfiguration of the institutions and activities of the state has been accompanied by a 'hollowing out' of the nation-state as some capacities have been devolved to other levels of political organisation, transferred to international institutions (such as the WTO, World Bank and IMF) or ceded to multilateral trade agreements. Others have contended that the transformation reflects a withering, retreat or slimming of the state (Self 1996; Strange 1996; Fairbrother, Svensen and Teicher 1997). Moody (1997), on the other hand, posits that the state's functions have expanded with the growth of the international economy because nation-states, not any global authority, ensure infrastructure (especially transport) and negotiate trade agreements that facilitate the world market.

The Australian state, through its public sector, is certainly less directly involved in service provision than previously and the composition of public sector assets has been significantly reduced in value, type and number through privatisations. However, as already noted, there has been no relinquishment of the state's 'macro-structuring' functions, notwithstanding the clear shift in macroeconomic policy priorities. What has changed is the state's economic interventions *either* through (1) a different use of established instruments, or (2) through the use of new instruments. Moreover, the Australian state has developed an extensive 'micro-structuring' role particularly through new regulatory instruments and institutions. To suggest that the collective result of these changed forms of interventions means a 'reduced state' presupposes a state defined only in quantitative measurable terms.

Some metrics of the Australian state have been proffered based on the expenditure of all levels of government including government businesses, the number of public sector employees or public sector outlays, taxation and borrowings as proportions of GDP (Davis, Wanna et al 1990; Bell and Head 1994b; Fenna 2004). Yet a 'quantified' state cannot explain the state's overall control of the economy because it excludes the impact of the interventions of the state through regulation. This point is even more poignant with the expansion of regulation to legitimise and enhance market forces as the Australian state has adjusted its armoury of economic interventions during the last twenty years.

Not only does a 'quantified' state provide a truncated, inaccurate picture of the state's economic control, it offers no insight into the state's political authority. The state comprises more than 'a distinct ensemble of institutions and organizations' (Jessop 1990: 341) because the state's institutional organisation is shaped by, and can not be separated from, a specific type of political orientation given its role to secure social cohesion, that is, the economic and political functions of the state are not independent although the domain of civil society is greater than the economy. Quantification of the state's activities thus provides only a superficial account of the state and the extent of its control.

The extent of the state's economic control is more realistically explained by considering the mode of *régulation*, the configuration of five institutional forms which governs, guides, supports and secures accumulation, and the process by which capitalism is reproduced and expanded over time. These five institutional (or structural) forms comprise the mode of *régulation,* the dimensions of which are defined by: wage-labour's relationship with capital; monetary and credit relationships; the competitive relations between firms; the nature of international relationships and arrangements; and finally, the form of state intervention including economic policy (Boyer 1990; Dunford 1990). The form of the state as one institutional form works *within* the mode by supplementing and reinforcing the other institutional forms as well as acting *on* the overall mode (Delorme 2002).

So what does the changing form of the Australian state mean for Australia's contemporary mode of *régulation*? There has been a marked qualitative shift in the structure of all institutional forms during the 1990s and the first eight years of the new millennium. A major influence has been increasing global integration driven by a state which has actively embraced the notions of free trade and the removal of constraints on capital flows through bilateral trading agreements, other international alliances and a raft of economic policy decisions. Competition has been promoted strongly by the state through new national regulatory regimes (the National Competition Policy and its successor, the National Reform Agenda), new sector-specific regulation (for example, energy), privatisation of government assets, and contracting-out, via competitive tendering, of services previously provided by government.

Although the 'glorification' of markets has been pushed to new extremes, the form of competition remains characterised by monopoly or oligopoly with firms more intent on controlling the market than participating in an ideal pure form.[4] The monetary and financial regime, and particularly the central bank's interest rate policy, is closely scrutinised by international financial markets. Monetary (interest rate) policy has become autonomous of fiscal policy with the exchange rate determined by financial markets and the primary objective of Australia's central bank being to minimise inflation. Public debt has been virtually eliminated, cuts in taxation rates have favoured capital, and substantial national budget surpluses have become the norm as the pattern of budgetary expenditure follows a pro-cyclical pattern. The form of the wage-labour nexus has been driven by the combined impacts arising from the aforementioned changes in all other institutional forms. Wage determination has shifted from a long-standing centralised structure to the level of each workplace, a system actively created and controlled by the state. Real expenditure on the social wage has been reallocated to other functions of government, and taxation concessions have been increasingly used to 'encourage' individual provision of services previously funded by government.

Box 1 presents a generalised synthesis of the contemporary Australian mode of *régulation* compared to that which prevailed during the previous Keynesian-Fordist golden age. It is apparent from these generalised descriptions that the overall organising principle of each institutional form has become, during the contemporary period, one of market logic heavily directed and supported by strong regulatory interventions by the state. The nature and extent of the Australian state's interventions are far different from those during the period immediately following the Second World War until the 1980s.

Box 1: Australia's Mode of *Régulation* [5]

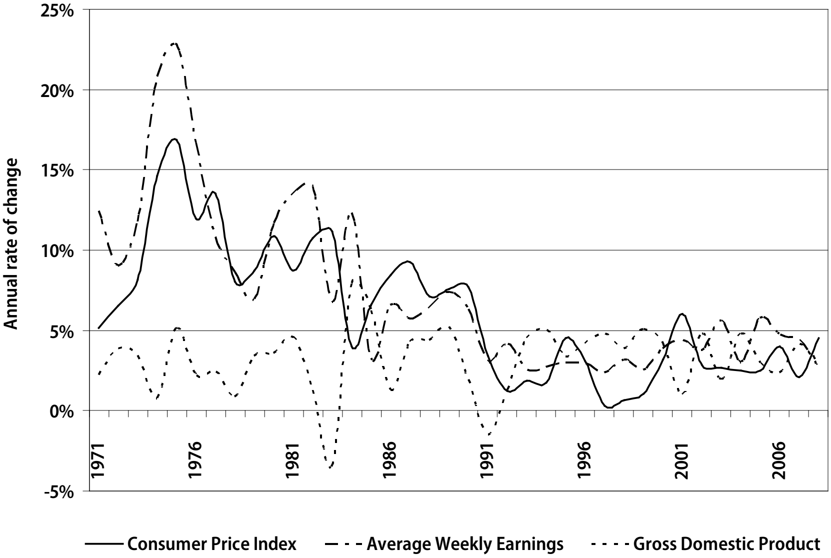
Institutional form	Keynesian-Fordist characterisation	Contemporary characterisation
Wage-labour nexus	Centralised wage fixation system, wage growth tied to consumer prices, strong collective organisation of labour and prominent bargaining role, expansion of welfare system and social wage.	Heavily regulated decentralised wage-bargaining, increasing dominance of individual employment contracts, labour market segmentation into highly-paid skilled jobs and casual/part-time unskilled, lower-wage jobs, increasing private provision of social wage elements, welfare system pared back.
Money and finance	New credit forms, housing interest rates capped, central bank controls over the banking system, foreign exchange controls.	Policy and operational independence of central bank, monetary policy used to fight inflation and scrutiny by financial market, companies run by financial logic, systemic risk exposure of financial markets.
Competition	Oligopoly and high levels of industry concentration protected by tariffs, legislative focus on anti-competitive behaviour.	Legislative restriction of concentration, predominance of oligopolistic competition.
International position	Multi-lateral agreements, growing internationalisation of financial markets, 'pegged' exchange rate.	Adhesion to free trade principles, increasing global integration through trade, finance and investment promoted by international alliances such as WTO, OECD, APEC and FTAs.
Form of the state	Keynesian welfare state, public expenditure directed to full employment objective, indirect intervention in markets through wages and price policies.	Pursuit of structural competitiveness by proactive and market-enhancing state, fiscal policy pro-cyclical, new forms of regulatory intervention using a range of agencies.

This is even more evident if one considers the cyclical pattern of the Australian economy arising from this contemporary mode of *régulation*. Using a method developed by Boyer (1988) to assess the prevailing mode of *régulation,* Figure 1 charts the annual rates of change in wages, prices and GDP (as an indicator of economic growth) over a twenty-seven year period.[6]

During the 1970s, all three macroeconomic variables follow a pro-cyclical pattern. Wages growth generally exceeded annual price movements, and the growth rates of both were greater than changes to GDP. The decade of the 1980s shows even greater volatility in economic growth rates (which on occasion are negative) although the rate of annual change generally remains below that for wages and consumer prices.

From the mid 1980s, it is evident that wages growth does not keep pace with inflation. With the Reserve Bank initiating a series of interest rate cuts from the beginning of the 1990s, the business cycle evens out, relatively speaking, with the growth rates of all three macroeconomic variables broadly falling within a band of around 5 per cent or less. Economic growth is generally sustained at high rates compared to the pattern of the previous two decades. The inflationary trend is downwards, apart from an aberration around the middle of the decade, and there is no evidence that wages growth fuelled inflation. Real wage growth in this decade was close to changes in productivity as the profits share of national income markedly rose from 16 per cent in the early 1980s to nearly 24 per cent by 2006 (Chester 2007: 993).

Figure 1: Economic Dynamic Produced by the Australian Mode of *Régulation*, 1971 to 2008



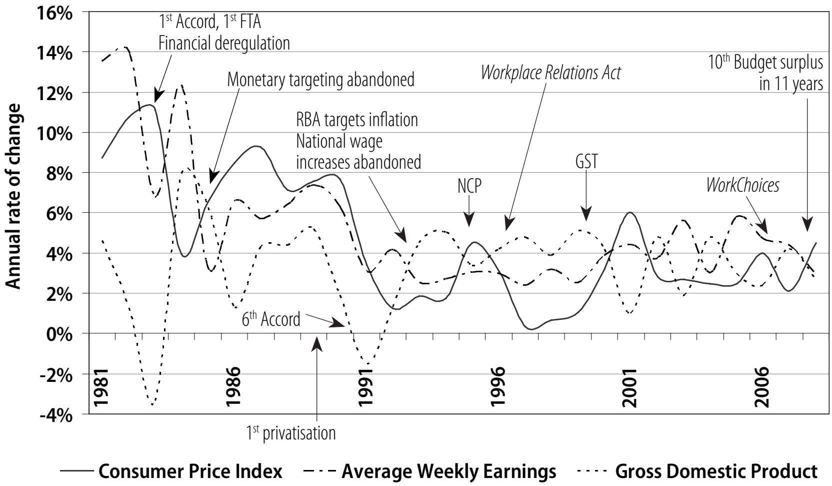
Source: Reserve Bank of Australia (2008)

A different economic dynamic is evident in the new millennium or at least in the eight years for which data are available. As the new forms of regulatory and micro-structuring intervention by the state accelerated through the late 1990s and beyond, inflation begins to climb but falls somewhat marginally when economic growth dips. Annual wages growth outstrips consumer price changes during most years and moves inversely to economic growth, the latter only occurring very intermittently during the previous three decades. Stable and high growth is not being propelled by the simultaneous growth of real wages and productivity.[7] The trajectory of economic growth has become more volatile than the 1990s and is more reminiscent of the 1970s. The same can be concluded for the wage and price growth paths, although neither have rates of change of similar magnitude to the 1970s nor is there a marked differential with economic growth rates.

Boyer suggested, when writing in the late 1980s, that the emerging pattern of the contemporary era was showing signs characteristic of eighteenth century *ancienne régulation*, soaring inflation while wages and economic growth plummet. The pattern contained in Figure 1 for the last sixteen years does not permit the same to be posited for Australia. Wages growth has generally outpaced the annual rate of change in consumer prices and, more recently, has developed an inverse relationship with economic growth. As GDP dips, wages growth is greater and then falls below GDP as the latter escalates. The changing nature of interventions by the state, in the name of market forces, has led to the current economic dynamic evidenced by the changing conjunction between wages, consumer prices and economic growth.

Figure 2 has inserted the points at which some of the most significant institutional changes to Australia's mode of *régulation* occurred, during the period 1981 to 2008, onto the economic dynamic arising from that mode of *régulation* which was presented in Figure 1. The progressive and cumulative impact of these institutional changes, these interventions by the state, has resulted in a particular configuration of the Australian mode of *régulation*'s institutional architecture. It is this evolving configuration which has led to the unprecedented pattern of growth of far less volatility within a band of around 5 per cent or less. Yet these interventions, by the state at both macro and micro levels, are paradoxical given that the prevailing economic and political ideology of neo-liberalism promotes deregulation, much less intervention by the state, and the triumph of markets.

Figure 2: Significant Institutional Changes and Australia's Economic Dynamic, 1981 to 2008



Regulation's 'New Clothes'

'Public interest' was the unquestioned rationale for state intervention during the Keynesian-Fordist era and regulation was advocated to overcome market failure, the oft-cited example of which was the harmful impacts of inequitable and inefficient pricing practices of natural monopolies such as electricity (Quiggin 1996). During the 1970s and 1980s, critics of government regulation argued that the origins, evolution and features of regulation resulted from the pursuit of rational self-interest — 'private interest'. Regulation was viewed as the result of the endogenous self-interests of governments, politicians and bureaucrats. Hence, it caused an inefficient allocation of resources, it failed to meet its purported objectives and was deemed to be of most benefit to either those being regulated, or the regulators, or provide a 'coalition-benefit' whereby the profits generated by monopolistic pricing financed cross-subsidies which

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regulators regarded as worthy (Stigler 1971; Posner 1974; Peltzman 1976; Laffont and Tirole 1993; Majone 1994).[8]

Public choice theorists provided perhaps the most strident barrage of sustained criticism, advocating that deregulation was the fundamental panacea to the alleged problems of government intervention. Public choice theory, an application of neo-classical economics, advocates that the operation of markets is substantially better without regulation and competition within markets will deliver the objectives of equity and efficiency. It was this thinking that infused governments and

> from about the 1970s, the neoclassical viewpoint, always the controlling view in the [economics] discipline, became more dominant … To a large extent, the fringe morphed into the mainstream. There occurred a hardening of the dominant laissez-faire philosophy in almost every field, but none more so than regulatory and public utility economics …. The economics literature was suffused with a steady stream of work that minimized the existence or narrowed the extent of market imperfections and was highly critical of regulators and of regulatory policies and practices … only one solution to all regulatory deficiencies was advanced. "Regulatory reform" was posited as the solution to all regulatory ills, irrespective of their nature. Furthermore *regulatory reform* was given one meaning only. It *was equated with a transformation to market guidance*, at best through deregulation, but at the least, through market simulation by adoption of such neoclassically approved methods as marginal cost pricing … or through the use of market-like techniques such as bidding or auction. (Miller and Samuels 2002: 7–8, emphasis added)

This quote highlights, implicitly and explicitly, two very significant points. First, the meaning of the term 'regulation' has changed over time. During the Keynesian-Fordist era, the terms 'regulation' and 'government intervention' were treated as virtually synonymous, suggesting that regulation was defined as a general form of governance of the economy as well as a 'set of administrative rules' (Majone 1994; Jordana and Levi-Faur 2004).[9] Now, during the contemporary post-Fordist era, the meaning of regulation has become much narrower. The term is commonly deemed to mean a set of promulgated authoritative rules relating to a particular sector, for which one (or maybe more) public agency is responsible in terms of monitoring and promoting compliance (Baldwin, Scott et al 1998).

Apart from a narrowing in the meaning of the term 'regulation', it is also significant that there has been a 180 degree turn in the prescribed purpose of regulatory activity. The arch enemy of competition, the purveyor of all things anti-competitive, has become a key part of the competition toolbox. It has now been perceived as, and equated with, market guidance. Stigler wrote that 'regulation and competition are rhetorical friends and deadly enemies: over the doorway of every regulatory agency … should be carved: Competition Not Admitted' (1975: 183). In this, he was clearly intimating that the elimination of regulation — deregulation — was a necessary condition for competition (Jordana and Levi-Faur 2004). But now regulation and competition have been aligned, with regulation becoming 'a necessary condition for the functioning of the market' (Levi-Faur 2006: 19). Regulation is being used by the state in this contemporary era to enable markets and, as discussed earlier, one of the most diffuse forms used by the state to undertake this newer micro-structuring role has been regulation-*for*-competition which directly controls and prescribes the sector-specific market behaviour of individual firms.

The Australian electricity sector is an exemplary case of the state using regulation in the form of authoritative rules as a tool to stimulate competition. Under the auspices of the National Competition Policy and using financial incentives, the nation-state cajoled the local-state into a national restructuring of the electricity sector. Former monopolies were de-integrated and the new companies, competitive and monopoly-regulated, were corporatised and some privatised. New pricing and third-party access regulatory rules have been applied to the monopolies of transmission and distribution. In addition, hundreds and hundreds of pages prescribe in minute detail the regulatory rules for the operation of the national electricity market. Not only has this regulatory regime transformed the structure of the electricity sector, it has created a 'national' market for a product that cannot be stored and for which demand must be met instantaneously. The result has been a plethora of new Federal and State government regulatory bodies responsible for the national market's operation and consumer complaints. The overall result for the electricity sector has been pervasive regulation to create a competitive market which is unattainable because of the national market's structural characteristics, with the genesis of many of these characteristics being the regulatory regime itself (Chester 2006). In addition, a number of regulatory changes have led to an increased centralisation of electricity sector regulation but without diminution or elimination of State government regulatory authorities.

The W*orkChoices* legislation, the most recent radical change to the Australian industrial relations system, is a further example of the state using regulation, in the form of authoritative rules, in its pursuit of structural competitiveness. The Federal industrial relations system, instead of operating concurrently with the State government industrial systems, replaced them and covered around 85 per cent of Australian workers. Over a thousand pages prescribed in considerable detail the changes which, *inter alia*, placed significant prohibitions on workers taking industrial action and abolished the need for workplace agreements to pass the 'no disadvantage' test. The prescriptions ensured that agreements need only provide wages and conditions that are no less than minimum award wages and cover four conditions — hours of work, annual leave, personal/carer's leave and parental leave. They restricted the right of union officials to enter workplaces, permitted employers to decide where on-site union meetings may be held and eliminated pattern bargaining, whereby one enterprise agreement becomes the model for other workplaces (King and Stilwell 2005; Peetz 2006; Roth 2006).

This regulatory approach of the Australian nation-state has yielded more than far-reaching structural change sweeping across the electricity sector and the labour market (notwithstanding the stated intentions of the Federal Labor government to wind-back W*orkChoices* following its election in late 2007). It is also transforming Australian Federal-State relations. Despite all State governments being active participants in the Council of Australian Governments, the

> States have ceded . . . some of their own capacity for autonomous action . . . the States have also weakened their capability by acceding to arrangements that promote or impose market-type structures and competition. (Parkin and Anderson 2006: 6)

A new 'regulatory federalism' (*ibid*) took hold in 1995 with the unfurling of the National Competition Policy (NCP). Throughout the late 1990s and this decade, new regulatory regimes, with national governance, have been introduced for a wide range of policy areas including, but not limited to, road and rail transport, credit laws, food standards, vocational education and training, non-bank financial institutions and, most recently, water. In addition, the States were required, in order to be NCP-compliant and receive 'competition payments', to ensure conformity with the principles of competitive neutrality throughout their respective provision of services and activities. Consequently, the least heralded but highly crucial outcome has been 'to impose national-level policy and program priorities into areas within State constitutional jurisdiction' (*ibid*: 7). Competition has been the single-minded objective of these national-level priorities, meaning that the nation-state has managed to increase its control across Australian federalism. This is definitely not the pattern Jessop (1994) had in mind when he posited that the post-Fordist state was devolving authority to the local-state.

This new regulatory federalism has been achieved by the nation-state exercising both its macro- and micro-structuring roles through the use of regulation-*of*-competition combined with regulation-*for*-competition. The key prongs of the economy-wide regulation-*of*-competition have been an extended coverage of the anti-competitive conduct rules of the *Trade Practices Act* and the creation of two national regulators — the Australian Competition and Consumer Commission to enforce compliance with the *Trade Practices Act* and the National Competition Council (and its successor, the COAG Reform Council) to enforce compliance with the NCP. The vanguard of regulation-*for*-competition has been the electricity sector, the first sector dominated by government ownership to be exposed to competition, and the only sector to date for which a national market has been engineered by regulation.

Since the late 2007 election of the Federal Labor Government, the communiqués from each of the four subsequent meetings of the Council of the Australian Governments (COAG) indicate that this regulatory approach of the Australian state is becoming more embedded. This is epitomised by COAG decisions, *inter alia,* to reform 'the architecture' of financial relations between the Federal and State Governments, ongoing Federal intervention in Northern Territory indigenous communities, centralisation of regulatory responsibility for consumer credit, new governance arrangements for the Murray-Darling Basin, and an expansion of the COAG Reform Council's role to include performance reporting against specific purpose payments (Council of Australian Governments 2008).

The October 2008 Interventions

The very recent global financial market turmoil has led to a new set of 'lender-of-the-last-resort' interventions by the Australian nation-state. On 12 October 2008, the Federal Government announced that it would guarantee the borrowings of Australian banking institutions, guarantee deposits held by these banks (for three years), and provide up to A$8 billion to purchase mortgage securities. These direct interventions, in addition to the Reserve Bank's interest rate cut a few days earlier, are specifically aimed at overcoming the rapid deterioration in available finance to the Australian economy and the potential threat to the growth regime. In addition, the four leading financial regulators — Reserve Bank, Federal Treasury, Australian Prudential Regulatory Authority, and Australian Securities and Investments Commission — have signed a 'blood pact' to deal with 'financial distress' (Council of Financial Regulators 2008; Stutchbury 2008).

These actions by the Australian state are consistent with those taken by other nation-states and institutions such as the European Union, in direct response to this recent 'meltdown' in global financial markets. The central banks of the US, Europe, UK, Canada, Sweden and Switzerland instigated an unprecedented simultaneous reduction in interest rates to increase financial market liquidity. The US Government has a bank 'bailout' package which essentially buys up 'distressed assets', the UK Government is injecting equity capital into eight of its largest banks, and European countries have made similar equity pledges (Andrews and Landler 2008; Baker 2008; Dougherty and Andrews 2008; HM Treasury 2008; Jolly and Bennhold 2008). The detail and extent of these 'rescue' packages is still unfolding at the time of writing. The clear intent is, however, 'to restore confidence and *proper* functioning of the financial sector' (ECOFIN Council 2008, emphasis added) and to ensure that these 'international measures [are] designed to unclog the arteries of the global financial system' which, according to the Australian Prime Minister, has created 'the economic equivalent of a rolling national security crisis' (Rudd 2008). The Australian Federal Government is also indicating the possibility of using government expenditure to stimulate economic activity and thus maintain the growth regime (Rudd 2008; Taylor 2008).

The merit of these interventions is not at issue for the purpose of this article. The more salient point is this: in late 2008, the Australian nation-state initiated a set of interventions to alleviate the impact of global financial market turmoil on Australia's growth regime.

The Contemporary Australian State

It has been posited by some that the contemporary neoliberal state is a 'shadow' of its former self due to the privatisation of public assets, the contracting-out of service provision and de-regulation. These changes have certainly occurred and the form of the Australian state has changed due to these actions, as has been outlined. Others have suggested that there is a new form of regulatory state. A vast array of new regulatory mechanisms has been established, as has been shown, which have led to re-regulation or new forms of regulation. All these changes — the sale of public assets, contracting-out and regulatory change — have been progressively or concurrently instigated by the Australian state.

The notion that the state has been 'reduced' as a result of these changes is highly contestable. Actions such as privatisation, contracting-out, de-regulation and the creation of new regulatory regimes have all helped to define and shape the contemporary form of the Australian state, a new 'mutant' form that has expanded the scale and scope of state intervention.

Neoliberalism has been described as 'hydra-headed', mutating during the last three decades from more abstract doctrines and a means to dismantle Keynesian welfare-state interventionism to market-guided regulation (Brenner, Peck and Theodore 2005; Gamble 2006). The Australian neoliberal state epitomises this mutation. It has not relinquished its political or economic roles nor have these roles been reduced. It is *how* the Australian state performs these roles that has been reconfigured with an expansion of the scope of its interventions through a different use of more established instruments, and through the use of new instruments. However, given the obvious disjuncture with the rhetoric of neoliberalism, the various arms of the Australian state have promoted the virtue of government action to rid markets of encumbrances, rather than openly acknowledge, or praise, new forms of regulation or intervention. Thus a caricature has been created and increasingly reinforced that there has been a reduction in the scale and scope of the contemporary Australian state. This is not the case.

The state has intervened, and continues to intervene, using a wide range of policy instruments through a framework of institutions. Economic instruments include monetary policy, public expenditure, taxation, trade and wages policy. The different use of these established instruments, by the Australian state during the contemporary era of post-Fordism, is evidenced by fiscal policy moving from an anti-cyclical to a pro-cyclical stance, taxation rates becoming more uniform and regressive, monetary policy directed at controlling inflation instead of controlling the supply of money, the removal of barriers (such as tariffs, quotas, threshold limits) to international trade and capital flows, and wages no longer increasing in line with price movements but determined from workplace-to-workplace. In addition to varying the nature of intervention using an existing or long-established instrument, the Australian state during post-Fordism has shown a strong predilection for the use of 'new' instruments such as privatisation, the imposition of commercial criteria in the public sector, dismantling of public monopolies and the contracting-out of government services, the introduction of new widespread juridico-political frameworks of regulatory control using authoritative rules and standards to engender regulation-*for*-competition and regulation-*of*-competition, and the abandonment of social partnership for managerial prerogatives and market forces. Even more recently, the Australian state has initiated 'lender-of-the-last-resort' interventions.

There has been no relinquishment of the state's long-standing macro-structuring role — further confirmed by its most recent actions — notwithstanding the shift in macroeconomic policy priorities. In addition the Australian state has developed, over the last few decades, an extensive micro-structuring role particularly through new regulatory instruments and institutions. The overwhelming pursuit of structural competitiveness has been effected through a reconfiguration of Australian state institutions and practices by an expansion of its armoury of interventions. It has been the evolving scale and scope of these systematic and heightened interventions by the Australian state which have secured a particular configuration of the institutional architecture of the mode of *régulation*. It is this configuration which has ensured a consistently positive and less volatile growth path since 1992 whilst also shifting the balance of power between capital and labour, and asserting the prerogatives of capital. The extent to which the Australian state can continue to metamorphose to ensure a configuration of the mode of *régulation* to secure and sustain Australia's future growth regime will, as Boyer (2003: 109) suggests, depend on 'history and the nature of the political process [because] both constrain and structure the institutional architecture'.

Notes

1. An earlier version of this paper was presented to the Sixth Australian Society of Heterodox Economists Conference, University of New South Wales, 10–11 December 2007.
2. For example, the 1945 white paper, *Full Employment in Australia,* recommended that the Federal government establish an employment service, the Commonwealth Employment Service, which subsequently occurred.
3. These regulators are generally functional and include central funding and policy oversight agencies, ombudsmen, auditors, anti-corruption bodies in addition to regulators for such matters as anti-discrimination, environmental protection, and workers compensation. In addition, there are a range of inspectorates which oversee specific services, for example, police, security (Hood, Scott et al 1999).
4. Apart from expenditure and employment by regulatory authorities.
5. The period post World War II until the 1970s–early 1980s is commonly referred to throughout the literature as 'Fordism' and was strongly characterised by an economic policy approach consistent with that advocated by Keynes. Thus the label of Keynesian-Fordist. The contemporary period refers to the subsequent decades.
6. Boyer undertook an analysis of the French economy from the late eighteen century to the 1980s to determine the relationship between the annual rates of change for cost of living, nominal wages and production. Four distinct periods were found which have been termed old (or *ancienne*), early competitive, mature competitive or monopolist *régulation.*

7. Since 1998–99, the growth of real wages has increasingly exceeded productivity which has markedly slowed in recent years (Chester 2007: 993–94).
8. The 'private interest' school of thought covers a spectrum of theories with a range of nomenclatures such as: capture, economic, rent seeking, private interest, special interest and public choice.
9. Levi-Faur (2004) points out that the US was the exception to this claim having moved to a narrower meaning of 'targeted rules'.

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