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# BOOK REVIEWS

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## State Government Fiascos



WESTMINSTER INC: A SURVEY OF THREE STATES IN THE 1980s

*Edited by Allan Peachment*  
(Federation Press 1995 pp 184 \$35)

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Government in each of three Australian states suffered a major financial scandal during the late 1980s, all three of which reflected a failure in the mechanisms and processes of executive accountability to parliament. Estimated losses to the state economies ranged from \$1 500 million for Western Australia to just under \$2 000 million for Victoria and almost \$3 500 million for South Australia. An outraged public expected nothing less than an investigative Royal Commission, and each state incurred an additional expense of approximately \$30 million on these exercises. To what extent the so-called 'Westminster model' of responsible government should be blamed for these nearly contemporaneous disasters is a question well deserving of scholarly analysis.

A close observer of the dramas unfolded by what came to be known as 'WA Inc', and of the Royal Commission which followed, Allan Peachment has indulged his curiosity about possible similarities with the pattern of events in South Australia and Victoria by editing this volume of comparative essays. Jean Holmes and Ian Radbone have offered illuminating accounts of the collapses of the commercial arm of the State Bank of Victoria, Tricontinental, and of the State Bank of South Australia respectively. In a concluding chapter the authors have collaborated to tease out common and disparate elements of these three unprecedented failures in the practice of responsible cabinet government, but the result is not entirely satisfying. At times it is unclear whether the writers are appealing for a new version of Westminster principles or simply for a stricter adherence to what they understand to be the current textbook orthodoxy about Westminster-style responsible government.

This reviewer contends that the core problem confronting all member states of the 'old' Commonwealth in their perseverance with an increasingly out-dated set of Westminster principles is the growth of political executive power at the expense of parliament. The restoration of genuine executive accountability to parliament is easily prescribed but very difficult to effect within Australian state legislatures, given the tight discipline exercised by the major political parties and the relatively small size of the back-benches. How many back-benchers would be so committed to strengthening parliament's committee system that they would, if necessary, subordinate their party allegiance and forfeit ministerial appointment prospects to the noble cause of strengthened parliamentary control of the executive?

A secondary and perhaps more ephemeral threat to the application of Westminster principles (and one dramatically illustrated in the three Royal Commission reports) is also more receptive to quick legislative remedy. One refers of course to the recently fashionable propensity of government to create commercial enterprises which were intended to be kept at arm's length from ministerial control. In Victoria and South Australia the failed banks had been subject to private sector-style managerialism and, in the South Australian case especially, parliament was repeatedly denied information about the bank's level of exposure on the grounds of commercial confidentiality.

Why were Labor premiers in the mid 1980s so eager to work with the private sector and to accommodate its values and ethos? Several partial explanations are offered by Peachment and his colleagues. There was, for a start, a deeply ingrained sense of unfairness about the 'vertical fiscal imbalance' in Australian federalism, and the understandable eagerness of premiers to broaden their state funding base. Then, in the case of Victoria, there was the hugely expensive welfare agenda of Premier Cain which could not be funded solely from an enlargement of the state debt. Inexperience of, or distaste for, the culture of commerce would no doubt have contributed significantly to Premier Bannon's apparent unconcern about the fortunes of his state bank. In Western Australia the inexperience of Burke's youthful cabinet was no less evident, but the Premier and Deputy Premier exuded enormous self-confidence and an eagerness to initiate new deals with selected tycoons.

Peachment also mentions the frustration felt by the Labor governments of Victoria and Western Australia in treating with Coalition-dominated Legislative Councils as a partial explanation or excuse for their eagerness to increase state revenue by novel government sponsored forms of commercial enterprise. A forcefully worded recommendation for electoral reform in the Western Australian Royal Commission's Second Report may have been inspired by this frustration.

However comparable the external pressures and temptations on state Labor premiers might have been in the 1980s, government's complicity in WA Inc was of a very different order from that of the Bannon and Cain cabinets in their respective corporate disasters. In Western Australia the Burke and Dowding governments were pro-active in propping up a failed merchant bank and sponsoring additional risky commercial ventures, while the web of unreported activity was more complex than in the other two states. In Western Australia it was more a case of ministers of the crown withholding information from parliament than of boards or managers withholding information from ministers, as was the case in South Australia and Victoria. Moreover, in the West, some senior civil servants and ministerial advisers were active players in secret and improper transactions.

Peachment draws attention to the widespread puzzlement and disappointment among the general public that an expensive, protracted Royal Commission could not produce more criminal convictions, and he seems at one point to be hinting that in an efficiently operating Westminster system ministers would have been legally responsible for losses incurred within a broad compass of their portfolios. Here we begin to tread dangerous waters. Reforms to the Westminster system should certainly include legislative provision for tighter parliamentary control of government sponsored commercial activity, but serious errors of political judgment should not be invested with the status of justiciable offences. It is for this reason that the most serious challenge before the Australian community in strengthening the

enforcement of Westminster norms is to ensure that the conventions of ministerial responsibility are up-dated, clearly articulated and more vigilantly monitored. Failure to observe them would then be more likely to reap public outcry and ultimately electoral punishment.

The Westminster model's Australian adaptations are neither well defined nor, it would seem, well understood by some of our most senior political practitioners. Evidence tendered by former Premiers Burke and Dowding and Deputy Premier Parker to the Western Australian Royal Commission, for example, confirmed that they harboured highly idiosyncratic notions of ministerial responsibility and of cabinet's relationship to parliament.

Misadventures such as those reviewed in this book have kindled doubts among some Australian critics about the adaptability of Westminster principles to the needs of a liberal democratic polity in the 21st century. Allan Peachment quite rightly chides those Western Australian Coalition spokespersons who repeatedly assert that WA Inc can be explained away solely by the accident of there having been an unsavoury Labor Party executive team in office during the 1980s and that this accident does not reflect on the adequacy of the state's political structures and processes. But it will surely be attitudinal changes within government and parliament, resulting from expanded political education and increased public insistence on probity and accountability, which can ultimately restore the reputation of our Westminster system of governance, at least as much as will the drafting of new regulations or the establishment of expensive new watchdog agencies — so favoured, it would seem, by some lawyers.

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*Brian Burke, Peter Dowding,  
David Parker, John Bannon*