

**Submission to the Australia 2020 Summit on the
Future of the Australian Economy**
by Mark Drummond, 9 April 2008

**WE NEED A 21ST CENTURY SYSTEM OF GOVERNMENT ATTUNED TO
CRITICAL SCALES TO SUPPORT THE AUSTRALIAN ECONOMY IN THE 21ST
CENTURY WORLD**

The economic growth Australia has achieved in recent years through China's huge demand for our commodity exports has masked significant structural deficiencies in the Australian economy which largely result from our system of government. The ongoing drought and recent car manufacturing plant closures in Victoria and South Australia highlight the precarious nature of Australia's primary and manufacturing industries and economy generally, and clearly demonstrate that Australia needs *especially* competent and supportive government structures given its harsh natural environment and remote global location. But as numerous politicians, researchers, commentators and citizens generally have observed for more than a century – and with increasing regularity and urgency in recent years, Australia's current government structures host significant dysfunctions that severely impede the efficiency and overall performance of Australia's public and private sectors and economy overall.

To optimally support Australia's economic performance at the critical scales where economic opportunities and threats are best understood and acted on – the scales of the individual person, households and families, firms, substantive local and regional communities, the country-continent, and the globe – we need to constitutionally recognise and significantly strengthen local government (which accounts for just 7% of total government spending in Australia, compared to about 18% in Canada and 25% in both the US and UK) and either (1) amalgamate Commonwealth, State and Territory government to form a single national government or (2) otherwise ensure that our economic performance – nationally, sub-nationally and internationally – is in no way impeded by duplicated and generally excessive taxation and red tape imposed by Commonwealth, State and Territory governments. Australia's mainland States are too large in land area and population (NSW has one-third of Australia's population and WA one-third of its land area), and dominated too much by their capital cities to serve any useful role in support of Australia's economic and overall development (Gough Whitlam made these same claims in a 1957 paper titled 'The Constitution Versus Labor').

A PhD I completed in 2007 (please email to markld@ozemail.com.au for further details) summarised past estimates and established new estimates of the public and private sector financial benefits possible through government structure reforms such as New States, Unification, Regional Governments and Functional Transfers (to establish national health or education systems, for example), motivated by the hope that financial benefits achieved through intelligent reform can generate significant benefits for our country socially, environmentally and generally. New estimates obtained using various regression and benchmarking techniques suggest that if Australia's Commonwealth, State and Territory governments amalgamated into a single national government, such Unification could achieve financial benefits of about five to ten per cent in both public and private sectors and the economy as a whole, which, in June 2002 dollar terms, amounted to some \$15 billion to \$30 billion per annum in the public sector, \$25 billion to \$50 billion in the private sector, and \$40 billion to \$80 billion per annum across the entire Australian economy (so at least \$50 billion per annum in June 2007 terms).