

# Crisis Management: The Kennett Government and the neo-Liberalising of Victoria

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# **Crisis Management: The Kennett Government and the neo-Liberalising of Victoria**

## **Thesis Abstract**

This thesis is testing *Regulation Theory's* expectations of capitalist evolution from a Fordist to a post-Fordist accumulation regime in relation to the establishment of neo-liberal political-economic governance practices by the Kennett Government in Victoria between 1992 and 1999.

The thesis will test the veracity of Regulation Theory's expectations and uncertainties about a *post-Fordist* institutional fix to the boom/bust cycle of capitalism. Through a series of interviews with strategic participants in Victoria's political-economy of the time, and with a catalogue of the neoliberal actions, policies and approaches of the Kennett Government, the two arms of Regulation Theory (the regime of accumulation and the mode of social regulation) will be tested and interpreted against the implementation procedures undertaken by the Kennett Government in its attempt to establish a neo-liberal revolution in Victoria. This will involve two different approaches to match the two arms of Regulation Theory. The first will entail an analysis of the Kennett Government's neo-liberal policies, actions and political strategies supported by the second approach which will draw on a *critical discourse analysis* of Premier Kennett's speeches in the form of his *Address to the State Council of the Liberal Party* (this is a series of addresses given throughout a year to the party hierarchy which catalogues the achievements of the political year against the background of the political philosophy that informed the decisions that were made in that year).

This first stage analysis will demonstrate the government's attitude and role in facilitating the putative development of a new regime of accumulation (in this case neo-liberalism). Secondly, the interview material (together with the Kennett *Addresses*) gathered from a number of key players in Victoria's political economy from inside and outside the government (including government ministers, backbenchers, political advisors, past Premiers, Union leaders,

bureaucrats and business people) will be used to measure the extent to which the second arm of Regulation Theory, the mode of social regulation, was able to offer support to the regime of accumulation process in an attempt to successfully embed (or otherwise) a new form of capitalist accumulation practice in Victoria.

If an accommodation between the two arms of Regulation Theory can be shown to have occurred through this research and during the time of the Kennett Government's term of office then there will be tentative support for its ability to explain the embedding of post-Fordist capitalism in a regional Australian state. In anticipation of equivocal or tentative results, consideration was also given to the agency affect of Premier Jeff Kennett, as an alternative explanation for the outcome of this experience of neo-liberal governance.

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The fact that I have finished this thesis is a tribute to a number of people who continued to show faith in me, who were inspired in their guidance, who opened a door and who were around for most but not all the journey.

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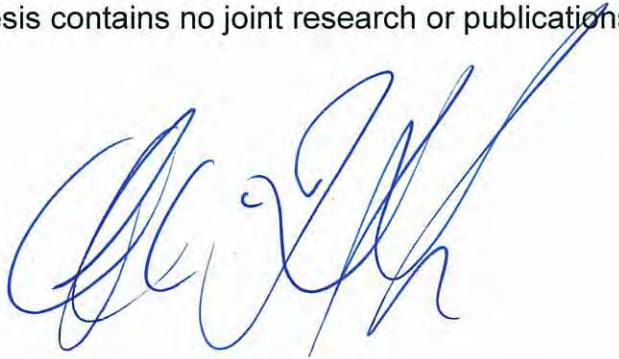
## **Thesis Declaration**

This thesis contains no material which has been accepted for the award to the candidate of any other degree or diploma, except where due reference is made in the text of the examinable outcome.

This thesis to the best of my knowledge contains no material previously published or written by another person except where due reference is made in the text of the examinable outcome.

This thesis contains no joint research or publications.

Signed:

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to be 'A. J. H.' followed by a long, sweeping horizontal stroke.

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## **INTRODUCTION**

### **Kennettism: the (neo) Liberal Leader Returns as a Neo-Liberal**

‘We have now introduced reforms that no other Government in Australia has tried’ (Jeff Kennett in an *Address to the 116<sup>th</sup> State Council* 27 November 1993a, p. 4).

In the Australian political economy in the last twenty years there has been a distinct shift in the way that governments have responded to the neo-liberal capitalist accumulation practices that have become the preferred means of accumulation strategy adopted by business. In the mid 1980s the Hawke/Keating governments “opened” up the regulated parts of the Australian economy by floating the Australian dollar, inviting in foreign banks and created a more competitive financial sector. Despite these fundamental shifts to a more market-based economy, in those divisions overseen by government, there has not been a government in the Australian federation that has pushed the neo-liberal market philosophy as strongly or to the extent that the Kennett Government did in Victoria between 1992 – 1999. This appeared to be a popular government with a charismatic leader, albeit one who polarised opinions. The thorough-going reform programme that the Kennett Government introduced embraced the neo-liberal ideology fully and enthusiastically. This truly was a revolution in governance practices (Costar and Economou 1999) in the Australian context. However in a surprising result the government was thrown out of office, against all expectations, after only its second term. This seemed to spell an end to Australians preparedness to accept such extreme and far-reaching reform; but explanations for the “shock” loss of the Kennett Government were not convincing. It appears that the electorate was resisting change but how did such a popular leader then lead a reformist government to such a defeat and how can this be explained?



The electorate produced a hung parliament in the 1999 electoral defeat of the Kennett Government. This was built around the key votes of three independent regional members. This meant that the incoming minority government had to make much broader and specific accommodations to both the city and the regional electorates. These negotiations with the citizens and their institutional representatives re-established an ensemble of norms and practices that were disrupted by the previous administration. The Kennett Government in its determination to revolutionise the role played by politics in the establishment of a new regime of accumulation has on-going contemporary relevance for our understanding of this role in relationship to the rest of the political economy and the importance of establishing a negotiated settlement with the citizens and their institutional representatives outside the reciprocal spheres of business and centrist politics. Its contemporary relevance continues to resonate in the outcome of the 2010 Australian Federal election campaign which had uncanny parallels with the 1999 outcome of the Victorian election.

The approach taken in this thesis will make use of third generation Regulation Theory which will look at the specific local mode of social regulation in Victoria under the Kennett Government and introduce a mechanism for unpacking and explaining the sorts of results and resistances that the electorate demonstrated it supported in response to the Kennett Government's attempts to revolutionise the role of government in relation to husbanding a new regime of accumulation. The application of Regulation Theory in this instance will demonstrate the theory's contemporary relevance in being able to deal with the dynamics of reformist governments that are resistant to on-going democratic consultation with the electorate, its institutions and its norms and practices.

## **The Rise of the Kennett Government**

The Kennett Government was elected in 1992 to govern the regional state of Victoria in the federated Australian system of government. It came to power on a voter tidal wave of dissent over the perceived failure of previous Labor, social democratic governments to manage the state's finances in a way that

conformed with the recent economic and ideological shift to neo-liberalism (Bourdieu 2005, p. 10). This break with Fordist, welfare state (see Burrows & Loader 1994 and Sennett 2006) approaches to governance, where the state was expected to intervene in the economy and regulate it in a broadly redistributive sense, had taken root throughout the Anglophone West. The Kennett Liberal Party used, what appeared to be in retrospect, a Trojan horse technique that was pioneered by Milton Friedman and the Chicago University economics department in Chile in the 1970s (Klein 2007) to establish *free market neo-liberalism*; that technique was the identification and prosecution of the notion of an economic *crisis bordering on catastrophe*<sup>1</sup>.

It has been a time-honoured tradition in Australian politics, over the past 30 years, that when a new government, from the other side of politics, comes to power they “discover” a budget deficit “blow-out” apparently caused by the outgoing government’s financial mismanagement. As a result, incoming governments either declare a moratorium on their election promises or use the *crisis* as an excuse to cut or curtail spending programmes. In the case of the 1992 election of the Kennett Liberal Party to government, this apparent climate of crisis was used for the implementation of a much more extensive and radical agenda than had ever been seen in the Australian political economy, and a programme that had *not* been indicated by the Liberals prior to their election win (see for example Hayward 1999a & 1999b and Lavelle 2000). Victoria’s new Liberal Party Treasurer (at the time) Alan Stockdale wasted no time in prosecuting the chimera (see Moore 2001; Hayward 1993a, 1999a ahead) of a *budget crisis*. On 3rd October 1992 Stockdale declared that Victoria ‘...is very sick, much sicker than Mrs Kirner or Mr Cain<sup>2</sup> ever admitted and the problems require immediate and painful treatment’ (Stockdale 1992a).

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<sup>1</sup> Albeit in Victoria’s case not resulting in the wide spread death of its citizens. Although there were a number of deaths associated with the corrupt implementation of the ambulance despatch system known as Intergraph (Harkness 1999, pp. 208 – 211).

<sup>2</sup> John Cain (8/4/82 - 10/8/90) and Joan Kirner (10/8/90 - 6/10/92) were consecutive Labor Premiers of the state of Victoria prior to the 1992 election of the Kennett Liberal Government.

The fervent prosecution of this line of political hyperbole (see for example Hayward 1999a; Parkinson 2000; Forbes 1993 and Walker 1993) was the essential ingredient in consolidating public support for the Kennett *neo-liberal revolution* (Costar & Economou 1999) that included a massive programme of privatisation of public utilities, assets and infrastructure and the sacking of tens of thousands of public servants.

There has been a progressive transformation in the economic world over the last 30 years from *Keynesian welfare state* economics to a right wing-inspired form of market-driven economics known as *neo-liberalism*. Neo-liberalism's passage in and through Australia's political economies had been tentative, tempered by both major political parties' small "l" liberal tendencies. It was the government of Jeff Kennett in the state of Victoria that took this tentative development and firmly embraced the transformation, turning it into a *revolution*. This was a government that was determined to brook no challengers in its zeal to "open Victoria for business" and usher in this new regime of capitalist accumulation practice.

Neo-liberalism has become a ubiquitous descriptor of an approach to economic activity and social policy determination that has transcended domains of expression (for example hospitals and schools) and in many cases relevance (the charity sector). It is an approach to economic organisation that has very specific expectations of a government's role in the economy and the individual's sovereignty in relation to that role. While business has always been expected to act self-interestedly, under the *Keynesian welfare state* system governments were expected to protectively manage the *potential for a "bust"* in the capitalist cycle through regulation; and to *respond to a "bust"* by intervening in the economy through government productive activity to support the economy and, as such, the citizens of the state. These expectations have changed<sup>3</sup>.

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<sup>3</sup> Albeit, since the Global Financial Crisis these expectations have been turned on their head by a strong expectation that governments should "bail out" businesses that have fared badly as a result of the collapse in finance markets. This is the notion of "too big too fail" that saw massive amounts of money put back into overseas banks that were likely to fail. In Australia's case there was a return to Keynesian "pump priming" with cash payment to citizens with the intention/hope that they would spend that money in the retail economy in a relatively short turn around time. In addition, a number of large infrastructure projects were undertaken by the government to

The essential features of neo-liberal political economics, according to Peck & Tickell (1994b) are:

the progressive withdrawal of government from direct service provision;

the sale (privatisation), contracting out or corporatisation of government-provided services;

a demand on and by governments for on-going budget surpluses;

the institutionalisation of efficiency and flexibility as the dominant measure of success for both the public and private sectors;

the extensive use of contracts to mediate relationships in the political economy - between consumers and service providers, for employment, and for the provision of services;

the managed shrinkage of the welfare state;

broad advocacy for the virtues of competition and market mechanisms over co-operation;

the marginalisation of Fordist components of the political economy such as government support for *union* activities, limited and regulated *gambling* opportunities and a preference for the private provision of education and health care: where this is not possible competitive pressures and corporate disciplines should be introduced to “enhance” service delivery;

an emphasis on the immutability of global economic forces - in particular stock markets, shareholders and credit ratings agencies; and the resultant withdrawal of a will to enforce a regulatory regime to oversee these market activities;

the rise of service industries such as finance, *gambling* and tourism;

the expectation that all sectors of the political economy will engage in entrepreneurialism and define themselves through a business paradigm; and

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stimulate the productive side of the economy. Finally, Australia's banking system was thought to have survived the Global Financial Crisis (GFC) so well because of the relatively strong Federal Government's regulatory regime put in place by the Howard Liberal government and due to the Rudd government's financial guarantee to underwrite bank deposits.

a reliance on supply-side instruments (Peck & Tickell 1994b emphasis added).

Throughout this thesis a number of definitions of neo-liberalism will be explored. They will, essentially, be variations on the same theme. There is a general agreement across the political spectrum about what constitutes neo-liberalism with only minor variations. The main divergence occurs in the names given to describe this change in approach to the economic organisation of the state and these will be explored ahead. The reason for nominating the state as the key partner in this economic transformation is built around the notion of compromise. As Manne (2009) observes: ‘within the international political economy there have been two 30-year eras. The first rested on two compromises – between capital and labour and between the state and the market – which seemed to have solved the underlying problems of capitalism’ (p. 23).

The extent to which compromises were made and partnerships sustained, through the efforts of the Kennett Government in the second 30-year era, will be the key question for this thesis, using Regulation Theory as the guiding measure. In addition the role of the “strong man” leader, as the hegemonic warrior in the ‘revolutionary struggle for change’ (Kennett 1995 and Costar & Economou 1999), will also be considered.

While there is no doubt about the fact of the implementation of neo-liberal policies that the Kennett Government enacted (see Costar & Economou 1999; Broomhill 2001; Engels 1999 and Hayward 2000), the specific objectives of this thesis are:

To investigate the extent to which Victoria's, sub-national, Kennett Government was able to embed a neo-liberal, post-Fordist<sup>4</sup> accumulation regime and in that process assess the

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<sup>4</sup> The success that Regulation Theory achieved was based on its successful analysis and explanation of the relative stability of twentieth century capital accumulation practice which became known as Fordism. In particular Regulation Theory's explanation of the post World War Two boom through the positive articulation of the regime of accumulation and the mode of social regulation.

extent to which it managed to build a broad consensus in support of the shift. Therefore the key objective for this thesis is to assess the extent to which Regulation Theory can explain (see Peck & Tickell 1994a & 1994b; Jessop 1995b, 1994b, 1991 & 1990a and Goodwin & Painter 1996 & 1997) the putative shift to a post-Fordist (in this case neo-liberal) regime of accumulation in Victoria under the Kennett Government and to determine whether that shift attracted broader community support; as measured by the extent to which a mode of social regulation in support of the neo-liberal regime of accumulation was promoted and/or established. As a piece of sociological research this thesis needs to give additional consideration to the agency affect of a strong leader in either facilitating or retarding the embedding process.

## **Jeff Kennett**

Jeff Kennett was a well-known political figure well before he was elected as Premier of Victoria in 1992. His reputation as direct, divisive and determined was a hallmark of his personal style and political career (Parkinson 2000). He was also known for his gaffes and propensity to objectionable behaviour:

Perhaps the most controversial incident came in September 1985, as he officiated at a ceremony for the Miss Italian Community beauty contest. At a boisterous formal dinner to crown the new queen, Kennett and the officiating party, were heckled by protesters. Jeff sought comic relief. Turning to the disappointed finalists, he promised he would see all the contestants backstage, "because I've got a prize of my own to give you" (Parkinson 2000, p. 63).

As Kennett himself observed, in an announcement to an astonished media on his election as leader of the Victorian Liberal Party in October 1982 "I represent risk" (Kennett quoted in Parkinson 2000, p. 56). A theme to which he returned many years later in an interview with Parkinson (2000):

These things were not necessarily calculated to gain attention. But I don't believe you achieve anything in life without running risk...those things...described as gaffes, most of them were delivered with a lot of consideration...in most cases they were risks I was taking that didn't come off (p. 66).

Jeff Kennett grew up and flourished in a family with long small-business antecedents, in the conservative, comfortable and prosperous eastern suburbs of 1950s Melbourne. Kennett took these small-business philosophies into politics (see Chapter 4 [Crisis]).

These were not dissimilar to trends towards neo-liberalism (Parkinson 2000, p. 41) that were starting to emerge in the late 1970s. Kennett was not engaged philosophically with “big” ideas, “big” government or corporatist process of consultation and dialogue, whether they came from the labour, management or government sides. His relatively early success in small business guided his political philosophy: that of the strong, independent individual cutting through bureaucratic fetters to achieve what *he* considered meaningful (Parkinson 2000). This “crash through or crash” approach had characterised Kennett’s whole political career, which had met with mixed success up until his Premiership that came at his third attempt. Such was his impact and affect upon the electorate in his first term that the epithet, “crash through or crash”, was linguistically dignified with the media “re-branding” him as a “can-do” Premier who created a “can-do culture” in Victoria<sup>5</sup> (Parkinson 2000, p.193).

Kennett, although considered an occasional victim of his own propensity to self-inflicted political damage, was an effective prosecutor of political advantage (Parkinson 2000). The economic cycle and the economic zeitgeist coincided in 1992 when Kennett contested the state election in Victoria as the Leader of the Opposition. This was the ubiquitous “crisis” that Klein (2007) wrote about in the *Shock Doctrine*. This economic confluence of events allowed for an opportunity to undertake an extensive political transformation of the economic organisation of state. This climate of crisis eventually allowed the Kennett Government an agenda breadth that could only have been wished for in their disappointing loss in the 1988 State election. Although very few challenged the fact of the crisis in much of the government’s first term there were persistent and persuasive arguments against the fiscal catastrophe being painted by the Kennett

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<sup>5</sup> There were also more negative characterisations, most famously the term “Jeffed” entered the language as an idiom indicating that one was being “done over”.

Government (see for example Hayward 1999; Davidson 1993a, 1993b & 1993c; and of particular note Moore 2001 see ahead).

This climate of crisis had dual advantages for the Kennett Opposition, prior to their election in 1992: it meant that the electorate was more amenable to change despite Kennett's chequered political history (Parkinson 2000); and that the "crisis" scenario (Klein 2007) could be mobilised in the service of an economic revolution (Costar & Economou 1999). The prosecution of the crisis will be interrogated in Chapter 4 (Crisis).

### **The 1992 Election Campaign**

While political folklore suggests that government is lost by the incumbent party rather than won by the Opposition, the Kennett Opposition took no chances in their campaign and avoided laying out a detailed agenda for government. As Professor Bill Russell, the then Director of the Public Sector Management Institute at Monash University, observed: 'They [the policy commitments] need to be accurate and they need to be specific and...they have been neither' (Russell quoted in Parkinson & Forbes 1992).

In fact the Kennett Opposition went further, specifically denying measures that were later adopted once they had taken office. For example; Karen Batt Secretary, Victorian Branch, Community and Public Sector Union (CPSU), in an interview for this thesis, told of 'a written commitment [that] Kennett had signed [to the effect] that there would be no major changes to the public service and its operation without the involvement and consent of the public service unions' (Batt 2001). Within three weeks of being elected the Kennett Government abolished the Industrial Relations Act; the Public Service Act; the Worker's Compensation Act; the public sector's annual holiday leave loading; and the government payroll deduction of public sector union fees. Those Bills were pre-drafted (prior to the election and in stark contradiction of the written *and signed* commitments given). As Batt observed, 'the commitments they were giving to



us, in the lead up to the election, were only designed not to scare the horses prior to being elected' (Batt 2001).

As Lavelle has also observed:

In the last days of the campaign the shadow Treasurer, Alan Stockdale, dismissed calls for a reduction of 30,000 public servants by a leading researcher for a right wing think-tank<sup>6</sup>, Mr Des Moore<sup>7</sup> (also one of the Opposition's nominees for a planned financial audit team<sup>8</sup>). Both Mr Kennett and Mr Stockdale strongly rebuked Mr Moore and dismissed his estimates. Mr Kennett claimed in the Australian Financial Review that:

...the 25,000 [sackings] figure has nothing to do with us. We regard it as an absurd figure; we have no intention of making cuts anywhere near the magnitude of 25,000... (Gill 1992 cited in Lavelle 2000, p. 10).

Mr Stockdale argued that the suggestion that 30,000 jobs could be cut was "fanciful", "unachievable" and not "realistic". (Dixon 1992b cited in Lavelle 2000, p. 10). Again, when *The Age* published a story that a Kennett Government would place the top echelons of the public service on contract, senior Opposition spokesmen, including Mr Kennett, Mr Gude and Mr Smith, were all quoted as denying that any such plan existed (Kelly & Dixon 1992 cited in Lavelle 2000, p. 10)

(2000, p. 10).

There was a genuine aspect of political theatre here where the government wished not be seen by the public as strident reformers too early but behind the scenes they were supporting this agenda with a great deal of anticipation. As David Edwards (2001), who was the Chair of Project Victoria (see below for detailed discussion), revealed in an interview for this thesis:

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<sup>6</sup> Project Victoria see the Edwards (2001) interview below.

<sup>7</sup> ...and a key informant for this thesis.

<sup>8</sup> ...and an interview subject for this thesis.

...we'd meet fairly regularly for lunches. So we were pretty close and clearly Stockdale and Kennett were quite excited by Project Victoria, although the public debate about the Project Victoria agenda was far in advance of what the Coalition Government was proposing as its policy manifesto, but in a sense it made any radical suggestions *they* were suggesting quite mild compared to some of the things that Project Victoria were talking about in terms of slashing the size of the public sector and some of the privatisation proposals that Project Victoria were coming up with. So it actually made it easier in a sense for the Coalition to propose a reform agenda (p. 4 emphasis added).

There remained, quite reasonably in light of Edwards' (2001) disclosure, a sense in the public sphere, fuelled partly by this lack of detail and partly by a Labor Party scare campaign, that the Kennett Opposition would follow the New Zealand model, implementing a strategy of radical withdrawal from government service delivery and therefore a consequent shift to a user pays principle for the consumption of government services. Mr. Kennett and Mr. Stockdale responded by downplaying their intentions to move dramatically to the right. While there was tacit acknowledgement of an intention to bring the private sector into the *general* area of government service-delivery, the then Opposition Treasurer, Mr. Stockdale, suggested that privatisation would only amount to the equivalent cost of implementing their Job Bank employment scheme<sup>9</sup>. This was costed at an extremely modest \$A160m.

Kennett maintained his low-risk approach throughout the campaign, despite increasing criticism (Dixon 1992), offering a combination of policy generalisations, reassurance about the minimalist nature of plans for privatisation and fiscal reforms (see for example Carney 1992 and Dixon 1992a) and a continued assault on the Labor government's financial record. However;

[t]he issue came to a head when, in the last week of the campaign, Mr. Kennett refused to release any further policies, arguing that it was a "matter of not overly confusing the majority" of the electorate (Lavelle 2000, pp. 12 - 13).

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<sup>9</sup> This was a pre-election policy promise that was not fulfilled.

Having maintained relative policy silence, the Kennett Liberals went to, and won, the 1992 election on a platform of generalities supported by rhetoric of reassurance and virulent criticism of the Labor Party government. As Hayward argues: 'The moral panic he [Kennett] created was the perfect context to unleash his neo-liberal revolution, which bore only an accidental relationship to the vague policies on which he had secured government' (1999b, p. 60). All of the speculative proposals put by Moore (Gill 1992 cited in Lavelle 2000, p. 10) above were acted upon and exceeded in the Kennett Government's first term.

### **Political Rhetoric: Creating the Discourse of Crisis**

On 5th October 1992, two days after being elected, Premier Kennett made his first term strategy clear, elevating the budget crisis to a level beyond even the pre-election expectations built upon the *Guilty Party*<sup>10</sup> theme. In a statement to the media the newly elected Premier made it clear that the apparent crisis was going to be dealt with as a disaster:

We are not dealing with something which can be solved in a year. This is something that is going to take us *forever*. *Forever* ... [The government] is trying to keep increases [in taxes and charges] down to a minimum ... But the Board of Works situation; super; they're all absolutely RS<sup>11</sup> ... This super thing is bigger than Ben Hur - it is *huge*, its *massive*... [The public] are owed the facts and by hell they're going to get 'em. (Kennett quoted in Hayward 1999a, p. 135 emphasis added)

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<sup>10</sup> This was a campaign advertising strategy to paint the Labor Party as criminally negligent in their handling of government in general and their fiscal approach to governance in particular.

<sup>11</sup> RS (rat shit) is a colloquial Australian term used to describe something that is beyond repair.

As Carney was to observe later, this statement, following on from the *Guilty Party* election campaign, made it clear that the 'carefully conceived rhetoric used by Mr. Stockdale and Mr. Kennett...[was]...directed solely at maximising political damage to the Labor Party' (1993a, p. 1). This discourse was essential as a justification for the extremity of their hitherto undeclared policy agenda. As Mr. Kennett explained in Parkinson's biography: 'We had made the intellectual decision on how we would proceed *well before* the election' (2000, p. 139 emphasis added).

### **Report of the Victorian Commission of Audit**

An independent commission of audit was amongst the first of the political devices set up by the government as a part of their agenda for change. The Victorian Commission of Audit was established on 9th October 1992 to

...investigate and report upon the condition of Victorian State public finances; to comment generally on the causes of the present condition; to recommend policies, management reforms and other measures to improve efficiency and effectiveness of the State's financial position; and to recommend measures to safeguard against the future recurrence of policies and practices likely to have adverse effects on the State (Victorian Commission of Audit 1993a, p. 1).

The two-volume report was the pivotal document in the first term of the Kennett Government. It served as the ideological blueprint for what became known as the *Kennett Revolution* (Costar & Economou 1999). The Victorian Commission of Audit undertook a detailed and critical analysis of the previous government. The Commissioners argued that the debt crisis was a result of the previous government's capture, by labour unions in general, and the public sector unions in particular, causing it to overspend in the areas of education (Victorian Commission of Audit 1993b, p. 5), health (Victorian Commission of Audit 1993b, p. 81) and public transport (Victorian Commission of Audit 1993b, p. 135): government departments which were most clearly associated with welfarist (and Fordist) approaches to governance.

The report was delivered in May 1993, a month after the second of Treasurer Stockdale's mini-budgets. As such the report served as a post-hoc justification for the Treasurer's pre-determined fiscal austerity (Stockdale 1993b, pp. 1 - 19; see also Parkinson 2000, p. 139). However the indicative direction of the new government's fiscal approach to governance had already been the subject of a detailed report, *Victoria: An Agenda for Change* (Moore & Porter 1991) which was produced by *Project Victoria* a major, right wing policy reform movement. Project Victoria was an amalgam of two, New Right think tanks (the Tasman Institute and the Institute of Public Affairs) that anticipated the Commission of Audit's recommendations. As David Edwards, who at the time the interview was conducted for this thesis, was the Chief Executive Officer of the Victorian Employers' Chamber of Commerce and Industry (and had also Chaired Project Victoria), described Project Victoria; '...as a real attempt by the *business side of politics* to try and establish a blueprint for what we thought was necessary for reform' (2001, p. 2 emphasis added). The scope of Project Victoria's interests was quite wide as Edwards (2001) describes it:

...we started on just the broad economic policy. A couple of the early ones were the overall economic policy and electricity and then we went on, after Kennett was elected, to Local Government, health, education, and tax, and transport, and waterfront, we did about a dozen projects in the end (p. 2).

While this document was not an internal Liberal Party publication it was closely linked to the Party's support base and was, as Edwards (2001) acknowledges, *a political document*. It was also supported by a broad cross-section of business and contained contributions by leading right wing economists linked to the Liberal Party. In fact the chair of the Commission of Audit, Professor Bob Officer, was on the board of the Institute of Public Affairs (Hayward 1999a, p. 141).

As Des Moore from Project Victoria points out in an interview for this thesis when asked if he saw a link between the Commission of Audit's findings and Project Victoria's findings he was unequivocal: *'Oh yes undoubtedly*. Professor Officer was well aware, he was on the board of the Institute of Public Affairs, he was well aware of the research we were doing' (Moore 2001, p. 4 emphasis added).

Underpinning the philosophies developed by these right wing or neo-liberal think tanks is the ideological view that government should only be a facilitator of the opportunity for entrepreneurial economic growth. The role of government was not seen as one of mediating between the market and the citizens; and not as a regulator of first resort. This transformation from "rowing to steering" meant that the government must withdraw from direct involvement in the economy and community as much as possible. The vacating of this space created a vacuum for private sector engagement in those areas that had previously been seen as the rightful role of government as the equitable provider of essential services to its citizens. One of the key methodologies of the neo-liberal right was to redefine the relationship between government and its function in society. As Redwood (2006) observes:

It was a time when many of the intangible benefits of civil society were beginning to erode away, with the dominant philosophy in government and public administration that all goods and services could be costed, and that more efficient services would result from competitive tendering and contracting. We were being redefined as consumers not citizens (p. 19).

## **The Execution of the Revolution**

The Kennett neo-liberal revolution was executed in three main streams: a dramatic reduction/transformation in the functions, responsibilities and employment of and in the state government bureaucracy; a reduction in a broad range of services supplied directly by government to its citizens;

and a massive sell-off, through the process of privatisation and share floats, of government-owned instrumentalities. As John Halfpenny, Secretary of the Victorian Trades and Labour Council (until 1996) opined in an interview for this thesis:

I think the ideology came from within but some of the practical things came from outside. They had an agenda for privatisation, they had an agenda for rapid deregulation, opening up everything and letting, really, laissez fair, it was a return to quite a laissez fair form of capitalism. You know, that you can build what you bloody well liked and, you can pull down what you liked and do this and do that and the market was going to take care of it all and they were in a somewhat favourable, the environment was somewhat favourable for them because of the financial state of the state at the end of the Cain and Kirner times (2001, p. 7).

This was not simply a leftist, “Union boss” view of the Kennett Government. Sir Rupert Hamer, Premier of Victoria from 1972 – 1981, also identified this shift, in an interview for this thesis:

...there was what we call “small l” Liberal policy. I don’t think that there’s as much prominence given to that side of politics [through the Kennett era and beyond] as there had been before and there was a more, I’ll call it pragmatic, well there was a move to the right I suppose, if you want to put it in those terms (2001, p. 6).

The driving ideology behind the neo-liberal revolution was to rebuild government upon corporate lines. In neo-liberalism business and global capitalism are seen as the key interpreters of what is best for the economy (see for example Bourdieu 2005; Harvey 2005 and Hay 2004) and as such it, or its practices, should be the determinant of policy: Government should “steer not row” (Osborne & Gaebler 1993).

In an echoing spirit of this ideology, Kennett liked to represent his role as the Chief Executive Officer of Victoria rather than in the traditional role of a parliamentary leader and Premier. Kennett presented himself as a Chief Executive Officer entrusted with the job by the shareholders of Victoria (Jacobs & Jones 2009):

During his seven years of office (1992-99), Premier Kennett pursued a concerted program of reform to both the structure and function of government and the broader State apparatus which has seen, among other things, the restructuring of the public service and government, a tightening hold on Parliament by the political executive, and the privatisation of major government-owned utilities. Both the style and substance of the Kennett Government [were] symbolised in the “Premier-centric” election home page [jeff.com.au](http://jeff.com.au) [which] attracted both high praise and intense criticism (Eckersley & Zifcak 2001, p. 62).

## Concluding Remarks

In this transformatory neo-liberal world, legal safeguards (Russell 1999, p. 55) are removed from the mechanisms of government and the judgement of an individual becomes disproportionately determinant, opening the way for the complexity of agentic interpretations. It is partly because of Kennett’s neo-liberal-style “rebranding” of the job of Premier as that of the Chief Executive Officer in charge of a ‘team of managers’ (Kennett 1994, p. 19) that the role of agency has to be investigated as a supplementary explicans to considerations about the veracity of Regulation Theory as the primary explicans of the reception or otherwise of neo-liberal post-Fordism in Victoria.

The necessity to consider the agentic influence of the Premier in this thesis is linked to the structure of the second half of the thesis which will employ the analytical methodology, *Critical Discourse Analysis* (Fairclough 2003, 2001 & 1993). This form of analytical methodology enables political discourse to be dissected as a way of interpreting how political actors discursively construct social practices networked in a particular way to constitute a new social order



(Fairclough 2001, pp. 234 – 235). The key discursive moments can be captured as *critical discourse moments*.

In relation to the life of the Kennett Government this thesis will focus on three critical discourse moments (and phases) and are constituted in the three discussion chapters *Crisis, Consolidation, Collapse*. These chapters are built upon interview material (see Appendix 1 for interview schedule) and media reports that overwhelmingly identify Premier Kennett as the dominant factor in both the success and failure of the government. This dominance captures elements of both Kennett's charismatic (and repellent; see Scales 2001, p. 5; Hamer 2001, pp. 8 – 9; Cain 2001, p. 9; Ellingsen 1999 and Edwards 2001, p. 9) dominance of the political agenda through his manner and style of leadership and is a key theme that emerges from the interviews. In addition the interviews and media reports also present a confused picture of the neo-liberal revolutionary who refused to act in a correspondingly (neo) liberal way.

Kennett was uncomfortable relinquishing authority or creating a transparent decision-making process and as such the investigation of this potentially disruptive aspect of his governance practice requires the consideration of an agentic influence on the reception of the neo-liberal regime of accumulation. As Liberal backbencher in the Kennett Government, Victor Perton (2001) states, in an interview for this thesis, Kennett was not an adherent of wide consultation or consensus politics: '...the decision making process, I believe, was illiberal' (Perton 2001, p. 3).

This thesis is dealing with a significant period of political economic turmoil in Victoria's recent history. It is dealing with a *captured moment* of political governance and transformation that has an on-going contemporary relevance when you consider the number of hung parliaments that have been voted in, in Australia, since the Kennett revolution. As such it constitutes an original piece of political-ethnographic work through the use of a series of interviews

conducted specifically for this thesis drawing on informants who were key participants in the tumult of the *Kennett Revolution*.

# **CHAPTER 1**

## **LITERATURE REVIEW AND HISTORICAL CONTEXT**

### **The unfolding of neo-liberalism: from pre-war Europe to post-ideological Victoria**

#### **Introduction**

The transition of the developed world's economies from the Keynesian compact, established after World War Two at Bretton Woods, to the Friedman-inspired laissez-faireism of the neo-liberal economy, as argued above, was an outcome of the "fortune of crisis" (Klein 2007) and once established it cascaded through the Anglophone West. This view is based on hindsight and the evidence of the last thirty years of the change in governmentality (Peck & Tickell 1994a & 1994b; Jessop 2002, 1995a, 1995b, 1994a & 1994b and Dannreuther & Petit 2006) since the first oil shocks in the mid 1970s (characterised by O'Connor (1973) as the *Fiscal Crisis of the State*). This unsettling period in the 1970s created the chink in the Keynesian armour that allowed the neo-liberals<sup>12</sup> an opportunity that they had sort since Hayek began the neo-liberal project in the 1930s and 1940s (Cockett 1995). Klein (2007) describes an opportunistic methodology, adopted by the right wing think tank movement (Cockett 1995), of pirating these shocks or crises (Jessop 1995b and Jones & Ward 2002) as a means of establishing laissez-faireist style economic ideologies and practices in the leading economies. This methodology was brutally "tested" in the developing world's economies particularly in Central and South America (Klein 2007).

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<sup>12</sup> ...sometimes inaccurately conflated with neo-classicists or neo-conservatives as they are referred to in the American or European media discourse.

This opportunistic methodology, Klein (2007) argues, was adopted because of the movement's lack of success in overturning Keynesian economics in the immediate post World War Two period in the West (Jessop 1995b).

The economic development of the Australian economy, historically, followed a trajectory that paralleled its colonial mentor and as a consequence produced an economy that mirrored other first-world political economies. This trajectory saw Australia achieve the same "boom time" economic success that the rest of the world reached in the post World War Two period; with continuing growth punctuated by relatively minor 'busts,' up until the 1970s<sup>13</sup>. Like the rest of the developed world, Keynesianism (which was also known as the mixed economy in Australia or the welfare state in other conceptualisations) was the formula that Australian politicians (from both sides) followed to stabilise economic growth across this extended period of time.

## **Political Organisation in Australia**

The Australian political economy is built around a triple-tiered government structure of local, state and federal governments with the appended institutional supports such as the judiciary, police and commissions. These levels of representation are the historical consequence of the political organisation of the state. In the federated Commonwealth of Australia, three tiers make up the representative political component of the state (Galligan 1993). The overarching tier is the national (or Federal) government which is broadly responsible for external affairs, defence, manufacturing industry (shared with the states) policy, communications policy, taxation and budgetary allocations to the "lower" tiers of government and, in Australia's case, the primary responsibility for social

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<sup>13</sup> This relative success was posited on the fact that the economic experience of the Great Depression was not repeated in this period. This being the case a low level of a boom/bust cycle was acceptable within the comparative parameters of protecting the economy from depression rather than recession. In fact the Keynesian model was built on the notion of an approaching bust. When it was apparent that economic growth was slowing and private investment was becoming hesitant the government stepped in and supplemented private sector activity with its own investment in the economy to smooth out these cycles.

security and welfare distributions. Saunders (1986, p. 295) described this tier of the state as the productive side of the economy which is set up to 'maximise...the opportunity for capital accumulation' (Hayward 1993, p. 171).

The next tier "down" is the State government tier which is primarily responsible for the delivery, maintenance and regulation of services such as health, education, transport infrastructure, and housing. These constitute the major units of social consumption. The third tier comprises municipal government which has responsibility for localised regions; built around a major town or city<sup>14</sup> and which extend to each individual state's borders. This tier provides local services such as roads, grass roots health care services, waste management, libraries and local planning. These localised political economies have hitherto been seen as autonomous democratic entities, albeit, reliant on the superior tier/s for funding. This municipal tier is also involved in the delivery of social consumption items to its citizens (see Hayward 1993, p. 171); although there is evidence in the post-modernisation<sup>15</sup> of cities (see for example Hall & Hubbard 1998; Jewson & Macgregor 1997a and Harvey 1990, 1994 & 1997) along entrepreneurial principles, that the municipal tier can also function in the interests of capital accumulation (see for example Peterson cited in Jones 1995, p. 80), particularly through its jurisdiction over land-use planning. This is a power it shares with the middle tier, State government<sup>16</sup>.

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<sup>14</sup> In Australia's case these cities can be sub-units of a larger metropolitan city.

<sup>15</sup> The category of the postmodern, entrepreneurial city comes from a sub-literature within Urban Sociology which focuses on a more cultural interpretation of the changes which have responded to the neo-liberal movement. Throughout the thesis there will be occasional references to the postmodern city or the post-modernisation of the city. This should be read as parallel to the post-Fordist shift.

<sup>16</sup> State government legislation allows the Planning Minister the right to call in contentious planning issues so that s/he can make an executive decision in relation to any particular planning issue. This effectively gives the State government the power of veto over planning issues in the state of Victoria. There is also a State government legislated tribunal to hear and settle disputes between the main parties in planning disputes. These parties tend to be the local (municipal) government, individual or groups of affected residents, developers and the State government.

As a consequence of the economic interplay and interdependence of the various levels of government in the Australian political economy, approaches to economic governance by one level, generally informs and influences the practices of the others (Alford & O'Neill 1994 and Megalogenis 2006).

When the economic shifts began to reverberate throughout the developed world's economies as a result of the fiscal crisis of the state (O'Connor 1973), there was an inevitability that it would filter through to the governance practices of the three tiers of Australian governments (Megalogenis 2006). In Australia's case this shift was slow and tentative but began on the cusp of the fiscal crisis. The first move, to what Friedman and the neo-liberals would call *market realities* (Cockett 1995), came in 1972 when the Whitlam government was elected after 23 years in Opposition. In the spirit of more open competition with the world economy Whitlam cut tariffs across the board by twenty five percent. While Whitlam began the opening up of the Australian economy the major shift in the economic organisation of the Australian economy occurred under the Hawke and Keating Federal Labor Governments of the 1980s and 1990s. Both governments engaged in deregulation, in particular floating the Australian dollar, opening up the economy to overseas banks, privatisation and establishing the protocols for free trade. However, as governments with social democratic roots they maintained an engagement with the Keynesian/welfare state concerns for vulnerable citizens (Gordon 1993 and Megalogenis 2006).

At the state level the Greiner State Government (1988 – 1992), in New South Wales, in the late 1980s introduced a new form of fiscal conservatism (known as managerialism). This accentuated the role of the private sector but held back from the landmark ideologies of the Friedmanite shift which demanded the now classic steering not rowing approach. This Friedmanite approach was built upon the privatisation of public sector assets, deregulation of the government's role in corporate governance, private infrastructure development and facilitation to private ownership, user pays principals, private provision for social goods and government budget surpluses (Greiner 1990 & 1995; Halligan 2003 and Hayward 1999a & 2000). It was not until the Kennett Government was elected

in Victoria in 1992 that a thoroughgoing restructure of state assets, along these Friedmanite lines, took place.

This approach to governance by the Kennett Government was the first expression, at a state government level, of a *major* shift away from the Keynesian principles of government engagement in the broader economy to manage and regulate the vicissitudes of capitalism. Victor Perton, Liberal Party backbencher in the Kennett Liberal Government who brought Nick Greiner to Melbourne to launch his campaign, noted the difference between Kennett and Greiner, in his interview for this thesis, thusly:

I always thought the Greiner government was much more a *thinking* Liberal's government than the Kennett Government. I think Greiner's innate Liberalism was a lot stronger than Kennett's so I always found Greiner a much more innately Liberal person than Kennett (Perton 2001, p. 2 interviewee's emphasis).

The Kennett Government's election came at a time when there was already established pressure for governments to hand over greater responsibilities for the management of the economy through the auspices of self regulation rather than government regulation. This was a direct and calculated challenge to the precepts of the Keynesian approach. Matthew Guy, the current (2010) Shadow Minister for Planning in the Victorian State Liberal Party Opposition was interviewed for this thesis in 2001 when he was Chief of Staff to the (Liberal) Leader of the Opposition and describes the shift (referred to above) in the Victorian State Liberal Party in this way:

I think it's just, a fundamental belief [which] comes back to ideology, a *fundamental* belief of (sic) smaller government, individualism empowering people to have more control over their own life, getting the government out of the way of business, if you like. It comes down to capturing Liberal philosophy or the Liberal Party of Australia's philosophy at its *rawest* if you like, you know just going back to the, if you like, it sounds corny, the spirit of the individual, you know, where the person has the right to get a government out of the way and government more as a guiding factor rather than the,

implementing factor in decisions in terms of our economic policy (Guy 2001, pp. 2 – 3 emphasis added).

This theme of fundamentalism in relation to the shift to neo-liberalism, or ‘jungle law’ as Peck & Tickell (1994b) in the Regulation Theory literature describe it, was a theme that I pursued with Guy in the interview in an attempt to establish a Victorian Liberal Party disposition and ongoing networked social practice in relation to the new capitalist social ordering introduced by the Kennett Government (Fairclough 2001, pp. 234 – 235). I followed Guy’s statement with a supplementary question in relation to the notion of economic fundamentalism:

Interviewer: Okay, to make sure I don’t misquote you, what you just said I would describe, in a phrase, as Liberal [Party] fundamentalism. Now that can be a loaded term so I want to put that to you. Is that what you were describing then?

Subject: Liberal fundamentalism<sup>17</sup> ...?

Interviewer: Fundamentalism...yes.

Subject: As long as it’s not referring to something along the lines of the extreme right it probably is. But I mean in, from my sense it’s more or less a *raw* Liberal policy and that is getting down to the individuals leading their life with limited government interference...

Interviewer: Okay.

Subject: ...and business leading its life without, with limited government interference if you like (Guy 2001, p. 3 emphasis added).

Here Guy (2001) is describing the shift from Keynesianism to neo-liberalism in its “*rawest*” form. Asserting the rights of both the individual and business to expect that government should determinedly withdraw from the economic world and steer rather than row.

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<sup>17</sup> This notion and usage of “fundamental” by Mr. Kennett in his rhetorical discourse will be taken up in Chapter 4 (Crisis) to follow.



There have been many factors that have contributed to the attempted discrediting of the Keynesian period in Australia's economic history. Factors such as the stagflation of the early to mid 1970s, a series of recessions in the mid to late 1980s<sup>18</sup> and in the early 1990s and the transformation of the working/lower middle class into an "aspirational" class, where individualism became the defining ideology were some of the factors that created an acceptance in the community for change. Ultimately, whether Keynesianism fell or was pushed will probably remain a moot point and some may argue, as Cockett (1995) does in *Thinking the Unthinkable*, that Frederick Hayek had Keynes firmly in his sights long before his (Keynes') General Theory became an "ism": 'it was to me too obviously another tract for the times' (Hayek quoted in Cockett 1995, p. 44). Those times spanned a reasonably substantial part of our economic history in the twentieth century. Although, one may argue, that the 220 years from the *Wealth of Nations* to current times has manifestly eclipsed Keynesian thought, historical accuracy appears also to have been *rationalised*, as Stretton demonstrates:

[f]rom Adam Smith to Alfred Marshall, the founders of classical and neoclassical economic theory worked in a world in which no country was yet productive enough to feed, clothe and shelter all its people in decent comfort, employ them for tolerable hours and offer them satisfying education and recreation. It made sense to focus on the fact of scarcity and the need for economic growth (1996, p. 7).

As Jessop argues, '[f]or Hayek, the complexity of the social world rules out effective planning and implies that the only epistemologically sound mode of economic governance is the market mechanism' (Hayek 1947, 1972 cited in Jessop <http://www.lancaster.ac.uk/sociology/soc024rj.html> July 1997).

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<sup>18</sup> These were Labor Treasurer Paul Keating's "banana republic" and "the recession we had to have" recessions.

In Kennett's Victoria these considerations were not dominant. It was the opportunity to bring in a much bolder and far-reaching neo-liberalism, on the back of the "crisis" (Klein 2007 and Jessop 1995b) that could not be resisted. In the Regulation Theory literature this shift is characterised as a putative shift from *Fordism to post-Fordism* (Boyer 1990 & 2000 and Lipeitz 1985, 1987 & 1992) built upon Boyer's (1990) interpretation of Aglietta's (1979) Regulation Theory (see pp. 21 & 23).

### **The Neo-liberal/New Right and its Antecedents**

The economic system that the world experiences today is the outcome of the two competing economic management systems and theories spoken of above. Both of these were developed in the early twentieth century although neo-liberalism had its roots in much earlier times.

The hub of influential economic movements in the early to mid twentieth century was England where both sides of the economic management approach to capitalist practices were represented. J.M. Keynes and the so-called collectivist movement and Fredrick Hayek and the economic liberals were the two major historical protagonists in what was to become the battle over the post World War Two boom's economic resolution. This putative resolution was called forth by two unexpected and unanticipated events: the oil shocks of the 1970s and the fall of Communism symbolised by the fall of the Berlin Wall in November 1989. These events, as discussed above by Klein (2007), were the "shocking" opportunity that Hayekians (lead by Antony Fisher, up until his death in 1988, and Milton Friedman) and the Institute for Economic Affairs (Cockett 1995, pp. 122 – 158) were searching for, to assist in the implementation of their 'intellectual counter attack on collectivism' (Cockett 1995, p. 21).

The evolution of economic theory linked to capitalist accumulation practices (or the tempering of them) divides into three distinct phases or cycles of influence according to Cockett (1995, pp. 6 – 7). These cycles describe the struggle between the collectivist approach associated with the Fabian society and J.M. Keynes; and the liberal movement associated with Adam Smith, Hayek, Friedman and Thatcher. The first phase of the cycle

...comprising the triumph of liberalism over feudalism and mercantilism...last[ed] from the 1760s to the 1880s, a period divided into two halves – one prior to the 1820s, during which the ideological war was fought, and one thereafter, when economic liberalism became the “economic orthodoxy” of all governments. The second cycle began in the 1880s and ended in the mid 1970s, and can be divided into the period 1880 to the 1930s when the ideological battle against liberalism was fought and won, and the period of the 1940s to the 1970s, when collectivism, premised on Fabianism and Keynesianism, was the ruling orthodoxy of all parties and governments [in Britain]. The third cycle began in the 1930s and is still in progress. The first part of this cycle...was the period of the 1930s to the 1970s when the ideological battle for liberalism against collectivism was, again, fought...the second part of the cycle, the period from the late 1970s to the early 1990s, when the new political orthodoxy became the ruling orthodoxy of all parties and all governments, is still extant (Cockett 1995, p. 6).

Despite a complexity of difference between a number of institutional forms, that gave expression to liberalism, there has been a tendency to conflate various forms of “right wing” economic organisation. The conflation encompasses: neo-liberalism, neo-conservatism, neo-classical economics, market economics, economic rationalism, Thatcherism (referring to the British Prime Minister Margaret Thatcher (1979 – 1990) who was the first democratically-elected, twentieth century leader to begin the implementation of neo-liberal policies), Reaganism (named after the 40<sup>th</sup> President of the United States of America Ronald Reagan (1981 – 1989) who gave comfort to the Thatcher reforms through his use of supply side policies), the New Right, globalisation and fast, late or hyper capitalism. However, these forms of economic organisation, that focus on supply-side solutions to economic organisation, were formalised into a theoretical form, known by the umbrella term *Public Choice Theory*. This theory was developed through the writings of three young American economists, in the

early 1960s, all of whom wrote influential essays supporting and elaborating upon Public Choice Theory (Osborne & Gaebler 1993; McLean 1987; Stretton & Orchard 1994 and Thompson 1990).

Broadly, Public Choice Theory argues that the public, those citizens who are engaged in the market, are better informed and therefore capable of making better decisions about how to allocate their resources than are governments. As Thompson (1990) argues

...the Public Choice approach leads to a scepticism as to whether consistent choices between policy options can be generated and sustained in the public sphere; and even if they can be, whether the public sphere will supply the goods and services so demanded at the lowest cost and in the right amounts (p. 24).

As Thompson (1990) demonstrates, in this approach to political economy, the application of the most profound scepticism is reserved for the role of the government when it intervenes in the market.

The Public Choice theorists<sup>19</sup>, who have taken the fundamental economic “laws” of rationality and rational actors actions and applied them to politics and the political sphere (McLean 1987, pp. 9 – 10) argue that there are four manifestations of this approach to the political-economic organisation of the state. These are monetarism, supply-side economics, economic neo-liberalism and a Public Choice approach to economic analysis (Thompson 1990, p. 2). These approaches are posited upon a profound suspicion of the utility of government influence in markets. As Thompson (1990, pp. 8 – 43) argues, Public Choice approaches embody an elemental “fear” of the role of government in the economy particularly, and only a qualified acceptance of its role in society; and only to the extent that it ‘guarantees a set of rights’ (Thompson 1990, p.13). Thompson (1990) encapsulates the New Right’s Public Choice ideology in relation to society by identifying...

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<sup>19</sup> This disposition to economic organisation is better identified today, in popular discourse as the “New Right” political movement or neo-liberals.

...certain key features that define the liberal conception of society. Classic liberalism stresses the existence of “free and equal” self-interested individuals who have a set of rights to “life, liberty and property”. The state is seen as arising to safeguard these rights and liberties of citizens, who are held to be the best judges of their interests. Accordingly, the state must be restricted in scope and constrained in practice to ensure the maximum possible freedoms for its citizens. These freedoms, in an economic sense, are held to be best guaranteed by a private market economy. They are established in the face of the basic (Hobbesian) “fear” of what governments can do (1990, p. 13).

Therefore the notions of Keynesian style government intervention in both the productive and distributive sides of the economy, is anathema to Public Choice adherents. Government regulation is only acceptable to the extent that it guarantees the above. The particular expression of this New Right or neo-liberal movement was embodied by the Kennett Government in the form of the ideological boosterism of entrepreneurialism over government service provision which reflected Osborne & Gaebler’s (1993) analysis above.

The post-Keynesians (Stretton & Orchard 1994 and Pusey 1991 & 2003) continued to defend the role of government in the economy on social justice/welfare grounds and because of the regulatory certainty that it could offer to the economy. The context and the discursive content of Stretton & Orchard (1994) and Pusey’s (1991 & 2003) publications are the considered reactive responses to the evident dominance of neo-liberal hegemony across the “right/left” political divide in Australia; as also identified by Peck & Tickell 2002). These arguments, mounted in contradistinction to the lived political economic practice in both government and business, indicate the extent to which neo-liberalism has captured popular public discourse and practice and has orchestrated the shift to market-based solutions as the guiding principle for government.

Part of the demonstration of this can be found in the shift and refinement of language and definitional terms found in public discourse: from Thatcherism, to flexibility, to post-Fordism and entrepreneurialism, to managerialism and efficiency (Harvey 1990 & 1994 and Watson 2003 & 2004). The language of Public Choice reflects the change in emphasis from regulation to entrepreneurialism. While the use of *Critical Discourse Analysis* as an interpretive and methodological component of this thesis has an intellectual empathy with language, this shift in public discourse also needs to be grounded in an analysis of the “realpolitik” of the political practices of the Kennett Government as well. The practices of the Kennett government will be analysed through Critical Discourse Analysis’ discursive and semiotic methodological lens as a way of interpreting resistance or acceptance of the Kennett neo-liberal programme.

This worldwide shift to a neo-liberal future began, and was consolidated in the Anglophone West<sup>20</sup> (Hay 2004, p. 504) with the government of Margaret Thatcher which came to power in 1979 on the tidal wave of public discontent after the crisis of the “Winter of Discontent”<sup>21</sup> in 1979. ‘The Thatcher regime embarked on a wide-ranging set of policies intended to create an “entrepreneurial society” and “popular capitalism” ’ (Jessop 1991). This post-Fordist revolution was seeking to “flexibilise” the British economy and seemed to ‘involve a major break with key features of post-war politics’ (Jessop 1991; see also Hay 2004). This shift was communicated through political, economic and governmental institutions that had an ideological commitment to transformation and were prepared to mobilise the “politics of crisis” to institutionalise the shift (Klein 2007).

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<sup>20</sup> The Kohl government in Germany began a tentative journey down this path as well at around the same time (West Germany 1982 – 1990 and unified Germany 1990 – 1998) although without the same public ideological zeal of the Thatcher Regime (Jessop 1991).

<sup>21</sup> Characterised by the miners strike lead by Arthur Cargill.

Hay (2004, p. 509) supports Klein's (2007) analysis of the mobilisation of crisis by the Thatcherist New Right, arguing that they built these perceptions around notions of 'overload and ungovernability and that this narrative was, in turn, premised upon the stylised rationalist assumptions of Public Choice Theory' (Hay 2004, p. 503). As discussed above there is a relatively consistent definitional unanimity about what constitutes neo-liberalism. Here Hay defines neo-liberalism as

...a confidence in the market as an efficient mechanism for the allocation of scarce resources; a belief in the desirability of a global regime of free trade and free capital mobility; a belief in the desirability, all things being equal, of a limited and non-interventionist role for the state and of the state as a facilitator and custodian rather than a substitute for market mechanisms; a rejection of Keynesian demand-management techniques in favour of monetarism, neo-monetarism and supply-side economics; a commitment to the removal of those welfare benefits which might be seen to act as disincentives to market participation (in short, a subordination of the principles of social justice to those of perceived economic imperatives); a defence of labour-market flexibility and the promotion and nurturing of cost competitiveness; and a confidence in the use of private finance in public projects and, more generally, in the allocative efficiency of market and quasi-market mechanisms in the provision of public goods (pp. 507 – 508).

Wiseman (2005) elaborates upon these definitions in his specification of the shift to neo-liberalism in the *public policy context*. In Wiseman's (2005) interpretation these landmark assumptions begin with the maximisation of individual welfare as the driving motivation for human activity. This welfare he then points out, according to the Public Choice theorists, is *the* driving motivation for all human activity. He then, in his recounting of these constituents, implicitly criticises the assumptions of the Public Choice theorists where they maintain that policy success can best be measured by short-term increases in economic growth, profitability and consumption. He argues that while economic growth may deliver trickle-down benefits to all citizens a growing gap between winners and losers is probably inevitable.

In relation to the private sector's role Wiseman points out that the Public Choice theorists always see private sector institutions and market forces as the best instruments for allocating resources and maximising economic growth and profitability. As such they assert that private sector organisational arrangements and business practices provide the best model for most policy development and service delivery functions and, as a consequence, the role of the public sector should be confined to that of strategic planner, contractor and risk manager (p. 58) for capitalist expansion.

Hay (2004) argues that the 'exceptional politics' (p. 509) of the New Right, having seized on the crisis mentality of the early to mid 1970s crises of stagflation and the oil shocks, found that the challenge of establishing neo-liberalism in the society and the economy was a relatively simple task. This outcome came from the simplicity of the New Right's diagnosis of the problem, built on the crudest variants of Public Choice Theory, and in its capacity to persuade citizens, institutions and businesses by appealing to a base instrumental rationality. This rationality had an implicit appeal, because of the promises it made, to those members in the political economy with the greatest potential to increase their own power.

It promised bureaucrats that they would be able to maximise their agency and budgets. It promised politicians that they could maximise their votes (through this form of instrumental action) irrespective of the economic consequences of doing so. The Public Choice Theorists then reassured the politicians and bureaucrats of their security through their assessment of electors, who were assumed to be solely motivated to vote by a blind pursuit of material self-interest. These assumptions, Hay (2004) argued, were the direct path to the rationalisation of neo-liberalism (p. 509).



In the pursuit of fitting this neo-liberal doctrine to the Kennett regime, this thesis will demonstrate that there was a receptive response and active policy prosecution of these basic constituents of the neo-liberal doctrine in the Victorian experience. The 'public-choice inspired narration of crisis of the 1970s as one of an overextended state held to ransom by a combination of sectional interests (the Unions for example) and the escalating expectations of the electorate' (Hay 2004, p. 514) will be a recurring theme in the rhetoric of the Kennett Government and those sectional interests identified above.

### **The Regulation Theory Literature and its Concomitants**

Regulation Theory will be referred to throughout this thesis. It will feature prominently in a number of contexts. This is primarily the case because of the breadth of the theory and its application. As will be discussed in detail in Chapter 2, Regulation Theory considers both the capitalist and the socio-political-institutional contexts when assessing the impact of a new set of (proposed) capitalist relations. Also, given that the theory's expectations are being tested in the context of the regional state of Victoria, in the light of a particular government's practices, Regulation Theory has a role in the literature review in relation to considerations of an urban sociological and the local state theoretical context as well. In addition because it also posits a shift in production practices from Fordism to post-Fordism it also needs to be discussed in the light of that framework as well. Additionally, as the notions of Fordism and post-Fordism are much broader than a particular practice of production, the economic and social implications of these two categories also require some contextualising through an investigation of the Regulation Theory literature.

The Kennett Government's approach to governance afforded researchers the opportunity to test the veracity of Regulation Theory's ability to describe the neo-liberal post-Fordist compromise between a *regime of accumulation* and a *mode of social regulation* in Victoria for the first time.

This is an area where only a relatively small amount of specific research has been done through the application of Regulation Theory to an Australian regional, state economy<sup>22</sup>. This chapter will firstly investigate what the Regulation Theory literature says about capitalism's developmental processes and throughout the literature review investigate the concomitant sub-categories that the Regulation Theory approach invites for investigation, culminating in a consideration of the local context that this thesis is investigating. This will gather together, not only the literature on the Kennett Government in general and Regulation Theory-inspired research in particular, but will also look at the context of political economic changes and theoretical expectations in regards to the urban sociology/local state articulation with Regulation Theory, neo-liberalism and the entrepreneurialisation of regional governance practices.

Regulation Theory's reputation grew through its ability to explain the relative stability of post World War Two Fordism. Regulation Theory defines Fordism, broadly, as the '*combination* of intensive accumulation and monopolistic regulation conceived as a historical mode of development' (Elam 1994, p. 63 author's emphasis). The term Fordism was first coined by Antonio Gramsci in the 1930s in combination with the notion of "Americanism" 'as shorthand[s] for [what he perceived as] a new historical "epoch" or "passive revolution" which appeared to have the potential capacity to sweep away the last remnants of the "Old Regime" in Europe' (Gramsci quoted in Elam 1994, p. 63). The notion of revolutions and sweepings-away of old regimes is redolent of the putative neo-liberal post-Fordism with which theorists have been engaging. However, from a political economy point-of-view, this practice had not been *successfully* described and theorised.

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<sup>22</sup> There have been a limited number of examples where Regulation Theory has been used to look at other aspects of Australia's political economy (see for example Broomhill 2001 & 2008; Engels 1999; Hampson 1991; Hampson, Ewer & Smith 1994; Hampson & Morgan 1999 and Low 1994 & 1995).

Regulation Theory's main antecedent, Braverman's (1974) *Monopoly Capitalism* did not have the theoretical breadth or sophistication to adequately describe the success of Fordism. It was not until French theorist Michel Aglietta (1979) followed by Robert Boyer (1990, 2000 & 2005) and Alain Lipietz (1984), developed Regulation Theory, that a satisfactory theoretical explanation accounted for the articulation between accumulation and regulatory compromise in the pursuit of sustained capitalist expansion.

Regulation Theory successfully explained how post World War Two capitalism expanded and maintained itself over an extended period of time. Jessop (1995, pp. 309 – 314) argues that the French regulationists developed their theory

...in part in opposition to *neo-classical* economists' obsession with the market-driven tendency towards general equilibrium...its [Regulation Theory] subsequent popularity has much to do with a rejection of the taken-for-grantedness of the distinction between the economic and the extra-economic and with an increased interest in [what Jessop describes as]..."integral economic", i.e. ...the socially embedded, socially regulated nature of economic activities, organizations and institutions (see also Jessop 1990a).

This last component of Jessop's identification of the genesis of Regulation Theory points to the importance of the role of the social and civil sides of the political economy. From a Regulation Theory point-of-view it was not sufficient to simply "match" mass production to mass consumption without necessitating the involvement of 'a wide and diverse range of governing institutions, not just those setting wages and norms of production' (Hollingsworth et al. cited in Jessop 1995, p. 313). Jessop (1995, p. 314) warns the reader that a "vulgarised" tendency to read the process of regulation (in a Regulation Theoretical sense) as a 'top-down juridico-political' (p. 314) "institutional fix" is incorrect; reminding the student of Regulation Theory that regulation in this theory's context encompasses 'a wide range of regularising mechanisms' (p. 314).

## Fordism/post-Fordism

Having established the credentials of Regulation Theory the argument moves to considerations about the transition from Keynesian Fordism to neo-liberal post-Fordism. Having observed the shift discussed earlier in the chapter the question arises around the idea of a break with Fordism and whether this break constitutes a new, embedded accumulation regime that could be given the title post-Fordism? The literature also engages with the possibility that post-Fordism is putative and that there may be a return to (modified or transformed) *Fordist* practices. This argument in the literature introduces the semantic considerations of naming the next phase as post- or after- (for which both Jessop and Boyer have some sympathy). This is an attempt to pin down the shift as either continuous or discontinuous with Fordism. Both Jessop (1990b) and Tickell & Peck (1992 & 1994) write extensively around this argument which reveals a certain reticence in the literature to acknowledge the shift and the “death” of Keynesianism. These theorists were looking for a new “institutional fix” to explain the shift in accumulation practices but were reluctant to nominate neo-liberalism (Jessop 1990b and Peck & Tickell 1994b) as the “fix”. The debate also implicates questions about the viability of Regulation Theory to describe a shift in capitalist accumulation if Fordism has been supplanted by post-Fordism.

Gramsci’s theorisation of Fordism in the context of American mass production capitalism was built on the new capitalist accumulation practice ushered in by this mass production process; perfected by Henry Ford and consolidated by Fredrick Taylor’s scientific management approach to production practices that ensured the efficiency of the process and as such a maximisation of alienated, human-production-line interaction. The process of mass production required mass consumption as a response, but there was not a political/social/economic/institutional framework agreement prior to Ford’s production breakthrough for sufficient expansion of consumption to take up the output of these new production practices.

In response to this, a coalition of social institutions combined with a reciprocal set of social relations from civil society, taking into account cultural norms and overseen by the activities of the state apparatus (Lauria 1997, p. 6) had to reach a compromise with the Fordist capital accumulators to facilitate the transition and embedding of the new accumulation practice. This was in order to even out the fluctuations inherent to capitalist accumulation practices (known as boom/bust, growth/recession cycles or currently as the business cycle see Watson 2003 for example). It was evident that this transition led to an embedded practice and Fordism reached its zenith in the post World War Two boom.

Boyer (2005) adds some timely and thoughtful complexity to the theorisation of capitalist/social practice by suggesting that there are a variety of capitalisms delineated by temporality (and their identification inspired by Regulation Theory [p. 512]) that are not necessarily explicable through a managed coincidence of accumulation practices. He suggests that the Marxist influence that has a tendency to homogenise capitalisms does not serve the debate well. He also argues here (2005) and elsewhere (Boyer & Juillard 2002, p. 388) that there are/were at least four concurrent and competing growth regimes to Fordism. Nevertheless, the key to unpacking and identifying these regimes of accumulation<sup>23</sup> is to investigate whether a specific mode of social regulation responded to support them built on a dialectical compromise to assist in their longevity.

Boyer (2005) also identifies *politics* as a *crucially important* component in the diversity of capitalism arguing that 'regulationist research has stressed the role that political processes play in the genesis of institutional forms' (p. 516). He cites the example of the '[a]nalysis of French capitalism demonstrat[ing] the crucial role of social conflicts and how such conflicts are transmitted by the political sphere' (p. 516).

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<sup>23</sup> ...or growth regimes as Boyer (2005) coins them in this article.

The key consideration in this thesis, in relation to the first two *specific objectives of this thesis*, is to try to explain if or how government mediates the articulation between the regime of accumulation and the mode of social regulation; or whether there was a political tendency to favour one arm of the Regulation Theory nexus or the other.

### **Neo-liberalism as a Fit for post-Fordism**

The Regulation theorists move to a deeper discussion of the post-Fordist settlement when dealing with the notion that neo-liberalism may be the new accumulation practice that has taken over from the Fordist practice embodied in Keynesianism. While there is no doubt that there has been a decisive move towards the market as the primary determinant of outcomes in the economic relationship between businesses and citizens, and even citizens and government (privatisation of previously public-owned infrastructure, user pays relationships with government service providers and the emergence of contractual relationships between government employers and their employees and between citizens and government service providers), determining whether this has become embedded or in fact is uniformly experienced on a global, national and sub-national level may be contestable. When considering Boyer's (2005) arguments above it is essential that the research to determine this settlement would benefit from a series of discreet local research projects.

In the Regulation Theory literature Tickell & Peck (1994) maintain their critique against neo-liberalism, as 'jungle law' (1994b). However Peck & Tickell (2002) in their most recent article acknowledge that a relatively coherent economic settlement need not be stable which has resonances with the situation in Kennett's Victoria. Peck & Tickell (2002) argue that after 'two decades of global hegemony...neoliberalism is no longer the dream of Chicago economists or the nightmare of leftist conspiracy theorists; it has become a *commonsense* of the times (p. 381; emphasis added). Jessop (1994b, 1995a, 1997a & 2002)

similarly, breaks with the hitherto Regulationist<sup>24</sup> resistance to acknowledging neo-liberalism as a possible embedded(ing) accumulation regime. Jessop (1994b & 2002) argues that this accumulation practice appears, due partly to its ubiquity, to be a better fit for the times.

Broomhill (2001) has also identified this shift towards a neoliberal settlement in Jessop's observations but reminds us that Jessop qualifies this observation when he suggests that there is a lack of certainty about whether this shift to the *Schumpeterian workfare state* will take the neoliberal, neo-corporatist or neo-statist form, suggesting that it will adapt to local circumstances (p. 125).

There is a further caveat that Jessop and others place on the final (neo-liberal/Schumpeterian) conclusion and it is that a corresponding mode of social regulation needs to be a part of the compact but it appears not to be embraced by all the required institutional partners, Unions, churches and non-government organisations providing welfare assistance in particular (see Tickell & Peck 1994b & 2002).

What has become apparent, not *only* in the literature, is that '[g]overnments of varied political complexions, at both the national and sub-national levels, have either boldly trumpeted or quietly embraced neo-liberalism' (Albo & MacDermid 1998, p. 164) in their search for 'a new institutional fix' (Peck & Tickell 1994a, pp. 280 - 315) to the uncertainties of these new times (Hall & Jacques 1989). However this significant disagreement over the role that neo-liberalism is playing in the resolution of this crisis that Peck & Tickell (1994b) argue 'represents the politics of the unresolved crisis...and should be seen as a symptom of, not as a solution for, the after-Fordist crisis' (p. 319). The neo-liberal practice of overlaying globalised competitive markets onto local economies in the name of deregulation, at the behest of New Right politicians and global capitalists, is the sense in which 'neo-liberalism represents the essence of the crisis' (Peck & Tickell 1994b, p. 319).

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<sup>24</sup> Primarily due, I suggest, to political sympathies and the neo-Marxist roots as distinct from an inability of the theory to measure the new regime of accumulation.

As a consequence of this approach to understanding the evolving shift to a post-Fordist future, the regulatory ensemble of 'social institutions, social relations in civil society, cultural norms and the activities of the state apparatus' (known as the mode of social regulation) (Lauria 1997, p. 6) which eventually coalesce around a new regime of accumulation is unlikely to occur.

However, Peck & Tickell (1994a & b) argue strongly (and presciently given the Global Financial Crisis [GFC]) that until neo-liberalism is overthrown as the current capitalist accumulation methodology and the dominant accumulation practice, resolution to the crisis is unlikely to occur.

### **Regulation Theory, the Regional State and Urban Sociology**

There is a sub-literature within the Regulation Theory research that investigates the translation of Regulation Theory to the regional state (see for example Broomhill 2001; Macleod 1997 and Low 1994 & 1995). This literature operationalises Regulation Theory onto a smaller geo-political scale in a number of research projects (Goodwin, Duncan & Halford 1993; Esser & Hirsch 1994; Low 1994 & 1995; Jones 1997; Kratke 1999; Macleod & Goodwin 1999; Friedman 2000; Broomhill 2001 and Goodwin 2001) where the embedding process of a new regime of accumulation and different regional responses can be measured. One of the problematic aspects in this literature as identified by a number of researchers (Lauria 1997; Goodwin & Painter 1997 and Painter 1997) is that Regulation Theory, as a mid-range theory, has difficulty dealing with the "local", particularly in the context of the articulation between reading a regime of accumulation and the local political engagements with the process. Jessop's view is that Regulation Theory lacks a theory of the state and as such has difficulty in terms of a disposition towards politics (1990). Lauria confirms this view when he argues 'that Regulation Theory has a tendency to underestimate the causal efficacy of local agents' institutions' (1997, p. viii). Low (1995), building on Brenner & Glick's (1991) critique of Regulation Theory, challenges this view indirectly when he asserts that:



'Regulation Theory, though non-deterministic in its avowed intent, does link institutional forms quite closely to patterns of economic development' (1995, p. 209). Although Low (1994), like Lauria and others (1997) writing in *Reconstructing Urban Regime Theory*, does see a role for an additional interpretive mechanism to augment the analysis made available through the application of Regulation Theory. In this case Low (1994) is investigating the potential for articulation between Regulation Theory and Growth Machines as developed by Logan & Molotch (1987).

A supplementary literature that expands upon this investigation into the regional application of a mid-range theory takes neo-liberalism as a notionally embedded practice and investigates it across regional and metropolitan settings. Its premise is that neo-liberalism as a broad, ideological project has had a hegemonically persuasive influence but its status as an '*actual existing*' (Brenner & Theodore 2002 emphasis added) practice is being tested<sup>25</sup>. This is a key literature in informing this thesis of the theoretical/operationalised status of neo-liberalism as a lived practice (Jessop 2002; Brenner & Theodore 2002 and Peck & Tickell 2002). This approach, however, will need supplementation as suggested in the literature above. Part of this supplementation will come from an understanding of Urban Sociology and how it applies to the regional setting in which the Kennett Government sat; and the importance of this perspective will be introduced in Chapter 5 (Consolidation) and analysed in some detail in Chapter 6 (Collapse).

In addition, a further understanding needs to be developed; and that is of the federated context of Australia's mode of governance. This distorts the urban sociological perspective slightly in that it was theorised around the hegemonic and geographical dominance of the metropolis.

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<sup>25</sup> It should be noted that Brenner & Glick (1991) from an international perspective and Low (1995, p. 210) and Lloyd (2008) from a local Australian perspective warn that: 'Indeed, one of the surprising features of the contemporary era is the incompleteness, at least so far, of the so-called "Neo-Liberal Revolution". Social Democratic Welfare Capitalism (sometimes called "social market" capitalism) still exists in the Nordic zone and more generally in NW Europe, except in Britain and Ireland. Neo-Liberalism has been ideologically eclipsed in Latin America. In Central Europe it is still a work in progress. The developed Asian capitalist states have been half-hearted at best in carrying through the Neo-Liberal program' (Lloyd 2008, p.32).

This meant that influence radiated out from the centre as in the Chicago School model of cities. The implications here were, that the further a region was from the centre, the less likely was its influence<sup>26</sup>. However, in Australia's federated system the two top levels of government (federal and state) have dedicated ministries to look after the needs of the regions (far flung or otherwise) of any state. There were fiscal equalisations and, at various times, the active pursuit of decentralisation away from the metropolis; and as we have witnessed in the last ten years these regional considerations have become crucial to parties forming government in Victoria, South Australia, Tasmania and federally.

Historically, in Australia, the superior levels of government effectively regulated urban politics so that the power of the city, in the context of the urban question, was, to some extent, mediated by superior-level legislation.

Debates about what constitutes urban politics, particularly within sociology, have been keenly contested since Castells invited debate through his influential work in the 1970s (cited in Brenner 2000, p. 362). Subsequently a number of theorists (see for example Saunders 1979, 1981 & 1986; Paris 1983 and Dunleavy 1980) developed this debate throughout the 1980s. Since the debate over the definitional issues of urban politics in the 1980s there has been a consolidation and evolution of issues that were emerging at the time. So what is urban politics today? Is it a creation in and of the metropolis as in the human ecology movement of the above mentioned Chicago School; is it confined to the local state in the form of municipal "capital" cities; or is it now fixated on the consumption practices of "world cities"? Alternatively, does an urban politics exist in the more discreet cities of flexible specialisation's "Third Italy" for example? Or has it moved on in the same manner as Hadjimichalis' (2006) reassessment of the "Third Italy"? And how is this politics expressed in the three-tiered governance of a federated state such as Australia?

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<sup>26</sup> In contradistinction to the place of inner city slums in the Chicago School's early twentieth century model of influence relative to the metropolitan centre.

To assume a top down influence, based on the size and predominance of the largest urban metropolis, would be a mistake; that is one of the reasons why a consumption-driven definition may not work in defining urban politics. Urban politics is a dynamic concept that fluctuates with political, business, geographic and accumulation regimes. A definition needs to reflect this dynamic process without confining it to a particular set of practices which may vary over time; or a specifically bounded geography, because its influence reaches out and recedes with the procession of epochs (political, business or accumulation) (see for example Stone 1989 and Stillwell 1992).

Since little has been gained from the protracted debate around the definitional characteristics of what constitutes urban politics I have developed a working definition of my own to apply to this research:

Urban politics is about those parts of the state apparatus that have specific responsibility for the economic and social reproduction of cities and their regions. The study of urban politics is about how these parts of the state carry out these tasks, and the conflicts and tensions to which they give rise within and between the state, the private sector and its citizens.

This definition relies upon the relational nature of *the urban* and *the regional* and is difficult, as Saunders (1986) observed, to define theoretically. Ultimately it is an empirical phenomenon, defined administratively. However, this does not matter, because as observed below cities are relational, extending into the administrative apparatus that does the defining. What this research is interested in is the set of relationships rather than with the issue of how to define the urban, theoretically. Therefore an effective definition needs to be resolved through research and through the problematisation of a contested issue of governance, such as that which is embodied in the outcomes of neo-liberalisation, in order to come to an resolution that shows the extent to which urban governance extends into the regions.

Brenner (2000, pp. 366 - 367) characterised this as a question of scale when he argued that urban politics is constituted by the 'interscalar networks in which cities are embedded' (p. 367). Specifically, Brenner (2000) argued that

...the urban scale is not a pre-given or fixed platform for social relations, but a socially constituted, politically contested and historically variable dimension of those relations (p. 367).

As discussed above the emergence of Thatcherism consolidated, in the Anglophone West, the broad neo-liberal project which has helped to transform politics at all levels of government. The urban debates of the 1980s characterised by Saunders (1986) 'as a move from state provision in kind to state provision in cash' (p. 341), while anticipating the shift to a form of privatised social reproduction, failed to anticipate the *dramatic* influence of globalisation and neo-liberalism on state income streams.

Globalisation's consequences came in the form of uneven development and the culture of crisis in state budgets which were used to justify massive cuts to all types of state provision in many jurisdictions (see for example Jones & Ward 2002; Hayward 1999, pp. 135 - 149 and Albo & MacDermid 1998). As Jones observes, the notion of urban is not simply delineated, '[i]n a federated system[,]...functions are so intertwined that it is not possible to assign a set of priorities that are exclusively national, and a set that are exclusively local' (1995, p. 74).

From a Marxist perspective, Pickvance argues, that '[t]he starting point for all Marxist theories of urban politics is the view that urban political institutions are part of the state apparatus' (1995, p. 253). One of the functions of this apparatus is to provide a country's political infrastructure through 'the creation of representative institutions' (Pickvance 1995, p. 253) to govern its citizens at the various levels of representation. But this too seems to contain a certain redundancy given the shifts that have been discussed here and elsewhere. But it does implicate government in its role as a conduit for a new regime of accumulation and as such having the facility and jurisdiction to assist in its "roll out" across a region.

Recently, growing interest in globalisation, the world economic system, the post-modernisation of politics, and flexible specialisation in selected regional developments (see for example Harvey 1990; Lash & Urry 1987 and Piore & Sabel 1984) combined to push urban politics off the agenda. However the continued consolidation of a neo-liberal response to the above phenomena has overseen a resurgent interest, as demonstrated in the literature, in urban politics in the 1990s (Judge, Stoker & Wolman 1995 and Lauria 1997) and into the twenty first century (Sellers, 2005; Savage, Warde & Ward 2003; Jessop 2002 and Brenner 2000). This is due, in part, to the rise in importance of the city itself as an object for capital accumulation. It is also due to the decline in traditional (first world) industries such as manufacturing, and the rise in service industries built around the "capital magnets" of tourist spectacles through event promotion in "entrepreneurial world cities" (Jewson & Macgregor 1997a & 1997b and Hall & Hubbard 1998).

In an Australian context this situation has also been fuelled by the fiscal austerity of successive Australian Federal governments' neo-liberal influenced approach to budgeting, which has meant that the "lower" tiers of government have had to find new ways to deal with their budgetary responsibilities for social consumption in the light of these cutbacks in allocations (see Hayward, 1993). As a result the "new urban politics" (Cox 1993; see also Savage, Warde & Ward 2003; Hall & Hubbard 1998; Lauria 1997 and Judge, Stoker & Wolman 1995) of after/post-Fordist neo-liberalism has begun to establish itself, built on globalisation and the entrepreneurial state (Ward 2003 and Jessop 2002). In the light of this, account needs to be taken of what defines this "new urban politics" and how, and if, its influence has been felt beyond the entrepreneurial city into the regional state (Ward 2003; Goodwin 2001; Hall & Hubbard 1998; Jewson & Macgregor 1997 and Stillwell 1992). While there is an extensive literature that has engaged with the notion of a "new urban politics" in the context of the broad economic reforms of the last 20 years in the American and European literature there is very little specific literature looking at the affects of this shift in the urban context in the Victorian regional setting.

Wiseman (2005) considers the aftermath of the neo-liberal experiment in Victoria in the context of public policy delivery but with a particular focus on sustainability issues. Costar & Economou (1999) consider the Victorian experience from a political point of view investigating culture, political institutions and policies but do not deal with the substantive issues of urban politics in the sociological sense. The centripetal shift to Melbourne as an entrepreneurial city (in the context of the Victorian regional state) and the consequent implications for regional transformation is not present in the local literature. Low (1994 & 1995) and Broomhill (2001 & 2008) mentioned above are the only pieces of mainstream academic literature that deal with the urban question in the context of Regulation Theory.

This thesis acknowledges that the shift in capitalist reproduction from the Keynesian mixed economy to neo-liberal market economy has re-engaged the political economy and political discourse, and, as such, has rekindled academic interest in urban politics through the rise of neo-Marxist theories such as Regulation Theory and the extensive literature that has emerged in the 1990s (and into the 2000s) built around this discussion (Judge et al. 1995 and Painter 1995). One of the main features of this is the rise of the global or entrepreneurial city (Ward 2003; Jessop 2002; Fincher & Jacobs 1998; Hall & Hubbard 1998; Harvey 1990 & 1997; Jessop 1997a and Jewson & MacGregor 1997) and its status as the centripetal influence on the capital, politics and infrastructure of its surrounding regions. The phenomenon of the postmodernisation of the city has spawned a considerable body of literature (see for example: Eisinger 2000; Haughton & While 1999 and Mayer 1991) that has served to bring the urban question back into current theoretical debate. Due to the ideologically-riven views of the various urban theorists and the immense changes that have occurred in relation to the role of the city (in a postmodern, consumption society context) and in the city's relationship to its surrounding region, it does not appear possible (in the context of this thesis) to resolve the urban theory question thoroughly. As such, this thesis is interested in the imposed or negotiated set of relationships that existed between the Kennett Government, Melbourne and regional Victoria rather than with the issue of how to define urban sociology theoretically.

## **The Local State in Australia**

As is the case in urban politics, the notion of the local has a seductive taken-for-granted quality about it, although precisely what is meant by the use of the term local is rarely questioned (Wood 1998, p. 277). In line with current debate, and as defined above, this thesis argues for less rigidity in the definition of the local state. While the focus of this thesis' research is within the bounded conceptions of the sub-national state it takes inspiration from Massey's (1994) approach to the local which argues for a relational definition of the local state.

Massey (1994) argues that 'the social relations that constitute a locality increasingly stretch beyond its borders' (p. 162), the local has become a relational and relative concept (Wood 1998, p. 280). Put another way

...[t]he basis for a local politics is thus rooted in the attempt of sectional but place-bound interests to defend and enhance the particular configurations of social, economic and political power...[which] are liable to generate conflict with other social interests within these places and with place-bound interests located elsewhere (Wood 1998, p. 279).

This allows the contextualisation of both the inter- and extra-regional when considering the implications of government decision-making in this area. This refinement to the definition will be useful because the nature of globally influenced decision-making by governments calls forth considerations beyond local, and generally, national borders. It also allows for players who may enter the field due to the strategic depoliticisation of neo-liberalism argued for above.

Further, it is argued that the shifts that have been caused by globalisation and neo-liberal, post-Fordist accumulation practices have caused this elasticity in spatial relationships which render definitional specificity potentially redundant. This evolution in the understanding of that which constitutes the local state is captured by Wood (1998) when he argues that:

This is not to argue that a concern for bounded areal spaces should be displaced...but rather that the articulation of linkages and spaces would direct attention to the processes underpinning the production of particular spatial configurations and their politics (p. 283).

The spatial/relational scope of this thesis involves the relationship between the centripetal influence of Melbourne as an entrepreneurial city and its regional responsibilities constituted through government allocation of resources. These responsibilities extend to the governance of all cities, towns and regions within the state's borders. There will be more complex issues as well, built around the expedience of citizen and group rights and expectations in relation to the building of an internationally competitive city.

In much of the Regulationist/post-Fordist literature mentioned in this thesis there is an assumed jump from the local to the global without much reference to the federated states and the role the sub-national state plays in this leap from Fordism to an uncertain post-Fordist future (see Jessop 2002). Therefore in the Australian federated context the local state will be argued to include the sub-national tier of government that stands between the national and municipal government/s. One aspect of the relational nature of the tensions between various levels of government, in the light of neo-liberal accumulation practices, has been described above in the trespass of the sub-national state into municipal government, threatening the democratic existence of this tier of government. There is also potential to find that a state government can usurp the interests of its broader regional local state, not through direct democratic influences, but by negotiating their influence away through entrepreneurial deal-making with metropolitan institutions which have a responsibility not only for metropolitan institutions but for the broader local state. It is important to note that while overarching institutions, such as sub-national governments, are influential in the spread of these arrangements:



...regulation is tendential, not achieved or established. There are tendencies towards effective regulation that are partly, but not entirely, the products of strategic action undertaken by individuals and institutions. Counter-tendencies operate to disrupt the reproduction of the capitalist order. The regulatory process is the product of the interaction of these forces (Goodwin & Painter 1997, p. 18).

The above discussion characterises an argument in the literature that will be discussed here and elsewhere in this thesis about the capacity to deal with the concept of uneven development within the regional state. Jonas (1997) has encapsulated this problem in the sub-national state in the shift to a post-Fordist future:

Uneven development across different spatial scales is a central part of social regulation in capitalist states, in terms of both the variations found in modes of social regulation between national economies as well as *within* them. This international emphasis is quite understandable given the ravages of globalisation and neo-liberalism...[and]...the hollowing out of the nation-state during the current crisis of Fordism...[but]...speculation has so far generated little debate about what a postfordist mode of social regulation might look like *or at what spatial scale(s) it should be organised* (p. 210 emphasis added).

While there is some discussion within the literature around the theme of uneven development (see for example Peck & Tickell 1992) across capitalist nation-states, Jonas (1997) goes on to argue that 'regulation theory has had relatively little to say about uneven development at the sub-national level' (p. 210) and suggests that there is binary tension between the potential for a mode/s of social regulation and the neo-liberal regime of accumulation. On the one hand, argument within the literature suggests that the establishment of *local* modes of social regulation may be necessary to regulate sub-national uneven development and offer a spatial fix to capitalism's crisis; on the other hand, the nature of the neo-liberal project champions competitive market forces over regulation, and inter-regional competitiveness over strategic planning. These competing forms tend to 'accentuate patterns and processes of uneven development, making it difficult to realise a coherent spatial fix at the local scale' (Jonas 1997, p. 210).

But as Goodwin & Painter (1997) stress, the consolidation process towards a new mode of social regulation does not need be uniform within the nation state. The regulationist project has developed around the need for an explanation of the 'spatially and temporally uneven reproduction of capitalism' (Goodwin & Painter 1997, p. 18). The mode of social regulation may also be spatially and temporally specific, reflecting the particular pattern of cultural and political institutions which may (or may not) coalesce in a mutually reinforcing way under a specific state government.

One of the revolutionary changes that the Kennett Government introduced into the regional state of Victoria, and one that will be discussed in Chapter 5 (Consolidation) and Chapter 6 (Collapse), was government's development of an entrepreneurial branding strategy for Melbourne as a mechanism for revenue-raising and as a stimulus to business activity. Through such entities as the Victorian Major Events Company, the Melbourne Grand Prix Corporation, Crown Casino and a massive infrastructure-building boom in the city (Mayne 1999) the Kennett Government reflected the entrepreneurial branding strategy that had been the experience of the post-modernisation and entrepreneurialisation of major cities throughout the world (Jewson & MacGregor 1997). These entities and events have been among the key strategies that have exacerbated uneven development across the state of Victoria.

## **Regulation Theory, Capitalist Relations and the Australian Federation**

The tensions discussed above between the various tiers of Australian government pivot on the restricted distribution of funds to the next tier "down" and the subsequent potential for the unevenness, or otherwise, of their distribution. The tension is further increased by the expectations of the superior tier to not only fulfil their statutory obligations but to also bring about opportunities to create "brand identities" for a region in order to generate interest in the region beyond its boundaries; and as such generate more income

for, not only the state, but in particular the private sector. This process has been mandated by globalisation<sup>27</sup> which embodies expectations of the re-ordering of capitalist accumulation practices along the lines of neo-liberalism (see below for a discussion of the global-local disorder; see also Brenner [2000] for a discussion of the various “glocalisms” that have risen in response to globalisation) and that they should be responded to politically through the corporatisation of governance practices.

This is largely played out by attracting capital through brand identity or spectacle creation (from Olympic Games to themed country race meetings) rather than increasing functional/structural advantages. In the entrepreneurial state this appears to be the new key to financial security and political success.

While the examples above may be representative of the global-local disorder (Peck & Tickell 1992, 1994a & 1994b and Tickell & Peck 1995) or the result of a neo-liberal globalisation process which has exaggerated the centripetal dominance of the entrepreneurial city, this thesis investigates the extent to which Victoria's sub-national government is responding to a broader shift to neo-liberal, post-Fordist accumulation practices and its attempts, if at all, to facilitate the embedding of a new mode of social regulation to match it.

Jessop's (1995) argument, that there is a turn to the 'hollowed out' state, under the influence of neo-liberal (Jessop 2002) shifts in accumulation practices, tends to support the position of an overarching supra-national dominance over the regional state. This process would have the effect of replacing the legitimisation function with a market-based mechanism. As this market model increases in influence the tensions already inherent in the allocation of resources to the economic and social reproduction of cities and their populations becomes more exacerbated. The funding of state activities has become the key concern for politicians and citizens alike.

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<sup>27</sup> Globalisation can be read, in this instance, as one of the key facilitators of the ubiquity of neo-liberal principles of governance across most institutional forms..

The entrepreneurial paradigm demands maximised profitability, usually through input cost savings. When applied to state governance practices this translates into either budget surpluses or balanced budgets as a minimum requirement. These are usually achieved through reductions in fiscal allocations to functions which enhance social reproduction. One of the key considerations in this scenario is whether the reduction in national fiscal allocations caused the shift to entrepreneurialism in our sub-national governments or was it a convenient Trojan horse from which to introduce ideologically-driven reforms along neo-liberal principles?

In the "hollowed out" state model, government involvement in the economy recedes in favour of the market and much of the government's time is taken up in structuring vertical and horizontal competitiveness at each and all levels of the state. However, if the accumulation practices of neo-liberalism conform to Tickell & Peck's (1994b) 'jungle law' thesis it may be that government is not withdrawing but finds itself having to manage increasing tensions between its responsibilities to neo-liberal economic reproduction and social reproduction.

In part it is argued in the urban literature that a temporary fix has been found, ironically through government withdrawal from, in particular, social reproduction. The effect of this, Gough (2002) argues, is that neo-liberal governance has managed to depoliticise many of these processes through such a withdrawal. The net effect according to Gough (2002) and others (see Ward 2003; Jessop 2002; Jones & Ward 2002 and Peck & Tickell 2002) is that business has had to fill the socialisation gap (where it has been expedient to) due to the fragmentation of both capital and labour and the consequent depoliticisation of a government's responsibilities to manage such relations (Gough 2002). Through the process of depoliticisation that Gough (2002) argues has occurred, as a result of neo-liberalism's *relative* success (see Jessop 2002 and Brenner & Theodore 2002), citizen and community expectations of their governments have been "hosed down" due to the success of the ideology and the ubiquity of market relations as a mediator of life and community chances. Jessop (2002) argues that neo-liberalism has successfully shifted popular expectations that governments can or should control markets.

The neo-liberal market ideology, Jessop (2002) argues, has become the taken-for-granted arbiter of economic and social outcomes and as such the expectations placed upon governments by those both within and outside the political economy have been so trimmed that if a problem cannot be solved through a market solution then it does not deserve a solution (Jessop 2002, pp. 464 - 469).

While tensions have always been a feature of capitalist relations within the state, the decisive shift in accumulation practices to a neo-liberal, post-Fordist future has revived the need for a definition of the “new urban politics” that better accommodates those neo-liberal practices. As Mayer (1991) argues the demands for flexible accumulation strategies by the markets, rebounds upon governments at all levels. But if these can be deflected to the market by governments, then the onus is further shifted to the entrepreneurial turn (Ward 2003). As market dominance has moved from ideology to expectation more opportunities for accumulation regimes need to be produced and the local state becomes both an expanded site for entrepreneurial opportunity and expedient to the needs of the entrepreneurial hub.

This governmental responsiveness and acquiescence to entrepreneurialism has been the key feature that has lead to a reshaping of citizen, community and business’ expectations of the role that governments play in establishing a “new urban politics” and a post-Fordist future for the local state. As the current literature argues the “new urban politics” may be new and urban but it may also be less political (Gough 2002; Jessop 2002; Ward 2002; Peck & Tickell 2002 and Brenner & Theodore 2002). It is because of the globalised nature of this shift in the political application of neo-liberalism and its macro-economic implications, that both Mayer (1991) and Jessop (2002) argue, that the theoretical possibilities for the ascendance of Regulation Theory as a *methodological* (Goodwin 2001; Kratke 1999 and Boyer 2000) and explanatory mechanism is compelling.

In fact in Jessop's 2002 paper he includes Australasia in his considerations of regimes which have introduced changes which '*can be analysed in terms of the Schumpeterian workfare<sup>28</sup> postnational regime*' (p. 459 emphasis added)<sup>29</sup>. Ward (2003), in addition argues, that the 'most lasting influence [in this context is] work produced by so-called "third generation" regulation theorists (Jones 1997 & 2001 and MacLeod 1997 & 2001) [who] turned to theorizing transitions in urban and regional development (Goodwin & Painter 1996 and Peck & Tickell 1995)' (p. 118).

### **Victoria and the Shift to Neo-Liberalism (and a putative post-Fordism) under the Kennett Government**

There was much interest in the Thatcher "experiment" in Australia and, as observed above, the shift began as early as 1972 with the election of the Whitlam government after 23 years of conservative Liberal Party governance. In the light of that there is a sense that the process of this shift is shot through with a sense of modernisation. However this tentative shift was tempered with an ongoing sense of commitment to the welfare of the less economically advantaged and that government retained the right and the sense that it had a role in the market.

The major shift on a macro Australian level came with the Hawke/Keating governments in the period of the ideological dominance of Thatcherism and the hegemonic project of the New Right. As a result of this shift the regulationist literature was thoroughly engaged with measuring its theoretical relevance to understand and describe this new expression of capitalist accumulation.

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<sup>28</sup> This term is Jessop's particular characterisation of the neo-liberal version of post-Fordism which he argues elsewhere has become embedded as the regime of accumulation after Atlantic (his term) Fordism (see Jessop, 1995 & 1994b).

<sup>29</sup> The significance of this is that little if any overseas studies have considered the Australasian experience. Having said that it should also be noted that the attention of the regulation theorists was drawn to this region by the economic policies of the Lange Labour Government in New Zealand whose Treasurer, Roger Douglas, attracted the attention of political economists for the extremity of his market reforms at a very early stage of the modern neo-liberal project.

Regulation Theory was ably equipped to discover the nature and viability of this shift on a macro level because of its approach to accumulation practices and because of its neo-Marxist antecedents. However Jessop (1994) and others (Jessop & Hay 1995 and Hay 1995) note that Regulation Theory does not have a strong sense of the state and its (the state's) role in the process of embedding accumulation practices. The counter argument is that the unique and clinching argument for Regulation Theory's viability is its ability to assess the role and influence of non-market (cultural/social/institutional) players in the process of sustaining a new capitalist accumulation practice. As noted above, the discussion in the literature, once satisfied that Regulation Theory was equal to the task as a mid-range theory and had proved its worth on a macro state level, interest turned to the shift in accumulation practices and the role of governments on a regional state level.

The literature on the regional manifestation of the New Right project has been thoroughly investigated in the European, and to a lesser extent, the American context. However, as mentioned above, there has only been limited work done by a handful of Australian academics looking at the regional state and the neo-liberal project. The literature reveals no *major* studies from a Regulation Theory point-of-view of the regional state<sup>30</sup> dynamics in the shift to neo-liberalism (see Broomhill 2001 and Low 1995). There are also limited studies that have concentrated on the market side and used the Public Choice approach (Hyde 2002<sup>31</sup>) while the Regulation Theory literature is not broadly used in an Australian regional context as well.

Low (1994 & 1995) has looked at the embeddedness of the shift in a theoretical sense and dealt with Regulation Theory's applicability to the metropolis from a human geographical, urban perspective.

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<sup>30</sup> See O'Toole (2006) for a discussion of neo-liberalism in the context of Victoria's regional state.

<sup>31</sup> The Institute for Public Affairs (mentioned elsewhere in this thesis) and the Institute for Private Enterprise (run by Des Moore an interview subject for this thesis and foundation member of *Project Victoria*) publish occasional papers from this perspective.

Low's (1994 & 1995) articles have done important groundwork in introducing Regulation Theory to the Australian experience. Broomhill (2001) has been one of the few investigators to use Regulation Theory (or the *regulation approach* as Broomhill nominates it) to explain the role and engagement of the local state in the embedding process of neo-liberalism. Broomhill (2001) argues that

state governments in the post-war *Fordist* era played a significant role in creating and mediating the series of "temporary institutional fixes" that constituted the regulatory arrangements (or mode of social regulation) underpinning Australian capitalism (p. 122).

Broomhill's (2001) discussion of the regional state develops the work of Low (1995) in relation to the usefulness of Regulation Theory to the local regional state.

Broomhill (2001) catalogues the Australian States' experiences over time with the potential for a shift to a post-Fordist future and spends some time discussing<sup>32</sup>, the South Australian regional experience. However he does not look in detail or engage in a case study of a particular state government's role in the process of embedding neo-liberalism over time, and whether claims about a solidified post-Fordist political economy can be substantiated from the evidence of the research. What Broomhill (2001) does make clear in this article is that: 'in the "postfordist" period, Australian state governments have been at the forefront of the process by which both the accumulation regime and regulatory arrangements have been dramatically restructured' (p. 122). Broomhill's (2001) paper invites a more detailed analysis on a state by state basis to look at the efficacy of Regulation Theory to explain the embedding or otherwise of the neo-liberal regime of accumulation through the supporting auspices of a mode of social regulation.

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<sup>32</sup> In a recent publication Broomhill (2008) has looked at the history of capitalist cycles in Australia, making the telling point in relation to the neo-liberalising process in the context of its break with the past, when observing that: 'the state played an increasingly crucial role in sustaining the economic boom' (p. 20). This was written in reference to Sir Robert Menzies governments' (founder of Kennett's Liberal party) engagement in the economy at the beginning of the post World War Two boom.



In relation to the neo-liberalisation process in Victoria (Engels 1999) does some detailed political economic, investigatory work on the Kennett Government's entrepreneurialisation of the state but without the theoretical lens of Regulation Theory.

There have been other types of specifically applied case studies using the auspices of Regulation Theory, notably Hampson's (1991) introductory paper on Regulation Theory and the Australian experience in the industrial relations setting; Hampson, Ewer & Smith's (1994) study of industrial relations practices in the light of post-Fordist expectations of workers and the market; followed by a case study of the economic restructuring project from a Union perspective in the formative years of the neoliberal project (1980 – 1996) and in particular the Hawke Government's Accord with the Union movement (Hampson & Morgan 1999).

Hampson & Morgan (1999) question the adequacy of the post-Fordist thesis, broadly, and in an Australian context in particular, and express some doubts about the Regulation school's conclusions. They argue that Lipietz's

*...no solution stands out as a model[-position]...casts doubt on any argument that certain strategies and institutional arrangements failed as a result of their misalignment with the requirements of the regime of accumulation, since Regulationist theory fails to specify these requirements with any precision (1999, p. 753).*

It should be noted that Jessop (1994b & 1995a) in particular concluded that the neo-Schumpertarian<sup>33</sup> regime of accumulation appeared to be the most likely fit for a putative post-Fordist future; and that Peck & Tickell (1994b) also *took a position* in relation to the regime of accumulation, although not one with precision, but were prepared to declare that the a neo-liberal regime of accumulation amounted to 'jungle law' (1994b) and that until it was discarded no post-Fordist settlement could be reached.

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<sup>33</sup> ...a form of neo-liberalism.

However they subsequently acknowledged neo-liberalism's hegemonic dominance of the last twenty years and its commonsense status (Peck & Tickell 2002, p. 381). Broomhill (2001) concurs with Peck & Tickell's (1994b) summation arguing that 'there are several indications that neoliberalism has so far provided a very unstable framework for any new postfordist regime' (p. 126) despite its global hegemony.

Hampson & Morgan (1999) challenge the place of post-Fordism as a step away from the Fordist mass production paradigm as well, arguing that the Fordist paradigm as a totalising descriptor of the economic organization of the twentieth century and those events of the 1970s that are said to have tolled its death are over-read. In fact they argue, as do Hirst & Zeitlin (1992), that '[p]ost-Fordism's dichotomous meta-historical structure similarly encourages misreading of contemporary and historical trends, both in any case incompletely established by supporting evidence' (Hampson & Morgan 1999, p. 755). Still for Regulation Theory, post-Fordism is a tendential epithet rather than a firm descriptor of an outcome, practice or settlement.

While there is an understanding that the Fordism/post-Fordism epithets are founded on the mass production/discrete production cleavage, the *idea* of post-Fordism in Regulation Theory is more aligned with a project to determine the extent to which there is a mutually constituting reciprocity between the regime of accumulation and the mode of social regulation. This may explain why there has been ambivalence in some of the literature in relation to naming the after Fordist settlement<sup>34</sup> (neo, high, after, late and post Fordism/s were all suggested<sup>35</sup>). In Regulation Theory there has been, and to some extent still is, a reticence to declare a settled post-Fordism because of uncertainties about a correspondence between the emerging/established neo-liberal regime of accumulation and a corresponding mode of social regulation.

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<sup>34</sup> In fact the founder of Regulation Theory Michel Aglietta (1979) preferred the term neo-Fordism rather than post-Fordism, to signal that the new regime had continuities with the old, but had evolved into a more intensified form (see Chapter 2 ahead).

<sup>35</sup> See Appendix 2.

To the extent that Jessop appears to see that there may be a settlement between the neo-liberal (Schumpeterian) regime of accumulation and a grudging mode of social regulation, there are still uncertainties about the settlement primarily because of the neo-liberal adherents' ideological resistance to community, institutional and bureaucratic input – which would constitute the building of a supporting mode of social regulation. It may be that Regulation Theory's expectation of a settled neo-liberal accumulation regime may not need a matching mode of social regulation, in the short term.

As mentioned above Engels (1999) has done a detailed study of the Kennett Government with an eye for the shift to neo-liberalism and its articulation with the local state. Engels (1999) notes the Kennett Government's engagement with the economic zeitgeist through the lens of inter-state entrepreneurialism and state boosterism and the importance of "branding" Melbourne through a targeted strategy of place promotion in order to create an advantage over the other Australian states.

While Engels (1999) flirts with the concept of a post-Fordist future for Victoria, driven by the Kennett Government, there is no specific use made of the Regulation Theory literature or an application of the regulationist measuring devices to contextualise the Kennett Government's engagement with a putative shift in the accumulation regime. What Engels (1999) has done is a thorough political economic analysis, using detailed empirical evidence, to show the extent to which the Kennett engaged in an events-led campaign, built upon neo-liberal entrepreneurial expectations, to engage in inter-state competition.

A number of studies have been done in relation to the broad sweep of the Kennett Government's radical transformation of parts of the Victorian economy. For example Alford & O'Neil's (1994) *Contract State* and Costar & Economou's (1999) *The Kennett Revolution* have looked at the policy manifestations and outcomes of the Kennett Government's time in office. These studies have engaged with the Kennett Government's neo-liberalism with a certain sense of incredulousness at its thoroughgoing and ideological attack on the basic, historical premise of regional state governance practices in Australia.

While these authors' investigations have been undertaken in the light of the world-wide phenomenon of neo-liberalism, the shift in Victoria that this phenomenon has invited seems to be presented as a *fait accompli*. However this assumption in this literature appears to be based solely on accumulation and government practices. The facility that Regulation Theory brings is its ability to engage, not only in an analysis of the shift in capitalist accumulation practices, but also in the institutional responses and their role in offering confirmatory acknowledgement and assistance to the shift to neo-liberalism. It is this gap in the understanding of the embedding process that leaves a consequent explanatory gap in the literature and affirms Regulation Theory's superior facility to account for the breadth of the process of introducing a new capitalist accumulation practice.

Hayward (1996, 1999a, 1999b & 2000) undertook a number of empirical investigations into the nature of the Kennett Government's fiscal transactions in relation to the budget and the privatisation process and argued compellingly against the notion of a budget crisis and as such for the need to restructure the budget in such a dramatic neo-liberal fashion. While Hayward's approach was informed by a broadly Keynesian, neo Marxist disposition his research did not extend into an assessment of the permanence of the shift to neo-liberalism nor to an assessment of the transition from a Fordist to a post-Fordist regime of accumulation.

The implicit position that the above literature takes, and the latent theoretical implications it calls forth, is the idea of the role of individual agency because of the overwhelming role Premier Kennett played in the processes of the neo-liberalisation of Victoria. There is little doubt that the investigation of the regional implications for the shift to post-Fordism in Australia have identified the Kennett Government as pivotal (Alford & O'Neill 1994 and Engels 1999) and identified Jeff Kennett himself as the figurehead on the prow of the neo-liberal ship of state. Kennett's role will be an important consideration in the investigation of the embedding process.

In the same way that Margaret Thatcher lent her name to the process of neo-liberalisation so too has Kennett lent his name to this process in Australia. While Thatcherism has become synonymous with the neo-liberal project the links between her period of governance and the broader New Right project have meant that "Thatcherism" has usurped the individual and imbued the term with an economic redolence that has eclipsed the individual who lent her name to it. In Victoria's case it is necessary to establish Kennett's credentials as the conduit, or otherwise, for a new, embedded post-Fordist future that reflects the expectations of Regulation Theory; or is it as the local political culture has read Kennett over the years (Hannan 2000), as one who carries the burden of a flawed political charisma and a political philosophy based on larrikin authoritarianism?

## CHAPTER 2

### REGULATION THEORY

#### THE THEORETICAL FRAMEWORK FOR EXPLAINING THE NEO-LIBERAL REVOLUTION IN THE POLITICAL GOVERNANCE OF VICTORIA

### Introduction

The ideology of neo-liberalism's market-centred solutions set in train what Gill (1992) coined, and Ryner (1999) argued, was a 'new constitutionalism' which

...[wa]s characterised by a hegemonic neo-liberal strategy...[that]...deliberately reshape[d] state-market boundaries so as to maximise the exposure of states to international capital markets. New constitutionalism implie[d] a deliberate abdication from discretionary state action that violated market norms...Thereby the classical liberal separation between "states and markets" [became] *politically* enforced (p. 43 author's emphasis).

The procession of 'tendencies within advanced capitalist societies in their approach to social policy' (MacGregor 1999, p. 91) has also shifted in response to the *fiscal crisis of the state* (O'Connor 1973). The welfare state has given way to mutual obligation or the workfare state (see Jessop 1993 for example) which has in some cases given way to what MacGregor (1999) describes as a new paternalism (p. 91) or the Blairist third way. Social democratic governments have seized upon the third way ideology in an attempt to rehabilitate their political authority in the light of the dramatic shift to the right and attempted to accomodate the ideology of corporate and bureaucratic governance. However it appears that this has not been at the cost of neo-liberalism. The third way has 'accept[ed] the orthodoxies of neo-liberalism but hopes to patch society together again with a mix of exhortation and intervention into the lives of the poor and the deviant' (MacGregor 1999, p. 95).

In order to come to terms with such a diverse expression within the ideology of neo-liberalism, an encompassing explanatory theory is necessary. This is of particular necessity if we are to understand its recent manifestation in the Australian regional state of Victoria, thirty years after its emergence as a highly politicised ideology.

The political economy/economics literature presents the researcher with an over abundance of terms to describe and characterise the shift that has occurred in capitalism and political economy. Apart from those mentioned above, other terms such as globalisation, neo-conservatism, economic rationalism, neo-classical economics, Thatcherism, Reaganism, Rogernomics, flexible accumulation, flexible specialisation and the various Fordisms (neo, high, after, late and post<sup>36</sup>) have all been used in an attempt to explain the crisis in capital accumulation practices. Many of these terms are simply descriptive of the supply-side solutions they offer. Others, Peck & Tickell (1994, p. 283) argue, focus too much on the production side of the response to the crisis. But all appear to lack a broader context in which to understand the crisis, and fail to offer a methodological approach to determine the success of the response.

## **Regulation Theory**

Amin (1994) argues that '[r]egulation theory has had a huge international impact and has emerged as a major theorization of the patterns of post-war economic growth until the mid 1970s and of its crisis thereafter' (p. 7). Under the Gramscian rubric of Fordism, the regulationists showed that the "golden age" of capitalism was sustained by a hitherto unknown union between production and consumption which brought wage labour fully into the capitalist system as both producers and consumers (Elam 1994, p. 63). The Fordist methodology was built on the twin pillars of mass production and mass consumption.

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<sup>36</sup> See Appendix 2

This approach to capital accumulation required a disciplined and compliant work force with a regular disposable income and a politico-social setting that supported the accumulation process through an extensive social infrastructure supported by labour, capital and government. This move away from a concentration on the renewal of capitalist forces of production to a concentration on the reproduction of capitalism *per se* specifies the regulationist approach from others (Elam 1994, p. 56). As such, Painter (1995) has concluded that we are not dealing with a unified theory anymore but a broad *approach* to the complexities of modern capitalism (p. 277). This broad approach to understanding the forces which have shaped capitalist reproduction has brought together economists, geographers, political theorists and others to develop Regulation Theory into 'a rich, but highly diverse, school of thought' (Painter 1995, p. 277).

The French regulationists, inspired by a combination of neo-Marxism, institutionalism (Elam 1994, p. 57) and the Gramscian notions of Fordism and Americanisation, identified the "growth compromise" which sustained the long post-war boom. The regulationists described this as a period of intensive accumulation which not only necessitated a vigorous production-goods process but an equally and complementarily vigorous consumption-goods sector. In order to sustain this method of accumulation, a monopolistic form of regulation was required. This required compromises by both capital and labour.

The compromise for capital accumulators was: 'an enhanced role for the state in securing the conditions for capital accumulation' (Jessop 1991, p. 86); the payment of higher wages; regular wage rises; specified working hours; increased taxes and charges to support what was to become known as the Keynesian welfare state or welfare capitalism (in regulationist terms the Keynesian mode of social regulation); and the accommodation of worker representation through Unions which supported collective bargaining.



The compromise for wage labour was: the "nuclearisation" and isolation of the family; a single family wage; a loss of autonomy and involvement in the production process; the introduction of Taylorist production methods which mandated function and isolated the wage labourer to a single input function in a highly mechanised production process; and indebtedness through credit which became an increasingly important component in the compromise, as wage labour was recognised as 'an outlet for expanding capitalist production' (Elam 1994, p. 63). In a broader sense this shift to Fordism saw a decommodification<sup>37</sup> (Esping-Andersen in Elam 1994, p. 63) of wage labour and the increased commodification of consumer goods. Wage labour became an essential component in the sustained success of Fordist accumulation because of its dual role as producer and consumer (Elam 1994, p. 63). The system then, was driven by the evolution of productivity and real wages (Boyer 1988, p. 82) and thus the "growth compromise" was consolidated.

It was the French regulation school's (Aglietta 1979; Boyer 1990 and Lipietz 1987) identification and emphasis on 'the importance of the "structural coupling" between the system or *regime of accumulation* (a macro-economically coherent production-distribution-consumption relationship) and the ensemble of state forms, social norms, political practices and institutional networks which they termed the *mode of social regulation*<sup>38</sup> (Peck & Tickell 1994, p. 284 emphasis added) that set it apart from other major theories of Fordism: Piore and Sabel's flexible specialisation based on *the second industrial divide* (1984) and the neo-Schumpeterian's techno-economic paradigm and socio institutional framework. The following discussion investigates the alternative theoretical attempts to deal with the putative shift to a post-Fordist future and demonstrates why Regulation Theory is the best "fit" for Victoria under the Kennett Government.

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<sup>37</sup> This condition will be addressed later in terms of the putative post-Fordist neo-liberalism.

<sup>38</sup> The original regulationist term was simply the mode of regulation but theoretical development outside the regulation school has added the term social to consolidate the broader application of the regulation *approach* to an understanding of the breadth of capitalist reproduction.

## Flexible Specialisation

Piore and Sabel's (1984) flexible specialisation<sup>39</sup> thesis argued that cleavages arise in production paradigms at crucial moments in history. The paradigms in question are Fordist mass production and a putative post-Fordist flexible specialisation based on craft production. The authors argue that crucial industrial moments present themselves as opportunities for one production paradigm to emerge as 'the prevailing international standard' (Amin 1994, p. 14). While the industrial divide which emerged at the turn of the twentieth century ushered in the dominance of Fordist industrialisation it did not eliminate the craft processes of flexible specialisation which Piore and Sabel (1984) argued were the beneficiary of the *second industrial divide* which emerged after the 1970s fiscal crisis. Piore and Sabel (1984) and Boyer (1988) see the explanation for the post-Fordist crisis to be found in the saturation and break up of the mass markets of Atlantic Fordism<sup>40</sup>. The corollary for Piore and Sabel (1984) was the ascension of flexible specialisation to paradigm status as the "prevailing international standard" because, they argue, the "craft-based" production process is the logical successor in their binary, dualist terms.

However large-scale manufacturing has, and to some extent has always been, able to vary the Fordist production process to accommodate specialisation. At the turn of the twentieth century, Sloanism at General Motors responded to Ford's mass production and mass marketing by "creating" obsolescence annually through the deliberate packaging of "new" features into its Chevrolet cars. Modern Japanese manufacturing techniques have also demonstrated an awareness of the flaws in mass production and developed an ability to tailor its mass produced products to specified consumer choices.

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<sup>39</sup> For a more detailed discussion see Hirst & Zeitlin 1992 and Amin & Robins 1990.

<sup>40</sup> Atlantic Fordism connotes the particular post war regime of accumulation which was adopted by the North Americans, the British and parts of Western Europe. Due to the northern hemispheric centrism of the authors in the field, Atlantic Fordism should be generalised to include Australia and New Zealand. Recent discussions of neo-liberalism have acknowledged the trans-hemispheric nature of this type of political economic governance by referring to the same phenomenon as Anglo/American to encompass, in particular, New Zealand's (and recently, Victoria's) strident development of neo-liberalism.

Micro-electronics, which the neo-Schumpeterians use as the basis for their claim to a post-Fordist solution has also been amenable to the processes of Sloanist mass production. The advancement of micro-electronics has also benefited from the procession of new product development which has had the affect of maintaining market demand for this updated form of mass production<sup>41</sup>.

As an approach to understanding the shift from Fordist crisis to a post-Fordist resolution, flexible specialisation lacks an institutional focus and gives little insight into the extra-production support mechanisms that Regulation Theory offers in its mode of social regulation. It also lacks the methodological insights that the Regulation Theory *approach* offers. However Piore and Sabel did embed the notion of *flexibility* into the post-Fordist debate. This concept, flexibility, quickly gained hegemonic dominance in the tumultuous struggle to establish a new regime of accumulation (see Jessop, Kastendiek, Nielsen, & Pedersen 1991).

Piore and Sabel's identification of the emergence of the regional economy in Europe demonstrates the cleavage between the Anglo-American and European responses to the crisis. Despite Sabel's arguments for a new form of regional Keynesianism in the mid-west of America (1994, pp. 128 - 131) Anglo-American manufacturing has tended to move to the third world rather than the "Third Italy" to maximise returns rather than reappraise production techniques. Although as Hadjimichalis (2006) argues this Third Italy may have moved on as well.

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<sup>41</sup> For a detailed discussion of the post-Fordist changes in work organisation see Tomaney, (1994).

There are compelling historical and geographic reasons why flexible specialisation can be more easily identified in Europe (including Britain) compared with the Anglo-American<sup>42</sup> states. The colonial history of the Anglo-American states (particularly Australia, New Zealand and Canada) as primary producers and mineral resource extractors for the European (and now Asian) market, meant that those regional economies tended to be built around service delivery to the export economy. Comparative population densities between Canada/Australia and continental Europe, and the temporal longevity of European culture meant that the embedded European craft culture<sup>43</sup> is more likely to be in a position to arise in response to the crisis. While some discreet examples of wine production may fall into this category in regional Victoria there is also an aggregation in the wine industry as well, which has had the affect corporatising the industry along neo-liberal lines. There is also still a focus on large-scale industrial (motor vehicle) manufacturing in Victoria as well which cuts across the application of the Flexible Specialisation thesis to Victoria.

### **The neo-Schumpeterian Approach**

The other major theoretical understanding of the transition from Fordism to post-Fordism is based on a re-rendering of Schumpeter's development of Kondratiev's *long wave theory* of capitalist reproduction. The neo-Schumpeterian and Regulation Theory approaches share key points-of-view in their approach to the critical assessment of the effectiveness of regimes of capitalist reproduction.

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<sup>42</sup> These include Australia, Canada and New Zealand.

<sup>43</sup> This is not to say that discreet specialist industries have not arisen in Australia in the last thirty years: but the measure of their survival and success has generally been measured by their economically rational global competitiveness rather than their engagement with new production paradigms based on their regional distinctiveness.

As Amin notes,

...[t]here is broad agreement between the two approaches over: the systemic and cyclical nature of capitalist development; the periodization and general dynamic of Fordism; the significance of the degree of match between, in neo-Schumpeterian language, the “techno-economic paradigm” (regime of accumulation) and the “socio-institutional framework” (mode of social regulation); and the stability of a “long wave” or “long cycle” of economic development (Amin 1994, p. 11).

The divergence comes in the somewhat technically determinist approach to the procession of the long waves. For neo-Schumpeterians like, Freeman and Perez (1988), the beginning of a new fifty year long cycle is thought to be presaged by a ‘ “quantum leap” in industrial productivity, which [is] secured once pioneering advances in technology diffuse across the economy’ (Amin 1994, p. 12). This process must then be supported by an ensemble of socio-institutional norms and regulations that reflect the direction of the techno-economic innovation to allow for an economy-wide embedding of the new wave. Freeman and Perez stress the importance of the role of universal technologies which act as carriers for an economy-wide adoption of the new innovation (Amin 1994, p. 12). The “previous” fourth Kondratiev (or long wave) was driven by electro-mechanical technologies, the outputs of mass production and consumption and developments in the oil and petro-chemical industries which ensured a relatively durable, cheap source of power and sustained productivity increases. These innovations were seen to result in the same capitalist reproductive process that Regulation Theory identifies with Fordism: standardisation, massification, scale economies, oligopolistic competition and the mass consumption of cheap goods (Amin 1994, p. 12). The emerging, or emerged, fifth Kondratiev is seen to be driven by micro-electronics, computers and the information revolution. Now that these technologies have become systemic, cheap and are seen to play the defining role in production technologies it is a matter of waiting for the socio-institutional domain to shift its supportive networks in response. It is the centrality of the techno-economic paradigm in determining the procession of waves which concerns authors such as Neilson (1991) and Elam (1994).

However, despite these reservations Jessop (1992, 1993, 1994 & 1995a) has taken up the neo-Schumpeterian cause in his arguments about the transition of the *Keynesian welfare state* to the *Schumpeterian workfare state* as a socio-institutional/mode of social regulatory response to the putative shift from Fordism to post-Fordism. The intellectual space for this excursion into neo-Schumpeterianism by Jessop comes through his extensive writing on state theory and the state political focus of the neo-Schumpeterian's socio-institutional framework (Amin 1994, p. 12). Further, Jessop (1995) argues that the

...regulation approach is best understood as a general research programme within radical political economy and, as such, embraces several schools with similar approaches to the socially embedded, socially regulated nature of the capitalist economy (p. 1613)...[and t]he state is an important structural and strategic force in this regard and has major roles in securing the expanded reproduction and regulation of capitalism (1993, p. 8 emphasis added see also Broomhill 2001 for an Australian context).

In this context, Jessop (1993) argues that the two most important functions are: securing the conditions for the valorisation of capital; and helping to secure the conditions for the reproduction of labour-power (p. 8). Both the Keynesian welfare state and the Schumpeterian workfare state are state economic interventions 'characteristic of a given mode of social regulation...[and as such] are likely to correspond to different accumulation regimes' (Jessop 1993, p. 8).

The apparent neo-liberal response to the crisis in *Atlantic Fordism* and the consequent "hollowing out" of the state, where its capacities to act are contorted by the internationalisation of production and economics and the influence of regional and (free) trade groupings, have lead Jessop to tentatively suggest, 'due to a general consistency of these shifts across a wide range of economic and political regimes...that the "hollowed out" Schumpeterian workfare state could be regarded as the best possible political shell for post-Fordism' (Jessop 1993, pp. 10 & 11).

This comes heavily qualified and draws on the integral viewpoint that necessitates an enquiry based 'on the structural coupling and contingent co-evolution of accumulation regimes and modes of social regulation' (Jessop 1993, p. 11) so that claims such as this can be tested<sup>44</sup>. Jessop argues that the Schumpeterian workfare state is able to support the neo-liberal regime through a number of mechanisms. Firstly it shifts economic policy from demand-side solutions to supply-side solutions, thereby giving governments a break on their expenditure during times of economic crisis, such as other economies in the world have experienced in the last twenty to thirty years. The Schumpeterian workfare state also marks a clear break from Keynesian objectives based on full employment and welfare entitlement, to a concentration on competitive pressures and a subordination of welfare entitlements 'to a productivist reordering of social policy' (Jessop 1994, p. 263). Secondly, the Schumpeterian workfare state is also able to address what Jessop terms the 'ratchet-like expansion of social consumption expenditure' (1994, p. 265). Jessop argues that the nation state is being "hollowed out" by factors such as; 'the shift towards internationalised, flexible (but also regionalised) production systems and by the growing challenge posed by risks emanating from the global environment' (1994, p. 264).

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<sup>44</sup> ...and many other contingencies, not least potential problems with functionalism, dualism, capital-theoretical reductionism and structuralism. Also the use of the so-called "Asian Tigers" as paradigm examples of successful examples of Schumpeterian workfarist states has not been addressed since the cascading "crashes" of these economies. However Jessop does conclude that there is likely to be a 'continuing consolidation of the "hollowed out Schumpeterian workfare state" in successful capitalist economies' (1993, p. 36). The consideration of the body of this particular work of Jessop's will be continued in Chapter 3 and applied in the body of this work.

## Post-Fordism, Neo-Liberalism and the Regulation Theory

### Approach

Neo-liberalism, as discussed above, is the politics of crisis<sup>45</sup>, a kind of “jungle law” which tends to break out - along with financial instability, accelerated labour exploitation and the self-destructive dynamic of the unfettered market - when economic growth slows and when social compromises collapse. It is this process which the regulation theorists described when they spoke of the breakdown of the “golden age” of Fordist mass production and with it ‘the social compromise enshrined in the Keynesian welfare state’ (Peck & Tickell 1994, pp. 281 - 282).

Aglietta (1979) argued for the term neo-Fordism, rather than post-Fordism, to signal that the new regime had continuities with the old, but had evolved into a more intensified form. Peck and Tickell (1994) offer support for Aglietta’s view, arguing that neo-liberalism is the abiding *after*-Fordist state and is therefore evidence of the continued and intensified crisis (p. 320). Although Aglietta’s term has failed to gain general acceptance (Amin 1994), (as others such as high-, after- or late-Fordism have also failed<sup>46</sup>), it seems that the general acceptance of the term post-Fordism has much to do with the convenience of the omnibus facility that it provides in describing the disjuncture rather than the outcome. As Elam (1994) argues, post-Fordism within the regulation perspective is primarily considered to refer to the breakdown of the “growth compromises” and the dissolution of the “protective frameworks” established in the post-war period (p. 64). Renewal is not assured and the attention that the regulationists give to stages and transition models ‘should not be read to imply that the rules do not change’ (Tickell & Peck 1995, p. 363).

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<sup>45</sup> It should be noted that in this thesis crisis is a term that is used in a number of contexts none of which are directly interchangeable with the other. Klein (2007), Stockdale, Kennett and Thatcher’s use of “crisis” are all politico-ideological uses to mobilise voter responses to the failings of a governmental regime. The use of “crisis” in the academic literature is associated with capitalist regime crisis where some sort of “bust” in the growth or accumulation cycle is occurring. Within the Regulation Theory literature the use of “crisis” has notional associations with Marx’s Theory of Crisis (see for example Clark 1994).

<sup>46</sup> See Appendix 2 for a detailed account of the “Fordisms”.



But whether we are dealing with a tendentious, putative, stagnant (or triumphant) post-Fordism, the term has become embedded in the literature to at least describe the on-going crisis in Fordism. However for the purposes of this work, reference to the possible resolution of this crisis, through sustainable growth via 'the structural coupling and contingent co-evolution of accumulation regimes and modes of social regulation' (Jessop 1993, p. 11), will be termed post-Fordism. The hiatus which Western economies still appear to be experiencing is nonetheless best considered, in Peck & Tickell's terms, as an *after*-Fordist state (1994).

The most compelling cleavage in the literature and the focus of this work is built around the place and expectations of and for neo-liberalism as either an after-Fordist response or, as Jessop (1995a) appears to be arguing, an emerging part of the structural coupling which complements Schumpeterian workfarism. Both Lipietz (1994) and Peck & Tickell (1994a & 1994b) have argued against neo-liberalism as the most effective regime of accumulation for an embedded and successful post-Fordist future despite its status as the dominant, after-Fordist accumulation practice and despite its global hegemony in the last twenty years (Peck & Tickell 2002). Lipietz uses the term liberal productivism, in place of neo-liberalism, describing it as

a law unto itself...that no longer requires social justification In other words, liberal-productivism deliberately and explicitly rejects the organicism of the Fordist model. Lipietz argues that it is essential that winners and losers be created, primarily based upon a mastery and knowledge of the market (Lipietz 1994, pp. 344 - 345).

Lipietz (1994) categorises the liberal-productivist paradigm as an intensification of the productivist techno-economic imperative - now rendered "categoric", with the hollowing out of the idea of society as a democratic prerogative (we invest because we must export; we export because we must invest) thus causing a fragmentation of social identification, with the enterprise directly playing the role formerly allocated to the country (we must stick together against competitors) (pp. 344 - 345).

Lipietz (1994) also identifies the great variety of forms of integration of the individual into the enterprise, ranging from sheer discipline to negotiated involvement, but always on an individual basis, to replace the previously class-based social individuality as another key factor in the liberal-productivist paradigm (pp. 344 – 345). His final category identifies a general decline of forms of solidarity of the administrative kind linked to a membership of a national collectivity; ‘civil society’ (now quite simply reduced to the nuclear [or modestly extended] family) is supposed to assume responsibility for what the welfare state can no longer guarantee (1994, pp. 344 - 345).

Peck & Tickell (1994) argue that the neo-liberal response to the crisis outlined above by Lipietz (1994), is not a pathway to a resolution of the crisis, but on the contrary, is the political essence of the problem (p. 281). They argue that neo-liberalism has imposed upon society a market-centred, production-/supply-sided solution that is enforced by global capital and supported by political manipulation (Peck & Tickell 1994 and Tickell & Peck 1995, pp. 363 - 364) through the emerging hegemonic dominance of *flexibility* (Peck & Tickell 2002). This so called flexibility that has been identified in the literature, and the social sphere, as the post-Fordist resolution to the crisis of Fordism, they argue, fails to fulfil the *comprehensiveness* required by the regulationists (Peck & Tickell 1994, p. 283 emphasis added).

This scepticism for the valorising qualities of neo-liberalism as a potential system of accumulation juxtaposes Jessop’s tentative arguments for a resolution of the crisis through neo-liberalism’s obvious coupling with neo-Schumpeterian workfareism. It also has particular implications for this thesis which will investigate the consequences of neo-liberalism in the regional state of Victoria and determine the extent to which the regulation approach (Broomhill 2001, pp. 117 – 122) can come to terms with, and contribute to, an understanding of the evident strains placed on the regional state and its citizens<sup>47</sup> by this crisis.

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<sup>47</sup> ...although, stakeholders seem to be the hegemonically preferred term for the population-at-large.

## **A Reconstructed Theoretical Approach to the Regional State**

While the Regulation Theory approach has been used widely and successfully to study the social and structural changes in capitalism, in both national and international settings, it is in relatively recent times that it has been drawn upon to investigate how these changes have affected the sub-national state (Broomhill 2001; Lauria 1997; Jones 1997; Low 1994 & 1995; Judge et al. 1995; Stoker & Mossberger 1995; Tickell & Peck 1995; Mayer 1995; Peck & Tickell 1994b and Goodwin et al. 1993). The current resurgence of interest in the political economy of the local and regional state requires, not only, macro structural explanations, like Regulation Theory, but also an interpretive mechanism which is able to account for the political agency in the discourse of local players without being trapped in an instrumentalist *Public (or rational) Choice* explanation. The combination of the middle-range Regulation Theory with the interpretive *Critical Discourse Analysis* (first discussed in the Introduction to the thesis and dealt with in more detail ahead) approach affords the researcher an opportunity to investigate the structural influences on the sub-national state, at the same time, allowing for an account of the political/hegemonic response to global economic and politico-cultural forces. While this may not completely obviate the agency/structure conundrum, Critical Discourse Analysis does allow for an understanding of the political nature of the relationships entered into when politicians engage the electorate in a discourse to facilitate their hegemonic dominance in government while they further a broader political economic shift.

In the Literature Review of this thesis account was taken of the relatively small number of studies undertaken in Australia focussing on the regional state, using Regulation Theory as the explanatory tool to understand changes in the political economic organisation of the state (see Broomhill 2001). While a number of Australian academics have written on the turn to post-Fordism in the workplace, in industrial relations and in the labour market (see for example Campbell 1990; Carmichael 1989; Greig 1990; Hampson et al. 1994; Hampson 1991; Harley 1994 and Probert 1993), only Low (1994 & 1995) and Broomhill (2001) have sought to apply Regulation Theory to the regional political context. The *Kennett Revolution* (Costar & Economou 1999), as it has come to be known, appears to have adopted the basic tenants and values of neo-liberalism and New Right politics in its emphasis on the primacy of market forces, individualism, and a minimal role for the state. This revolution has signalled a sharp break from the historical, political economic approach to regional governance in Victoria and as such warrants this type of theoretical approach.

### **Applying Regulation Theory to the Regional State**

There is obviously a cascading sequence of events - as demonstrated in Stoker's 'macro, meso and micro' (1990, p. 250) approach - to explain how Regulation Theory sees global changes embedding in the regional state. The task of this thesis is to determine the process, reception and implementation of those changes in the light of current theory and the neo-liberal/post-Fordist nexus. Is it, as Peck & Tickell (1994b) argue, the local state (incorporating its region) that has become the victim of neo-liberal 'jungle law' (p. 319) in the *continuing* search for a new institutional fix for the after-Fordist crisis (p. 324 emphasis added); or has the post-Fordist accumulation regime become embedded through the Schumpeterian workfare state as Jessop (1993) hypothesises?

At the macro theoretical level, Stoker points to neo-liberal globalisation as the overarching influence on the local/regional state (1990). Peck & Tickell (1994b) characterise this global-local dialectic as “glocalisation” (p. 317). The dialectic is introduced by a series of economic shifts which have lead to: first world de-industrialisation and a consequent decline in, or transformation of, manufacturing; the globalisation of competition between cities as sites for transient economic activity such as sporting events and other “spectacles” (characterised, in the Australian context as competitive federalism [Groenewold et al. cited in Broomhill 2001]); a deregulated financial environment which allows for the freer movement of capital around the world; the hegemonic dominance of competition over co-operation; and the rise in importance of service industries such as tourism and gambling. This shift in the approach to economic governance of the local state has also overseen a massive transfer of assets from public to private ownership. The dialectical engagement is completed by a local state forced to compete against globally-defined imperatives and economic and socio-economic ideologies. The dialectical outcome of this process will be determined by the breadth of the reception of the neo-liberal globalisation process through the responses involved in the mode of social regulatory response to the demands and expectations of this global neo-liberalism.

Regulation Theory allows the researcher to judge the progress of reception or resistance to neo-liberal globalisation through normative social, institutional and political responses contained in the mode of social regulation. Part of that equation is determined by the regional state’s response to the macro environment. The degree of autonomy embedded in that response varies according to the degree to which the post-Fordist agenda is seen as the new institutional fix or still a transitional stage of the after-Fordist crisis (Peck & Tickell 1992 & 1994b and Tickell & Peck 1995).

It is this point of political economic integration with the macro or global influence that Stoker describes as the meso level. This is the point at which changes are resisted or integrated into the political economy of a country in particular ways. Jessop's (1990) identification of seven regulationist schools and within them four established approaches is another example of the next stage of adoption of the shift in the accumulation process. These approaches, Jessop argues, are a particularised response to regional economic, political and social conditions (1990, p. 162). This also bears out Lloyd's (2008) point made above that the neo-liberal project and institutional responses to it are variable.

Stoker's process of particularisation draws on Salvati's (1989) model of national "filters" to explain the idiosyncratic establishment of unique Fordisms in particular countries and regions (see also Peck & Tickell 1994a, pp. 286 - 287). This point highlights the potential for region-specific, discreet developments of regimes of accumulation and modes of social regulation discussed above. These filters provide the basis for a series of questions which will help to guide the progress of this research. The first key question for this thesis, derived from the specific objectives outlined in the introduction, are:

Whether the Kennett Government was able to successfully embed a neo-liberal regime of accumulation, in Victoria, as a post-Fordist institutional fix for the crisis in Western capitalism that had its roots in the *fiscal crisis of the state* (O'Connor 1973) that emerged in the 1970s to replace the Keynesian Welfare State approach?

In order to answer this fundamental question two aspects of the process need to be investigated. They are:

Can Regulation Theory adequately account for the Victorian experience under the Kennett Government? In particular, can the mechanism of a mode of social regulation, as anticipated as essential to the embedding process in Regulation Theory, be shown to have been established as a part of the neo-liberalising process in Victoria? This will be investigated in the light of Regulation Theory's contention that a strong government with an ideological agenda is insufficient to carry forward this economic change to its culmination, as an embedded and accepted practice, without the co-creative participation of the citizens through the auspices of the other important institutional players outside government; and

From a sociological perspective, consideration needs to be given as to whether a moment in time captured and instrumentally managed by a charismatic leader, reflecting the economic zeitgeist, is sufficient to embed a new accumulation regime that embraces such a fundamental shift in accumulation practices. Or can the process be simply explained by the concept of political agency?

Hay (1995) states that the central weakness of the Regulationist approach is that it is fundamentally premised upon, and derives all of its analytical concepts from, an account of economic dynamics alone (p. 401). Even when it is arguing for the emergence of new modes of local and regional governance practices, that may have the effect or intention of shepherding a new regime of accumulation they are built on community and institutional responses which may not necessarily be economic in nature. Hay's (1995) primary concern is that the Regulation Theory approach is unable to make observations of a political or ideological nature because it lacks a theory of the state (p. 401) *or a mechanism for investigating the machinations of players within the state*. As a result, in three important articles for the development of the analytical relationship between Regulation Theory and a form of discursive analysis both Fairclough, Jessop & Sayer (2003) and Jessop (2004 & 2008), argue for the additional interpretive facility that Critical Discourse Analysis offers in its methodological approach to augment this perceived deficit in the Regulation Theory approach.

Lauria (1997) gives qualified support for Regulation Theory's analytical breadth when he argues that Regulation Theory 'offers a way of linking changes in the economy to those in politics *at a high level of abstraction*' (p. 6 emphasis added). Lauria responds to Hay's (1995) claim when he argues that the concept of the mode of social regulation encompasses the role of the state in the Regulation Theory approach. In the Fordist regime of accumulation for instance:

...the state helped to stabilize the patterns of production and demand (via Keynesian economic management), consumption through providing appropriate forms of service provision (via various components of the welfare state), fiscal policy, wage relations (via collective bargaining and corporatist politics), and productive infrastructure (Lauria 1997, p. 6).

It is the role of this thesis to investigate whether, in a putative post-Fordism, guided by a neo-liberal accumulation regime, the state in the form of the Kennett Government played a key role in de-stabilising the above constituents of the Fordist state sufficient to substantially embed this putative regime of accumulation. The emergence of a revolutionary shift in the political and corporate governance in Victoria may constitute a further expansion of the neo-liberal/workfare ideology Jessop (1992) describes as 'the appropriate state form for a post-Fordist mode of growth in the emerging global economy' (p. 22). This thesis investigates the extent to which the Kennett Government was able to facilitate or disrupt the establishment of a mode of social regulation that had the potential to be supportive of the neo-liberal regime of accumulation using Regulation Theory as the theoretical measure. The coalescence of Critical Discourse Analysis and Regulation Theory provides this research the opportunity to contextualise Victoria's local and regional shifts into the broader global political economy and determine how the Kennett revolution (Costar & Economou 1999) took place, the durability of its changes and the extent to which the political "revolution" has contributed to the establishment of a post-Fordist regional state in Victoria.



## Critical Discourse Analysis: the Theoretical Context

To some extent there will be a dual role for Critical Discourse Analysis in this thesis. The primary role for Critical Discourse Analysis is methodological but to some extent also interpretive (see ahead) so that the Critical Discourse Analysis facility for identifying the political hegemonic content in what is presented as instrumentally economic can be accounted for. This need to supplement the Regulation Theory approach comes out of criticisms that it lacks a theory of the state (Hay 1995; Lauria 1997 and Jessop 1990). Current writing and research has acknowledged a shift in the understanding of the interplay of influences on the understandings of the nature of political economy. This shift has been characterised by Jessop (2004 & 2008) and others (Fairclough, Jessop & Sayer 2003) as *cultural political economy* and identified in the literature as a now indispensable *theoretical and methodological* tool for discovering and analysing the establishment of a post-Fordist future. 'The main argument is that as a discourse...the construction of post-Fordist compromises...is a part of the search process of emerging post-Fordist politics and the latter's scientific and non-scientific substantiation' (Brand 2005). Jessop (2004) argues strongly for the role of semiosis 'in struggles over accumulation strategies, state projects and *hegemonic visions*, [which] contributes to the rise of functioning post-Fordist economies, and in turn, how material preconditions are involved in selecting and consolidating' (p. 160 emphasis added) the type of economic conditions in a political economy required to make a claim for embedded post-Fordism. Jessop's (2008) cultural political economy stays within the broad Marxian understanding 'in studying the state in its inclusive sense ('political society+civil society') as a social relation' (p. 1157) allowing for its articulation with the mode of social regulation within the Regulation Theory framework.

This emergent cultural political economy has been built on the base of *Discourse Analysis* (see Van Dijk 1985) and in particular a specific variant known as Critical Discourse Analysis (Fairclough 2003) which has already been mentioned in this thesis. The critical discourse analysis process, while substantially a methodology, is built on a firm theoretical foundation.

In the context of this thesis, and in light of Jessop's recent contributions (2004 & 2008), some theoretical basis for understanding the analytical process will assist in the comprehension of the analysis of the Kennett regime and the success or otherwise of a regulationist post-Fordism in Victoria.

Critical Discourse Analysis is premised on the notion of unequal power relations and how those power relativities are 'enacted, reproduced or legitimated' (Phillips & Hardy 2002) through discourse. Phillips and Hardy (2002) acknowledge Fairclough's contribution to the development of Critical Discourse Analysis in arguing that

...discursive activity structures the social spaces within which actors act, through the constitution of concepts, objects and subject positions...and how it privileges some actors at the expense of others and how broad changes in the discourse result in different constellations of advantage and disadvantage (p. 25).

The role of discourse, as constituted through Critical Discourse Analysis, is to regard language as a social practice and not simply confined to individual or situational circumstances separated from broader social contexts and constructions. As such, Fairclough (1993) argues that discourse constitutes social action and as a consequence it acts upon the world (p. 63). Further, discourse forms a dialectical relationship with the social structure that also implicate a relationship with social practice as well. Fairclough's position is that '[d]iscourse is a practice not just of representing the world, but of signifying the world, constituting and constructing the world in meaning' (1993, p. 64). This affords the opportunity to bring political rhetoric and interview material, taken from the political (and other) world/s, from the discursive to the concrete.

Fairclough's (1993) conception of discourse as social practice draws on two key elements of traditional Marxist theory in relation to ideology and hegemony. In relation to *ideology* Fairclough (1993) argues that ideologies are constructions of reality, which include the physical world, social relations and social identities, and as such contribute to the production, reproduction or transformation of dominations of power (p. 87).

The key point that Fairclough (1993) makes in relation to the ideological construction of reality, and one that is redolent of party political discourse, is that ideological 'discursive practices are most effective when they become naturalized, and achieve the status of "*common sense*" ' (p. 88 emphasis added). Despite the relative ease of the previous point Fairclough (1993) qualifies this by asserting that ideology is both a property of, and located in, structures and events. The key to resolving the issue is to offer a satisfactory account of the dialectic of structures and events.

Further considerations in the theoretical approach of Critical Discourse Analysis that needs to be understood is that ideology is exclusively embedded in the "meanings", particularly word meanings, and as such they become the paramount interpretive subjects in a text. Fairclough (1993) argues that there are other aspects of meaning such as presuppositions, metaphors and coherence that are important elements in unpacking the ideological content of a text as well (p. 89). The corollary of this position is that content or meaning and form must be considered as mutually constitutive rather than oppositional. The meaning and form of texts *may* be ideologically invested (p. 89). Fairclough's (1993) final position in relation to ideology and discourse is that, unlike Althusser, discursive practices are not all "shot through" with ideology, only to the extent that there are power relations at stake and that there is an intention to sustain or restructure those relations.

In relation to *hegemony* Fairclough (1993) defines it broadly incorporating leadership as an equal component to domination in his definition. As a result this necessitates alliance construction and is not a simple case of dominating subordinate classes. As such hegemony may be contingent, certainly unstable through the processes of alliance construction and integration to construct, sustain and fracture alliances. Its fields of influence in relation to the domination/subordination nexus are economic, political and ideological. The three key areas of party political discursive practice (pp. 92 – 93).

Citing Thatcher's political discourse, Fairclough (1993) argues that her calling forth of traditional conservative, neo-liberal and populist discourses into a new mix of textual representations of the role of government was a hitherto unprecedented although rearticulated hegemonic project in order to constitute a new political base and agenda (p. 93). This discourse was an elaboration (and as such a rearticulation) of the wider political project of the New Right that has been mentioned elsewhere in this thesis.

Fairclough (2003) refines his message in relation to discourse as social practice (whether they be economic, political or cultural) arguing that social practice allows for an analytic disposition that can oscillate between 'the perspectives of social structure and the perspectives of *social action and agency*' (p. 205). This is a key theoretical consideration when dealing with the prosecution of a political mandate in the context of party politics. For Fairclough (2003) Critical Discourse Analysis is a dialectical relationship between discourse and other forms of semiosis such as body language, visual images and electronic representations and other elements of social practice which may include such things as election campaigns and *political speeches, interviews* and parliamentary performances. Fairclough (2003) goes on to suggest that when social practices are networked in a particular way they constitute a social order, an exemplar of which is the emergent neo-liberal global order (pp. 205 – 206). It is then the job of the researcher to establish orders of discourse as a way of revealing the hegemonically dominant message and to assess the success of that particular project and to read the "selling" of the common sense messages embedded within (p. 206). Having said that, Fairclough (2003) warns that there is *not* an inevitability about the dialectics of discourse...a new discourse may come into an institution without being inculcated or imbibed (p. 208). What he does assert is that we 'cannot take the role of discourse in social practice for granted, it has to be established through analysis' (p. 205).

In an Australian context there has not been an extensive body of work produced using Critical Discourse Analysis or even discourse analysis in the political context. There have been a number of Australian studies of racism using discourse analysis based on Van Dijk's (1985 & 1991) approach.

Agoustinou, Lecouteur and Soyland (2002) have looked at 'the rhetorical and argumentative organisation' (p. 105) of Australian Prime Minister John Howard's resistance to offering an apology to the (indigenous) stolen generations in his speech to the 1997 Reconciliation Convention. While still containing elements of analysis of racism the authors have introduced Critical Discourse Analysis using this 'perspective [where] talk and texts are viewed as social practices, and are analysed with the aim of showing how various linguistic resources and rhetorical devices constitute particular constructions of reality' (p. 106). Hastie (2009) also deals with the issue of the stolen generations from a political-rhetoric point-of-view to investigate the 'discursive strategies' (p. 705) undertaken by the then Australian, Federal Opposition Leader Brendan Nelson. Additionally, there have been very few local Australian PhD theses dealing with political change from a critical discourse analysis position (for an example see Every 2006). Interestingly, there are a number of New Zealand theses employing various forms of discourse analysis in a political context (Hackell [2007]; Ashcroft [2007] and Farquar [2006]) but with only one of those dealing with neo-liberalism. This thesis will add another component to the Critical Discourse Analysis literature, in an Australasian context, by applying its methodological and interpretive approach to the investigation of the process of introducing an extensive neo-liberal regime to an Australian regional, political economy; a category of investigation that appears to have not been well represented in the literature.

It should be noted that this theoretical material on Critical Discourse Analysis has been included to demonstrate its political acuity (and breadth) and, as such, its fitness for the methodological task for which it is primarily intended in this thesis. A more detailed discussion of its methodological application for the purposes of this thesis is to be found below.

## Charisma and Politics

The final theoretical area that will be considered in the discussion of the research data produced for this thesis is that of *charismatic authority* as articulated by Max Weber (1978). Weber's original conceptualisation of charisma posits the bearer as holding specific gifts of body and mind that were considered "supernatural" (p. 1112). He argues that the charismatic leader is the opposite of the bureaucratic constituent in that his (sic) rise and identification as the charismatic leader is divorced from the economic, and eschews the pursuit of money in the rise to domination. This definition needs to be adapted to the modern political leader given their keen and dominating interest in the economic. Giddens' interpretation moves us towards the modern charismatic political leader where he observes that

...[c]harisma is a driving, creative force which surges through the established rules, whether traditional or legal, which govern an existing order...[c]harisma is thus particularly important as a *revolutionary* force within traditional systems of domination, where authority is tied to precedents which have been handed down in a relatively unchanging form from the past (1971, p. 161 emphasis added).

The break from a Fordist to a post-Fordist form of administration as represented in the putative transformation of the Victorian regional state government through its eschewing of Fordist principles of government ownership of essential services such as electricity, gas and water needs this additional theoretical explicans. While the evocation of crisis, both locally and globally, and the force of world-wide economic change at the time, may be sufficient to explain the preparedness of the Victorian electorate to tolerate this revolutionary force of change, it needed to be carried by a political figure with the force of conviction that was demonstrated by Kennett at the time.

This popular reluctance to change, in the electorate, but belief in the government and/or its leader, described by Lavelle (2000) as a *popular government with unpopular policies*, requires the additional, supporting analytical framework that Weber's charisma provides. This conundrum is demonstrated in Lavelle's (2000) research where he shows, through an analysis of media reports and poll data, that the Kennett Government, and Premier Kennett, maintained popularity (through most of the two terms) while at the same time their policies were consistently disapproved of by a majority of citizens. This research implicates the need for an additional explanatory mechanism to account for this disjuncture. The interpretation of the role of the charismatic politician will be an effective supplementary interpretive support to the main interpretive methodological approach supplied by Critical Discourse Analysis.

## **CHAPTER 3**

### **THE METHODOLOGY FOR UNCOVERING THE NEO-LIBERAL REVOLUTION IN VICTORIA**

#### **The Critical Discourse of the Kennett Era**

The key objective for this thesis is to assess the extent to which Regulation Theory can explain the putative shift to a post-Fordist (in this case neo-liberal) regime of accumulation in Victoria under the Kennett Government and to determine whether that shift attracted broader community support (given expression as the mode of social regulation in Regulation Theory terms). In this context the political discourse of crisis was mobilised to assist the Kennett Government, and its opponents, through various discursive formations, to undo the Keynesian/welfarist/Fordist approach of the previous government/s. The rhetorical flourishes of the Kennett Government appear to have been mobilised to not only undermine the financial credibility of the previous government/s but also to create a discursive space for the Kennett Government to demand of itself the necessity for an economic transformation. The discursive formations of crisis, and implicit necessity, were such that the government could avoid accusations of an ideologically driven shift to neo-liberalism. Explicit and implicit appeals to *commonsense* and political responsibility in the process of transformation will be investigated in a series of Premier Kennett's *Addresses* to the Liberal Party State organisation.

Responses to the discourse of crisis as a means to political economic transformation were captured in interviews with key opponents, collaborators and those who were expected to bring this transformation about through government processes. These interviews will demonstrate a number of rhetorical devices to challenge the right of the Kennett Government to bring about a major transformation of the political landscape.



The discursive formation of *revolution* was the characterising rhetoric that both opponents and supporters of the Kennett era mobilised to discursively capture the moment in an attempt to match Peck & Tickell's (1994b) "pocket" definition of neo-liberalism 'as a political project concerned with the liberalisation (or constitution) of competitive market forces, the abandonment of demand-side intervention in favour of supply-side policy measures and the rejection of both social partnerships and welfarism' (p. 292). In Victoria the shift to the neo-liberal right was unambiguous (see for example Costar & Economou 1999; Hayward 1999a and Lavelle 2000). The 'rich ameliorist liberal tradition that ha[d] been an integral part of Victorian political history...stretching back to colonial times...[was] challenged by the Kennett Government' (Costar & Economou 1999, p. x; see also Macintyre 1991). The key challenge for this thesis is not the question of what the revolution was about but whether it succeeded from the point of view of Regulation Theory.

## **Methodology**

### **The Analytical Framework: Critical Discourse Analysis**

Two of the enduring criticisms of Regulation Theory are that rather than being a theory it is more akin to a methodology for uncovering accumulation practices and that it is too abstract in its theorising. This has been a particular criticism by the modern Marxist theorists who have wished to "stiffen it up" theoretically (see for example Clarke 1988; Dunford 1990; Jonsson 1993; Steinmetz 1994 and Theret 1994).

Those theorists who continued to see the value in the Regulation Theory approach, while acknowledging some of the above concerns, saw a number of ways through these problems. Lauria and others (1997; mentioned above and elsewhere in this thesis) addressed some of these concerns by suggesting a reconfiguration of Regulation Theory by amalgamating it with Urban Regime Theory to account for, as Jessop (1997a) argues, its lack of state theory.

Essentially their argument was that Regulation Theory could not account for the actions of politicians in any given political economy (particularly at the sub-national level) and as such the effectiveness or otherwise of the mode of social regulation could not be gauged and may be lost in the argument over political agency. Urban Regime Theory has the inherent problem of insider resistance to disclosure. In order to determine the fact, nature and members of any particular regime, participants must be prepared to disclose information to an interviewer. In these days the accepted prerogative that government and business can make legitimate appeals to the right of *commercial-in-confidence* allows them to restrict information flow which may restrict access to informants or at the very least interview material may be truncated.

What also emerged from this intensive analysis of Regulation Theory by a number of its leading proponents was the relevance of a method of discourse analysis as an adjunct to the analytical framework of Regulation Theory. The use of Critical Discourse Analysis which was developed by Fairclough (1993 & 2002) to specifically deal with the discursive practices of politics, opens the analytical framework of Regulation Theory to more detailed investigation of the processes that are engaged in, in the development process of matching a mode of social regulation to an emerging regime of accumulation.

In fact, leading regulation theorist Bob Jessop, argued, as early as 1990, that there should be a blending of Regulation Theory and a form of discourse analysis to maximise the effectiveness of Regulation Theory's application to the state:

Theoretically, what is needed is a synthesis of regulationist, state theoretical and discourse-analytic concepts. ... [T]hey have each produced concepts to describe not only the underlying causal mechanisms, power, liabilities, tendencies and counter tendencies...they also produce concepts on a middle range, institutional level to facilitate detailed conjunctural analyses. ...The regulation approach stresses the successful development and institutionalisation of a mode of regulation whose principle features are defined in terms of their contribution to maintain the capital relation. ... Discourse analysis...emphasises political, intellectual and moral leadership (Jessop 1990, p. 205).

The key critique here of Regulation Theory was its lack of analytical tools to come to terms with the political response to the capitalist process. As Goodwin & Painter (1997) argue:

...the possibility of identifying coherent and stable modes of regulation recedes, [without] a study of regulatory processes in local governance [which] must highlight political practice, strategy, and conflict. This leads (or should lead) to an intensified concern with discourse because practice, strategy, and conflict are inherently, though not exclusively, discursive (p. 27).

Fairclough (2001) demonstrates the relevance of Critical Discourse Analysis and its analytical/methodological empathy with Regulation Theory's need for an analytical framework to assess the reception of a mode of social regulation within a state's political economy when he argues for the contested role, within the wider political economy, of the development of neo-liberalism. In his discussion of the role of Critical Discourse Analysis in its ability to unpack the mechanisms of neo-liberalism Fairclough (2001) produces an insightful definition:

A widely noted negative effect of neo-liberal globalisation is that it tends to squeeze out democratic politics. Control over major aspects of social life, especially the economy, is increasingly outside the reach of governments, because political parties of both the Left and the Right tend to converge in policies and political ideologies around the acceptance of the neo-liberal order as inevitable, and look for ways of succeeding within it. Part of the squeezing out of democracy is the crisis of the “public sphere” – the sphere of social life in which citizens can deliberate together on matters of social and political concern, outside the constraints of the state and the market. This can be seen in semiotic terms: there are neither adequate spaces in contemporary social life nor adequate forms of deliberative dialogue to sustain a vigorous public sphere (pp. 251 - 252).

Here Fairclough (2001) describes, from a critical methodological standpoint, the space that Regulation Theory’s mode of social regulation should fill in the process of the development of a new regime of accumulation. Fairclough’s (2001) analysis also gives support to Goodwin & Painter’s (1997) assessment that ‘the methodological difficulty is that the effects of strategies and discourses [in neo-liberalism] are notoriously difficult to gauge’ (p. 27). What these observations do is alert the researcher to another level of analysis in the pursuit of determining the presence of, or nascent emergence of, a new mode of social regulation by focussing on the discursive practices that actively discourage (or enhance) the dialectical process of compromise on the way to establishing a supporting mode of social regulation for the neo-liberal regime of accumulation.

The methodological approach in this thesis will also take into account Maingueneau’s (2006) approach to discourse analysis where she argues for ‘two ways of practicing discourse analysis: a ‘weak’ and a ‘strong’ way (p. 230). Maingueneau (2006) describes the ‘weak’ way as simple description of structures of texts and talks; whereas she sees the ‘strong’ way ‘as the practice of fully assuming the purpose of discourse analysis, trying to connect texts or conversation structures with social practices and places’ (p. 230). This path is meant to be powerfully critical and as such they are perceived as connected to the interests implied by social practices (Maingueneau 2006, p. 230). In this case the ‘strong’ way will be taken in order to connect the discursive practices of the participants, whether through interview or from the transcripts of

speeches, with the interests that they represent and are attempting to influence. The challenge will be to unpack this material in a way that demonstrates reality rather than expectation.

As such the data will be analysed looking for key words as indicators of ideology, disposition and revelation. The analysis will acknowledge the political-ideological antecedents of the interviewees and contextualise the data used in that context. From there, the strength of the critiques and criticisms of the practices of the Kennett Government will be assessed and measured in the context of the spectrum from which they come. The analysis will also be structured by the key temporal moments in the life of the Kennett Government so that the ideological positions can be assessed in relation to events as well as, potentially inherent biases.

### **Operationalising the Key Theoretical Constructs**

As discussed elsewhere, this thesis will assess the success or otherwise of Regulation Theory's ability to explain the political economic transformation that overtook Victoria when the Kennett Government came to power in 1992. As stated above, Regulation Theory's explanatory credentials came from its ability to explain Fordist capitalism's relative stability over a relatively long period of time (particularly the long post World War Two boom). Its efficacy from an explanatory point of view was that it married two hitherto disparate organising principles as mutually constituting in the embedding process of a particular form of capitalist accumulation practice.

To reiterate, these two, interdependent arms of the theory are: the regime of accumulation which is the specific accumulation practice that capitalists undertake to create profit; and the mode of social regulation which is an ensemble of norms and practices engaged in, through the participation of government, bureaucracy and social institutions *in a spirit of compromise and negotiation* with the accumulators and their representatives to assist in the embedding of a particular accumulation regime.

## The Regime of Accumulation

Evidence of the Kennett Government's shift in governance practice to support a neo-liberal regime of accumulation in Victoria will be shown through the records and reports of the Kennett Government's budgetary process in their first term of government. This was the period when the "necessity" for the neo-liberal shift was most forcefully encouraged and prosecuted. The budgetary process will also reveal major policy initiatives that support the activities and expectations of a neo-liberal regime of accumulation. Interview material from government and other informants and evidence taken from Kennett's *Addresses to the State Council of the Liberal Party of Victoria* will reveal the neo-liberal disposition, of the government, both discursively and legislatively. Legislation and ministerial statements supporting the service industries such as gambling and tourism events will be presented as evidence of the government's support for a shift as well. Finally, asset sales and other examples of government withdrawal from the market will also be offered in support of the argument that the Kennett Government was engaged in a revolutionary process of transformation that had the potential to play a major role in the establishment of a neo-liberal regime of accumulation. Further, documented political, academic and media commentary will also be presented to demonstrate what has been widely viewed as a neo-liberal economic revolution in Victoria in the 1990s.

The first part of the investigation for this thesis is presented in Chapter 4 (Crisis). This chapter draws on the evidentiary data cited above but will also analyse Kennett's maiden speech to the Victorian Parliament to establish his "base line" philosophy, particularly in relation to capitalism and its role in the Victorian political economy and society. As an ideological foil to this speech Sir Rupert Hamer's first *Address to open the Liberal State Council* as Premier, will be compared to identify discursive, rhetorical and ideological differences. Sir Rupert Hamer was Premier of Victoria from 1972 - 1981 and was Premier at the time of Kennett's *maiden speech*. Hamer had also just made Kennett a Minister at that stage as well. The thesis' discussion will then draw on evidence from a series of Kennett's first term *Addresses to the State Council* which outline the government's progress in its revolutionary transformation of the Victorian political economy. This evidence will be supplemented by interviews conducted with key players from the broader political economy and further supplemented by commentary that appeared in the media reflecting upon the progress of the revolution.

In Chapter 5 (Consolidation) Kennett's second term *Addresses to the State Council* will be analysed to further consolidate the discursive evidence for the neo-liberal shift championed by the government. This chapter relies upon, to a much greater degree, evidence from the interview material of informants and will begin to investigate the resistance to the apparent shift to a neo-liberal form of governance facilitating a neo-liberal regime of accumulation. The interview categories used to investigate the Kennett Government are: the Unions, Trades' Hall, education & teachers, politicians, bureaucrats, business and the political culture (the secret state and the Auditor-General).

Chapter 6 (Collapse), the final discussion, will consider the reasons why the electorate, particularly in regional Victoria, rejected the Kennett Revolution and the role that the putative neo-liberal regime of accumulation may have played in the defeat. Again, the discursive analysis of interview material, from a wide range of informants, produces evidence to assess the strength of the neo-liberal regime of accumulation championed by the Kennett Government.

This chapter also contains a detailed case study of the history and development of casino and electronic gaming in Victoria, prior to and under the Kennett Government, as an exemplar of the shift to a neo-liberal/entrepreneurial accumulation regime future. This type of development that relies upon consumption, spectacle and entertainment as accumulation practices conforms to neo-liberal/post-Fordist expectations of the revivification of former first-world heavy manufacturing states.

As discussed elsewhere in this thesis the current, global, neo-liberal accumulation process that is broadly being identified as the new regime of accumulation was introduced by a series of economic shifts that have lead to: first world de-industrialisation and a consequent decline in, or transformation of, manufacturing and a shift in emphasis to consumption; the ideological reluctance of governments to rigorously regulate the business sector; the globalisation of competition between cities as sites for transient economic activity such as sporting events and other “spectacles”; a deregulated financial environment which allows for the freer movement of capital around the world; the hegemonic dominance of competition over co-operation (see Engels 1999 for example); the withdrawal of government from the provision of service and the resultant privatisation of these services; and a rise in the importance and influence of service industries such as finance, tourism and gambling. This revivification of the accumulation process after Fordism has required the local state to compete both within and beyond national borders, against *globally-defined* imperatives (Fairclough 2001, pp. 251 & 252; Goodwin et al. 1993; Harvey 1990 and the State Government of Victoria 1996 & 1997). This shift in the accumulation regime, according to Regulation Theory requires a supportive response in the broader community as Lauria (1997) nominated. These are embodied in four key supports that need to take form in the socio-political economy, to consolidate the new regime of accumulation. They are: ‘social institutions, social relations in civil society, cultural norms and the activities of the state apparatus’ (Lauria 1997, pp. 5 - 7).



This regulatory ensemble described by Lauria (1997, p. 6) are the key areas of research interest in this historical testing of Regulation Theory's veracity to explain the Kennett Government's involvement in the transformation of the Victorian economy into a putative post-Fordist regime.

## **The Mode of Social Regulation**

In order to establish and test the role and effectiveness of the mode of social regulation as the essential supporting mechanism for the successful embedding of a new regime of accumulation, semi-structured interviews were conducted with key participants in the political economy of Victoria. These interviews constitute the original nature of the research for this thesis. These are important interviews because they are original ethnographic material and present an unreplicable *captured moment* in Victoria's political history at a time that was a turning point for politics and society in Victoria.

As Lauria (1997) points out above, the mode of social regulation is constituted by a regulatory ensemble of 'social institutions, social relations in civil society, cultural norms and the activities of the state apparatus'<sup>48</sup> (p. 6) and as such interviews were conducted with informants who were considered to constitute these categories in the Victorian case. Union leaders, politicians, political advisors, bureaucrats and business people were interviewed to gain a sense of, and the extent to which, support that was lent to, or held back from, the Kennett Government (and as a consequence the regime of accumulation) in its attempts to facilitate the establishment of a new mode of social regulation. As such this thesis will look at the Kennett Government's role in building and influencing an institutional ensemble of rules, norms and habits to secure capitalist reproduction and whether any counter-tendencies operated to disrupt the reproduction of the capitalist order (Goodwin & Painter 1997, p. 18).

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<sup>48</sup> Or as in Boyer's more glib definition where he describes the mode social of regulation as a collection of behaviours within a given society which 'support and steer the prevailing regime of accumulation' (Boyer 1990, p. 43).

If a new mode of social regulation is the product of the interaction of these forces, a relatively popular consensus should have emerged to support the shift in regional governance practices<sup>49</sup>.

### **Social Institutions: the Activities of the State Apparatus**

As discussed above Lauria nominated four key supports that need to take form in the socio-political economy to consolidate the new regime of accumulation. They are: 'social institutions, social relations in civil society, cultural norms and the activities of the state apparatus' (1997, pp. 5 - 7). This thesis' focus, in particular, is on the activities of the state apparatus. The concept of the mode of social regulation encompasses the role of the state in the Regulation Theory approach. Lauria (1997) argues that the concept of the mode of social regulation encompasses the role of the state in the regulation approach. In the Fordist regime of accumulation for instance:

...the state helped to stabilise the patterns of production and demand (via Keynesian economic management), consumption through providing appropriate forms of service provision (via various components of the welfare state), fiscal policy, wage relations (via collective bargaining and corporatist politics), and productive infrastructure (p. 6).

This research investigates the reversal of this situation where it is suggested that the political activities of the government were intended to undo the socio-political-historic and Fordist structures that were a long-accepted part of the Victorian political economy prior to the Kennett Government's election in 1992 (Sheill 1997). The activities investigated (some of which were mentioned above) that have the potential to influence the establishment or rejection of a mode of social regulation include the first term budget crisis, the Westminster traditions and the reformed role of the Public Service and Public Servants, Union involvement in the public sector, the entrepreneurialisation of government & government services and the privatisation of government activities.

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<sup>49</sup> Although there is an expectation in the literature that development and therefore support would be uneven.

Media reports, interviews with subjects directly involved and government documents are all subject to analysis to establish the Kennett Government's role in the apparent transformation of the Victorian political economy.

As modern governments have tied their fortunes to sympathetic responses to shifts in capital accumulation practices, embodying and mimicking capitalist processes, the failure, or otherwise, of supporting behaviours arising in response to these shifts in governance, as outlined by Regulation Theory, offers another valuable tool in measuring social engagement with, and support of, specific examples of political economic change. In order to capture the politics of this process, Premier Kennett's *Addresses to the State Council* of the Liberal Party of Victoria are analysed to assess his regime-building or regime-disruptive discursive practices. These are a series of speeches that leaders of the Liberal Party give to the (regional) state division of the party hierarchy as a form of "report card" on the government's progress. The *Addresses* were given three times a year and those *Addresses* that were used for this research were taken from both terms of the government's life. These documents, delivered to the Party by the Premier, reflecting on the actions that the Government had taken in their hegemonic, legislative and fiscal renovation of the Victorian political economy, were chosen *because* of their "report card" nature. The expectation being that a report to the Party, behind closed doors, based on an (at the time) internal (non electronic) document would produce a discourse that may have contained greater political candour than speeches given in the parliament, at public meetings or through the media.

In the first term of the government the notion of crisis was the prosecutory methodology used to justify the extent of change that was undertaken by the Kennett Government in response to the dual motivations of *crisis* and *change*. As such *Crisis* (Chapter 4) will be the first of the discussion chapters capturing the *first critical discourse moment* and *phase* in the Kennett Government's development. This material offered an interesting juxtaposition for analysis: while the public's critical discourse moment was identified as *crisis*; the party's moment was *change*.

The disparity that Kennett demonstrated in the discursive construction of his message across the two forums will be unpacked in Chapter 4 (Crisis). The politically partisan nature of the documents will serve two purposes in the context of this thesis.

Firstly they will strike a balance in relation to some of the other data collected (in the form of interviews with political opponents of the government); and secondly they will give an insight into the disposition of the key figure in the Kennett Revolution (Costar & Economou 1999) and help to assess whether there was an agentic disruption or facilitation in the process of establishing a supportive relationship between the regime of accumulation and a mode of social regulation in Victoria.

Chapter 5 (Consolidation) which constitutes the *second critical discourse phase*, and the second discussion chapter, responds, in part, to the second election victory which was Kennett's first "real self-generated" (Parkinson 2000) electoral win. Where the "crisis" victory was as much a collapse in electoral faith in the Labor Party's ability to manage fiscally, it was not *necessarily* a vote of confidence in Kennett's ability to manage it any better. In the *Consolidation* victory (1996) Kennett was able to read what he thought to be a genuine vote of confidence in his style, and reform agenda (Parkinson 2000). Nonetheless the focus of analysis in this chapter moves to a greater concentration on those players in Lauria's (1997) *ensemble* who, as the "*consolidation*" victory should indicate, would be beginning to coalesce around a sympathetic response to the Government-mediated neo-liberal regime of accumulation.

Chapter 6 (Collapse), the final discussion chapter in this thesis, deals with probably the *most dramatic critical discourse moment and phase* in the life of the Kennett Government; that is the surprise 1999 election loss. This chapter will investigate the reasons why the Kennett Government lost power and the implications of that loss for the neo-liberal regime of accumulation and the state of the mode of social regulation at the time the Kennett Government left office.

This chapter will also offer an assessment of the influence of a dominant political player and the role that his position had in relation to the facilitation of a mode of social regulation in support of the neo-liberal regime of accumulation. This, then, will also reflect on the veracity of Regulation Theory to account for the embedding of post-Fordist capitalism in Victoria. In addition, consideration will be given to whether Kennett's agentic influence was so overwhelming that theoretical considerations need to be set aside, to an extent, to account for what Fairclough (2001) describes as the

widely noted negative effect of neo-liberal globalisation[,...]...that it tends to squeeze out democratic politics...[where] the squeezing out of democracy is the crisis of the "public sphere" – *the sphere of social life in which citizens can deliberate together on matters of social and political concern, outside the constraints of the state and the market* (pp. 251 - 252).

Again Fairclough (2001) captures the essence of that which constitutes the mode of social regulation.

## **Selection Criteria for Informants**

As a part of this thesis' process a number of key individuals, representing major interest groups and stakeholders in Victoria's social and political economy, were identified for the purposes of information gathering. These included representatives from the major Unions who engaged directly with the government and would normally be expected to be a key member of any mode of social regulation grouping. These informants were selected because, in many cases, they had had specific negotiations with the Kennett Government and in a number of cases, with Kennett himself. In addition the overarching Union organisation was approached and the secretaries of Trades' Hall, during the life of the Kennett Government, were interviewed because of their overall co-ordinating role in opposing the government's direction. Interviews were also sought with representatives of business, both big and small, to determine the extent to which they were; driving the government, were driven by the

government or were engaged with a more globally-influenced approach to bring about change.

These interviewees were selected from the overarching, industry representative bodies to mirror the positions of the Union interview subjects. There was some reticence on the part of business to engage in the research process. Perhaps the neo-liberal “privacy” imperative of *commercial-in-confidence*, as a legitimising tool for a lack of transparency, which has already been discussed above, may explain this reticence. Nonetheless a number of influential business figures from key sectors made themselves available to be interviewed; one informant representing a peak business body, the other a senior executive from a large, publically-listed organisation and one informant from the private enterprise think tank mentioned above. The interview conducted with the director of one of the key right wing think tanks that amalgamated to form an influential research and ginger group, Project Victoria, to underline the key neo-liberal expectations, in terms of policy execution that the New Right expected of the incoming Kennett Government was an extremely important interview. Given the profound and pivotal role that the think tank movement played in the build up to the Thatcher years it was important to present material gathered from an equivalent group with ideological and hegemonic historical antecedents and influence over the direction of those in government who were open to the persuasions of this agenda.

Interviews<sup>50</sup> were also conducted with past Premiers, from both major political parties, who were in power from the period of the *fiscal crisis of the state* (O'Connor 1973) onwards, in order to gauge the pressures that they felt to transform the political economy due to increasing pressures to facilitate a change in the regime of accumulation by participating in the construction of a sympathetic mode of social regulation. Political advisors and bureaucrats were

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<sup>50</sup> Research gathering was done through taped interview, with the interviewees making an initial choice about whether they wanted to be identified in this thesis and then a subsequent choice over which parts of their interview would be on or off the record.

also seen as major contributors to this research because of their advisory role in relation to the development and execution of government policy.

The expectation is that political advisors would be the “carriers” of the party’s “current” ideology filtered through interpretations of what the grass roots party members and constituents thought of the political process and execution of policy (which would be contributing elements in the construction of a mode of social regulation as well). The bureaucrats interviewed for this research were key officials from both the Treasurer and Premier’s offices with supporting evidence from political advisors to both of these men as well. Additional research material was also gathered from the Deputy Leader of the Liberal Party, Phil Gude (2001), who was a minister for both terms of the Kennett Government; and was supplemented by material from a backbencher, Victor Perton (2001), who was known to be less sympathetic to the style of the Premier, Mr. Kennett.

As a supplementary methodological guide Hay’s (2002) *Political Analysis* was called upon to supplement Critical Discourse Analysis to take specific account of and to incorporate the active role of agents in the accounts of politics and the political process (p. 253). While Hay (2002) argues that it is ‘actors who make history, the parameters of their capacity to act is ultimately set by the structured context in which they find themselves. It is then the dynamic relationship between structure and agency’ (p. 254) that must also be interrogated. In fact Hay argues that neo-liberalisation as a facilitator of globalisation, although presented to the citizens as a “logic of no alternative” is an obfuscation and calls for a form of political honesty in naming the choice to pursue this path as a conscious political one and not a “no alternatives” (see Chapter 4 [Crisis] for a discussion of this in the Victorian context) scenario (2002, p. 255) which was pioneered by Margaret Thatcher in her British neo-liberal revolution and known as TINA (there is no alternative) (Hampson & Morgan 1999, p. 755). Hay’s analytical domain challenges the notions implicit in the representation of crisis as an inevitable driver of economic transformation while suggesting that analysis should be undertaken in the light of ‘the ideas actors hold about the

context in which they find themselves rather than the context itself which ultimately informs the way in which they behave' (2002, p. 258).



This analytical disposition allows for a more context-specific engagement with the thesis' proposition by applying Hay's causal explanatory chain to the inevitability of neo-liberal transformation. This explanation posits two distinctive positions in relation to the "inevitability"<sup>51</sup> process, and both capture the politics in the broader political process: firstly 'elected officials simply, internalise, unwittingly, assumptions about [financial liberalisation<sup>52</sup>] which just happen to be false. Consequently, where genuine options exist they perceive of no alternative' (2002, p. 258); or secondly, Hay argues that elected officials and advisors may be rather better informed about the nature of the economic zeitgeist and rather duplicitously use a Trojan horse method as a convenient alibi to escape responsibility they would otherwise bear for the reforms (pp. 258 – 259). Hay (2002) goes on to outline the need for critical methodological engagement at a discourse analytic level to differentiate between the internalisation of a political economic discourse that is deployed as an 'accurate representation of genuine economic constraints...[or a]...more intentional, reflexive and strategic choice of such a discourse as a convenient justification for policies pursued for altogether different reasons' (p. 259).

## Concluding Remarks

What occurred under the Kennett Government was that a series of major structural changes were introduced which had the potential to influence Victoria's shift towards a neo-liberal post-Fordism. It was the apparent success of this agenda that took the Kennett Government to a second term in 1996. Yet there was disquiet in the community and while the public seemed to like the government, it determinedly did not like its policies or the way in which they were politically managed (see Lavelle [2000])<sup>53</sup>.

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<sup>51</sup> In the Victorian context the term inevitability can be substituted with the term necessity. It should be noted that Kennett adopted this "no alternatives" strategy and prosecuted it quite firmly in his first speech to the State Council of the Liberal Party (see Chapter 4 [Crisis] ahead).

<sup>52</sup> This is Hay's terminology for neo-liberalism.

<sup>53</sup> Lavelle (2000) provides detailed analysis making extensive use of poll data taken during the Kennett Government's two terms in office.

This thesis addresses the extent to which the Kennett Government played a role in constructing a mode of social regulation in Victoria in the light of urban sociological expectations focused through the lens of Regulation Theory and analysed through the use of Critical Discourse Analysis. Further, this thesis offers the opportunity to test the veracity of Regulation Theory in an Australian regional political economy that has so far only had limited investigation. Regulation Theory has been extensively tested in the political economies of Europe and the United States of America but as discussed above, while some academic investigation has applied Regulation Theory to some of Australia's political economies (see Broomhill 2001; Low 1994; Hampson 1991; Hampson et al. 1994; Hampson & Morgan 1999 and Engels 1999) none has undertaken a detailed case study of the role of a regional government in the embedding process of a new mode of social regulation to support the neo-liberal regime of accumulation.

The Kennett Government lost office, dramatically, after only two terms in power. While there were many socio-political explanations for this surprising election loss this thesis will investigate the potential failure to embed a matching mode of social regulation in support of the neo-liberal regime of accumulation as a potential further explanation.

In the process of this research additional light will be shed on a political phenomenon that saw a classic, neo-Liberal reforming government, which did all and more that could have been expected of it (in that context) lose power in unexpected circumstances. While this thesis cannot explain, in a technical sense, why the Kennett Government lost office so dramatically, it does measure the government's role in its own downfall and the relative influence of extra-government forces in shaping Victoria's post-Fordist future. As Goodwin & Painter argue, 'the evidence for effective regulation can be judged only in hindsight' (1997, p. 27).

To this point the thesis has provided an historical and theoretical context for analysing the Kennett Government's attempt to embed neo-liberalism in Victoria. The next three chapters of this thesis are built around a number of critical discourse moments and phases in the life of Kennett Government. These are the key discursive, rhetorical and semiotic events upon which the Kennett Government's march to neo-liberalising Victoria turn. By identifying these we can see how the implementation of and response to the Kennett Government's fostering of the neo-liberal regime of accumulation was progressing. These moments contain the essential, intended and unintended, hegemonic messages that became the discursive and rhetorical currency that was offered to Victorians in exchange for the new economic system.

## **CHAPTER 4**

### **CRISIS**

#### **Courting a Regime of Accumulation**

‘The notion of *crisis* is the central theme of the Kennett Government’s first year. It is the elixir of life for the Government, the justification for the vast bulk of what it says and does’ (Carney 1993c, p. 17).

#### **Introduction**

The next three chapter titles capture the three critical discursive phases of the Kennett Government: Crisis, Consolidation, Collapse. This chapter, Crisis, identifies and unpacks the rhetoric of the first term of the Kennett Government. The mobilisation of the idea of crisis is built on the dramatic circumstances created around the state budget but also draws upon twentieth century *New Right* history and strategy. This critical discourse moment, crisis, is underpinned by a secondary level of discourse which engages appeals to common sense, the rhetoric of “no alternatives” and an appeal to “fundamental” understandings as the colloquial explanations for the Government’s responses to *crisis*. It will also become apparent from Kennett’s earliest parliamentary speech (see below) that a second critical discourse moment emerged in his rhetoric that was to eventually parallel *crisis*. This was built on the rhetoric of *change*. While in his inaugural parliamentary speech *change* appeared to be *evolutionary* by the time *crisis* became the critical discourse moment the implicit urgency transformed evolution into revolution.

## **Kennett's Inaugural Parliamentary Speech: "Change"**

As a means of establishing Kennett's political disposition to capitalism and his perception of its role in the political economy in the light of this thesis' main research aim, I will briefly analyse his inaugural speech to the Victorian Parliament on 13<sup>th</sup> April 1976. Kennett's inaugural speech was given the status of the Address-in-Reply to the Speech of His Excellency the Governor<sup>54</sup> to both Houses of Parliament (Kennett 1976, p. 13). In moving 'the motion for adoption of the Address-in-Reply to His Excellency's Speech' (Kennett 1976, p.13) Kennett was given a forum to present his political philosophy to the Parliament and the people in dramatic relief, given the Governor had just outlined the Hamer government's agenda for its new term in office.

Kennett (1976) opened with an observation about change built on the notions of renewal when he observed that: '[b]y the time I sit down approximately 2,000 people around the globe will have died and another 4,300 will have been born. Obviously this represents tremendous change' (p.13). Here is an early example of Kennett's tendency to construct the eternal as revolutionary or potentially "crisis-ridden". Population growth has been the unavoidable outcome of the human bio/social condition across time, and while there has been some variation in the numerical relationships between births and deaths and variations across hemispheres at moments within historical time, the assertion that tremendous change can be measured in the time span of his speech was an early example of his rhetorical call to hubristic common sense. The common sense notion embedded in this statement rests on the inarguable proposition that when someone dies and someone else is born something has changed, but this is not that to which Kennett is referring.

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<sup>54</sup> While it is Westminster practice for the Constitutional Head of State to address Parliament at the beginning of a new government the speech is not the Head of State's. The speech is written by member/s of the government for the Governor; who, by how many and how much consultation goes into that speech is not known.

His reference to change here is to construct an imprimatur to respond to an eternal demand for change that has not been demonstrated to exist but that seems implicit in the observation. The rhetorical juxtaposition of this common sense statement about birth, death and change to the needs of ‘the free enterprise system’<sup>55</sup>, (Kennett 1976, p. 13) the subject of his speech, bear little relationship to each other and this relationship is not argued for rigorously if at all. They simply inhabit the same rhetorical space created by Kennett and are meant to be read as mutually constitutive. This idiosyncratic disposition to change is an early indication of Kennett’s attempts to establish a “discourse of change” which he positions as a common sense social practice in order to establish a social order that posits the continual revivification of ‘the free enterprise system’ (Kennett 1976, p. 13) as fundamental to community health.

The value of an appeal to common sense is that it renders a critical response churlish at best or complex at worst because people see and understand the common meaning or “good sense” but may have more difficulty with an opposing view that attempts to unpack the motivation and intention of the proposer of the common sense position. In Kennett’s case above, his rhetorical construction acts to place him (the observer) as the identifier of change, at the centre of the maelstrom, a position from which the agenda for change can be identified, harnessed, controlled and managed. As Gramsci observes: ‘[i]n common sense, ideologies become naturalized, or automatized’ (cited in Fairclough 1993, p. 92) so that the hegemonic force of the claim is rendered benign in order to disarm the “audience” so that they do not feel subjected to a political message. This as we will see is a key rhetorical tactic that Kennett uses to push the revolution.

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<sup>55</sup> For the purposes of this chapter Mr. Kennett’s preference for the term free enterprise system will be used. This should be “read” as capitalism, and to the extent that he is reflecting on the failings of that system (albeit briefly and incredulously) in the mid 1970s he is in fact, unwittingly, identifying the pressures on Keynesian or welfare capitalism in its transition to neo-liberalism.

As indicated above the notion of common sense<sup>56</sup> is a key rhetorical device that politicians use to deflect criticism or naturalise support for themselves, their proposals and/or their governance methodologies. Kennett demonstrates this rhetorical inoculation against the ‘arrogance, hubris and buffoonery’ (Ellingsen 1999a, p. 1) he is so often accused of, when in a street walk he proclaims to the crowd: ‘I’m no Rhodes scholar. My driving force isn’t based on some great intellectual position, its application of common sense’ (sic) (Ellingsen 1999a, p. 1). The implicit rhetorical message here in addition to cutting across those opponents with an academic education, as opposed to the “school of hard knocks” or “real world” experience, is that he is a man in touch with common sentiment and therefore better equipped to act on the people’s behalf.

The discursive construction of common sense as the motivating force is an important consideration in the analysis of Kennett’s approach to the execution of his future role as Premier. It is also an area of major interest in sociology, in particular in relation to *knowledge construction*. Hamel (1997) argues that ‘sociology certainly demands an epistemological rupture as regards common sense’ (p. 102) while Bourdieu & Wacquant (1992) argue that ‘[r]igorous knowledge almost always assumes a more or less resounding rupture with the evidence of common sense, commonly identified with good sense. It is only at the cost of an active denunciation of the tacit presumptions of common sense that the effects of all the representations of social reality to which investigators and their subjects are continually exposed can be countered’ (1992, p. 189).

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<sup>56</sup> It should be noted that the epithet, a “Common Sense Revolution”, was used by both Jeff Kennett and Mike Harris, Premier of Toronto from 1995 – 2002, in the same year (1995) to characterise an approach to governance and a shift to neo-liberalism that they both introduced to their respective regional governments. This appeared to be part of a broader international exchange between governments of similar philosophies in an attempt to “normalise” the revolution. This was an experience possibly learned from the Thatcher/Reagan exchange of ideological support.

The Critical Discourse Analysis approach will open the discursive construction of the everyday by Kennett and the Government in relation to social re-ordering for the purposes of the revolution as exemplified in its approach to common sense. Critical Discourse Analysis makes it clear that the notion and use of common sense has its origins in hegemony when it argues that: '[h]egemonic struggle penetrates all domains of social life, cultural as well as economic and political, and hegemonies are sustained ideologically, in the "common sense" assumptions of everyday life' (Forgacs cited in Fairclough 2001). Even when common sense is seen as the 'condensed wisdom of a given culture and society...that stock of knowledge contains so many tensions and contradictions, it can seldom guarantee to provide a definitive answer...because common sense so often contains the seeds of its own negation' (Edley 2001).

But to return specifically to Fairclough's analytical approach which will be applied here, he argues that a particular social structuring of semiotic difference, that is a discourse, may become hegemonic and, as such, part of the legitimising common sense which, he further argues, sustains relations of domination. But he also notes that hegemony will always be contested (2001, p. 235) which will be borne out in the interview material for this thesis. As such this contest for hegemonic ascendancy is to be taken up in the analysis of the neo-liberalisation of the Victorian political economy, to determine the success or otherwise of Regulation Theory's ability to explain Victoria's transformation under the Kennett Government.

### **Kennett's Early Valorisations of Capitalism**

The discourse of change begins in Kennett's inaugural speech by addressing the baby boomer generation, positing them as the drivers of 'new and different ideas [creating] tremendous pressures for change...the most dramatic of which is the change in *human expectation*' (Kennett 1976, p. 13 emphasis added). This discourse, within the genre of reformist politics, represents social life as



dominated by the “young” who have an essentially, biological<sup>57</sup> expectation of change. This statement in his speech is followed by a non sequitur about the short-termism of politicians’ and political parties’ approaches to governance, intended, it appears, to link responsible political action with the dramatic need for change.

Kennett begins his discourse on the free enterprise system with a tacit defence of its role and function by suggesting that its perceived failings are based on misperceptions. Rather than embracing a discourse of change in relation to the free enterprise system Kennett then shifts to a discourse of restoration, emphasising the ‘Government’s commitment to restoring faith and confidence in the future of the free enterprise system’ (Kennett 1976, p. 13). He goes on to challenge the social practices of society by suggesting that the free enterprise system has delivered the ‘highest living standards in our history’ (Kennett 1976, p. 13) and that these human expectations he referred to above in imperative tones are now the unreasonable demands of a desire for instant gratification. This confusing chiding of the community’s (now unreal) expectations (of the free enterprise consciousness) is then rolled over into a negotiation over the future of the welfare state. Kennett links an adequate social welfare system to the revivification of the free enterprise system. While this is not an unusual position for a right wing politician it appears to be the groundwork for a re-casting of the social order where the necessities of the capitalist system will be the hegemonic and policy priority.

This priority is affirmed in the next paragraph of Kennett’s speech when he asserts that the *widest* of possible mandates<sup>58</sup> had been given to the Hamer Government based on its fundamental principle which totally committed it to the private enterprise system ‘because it is within this system that individuals can achieve stature by the exercise of choice and initiative, and because it has been demonstrated to be *the most effective system of production ever devised* to

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<sup>57</sup> Mr. Kennett’s choice of the word human rather than social, cultural or generational shifts the emphasis away from negotiation or preference to a form of species response.

<sup>58</sup> ‘...on March 20<sup>th</sup> [1976]...the majority of the people of Victoria endorsed the *principles, ideals* and policies offered by the Victorian Government’ (Kennett 1976 emphasis added).

meet the desires of people for a better life' (Kennett 1976, p. 13 emphasis added).

This sort of ethnocentric hyperbole which valorises the free enterprise system through "individual stature" and through the exercise of choice moves Kennett even further down the path to the constitution of a social order that has the potential to invite the institution of a neo-liberal regime of accumulation.

There is some contrast with the discourse of the Liberal Party view of the individual's role in society as presented by (the then) Premier Sir Rupert Hamer only three years earlier in his *Address to Open Liberal State Council* on 28<sup>th</sup> July 1973. Here Hamer asserts that there 'runs a persistent thread (through the, then, current Liberal Party policy) [of] the paramount importance of the individual person' (Hamer 1973, p. 3). But here Hamer's liberalism diverges from that of Kennett's. Hamer's individual is one who engages in the broader social world where there is a reciprocal relationship between individualism and collectivism, as distinct for Kennett's "homo-economis".

The concept of the "individual person", in Hamer's view, leads to:

'freedom of choice;

free enterprise in economic affairs;

*equality of opportunity for all;*

*help for the handicapped and underprivileged; and*

opportunity for each to develop to the full his (sic) personality talents and interests' (Hamer 1973, p. 3 emphasis added).

Karen Batt, from the Community and Public Sector Union, in an interview for this thesis, reflecting on her experience of the Kennett Government regime characterises the Kennett/Stockdale approach this way:

I think they actually, Kennett and Stockdale, passionately believed what they were doing. I don't know if they believed it was right in the context of, for the community, but I *don't* think they believed that there was *a community*. I think they really did believe that whole thing; that everything is about the

*individual*. There are only individuals. And I really believe that's why...individual contracts. You look at individual performance pay they moved to make the public service twenty thousand individuals as opposed to people who work in teams...it's the nature of the job, there are no "individuals". If I give you a twenty thousand dollar pay bonus because you've done something really good but I don't reward the person who sits next to you then I have to avoid the person that sits next to you who actually helped you do what I recognised. All you're doing is creating a further disaggregation and wanting to see everything as a collection of individuals (Batt 2001, p. 8 emphasis added).

Hamer consolidates this traditional Deakinite liberal view (see the Introduction of this thesis; see also Macintyre 1991 and Sheill 1997) in his following paragraph where he refers to civilised life being constituted by the '*need of everybody* to have dignity, security and freedom' (Hamer 1973, p. 4 emphasis added). None of these permanent values 'of centuries of civilised life' (Hamer 1973, p. 4), for Hamer are posited on the 'the future of the free enterprise system' (Kennett 1976, p. 13) as is the case with Kennett.

These "Hamerian" values of the Liberal Party are also recognised and acknowledged by those associated with the left. John Gillies former President of the TAFE Teacher's Union of Victoria and who, at the time of the election of the Kennett Government, was the Vice President of the Federated Teacher's Union of Victoria in an interview for this thesis notes that:

...there had been a shift in the Liberal Party, and probably the thing that to me indicates this most strongly is the position taken by, particularly Malcolm Fraser in recent years. I think he's still one of the old Liberals and they did have this, noblesse oblige view of the world where they believed that they did have some obligation to look after the common people. It was a bit of an aristocratic view and I think the shift in the Liberal Party was where new money took over from that view and I think Kennett aligned himself very quickly with the new money, smart 21st century Liberal view (Gillies 2001, pp. 3 - 4).

As Kennett makes progress through his inaugural speech he begins the process of building his constituency, identified to some extent by Gillies (2001) above, when he places himself firmly within the Liberal Party heartland through

his advocacy for the perceived plight of small business which he saw as hamstrung by both the federal and state governments' bureaucratic impositions upon them. His explicit agenda was to ease the 'significant burden (of the bureaucratic needs of the taxation system and the ubiquitous paper work demanded by governments) on small businessmen because of their *limited time, capabilities and patience*<sup>59</sup>' (Kennett 1976, p. 13 emphasis added). His implicit agenda appears to indicate an empathy with the neo-liberal view of government withdrawal from the economy and appears to be preparing the groundwork for an "open for business" approach to governance (see for example Kennett 1995 & 1993a, p. 2 and Ralph, Regimbald & St-Armand 1997). In 1993, in his *Address to the 116<sup>th</sup> State Council*, Kennett (1993a) would proclaim that 'we have opened this State again for meaningful constructive building of a *business state*' (p. 3 emphasis added).

Despite his criticism of governments' bureaucratic demands on small business Kennett welcomes an initiative announced by the governor that promised 'legislation to set up a small business development corporation' (Kennett 1976, p. 13). This leads to a post hoc justification from Kennett, asserting that small business and the free enterprise system did not desire 'charity or hand outs' (Kennett 1976, p. 13) and that this legislation was not offering that, only 'an invaluable referral service to small business in pursuit of knowledge and expertise which it cannot afford' (Kennett 1976, p. 13). It appears to be in Kennett's discourse, something akin to having a research assistant. Confusingly Kennett goes on to create further post hoc distance from the contradictory ideology by claiming that he has 'no knowledge of the details to be included' (Kennett 1976, p. 13) and that it should rightly be the province of the Premier and responsible Ministers to release this information. Having said that Kennett goes on to make several personal observations in relation to how this proposed corporation should function (Kennett 1976).

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<sup>59</sup> I do not imagine that Kennett meant the last two terms to reflect upon the small businessman's (his gendering) abilities or character. However given his subsequent alignment, in this speech, with this group and the popular view of Kennett's character in the media it makes for amusing reading.



Kennett's proposals continue the discourse of the hegemonic dominance that, he feels, the free enterprise system should have, the right to which in this case he suggested should be expressed through the *banning* of any public servant from being appointed to the board of the Government's business development corporation because they '*probably* never had any personal involvement or experience in the free enterprise system' (Kennett 1976, p. 13 emphasis added). This is also evidence of the first stages of an on-going critique that Kennett engaged in, in relation to the role of the public service in economic life and the dominance that business should have in public discourse and action. This position argues that those who have not run businesses should not be involved in public life wherever it intersects with economic life. In Kennett's ideology a career (or any other) public servant should not be permitted to administer any government oversight of business. This, while conforming to the neo-liberal model, makes the "business" of government potentially unworkable but ironically this philosophy did not seem to extend to career politicians who often spent their early years working in large bureaucratic law firms before going into parliament. Hardly redolent of the struggle of one man in the free enterprise system upon which Kennett was building his discourse.

In an interview for this thesis, Stephen Mayne, an advisor to both Premier Kennett and Treasurer Stockdale<sup>60</sup> in their first term of government, affirmed Kennett's view of the role of the Public Service. Mayne points out that Kennett sacked 11 Public Service Department Heads in the first month that he was in office. This action not only conformed to neo-liberal expectations of governance practices but also undermined the Westminster system of government upon which Victoria's system of government was built. Further, the Public Service Board, which oversaw the independent function of the Public Service from the executive government, was abolished within a month of the Kennett Government being elected. A Commissioner whose powers were greatly limited by the legislation that was enacted to set up the new office replaced the Public

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<sup>60</sup> Both Kennett and Stockdale were approached twice, by letter and follow up telephone call, to participate in this research but both gave no response.

Service Board. The nature of this legislation meant that the Commissioner was given limited opportunities to report to parliament and therefore the Commissioner's public accountability was diminished. As a result the Public Service became more accountable to the executive branch of government because the Premier became the *direct employer* of the Public Service Department Heads (which were reduced from 22 to 11, then eight in the second term). These heads were put on five-year contracts with only a month's termination notice required (from either side) and a twenty per cent performance bonus as a part of the "package". As an example of this culture of contracts Mayne (1999) nominated Elizabeth Proust, who was appointed to head the Department of Premier and Cabinet. This was a prime example of the affront to the Westminster system of government. Proust's performance contract offered a bonus of \$250,000 if she oversaw the sacking of an additional 50,000 public servants (Mayne 1999 and O'Neill 1997) during the term of her contract. Hamer (2001) in an interview for this thesis also recoiled at this change in the culture of the Westminster system of government:

He [Kennett] made some fundamental changes, which I *very much regret*, to the public service because he *destroyed* the career paths of public servants which in the past had produced some very fine people, *very fine*. They made their way up through the public service. The public servants in my time were *absolutely first class* and I believe that was fundamental to the Westminster system. If you want to get good advice, well you get people who know what they're talking about and who have shone out over the years as reliable and so on. They serve both parties, yes. And this idea of taking people on contract from outside and making them heads of department was quite contrary to that. If there were one major step I would criticise it would be that. So, of course being more or less his own appointees, he didn't confer with them a lot. The Kennett ministers, they were not prominent (p. 8 interviewee's emphasis).

This revolutionary renovation of the Public Service challenged notions of Westminster accountability. The Public Service, through its Department Heads, became accountable to the Premier rather than the people and the parliament and was one of the major, early shifts to a model of corporate-style governance that saw the Premier mimicking the role of Chief Executive Officer of the state

(Jacob & Jones 2009) rather than as its elected representative. Kennett makes this ideological shift to the business model-style of government clear in his *Address to the 119<sup>th</sup> State Council* when he uses the discourse of managerialism referring to the government's Ministry as a 'team of managers' (Kennett 1994, p. 19). No longer Ministers of the Crown but a newly constituted quasi-corporate entity that will base its 'policies on common sense' (Kennett 1994, p. 19). This form of rhetorical social re-ordering leads to the inevitable conclusion that the common sense that will be applied is that of an organisation that is instrumentally engaged with the generation of profit as the logical "common sense" outcome of its strategic direction. The obvious effect of this corporatised model of governance was to increase pressure on Public Service heads to act in the interests of the party in power rather than in the interests of the people.

Mayne contextualises this attack on the Public Service in his interview for this thesis by pointing out that Kennett 'hated the Unions and the situation of having a public bureaucracy that was protected from arbitrary sacking' (Mayne 1999). This, Mayne asserts, resulted in the sacking of 40 per cent of the State Public Service with the rest attempted to be put on contracts which resulted in the circumstance that a "frank and fearless" Westminster-style Public Service substantially disappeared. Kennett's negative disposition in relation to Trade Unions, as identified by Mayne above, was confirmed by Karen Batt, Secretary of the Victorian Branch of the Community and Public Sector Union in an interview for this thesis when she asserted that:

There was a deliberate policy position from Kennett, there's no doubt in our minds that they intended to break the Public Service Union.

Interviewer: When you say Kennett you mean Jeff Kennett...

Karen Batt: Jeff Kennett and his cabinet. Phil Gude, Alan Stockdale and whoever else was involved, but those three were heavily involved right from the start, even before they were elected. There is no doubt that the aim was to break this particular Union. Now, other Unions have had their problems over the years and I'm not sort of downgrading the things that happened to local government unions, teaching unions,



transport unions, but we were the only Union that had individual contracts that were offered in it [sic] and even, so whilst the teachers were having schools closed, losing teacher numbers, we were also having government departments closed, losing public service numbers but the teachers were always offered collective agreements and we never were. And so from that perspective there seems to have been a specific intent to break whatever they perceived to be the Public Sector Union's stranglehold on the Public Service. Now given it [the Community and Public Sector Union] was a Union that never had compulsory unionism in its industry and probably had, I would say on average, between sixty and probably seventy percent unionisation depending on the area. It could never be explained to us why there was the *intense hatred* of the organisation; whether that was simply because Kennett had a stated objective that by the year, I think he said 2005, he could run a public service with *two thousand people and his dogs* (Batt 2001, p. 1 emphasis added).

Karen Batt argues that Kennett's bad faith began prior to he and his party being elected to government (as discussed earlier). Batt was invited into negotiations with Kennett and Stockdale prior to the Liberal Party's election to office in 1992. These negotiations were intended to reassure the Public Service, particularly the rank and file members who were a relatively large voting constituency, that there would not be mass sackings of public servants if the Kennett Opposition was elected. In the interview Batt rightly asserts that her Union (the Community and Public Sector Union) had a Westminsterian approach to politics in the exercise of its role as a Union covering state employees when she pointed out that:

We had, as any public service union does, quite a close working relationship with the government, whether it was Liberal or Labor, which is the basis upon which *our Union is not affiliated to any political party* because of the whole concept of a public service is that we want to stay at arm's length from our potential employer (Batt 2001, p. 1 interviewee's emphasis).

This Westminsterian integrity was not reciprocated nor respected by Kennett in his negotiations with the Community and Public Sector Union. In their negotiations with Kennett, fuelled by media reports that tens of thousands of Public Servants could be sacked if the Kennett Government was elected, the

Community and Public Sector Union sought some reassurance that this would not be the case. In response to the Union's concerns

Kennett *signed a written commitment* that there'd be no major changes to the public service and its operation without the involvement and consent [of the Union]... that was '92, prior to the election. So we had a [*signed*] commitment that they weren't going to do anything despite all the noises that were coming out of the Tasman Institute [and] Project Victoria<sup>61</sup> (Batt 2001, p. 1 interviewee's emphasis).

In fact Batt goes on to assert that there was a

...[total break] down...there was no dialogue between our organisation and the Kennett Government probably after about mid '93 and effectively most of the department secretaries refused to meet with the leadership of the Union and we only discussed anything bar litigation in the courts and the Commission so there was just a complete breakdown of the relationship which had only been re-established since the Bracks government got in (Batt 2001, p. 2).

Batt identifies an ironic juxtaposition in the interview when she speculates that

...the service as a whole effectively was going to vote, I would say, probably seventy percent of the service voted for the Liberal Party [in 1992]. But the relationship had been one where the membership, as opposed to the leadership, expected there to be a Hamer [style] government effectively, so your small "c" conservative Liberal, a paternalistic one that believed in big government and believed in a whole range of services that government delivered and what they got was, we've always said it was radical, it was never a conservative government (2001, p. 2).

The Kennett approach to the political economy of Victoria, in relationship to his negotiation with representative groups<sup>62</sup> was not simply an anti-Union approach, which could be argued to be standard fare for a conservatively

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<sup>61</sup> See Report of the Commission of Audit in the Introduction of this thesis. Interviews with Des Moore and David Edwards from Project Victoria will be referred to later in this thesis.

<sup>62</sup> Keeping in mind that these groups are part of the successful constitution of a mode of social regulation.

leaning political party, but a broadly *anti-collectivist* approach that Batt (2001) implicitly observes above. In an interview for this thesis an employee (who wished not to be identified) of the Meat and Allied Trades Federation described a meeting he had with Premier Kennett, Treasurer Stockdale and Deputy Leader (of the Liberal Party) and Industry & Employment Minister Phil Gude early in the new government's term. The Meat and Allied Trades Federation was a small employer association based in South Melbourne with member companies who were meat processors, abattoirs, slaughterhouses, small goods manufacturers and retail butchers.

This was an employer organisation that was part of the natural constituency of the Liberal Party and, more particularly, an employer organisation that represented small businesses, the group Kennett nominated in his inaugural speech to parliament as requiring assistance from the depredations of state and federal governments. The human resource manager reflected upon the hostility and the brevity of the meeting. The Meat and Allied Trades Federation wanted to retain the right to negotiate with their employees through the State Conciliation and Arbitration Boards. The Kennett Government intended to abolish these judicial institutions under their new Employee Relations Act, the intent of which was to have workers moved to individual contracts. This was not the outcome this employer's group wanted. They wished to retain "common rule awards". These awards meant that there was a common wage paid across the industry for similar work. This they argued created a situation where their costs were predictable and negotiations for wages were essentially an annual, one-off event. Cost predictability was extremely important to this group of small business manufacturers because they were in a highly competitive, price sensitive export industry.

The approach that Kennett and his two ministers took to the representative of this employer's federation was extremely hostile and abusive. The meeting between the Ministers and the representative of the Meat and Allied Trades Federation began with an accusation from Stockdale that employer's federations 'ruined the state, *ruined the state*...so we want enterprise bargaining down to the individual degree' (Interviewee A 2001, p. 2

interviewee's emphasis). Stockdale continued the attack by suggesting that: 'we dislike the way employer associations and Unions wrangle deals at the commission. They wrangle deals to settle disputes, *to make friends amongst themselves to keep jobs in the industry*. We want to give employers, *individual employers* more opportunity to handle their own employee relations' (2001, p. 1 interviewee's emphasis).

The representative then points out the time frame of the meeting by saying that Stockdale observes that it was late in the afternoon and says 'oh I wanna (sic) go home I've got more important things to do ...and that was it, meeting over, five minutes, done' (2001, p. 3). As it will be shown ahead in this chapter, in Kennett's inaugural speech, it appeared that he was more committed to the process of neo-liberalisation and the free enterprise system than to the constituency that he claimed to represent.

Industry and Employment Minister (and Deputy Liberal Party leader in the parliament) in the first term Kennett Government, Phil Gude, underlines this approach in the interview he gave for this thesis: 'we made a conscious decision to effectively ostracise them (the Unions and smaller representative bodies) and just *lock them out of the process*, we dealt direct with our own employees' (Gude 2001, p. 2 emphasis added). But this reluctance to consult was much broader than that. As Gude points out in the same interview: 'I would think it's fair to say that there was less time spent by many in the consultative process' (2001, p. 7).

John Cain Premier of Victoria from 1982 – 1990 in an interview for this thesis also notes the over throw of Westminster and Deakinite/Fordist traditions (discussed below) by Kennett and his Ministers in their approach to the Public Service and collective agreements from either side of the employee/employer divide. Cain was particularly concerned with the lack of public debate in relation to the changes to the public service, given that he considered that Kennett had 'destroyed the Public Service' (Cain 2001, p. 2) and that it was what he (Cain)

‘regarded as probably the most serious sin’ (Cain 2001, p. 2) of Kennett’s term<sup>63</sup>.

For a successful outcome in relation to the establishment of a viable mode of social regulation in support of a new regime of accumulation there must be good faith bargaining that includes the Union movement as well as other collective groupings, amongst the key representatives of the economically engaged population of the state. The sort of bad faith bargaining and arbitrary dealing that Kennett and his Ministers engaged in with these various key sectors of the political economy, as represented by the Community and Public Sector Union (Batt 2001) and the employer’s group (Interviewee A 2001), will be tested in the following chapter to determine whether their experience is consistent, and whether this is a thwart to the establishment of a new mode of social regulation.

Kennett ends his inaugural speech with an amusing and insightful reification of the free enterprise system where he states that: ‘[t]he free enterprise system in Victoria is extremely excited about this proposed legislation’ (Kennett 1976, p. 13). This representation of the system as a “thing” capable of social relations gives an insight into Kennett’s consciousness in relation to the free enterprise system in terms of its viscosity for him. In the context of the speech the expectation of his discourse at this point would be to suggest that the small business community would be ‘extremely excited’ about the prospect of the legislation but Kennett in fact elevates the system above its constituents; making the organising principal more important than the participants. A disposition demonstrated in the executive’s dealings with the employer group above (Interviewee A 2001). Having rhetorically over stretched Kennett then returns to the hegemony of common sense to ground the proposed legislation and his valorisation of it in the everyday when he states that:

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<sup>63</sup> Cain qualifies this opinion later in the interview to include in this category the sale of the State Electricity Commission of Victoria as well.

It represents the most innovative action we have seen for some time in this country for restimulating business activities, and once again establishes the Victorian Government as a forerunner for *common-sense and progressive* legislation within Australia (Kennett 1976, p. 13 emphasis added).

There is strong contrast with the Hamer speech of three years earlier. Where Kennett is exclusive in his focus on the free enterprise system with only cursory reference to other anonymous areas of legislation:

Obviously there are other equally new and exciting areas of legislation, as mentioned by the Governor in his Speech, to be brought before the House by the Government as the session develops. But the Governor, in his Speech, placed great emphasis on his Government's restoring faith and confidence in the future of free enterprise, so that the private sector can grow and develop and once again provide the job opportunities of which it is capable. It is on this subject that I have directed my comments tonight (Kennett 1976, p. 13).

Hamer when Premier makes one reference to the free enterprise system, in a speech that was introducing the *new party platform* to the members. In referring to the ideological drive that underpins the party's platform Hamer sees the role of the individual in society, as not in the service of the free enterprise system as Kennett indicates above, but as 'enshrining the permanent values of centuries of civilised life [which] are the need of everybody to have dignity, security and freedom' (Hamer 1973). In contrast to Kennett's reification of the free enterprise system over its constituents (Kennett 1976, p. 13) in his Inaugural Speech to parliament in an interview for this thesis former Premier Hamer when asked if there was a break from the "old Deakinite" Liberal Party under the Kennett regime he emphatically stated: 'quite a bit' (Hamer 2001, p.1). The parallel here is between the twentieth century liberal Deakinite tradition and the Fordist approach to the political economy. This heritage, known as the "Deakinite settlement" became the basis of a system that included government intervention in, for example, the court of arbitration and conciliation (see interview data from Meat and Allied Trades Federation representative above), and wage and tariff protection.

However, the Deakinite settlement, which referred to the approach to governance of the protectionist, conservative, second Prime Minister of Australia, Alfred Deakin was a political philosophy that did not appeal to the dry<sup>64</sup> end of conservatism in the Liberal Party. John Hyde was a Minister in the Fraser government (1975 – 1983) and came to Melbourne to work with the Institute of Public Affairs (one of the partners in Project Victoria). Hyde's (2002) view of Deakin/Hamer style Liberalism was damning:

Before the 1890s “Fabulous (sic)<sup>65</sup> Melbourne” had been bigger and wealthier than Sydney but since the 1880s, when it opted for protection, Victoria had been the Australian centre of *wet* sentiment and a citadel of protectionism. After Federation and the adoption of free trade between the States and common external trade barriers, *wet* sentiment had lived on in Victoria, and Melbourne steadily declined relative to Sydney. Uncompetitive industries, particularly in the textiles, clothing and footwear and motor cars (sic) sectors, had settled in Victoria, living in a symbiotic relationship with the Tariff Board that had been based there. The Australian Council of Trade Unions is based in Melbourne, living in a symbiotic relationship with the Arbitration Commission. The Wheat Board and Wool Corporation are in Melbourne. The Victorian Chamber of Manufactures is the most protectionist in the land and the high protectionist politicians, such as McEwen and Fraser, came mostly from Victoria (p. 323 emphasis added).

Despite Hyde's (2002) eschewing of Victoria's political history, his hard-line dry economic approach to governance and any form of social order that was not measured by other than a mean, small government, business-style entrepreneurialism found a resonance in Kennett's Victoria:

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<sup>64</sup> John Hyde is a self-proclaimed dry. As such the use of the term in the thesis is based on Hyde's attribution of it to his economic philosophy and only used in relation to his commentary. The epithet “dry” was particularly popular in the late 1970s and 1980s and indicates a particularly hardline fiscal conservatism/libertarianism that was used in contradistinction to those with a small “l” liberal view of economic management who were described as “wets”. A dry commentator/economist is at the extreme end of the free market ideology and resists any kind of government intervention in economic affairs whether that is to businesses or citizens.

<sup>65</sup> Hyde's adjectival attribution is historically incorrect. The term was in fact “Marvellous Melbourne”.

Kennett's detractors included not only those who defended economic privileges but also many who could not abide an upstart. The new Premier was dismissed as impetuous, even as a lightweight, which he certainly was not, by the establishments in politics, business, the professions, the media and by the ultraconservative establishment in Trades Hall. Although he remained consistently offside with the new class he had little difficulty communicating with blue-collar people – again like Thatcher...Kennett was not politically correct, not socially correct, not industrially correct. He was easily portrayed as a wild man who would *disrupt* rather than reform. In the most conservative (hide-bound might be the better term) State, he threatened the established order within which people knew their places. In this he was remarkably like Thatcher – instinctively liberal and middle class respecting merit rather than status. He threatened politicians who ripped off taxpayers; uncompetitive, lettered professionals and industry captains who pillaged clients or customers; and Union bosses who exercised for themselves the power that the Hancock Report had identified (p. 325 emphasis added)...

[even]

..."the establishment" a sort of secular state church interested in trade union issues, social engineering and permissiveness, would go to frustrate Kennett. It is peopled by those whom Katherine Betts' called the 'cosmopolitan new class' who work in the knowledge industries, and who dominate universities, the media, public policy, education and the arts and who hold values that conflict with those of the majority of Australians (p. 326).

Hyde (2002) saw government ownership of assets in a purely economically instrumental way:

Privatisations removed the interest burdens, subventions to meet losses and capital demands from the State budgets...[t]he principal economic advantage, however, derived from increased efficiency. Only when managers and staff know that taxpayers will not fund losses do they feel obliged to cut costs and woo customers (p. 336).



Successive Liberal governments however did build up assets such as the State Electricity Commission of Victoria, so that individual Australians would not have to depend on markets and foreign interests for basic infrastructure services such as power (Costello 1999). In an interview for this thesis, Peter Coatman, economic advisor to Treasurer Stockdale from 1992 – 1997 affirms this shift but broadens it to encompass the neo-liberal shift that began in the mid 1970s when he states:

In my view as far as I can estimate, am qualified to estimate, there seems to have been a shift in the Liberal Party's thinking from what you might call classic sort of old style paternalistic conservatism through the fifties and sixties into a more radical phase of economic activism in the sense of rejigging the economy and the financial and economic structures of the state, so that you had a rather more policy activist belief on the economic front than had traditionally been associated with the Liberal side of politics. That's basically how I'd characterise it but I don't think that the Kennett Government per say was a sudden abrupt break out of nowhere, I think that trend had been happening nationally and internationally for quite a number of years (Coatman 2001, p. 1)<sup>66</sup>.

Hamer (2001), like Kennett, identifies the coming of the baby boomers as 'a time of great turmoil' (p. 1) identifying the iconic Paris 1968<sup>67</sup> and the 'virtual revolution in universities' (p. 1) as 'a time of great change' (p. 2) which required careful management and a weather eye on the future. Where Kennett identified the free enterprise system and small business as the primary focus for Victoria's future Hamer looked to manufacturing. The essential difference these foci paint are between the potentially neo-liberal, post-Fordist neo-Schumpeterian capitalism of the self determining individual that is liberated from government intrusion that Kennett's speech represents and Hamer's Fordist, mass production-focussed approach to bring heavy industry to the state in the interests of all the citizens.

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<sup>66</sup> See also Gillies (2001) below.

<sup>67</sup> In the interview Hamer reveals that he was in Paris in 1968 and witnessed first hand the turmoil about which he spoke.

## The Liberal Party State Council Speeches

One of the major foci of analysis in this thesis is the *Addresses* Kennett gave to the Liberal Party organisation in Victoria, reporting on his government's progress throughout its two terms. Like most other Western political parties the Liberal Party has a strong organisational structure that underpins and nominally guides the basic direction of the party in light of the fundamental tenets<sup>68</sup> laid down by the founding members. In this case the party was built upon Sir Robert Menzies' vision of a political party. This organisational structure is made up of citizens who join and make a financial commitment to the party and their guidance is sought through a multi-level organisational structure. The Liberal Party divides itself into two distinct units or wings: the *organisational* wing and the *parliamentary* wing. All paid-up members have access to and the opportunity to engage in both wings of the party, sometimes at the same time. Broadly the multi-level structure works this way:

Across Australia, the Liberal Party has more than 80,000 members in more than 2000 branches, which are governed by their respective State Liberal Party "Divisions". There is one Division for each of the six States, as well as the Australian Capital Territory. The Northern Territory Country Liberal Party is an affiliate of the Liberal Party. Each of the Liberal Party's seven Divisions are autonomous and have their own constitutions. Each Division has its own party headquarters to service the State organisation, as well as the State Parliamentary Party. They also assist Members of Federal Parliament in their home electorates. The Organisational Wing of the [Victorian] Liberal Party is governed and administered by State Council, State Executive and the State Secretariat. The principal concept on which the Liberal Party has been formed is the "Branch". A Branch encompasses a grouping of over ten people generally based on geographic location. Each Branch meets regularly, organises activities and has the ability to pass motions and/or resolutions which if adopted may then be forwarded to the Federal Electorate Conference, State Electorate Conference, State Council or State Convention. Branches are part of a larger State Electoral Conference and Federal Electoral Conference.

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<sup>68</sup> One of which was an electoral strategy to distance his party from the ideologies of inter-war laissez-faire capitalism (Manne 1999, p. 15).

The State Electoral Conference comprises all the branches that are located within the geographic boundaries of a particular State electorate. The Federal Electoral Conference includes those branches that are within the geographic boundaries of the particular Federal electorate  
([https://www.nsw.liberal.org.au/about/the\\_liberal\\_party/our\\_structure.html](https://www.nsw.liberal.org.au/about/the_liberal_party/our_structure.html)).

This is the structure to which an incumbent leader (whether in Opposition or Government) is notionally subject<sup>69</sup> and in particular the address to the State Council is the leader's submission to the organisation on the parliamentary wing's effectiveness in enacting party policy, ideology and the on-going direction. For the purposes of this thesis I will be analysing Premier Kennett's *Addresses* to the State Council that were given three times a year<sup>70</sup>. As discussed earlier, these *Addresses* are essentially political "report cards" to the party organisation to chart the progress of the parliamentary wing, and to some extent, seek the ongoing support of the organisational wing for the parliamentary party's agenda. As such the speeches can range across a number of rhetorical forms from the ideological to the politically honest, and from the hegemonic to the hubristic (Parkinson 2000, P. 373). These various forms will reflect both the political fortunes of the parliamentary party of the time and the character and disposition of the leader in particular.

The next section in this chapter will investigate those *Addresses to the State Council* given by Kennett during the Government's first term. Because of the importance of the first *Address* (see below 114<sup>th</sup>) more analytical space will be focussed upon it. This *Address* forms the base line of analysis for the rest of this chapter, as such Kennett's subsequent speeches will be juxtaposed to it and analysed within the analytical framework of the analysis of this *Address*.

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<sup>69</sup> Although the leader can be sanctioned by the organisational wing it does not have the power to sack the leader.

<sup>70</sup> A comparative speech from the 39<sup>th</sup> Liberal Premier of Victoria, Sir Rupert Hamer, will be referred to for comparative data it provides. The Hamer speech that will be referred to is that given on 28<sup>th</sup> July 1973 his first as elected Premier of Victoria although he had succeeded Sir Henry Bolte as Premier in 1972 when Bolte retired. Reference to Hamer's speech is also included because he was also an informant for this thesis in an interview conducted prior to his death in 2004.

## 114th State Council Saturday 21st November 1992: more “Change”

This was Kennett's first *Address to the State Council* after being elected as Premier on 3<sup>rd</sup> October 1992 and as such, given the forum, it was the speech that captured the Kennett zeitgeist and therefore stands as the most illustrative of the Kennett Government's approach to transforming the economy of Victoria. Kennett gave the *Address to the State Council* three times a year. While using his first address as the basis for analysis, elements of the other addresses will be introduced throughout the analysis to underline consistencies and inconsistencies with the initial approach of the government as outlined by Kennett in this first address.

The Liberal Party had been in government for eight weeks and would have been fully apprised of the state of the administration left to them. This was apparently a state of extreme crisis as reported in the media (see '*Victoria's financial crisis*' below Stockdale (1993a), p. 3 emphasis added). Kennett's opening sentences affirm his discursive direction, in the context of a new social order to which this discourse is addressed (based on his inaugural speech 16 years earlier): '...it's a very proud moment for those of us in the Parliamentary Party to share with you today and for the next four years the very real *changes* that we are embarking on' (Kennett 1992, p. 1 emphasis added).

The theme of *change*, as distinct from *crisis* runs through this address as well. Here, too, Kennett calls for a preparedness 'to bring about change [and asks that the party] to have the courage to make...changes to make Victoria competitive' (Kennett 1992, p. 9).

While appeals to the need for change may be the “stock in trade” of politicians in Opposition, once government is achieved the notion of change, particularly the singularly focussed type of change that Kennett had represented to the public, requires much more careful management<sup>71</sup>. But when change is demanded by crisis then the change agent is relieved of some of his or her responsibility for the results of that change (Newman 1994). Given Kennett’s view that ‘post-war Australians have lacked the *courage* and *maturity* to embrace *radical change*’ (Kennett cited in Carney 1993b, p. 15 emphasis added) there then appears to be an imperative to *force* change; and crisis provided an irresistible mechanism to bolster *courage* and force *maturity*. This approach however would appear to cut across the consensus building required to form a mode of social regulation in support of this radical renovation of government processes aligned with the new corporatism of neo-liberalism. As Little observed, the Kennett reforms were ‘all about reshaping every institution – school, medical practice, dance company – according to the corporate model, and [were] about organising the state so that commercial demands [were] met first, everything else ha[d] to wait’ (Little cited in Hannan 2000).

In regard to this discourse of change, and the responsibility for the need for change, there is an interesting cleavage in Kennett’s discourses in the public domain and in the party domain. Where crisis is the leading discourse prosecuted by Kennett and Stockdale in the media, for public consumption (see for example Barker 1993; Carney 1993b & 1993c and Forbes 1993), in his *Address to the State Council* Kennett’s rhetoric has moved from the need to change for crisis’ sake, to an imperative of change for fiscal modernisation’s sake, built on the neo-liberal imperative for universal competitiveness. Kennett’s rhetoric in support of the neo-liberalisation process on many occasions became quite extreme and hyperbolic:

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<sup>71</sup> Some acknowledgement of the extent and radical nature of the demands of the neo-liberal change process is contained in the flourishing of *change management studies* that have figured so strongly in university and corporate settings.

This is the *greatest opportunity in our lifetime*. If we don't get it right now, and use the next eight years to create a competitive Victoria, a competitive modern Australia, then we have missed the boat *for the rest of our lives and probably our children* as well (Kennett quoted in Carney 1993b, p. 15 emphasis added).

While there are still references in this speech to a need for “picking up the pieces” (after Labor) and a metaphoric suggestion that if Victoria were a company ‘it would have been closed down years ago’ (Kennett 1992, p. 11) there is explicit acknowledgement of wider economic forces bearing down on Victoria. Kennett identifies the capitalist economic forces of boom and bust, rather unreflexively, when he identifies the current economic circumstance that Victoria faces as a ‘much deeper, more profound recession that we are going through...compared with the recession of the mid-fifties, the recession of the early sixties – the credit squeeze, of the early seventies [and] the early eighties’ (Kennett 1992, p. 9). Kennett sees each recession as getting ‘worse and worse and worse’ (Kennett 1992, p. 9) yet these busts are not seen as part of the capitalist boom/bust cycle (known as the business cycle today) nor adequately addressed or explained by Kennett. It is simply argued ‘that the Victorian economy has been going downhill steadily for almost a decade’ (Kennett 1992, p. 9). This is the period in which the previous Labor government was in office. If, according to the implications of Kennett’s discourse here, recessions are the sole responsibility of governments then the Liberal Party was culpable for the recessions of ‘the mid-fifties, the recession of the early sixties – the credit squeeze, of the early seventies [and] the early eighties’ (Kennett 1992, p. 9). However the implications of Kennett’s discourse are damning of (the Labor) government/s rather than capitalism. But Kennett takes his explanation further and as such places himself firmly in the neo-liberal camp. Kennett argues that the Labor Party represents the *corporate state*. For Kennett the corporate state is comprised of ‘big government dealing with big unions and big business’ (Kennett 1992, p. 9) and as a consequence of that troika society will ultimately suffer.

In fact the Kennett position here is railing against the Keynesian welfare state which was the economic organising principle upon which the Liberal Party was built, based on Menzies' assessment that the Great Depression was the result of early to mid twentieth century laissez faire capitalism; an earlier version of neo-liberalism. Menzies was determined to build a party on the premise of the Keynesian welfare state which required a positive and supportive relationship between the most influential sectors of the economy that Kennett was describing above as the corporate state (Manne 1999, p. 15). In fact the Hamer government, in which Kennett was a Cabinet Minister, and who must be held partly responsible for the recession of the early seventies based on Kennett's arguments above, had as part of its policy platform the attraction of and partnering with large manufacturing businesses in order to help the state prosper.

This cleavage in Kennett's discourse between *the two key critical discourse moments of crisis and change* was between the public explanation of the government's actions and the "in-house" party explanation. This choice was one of political assessment. The assessment being that the public needed to be whipped up into a frenzy of fear and concern to extend its mandate beyond that which was explicitly sought in the 1992 election campaign; and that the party, which was considered to be more politically and economically literate and the holders of privileged knowledge, did not require the drama of crisis to give the government its backing. This considered assessment of the party's receptivity to a particular message allowed Kennett to focus on the more prosaic right wing agenda items of the trouble with Unions, the Public Service and big government.

In relation to the Public Service, Kennett offers the party his corporate-ideological alternative to the Westminster model of Public Service "professionalism" by building the case for the neo-liberal approach to public sector management based on his assessment that '[f]or the first time in Australia the Government of the day as agents for the population is saying our

public sector must be relevant<sup>72</sup>, it must be a quality public service and it must delivery (sic) a quality service back to those who pay for services' (Kennett 1992, p. 10). In this corporatist, neo-liberal approach the solution is 'a system of bonuses to encourage good public servants' (Kennett 1992, p. 10). As we have seen above a "good" public servant in the Kennett model is one who has the opportunity to earn an additional twenty per cent on their contract by engineering the sacking of an additional 50,000 public servants. A particularly Machiavellian approach to *Public Service* job performance where citizens are expected to respond to government in a trusting and respectful way yet are being denied, in this case, through the corporatist shield of commercial-in-confidence, a transparent understanding of the full constituents of the situation. But even in this classic epithet for cunning and unscrupulous political acts Kennett reassures us, in contextual consistency with his rhetorical dismissal of complexity, when he describes Machiavelli's *Prince* as "all common sense"<sup>73</sup> (Ellingsen 1999, p. 4).

This approach of Kennett's introduces the confounding element of entrepreneurialism to public service. Employment was now based on a contract that was not only performance based but also subject to a 'four weeks notice period of which your employment can be terminated' (sic) (Kennett 1992, p. 10). Kennett's argument for these types of provisions was summed up in this manner: 'those who want to work for the State of Victoria and the people of Victoria have got to be prepared to *back their own judgement* and have confidence in what they can achieve' (Kennett 1992, p. 10).

Like any good entrepreneur the public servant now needs to be a self-determining individual in the market place of confidence. This takes "frank and fearless" advice to unscaled heights of Thatcherist rational instrumentality and entrepreneurialism (Hay 2004, p. 509).

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<sup>72</sup> There is no contextualising statement explaining to what they need to be relevant. The implicit expectation in this statement is that there is an intuitive understanding about what is irrelevant in what they do. This is obviously an externally imposed understanding of relevance because of the "cure" that is offered.

<sup>73</sup> There is opportunity here to speculate on irony, ignorance or incredulity but the data does not allow for that just the bald observation.



As was argued by earlier in this thesis, this Public Choice Theory-inspired rationality was developed to appeal to bureaucrats through promises of the maximisation of their agency and budgets; to politicians through promises of the maximisation of votes irrespective of the economic consequences of doing so; and to the electors who were assumed to be solely motivated to vote by a blind pursuit of material self-interest. These assumptions, Hay argued, were the direct path to the rationalisation of neo-liberalism (Hay 2004, p. 509).

Kennett initially, in relation to his policy prescriptions for the crisis, appears to present himself as a captive of the circumstances in which he finds himself. There is an ironic twist in Kennett's discourse. He has characterised himself as a forceful, "can-do" politician who would prefer to move forward (exemplified in the Kennett Government's change to the epithet on Victoria's number plates from the "garden state" to the ideological "on the move") than reflect on the past. Yet his discursive contextualising of his government's legislative programme is that of someone who is in a position where their choices are limited and they are simply being reactive. While the notion of crisis as the *critical discourse moment* was the key media strategy for the public and despite the fact Kennett does not refer to this term in his first *Address to the State Council* his drive for *change* (which is the *critical discourse moment for the party*) is posited on a discourse that allows for few alternatives and apparently little government volition. This is the "no alternatives" strategy linked to neo-liberalism, identified and discussed in Chapter 3 of this thesis. This, along with the discursive mobilisation of "fundamental" (see ahead), I have termed as *secondary discourse moments*, discursive, rhetorical devices to bolster the key critical discourse moment language.

This “no alternatives” strategy, Hay (2002) argues, although being presented to the citizens as a “logic of no alternative” is an obfuscation and calls for a form of political honesty in naming the choice to pursue this path as a conscious political one and not a “no alternatives” scenario (p. 255) as was pointed out in the mention of his critique of Thatcher’s TINA (there is no alternative) strategy in Chapter 3.

Kennett develops his discursive eschewing of responsibility for the changes he is enacting in his *Address* when he argues that the great pace of change was not driven from within his government or from an ideological commitment to neo-liberalism but by a bitter inheritance from the Labor Party which left him *no alternative*. Throughout his *Address* Kennett returns to this theme, prosecuting it with dogged consistency: ‘But again there is no alternative’; ‘there is no alternative...as a result of Labor’s ten years in office’; ‘the program is in place and there is no turning back from it’ (Kennett 1992, p. 10); ‘[w]e have embarked on employee relations changes...[i]t hasn’t been easy, but there is no alternative’; ‘[i]t’s not easy but there is no alternative’; ‘[t]he next area that we are tackling is obviously education...I have to say to you again, there is no alternative’; ‘[w]hat we are on about with this educational change is difficult. It’s not easy, but again, there is no alternative’; ‘there is no other course than to correct the failures of those who were charged with the responsibility of governing in the past’ (Kennett 1992, p. 11). This discourse of “no alternatives” serves a number of purposes at the same time. It gives the government an “excuse” for the extremity and haste of its legislative programme<sup>74</sup>; it also served the purpose of maintaining the focus of responsibility for the Kennett Government’s actions on the previous Labor administrations; but as the discourse develops throughout the speech it reaffirms Kennett’s “strongman” (Little 1999, pp. 23 – 24 and Alomes 1999, p. 19) status.

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<sup>74</sup> The legislation referred to in this *Address* and above (the Public Service changes, changes to education and industrial relations) was forced through parliament within the first eight weeks of the Kennett Government being elected.

The development of the “no alternatives” discourse and attempts at social ordering by Kennett in this speech then gives way to a challenge to courage. The last quote above is followed immediately by ‘a call to all Victorians to have the strength to see this through’ (Kennett 1992, p. 12). This shifts the discourse which then develops into a challenge by Kennett for the ‘businessmen and women, small, medium and large (sic)...not to weaken...in [their] resolve’ (Kennett 1992, p. 12) so that the “no alternatives” message shifts in emphasis from a “we have no alternative” to a “we do not consider that there are any other alternatives”; and the strong man returns:

It would be nice to be popular, but it is going to be a lot better to be in charge of change...to industry, I call on them to hold the line. There has been no *weakness* to date...there will be some who will be tempted to walk away irresponsibly from holding this very important position that we are at [because] up until now [no other Australian governments have] had the *guts* to be prepared to put into place...what most people know to be right (Kennett 1992, p. 12 emphasis added).

And as such we have returned to the theme of post-war Australians’ lack of courage and maturity to embrace radical change cited above (Kennett cited in Carney 1993b, p. 15). This combination of cajoling and expedience makes it difficult for the government to play the role of honest broker in the establishment of a supporting mode of social regulation for the neo-liberal regime of accumulation. Negotiation appears not to be a part of Kennett’s ensemble of norms and practices coalescing around a regime of accumulation that the regulationists are looking for.

As the passages and quotes above indicate, Kennett’s discourse and implicit belligerence (Parkinson 1999a, p. 7) (governments that lack guts and citizens that lack courage and maturity) adopts the hyper competitiveness of neo-liberal corporatism. Although Kennett does return to the parochial politics of the regional state leader when he eschews the fundamental neo-liberal principle of open markets embodied in the Federal Labor Government’s lowering of tariffs and the abolition of quotas. Kennett describes these as hugely damaging to Victoria (Kennett 1992, p. 13).

In the third paragraph of his *Address* Kennett refers to his approach as; '*preparing to relaunch Victoria*' (Kennett 1992, p. 1). This discourse conforms, not only to the language of advertising and brand promotion, but is redolent of the entrepreneurial cities movement<sup>75</sup> (see for example Harvey 1990, 1994; Jewson & MacGregor 1997a, 1997b; Jessop 1997a and Hall & Hubbard 1998) where the post-modernisation of governance practices in relation to the neo-liberalisation of the city and the regional state are built around notions of corporate practice. This discourse is indicative of a social order that produces a (neo liberal) corporate state where the public and other potential members of a nascent mode of social regulation become shareholders (Costello, 1999) and are given the opportunity to participate based on their level of investment rather than their rights as citizens' institutions and representative bodies.

As indicated above the regional state does play a role in Kennett's discourse in parallel to the themes of change and expedient policies. Kennett was seized by the opportunity to not only bring about fundamental economic change in the way government dealt with the political economy but to bring in some old fashioned boosterism (Engels 1999, p. 90) to remedy the notion that 'Victoria has been a basket case' (Kennett 1992, p. 11) and a rust belt state in the post-manufacturing economy of a first world country. However apart from the boosterist appeals to parochial identification with a Victoria that will ultimately 'lead the economic recovery in this country' (Kennett 1992, p. 12) Kennett had little idea about what he saw as a sustainable economic future for Victoria; other than taking care of "unavoidable" alternatives. In a passage that was empty of economic understanding Kennett states:

We are sick to death of sitting back and becoming a consumer society, where all around us our region – New Zealand, Asia – is going ahead in leaps and bounds, and we try and hold on to some of those things that came out of the fifties that had their pinnacle of support in the sixties and seventies but which are irrelevant today...We are going to give to this state the competitive edge that it requires over other states in Australia to carve out our niche (Kennett 1992, p. 11).

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<sup>75</sup> ... which will be discussed in the next chapter.

This empty rhetoric correctly identifies the post-Fordist shift to a consumption-based economy but apparently that is not where Victoria is headed, nor New Zealand or Asia (although wherever *they* are going, by whatever economic means, they are going there fast and successfully). Kennett appeared to be looking back at a Victoria that was a strong manufacturing state but that was 'irrelevant today' (Kennett 1992, p. 11). But, nonetheless, the state will 'carve out a new niche'<sup>76</sup> (Kennett 1992, p. 11) and have a competitive edge, although this new niche will not be based upon consumption or production. What did emerge and will be discussed in the following chapter is a revolution in favour of the event-driven entrepreneurial city lead by the world's largest casino development (at the time).

Finally, in discourse analysis terms, it should be noted that in this *Address* Kennett had done away with appeals to common sense as the other underpinning justification of his crisis rhetoric as one the major critical discourse moments. In this *Address* Kennett has substituted common sense with the notion of "fundamental", a term which became a frequent and regular part of his public discourse whether in the formal setting of a speech (Kennett 1992) or in media interviews (3LO interview 1999, Carney 1993b, p. 15). This became another *secondary discourse moment* to rhetorically bolster the main discursive message of crisis. This rhetorical shift, whether calculated or otherwise, further reduces the possibility for challenge or contradiction. Where it appears that common sense appeals to the commonweal and shared social notions of discourse and knowledge construction; the use of fundamental makes no such appeal to a socially cohesive understanding (the discussion above notwithstanding). The strategic discourse refuses to engage dialectically and presents the electorate with a reductionist or essentialised view that brooks no challenge.

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<sup>76</sup> There was government rhetoric about new technology and software development hubs but none of these were manifest in the Government's two terms. This was despite appointing the Treasurer as Minister in charge of this area.

As Carney (1993c) observes in *The Age*, Kennett had had success in drawing on public sympathy for his programme of *fundamental change* in his first year of government but ‘if you consider *openness, consultation and flexibility* as hallmarks of a good and viable government [referring to the Kennett Government], you might draw a different conclusion’ (p. 17 emphasis added).

The rhetorical fundamentalist has stripped away the interpretive parts of their doctrine and created a non-negotiable reality. For example when Kennett argues, as he does in his address, that many schools are ‘fundamentally unsafe’ (Kennett 1992, p. 11) parents are left in no doubt that these schools should not be inhabited by their children and therefore must be closed. This form of discourse removes the opportunity for dialectic, democratic exchange and requires the constituents to argue for an unreasonable position: that their children should be allowed to attend an unsafe school. It offers a binary, not a dialectic solution: unsafe equals closure rather than a negotiation around a reclamation of the facilities and repair so that the parents have a role in the outcome. Kennett is now describing the sort of change that they are ‘embarking upon as a fundamental change’ (Kennett 1992, p. 10). This should leave the political economy unrecognisable from 2<sup>nd</sup> October 1992 and again has the effect of damning the Labor Party because of the need for the notional extremity of a *fundamental* change. Kennett also combined his “no alternatives” rhetoric with his “fundamental” social ordering of change in a speech given after his government’s election, reported by *The Age*, stating emphatically that: ‘I am absolutely convinced in my own mind that...the *fundamental* direction is not only correct but there is *no alternative*’ (Carney 1993b, p. 15).

The challenge of Kennett’s “fundamental” discourse also has the affect of preparing the electorate for a certain level of turmoil; but Kennett blunts potential criticism with a return to hubristic (Parkinson 2000, p. 373) aggrandisement when he claimed that his style of “fundamentalism” was reaching beyond the borders of Victoria: ‘[w]e are the only government that is *fundamentally* governing’ (Carney 1993b, p. 15 emphasis added).

Explicit here is the message that Kennett's neo-liberalising governance is the only true form of governance practice, so while other governments in Australia act, unless they are engaged in the same way that the Kennett Government is with the political economy then they are negligently avoiding their democratic duty and therefore are lacking the *guts* to govern. It must also be observed that while the use of "fundamental" as a discursive device by Kennett has the above affects it also appears to be part of his idiosyncratic idiom as well. In the same address Kennett opines that 'those who oppose us today are *fundamentally* those who opposed us before the election' (Kennett 1992, p. 11). This rhetorical device although appearing to be a statement of the obvious has the affect of linking those opposed to Kennett's transformation with a fundamentalist, oppositional approach and therefore less worthy of consideration. Again potentially rupturing the possibility of the government being an honest broker in the construction of a viable mode of social regulation to support the neo-liberal regime of accumulation. The notions of democratic governance practice have an expectation that governments govern for all constituents not just their supporters; and in order for a mode of social regulation to be built this sought if breadth of constituent engagement is required.

Kennett's discourse has, in both critical discourse analysis and cultural political economy terms, privileged the entrepreneurial shift away from dependence on the state and towards the individual who is prepared to 'back his or her own judgement' (Kennett 1992, p. 10). The developing imbalance in power relations is firstly weighted towards those who agree with the Kennett diagnosis and agenda. Secondly it is weighted against those involved in the Union movement or who favour collective action over individual action. Thirdly against those who still see a role for government in service provision. As Fairclough argues,

discursive activity structures the social spaces within which actors act, through the constitution of concepts, objects and subject positions...and how it privileges some actors at the expense of others and how broad changes in the discourse result in different constellations of advantage and disadvantage (quoted in Phillips and Hardy 2002, p. 25).

We will see ahead how Kennett walked an uncomfortable line between the already documented hubristic (see Alomes 1999, p. 19) rhetorical turn and a more successful hegemonic project of linking his form of neo-liberal austerity with the rise in Victorian, particularly Melbourne, pride.

### **First Term Budget Cuts: Stockdale's "Crisis"**

In the Introduction to this thesis mention was made of the political tradition of incoming governments "discovering" a budget deficit blowout, caused by the outgoing government's financial mismanagement. As was pointed out this meant that incoming governments were able to make their election spending promises expedient to the mismanagement of the previous administration's negligence and declare a moratorium on their election promises or use the *politically-driven crisis* as an excuse to cut or curtail spending programmes. This political tactic was an effective discourse run as a post-election campaign strategy and prosecuted mercilessly in the media throughout the first term of the Kennett Government. The platform for this discourse of crisis was prosecuted across all portfolios, by all ministers and, as such was ubiquitous and co-ordinated. The Treasurer, Alan Stockdale, was given carriage of the prosecution, and as such the neo-liberalising process, through the hegemonic platform of the budget rectification process. But there was not unanimity within the party on the reliance upon the crisis as a hegemonic platform upon which to bring about change; as Victor Perton observed in an interview for this thesis they relied

*[v]ery heavily, very heavily [on the crisis]. In fact I think they were caught up in it too heavily, you know, they came to power with this sort of two to three billion dollar deficit...[s]o [there] was that huge immediate slash which I think coloured the community's view for the rest of the time and in the end, I think became too much a matter of pride, you know, we fixed the budget deficit, well yeah congratulations, you know, a bunch of corporate doctors could do that too (2001, p. 8 interviewee's and author's emphasis added).*



Despite the high drama, hyperbole and strategic hegemonic language used by members of the Kennett Government, as a form of social practice in an attempt to constitute a new social order (Fairclough 2001, pp. 234 -235) there was a broad awareness in the community already (as demonstrated in Coatman's (2001) comments above in the previous section) that there was a shift towards market-driven solutions, particularly amongst those groups who were seen as the government's main adversaries. John Gillies Vice President of the Federated Teacher's Union of Victoria (quoted above) was amongst them. In an interview for this thesis Gillies remarks on this:

I don't think he [Kennett] created a new Victoria in terms of its population or its cultural or political views. I think Victoria was already changing as the rest of Australia's changing. It seems to me that there's an upper middle class in Australia now that has emerged, probably since *the seventies*, because of the changing nature of the economy. And they tend to be young people, relatively young people, who have a pretty good lifestyle and have welcomed with open arms the sorts of views that Kennett put forward; that everyone looks after themselves and you know, basically "the God helps those who help themselves" view of capitalism...but I don't think Kennett was responsible for that. I think he encouraged the fact that he could introduce things like encouragements to private health and to private education and so on. I think he could count on those people as being people who would say well I can afford it, why do I have to compete with the hoi polloi, that suits me. But they were there before Kennett; I don't think he created that (Gillies 2001, pp. 6 – 7 emphasis added).

Gillies contextualises this awareness onto a world scale further in the same interview when he argues that:

...if you look at the events in the world you must form the view that there is a pretty solid consistency in the way a whole variety of countries have implemented [neo-liberal] policy...you've got the World Bank and the World Trade Organisation and various other international organisations effectively pedalling a line of convincing countries to take actions that all conform to a worldwide [neo-liberalising] pattern. So I think if you don't believe in conspiracies in that sense you're doomed to stupidity forever. And so those external influences would certainly have been acting on the government and I suppose more on the Liberal Party government. But there were also in the Kennett Government a number of people who, in my opinion, opportunistically saw that [neo-liberal] policy as a means of promoting friends and relatives<sup>77</sup>. But there were also people who were committed to the view, genuinely I think believed the view that the market was the solver of all things. That when people make financial or economic decisions they were rational decisions, which they are, in economic terms, in pure self interest but don't necessarily work for a state (Gillies 2001, p.5 – 6).

Stockdale was a student of this international, New Right push to re-invent government. He had a close association with Des Moore from Project Victoria. In the interview Moore gave for this thesis Moore notes that he had a 'particularly important influence on Treasurer Stockdale although he [Stockdale] did a lot of his own work and in particular he went off to London for three months while he was shadow treasurer to study the privatisation that was going on in the UK. So he was his own agent as well as being influenced by us' (Project Victoria)<sup>78</sup> (Moore 2001, pp. 1 – 2).<sup>79</sup>

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<sup>77</sup> Reference was made to this in the 3LO interview prior to the election campaign when Kennett refused to engage with the interviewer, Jon Faine, because he asked about the contract given to Minister Robyn Cooper's daughter without it first going to tender.

<sup>78</sup> Moore (2001) noted in his interview for this thesis that he personally did not have a close relationship with Kennett but influence by Project Victoria was still brought to bear on Kennett through the Chair of Project Victoria, David Edwards (2001), who in his interview stated that: '...we had very strong relations with Kennett before the election; Interviewer: Kennett himself? Subject: Kennett himself (p. 3).

<sup>79</sup> Moore's claim to his closeness to Stockdale was affirmed later in the same interview where he states that he had 'quite a reasonably close relationship with Stockdale; he was the one who was going to appoint me to the Audit Commission (Moore 2001 p. 5). This failed to occur because Moore was reported in the newspapers as suggesting that there would be around 20,000 jobs cut from the Victorian Public Service. The government wanted to create some

The privatisation study in England was associated with the Thatcher regime that, together with New Zealand under Roger Douglas in the Lange Government, was the first (in modern neo-liberal times) to extensively privatise its public-owned assets. This peer group credentialing of Stockdale as a neo-liberal stalwart was underlined by a front page feature article in the Australian Financial Review in 1999, prior to the government's surprise election loss of that year. In the article, based on an interview with Ken Baxter who was secretary of the Victorian Department of Premier and Cabinet between 1992 and 1995, Skulley (1999) observes that:

Stockdale drew on adapted elements of Thatcherism, Greiner managerialism [see the Literature Review in this thesis], New Zealand Labour [see above] and the book *Reinventing Government* by American political theorists David Osborne and Ted Gaebler [see The Neo-liberal/New Right and its Antecedents in this thesis]...[that]...argued that governments should focus on “steering” (ensuring that services are provided) rather than “rowing” (directly providing services.)...the Kennett Government has done just that (p. 14).

The article goes on to quote Stockdale from his 1999 Alfred Deakin Lecture<sup>80</sup> where he affirms some of the basic tenets of neo-liberalism in his actions in government. He argued that ‘the Victorian public sector had been made more accountable and more productive, with greater reliance on contestable markets and private-sector operators delivering government services’ (Stockdale quoted in Skulley 1999, p. 14).

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distance between themselves and Moore after denying the claim. So Moore missed out on the appointment. Ironically this number was in fact doubled by the Kennett Government's actions but as Moore stated: ‘In actual fact they did more. So we turned out to be quite conservative and we were deliberately slightly conservative, yes’ (Moore 2001, p. 4).

<sup>80</sup> The Alfred Deakin Lectures were part of the [Melbourne International Arts Festival](#) and first broadcast on the Australian Broadcasting Corporation's Radio National network in May 2001 to commemorate the first sitting of the Federal Parliament.

Further Stockdale asserts that ‘public hospitals build-own-operate projects (by the private sector) are creating a competitive market for public hospital services and, in education a form of competitive discipline has been introduced into the school system’ (Stockdale quoted in Skulley 1999, p. 14). As Hayward observes: ‘[t]he Victorian Public Service has been transformed from a provider to a purchaser of services from the private sector’ (1999c, p.13).

Gude again emphasises the neo-liberal approach and Thatcherite discourse when he states, in the interview referred to above, that:

If you can’t look after your family, you can’t look after your business, you can’t look after your State depending upon whatever your position then how can you expect others to help you. So in many ways it [the crisis response] was what I would call help to self help (sic) (2001, p. 3).

This appears to be a well-grounded metaphor for the relative lack of complexity in managing a government’s budget. Kennett refers to this reductionist metaphor in his July 1993 *Address to 115<sup>th</sup> State Council of the Liberal Party Australia (Victorian Division)* when he argues that:

The economic agenda is not driven by ideologies; it’s not a dry economic program. It’s *fundamentally based on common sense*. It is no different from the way we run the party, you run your *domestic budgets* or in fact you run your businesses. It’s just spending no more than you earn (Kennett 1993, p. 4 emphasis added).

Thatcher introduced the fundamentalist notion of comparing a family’s budget to the budget run by a state. This was a very effective discourse nonetheless, firstly because it was picked up by centre-right governments worldwide and has gone into the political-rhetoric lexicon; and secondly because as a reconstructive discourse it changed the social order. Voter expectations of government budgetary decisions were now measurable against “kitchen table” budgeting expectations at home.

This reductionism had the effect of “dumbing down” constituents’ expectations of government budget processes which gave the neo-liberals a hegemonic victory through the licence the public allowed them in reducing their own expectations of government provision. This licence permitted an extensive government privatisation programme which in turn meant that the public was paying twice<sup>81</sup> for the access to what were formally publicly-owned assets. It permitted mass sackings if that meant that the budget stayed out of deficit. It demanded that governments always ran balanced or surplus budgets and, finally, it had a influence on the budgeting process of future governments because voter expectation had shifted to the point where they expected to be able to judge all government’s budgets in the context of their own domestic budgeting (Margaret Thatcher Foundation nd).

As Phelan (2007) observes one of the most successful rhetorical devices that neo-liberalism has mobilised in its hegemonic branding of itself, is that it is *post-ideological*. Neo-liberalism, taking its lead (or possibly offering it to) from Fukuyama (1992) has assumed an “end of...” position. Neo-liberalism has managed to discursively position itself as bringing about the end of ideology. As Kennett (1993a) argues in his *Address to the 116<sup>th</sup> State Council* ‘I don’t believe that what we are doing is “smart”, it’s not ideological, it’s just based on common sense’ (p. 5 author’s emphasis). He returns to the theme again in the 119<sup>th</sup> *Address* claiming that his agenda is [‘n]ot radical, [but is] something fundamentally based on common sense’ (1994, p 19). Phelan (2007) positions neo-liberals’ self image as pragmatic appropriators of common sense using their rhetorical presentations to metaphorically place them around the kitchen table in an empathetic synergy with the “mums and dads” of their constituency struggling against the collectivist apparatchiks who convolute the messages and create complexity in the processes of budgeting and governance. The use of the domestic signifier, although empty, signals to the constituent that they are dealing with an empathic, anti-politician who is attempting to rend the complexities of government asunder on the altar of the most influential of hegemonic signifiers; the kitchen table (pp. 33, 34 & 35).

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<sup>81</sup> ...in terms of set-up costs, contracts, fees and shares where these assets went to the market.

Phelan (2007) also cautions us not to assume a non-confrontational or non-antagonistic politics growing out of this movement. Those who are committed to the antiquated politics of the past must be *confronted* and characterised as politically redundant, morally reprehensible (p. 35) or, in Kennett's terms, *un-Victorian*. There is a strong discourse of vilification in the self consciously ideological politics articulated by both Thatcher (Phelan 2007, p. 33) and Kennett<sup>82</sup>.

## **Stockdale's Financial Rhetoric: Victoria's Two-Stage Process**

### **First Stage: 'Restoring' Victoria's Finances**

On 28th October 1992 the newly-elected Treasurer, Alan Stockdale, outlined the Liberal government's fiscal response to what he described as 'the disease Labor chose to cover up and ignore' (Stockdale 1993a, p. 1) in a mini-budget bill presented to the Victorian Parliament. The important political factor in this process was to maintain an atmosphere of crisis in order to usher in a period of rigorous fiscal austerity which would result in the entrenchment of the neo-liberal policy agenda. The Treasurer affirmed this in his speech stating that: '[a]dvice to the Government by Treasury, and confirmed by the Independent Review of Victoria's Public Sector Finances, is that the previous Budget position was unsustainable and had created a debt trap' (Stockdale 1992a, p. 1).

The two underlying strategies Stockdale committed himself to were: 'getting the Budget's Current Account deficit under control thus containing State debt and debt servicing charges; and getting the economy going again through a revitalisation of business growth and jobs' (Stockdale 1992a, p. 1).

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<sup>82</sup> Premier Kennett famously, in the Victorian Parliament, in a tirade against his opponent attacked him with the rhetorical question; "Did you sleep with boys?" based on the private school that the then Leader of the Opposition John Brumby went to. See ahead (p. 64) another footnoted example (Carolan 1999) of Kennett's discourse of vilification handed out to those who were critical of the regime.

This entailed a four-pronged attack:

‘redressing the structural deficit in the State Budget on both the revenue and outlay sides;  
a debt management strategy;  
*a shift of resources from the public to the private sector*; and  
downsizing and efficiencies introduced into the public sector’ (Stockdale 1992a, pp. 2 - 3 emphasis added).

Some of the measures implemented by the Victorian Treasurer were: a target of eliminating current account deficit by 1995-96; minimal tax increases on industry; 7000 public sector job-cuts; abolition of the 17.5% loading on public service employee’s holiday-pay; introduction of a state deficit levy on rateable properties; 10% increases in gas, electricity and public transport charges; and an increase in motor registration fees. The responsibility for these austerity measures was sheeted home to the previous government in a tactical and politically damaging way. The State Deficit Levy (or poll tax) was imposed on all rateable properties in Victoria. To obviate the Kennett Government’s responsibility for the levy, the Treasurer used two mechanisms. The first was to have local government collect the tax; and the second, which served also to maintain the climate of crisis and blame, was to designate it the *Cain/Kirner Tax*. Criticism of the tax was extensive and sustained because of its inequity. The use of the Cain/Kirner epithet went some way to deflecting the government’s responsibility and also served to maintain the discourse of crisis.

The enormous parliamentary majority (in both houses) of the Kennett Government rendered many parliamentary processes redundant. One of those was a reasonable allocation of time to debate bills. This mini-budget passed through both houses of Parliament in eight hours. Political debate therefore had to be held in the public domain and away from the authority of parliament because of the lack of parliamentary scrutiny; but without the ability to adequately debate bills on the floor of parliament the Opposition were less likely to have their responses reported in the media and therefore gain less discursive purchase in the public domain to counter the emerging hegemonic dominance of the prosecution of crisis.

As will be discussed later, critical media scrutiny of the Kennett Government's claims was only cursory and confined to increasingly marginalised commentators. As such the crisis discourse was embedded in the public domain and the broader political consciousness to become a social practice which, constituted a new social order (Fairclough 2001, pp. 234 – 235) allowing the government move its fiscal practices to accommodate the neo-liberal regime of accumulation.

### **Second Stage: 'Restoring' Victoria's Finances**

On 6th April 1993 Treasurer Alan Stockdale presented the second stage of the Government's neo-liberal agenda and in doing so maintained the discourse of crisis and blame; continuing to refer to the...*'disastrous consequences...inherited by the incoming Government in October 1992'* (Stockdale 1993a, p. 3).

The second stage of Treasurer Stockdale's strategy focussed on the Current Account deficit, the inherited state of which he argued *'established a spiral of debt and interest within which the Government was forced to borrow...and [which] threatened to overwhelm all other objectives of the Victorian Government and the Victorian community'* (Stockdale 1993a, p. 2 emphasis added). He underlined these sentiments in a four-page sub-section of his speech entitled *'Victoria's financial crisis'* (Stockdale 1993a, p. 3 emphasis added). Here he extrapolated a \$A3 billion debt by the year 2000 based on the *'maintenance of Labor policy as at the change of Government'* (Stockdale 1993a, p. 6). This of course was based on misleading fiscal assumptions in place when *'the Victorian economy entered a tailspin'* (Hayward, 1999, p. 140) during the 1990-92 recession. The fiscal assumptions of course would have changed when the State emerged from the recession but with *'the crisis regained, more cuts were necessary, more increases in charges needed'* (Carney 1993c, p. 17) and another election promise discarded; this time the *JobStart* program which promised 40,000 new jobs (Carney 1993c, p. 17).



To do this the Treasurer introduced a complicated series of charts (Stockdale 1993a, p. 27) to support a three-part scenario extravagantly designed to justify avoiding a 'gradualist approach' (Stockdale 1993a, p. 8) to debt reduction. The Treasurer introduced an approach he described as a 'prompt elimination of the Current Account deficit' (Stockdale 1993a, p. 9). This required a form of fiscal stringency which would 'cause hardship for many people' (Stockdale 1993a, p. 9) but the Treasurer continued to argue that the position the 'government inherited from Labor was simply unsustainable [and as such t]he responsibility for that hardship rests with those who caused the problem' (Stockdale 1993a, p. 9).

The major measures of the second stage were:

the borrowing of \$400 million to fund *two thousand five hundred* (2,500) further voluntary redundancies (financial year 1992-93) (Stockdale 1993a, p. 10 emphasis added). This is in addition to the *fourteen thousand* (14,000) departures (Stockdale 1993a, p. 18 emphasis added) that had already taken place since the election of the Kennett Government and an additional *four thousand seven hundred* (4,700) 'separations...through Targeted Separation Packages' (Stockdale 1993c, p. 4 emphasis added) revealed in the Budget Speech 1993-94;

additional Loan Council borrowing of \$A1.3 billion to fund a further *fifteen thousand three hundred* (15,300) public service departures in the financial year 1993-94 (Stockdale 1993a, p. 11 emphasis added). This would bring the total public service jobs lost to *thirty six thousand five hundred* (36,500) and the total global borrowings to \$3,151 million:

'plus excess, based on the value of the property. This *user pays* principal was a further increment in the government's neo-liberal agenda;

the contracting out of a number of public service cleaning services;

the closure of some small schools' (Stockdale 1993a, p. 12 emphasis added);

'the contracting out of the government bus fleet;

the "rationalisation" of work practices in public transport; and

replication of private sector income tax and dividend arrangements for State Owned Enterprises' (Stockdale 1993a, p. 16).

Underpinning the Kennett Government's need for a "prompt" reduction of the Current Account Deficit was the downgrading of Victoria's credit rating, by Moody's Investor Services, from AA1 to A1. Some media commentators argued that the government's undue haste to reduce the deficit was because: 'Mr. Stockdale and Mr. Kennett appear[ed] to have been panicked by the downgrading of Victoria's credit rating by international agencies' (Barker 1993, p. 9). This may explain why 'Mr. Stockdale referred to the downgrading in the same breath as he revved up his crisis rhetoric' (Barker 1993, p. 9), arguing that '[t]he crisis in State public finances was contributing to low[er]...investor confidence' (Stockdale 1993a, p. 3).

The Treasurer's references to the early 1990s recession contorted reality by suggesting that the depth of the recession was simply a result of the Current Account deficit. He argued in his *Autumn Statement* (1993a) that 'Victoria was more adversely affected by the international and national recession than any other Australian state' (Stockdale 1993a, p. 3).

However, Victoria's reliance on manufacturing and its Australian "head office status" were the temporal victims of global capitalism's attrition in its attempts to revivify its profits in the putative shift from Fordism to post-Fordism (see Jessop 1994). The consequent and progressive shift from "first world" to potential "third-world-competitive" manufacturing put pressure on the Victorian economy.

While the Treasurer's argument appears to put the fiscal cart before the horse, the political vehicle always remained in the correct configuration: 'the Government's greatest advantage [wa]s the electorate's firm conviction that Labor mismanaged the state's funds' (Carney 1993a, p. 1). The fiscal irony in the *Autumn Statement* was that the Treasurer's major initiative was an additional borrowing of \$1.3 billion for public sector sackings which would increase pressure on the Current Account deficit not reduce it. But this action formed one of the ideological centrepieces of their neo-liberal agenda: a dramatic reduction in the size of the public service. Premier Kennett when addressing the role of the public service in the Victorian political economy described it as an organisation where '[t]here has been a great deal of sloth...a great deal of unprofessionalism...[and]...a great deal of wastage' (Kennett quoted in Dixon 1992, p. 3).

The Treasurer's *Autumn Statement* (1993a) appears to be of greater service to the Government's political rather than its fiscal agenda with most measures only continuing the government's shift of services toward, if not to the private sector, to a private sector model. Leading critic and political commentator, Kenneth Davidson, argued that

[t]he changes in appropriations for 1992-93 [were] trivial and could have been dealt within the normal way through the Treasurer's advance. The real point of the exercise was to dramatise the \$1.3 billion borrowings that [were] planned for the next financial year, in order to finance the sacking of 15,300 Government employees during the next two years (Davidson 1993a, p. 11).

## **The First Stockdale Budget (1993-94)**

Having already done much of the political and economic groundwork in his first two financial statements the Treasurer's pre-emptive description of his first budget as 'a bit of a non-event' (Walker, 1993, p. 22) was not surprising. However that was not indicative of an abatement in the government's neo-liberal agenda or an end to the discourse of blame. The first page of the Treasurer's speech is devoted to the juxtaposition of a *decade* of serial Labor perfidy against the righteous fiscal rectitude of the Government (Stockdale 1993c, p. 1).

In revealing his pessimistic Budget estimates the Treasurer conceded that the state was 'still recovering from the [1990-92] recession' (Stockdale 1993c, p. 5) but maintained the discourse of crisis by adding that it was also recovering from 'the additional burden of the last decade of mismanagement' (Stockdale 1993c, p. 5). The problem was that some commentators were starting to question whether the Budget was not already in surplus: A fact that would militate against the Government's crisis discourse. Hayward (1993, 1996 & 1999) and Davidson (1993a, b & c) in a series of articles questioned the "sandbagging" of the Budget to delay the achievement of a surplus (see also Barker 1993, p. 9; Crooks 1993; Langmore 1993 and Walker 1993, p. 22). For example the special superannuation payment of \$1.4 billion in the 1993-94 Budget was 'simply a book entry between one branch of government and another' (Davidson 1993c, p. 25) but added that amount to outlays and thus delayed the establishment of a surplus. Davidson also argued that 'an additional \$500 million "in creative bookkeeping" in the 1993-94 Budget allowed the Kennett Government to prolong Victoria's financial crisis' (1993b, p. 18).

Accordingly Hayward (1999) argues that a quickly emerging problem for the Kennett Government was that the budget situation was rapidly improving. He argues that '[t]hroughout 1993, it was evident that the current account of the budget was rapidly returning to surplus[,...]being...swollen by the government's privatisation program' (p. 143). The fiscal supports for the crisis response of the Kennett Government were increasingly becoming tenuous.

In fact the foundations for the claim were always spurious. As Matthew Guy (2001) pointed out, in an interview for this thesis already referred to, in relation to the privatisation process, particularly of the State Electricity Commission of Victoria; 'we did it along the lines of party ideology if you like and so it happened and we were lucky we did very well out of it' (p. 13). As early as 1993, in its autumn economic statement, the Kennett Government itself observed that 'debts of Australian governments are not high by international standards' (Victorian Government cited in Hayward 1999, p. 147). Further, Moore and Porter (1991) pointed out that 'the state government itself can never be a candidate for bankruptcy per se' (pp. 2 - 8).

Des Moore states, in the 2001 interview for this thesis - one of the authors of *Project Victoria*, and as has been shown above, one of the key right wing champions who had an influence over Treasurer Stockdale - that the *crisis discourse was much over blown*:

I think the basic situation in Victoria when they came to office was that they were faced with a situation which, although it did improve slightly in the latter part of the Labor government, *was close to a crisis* in that Victoria's brought, the Labor Party brought, Victoria *close to a crisis*. So I wouldn't say it was a crisis because *crisis is a grossly overused word*, particularly in the media, but the debt situation and the fact that Victoria was the first state ever to have its domestic debt downgraded by an international credit rating agency sent a very severe warning signal (Moore 2001, p. 2 emphasis added).

It could be argued that in response to this reality the Treasurer developed a strategy of producing two sets of budget figures: one presented as a headline figure and the other with the one-off effects of privatisations stripped out (see Table 12.1 in Hayward 1999, p. 144). There were further changes to the methodology of accounting which made it 'impossible to put together a clear historical picture of the financial revolution' (Hayward 1999, p. 143) and, as such, judge the fiscal necessity of the extent of privatisation that went on during the Kennett Revolution (Costar & Economou, 1999).

This being the case it became difficult for the ratings agencies to resist returning Victoria to a Triple A<sup>83</sup> credit rating and as such government policy was increasingly more likely to have to stand apart from the depredations of the budget crisis rhetoric which had been so carefully nurtured by Premier Kennett and Treasurer Stockdale (Hayward 1999, p. 145 and Barker 1993). Nonetheless the crisis discourse was maintained and the brunt of the neo-liberalisation of the Victorian economy occurred in the second term with a massive \$29 billion (Hyde 2002, p. 336) privatisation process.

## Concluding Remarks

The popular understanding of the breadth and depth of the implementation of the neo-liberal revolution in Victoria was solely a response of “no alternatives” to Labor’s mismanagement of the economy of Victoria. Certainly the discursively constructed need for haste in the execution of the revolution was sheeted home to the Labor Party. Kennett’s language and re-ordering of the economic circumstances of Victoria away from the traditional Deakinite/Fordist values of public ownership of key assets and government intervention to modify, rather than enhance market opportunity reveal another, more ideological agenda. The apparent hegemonic victory of the neo-liberal agenda delivered by the Kennett Government was to convince the Victorian electorate that the state was sufficiently RS (Kennett quoted in Hayward 1999a, p. 135, emphasis added) to allow the Kennett Government to ‘[introduce] reforms that no other Government in Australia has tried’ (Kennett 1993a, p.4).

While the Victorian Treasurer suggested in his speech that one of the features of his 1993-94 Budget was that it brought ‘to an end the era of Labor fiddles,

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<sup>83</sup> It should be noted that not all the neo-liberal economic advisors saw this as an unalloyed success. David Edwards from Project Victoria and the Victorian Employer’s Chamber of Commerce and Industry in an interview for this thesis commented that the Kennett Government had a ‘myopic vision for a Triple A rating so, I don’t know if it was his or Stockdale’s but they both had it, so the fact that our standing overseas had deteriorated so much and our credit rating had deteriorated so much meant that symbolically he established this restoration of the Triple A rating as the vision, and that impacted a lot of the economic policy because...from time to time it meant that our economic policy was directed to achieving that Triple A rating, that meant that from time to time where there would be a need to inject funds back into the economy through investment and infrastructure that didn’t happen (2001, p. 9).

ports and concealments' (Stockdale 1993c, p. 3) the discourse of crisis and blame was 'the elixir of life for the [Kennett] government [and] the justification for the vast bulk of what it' (Carney 1993c, p. 17) had said and done. Judging when the message had sunk deep enough into public consciousness was the key to explaining future public tolerance for the massive sell-off of state-owned assets and their preparedness to withhold their demands to become a part of the negotiation in the neo-liberalising process of Victoria.

Kennett's political management of the shift from the Keynesian welfare state to a neo-liberal regime used a number of key rhetorical strategies to create a hegemonic expectation for transformation that were apparent from his first parliamentary speech. Kennett always relied on the discourse of capitalist renewal and the language of managerialism to create a hegemonic space for his reforms.

One year after his election victory Kennett, in assessing the overall success of the government, summed it up this way: 'we are very clearly deregulated...we have opened this State again for meaningful constructive building of a *business state*' (sic) (Kennett 1993a, p. 3 emphasis added). The implicit discursive meaning here places business as the primary focus of government attention and the citizen becomes a "customer" of the *business state*. Bill Scales<sup>84</sup> who was the Secretary of Premier and Cabinet in the last two years of the Kennett Government saw Kennett's managerialist approach, in an interview for this thesis, in this way:

There was a different set of political imperatives emerging...I don't think Kennett saw it in particular in the context of a [social] compact. He saw it more in the context

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<sup>84</sup> Bill Scales AO has had a broad and distinguished career in both the public and private sectors. As well as sitting on the Higher Education Review Panel, Mr. Scales is currently Chancellor of Swinburne University of Technology, Chairman of the Port of Melbourne Corporation, Chair of the Australian Safety and Compensation Council and a Board member of the Australian Nuclear Science and Technology Organisation. Mr. Scales has held the roles of Group Managing Director of Regulatory, Corporate and Human Relations at Telstra, Secretary at the Department of Premier and Cabinet in Victoria, Chairman of the Industry Commission and Chairman of the Automotive Industry Authority and senior management roles in the manufacturing sector ([www.deewr.gov.au/.../Review/.../Mr%20Bill%20Scales%20AO.rtf](http://www.deewr.gov.au/.../Review/.../Mr%20Bill%20Scales%20AO.rtf)).

of a way a manager may see it: the context of efficiency. So in the way you think about the Kennett era you almost need to think of it in the context of good management, as distinct from necessarily good political leadership. That doesn't mean that there wasn't political leadership there but it was more a management framework rather than an obvious political leadership framework (2007, p. 4).

The "crisis" gave Kennett the opportunity - through the discursive practice of "talking up" the crisis and by implication and accusation traducing the notion of a government being able to responsibly engaging in "rowing" in the economy - to create a new social order that accepted the broadest possible corporatisation of the state. From the contractual arrangements of the Public Service Department heads to the Casemix funding scheme for hospitals where they would 'be paid on their *throughput*' (Kennett 1993a, p. 3) not their quality of care or patient outcomes, the social ordering through this dramatic change in social practices is evident.

Leonie Kelly, the Industry Research Officer for the Nurses Federation saw the Victorian Government leading the way in economically-driven patient outcome approaches:

a real budget driven way of delivering health care...look patient care was equated to a financial amount...I guess it was 1993 before the effects were being felt and that combined with their industrial agenda impacted very heavily...their emphasis or preference or priority seemed to be at the administrative level in hospitals not at the other end where care was delivered (2001, p. 4).

This rhetorical environment of crisis that was a demonstrably successful strategy of the "New Right" (Klein 2007) in its push to a neo-liberal economic future needed to be consolidated through a broad network of social practices to join the Government's discursive community that was supporting this shift with the broader electorate. The government was able to discursively prosecute this case for change on the back of a first term electoral land slide, Lavelle's research showed that there was nevertheless uneasy support in the electorate for the government's agenda. Lavelle produces evidence to show that this was



a *popular government with unpopular policies* (2000). This to some extent demonstrates only a qualified hegemonic victory for Kennett's social re-ordering of the electorate's expectation of government practice. It seems apparent that the public accepted the "no alternatives" discourse but were hoping for an alternative, "no alternatives" response. While there appeared to be a network of social practice (in business and the commercial media) supporting the need for economic renovation, due to the *apparent* crisis (see for example Moore 2001; Langmore 1993; Barker 1993; Forbes 1993 and Crooks 1993) in government finances, it appears that these networks were already sympathetic to the neo-liberal project but were not broadly based.

The following chapter will show that while the Kennett Government was undertaking the biggest privatisation programme in Australia's history there was a dramatic discursive shift in the Premier's second term *Addresses to the State Council* which may be indicative of a recognition by the Government that a regulatory ensemble of broader public institutions needed to become the focus for a reconstructed social ordering; described by Regulation Theory as the mode of social regulation. The key test, in the context of Regulation Theory's expectations, which will aid in successfully measuring the success of the shift that the Kennett Government was ushering in with some haste, is whether in response to this crisis discourse the government were facilitators or disruptors of a new and matching mode of social regulation to support and manage the implementation of a neo-liberal regime of accumulation.

## **CHAPTER 5**

### **CONSOLIDATION**

#### **Constructing a Mode of Social Regulation (?)**

‘...a government can only yell “Crisis!” a limited number of times and Mr. Kennett has probably reached his limit’ (Carney 1993, p. 1 author’s emphasis).

#### **Introduction**

I have already begun to argue for the overpowering role that had been taken by Premier Kennett in the implementation of the dramatic shift in Victoria’s political economy; and for the “crisis methodology” that was typical of the New Right’s push for the implementation of their agenda (see Hay 2002 and Klein 2007). As such this chapter will look, firstly at those institutions that would constitute a mode of social regulatory *ensemble* in Victoria; and secondly at their responses to the Kennett Government’s role in attempting to build and influence (or not) the norms, habits and regulation in the process of attempting to secure neo-liberal, capitalist reproduction over their two terms of government. Additionally, I will look at whether counter-tendencies operated to disrupt the reproduction of the capitalist order (Goodwin & Painter 1997, p. 18), who or what sections of the political economy of Victoria were engaged in this process and what was the catalyst. If a new mode of social regulation is the product of the interaction of these forces, a relatively popular dialectical consensus should emerge to support the shift in sub-national governance practices.

It is apparent, from the arguments presented in Chapter 4 (Crisis) above, that the Kennett Government was engaged in a process of the neo-liberalisation of those aspects of the economy that were under its control and influence. In that process there have been a number of irresistible *critical discourse moments* that Kennett and his Ministers used in an attempt to produce this shift. In the first term *crisis* was the key, *publicly produced* critical discourse moment underpinned by discursive appeals to common sense with *secondary discourse moments* built around the “no alternatives” rhetoric and appeals to “fundamental” interpretations of the effects of the crisis. While they did not persuade everyone, they were persuasive and forceful hegemonic elements in the public perception and discussion of the neo-liberalisation project in Victoria. Inside the party the critical discourse moment was built around the discourse of *change*. This discourse of *change* was a strong indication of a break with the disappointments of the past (see Gude’s [2001, p. 3]) references to Fraser ahead) and was used to maintain support and to rhetorically signal to the party that this government was different. In this chapter we will be looking at the critical discursive phase, *consolidation*. This phase covers the period post the need for “yelling” crisis (Carney 1993, p. 1) which in this context covers the latter half of the first term up until the 1999 election when a third term of government was sort by Kennett.

This is the critical discursive phase where the greatest opportunity to build a social coalition around the neo-liberal regime of accumulation was at its most likely. The crisis appeared to be averted and the consolidating phase of privatisation was about to begin. Kennett’s *Addresses* focussed on the future, envisioning a 21<sup>st</sup> century Government (lead by him) that was still embracing change and ‘discharging its responsibilities’ (Kennett 1996, p. 24). However there was sufficient reflexive awareness by Kennett to introduce *a rhetoric of acknowledgement* to the citizens, particularly those in regional Victoria, that they had endured straightened times. It appears from the discursive assessments of the interviewees who contributed to this thesis that action did not follow the rhetoric. Furthermore there was a new set of critical discourse moments to challenge a positive regulatory response from the community, arising out of the Kennett-style of governance.

In this phase they coalesced around notions of democracy and transparency. This chapter presents discursive data from a range of institutional networks to capture community response to the consolidation phase.

These institutional networks that were drawn upon to measure the extent to which the Kennett Government helped to facilitate the establishment of a mode of social regulation in Victoria in response to its *revolution* were primarily from the business, politics, community and union sectors. These were judged to be the key groups within the political economy that would have had an influence over a significant constituency and had the ability to create norms of practice aligned to the changes brought in by the Kennett Government; or put another way, been in a position to compromise or bring pressure to bear to force compromise as influential constituents in the order of discourse around the neo-liberalisation of the Victorian political economy. In this chapter we will see, from the information gathered from these key constituents who would make up a potential mode of social regulation, how badly this process was handled and the emerging problem that Kennett was posing for his own revolution. As Liberal Party backbencher and “conscience”<sup>85</sup> of the party through the Kennett years, Victor Perton (2001) observed:

My recollection of my overwhelming feeling all the way through was the authoritarian nature of the Kennett personality, and the fact that people acquiesced to him without strong debate was, to my mind, uncharacteristic of the Liberal Party that I joined in the '70s...I think he used to just laugh at the acquiescence of the party (p. 1).

As a corollary of this the need for an agency perspective becomes clearer as well.

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<sup>85</sup> Kennett...once in a speech [in parliament]...looked across at John Brumby [Leader of the Labor Party Opposition at the time] and said I get more opposition from Victor Perton than I do from you and he in fact used to sometimes quite publicly within the party say ‘oh well Victor Perton is my conscience’ (Perton 2001, p. 5).

However, it should be noted that Goodwin & Painter (1997) stress that, within the nation state<sup>86</sup>, the consolidation process towards a new mode of social regulation need not be uniform. The regulationist project has developed around the need for an explanation of the 'spatially and temporally uneven reproduction of capitalism' (Goodwin & Painter 1997, p. 18). The mode of social regulation may also be spatially and temporally specific, reflecting the particular pattern of cultural and political institutions which coalesce in a mutually reinforcing way under a specific government. It is important to note that while overarching institutions, such as sub-national governments, are influential in the spread of these arrangements:

...[because]...regulation is tendential, not achieved or established. There are tendencies towards effective regulation that are partly, but not entirely, the products of strategic action undertaken by individuals and institutions. Counter-tendencies operate to disrupt the reproduction of the capitalist order. The regulatory process is the product of the interaction of these forces (Goodwin & Painter 1997, p. 18).

This is an important caveat on the resolution because as discussed above the regions of Victoria should have had a role in this process and as will be discussed in Chapter 5 (Collapse), appear to have been denied this and as such had been a brake on the unqualified reception of the Kennett Government's entrepreneurial and occasionally bullying approach to the neo-liberalisation process.

It is also clear from the evidence produced in the interviews for this chapter that Painter & Goodwin's (1997) observations and qualifications about disruptive counter tendencies emerging in the attempted bedding down process are apposite in this case. It is also apparent from the invisibility of the regional state in Kennett's discourse that further seeds of potential disruption were being sown.

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<sup>86</sup> In this case read regional state.

Despite Goodwin & Painter's (1997) relatively benign observation that modes of social regulation may be temporally and spatially specific, regional Victoria's invisibility and metaphoric dismissal by Kennett as the 'toenails' of the state (Colebatch 1999b, p. 13) contained many key critical discourse moments that contributed to their resistance to neo-liberalism.

From a semiotic perspective the social order is constituted by orders of discourse where various genres and discourses are networked together and are then socially structured on the basis of their differences, with a critical discourse moment emerging (or in the case of crisis, erupting) as the hegemonically dominant discursive theme. In the previous chapter we saw how the social structuring, based on the semiotic, particularly discursive attempts to create a climate of crisis, by the Kennett Government, were broadly successful becoming the key critical discourse moment around which the Government prosecuted its case for *change*. The resistant discourses to the crisis rhetoric appeared to fail to dominate the social order and it could be reasonably argued that the notion of a crisis-driven government with a "no alternative" agenda became the hegemonic victor; and the push for change through a neo-liberalisation of those parts of the Victorian economy controlled by the government was grudgingly accepted. So it is reasonable to assume that by the end of the Kennett Government's first term they were able to sustain the relations of domination through the Thatcherian-inspired discourse of a crisis of no alternatives (Klein 2007) and the corollary need for inevitable and expedient action (Fairclough 2001, pp. 234 – 236) was demurred to.

However in this thesis the purpose of the application of the analytical framework is to also look to identify more subtle layers to these social practices seeking a stable social order. The social order from a Regulation Theory point-of-view is expressed in the coalescence of the two arms of the theory (the regime of accumulation and the mode of social regulation) meeting in a mutually constitutive union.

In this chapter indicative evidence will be presented in an attempt to determine the extent to which the competing and resistant orders of discourse, while not being dominant were able to coalesce around a form of discursive rallying point to disrupt a neo-liberal post-Fordist capitalism embedding in Victoria.

## **State Forms, Social Norms, Political Practices and Institutional Networks**

### **The Unions**

It is generally the case that the relationship between the Union movement and right wing/conservative governments is a troubled one. The Thatcher neo-liberalisation of the British economy featured a number of major confrontations with the Union movement. These were key struggles over the Fordist/post-Fordist divide. The Unions were fighting to stop mine closures and the neo-liberalisation of the National Coal Board. They were eventually defeated and the Thatcher Government went on to begin the consolidation of neo-liberalism through rationalisation in the coal industry (Margaret Thatcher Foundation nd). Unionists correctly feared that the prospect of privatisation meant their slow decline in terms of members and influence. Ironically the strike was not supported by British Labour which itself was starting to see what was thought to be the inevitability to neo-liberalise, ultimately culminating in Tony Blair's Third Way, an attempt to achieve a compromise between free-market capitalism and democratic socialism. In Victoria one of the images redolent of the failure of the Cain/Kirner Labor governments was of stationary trams blocking Melbourne streets for kilometres as the result of strike by tramways workers in relation to a change in ticketing practices that ultimately saw the removal of conductors from trams, replaced by various forms of mechanical and electronic ticketing systems that could be purchased without the assistance of a conductor.

In the case of the Kennett Government, and Premier Kennett and Treasurer Stockdale in particular (as cited in the previous chapter), a discourse of confrontation and ridicule was directed towards those who represented collectivist positions. So not only the Unions but also small employer groups who wanted to use the Fordist methodology of dealing with workers and Victorian Council of Social Services (see Carolan (1999) footnote p. 64) were subject to abusive tirades in order to cut across their reception in the new social ordering of neo-liberal Victoria.

While Kennett and Stockdale tended to critical rhetoric to traduce the Unions in particular, and critical groups in general, social ordering of another type was being executed within the government. A fundamental plank in the neo-liberal discourse is the right of the self-determining individual to engage in the political economy relatively unfettered by interference from government and government regulation, particularly as a result of bureaucratically inspired “interference”. This basic tenet of neo-liberalism requires that those collectivist groups within society who have some hegemonic influence must be dealt with in a way that dilutes that influence and any discursive purchase they may seek to gain in the struggle over the new social ordering that has emerged from the Kennett revolution. The tendential nature of the shift to neo-liberalism meant that there remained institutions within the political economy that were prepared to identify and give a voice to the Keynesian welfare state/Fordist-type advocacy groups in the social order because they represented significant citizen interests. These institutions in Kennett’s Victoria were the churches (and their associated charitable and social justice arms), the Unions and *The Age* newspaper.

### **Trades’ Hall**

The second month after the Kennett Government had been elected to office saw 100,000 protesters fill the streets of Melbourne’s CBD ‘in the biggest public demonstration since the Vietnam War’ (Parkinson 2000, p. 137). This protest organised by the State Trades and Labour Council, the peak Union body in Victoria, attracted a broad cross section of the community to support its



resistance to the sweeping changes the Kennett Government was introducing. As Leonie Kelly (2001) from the Nurses Federation again explains:

the changes were so wide spread I think...because the changes weren't concentrated in one area, they seemed, they were, so broad they covered transport, health and education for example and other areas of industrial relations, which affected, you know, most employees at that time. Because the changes were so wide spread I believe that they were probably ultimately met with less opposition because if the changes were occurring individually and in isolation to a particular industry or group, then they would be more likely to have the support of other groups not directly impacted. But because there were so many groups affected in a short space of time, perhaps not, not at exactly at the same time, but sort of, they were, you know, one after the other, and I think it's difficult to deal effectively with a change to that extent. *I think the amount of change made it easier to introduce the change* (2001, p. 5 emphasis added).

John Halfpenny was the Secretary of the Victorian Trades and Labour Council for the first three years of the Kennett Government and was the person responsible for organising the protest. In an interview for this thesis Halfpenny (2001) explains how the protest came about:

Halfpenny: ...after the election then, I went to Kennett and we had a one-on-one just a couple of days after he took office.

Interviewer: At whose request?

Halfpenny: At my request.

Interviewer: Right.

Halfpenny: And I said to him look, you know we fought you in the election campaign but you won...my concern is that the Union movement is an important part of the community and that in the interest of our members we should have a relationship with the government of the day and we are prepared to work with you on those issues of common interest, common concern. And his response was oh ok thanks very much but *we're going to do what we want anyway*. And so on that basis we had a couple of other meetings with the executive of the council and Kennett but they were quite fruitless and so we made a decision that went into I suppose conflict mode, which led to the first demonstrations (p. 2 emphasis added).

As a result, but remembering Mayne's earlier observation about Kennett's attitude to the Unions Halfpenny (2001) explained that:

...after the first, I suppose six or eight weeks of the Kennett Government I actually had no contact at all with him [Kennett] and the organisation had none and we had spasmodic contact with Ministers on specific issues. But the whole relationship collapsed which was quite different, not only from the relationship with the Cain/Kirner government, but also with the Hamer government. My time goes back to Bolte, to Hamer, to Thompson and with each of those at least we had a relationship and in particular we had a reasonably, sort of friendly relationship with the Hamer government (p. 1).

This apparent repudiation by the Kennett Government of Trades Hall limited the Kennett Government's potential to bring the Union movement into a mode of social regulation and in fact created a network of resistance that was likely to promote counter tendencies to the settlement of the regime of accumulation the Kennett Government obviously favoured.

Halfpenny, like Gude (see below), was keenly aware of building a discursive and semiotic framework in support of his relative position to either force the government into negotiations about the changes or begin a popular movement to topple the Government. Part of that semiotic presentation from Halfpenny's point-of-view was the appearance of 100,000 people in the streets of Melbourne. The newspaper and television images of people as far as the eye could see, filling the CBD was a powerful example of networked social practice. Halfpenny consciously went about building a coalition in the spirit of "counter tendencies" mentioned above by Goodwin & Painter (1997). He approached the new regime of rejection and dismissal with a particular determination:

The decision [came about because] if you like, [because there was no] formal or even informal contact with the government. We used to make, tried to make some representations but we got to the stage where it was quite obvious that Kennett wasn't going to listen to us and that, you know, we came to the view, that to continue with the dialogue without some sort of credibility from the government creates the view in the minds of our members that maybe there was some chance of doing something by discussing with them and that we were only left with, you know, a combination of industrial actions, sort of political actions and public demonstrations (sic). The Opposition was not in any position to offer any assistance at all and so really the Union movement was, in our view, the only bit of infrastructure in our society that was capable of doing something and perhaps not only doing something on its own behalf but rallying *other forces* behind us and so we made a very deliberate decision that we would try to, you know, promote, develop *community opposition* rather just Trade Union opposition and that the issues that we would focus on were more than just the Trade Union issues, although preservation of awards and entitlements was something which was critical to us but we also, you know, and all of our rallies involved giving *representatives of different sections of the community* the opportunity to identify with the campaign and the speakers were representing a *broader section of the community* than just Trade Unions, so that was the [context for so many people turning up] (Halfpenny 2001, p. 3).

Here Halfpenny is describing the disruptive response to the Kennett style of political negotiation based on his (previously discussed Mayne [1999]) attitude towards Unions. Halfpenny has identified the importance of forming a broad coalition to pressure Kennett into a dialectical negotiation over the settlement of his neo-liberal revolution. Halfpenny understood the negative consequences for public support and coalition building if Trades' Hall relied on the usual industrial practice of acting only in the interests of its members. Here were the makings of a robust ensemble that could engage effectively in a compromise discourse and assist in building support for a dialectically negotiated outcome with the possibility of establishing a new mode of social regulation but the agentic desires of Kennett to dominate the revolution and his political prejudices appear to have prevented this negotiation from happening.

If we had have just embarked on a pure and simple industrial campaign well then we would have not gathered in a lot of support from the community, it would have just reinforced their views about the Unions. I think probably the Union movement alone would not have been able to sustain a direct industrial campaign for sufficient time to actually topple the government, I mean that's basically what the first protest was. My view was that that wasn't available to us (Halfpenny 2001, p. 3 emphasis added).

Kennett's political instinct was to go out to speak to the protesters. His political advice was to not bother (Parkinson 2000, p. 137), curtailing the potential to challenge the semiotic triumph of a proportionately large constituent population of a putative mode of social regulation. However, given Kennett's track record in dealing with those who challenge his authority or dissent from his or his government's approach to governance<sup>87</sup>, discursive or rhetorical appeasement or negotiation was unlikely.

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<sup>87</sup> In March 1999, in what turned out to be the Kennett Government's second and final term in office, the Premier Mr. Kennett was invited to address the Victorian Council of Social Service conference, *The State We Are In*. This conference was assessing the state of social policy in Victoria in the light of the revolutionary changes that had occurred in the political economy over the previous years. 'At the conference, [Premier] Kennett had just spoken about the social issues he felt needed addressing: rural issues, drug addiction and depression. In question time, Mary Crooks reported some of the preliminary findings of a research study, called the *Purple Sage Project*, involving about 5000 Victorians. Crooks told the Premier the research revealed dismay about unemployment, job insecurity, a lack of commitment to public education, the curtailing of social services and a corrosion of the democratic culture. Instead of grappling with

Despite the relative success of the protest Halfpenny was disappointed that the Kennett Government's discourse and as such approach, was not altered by this broad, representative social action:

Oh, I suppose in a certain sense I was disappointed because I thought that under normal circumstances that sort of gathering, that sort of protest would have caused a government to rethink but on the other hand it brought it home fairly firmly, you know, to all of us that this was a different sort of government than we'd ever dealt with before. It was, you know, it wasn't the Hamer government, it wasn't Thompson, it wasn't even a Bolte government. It was much, it was going to be much worse than that. But when we had the next demonstration, which was understandably, I suppose, a bit smaller, we got eighty or ninety thousand and I thought perhaps that might have had some impact because they could write off one event as a one day wonder (2001, p. 4).

Ultimately the relationship fell into an antagonistic one where Halfpenny conceded that

we sort of terrorised them a bit which was, I mean our people were being terrorised by the government so it was a sort of counter terrorism...but I think [their response was because] their industrial reform program wasn't as successful as they'd wanted it to be (2001, pp. 4 – 5).

So to some extent the social ordering went back to a traditional conservative government/Union status quo where the discourses were lined up against each other and the battle for the emergent social order was either going to be a winner takes all outcome or a stalemate, but the certainty was that a mode of social regulation with the relatively important input from the Union movement was not going to coalesce around the Kennett-fostered neo-liberal regime of accumulation.

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the issues raised, the Premier attacked Crooks personally' (Carolan 1999, p. 15). This was despite corroborating research from Victorian Council of Social Services which showed that 'the brunt of increases of taxes and charges have fallen on those at the bottom end of the income distribution...[and that t]hese household's living costs have significantly increased, while those at the top end have benefited from real declines' (Hayward 1999, p. 15).

Mary Blewett, President of the Australian Education Union Victorian Branch, saw the role of the Unions in light of this breakdown as needing to take on the role of social advocacy in order to build a counter (tendencies) mode of social regulation (see Goodwin & Painter 1997):

the Union changed too; in terms of the way we operated we adopted a process; “if we couldn’t engage government we’d engage the Victorian community”. As such we campaigned accordingly and became a public voice for the issues that really...we engaged the areas of concern of the community, we gave voice to that and then we shifted the community in terms of their expectations (Blewett 2001, p. 5).

Halfpenny retired in 1996 and the role was taken over by Leigh Hubbard, a younger, university educated, “next generation” Unionist who’s discursive appeal was much broader. He spoke a more inclusive language and identified the inevitability and thorough-going nature of the neo-liberalisation of the political economy. In Hubbard’s interview for this thesis he reflected upon the change that was starting to be felt even in the type of delegate that the Union movement was attracting.

There was generational change beginning to emerge in the people that were coming through Trades Hall. Since the 1990s some of these delegates had known nothing else other than the neo-liberal approach to organising the world. Hawke and Keating began it and so this mindset permeated not only the Union movement but became entrenched in the bureaucracy. It was also aided by the Kennett Government in their first term when there was an absolute root and branch clearing out of agencies or boards of anybody who had any Labor sympathies whatsoever and an absolute cutting off at the socks of any relationship with the Trade Union movement unless the government saw it in its strategic interest to try and divide or get other agreements (2001, pp. 2 – 3).

Gude (2001), in his interview, echoed Hubbard’s assessment of the nature of the change that was occurring: ‘the things that we were putting through were generational change[s] and could not be undone unless we were of the mind to undo them’ (p. 5).

Hubbard was a Union leader who was well aware of the shift in political economic ideologies and was beginning to have to manage that change within his own organisation. Hubbard identified this ‘massive shift to the right [which he argued] may take 30 years to swing back’ (2001, p. 1). While his sympathies were not aligned with the ideology of market forces he understood it in an historical context: ‘Bolte would have turned in his grave...you didn’t build by de-regulating, you built by central government role’ (2001, p.2). This view coincided with John Cain’s view given in his interview for this thesis: ‘Henry Bolte, he’d be outraged to know that the initiatives that he [Bolte] took with gas and electricity and the Latrobe Valley were just cast aside by this fool [Kennett]’ (2001, p. 2).

Hubbard had a pragmatic view in relation to dealing with those both within and outside the Union movement and stood ready to negotiate a compromise with the Kennett Government but was ‘denied access at every turn’ (2001, p. 4). Here was an opportunity to build a mutual discourse of co-operation with a dialectical opponent who understood the new “ground rules”. Hubbard offered the disposition of “informed” compromise to further the goals of neo-liberalisation and the establishment of a viable plank in the putative mode of social regulation, from the Kennett Government’s point-of-view, that was denied simply on the basis of expedience to market ideology and an entrenched ‘hatred’ (Batt 2001, p. 1 and Mayne 1999) of Unions. As Gillies (2001) argues:

...even more than just punitive. He seemed to want to get even with the Unions for what they’d done in the past. It was not just what they were getting away with in his view. But they were punitive to the point where he seemed to want to teach Unions a lesson for having been so bloody brash and outspoken and so on in the past (p. 4).

## **Education and Teachers**

Phil Gude (2001) who was Deputy Leader of the Liberal Party under Kennett until 1999, in an interview for this thesis, offered some insights into the alternative approach to disarming the potential for positive, regime-building

discursive engagement with the Union movement. It appears that the Union movement was not to be given any discursive oxygen that may present it as a potential partner in any of the processes of neo-liberalising Victoria. The crudest methodology that was applied was to “gag” teachers from making *any* comment in the media in relation to changes that the government introduced. It appears that even the *possibility* of building a hegemonic groundswell against the government’s changes was not to be allowed. This was not simply a threat but inserted into their agreements with the government. This form of political censorship meant that any discursive engagement in the public domain had to be presented by third parties who had to overcome accusations of not being fully informed or understanding what was happening in schools because they were not employed by the education department in those schools. This rendered the struggle for social re-ordering weighted towards a government view and left primary advocacy for the teachers to an increasingly marginalised Union representation or to those willing to risk being sacked. This meant that the government’s discursive practice of challenging the spokesperson’s authenticity because they were not “in schools” was much more effective and curtailed the chance for a corroborating discourse to be produced for public domain discussion. Mary Blewett (2001) saw the gag as effectively stifling a critique of government policy. She represented the position in this way in an interview conducted for this thesis:



[it was an] absolute gag that was offensive on two levels. One was the basic democratic right, I'd have to say though that members felt it most, they felt that it removed...they saw it as part of their professional responsibility not just a political right to talk, speak out about the education issues (sic). I mean from '93 they'd, well at the end of '92, they [the Kennett Government] closed fifty schools straight off, you know, within a month and a half of getting in. That school closure process continued and you also had a twenty percent reduction in staffing levels which pushed class sizes up, cut programs, workload went through the roof and they were very important professional quality of education issues. The gag worked on many, although we had principals and teachers who defied it and...while they often were *visited* by regional personnel they didn't move to sack anybody for speaking out publicly (p. 4 interviewee's emphasis).

The broad thrust then of the Kennett approach to neo-liberalising the unionised sector of the public service in relation to the teachers was not only based on an attempt to silence them but to subvert the normal industrial and democratic processes. In the interview Gude (2001) outlined his broad strategy which was built on the hegemonically constructed necessity of change continuing the discursive theme that Kennett introduced under the Trojan horse of crisis. Change was a strong order of discourse in the Kennett era, vying with crisis to be the first order. Gude explained:

you had a public that was ready for change in a way, or prepared for change you might almost say, in a way *that had, has never occurred before I suspect in the history of the State*, certainly not in modern times...in terms of education the thing that I was probably driving harder than anything else was to *change the culture* within the education department to actually be prepared to accept measures and outcomes (2001, p. 4 emphasis added).

This hegemonic positioning by Gude (2001) had two prongs. Firstly, the notion that it is reasonable for teachers and students to be measured and that the outcomes of those measurements should be published under the guise of a taxpayer's and parent's "right to know" was a more sustainable discourse, which was likely to become part of the social re-ordering in the emerging era of user pays competitiveness.

And secondly was a result of what many modern Liberals saw as the lost opportunity that the Fraser Government<sup>88</sup> represented. The loss can be reflected upon in a neo-liberalising context as Gude (2001) explained:

...in Fraser's time he had a very clear community mandate to deal with matters of industrial relations and failed to do so. He took the *soft option*, stayed within the field, the playing field, didn't go outside of it, didn't look at contracts, didn't look at all of the measures, just kept with the *old industrial relations system* that was really built on antagonism rather than built on outcome which is what the *contract systems* were about. And so, you know, we really moved hard on that, but we had to *break the control*, perceived control and actual control that I believe the Unions enjoyed, in the public area. And whether you looked at the Latrobe Valley, whether you looked at transport, the health system, education, all of those areas held the Cain Government over the barrel at different times successfully and then if you went and looked at the outcomes you could see *the State was going bankrupt because of that* and they weren't delivering productivity improvements, it was just grinding the place backwards:...Over manning without, you know, any thought of alternate processes that would deliver a better product and service to the community. It wasn't even given any serious thought let alone, well I suspect sometimes it wasn't even given *any thought, let alone serious thought*, and that was, I think, very concerning to us (p. 3 emphasis added).

As Gude (2001) reveals here there was a pent up sense of frustration and urgency in the Liberal Party, extending back to the Fraser years (1975 – 1983), to introduce this tougher, market-based regime into the industrial relations system. This may go some way to explaining the resistance to consultation and the attempt to “gag” teachers from engaging in a competing discourse.

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<sup>88</sup> Malcolm Fraser led a federal Liberal government from 1975 – 1983.

Nonetheless Gude (2001) here characterises this historically-based urgency not as ideological “catch up” but picks up on Kennett’s *critical discourse moment language* and posits it as *culture change*.

So it was a need to change that culture both with the Public Sector Union, the Trades’ Hall Council. *I mean we made a conscious decision to effectively ostracise them and just lock them out of the process, we dealt direct with our own employees.* For example, as Education Minister I gave them all a pay rise, they couldn’t believe it, they didn’t have to ask, it was there and *maybe it was a bit clever*, because I’m not completely stupid, but on the other hand it was also fair, it was the proper thing to do and so why hold it back...And when we delivered laptop computers to all the teachers, without a claim for it they couldn’t understand it...Yes it had a good industrial effect, it had a good boost to morale in the general sense, but it helped kid’s education and that was what, and that was really what the motivation was. So they are examples, if you like, of the sort of things we were trying to achieve (2001, pp. 2 – 3 emphasis added).

In this interestingly reflexive telling of the experience of a Ministerial insider we see the long history of frustration that elements within the Liberal Party had with those Liberals who were still committed to the Fordist institutions of a collectivist style of industrial relations. This sort of Deakinite caution that Fraser stood for was seen as a brake on the economically/industrially “progressive” elements in the Liberal Party. As Gillies (2001, p. 4) also notes above (in the introduction) these Fraserian Liberal Party values were rejected by the Kennett Liberals:

I think Kennett aligned himself very quickly with the new money, with the “smart” 21st century Liberal view; and so he tended to pick up bits and pieces of market philosophy and apply them very rigorously and in many cases very opportunistically (2001, p. 4).

But Gillies sees Kennett's view of the Unions as something that ran deeper in him:

I think right from the word go Kennett has been a person who has had strong views about Unions. Strong negative views about Unions and seemed to do things without great purpose. Some of them backfired on him. The attempt to introduce the workplace agreements, for example, was a major failure initially because he did it with such rapidity and such venom that people just jacked up and it was only by using mechanisms such as "you won't get a promotion unless you sign an agreement" that allowed them even to begin introducing that into schools (2001, p. 4).

The explanation of frustration built up since Fraser, to some extent, explains the extreme discourse of blame and retribution focussed on the Union movement by these elements in the party who were in the ascension. This can be most clearly seen particularly when Gude (2001) presents a taken-for-granted discursive position in relation to the cause of the crisis the Kennett Government confronted. The Unions were to blame for the financial crisis and if a system of individual contracts had been implemented at the time then there would not have been a crisis. This appears to be the unsustainable implication of Gude's (2001) argument. This hegemonic message was being sent out firmly to the electoral community of Victoria and was an effective discursive justification for a social ordering that in fact would not stand the reality test. While there were a number of strikes and confrontations between militant and not so militant Unions and the Cain/Kirner Governments, there were many other significant factors contributing to the so called crisis (Coatman 2001; Hayward 1999 and Moore 2001): a deep recession, a cutback in Commonwealth grants to the states and a promise by Premier Cain not to increase taxes followed by a time when government outlays began to increase.

Given the rhetorical position that Gude (2001) and the Government were taking in relation to the Unions, given that this discourse was a comfortably familiar one with right wing-inspired governments and that the Victorian public had been subject to the inconvenience of these actions, the networked social practice was not particularly difficult to translate into a social order of potential resistance to the Union message albeit the 190,000 people in the streets in two anti-government protests (see Halfpenny (2001) above). This recent history referred to above created the discursive space for the government to make '*a conscious decision to effectively ostracise them and just lock them out of the process, [and] deal...direct[ly] with our own employees*' Gude (2001, p. 2). This obviously made negotiations with the teacher Unions impossible and removed another institution from the possibility of participating in the construction of a new mode of social regulation for Victoria.

In the interview Gude (2001) notes, with some reflexivity ('*maybe it was a bit clever*' [p. 3]) that the granting of an unsought pay rise to the teachers, while demonstrating a hitherto unheard of industrial generosity that was discursively positioned as a positively anti-bureaucratic sentiment, its goal was to bring the teachers around to a more positive and direct relationship with the Minister. The intent of this was to disarm the teaching workforce and render them more amenable to the negotiations towards setting up a regime of individual contracts.

In terms of building a view in the community of cutting edge electronic modernity, as an essential social practice that would be identified with the Kennett Government, the distribution of free laptops (Gude 2001, pp. 2 – 3) to all teachers constituted a positive message to the community that had the potential to render resistance by the teachers to a change in employment relations potentially churlish. The effect of positioning the government as "modern" in its approach to teachers and education allowed the government to position individual contracts in the same discursive space, giving the Minister the possibility of a major hegemonic victory in his desire to de-unionise the teachers.

Gillies (2001) identifies the essentially Fordist compromise and the essential hurdle to a new compromise in Kennett's Victoria thusly:

the Trade Union movement had gone from conflict, (*class conflict*) had sort of gone, and they were in a situation where it was *the great trilogy, the employer, government and Unions* that would solve the problems of the world and not everyone subscribed to that. And all of a sudden there was a person in government who not only didn't subscribe to it, but *loathed* it (p. 5 interviewee's emphasis).

## The Politicians

The political climate from a Liberal Party point-of-view after the victory that took the Kennett Government into a second term was triumphant. This appeared to be a ringing endorsement for the crisis rhetoric and the presentation of a "no alternatives" scenario as far as policy responses to the crisis were concerned. It seemed that the Kennett common sense view on social ordering had been adopted and a major hegemonic victory had been won. There was no political reason to think otherwise. However the need for such extensive and precipitate change was still being contested and reviewed both outside *and inside* the party.

The most unusual manifestation of this was the nature and content of Kennett's *Fourth Anniversary Address to the State Council: One Victoria, The Next Four Years* (which will be looked at in detail further on in this chapter). This was not a triumphal address and while not eschewing the change agenda it was a post hoc rationalisation of it, with an implicit message that the next phase would not be as dramatic (Kennett 1996). In Kennett's second term, particularly in the light of his conciliatory rhetoric in the *Fourth Anniversary Address*, there appears to be the *possibility* to build a dialectic towards a supportive mode of social regulation if the players (discussed in the previous chapter and above) who have entered into the order of discourse in regard to the first term changes are invited into negotiation. Particularly given the tacit acknowledgement, in the *Fourth Anniversary Address*, of the need for some form of accommodation of those who had suffered disproportionately through the *Crisis phase*.

This acknowledgement was particularly focussed on regional Victoria (Kennett 1996). This was not the reality. The second term saw the massive privatisation programme, begun in 1992 with the State-owned Enterprise Act (1992), go into full swing.

However, given the government's hegemonic dominance in relation to the need for change as a result of the crisis and its vehement prosecution of the crisis, compromise in order to accommodate those groups, and practices that would follow a compromise, seemed unlikely. The government also appeared to feel that it had been particularly successful in bringing the community around to its point-of-view in relation to change. Deputy Liberal leader Phil Gude (2001) identified the type of change and the continuity of the theme: '...it was about changing *culture* and changing *attitude*, and you know I think we were, in the first term particularly, *extraordinarily* successful in achieving that' (p. 2 emphasis added). Despite Gude's (2001) soaring rhetoric he does have some reservations about the integrity of the process, that he reveals later in the interview: 'I think that's part of the change that's taken place, it's gotta be about fairness and it's gotta be, you gotta be fair dinkum and sometimes I suspect both sides haven't been' (p. 4). The reference reveals the somewhat ideological nature of the discursive approach to instituting the *revolution*. Gude (2001) gave this interview two years after the surprise loss of the Kennett Government and, to some extent acknowledges Kennett's apparent disregard for the electorate in general, and Unions in particular in bringing about change at a rate that disregarded people's need to absorb what was occurring.

Gude (2001) clearly identifies this as the case but also explains how it came about from the Liberal Party's point-of-view:

... we, I think, were accused of not having, not spending time to consult, particularly in that first term. But I think what some people forget is that, and I go back to what I said at the beginning, we lost an election we shouldn't have in '88 and we had four years to consult and we did, and that's when it was done. But then when the change took place that was done with blistering speed, the parliament sat day and night and wrecked the health of a few of us in the process but things were pushed through very, very fast; so again I think that was different (pp. 4 – 5).

Here Gude (2001) is exploring the expedience of frustration and expectation based on that which the Liberal Party went through trying to gain power in the last years of the Cain/Kirner period of governance. This reflection gives an insight into the depth of commitment to their agenda and the relative<sup>89</sup> chimera that the crisis was in relation to the Kennett Government's agenda. Ultimately Gude (2001) conceded that, 'it's fair to say that there was less time spent by many in the consultative process' (p. 7).

Possibly Gude (2001) was being reflexively disingenuous in the above comments or was aware that consultation was restricted to an elite, sympathetic group. Gude (2001, pp. 8 - 9) himself had set up a consultative group which was the spur for Kennett to do the same. The problem from the point-of-view of setting up a viable mode of social regulation was that there needed to be much wider community and institutional representation than those with which Kennett engaged.

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<sup>89</sup> While there may have been some indicative figures in relation to the fiscal state the Cain/Kirner Governments were in, they would not have been sufficient to 'yell crisis' (Carney 1993, p. 1) that early.



While it could be argued that Gude as Minister for Industry and Employment would reasonably require a business advisory group, Kennett on the other hand, as Premier and chief government salesman<sup>90</sup> for the *revolution*, would have been expected to consult much more broadly. Kennett had set up a business round table along with a “Black Cabinet” (Gude 2001, p. 8) which was constituted by *his* Department Heads who he met pre-emptively prior to every Cabinet meeting.

Gude (2001) takes credit for Kennett’s business consultative group pointing out that:

after I’d set up a business advisory group, I think he [Kennett] saw an advantage in doing that and he set up a business group himself...*the round table*...[b]ut, I think the other thing was with those people, many of them had links back out into the community. The fact that they happened to be the Chief Executive Officer of a big corporation didn’t mean that they weren’t actively involved in the arts, for example, or sport, or welfare areas in some cases as well, so that wasn’t lost (pp. 8 – 9 emphasis added).

Nonetheless it seems apparent that the consultative process had to *trickle down* through the business elite and relied on the members of this group “trickling” the information back “up” to Kennett in what appears to be an elitist and arm’s length form of consulting with the community.

However this appears not to be a peculiarity of the Kennett Government, Lindsay Thompson the 40<sup>th</sup> Premier of Victoria from 1981 – 1982, had a similar sort of disdain for consultation with the community which he expressed in an interview conducted for this thesis:

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<sup>90</sup> Kennett was often described in the media as a great salesman as Stephen Mayne notes in relation to his dealings with Channel 7’s proprietor Kerry Stokes: Kennett is known to be close to Stokes, who has called him the “greatest salesman he ever met” after the Premier miraculously made “14 million public servants and 45 million departments” disappear to rush through the tax-effective sale of coal research firm HRL to a syndicate led by Mr Stokes on June 30, 1994 (Mayne 1999, p. 22). Edwards (2001) saw Victoria needing a ‘marketing person to encourage business back’ (p. 9) and he thought that Kennett fitted that role perfectly.

'I think underlying all that you've got to have some firm ideas of your own. You're just driven from pillar to post if you're ringing up people outside and saying what do you think we should do next' (2001, p. 3). While this sort of approach may be described as being politically decisive Victor Perton (2001) saw this as a particularly narrow way of dealing with the broader institutions in the community. Citing education reform as an example Perton (2001) had this to say: '[s]o they wanted to achieve a world's best education system but in the end disregarding the usual discussion methods that take place in education policy. They alienated, you know, the education theory elite' (p. 3). But Perton (2001) also cited a number of more surprising examples of this truncating of the consultative process:

I remember a Managing Director of one of the biggest corporations in the state said to me "well I travel overseas a lot, you know I'd be happy to do some of this work too for nothing I mean voluntarily but Kennett never asks me". So in fact the circle was relatively small and I think that gave a number of our traditional business supporters a sense of disempowerment (p. 8).

Perton (2001) identifies the deliberative nature of Kennett's self-imposed consultative isolation when he reflects upon this disposition of Kennett's even in relation to his own party:

In terms of any organised outside groups (*pauses*) I actually don't think, my impression is that it was very much driven by Kennett and those in his inner circle and my suspicion is that none of the traditional bodies that are influential in the Liberal Party had much power over Kennett. So he didn't have the traditional checks and balances (p. 7).

This relative isolation is confirmed by Matthew Guy (2001) '...I'm sure that Kennett didn't listen to many people at a Liberal Party twenty dollar a head breakfast but he surely would have picked up the phone to one of his *business round table friends*<sup>91</sup> and said what do you think of x, y and z' (p. 11 emphasis added).

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<sup>91</sup> As noted earlier Premier Kennett and those close to him (Ron Walker, Lloyd Williams, Alan Stockdale, Graham Samuel and Anna Cronin) were all approached (by letter and a follow up

## The Bureaucrats

There has been a tradition of discretion in the government bureaucracies in the Westminster system, particularly in relation to giving interviews. That was also the case in the context of this research. A number of former Department Heads were approached and asked if they wished to participate. All but two declined. The two<sup>92</sup> bureaucrats that did agree to participate were both high level advisors to the two most important Ministers in the Kennett Government. Bill Scales was the Secretary of the Department of Premier and Cabinet (1998-2000) and Peter Coatman was an advisor to Alan Stockdale and had a senior role in Treasury<sup>93</sup>.

While the bureaucracy is an integral part of the governance process some may argue because their role is to serve the government of the day then they are not going to be a necessary constituent of a new mode of social regulation. Scales (2007) thought differently. He argued that Kennett specifically and deliberately overlooked the Public Service as a partner in the change process despite its relevance: 'He had to draw on business. He couldn't draw on the public service because *he* didn't believe that they could deliver' (Scales 2007, p. 7 emphasis added).

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phone call) and asked if they would like to be interviewed for this thesis but all either declined or did not respond.

<sup>92</sup> The former head of the Health Department in Victoria, John Patterson, was approached for an interview and agreed to be interviewed but subsequently cancelled and declined to agree to an alternate time; saying that he did not wish to participate.

<sup>93</sup> As such Coatman was able to contribute interview material in relation to the fiscal and budgetary aspects of the Kennett Government but did not offer in material in relation to the mode of social regulation.

Scales (2007) was very clear about Kennett's attitude to building a mode of social regulation on the basis of his reforms: 'Kennett had no view of the social compact. And in the end I think that was the reason he wasn't successful in the 1999 election because he ignored the elements of the social compact'<sup>94</sup> (p. 6). Scales (2007) also identified the Unions, and in particular Trades' Hall as key participant/s in a new mode of social regulation:

The fact that very early on in his period he undermined what the Trades' Hall Council regarded as being an important, iconic, anchor for them which was around Workcover. So it was not dissimilar to what you see currently going on a more Australia wide scale, in regard to WorkChoices. For better or for worse it seems as though Australians in the community see that as an important part of the national compact: that governments will step in and act as a bulwark against injustice as they see it. Whether its there or not doesn't matter. So Hamer understood the social compact in a political context I'm not sure Kennett did. Or if he did understand it he wasn't prepared to give any countenance to it and *he saw efficiency as being more important than the social compact* (p. 6 emphasis added).

Here Scales (2001) clearly identifies two key aspects brought out in this thesis. First, the misreading of the needs of the electorate by rebuffing a key institutional expectation of government response to the citizens in relation to worker protection, and as a corollary, alienating a potential strategic partnership with the Unions that could have aided in stabilising the government's programme and added to its longevity and the reception of the neo-liberal agenda (albeit worker protection was not a high priority on that agenda). Second, the break with the older Liberal Party values that Coatman (2001) characterised as the 'classic sort of old style paternalistic conservatism' (p. 1).

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<sup>94</sup> In the interview for this thesis I had had a preliminary conversation with Scales prior to conducting the formal interview. In that conversation I explained the basic tenets of Regulation Theory (Scales has a degree in economics and was interested to hear about the theory). Scales translated the mode of social regulation into "social compact" so his references to social compact are in fact references to a mode of social regulation.

Coatman (2001) reflected upon the social aspects of the Kennett Government briefly in his interview, suggesting that while there was not a dramatic shift in the intended outcomes of the social negotiations of both eras of Liberal Party Governments there may have been greater mismatch between the means and the ends, resulting in voter alienation, in the Kennett era (p. 2).

Scales (2007) did not see that Kennett was particularly engaged with the idea of building a broad mode of social regulation to support his agenda for change; and in fact considered that Kennett was much more interested in “re-branding” Victoria in his image.

Kennett surprisingly wasn't about power. He was about implementation of a vision. And he saw the vision for him was a stronger Victoria, almost the pre-eminent state in Australia. And whom could he get to do that? He had to draw on business. He could only draw on business [because of his expressed attitude about the public service as noted by Scales above]. And therefore he had to draw on those who had *power, influence and money* (Scales 2001, p. 7 emphasis added).

But where did this leave the broader community and how important was business to Kennett? Scales has more to offer in regard to this aspect of Kennett's engendering of support for his broad project to follow.

## **Business**

Business, it would be fair to assume, would have felt very comfortable with the Kennett discourse on crisis, change and revolution (Kennett 1995). This was a state that was *on the move*<sup>95</sup>, with opportunities and rewards for entrepreneurial flare; but it did not seem that Kennett was the unqualified successful operator, from a business point-of-view, that popular discourse promoted (see Lavelle 2000).

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<sup>95</sup> This was the epithet (mentioned in the *Chapter 4 [Crisis]*) that was put on Victorian number plates that also made its way into Government/Liberal Party advertising material. This affectively put a Liberal Party campaign slogan on the number plate of every new car in Victoria with the standard plates.

While there is no doubt that Kennett did “open the state for business”, business itself was not without criticism of the Kennett disposition; while they liked the message they did not necessarily always like the messenger. David Edwards (2001) from the Victorian Employer’s Chamber of Commerce and Industry contextualises the complexity of this:

...in those early years the Government was clearly Kennett and Stockdale and some senior bureaucrats...(p. 6)...[s]o in the first few months when Kennett was elected the relationships [with the Victorian Employer’s Chamber of Commerce and Industry] were quite different with the Kennett Government than with the Labor Government. Labor Governments are very good at formal relationships with peak organisations, they encourage them, they like them and *they’re good at them. Coalition Governments aren’t* and they do it on a much more *ad hoc basis* and *they pick favourites*...and we were a favourite at the time...we had a very close relationship with...Kennett and Stockdale and to be honest *they were about the only two that mattered* (p. 4 emphasis added)...[but w]hen Kennett’s personality started to take over, by his nature he’s not a particularly consultative person, so he didn’t like bureaucracies, and he [eventually came to see] the Victorian Employer’s Chamber of Commerce and Industry as a bit of a bureaucracy...it wasn’t in his nature to get involved in consultation (pp. 5 – 6 emphasis added).

This ideologically-driven fickleness and the propensity to pick favourites stands as a major impediment to an engagement in the building of a broad and sustaining mode of social regulation.

The confounding circumstance in Kennett’s attempt to bring about change, and then consolidate it with the support of the Victorian community, is that it requires good will and good faith support. It has already been shown that Kennett was prepared to gamble on this by *picking favourites*. It was also compounded by other factors as Scales (2007) observes:

he was able to convince, interestingly, business people who were operating both nationally and internationally that weren't necessarily operating just in Victoria. He was able to convince them that he was a go ahead Premier. Even though many of the decisions didn't actually affect them. So you would get people from the automotive industry who idolised him. Not because any of the decisions made actually affected their business, they were all made nationally. But they perceived him as being a *business leader*, in a sense. You know a version of themselves, somebody who did understand efficiency, understood that you had to push through sometimes, understood that you had to *push people out of the way* to get things done. That was often their perception of him; and it was interesting, you would talk to people who came, for example, from Germany who were running German companies that were operating in Victoria. They say this is a leader, this is somebody we can follow we understand what he's about. They weren't talking about it in political terms (p. 7 emphasis added).

The possibility of the Kennett Government playing an influential role in building a local mode of social regulation on the basis of this overseas admiration when there were apparently ad hoc, identifiably instrumental relationships with your core constituency was obviously going to be limited.

This assessment does not intend to oversimplify the mechanisms required in building a mode of social regulation nor the small business support that was evident, the author also acknowledges the limited research data available in this category, but as Edwards (2001) observes:

...the style was absolutely right in those first couple of years, but then if you want a business, to carry on the analogy, to grow afterward then you look at other types of management styles. *So you try and empower your staff and you get more ownership and you get a much more democratic decision-making process, that wasn't Jeff's style and he continued on with the style that he always had and so that was his difficulty.* But I certainly do believe that the changes made have delivered community benefits and that's something that he'll leave and the State is in a much better position to withstand the problems that we're going through at the moment, so I think that's the sort of things that he'll leave behind. But on the downside there's a lot of people that have had their fingers burnt and I think we'll learn that *you need to bring communities with you when you go through change processes* (p. 11 emphasis added).

Edwards (2001) saw this dismissive approach to consultation extending beyond the business community into a broad hubristic dismissal of resisters (see section on the Auditor-General ahead for example):

...you know, if you asked the average domestic consumer I'm sure ninety per cent would say they've gone backwards and Kennett wouldn't look back and try and manage that situation he had a strong belief in what he did was right and on you go. I think more effort needed to be put into bringing the community along and recognising the transition issues (pp. 10 – 11).

Scales (2007) who knew Kennett from the point-of-view of two very influential positions (Secretary to Premier and Cabinet and Managing Director of Telstra Corporate Relations), largely reflected Edwards' (2001) perspective and argued that:

...[t]here were elements of fairness, there were elements of respect, there were elements of not seeming arrogant...and...there were elements of treating communities equally. [But] he was perceived as arrogant. He was perceived as not necessarily seeing everybody as equal. The business community particularly the Victorian version of the white shoe brigade might have been seen as more important than the workers...*I think the big end of town was nothing more than a means to an end.* I mean he wasn't going to give the power to the Unions to do all of the things that were necessary: he knew he couldn't (p. 6 emphasis added).



Here we see described the “maverick” outsider, the individual who ‘represents risk’ (Kennett quoted in Parkinson 2000, p. 6) who was prepared to build limited pragmatic alliances to see his own vision for the state manifest. Mayne (1999) describes, in his interview for this thesis, Kennett looking through a telescope he kept in his office for surveying the Melbourne skyline and ‘counting the monuments to his Premiership’ (p. 5). Carney (1999c) observed that after his 1996 election victory Kennett began to build ‘[m]onuments to his time in office [which] began to take shape in *Melbourne* : the new museum, Federation Square, the casino, the Exhibition Centre’ (p. 18 emphasis added).

Edwards (2001) was also witness to a competitive mimicry in Kennett:

The Victorian Employer’s Chamber of Commerce and Industry had a (before [Kennett’s] 2050<sup>96</sup> [“vision”] arrived or whatever it was) 2010 strategy and Kennett took away his ministers [when] we [the Victorian Employer’s Chamber of Commerce and Industry] used to run an annual economic summit and Kennett would come along (that was one time when the Government gave us strong support)...annually. Kennett would come along and we would always get half a dozen or ten ministers over the two- or three-day period at the summit and that was run by business, it wasn’t a Government run summit. But one of those was developing a 2010 strategy and I was amused that a couple of ministers told me later that a couple of weeks later he’d taken his ministers for a [retreat] to develop a 2011 strategy...[Kennett] didn’t like the fact that the Victorian Employer’s Chamber of Commerce and Industry was doing this and he wasn’t I think. But he wasn’t a great, he wasn’t a great listener and as I’ve said before consultation wasn’t something that he thought was important (p. 10).

While these are not the encouraging strategies of an inclusive and consultative leader, Kennett nonetheless disproportionately relied upon business as his key external consultative group and, as observed earlier, as the model for his governance-style and Premiership. David Edwards (2001) describes this engagement:

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<sup>96</sup> Kennett (1994) talked of preparing his government for 2050. The decision making that he was undertaking was partly premised on readying Victoria through his policy settings for 2050.

...well Kennett certainly had his business forum or whatever he called it [business round table]. He took that seriously and that included Chief Executive Officers and he'd include business organisations so he would meet with us [the Victorian Employer's Chamber of Commerce and Industry] separately, although some of my board would, might be on that from time to time. But again that was relatively ad hoc because he ran that and the business people came along and it was more a networking thing...that was behind the work that he did in really streamlining the decision making process for investment for business (p. 6).

In this context there was the possibility to begin the process of building some form of attenuated, business-mediated supportive regulatory framework. However there is a caveat on this based on the research data available to this thesis; and that is, as Scales (2007) reports above, it may have been 'a means to an end' (p. 6). The opening up to input to those outside the government may have simply been an instrumental act. As Edwards reports this opening up to outside influence may have been a shortcut to policy outcomes rather than a genuine partnership. Edwards (2001) describes the secondment of one of his staff members to the government:

Because of the work that we'd done in Project Victoria one of my senior managers (Greg John) was transferred to Phil Gude's department to run industrial relations there, so the industrial relations reforms had their origins within the Victorian Employer's Chamber of Commerce and Industry as well, so we had *a massive, a massive input* (p. 5 interviewee's emphasis).

Edwards (2001) continues:

I think that Project Victoria's influence was *very, very strong* but in the early days there was full ownership from Kennett and Stockdale and they took that on. But there were major changes such as those that took place in Local Government, and I don't really know where Kennett stood on those things, that Local Government reform was clearly, was the Project Victoria's Local Government reform (pp. 6 – 7 interviewee's emphasis).

## **The Political Culture**

### **Privatisation: The secret state and the interference with the Auditor-General and the Director of Public Prosecutions**

The Kennett Government was elected to a second term of government in 1996, with an even bigger majority and set off on the task of finalising its dramatic privatisation programme; one that would ultimately yield them \$30 billion (Myer 1999). This was the crowning glory of the neo-liberalisation project, the ultimate expression of steering rather than rowing. Bill Scales (2007) the Secretary of Premier and Cabinet in the second term of the Kennett Government describes the evolution from a governmental approach to infrastructure to a corporatized approach:

The driver there is our understanding of public policy and public administration where we've come to understand that you can control an outcome but not have to own it so that you can do it by regulatory means. That's about the modernity of public administration. It's a bit analogous to your point about the steering not rowing. There was a time during Kennett (sic) where you can achieve outcomes without owning it. At the time of Bolte the only thought would have been that the only way to control was by owning. What of course we've come to understand is in fact it might be the worst way to control. You might have less control by owning because you get caught up in the point you made earlier, there are lots of interest groups who act as impediments to change (p.9).

The most iconic representation of a Fordist, government infrastructure regime was the electricity power generation plants in the brown coal-rich La Trobe Valley of Victoria. The State Electricity Commission of Victoria was established through legislation in 1920 headed by Sir John Monash (himself an iconic figure for Australians built on his heroic leadership of the Australian corps during the First World War and at Gallipoli in particular) as Chairman and Managing Director.

The State Electricity Commission of Victoria was the result of an aggregation of a number of private and municipal power generators into one of the most important government-owned institutions in Victoria's political economic history (Hamer 2001).

To contextualise privatisation in Victoria, which was the next stage of the neo-liberalisation process undertaken by the Kennett Government, it is instructive to investigate further the disposition, perspective and experience that Bill Scales (2007), as the Secretary to the Department of Premier and Cabinet, had and would have been giving to the Premier in relation to the privatisation issue. He describes the circumstance thusly:

In a way the privatisation might be a bit of a blind alley because there's a danger that we might see that for more than it was. I mean there always had been private sector involvement in the economy; it was a mixed economy. The big difference here was that governments took a bigger role than you might have expected. It was very different to the US. And all that was happening here was a catching up with what was happening in the rest of the world [but not the rest of Australia]. So there was a bit of a contest of ideas, I mean it wasn't independent of the debate that was going on in Britain under Thatcher [10 years earlier]. And in a way it wasn't about individuals or even who may hold influence because many of the people who were influential under private arrangements for the delivery of government services as they were under private firms in private markets (sic). So I'm not sure that's the issue here. All I think was happening was that again, if I put it from my perspective as a business person [and] obviously as an economist as well, I put it in the framework of efficiency. I mean there are three elements I bring to this: as a businessman, an economist and as a senior public servant. What I see happening in Victoria was a bit of a mish-mash of a number of those things. Kennett of course, as did Stockdale, was looking towards what happened in England and they could see the fact of the Thatcher revolution was as much about freeing up certain markets that had been dedicated to supply by the public sector and they couldn't see why that couldn't be provided by the private sector. And they [Kennett & Stockdale] could see what was going on there and they could see that they could be more efficient and what would happen, what was currently happening in Victoria (sic) (p. 5).

It is clear from Scales' (2007) comments here that the advice being presented was firmly rooted in the Thatcherist neo-liberalism which required the divestiture of government assets into private hands. It also reveals an expectation that the mixed economy was a temporary roadblock in the way of an inevitable shift towards the US model of universal private provision of infrastructure. It is on this basis then that the public will be looked to for support.

For a mode of social regulation to be the most appropriate fit for a new or emerging regime of accumulation, apart from the economic constituents in the form of the accumulation practice being introduced and supported by the capital accumulators, and supported and regulated by the government, there are a set of socio-cultural norms and values that need to emerge from the social order to meet the regime of accumulation and its supporters and promoters. As such due regard has to be given to those institutions that are a key part of the historical, economic and cultural background against which any compromise will be made. This is what Lauria (1997) describes as the regulatory ensemble of 'social institutions, social relations in civil society, cultural norms and the activities of the state apparatus' (p. 6). The State Electricity Commission of Victoria loomed large in the historical, economic and cultural background of Victoria.

### **The Secret State**

In Fairclough's rendering of Critical Discourse Analysis the semiotically-communicated message gathers together not just the discursive practices of the subjects of analysis but signification and communication through visual and cultural images (2003, p. 24). Semiosis for Fairclough includes all forms of meaning-making – visual images and body language as well as verbal language (2001, p. 234). This, as has been discussed elsewhere in this thesis, deposits in an interconnected network of social practices of diverse sorts including economic, political and cultural (2001, p. 234); and includes other elements such as action and interaction, social relations, persons (with beliefs, attitudes *and* histories), the material world and discourse (2003, p. 25).

As such all practices are practices of production, arenas where social life is produced and include (but not exhaustively) the following elements: social relations, social identities and cultural values (2001, p. 234).

This section, in light of the importance Fairclough (2003 and 2001) places on the semiotic aspects of cultural production as a product of a network of social practices, will investigate the development of the political culture of Victoria under the Kennett Government. In particular the potential for community alienation resulting from the corporate practices (adopted by the government) inherent in the privatisation process and the ideology of business practice when it is inappropriately applied to the political sphere.

Dubbed the *Secret State* (Mottram & McKay 1999) by the Age newspaper, the results of the privatisation processes undertaken by the government saw a corporate practice known as commercial-in-confidence introduced which denied the public access to the details of contracts that the government had entered into on their behalf.

This resistance by the Kennett Government in its attempts to control the flow of information from the government to the electorate produced *a decisive series of critical discourse moments* for Kennett in his second term. Increasingly the government was being seen as attempting to thwart legitimate scrutiny of its engagement with the private sector and as the Premier became more resistant to pressure and questioning the semiotic message was one of belligerent unaccountability (see Jon Faine interview ahead). The production of *these* critical discourse moments was telling for the future of the government not to mention its honest broker status in the negotiation for a new mode of social regulation. Whereas in the first term, Kennett and the Government controlled the critical discourse moments-agenda, built around *crisis* and *change*, because they were able to convince the electorate to rally around the Government in support of their actions; this time the response to the *moments* was much more cynical and the media were less inclined to support the government's radical actions.

This culture of secrecy and apparent protection of corporate interests (or reciprocal corporate/government interests as was suggested in relation to the Crown Casino tendering process<sup>97</sup>) had the potential to alienate the public, not only from the government, but also from the corporate sector more broadly because its practices, when inappropriately introduced into the public sphere, were so inherently anti-democratic. This apparent abuse of the community's right to be informed of *its* governments actions made it appear that the government was acting in the interests of the corporate sector rather than as the community's parliamentary representatives. The corollary proposition for this thesis to analyse is the effect that this has on the building of the mode of social regulation.

The privatisation programme was a non-negotiable necessity as far as the Kennett Government was concerned. This was part of their "no alternatives" strategy. In this case the necessity was the retirement of debt. But as has been demonstrated above, privatisation of government assets was one of the basic tenets of the neo-liberalisation of a Keynesian welfare state/Fordist economy; and one that in some cases brought together both sides of politics. Hamer (2001) reflected on the Fordist approach to government ownership of essential services in his interview for this thesis ruing the loss, and implicitly questioning the inequity, in social justice terms, of this approach to governance:

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<sup>97</sup> These directors (of Hudson Conway and Crown Casino) were closely linked with the Kennett Government and the Premier in particular (Hannan 1997, p. A1). In defence of his friendship with both men Lloyd Williams and Ron Walker) the Premier was quoted as saying; '[a]ny individual within this community with whom I have developed a friendship, will never ever be discarded by me simply because they may or may not be involved in community affairs or working with the government...(Kennett quoted in Brady 1994, p. 3)...[t]hat's the way we do business' (Rintoul 1997, p. 18 emphasis added).

Well the lasting legacy [of the Kennett Government's privatisation programme] is that the government role is much diminished in public infrastructure which I don't think the Labor Party is going to, or can, go back on, and "unprivatise" the electricity or gas or water or transport...I don't see why people should profit out of these sort of essential services...I mean that's my approach. The government responsibility is to provide services as cheaply as possible and that should mean in cost. Now I've got to say that public ownership, if you're not very careful, does involve waste of sorts, over employment in many cases...[gold plating] that sort of thing. And without competition, incentive to be effective and productive is somewhat gone. On the other hand I don't see why people should make a profit out of providing essential supply such as power and transport. So if these fields of public endeavour were really efficiently run, I would much prefer them [in public hands] (p. 10).

In addition Hamer (2001) was not convinced by the fundamentalist neo-liberal appeal to competition, musing rather sceptically '...of course a lot of people were in favour of it *from the business community*...[they] got cheaper power and it was the way to go and competition [policy] was the rage. Competition you know that word *competition*...' (p. 11 interviewee's emphasis). John Cain (2001) supported Hamer's critique of privatisation but in an even more sceptical frame of mind when he argued that:

...I think that all in all there was considerable financial benefit to these operators to do all this of course...the privatisations mean a huge boom industry for the lawyers and the accountants and the bankers and all this sort of stuff. So, there was a bit of self-interest in there as well (p. 2).

Even those in the business community identified the perception and reality that there were winners and losers in the privatisation processes; and that business was a winner and the public were the losers. 'Well there's no question that there's still a strong belief in the community that the community didn't get the benefits of privatisation...the business community *did* get the benefits of it. *It got them and it knows it got them*' (Edwards 2001, p. 10 interviewee's emphasis).



Interestingly though it appears that Kennett did not fully understand the process in which he was engaging. While it appears that the *bottom line* was appreciated and the deal making was taken up with enthusiasm the realities of the process escaped him:

*There's a deal, money to be made. There's resources to be aggregated, there are coalitions to be put together. To be able to take advantage of these potentially very large privatisation programmes that [were] on. Remembering of course that the privatisation was really focussed around electricity. And then gas as it turned out and to some extent transport. But even the transport stuff is a bit misunderstood. For example, Kennett himself didn't understand that this was about franchising not privatising. He thought he was privatising and we had to sit down and explain to him in great detail that this was actually a franchising arrangement. And that the assets were still going to be actually owned by the state; and you were really contracting out, franchising out the assets long term to those operations. So while people have this broad view that everything was privatised, in fact relatively small amounts were privatised. They were aggregated primarily around electricity and then franchising of transport and privatising of gas and that was, for all intents and purposes, it. There was some, clearly, privatising of a small part of the road network as well, but not much (Scales 2007, p. 8 interviewee's emphasis).*

This surprising ignorance, on the Premier's part, of the process gives a potential insight into the reality of the ideological drive behind the programme; one that apparently lacked an underpinning knowledge of the consequences to make a fully informed decision. This gave enormous power to those advising the Premier. As such, Cain's (2001, p. 2) implicit reference to the private sector inappropriately profiting from the sale of public assets and Hamer's (2001, pp. 10 & 11) implicit criticism of the social justice aspects being neglected were more than the reactionary responses of political remnants of a Fordist past. These concerns of Cain (2001) and Hamer (2001) were also taken up in the press. Myer (1999) notes that those who benefited from the privatisation process, to the extent of \$419 million, were private consultants (p. 1).

Myer (1999) further argues that the only reason why Secretary of the Department of Treasury and Finance was forced to disclose the figures was because Westminster parliamentary procedures required that the Secretary appear before the Public Accounts and Estimates Committee of Parliament. Up until that stage the government had refused to publish the consultants fees on the grounds of commercial-in-confidence. These types of obfuscations by the Kennett Government caused the Auditor-General to comment that these refusals amounted to government obstruction of the proper and appropriate scrutiny, on behalf of the parliament, of government business (Myer 1999, p. 1). This criticism did not only come from journalists, Union officials and Labor Party politicians. Criticism was also being directed by Liberal Party backbenchers as well who identified the resistance to transparency as, not only a key critical discourse moment, but also saw it as challenging the fundamental Liberal approach to governance. Victor Perton (2001) made many appeals to Kennett in the party room causing a deal of conflict with Kennett:

Where the conflict became most apparent to me was in areas like freedom of information. Yeah, people like me were saying well you know *a Liberal Government*, a Liberal state government, should be transparent. You know, if we want free market economics, you know, we need free movement of information...commercial-in-confidence seemed to be a way around [that] (pp. 3 – 4 interviewee's emphasis).

Myer's (1999) article went on to cite other breaches of the long established protocols of government/business relations when privatisation consultants Troughton Swire were paid \$24 million without a public tender being called. This was further compounded by the fact that Rebecca Cooper, a Cabinet Minister's daughter, left her job as a senior government adviser to work for this firm (Parkinson 2000, p. 405). In one of the discursively seminal critical discourse moments of the 1999 election campaign, Kennett, when being questioned by an Australian Broadcasting Corporation journalist in an interview for local radio in Melbourne, simply refused to answer any question in reference to this breach of protocol:

Kennett: “You go on, I’ll just sit here and drink my tea”

Faine: “And that’s your only response?”

Kennett: “Well, you’re pathetic. Absolutely pathetic” (3LO Interview 1999 and Parkinson 2000, p. 405).

Here was a demonstration of the arrogance (Scales 2001, p. 5; Hamer 2001, pp. 8 – 9; Cain 2001, p. 9 and Edwards 2001, p. 9) and contempt that Kennett held for accountability. As *dry* admirer John Hyde (2002) observed: ‘He, however, had two character flaws not usually associated with an open mind, arrogance and impetuosity’ (p. 343). This challenged the historical culture that had been built up in Victoria since the time of Alfred Deakin. What it also did was send a message to the potential constituents of a mode of social regulation that the government was not interested in being accountable to the people and the institutions of the state, and that business and cronies were their preferred constituents to protect.

This perception and challenge to the culture was further exacerbated by the semiotically stunning faux pas by the Kennett campaign team to instruct Liberal members of parliament and candidates that they would not be permitted to engage in public debates with their Labor opponents in the major metropolitan media during the 1999 election campaign (Parkinson 2000, pp. 392 – 393). While this may have been an hidden practice in other election campaigns the Kennett Liberal Party felt emboldened enough by its belief in its own hegemonic rhetoric and its hubristic certainty that the electorate was still with them, that they allowed this internal party decision to become widely known. Despite this instruction becoming public knowledge and subject to broad criticism from usually sympathetic media outlets the Liberal Party State Secretary, Dr. Peter Poggioli went to the media to defend it and confirmed that it would stay in place. This, not unreasonably, fed into claims that the Kennett Government was anti-democratic (Parkinson 2000, pp. 393 – 394).

The semiotically-inspired vision of all Liberal politicians and candidates, except for Kennett and a few senior ministers, attempting to engage in media interviews and debates with a Liberal Party banner firmly tied over their mouths appeared to be the cause for another plank to be removed from the structure of a mode of social regulation for Victoria, honestly brokered by the Kennett Government. It was another critical discourse moment that was shaping public perceptions of Kennett, the Government and the Liberal Party.

### **The Auditor-General**

Further problems in relation to the Kennett Government's desire to completely control the flow of information to both Parliament and the electorate came in the government's dealing with the Auditor-General. The Auditor-General was an independent statutory officer of the Victorian Parliament. The position was one that reported to the Parliament, on behalf of the people, not as a private contractor to individual government departments. The Auditor-General was appointed by the Parliament not the government of the day<sup>98</sup>. In a move that was described in the popular press as 'the most audacious decision of Kennett's second term' (Hannan 1999, p. 13) that combined both the neo-liberalisation process and the hubristic arrogance that a number of informants to this thesis have observed (Scales 2001, p. 5; Hamer 2001, pp. 8 – 9; Cain 2001, p. 9; Ellingsen 1999 and Edwards 2001, p. 9), the Premier invoked *national competition policy* to review the Auditor-General's role in the state parliamentary system and to ultimately amend the Audit Act. Kennett's intention was to allow government departments to appoint their own auditors. The Auditor-General's response to Kennett in a meeting at the prospect of 'further diluting independent scrutiny of his [Kennett's] administration' (Hannan 1999, p. 13) was: '*You have got to be kidding*' (Baragwanath quoted in Hannan 1999, p. 13 emphasis added, albeit the emphatic nature of the statement).

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<sup>98</sup> Notwithstanding the fact that a government may have a majority in both houses and appoint whom it likes. Parliamentary protocol expects that these are bipartisan arrangements and once appointed an Auditor-General would see out an appointment without interference from any particular government of the day.

Baragwanath's opinion was that 'independent statutory officers were seen as a political risk' (Hannan 1999, p. 13); ironically turning Kennett's epithet of his own riskiness on its head now that he was in government.

Baragwanath was outraged on behalf of the electorate and in the first week of the 1999 election campaign...

the reluctantly retired Auditor-General gave a barnstorming speech attacking the government over secrecy and lack of accountability. Citing the increasing power of the executive, the reduced capacity of the parliament and the electorate to hold ministers to account, and the implications for the public's right to know because of the increasing use of commercial contracts that invoked protection from that right through the declaration that they were commercial-in-confidence and could not be released. Baragwanath said that these issues went to the heart of democracy. Victorians, he said, should be marching in the streets (Parkinson 2000, p. 390).

This outrage extended beyond the indignation of the aggrieved public servant. Roger Pescott, former Kennett Government Minister and the Liberal member for Mitcham<sup>99</sup> resigned from parliament citing the changes to the Audit Act as motivation. Frankston East Liberal member, Peter McLellan also resigned over the changes (Hannan 1999, p. 13). While Victor Pertin remained in the parliament he was deeply concerned because, as he argued in his interview for this thesis, the damage had spread beyond the confines of the Parliamentary Party: '...there were traditional Liberal supporters who *hated* us for what we'd done to the Auditor-General...[S]o I think the impact you have there were (sic) the alienated traditional liberal vote' (2001, pp. 10 – 11 interviewee's emphasis). Even *dry* commentator John Hyde conceded the inappropriateness of these actions:

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<sup>99</sup> The subsequent by-election was won by the Labor Party and is still held by them.

Kennett was high-handed and therefore picked too many fights, clashing with the Auditor-General, the Director of Public Prosecutions, the Racing Commission and the Equal Opportunity Commissioner. In each case he tried to restructure the relevant offices. It is alleged, probably correctly, that in each case he reduced the independence of senior officers that had been critical of him or his policies. Both the Equal Opportunity Commissioner and the Director of Public Prosecutions resigned (2002, pp. 344 – 345).

This neo-liberal deference to competition as an ideology that should subsume all other aspects of parliamentary process were among the key criticisms (cited above) that former Premiers Sir Rupert Hamer (2001, p. 11) and John Cain (2001, p. 9) had of the Kennett era. There was an emerging awareness that the neo-liberalisation process in Victoria was evolving beyond the government preference for “steering rather than rowing” and was developing towards a synthetic corporation with the values of business and the guidance of the market being the essential precepts upon which good governance was measured. As Baragwanath (quoted in Hannan 1999) opines: ‘I think parliament is turning into an irrelevancy, and we might as well go down the corporate line, having a dozen directors elected once a year and that’s it’ (p. 13).

The serious flaws that were emerging in this evolution of governance practices in the Kennett era and the potential damage and resistance that it was causing to the establishment of a matching mode of social regulation for the neo-liberal regime of accumulation were evident in the ideological breadth of the ensemble of Victorian organisations that were resisting the Kennett version of neo-liberal governance. There were also concerns about the message that that was sending to the community in relation to a neo-liberal regime of accumulation. The discursive and cultural practices that were being produced by the Kennett Government, and the Premier himself, were creating a new social order to which a wider and more diverse range of groups were becoming resistant.

The orders of discourse were moving away from *crisis, no alternative* and *change* to a form of corporate-inspired belligerence that was uniting, in resistance, disparate political elements from the community: ‘the Commonwealth ombudsman, the Victorian Employers Chamber of Commerce and Industry, the Federation of Community Legal Centres and the Victorian Council of Social Services were all warning against the blanket use of commercial confidentiality clauses’ (McKay 1999, p. 6).

What in the first term was *A Popular Government with Unpopular Policies* (Lavelle 2000) was becoming an unpopular Premier with unpopular policies and an unpopular accumulation practice. A senior minister in the Kennett Government who was interviewed for this thesis but wished not to be identified described Kennett’s decline: ‘he was imbued with the roar he was making at the centrepiece of his own processes’ (Interviewee B 2001).

## **Kennett’s State Council Addresses**

### **Fourth Anniversary Address: One Victoria: The Next Four Years**

This *Address to the State Council* came after the triumph of the second election win and allowed Kennett to start to consider longer-term plans for his transformation of the Victorian political economy. Kennett begins this *Fourth Anniversary Address* using the rhetoric of business, describing the presentation as an *annual report* to Victorians. His discourse maintains the hegemonic rhetoric of the “future-focussed” leader telling his audience that his government has reached the half way mark in its march to the ‘very different world of the 21<sup>st</sup> century’ (Kennett 1996, p. 1). The use of “21<sup>st</sup> century” signals that change is still on the agenda but there was a rhetorical need to modify that message because there were indications that the electorate were suffering from change fatigue (Gude 2001, p. 13; Economou & Costar 1999, p. 130 and O’Reilly 2000, p. 19).

This is a theme that will emerge throughout the discussion of this *Address to the State Council*. Kennett then moves on to invoke the entrepreneurial spirit, supported by the government and encouraged in the citizen, when he states (confusingly) that the government will be 'providing the anchor of greater direction (sic)...[in order] to foster a spirit of endeavour, enterprise and initiative which embraces all Victorians' (Kennett 1996, p. 1). This confusing and reifying discourse appears to be an awkward attempt by the Premier to be more inclusive of the population but he seems to be only able to offer inclusiveness in the language of business and entrepreneurialism. Thereby maintaining what was increasingly becoming an alienating discourse.

Evidence for this claim comes on the first page of Kennett's *Address to the State Council*:

Our planning for the lifestyle and the future growth of the suburbs and of regional Victoria is too often understated – or, more to the point, becomes overwhelmed in the media coverage of what is happening in the city (Kennett 1996, p. 1).

Here we have the classic rhetorical inoculation and blame shifting. That regional Victoria is not aware or not understanding that they are experiencing the positive benefits of the Kennett revolution is not because it is not occurring and not because it may be that it is being felt negatively by regional Victoria, it is that the media is not covering it. Evidence presented in the following chapter will demonstrate that this blame shifting to the media and blaming of the regions for not appreciating the benefits of having the Kennett Government in power will be the central point around which resistance to Kennett-style neo-liberal governance is discussed. It will also be evident in the following chapter that this perception and experience of neglect in regional Victoria was the primary reason attributed to the defeat of the Kennett Government and for the possible failure of a Kennett-mediated mode of social regulation.



This document (Kennett 1996), presented to the State Council three years prior to the election for a third term, indicates that the party understood the problems it was having dealing with competing expectations between regional Victoria and Melbourne. However Kennett's (1996) concession was still couched in the instrumentality of financial rectitude: '...the total Victorian community is equally important as a foundation for the future of *financial and economic reform*' (p. 1).

Kennett (1996) also rhetorically demonstrates the continuing ideological ascendancy of competition, as discussed above in his dealings with the office of the Auditor-General. The linguistic choice to use competitiveness rather than competition moves the meaning from stasis to action and removes the implication of choice from the discursive framework. There is an implicit *invitation* to act when the notion of competition is addressed. Competitiveness indicates that the process has already been engaged in and there is less opportunity to turn back. As some of the rhetorical phrasing in this *Address* indicates, movement is imperative and irresistible. In Kennett's Victoria, particularly in the second term, they have moved from crisis (repair) to change (action) by: '...increasing state competitiveness' (Kennett 1996, p. 1); [by way of] '...the strongly competitive, pro-business climate' (Kennett 1996, p. 2); [so that the electorate can see] '...what a state with a competitive spirit can do' (Kennett 1996, p. 2).

This discursive framework is set up to address emerging doubts about the Kennett style of governance: the lack of consultation, the focus on fiscal rectitude and the occasional chiding of the electorate for its recalcitrant doubts about the path down which it was being taken. This *Address* is initially "a call to competitive arms" and also a minor mea culpa to regional Victoria for *seeming* to have left it behind and a reassertion of the importance of the reform process...'[w]e are judged as a general rule on financial and economic reform...'[but with an electorally palliating qualification]...the reform process is to build Victoria's social capital' (Kennett 1996, p.4).

The rest of the *Address* is simply a catalogue of policy successes, initiatives, and policy intentions with sporadic references to regional Victoria. The context of this *Address* has to be considered as well. As an anniversary address it is required to reflect on the catalogue of achievements that the Premier sees that his government achieved, that the party will want to hear and that the electorate needs to hear.

### **126th State Council Address**

This *Address*<sup>100</sup> was given at the half way point of Kennett's second and last term in government. In this *Address* Kennett returns to the ideological roots of the first term *Addresses* (already analysed in this thesis) while still attempting, as he began above, to include the regions of Victoria in his rhetoric of reform. Kennett tells his audience that 'the pace of reform continues unabated...provid[ing] the means for business to be more competitive' (Kennett 1997, p. 20). Kennett (1997), in an implicit challenge to those who may have been seen to be flagging under the fatigue of reform, reasserts, not two paragraphs later, that 'the pace of reform is not slowing down' (p. 21) and then leaves his audience and those 'post-war Australians [that] have lacked the courage and maturity to embrace radical change' (Kennett cited in Carney 1993b, p. 15) in no doubt about his unremitting agenda: 'It is a pointer to the style of things we will be doing in the future' (p. 21).

The Kennett (1997) rhetoric is leavened with the discourse of 'excitement and confidence' (p. 21) with modernist references to the 21<sup>st</sup> century that will be exciting simply because it is in the future and that he will still be in government continuing to bring about his 'long term vision' (p. 21) which will create 'excitement and confidence [because] it flows from such an approach' (p. 21).

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<sup>100</sup> I need to disclose here a certain data limitation. These *Addresses*, although the property of the Liberal Party, were given to the University of Melbourne for its Archive. This 126<sup>th</sup> *Address* is the last *Address to the State Council* that they hold. All the subsequent *Addresses* appear to be missing. There was no electronic copy or storage only hard copy paper versions were kept.

This is the hubristic optimism of a *conviction politician* (Hyde 2002, p. 382 see also Peck & Tickell 2002, p. 388), one whose political instincts are subsumed by a personal ideology that is unreflexively generalised; or is expected to be reciprocally reflected by the community. This attitude of the individual achiever who is *excited* by change and who is *confident* about their competitive future, but does not want the government managing it, is captured by Kennett's (1997) enunciation of his political philosophy in this *Address*: '...Governments perform at their best when they provide leadership and direction and let people get on with their lives' (p. 22). This also gives an insight into the unlikelihood of Kennett acting as the honest broker in building a mode of social regulation for the neo-liberal regime of accumulation.

Kennett (1997) makes generic political references to change continuing to occur, for the sake of the *common good* (p. 22) and to the *ultimate goal* of building social capital (p. 21). This rhetorical concession to those who lack the courage for, or are becoming fatigued by change, is offered so that they may endure the change (with some hope of reward) that is intended to extend into the 21<sup>st</sup> century. But this is the extent to which any implicit appeal to the community for support in establishing a mode of social regulation through to the 21<sup>st</sup> century, that will actually sustain his changes, is made.

The 21<sup>st</sup> century is referred to on every page of this *Address*. This rhetorical device appears to be working towards making those events in the recent past, those in the present and in the immediate future, expediently irrelevant because the government is making sure that Victoria 'is in the best condition possible for the 21<sup>st</sup> century' (Kennett 1997, p. 24). But what this re-ordering of the discourse of daily politics may be about is subsuming difficult issues of government probity and ideology into a discursive projection of an *exciting and confident* future that should not be spoiled by the carping criticism of the government's daily political renovation of politics in the service of that future and

the increasing resistance to that change that the broader community is demonstrating<sup>101</sup>.

The potential expedience of the evocation of the “exciting and confident” march toward the 21<sup>st</sup> century is embedded in the closing discourse of the *Address*. This is a reference to the Auditor-General and the Audit Act in particular. Kennett is offering this “21<sup>st</sup> century discourse” as a preamble to the debate the administrative wing of the party were about to have in relation changes to the Auditor-General’s role (see above) proposed by Kennett (1997, p. 24). Kennett (1997) rhetorically couches his proposal, not in the discourse of *change* this time but in obfuscatory terms of the government’s responsibility ‘to ensure that the way the office [the Auditor-General’s office] runs, and is managed administratively, is in the best condition possible for the 21<sup>st</sup> century’ (p. 24). Kennett (1997) goes on to dismiss an ideological motive as well through an appeal to the needs of the 21<sup>st</sup> century:

It’s not based on some ideology of the Left or the Right. It’s been trying to determine what we must do in order to make sure that all forms of Government are best placed and conditioned to discharge their responsibilities into the 21<sup>st</sup> century and the Auditor-General’s office is no different (p. 24).

Here Kennett gives away his confusion about the role of Auditor-General. It is not an office of the Government the Auditor-General is an independent statutory officer of the *parliament*.

Kennett then returns to earlier discursive strategies by invoking the *common sense justification* in his final assertion about renovation of the role and function of the Auditor-General’s office. There is no rigour, no argument and no transparency (see Perton 2001), simply the fundamentalist certainty that ‘[w]hat

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<sup>101</sup> While here and elsewhere the second election victory was discussed in terms of its personal triumph for Kennett, both Carney (1999b) and Costar & Economou (1999, pp. 122 – 132) discuss the emerging electoral resistance, based on an analysis of the electoral figures, that was evident but not acknowledged in the 1996 re-election of the Kennett Government.

we have come up with I believe is a very good *commonsense solution*<sup>102</sup>...in the same way that *every policy* that we have introduced has been based on *commonsense*' (p. 24 emphasis added).

## Concluding Remarks

There were strong expectations in the electorate, in the media and in business circles that a third term for the Kennett government was inevitable. Polling figures suggested that around seventy per cent of voters expected the Kennett Government to be re-elected for a third term (Colebatch 1999, p. 19). That the critical discursive phase, *consolidation*, gave way to *collapse* seemed inexplicable and unaccountable, according to the media analysis. But as the critical discourse analysis of the consolidation phase has shown the discursive and semiotic seeds of the Government and particularly the Premier's downfall were being sown in the second term of the Government.

The Government had begun to strike resistance to its neo-liberal agenda and its methodology of implementation. The Kennett rhetoric in the *Addresses to the State Council* in this period were a mixture of triumph, consolidation and concession; the semiotic perception was one of relentless revolution and developing arrogance. The audacious development of "entrepreneurial" Melbourne, centred on an enormous casino development (see Chapter 6 ahead) linked to friends of the Premier; the growing disquiet in the community built around the semiotically damaging *Secret State* (Mottram & McKay 1999) headlines; the massive privatisation programme; the concerns about transparency and democratic freedoms captured in the continued resort to commercial-in-confidence to subvert public scrutiny of Government/business contracts; and the curtailing of the independence of the Auditor-General meant that the goodwill and hegemonic authority that the Government had accumulated as a result of the *critical discursive phase* of *crisis* was challenging

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<sup>102</sup> It should be noted that no problem has been posed by Kennett in relation to the Auditor-General's activities in the term of the Kennett Government in this *Address*.

Victorians' notions about democracy and egalitarianism (see Gillies 2001 summation in the Conclusion).

It appears that, had Kennett and the Government dealt with these issues differently and saw their job as service to the community and not to a regime of accumulation, extrapolating corporate practice onto government practice, then there would have been a greater "dividend" to be harvested beyond two terms of government. This rejection of the government by the electorate also amounted to a rejection of the Kennett-style neo-liberalism. The extent to which that was the case will be pursued in the final Chapter (6) dealing with the critical discursive phase, *Collapse*.

## **CHAPTER 6**

### **COLLAPSE**

#### **The Regional State Revolts: the mode of social regulation recedes further**

‘They were a bit like Napoleon, they saw themselves as having a mission in life. They’d listen to people, and you know, if someone came up with an idea [they liked] well fine but if somebody opposed them then they would not listen. I think that became obvious not only in terms of listening to the community, or not listening to the community, but even within their own government they didn’t listen and, and no one dared oppose. I mean a bit like Napoleon they were, Kennett and co., they were planting from day one the seeds of their own destruction’ (Halfpenny 2001, p. 6).

‘But one thing Kennett failed to develop was a tolerance for criticism. If anyone disagreed with his policies, his response was to play the man (or woman). His actions to muzzle the auditor-general, his obsession with secrecy, the vitriol he spat out indiscriminately, his style of one-man rule, amounted to an *erosion of good governance*, the dismantling of checks and balances and people’s right to know and *be involved in how their state was governed*’ (Colebatch 1999, p. 19 emphasis added).

#### **Introduction**

Blame for the dramatic and unexpected loss of the 1999 election by the Kennett Government was explicitly laid at the feet of Premier Kennett based on specific character flaws explored herein, on the basis of the interview material, and explored extensively in the media (Scales 2001, p. 5; Hamer 2001, pp, 8 – 9; Cain 2001, p. 9; Edwards 2001, p. 9; Clark 1999 and Carney 2000, pp. 1 & 18 - 19). Analysis of the electoral rejection only implicitly challenged the neo-liberal revolution. Instead it focussed on two major reasons:

Firstly, the amorphous notion of ‘reform fatigue’ described here by Phil Gude (2001) the Deputy Liberal leader:

There was a desire to continue the reform agenda *on the party's part* and the community had become *weary of change* and they were like somebody *drowning* and they wanted to get their head up and have a *real good gasp*, they actually wanted to get out of the water and lie there for a while and get their breath back and *they weren't being given that opportunity*...we were about to effectively embark on a whole new agenda (p. 13 interviewee's emphasis; see also O'Reilly 2000, p. 19); and

secondly, the disenchantment in regional and rural Victoria, specifically.

Clark (1999) captures the tenor of the analysis in his commentary in *The Age* immediately post the election loss by the Kennett Government: ‘The perceived causes of Kennett’s downfall – rural backlash, bullying, secrecy, school and hospital cutbacks, a bizarre campaign, and a certain larrikin insouciance – have all been picked over’ (p. 9). While reporting, and post hoc analysis of the Kennett reforms, was extensive in the media and elsewhere in the days after the loss, little reference to the neo-liberal<sup>103</sup> nature of the revolution, as causative of the loss, were addressed. The *Age*’s economic affairs writer Tim Colebatch does identify the two key approaches of the Kennett Government that resonate with the neo-liberal agenda. Colebatch describes a quasi-business culture that has shifted public service culture that used to responded on the basis of “rights” to one that valorises “opportunities”; and that the “revolution” that Kennett lead was a global one focussed on *smaller government* (1999a, p. 2).

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<sup>103</sup> Ellingsen (1999a) made specific reference to the fact that Kennett ‘gave Victoria the most radical neo-conservative framework in the country’ (p. 1) but did not analyse the phenomenon; and Alcorn and Davies wrote a thorough-going analysis of the key areas of government that Kennett affected (2002) without engaging in discussion of its neo-liberal nature (p. 17).



The broad but not unanimous consensus was that the neo-liberal reform process was the necessary, inevitable and expedient response to the crisis that the Kennett Government inherited from the previous Cain/Kirner Governments (Colebatch 1999a, p. 2). Hamer (2001) indicates his agreement with this analysis when he observed in his interview with this author, that: ‘...the early stage [was successful], I call that the first government, the first Kennett Government, because the second went astray’ (p. 3). Clark’s (1999) analysis in *The Age* only *implicitly* questions the neo-liberal agenda when he observes that: ‘Kennett’s reign [could] also be identified as the high point of a 20-year global privatisation wave; and his demise as a metaphor for the cresting of that wave’ (p. 9). Here Clark is ruminating on the possibility of the end of this phase of capital accumulation practice, suggesting that the fact that there is little left to sell, of itself may have brought it to a conclusion. Broomhill (2001), in a more robust fashion, suggests that ‘the destructive and fragmenting impacts of neoliberal policies...[may]...create severe doubts about its long-term potential’ (p. 136); and draws on Lipietz’s observation to consolidate his point: ‘the history of capitalism is full of experiments which led nowhere...abandoned prototypes and all sorts of monstrosities’ (Lipietz quoted in Broomhill 2001, p. 136).

Nonetheless the rejection of the Kennett Government and its central role in the process of neo-liberalising the Victorian public service, government and economy was subsumed in the analysis built around the superstructure of the “strongman”-leader (Little 1999, pp. 23 – 24 and Alomes 1999, p. 19) falling. Such was the hegemonic omnipotence of the media and electorate’s belief in the Kennett leadership style that assessments of the dramatic rejection focussed primarily on the shock of *his* loss rather than ‘the destructive and fragmenting impacts of [his] neoliberal policies’ (Broomhill 2001, p. 136); and insufficiently on the state-wide reception of the neo-liberal revolution (Bone 1999). The obvious issue that this brings up for critical analysis is the agentic and charismatic influences that Kennett exerted over the economic revolution and the disruptive force he potentially represented in the dialectical process of reaching a regulatory appeasement between the neo-liberal regime of accumulation and a putative mode of social regulation.

As Broomhill (2001) notes, in an Australian context, 'it is pertinent to consider the possibility of distinctive local or regional modes of regulation as well as of accumulation' (p. 121) reflecting taken-for-granted uneven patterns of development across a nation state.

### **The Regional Revolt and the Urban Question**

In relation to Broomhill's (2001) analysis above, and more broadly in the Regulation Theory literature, there is an acknowledgement that there can be uneven patterns of development across a state. This "unevenness" can give expression to different modes of social regulation within a regional state but they must match a particular regime of accumulation. When considering this notion of regional developmental "unevenness" in Kennett's Victoria, based on the evidence gathered through interviews and media reporting, it appears that a substantial portion of regional and rural Victoria considered itself shut out from any potential benefits flowing from Kennett's revolution. It appears that they were subject to the strictures of the neo-liberal regime of accumulation with little opportunity to develop their own alternative or competing regimes of accumulation (along the lines of Piore and Sabel's (1984) Third Italy) and as a consequence had no opportunity or, it seems interest in, participating in the neo-liberal mode of social regulation mediated by the Kennett Government. The Kennett Government lost nearly half the country and regional seats it won in 1992 in its dramatic loss in 1999 (Colebatch 1999, p. 19).

As discussed earlier in this thesis and in the light of the electoral outcome, it appears that Kennett did in fact introduce a "new urban politics" that focussed on the influence and globally-attuned dominance of Melbourne as an entrepreneurial city at the cost of rural and regional development and transformation (Ward 2003; Goodwin 2001; Hall & Hubbard 1998; Jewson & Macgregor 1997 and Stillwell 1992). As Colebatch observed:

...with the state pouring money into developing Melbourne's strengths the city boomed. For the first time in 30 years more Australians were moving into Victoria than out of Victoria'...[but according to] the Australian Bureau of Statistics [b]etween 1993 and 1998 95 per cent of that growth went to Melbourne with only 9169 people increasing the population of rural and regional Victoria in those five years. Further in the three years to 1998 – 1999 Melbourne gained 98 per cent of Victoria's jobs growth (p. 19).

As Colebatch (1999) argued: regional Victoria [was] in crisis but a government deaf to criticism did not hear (p. 19). The Treasurer, Alan Stockdale was unapologetic and encapsulates Colebatch's observation and regional Victoria's complaint in Parkinson's biography of Kennett:

There are a lot of country people who are worried about the impact a more competitive world is having. Not only governments restructuring service delivery, but also banks, oil companies, post offices, all being forced to adopt more cost-effective, and in many cases better, patterns of service delivery. We've also had a prolonged period of low commodity prices, and the world is becoming much more intensely competitive. *They have an emotional reaction to the Government not standing there holding their hand all the time...*country people don't like the way the world is, and they're prepared to vote against it (Stockdale quoted in Parkinson 1999, p. 17 emphasis added).

Kennett compounded this insult to regional Victoria when he described Melbourne as the *heart* of Victoria and the regions as the *toenails* (Colebatch 1999b, p. 13). This sort of discursive affront by the Premier underlined the perception that the need to build a state-wide consensus around his neo-liberal renovation of the state's economy was not important. If a mode of social regulation was going to be constructed it was not going to extend beyond the boundaries of Melbourne.

Former Premier Lindsay Thompson (2001) had a more sanguine explanation for the loss in the interview he gave for this thesis. He opined that there were

...a number of factors all combining together at the wrong time for the government. Many country towns were losing their post office and their local bank that was *annoying* enough. There'd been a number of closures because of the new economic cutbacks and the two combined together in country areas to make country people feel that they were being completely neglected and, *I suppose*, there was an inadequate assessment of that policy by that reaction rather than by all the experts. But right up to election night none of the expert tipsters really felt that the Kennett Government was in danger and looking backwards, it's easy to say what should have been done, with the knowledge of what happened in the election and in the weeks after the election and obviously, the favourable position of the state's finances at that time, if some of the overflow of surplus had been used in country areas no doubt that would have made a big difference. It's easy to say that now (p. 4 interviewee's and author's emphasis).

The politically manipulated centripetal pull (away from regional Victoria) of Melbourne as an entrepreneurial city is captured in a key set of comparative statistics. Population growth between June 1992 and June 1998 saw Melbourne and its fringe areas grow by 13 per cent while the rest of Victoria grew by just 0.7 per cent; with areas such as the Western Districts, the Wimmera and the Latrobe Valley and towns such as Beaufort, Birregurra, Orbost, Port Albert and Sealake experiencing negative growth. Household incomes in 1996 saw a disproportionate distribution of incomes over \$1000 per week favouring Melbourne with 44 per cent of Melburnians earning over \$1000 per week compared to 21 per cent in East Gippsland and 22 per cent in the Mallee. House price increases between 1992 and 1997 in Melbourne more than doubled the increases in rural and regional Victoria with an average Melbourne increase of 13 per cent compared to the rest of the state which experienced a 6 per cent increase. Many rural areas such as Orbost Moe and Warracknabeal experienced negative house price growth (Australian Bureau of Statistics 2002 and Colebatch 1999b, p. 13).

Halfpenny's (2001) despairing and exasperated assessment of the Kennett years in relation to its affect on regional Victoria and its productive infrastructure, captures the key elements of the neo-liberal globalisation process and its contribution to the isolation of a region from its own historical productive infrastructure and gives an insight into the difficulties of not only building a mode of social regulation to support the changes but the chances of building a region-determined regime of accumulation to support a local regional mode of social regulation in what turned out to be a direct struggle against Melbourne for survival. Here Halfpenny (2001) identifies Kennett's role in the alienation of both the city and the regions and Halfpenny (2001) also implicitly identifies the lost opportunities for the positive expression of a broad mode of social regulation and the establishment of a regional regime of accumulation.

Well I think he lost for the reasons...I think on the very first day they started to sow the seeds of their eventual defeat because of the style of government, the type of government and the things that they were doing just...I mean it wasn't just the economic consideration, I mean a lot of people got upset about; how dare you build bloody units in Canterbury and how dare you have bloody high or medium density housing in Toorak; and so there was a lot of opposition on those sorts of ground and then also a lot of opposition in rural Victoria which I think is always going to be there because the solution, well I don't think there are too many solutions, if any, to the rural crisis. If you're going to deregulate every bloody thing then the rural industry is not going to survive. You're going to get...food production is going to be more and more highly concentrated into fewer hands, there'd be bigger and bigger farms but fewer farmers, there'd be bigger and bigger dairy farms, there'd be fewer and fewer processing plants but bigger and bigger ones. So the towns will shrink and everyone can't come to the city so you get pockets of poverty and people won't be able to sell their house. I mean take the Latrobe Valley now, I don't know, I haven't been down there for a while but it's almost a ghost area I wouldn't like to try and sell a house in Moe or bloody Morwell or Yalourn and they've never ever been a desirable places to live but even now...they are ghettos and it doesn't matter how many bloody train services [referring to the Bracks Government] you put on I don't think you're going to...it's a worldwide trend and people move from the country to the city (p. 10).

As indicated in Halfpenny's lament, employment too favoured Melbourne with a 10 per cent growth in fulltime work between 1992 and 1999 compared with a four per cent growth in the rest of the state (Colebatch 1999b, p. 13). These figures underline Guy's (2001) observation that: 'people in Melbourne were comfortable with our reform agenda, they were comfortable with reform, I think, full stop' (p. 13). This is demonstrated by the fact that the Kennett Government only lost six of the 35 seats it won in Melbourne in 1992, in the two subsequent elections (1996 and 1999). David Edwards (2001) sees the Kennett approach to the entrepreneurialisation of Melbourne as

...a clear strategy to focus on Melbourne, to make Melbourne a very attractive city to live in, to invest in... And the strategy was based on the fact that Melbourne was the capital of Victoria so not just picking Melbourne as a place to focus his efforts on, but if Melbourne was successful then the State would be successful. But that certainly upset rural Victoria because they could see the investment and the change taking place in Victoria and on the other hand they could see jobs and infrastructure leaving the country (p. 8).

The comparative figures for the loss of infrastructure between Melbourne and the country that Edwards refers to above is compelling. In Victoria the Kennett Government closed 178 schools in regional Victoria compared with the rest of Australia in which only 25 were closed over the same period of time. There was a consequential drop in teaching numbers in regional Victoria of 2,500 and while spending on IT trebled in Melbourne schools, funding was only held constant in regional schools. Six passenger rail services to the regions of Victoria were closed, effectively curtailing the opportunity for many categories of citizens to travel around the state. The Kennett Government had a \$900 million capital works programme, \$750 million of which was spent in Melbourne.

The Government created further alienation of regional Victoria through the Agenda 21 community infrastructure programme designed to turn Melbourne into an international city<sup>104</sup>. Edwards (2001) notes the influence of the international hegemony of globalisation in justifying this loss of services and infrastructure in regional Victoria:

...because of the international economy, this move that's been taking place out of regional and rural Australia into the cities that is going to take place in any case, he [Kennett] accelerated some of that through closing down some of the public sector activities [in the regions of Victoria] and privatising them (sic) (p. 8).

Victor Perton (2001) also identified the process of globalisation coming to Melbourne, prosecuting its case for expansion at the expense of regional Victoria, thanks to the Kennett Government: 'looking at the country vote I think a big portion of it was the general culture, oh sorry, the general feeling of loss of control so it was exactly the same anti-globalisation feeling' (p. 9).

This pressure being created by the demands of the "international economy" was a major disturbance for regional Victoria and was emblematic through Agenda 21 because it was constituted by a preponderance of inner urban projects, including Federation Square, the Docklands redevelopment, new museums and a refurbished National Gallery and State Library (Shamshullah 1999, p. 12). In fact according to John Brumby, who was Opposition Leader at the time: 'not one [project] is in country Victoria...[a]ll of the \$2.1 billion of projects [included in Agenda 21] are within the tram tracks of Melbourne' (Brumby quoted in Colebatch 1999b, p. 13).

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<sup>104</sup> As Gude (2001) observed in his interview for this thesis, these concepts were empty rhetoric with no intrinsic meaning. When Kennett rang Gude prior to the 1999 election and told him that if they won the seat in Dandenong, and only if they won the seat, he would make Dandenong a *premier city*. When Gude asked Kennett what that meant his answer was, 'I don't know' (p. 12).

As Broomhill (2001) makes clear ‘the processes of neo-liberal restructuring are more commonly resulting in ongoing systemic instability for local economies’ (p. 127). Perton (2001) in defending the Kennett Government’s approach to regional Victoria and highlighting the semiotic triumph of Labor’s 1999 election campaign in rural and regional Victoria gives support to Broomhill’s (2001) contention:

They ran a very clever campaign which was “look everything’s happening in Melbourne” and they had a very good ad with this tap running which was Melbourne and this little drip which was the country...which was in fact false, I mean we were spending I think nearly thirty percent of the budget in the country despite the percentage of the population, basically we were spending twice the proportion on country people as we were on city people but, you know, *all of those forces that are acting internationally on country people and rural people were acting here* (p. 9 emphasis added).

There is no doubt that the incoming Bracks Government had to use a substantial portion of the \$1.5 billion surplus to reconnect regional Victoria with Melbourne (Hayward 2002, p. 13 and Callick 2000, pp. 28 – 29).

The question of the state of urban politics as a result of the Kennett revolution seems quite straightforward. In some of the urban literature discussed in Chapter 2 of this thesis Brenner (2000, p. 366-367) for instance characterised this as a question of scale when he argued that urban politics is constituted by the ‘interscalar networks in which cities are embedded’ (p.367). Specifically, Brenner (2000) argued that

...the urban scale is not a pre-given or fixed platform for social relations, but a socially constituted, politically contested and historically variable dimension of those relations (p. 367).



While the flexibility and openness of Brenner's definition is appealing and pragmatically viable, during the period of governance of the Kennett regime it appears that there was a much less contestable definition and in fact from the evidence presented above it appears that to some extent Melbourne was dis-embedded from the interscalar networks through the post-modern entrepreneurialisation of the city. Kennett created a discursive and socially constructed boundary between the urban (in fact Melbourne metropolitan) and the regional constituents of the Victorian political economy. As Hamer (2001) observes there are three major regional cities geographically close to Melbourne each with links "out" into a regional hinterland that would constitute Brenner's (2000) interscalar network

...but they were out of touch with common sentiment. Now that can develop when you've got a powerful leader, a strong leader that nobody, you know, really likes to challenge. I wasn't present in the party room or anything like that but my impression is that Kennett was not made as clearly aware as he should have been by backbenchers about [that perception]...say in the bush in particular. Well they should have, they're local members, I think that the local members in the bush should have known. And especially in the critical areas of the big three cities, that's Geelong, Ballarat and Bendigo where they lost nine seats. I mean that's why they lost the election. The ALP made a pretty clean sweep of those three cities (Hamer 2001, p. 6).

However as observed in Chapter 1 of this thesis, the superior levels of government effectively regulate urban politics so that the power of the city, in the context of the urban question, was and is, to some extent, mediated by legislation. Both federal and state governments in Australia have legislative authority over local government. This means that not only do they have ultimate power over local governments within the capital city but throughout the regional state. This can be clearly seen in Kennett's sacking, then amalgamation of all local government councils in Victoria. This act not only had politico-legal ramifications it was semiotically potent for both sides in the neo-liberal debate. Those who supported Kennett's revolution saw this as a triumph for efficiency and rationalisation.

Those who were feeling alienated by Kennett's revolution saw this as a further example of the high-handedness and arrogance of a Premier who appeared uncontrollable and unwilling to negotiate with the community (Hamer 2001, pp. 8 – 9 and Gude 2001, p. 11). In one act, local democracy (210 municipalities became 78 and 1600 elected councillors were sacked and replaced by handpicked commissioners with Liberal and National Party allegiances [Millar and Dowling 2004]) and identity were removed from the constituents and a further constriction in community participation in the institutions and norms that needed to be engaged in, to develop a viable mode of social regulation, was created by the Kennett Government. The councillors themselves were prepared to concede that amalgamations were necessary but as former Brunswick Mayor and Labor Party member Mike Hill points out in a media interview:

The debate is not whether amalgamations should have happened. It's about the way it happened. Hill says council amalgamations did not require sackings. There is no earthly reason why you couldn't have allowed one democratic entity to flow into another. The suspension of democracy was really about bedding down compulsory competitive tendering, sacking staff, kicking Unions and forcing a rate cut (Hill quoted in Millar & Dowling 2004).

There was also critical support for this position from “the other side”. Former Footscray and Brimbank Chief Executive Officer (an appointee of the Kennett Government) Rob Spence argued that the suspension of democracy for a short period was inevitable but commissioners remained in their positions for longer than was necessary.

One of the key neo-liberal processes introduced as a result of this amalgamation process was *compulsory competitive tendering* (CCT) a process which required councils to put their services up for tender in a state-wide, even global “marketplace”. While Hill acknowledges that the competitive tendering process led to efficiencies and some positive changes in work practices he and Spence, who became head of the Municipal Association of Victoria, argued that CCT had an excoriating affect on communities.

Spence lost 600 workers from one council due to CCT and described the process as incredibly brutal on employees<sup>105</sup>. Further damage to the mode of social regulation-building process was done as a result of the neo-liberal practice of CCT.

‘[W]here councils traditionally bought goods from local businesses - tools from local hardware, sand from the local sand supplier - the large national and multinational firms that won council contracts did not. It was one of the things that damaged communities in rural Victoria’ (Millar & Dowling 2004).

### **Urban Politics in the Regional Context**

The working definition of urban politics I developed from my own research for this thesis to apply to the analysis of the management the urban/regional relationship in Victoria was:

Urban politics is about those parts of the state apparatus which have specific responsibility for the economic and social reproduction of cities and their regions. The study of urban politics is about how these parts of the state carry out these tasks, and the conflicts and tensions to which these give rise within and between the state, the private sector and its citizens.

As was argued above, this definition relies upon the relational nature of *the urban* and *the regional* and is difficult, as Saunders (1986) observed, to define theoretically. Ultimately it is an empirical phenomenon, defined administratively. But this does not matter, because as Brenner (2000) states, cities are relational, extending into the administrative apparatus that does the defining.

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<sup>105</sup> The Australian Services Union estimated that 11,000 council jobs were lost by the late 1990s. (Millar & Dowling 2004).

So it is these relationships rather than with the issue of how to define the urban theoretically that is important to this thesis to determine through the problematisation of a contested issue of governance, such as that which is embodied in the outcomes of neo-liberalisation, and to a limited extent to come to an empirical outcome that shows the extent to which urban governance extends into the regions.

While the problematisation of neo-liberalism<sup>106</sup> does not *necessarily* indicate an antagonism between urban/regional relations, as Broomhill (2001) makes clear above and as is found in the broader Regulation Theory literature more generally, there is nevertheless a tendency to systemic instability (p. 127) between the two; and at the very least, uneven development across the regional state. It is persuasively obvious that the conflicts and the tensions that arose between the urban and the regional in the Kennett era were severely problematic. As observed above the relational nature of urban politics hardened under Kennett so too did the conflicts and tensions between the state, its citizens and the private sector. This urban/regional tension feeds directly into the viability of the establishment of a mode of social regulation that ideally needs to capture more than just the urban boundaries of the entrepreneurial city of Melbourne. It appears from the electoral evidence and from further evidence gathered by the author in the interview material for this thesis that, as Guy (2001) understatedly offers:

...whereas in many ways the Victorian public, particularly those in Melbourne, seemed to, in the 1999 election they didn't react against, if you like, the changes of the past seven years as violently as those did in country Victoria. Now I think that's widely acknowledged and you could say people in Melbourne are quite comfortable with change so maybe we managed it better in the suburbs than we certainly did in the country (p. 6).

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<sup>106</sup> ...particularly in its putative post-Fordist form in Piore and Sabel's (1984) work; or in some of the *recently* successful event-managed regional development strategies built around wine tourism such as in the Yarra Valley in Victoria, the Barossa or Clare Valleys in South Australia or Margaret River in Western Australia.

One of the fundamental problems that the Kennett Government appears to have had, on the basis of the evidence gathered from the interviews done for this thesis, is a lack of understanding about the sense of disconnection regional Victoria felt in relation to the neo-liberal revolutionising of the Victorian economy.

This misunderstanding of regional Victoria's alienation, the impatience shown with their disenchantment and resentment at not sharing in the benefits of the revolution, created a sufficient disconnection with the putative, new the regime of accumulation to not give those who had the primary carriage of it the opportunity to continue the process. In an implicitly patronising explanation Guy (2001) captures the disposition of the Kennett Government to the regional/urban conundrum in this observation from his interview.

It's been very difficult to understand, for country people, how they can stop this and they're worried their town won't exist; they're worried about loss of services. A lot of private sector closures in terms of banks and supermarkets in many ways, and this sounds foolish but it's what we found was the case, were being blamed on the Government and when you're in a situation where a community is blaming the Government for the loss of their bank *because they've seen you cut the rail line and then promised to introduce it in two years time* but that's not good enough they want it back, it's very difficult to then go back to them and explain well we've put more money than any Government's ever put before into repairing bridges and shoulders on roads and all the rest, they say well yeah but I've lost this and yeah but I've lost that (p. 13 emphasis added).

Some of this regional disenchantment has been captured by the post-modern, entrepreneurial city literature (see for example Harvey 1990, 1994; Jewson & MacGregor 1997a & 1997b; Jessop 1997a and Hall & Hubbard 1998) that theorises, as part of its explanation for the (still) putative shifts to neo-liberalism and post-Fordism, that cities become sites for event-focussed, spectacle-driven entrepreneurialisation (see for example Harvey 1990).

While these shifts may be dismissed as simply a *bread and circuses* approach to the economic management of the post-Fordist/modern city, this approach has become a worldwide phenomenon characterised, in the Australian context, by Broomhill as *competitive federalism* that displayed a beggar-thy-neighbour approach to co-operative policy making (2001, p. 124).

This shift to a form of entrepreneurial-city-self-consciousness, where the city becomes a *brand* which is inscribed upon with the kudos that an event lends to it was addressed by former Premier John Cain (2001) in his critique of this approach and its affect upon regional Victoria:

Where the bread and circuses were still, still good currency I suspect. I think regional Australia was saying, you know we're a bit fed up with all this market economy and the competition policy, if it's all so terrific and everybody's happy well how come I'm not doing well and I think it was just a reaction against the, apart from the authoritarian style he brought to bear, arrogance (p. 9).

## **Bread and Circuses**

The explanation for this *bread and circuses* approach to economic management of the city is due, in part, to the rise in importance of the city itself as an object for capital accumulation, due to the decline in traditional (first world) industries such as manufacturing, and the rise in service industries built around the "capital magnets" of tourist spectacles through event promotion in these created "entrepreneurial world cities" (Jewson & Macgregor 1997a & 1997b and Hall & Hubbard 1998). As observed earlier in this thesis this is largely played out by attracting capital through brand identity or spectacle creation (from Commonwealth or Olympic Games to themed country race meetings) rather than increasing functional/structural advantages. In the entrepreneurial state this appears to be the new key to financial security and political success. Hyde (2002) characterizes the Melbourne and Victorian disposition to events this way:

Victorians are games-mad. More Melburnians turned up to a rugby union match than could have been anticipated in Sydney or Brisbane where rugby rather than Australian Rules is the local code. Melburnians take the spring horseracing season culminating in the Melbourne Cup seriously. The motor racing circuits at Albert Park and Phillip Island are world-class; so is the Tennis Centre. The Melbourne Cricket Ground cannot but remind one of the Colosseum, the several horse and vehicle racing venues of the Circus Maximus and public attitudes of Juvenal's observation that the Romans limited their anxious longings to two things only – bread and circuses (p. 323).

One of the main features of this is the rise of the global or entrepreneurial city (Ward 2003; Jessop 2002; Fincher & Jacobs 1998; Hall & Hubbard 1998; Harvey 1990 & 1997; Jessop 1997a; and Jewson & MacGregor 1997) and its status as the centripetal influence on the capital, politics and infrastructure of its surrounding regions. The Kennett Government argued that Melbourne would carry regional Victoria. It was part of the justification for removing funding from the regions that Guy (2001, p. 6) indicated above. As argued in Chapter 2, the shifts that have been caused by globalised, neo-liberal and (putative) post-Fordist accumulation practices have caused, on the one hand, *elasticity* in spatial relationships (Melbourne became Victoria or Melbourne, through its entrepreneurial branding extended its identity across the state; it became the gatekeeper of Victoria's identity) and rendered definitional specificity potentially redundant; and on the other hand have, from regional Victoria's point-of-view, *hardened* the special relationships. This evolution in the understanding of that which constitutes the local state is captured by Wood (1998) when he argues that:

This is not to argue that a concern for bounded areal spaces should be displaced...but rather that the articulation of linkages and spaces would direct attention to the processes underpinning the production of particular spatial configurations and their politics (p. 283).

This political production of special configurations was part of the Kennett Government's strategy to direct attention to Victoria through brand Melbourne. Hyde (2002) argues that

...[d]uring the intervening years [of the Kennett Government] Victorians had gained more freedoms than I had dared to hope for and the *bread* of “bread and circuses” had been reduced to levels comparable with other states. The *circuses* had, however, actually multiplied (p. 328).

Here we have an acknowledged “dry” commentator implicitly bemoaning this approach. Not unsurprisingly, the same view was being offered from the other side of politics in, the then, Labor Party Federal Secretary’s view that: ‘The Government [was] run by a likeable demagogue, who...supplanted a lack of appreciation and/or understanding of the role of government and public accountability with circus acts and the persona of a public commentator’ (Hogg 1999, p. 15).

### **The “Brand” Melbourne’s Gambling Magnet**

I will briefly exemplify this approach to the centripetal entrepreneurialisation of Melbourne, at the expense of the regions, through a discussion of the history and development of gambling, particularly in the form of Crown Casino, in Melbourne.

Prior to the Kennett Government the only state-sanctioned gambling available was wagering through the Totalisator Agency Board (from hereon known as the TAB). On 30th September 1958 a Royal Commission was constituted ‘to inquire into, report upon and make recommendations concerning off-the-course betting’ (Martin, 1958-59: 3) in Victoria. It was requested by the then Liberal Premier of Victoria, Henry Bolte, with F.R.B. Martin as Royal Commissioner. Martin, having reviewed the experiences of the other Australian States, England, Ireland and New Zealand, and despite some equivocation, recommended the establishment of a TAB as the most favoured option.

Ironically, this decision was based on a TAB’s apparent *drabness* and presumed lack of appeal as a place for citizens to congregate.



Nonetheless, the TAB had the potential to yield a strong revenue flow to the government which was to be accentuated by the vigorous curtailing of SP bookmaking, by the government through policing, and competition from the TAB for patrons. As a result, Premier Bolte established the TAB in Victoria as a statutory body constituted under the Racing Act (1961). It commenced operations on 11th March that year (Hoye 2005, p. 86).

The next step in the development of gambling in Victoria came in 1979 when Liberal Premier Rupert Hamer gave his approval, in-principle, for a casino for Victoria. In so doing he turned his back on three decades of bipartisan opposition to this form of gambling but found himself confronted by a back room revolt from his own party. His decision was overturned by agitation from the sitting Liberal members in the eastern suburbs of Melbourne (Lesman 1991, p. 3), Jeff Kennett notable amongst them. This rejection re-established the status quo. The prevailing attitude of both sides of politics in Victoria was to resist any further lure of gambling as a source of revenue, and to hold fast to the socially responsible liberalism that had been identified with Victoria since the time of Alfred Deakin (Evatt Foundation 1997, p. 1). As Lesman (1991) observed, proposals which arose in the post war period were not 'taken too seriously because of the all-party veto' (p. 6) which applied to an extensive gambling industry for Victoria.

Despite the apparent resolution of the casino question during the Hamer Premiership the desire for a casino, by politicians, could not be laid to rest. In 1983, the newly elected Premier John Cain appointed Justice Xavier Connor Q.C. to head *the Board of Inquiry into Casinos* (1983). Justice Connor was unequivocal about his rejection of a casino for Melbourne, citing a number of concerns. Premier Cain accepted Justice Connor's recommendations and the casino issue again, was closed. However, ironically, the first small step towards the entrepreneurialisation of gambling began under Cain's Premiership.

Under the *Racing (Totalisators Extension) Act 1960*, which was the establishing legislation for the TAB, explicit provisions were included which were to act as a restraint against any inducement for an individual to gamble.

This act was repealed by the Cain Labor government in 1982 despite having undergone very little public scrutiny according to Costello and Millar (2000, p. 100). However the final impediment to an entrepreneurial gambling industry was removed when Labor Premier John Cain resigned and Joan Kirner was elected as the new Labor leader and thereupon became Premier.

It was at that time that the Liberal Party (again) signalled a significant change of heart to the expansion of gambling in Victoria, when the then Opposition leader, Alan Brown, declared that if the conservative parties won government at the following election (in 1992), Victoria would have a world-class casino. In response, the new Labor Premier, Joan Kirner, proposed reforms which would see the institution of casino gambling in Victoria. As a consequence 'the all-party *veto*' (Lesman 1991, p. 6 emphasis added) became an all-party *vision*. The inner political struggle to bring gambling to a wider market with the potential for greater citizen participation seemed finally to have succeeded.

Kirner moved swiftly to approve a casino and an Electronic Gaming Machine (EGM) licence. The political rationale for this was not that it was a response to the financial difficulties that were swirling around the government but a rational response to a loss of revenue to New South Wales. The New South Wales/Victorian border features a number of "twin towns" and is only a relatively short bus ride from Melbourne. Both Kirner and her minister responsible for poker machines, David White, argued that Victoria was losing up to \$400 million a year to interstate gambling tourism. The proposal for a casino was argued to be a revenue protection measure by the government rather than a proactive embrace of gambling or an expedient rush to popular appeal to reduce the size of their potential election loss. Kirner and White argued, in defence of criticisms of political expediency in the face of such a fiscal challenge, that they were not going to be the political beneficiaries of any financial windfall that may flow to the government.

In fact they argued that a revenue stream would not be established for about 7 years (Costello and Millar 2000, pp. 165-166).

This political explanation flies in the face of the worldwide phenomena of revenue-driven decision-making by regional governments (see for example Marshall 1998; Eadington 1995; Goodman 1995; McMillen 1985, 1995, 1996a, 1996b & 1996c; Persky 1995; Scott 1992; South Australian Government 1991 & 1995; State Government of Victoria 1994; and State of Queensland 1995).

With the advent of the neo-liberal transformation of regional and local economies (Jones 2001) across the Anglophone West, increased sources of revenue were needed to be found to augment the ideologically driven shedding of traditional revenue sources such as those generated by public utilities and government corporations. Combine this with the post-Fordist ideology of governments always having to produce a budget surplus (see Jessop 2002 & 1995a), the distaste for borrowing, the reduction in taxation levels and the neo-liberal zeal for government debt reduction and major revenue generation becomes a serious concern for governments wishing to fund the few remaining essential services for which they are responsible; such as health and education (although these were subject to massive cuts by the Kennett Government). A form of “Public Choice taxation”, that is citizens apparently choosing to pay a voluntary form of taxation through their discretionary spending, is a financial boon to governments that may struggle under an ideology that eschews taxation and encourages the user to pay. The problem was that the original form of gambling tourism to the New South Wales border benefitted regional Victoria disproportionately. Nonetheless a casino was destined for the Melbourne central business district (CBD). This was Crown Casino mentioned earlier in association with the potentially probity-damaging personal relationship between the Premier and the two (original) principle owners; Lloyd Williams and Ron Walker.

The Regulation Theorists imagine an approach to consumption that is responsive to the demands of the prevailing regime of accumulation and subject to the 'rhythms of profit cycles' (Pietrykowski 1994, p. 67). This view needs much distillation in order to understand the consumption imperatives that Crown Casino calls forth.

While the concept of a flexible consumption to complement the post-Fordist notions of flexible production implicates the tailoring of mass production to individual tastes the consumption of services is much more indicative of the transition to a post-Fordist consumption. The corollary of this form of consumption is 'a constant search for new, different, bigger and better pleasures, with services being collectively packaged as spectacles' (Mullins 1991, p. 329 emphasis added); where 'you'll be captivated by fantastic surroundings, dazzled by spectacular special effects and amazed by the constant motion, colour and people' (Crown Entertainment Guide 1997, p. 2).

This mobilisation of spectacle in the service of capital accumulation under neo-liberal/post-Fordist consumption is a primary indicator of this shift towards a form of post-modernist culture. Harvey argues that while spectacle has its roots in ancient Rome, '[i]t fits...with...[modern]...urban strategies to capture consumer dollars to compensate for de-industrialisation' (Harvey 1994, p. 376). Supporting this presentation of spectacle is Mullins' (1991) concept of a '*consumption compound*' (p. 330). The post-modern city, according to Mullins (1991), is not the entire city but 'prevails as parts of an existing cit[y]' (p. 330) where the activities of these 'consumption compounds' are focussed, with the intention of drawing the world, the city and the *region's* population in to "play", using their disposable (and not so disposable) incomes. Mullins (1991) argues further, that these 'compounds' can also be customised into discreet units of specific pleasures for particular people, where activities are packaged for the [usually] dominant classes (p. 330).

This post-modern cultural view argues that it is the mass consumption of pleasure that has come to represent the consumption-side of post-Fordism (Mullins 1991, p. 331). Urry (1990) argues for a more circumspect view of post-Fordist consumption by invoking the concept of a politicised consumption (p. 14) that, in turn, evokes the conflicting notions of consumers as both activists and victims. It is the combination of these two approaches and the evident shift towards the consumption of services, which offers the most useful insight into the Crown Casino as an example of post-Fordist consumption and a centripetal branding attraction and opportunity for Melbourne over regional Victoria.

The siting of the casino in the arts precinct on the south bank of the Yarra River extends this 'consumption compound' from the "Arts Centre" to the "Exhibition Centre" and creates a space of continuous consumption. By taking its place amongst this arts/retail/restaurant/hotel precinct, the casino is homogenised by the "compound". It is further normalised and valorised by being in a precinct that is promoted for its style and culture. This integration and concentration of specialised consumption opportunities also acts as a much stronger centripetal attraction to Melbourne. And because of its variability in terms of consumption choices it has the potential to commit the tourist for much longer periods of time and greater spending. Thereby restricting the likelihood of regional tourism.

The fact that a casino licence was only granted in Melbourne of itself meant that there was no alternative than to consume this practice in Melbourne. The potential damage that this over-development caused to the building of a broad mode of social regulation was not simply confined to regional Victoria. A number of the institutions that were influential in the community that would constitute the partners in a mode of social regulation were also alienated. The churches were particularly aggrieved by the government-approved promotion of this detrimental form of consumption with the Reverend Tim Costello driving an anti-gambling campaign that continues into the present.

This campaign saw the formation of an influential lobby group known as the Interchurch Gambling Taskforce which argued forcibly against the damage that was being produced by the explosion in gambling opportunities<sup>107</sup>, primarily in Melbourne but throughout the regional state (see for example The Inter Church Gambling Taskforce 1997). The Australian Institute for Gambling Research (AIGR) (1999) underlines the mode of social regulation-damaging effects of gambling in its 1999 report when it states that:

These social impacts generated, organised and sustained protests against the EGMs and government gaming policy. Even with the moratorium on [the expansion in numbers of] EGMs, a 1998 Interchurch Gambling Taskforce noted that “due to market demands and gambling returns, EGMs are generally concentrated in lower socio-economic areas...with many millions of dollars being pulled out of poorer communities”. The scale and intensity of this public backlash has been unique to Victoria. This is reflected in the establishment of organisations such as the Interchurch Gambling Taskforce and coordinated public protests. Other states have encountered an increase in problem gambling but no other state has reported problems as severe or experienced such heated protests as in Victoria (AIGR 1999, pp. 179 – 180 and Interchurch Gambling Taskforce quoted in AIGR 1999, pp. 179 – 180).

The Unions too were alienated by this process through negotiating on behalf of their members (and non-members) with the Casino. Despite having struck an enterprise bargain there was disappointment with the outcome that seemed to support the notions of Schumpeterian-like work practices. This is what Crown Casino appears to have achieved through the auspices of its enterprise agreement and (more broadly) from the labour restructuring process. The outcome for the employees of Crown Casino appears to conform to what Aglietta described as ‘the application of Fordist methods *in the service sector* to raise productivity[,],...to increase the intensity of work and introduce new forms of labour control’ (Aglietta cited in Ash 1994, p. 20 emphasis added).

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<sup>107</sup> Constituted by the largest casino development in the world at its time of construction and 27,500 EGMs across Victoria (AIGR 1999, p. 178).

This is demonstrated in the elements of the enterprise agreement through: the employees' exclusion from industry-wide work-practice conditions fought for over years; a flexibility that requires their availability 24 hours a day 7 days a week for minimal penalty rates; and a three year agreement with modest salaries and conditions.

Under the bailiwick of the Kennett Government Victorians witnessed the development of a \$1.6 billion casino (Elias & Heinrichs 1997, p. A19). The final figure was estimated to be a prodigious \$2.3 billion (Hannan 1997, p. A1). This is a bigger investment than the country made in its Federal Parliament House (\$1.2 billion) and stands as one of the biggest private infrastructure projects undertaken in Australia's history at the time. To place it in a contemporaneous Victorian context, the massive *Citylink* freeway project was estimated to cost \$1.8 billion and the equally massive property development at *Docklands*, \$2 billion (Hannan 1997a, p. A1). These projects were part of an extensive infrastructure development programme by the Kennett Government that intensified the focus on Melbourne as the centripetal entrepreneurial "ring master" of the Victorian political economy.

## **Charisma and the Kennett Revolution**

As discussed in Chapter 2 above, Weber's original conceptualisation of charisma, which posits the bearer as holding specific gifts of body and mind that were considered "supernatural" (p. 1112), is not a definition that will articulate with current political economic realities. But Weber's second point resonates with the circumstance and division of political labour in the Kennett Government. Weber argues that the charismatic leader is the opposite of the bureaucratic constituent in that their rise and identification, as the charismatic leader, is divorced from the economic and eschews the pursuit of money in the rise to domination. Now while this is linked, to some extent, with historical times associated with political patronage there is a resonance with the Kennett experience.

As Mayne (1999) and others (Edwards 2001, p. 9) have observed this political division of labour saw Stockdale take charge of the economic and financial management of the state while Kennett executed the role as the 'greatest salesman [Kerry Stokes] had ever met' (p. 22); or as Alomes (1999) characterises the phenomenon: 'Jeff Kennett the advertising man...[who]...had the...gambits in the spirit of P. T. Barnum' (p. 19).

Kennett's complete usurping of the political agenda then and until recently ('[h]is shadow, they say, hovers over strategy meetings for the looming election...both parties know they have to work the Kennett factor with unusual skill' [Alcorn & Davies 2002, p. 17]), his indissoluble identity with Melbourne and Victoria and his hubristic dominance of the political and cultural landscape was awkwardly but disturbingly reflected in Ron Walker's<sup>108</sup> description of Victoria as '*the State of Kennett*' (Ellingsen 1999; see also Lesser 1999 emphasis added).

In order to understand the (post) modern manifestation of charisma Giddens' interpretation offers more grist for the Victorian situation under Kennett than most: '[c]harisma is a driving, creative force which surges through the established rules, whether traditional or legal, which govern an existing order...[c]harisma is thus particularly important as a *revolutionary* force within traditional systems of domination, where authority is tied to precedents which have been handed down in a relatively unchanging form from the past' (1971, p. 161 emphasis added). There is little doubt that Kennett was the revolutionary force that drove the government and gave Victoria 'the psychological boost [which] was more important than the physical' (Alcorn & Davies 2002, p. 17). As Alcorn & Davies (2002) go on to observe: '...[his] was such a powerful force, his social and economic changes to Victoria so profound, that he shifted the political conventions for the foreseeable future' (p. 17).

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<sup>108</sup> Ron Walker was a friend and confidant of Kennett. He was also the Liberal Party's chief fundraiser and the first, and controversial licence holder, with Lloyd Williams, of Crown Casino. Walker was also appointed by Kennett to head the Grand Prix Corporation and the Melbourne Major Events Company.



Kennett's charismatic influence to some extent faltered on the gender and intellectual (Cannold 1999, p. 19) divides. According to Bone (1999) opinion poll data rates Kennett's approval among mature women as consistently below the support given by men. Bone cites the media's eulogising of the perceived charismatic responses to the Kennett phenomenon cataloguing the hyperbolic language mobilised to boost the Kennett phenomenon: 'it was said [that he was] the most brilliant and popular politician in the country. The media loved him. Young men cheered him wherever he went. Young women were photographed draped around his feet' (p. 17); his popularist persona fusing authoritarianism and rebellion: "Jeff's a legend"; "Jeff the hoon" in the Grand Prix and FM radio discourses (Alomes 1999, p. 19). Of course this was precisely the eulogising that alienated the intellectual class as Cannold (1999) observes of the 'Jeff-worship' (p. 19): 'This attitude to power explains the Victorian public's love affair with our despotic Premier, and their antagonism to the nation's intellectual elites...[as the] nitpicking obsessions of pedants with little grasp of the concerns of "ordinary" Victorians' (p. 19).

Cannold (1999), Alomes (1999) and Bone (1999) identify the problem that was to unravel Kennett's electoral charisma. The unravelling came about because of the familiar hubris that has been observed in the evidence gathered from a number of interviewees and commentators throughout this thesis. His charisma was also overestimated by his staff and did not translate very well into *one* of the bizarre (Clark 1999, p. 9) aspects of the 1999 election campaign (discussed earlier). Kennett's office set up a website called Jeff.com which featured among other things Kennett and his two Great Dane dogs<sup>109</sup> but with little political policy content mainly "fan" material and a game (Alomes 1999, p. 19). This was not just a discrete adjunct to the campaign it featured on billboards throughout Melbourne. It was an abysmal failure and was indicative of the bridge too far that the party had trod upon in relation to the media saturation (see Little 1999) and focus upon Kennett as their *sole* political asset.

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<sup>109</sup> Kennett notoriously told Karen Batt (2001) that there would be so few people left in the Victorian Public Service (2000) that he and his two dogs could run it (p. 6).

Gude (2001) underlines this observation in his assessment of the party's handling of the 1999 election campaign: '...the party lost its way a bit and paid a price' (p. 12). Gude (2001) also concurred with the above views in relation to Jeff.com in his interview for this thesis: 'Jeff.com? No it didn't work. It could have been a nice little happy adjunct on the side that you didn't talk about' (p. 12). It also presaged a decline in his positive agentic dominance of the political culture and agenda and underlined the disruptive influence that always accompanied Kennett's political career.

### **Kennett's Agentic Disruption to a Mode of Social Regulation**

Hay (2002), in *Political Analysis*, argues that it is 'actors who make history, the parameters of their capacity to act is ultimately set by the structured context in which they find themselves. It is then the dynamic relationship between structure and agency' (p. 254) that also needs to be considered in relation to the formation of a mode of social regulation in Victoria during the years of the Kennett Government. As was argued in Chapters 2 and 3, the combination of the middle-range Regulation Theory with the interpretive Critical Discourse Analysis approach afforded the opportunity to investigate the affect of the capitalist processes on the sub-national state, at the same time, allowing for an account of the political/hegemonic response to local, global, economic and politico-cultural forces. This combination of approaches does not completely obviate the agency/structure conundrum but the use of Critical Discourse Analysis does allow for an understanding of the political nature of the relationships entered into when politicians engage the electorate in a discourse to facilitate their hegemonic dominance in government while they further a broader political economic shift. When the actor/s in these roles move beyond the hegemonic and become dominant then the agentic influence needs to be measured in terms of its facilitatory or disruptive role.

The particularities of an individual politician's (and/or government's) style, relationships and methodology of governance are of acute interest to the sociological research process because the notion of agency is ubiquitous in the social formation and social practices that may lead to a new social order (Fairclough 2001, p. 236). As discussed earlier Fairclough (2003) refines his message in relation to discourse as social practice (whether that discourse be economic, political or cultural) arguing that social practice allows for an analytic disposition that can oscillate between 'the perspectives of social structure and the perspectives of social action and agency' (p. 205). This is a key consideration when dealing with such a dominant political figure as Kennett.

The expectations of Regulation Theory are essentially that a dialectic develops between the capital accumulators and 'the ensemble of state forms, social norms, political practices and institutional networks which they termed the mode of social regulation'<sup>110</sup> (Peck & Tickell 1994, p. 284) to reach a compromise position so that the new regime of accumulation can continue to develop without damaging resistance from those who constitute the mode of social regulation. The fundamental problem in dialectical terms for Kennett was his disposition towards those who presented an opposing view where his primary response was '...the arrogant dismissal of others' views' (Colebatch 1999, p. 19). If individuals or groups objected to his approach they were accused of being "un-Victorian" (see for example Shamshullah 1999, p. 7; Little 1999, p. 17; and Bone 1999, p. 17) and shut out of the negotiative sphere of the Government (see Gude 2001 as well).

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<sup>110</sup> The original regulationist term was simply the mode of regulation but theoretical development outside the regulation school has added the term social to consolidate the broader application of the regulation *approach* to an understanding of the breadth of capitalist reproduction.

Halfpenny (2001) articulates the broader sense that the Victorian electorate felt in being rhetorically, and in many cases (see Carolan 1999, p. 15 and Cannold 1999, p. 19 above) actually, “shouted down” by Kennett when they were resistant to some of the changes that were being pushed, and in some cases rammed (Gude 2001, p. 5)<sup>111</sup> through by the Government. Halfpenny (2001) reflects on the legacy thusly:

Well yeah, he did create a new Victoria but whether it was a better Victoria then I'd say no not a better Victoria, okay, a less caring Victoria, a more selfish Victoria a less stable Victoria historically because of all the infrastructure had been disposed of and a society which placed a higher value on being a corporate cowboy than being somebody who was concerned about the general state of the people. I mean the health system and the education system and all of the basic institutions, which are the responsibility of, the primary responsibility of governments, were just driven into the ground. And also, I think, because of his bullying the people of Victoria became very demoralised and felt helpless and powerless and that was why, in my view, inevitably, and it doesn't matter what sort of tyranny, inevitably it's toppled and often it's toppled very quickly and at a time when people don't expect it to happen; when the enemy seems to be so entrenched that they're almost impregnable you can't, but then they go, right, and that's what happened. People had had a gutful they weren't out demonstrating because they felt they didn't have, that they'd been rendered powerless the ballot box gave them the opportunity and so they, they went for him (p. 8).

That the electoral population felt powerless and discursively intimidated in this way speaks of Kennett's agentic disruption of the dialectic process required for a neo-liberal post-Fordist settlement as a result of his revolution in governance practices and shepherding of a neo-liberal regime of accumulation. But it was not simply a case of refusing to negotiate with Unions and Union officials or other ideological opponents. As Perton (2001) observed of the party's internal processes:

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<sup>111</sup> But then when the change took place that was done with blistering speed, the parliament sat day and night and wrecked the health of a few of us in the process, um, but things were pushed through very, very fast (Gude 2001, p. 5).

Power was very centralised. Minsters, my impression was that, Minsters did not have the freedom of action that they might have in other governments. It was very much a golden cage type syndrome, you know, provided they were prepared to sing the sweet song. Now, people who were inside the cabinet used to say oh well, you know, Alan Stockdale stood up to him, Phil Gude stood up to him and Jan Wade stood up to him but you rarely saw the results of that coming out of the cabinet process...it was a very centralised power structure. So whilst the Liberal Party might at times appear very leader-centric, nevertheless the leader-centric nature of the party still allows for a lot of internal debate discussion. *I thought the break with tradition was that none of that was allowed, you know, that anyone who was dissenting was seen to be conspiring* (pp. 1 – 2 emphasis added).

This insider's view was also supported by the external observations from one of the most respected Liberal Premiers of recent times, Sir Rupert Hamer (2001), who was distressed by the disruptive influence Kennett was having on the party and in the electorate:

...I get the impression, especially in the second term, that it was a one-man band. In fact, halfway through the election campaign I went into the campaign headquarters and said I honestly don't believe this campaign is real because the one line the Opposition is taking successfully is we've got an arrogant Premier who doesn't listen, is out of touch and doesn't think the bush is important and all those things; and here we were pushing him as virtually a sole asset...you don't have to reinforce the Labor side that *he's a dictator who doesn't listen and doesn't care*. We should have been emphasising policy and anyway the campaign went on and we reinforced the Labor line...as time went on [and I] particularly noticed it in the polls and more and more people believed that it was time for a correction (pp. 8 – 9 emphasis added).

This recalcitrant resistance to the procedures and processes of the institutions which were fundamental to the political economy, and described the ideological divide, were initially seen by the electorate (Lavelle 2000) as the necessary action required to deal with a crisis that was 'bigger than Ben Hur' (Kennett quoted in Hayward 1999a, p. 135).

However as this approach to governance was starting to be seen to be part of Kennett's character and not an expedient response to "dire" circumstances that the Government inherited, his anti-democratic and authoritarian (refer to earlier discussion on the Auditor-General above) nature began to be recognised. This recognition was not confined to one end of the ideological divide but amongst the constituency that Kennett was seen to be acting for and who had some interest in seeing the neo-liberal revolution he introduced bedded-down. David Edwards (2001) the Chief Executive Officer of the Victorian Employer's Chamber of Commerce and Industry and the Chair of Project Victoria who was a political ally and confidant in the early stages of the Kennett Government identified this disruptive influence as well. Edwards saw the 1999 election loss as Kennett's responsibility '...well *he* lost because of his, I guess his greatest attribute and his greatest weakness, he had this almost arrogant belief in *his vision* and that *he was right*' (p. 9 emphasis added). This ideological certainty prosecuted by a rhetoric of belligerence and a discourse of conviction-driven threat meant that Kennett could not act as the honest broker of a dialectical process with which he was so strongly identified, yet unwilling to negotiate over.

Gude (2001) describes this resistance and blinkered ignorance of the need to negotiate over the settlement of the neo-liberal regime of accumulation this way:

I think he got so imbued with the PR side of the job that *he lost sight of what was happening out there* and he'd, for example, go on a country trip and he'd think he was out there consulting. He'd say go to Portland, three or four hamlets around there, up to Hamilton and he'd end up in Mildura that night. He would have met about a thousand people but *he was snapping at people. He was out there telling them, he wasn't out there listening and he lost it* and I think that was unfortunate (p. 11).

Negotiation was simply impossible, the dialectic a phantom possibility. And, as Perton (2001) observed above, there was nobody in the Government who was able to step in and act in the role of negotiator between corporate and civil society because those that were sufficiently influential were trapped in the “golden cage” (pp. 1- 2) and would have not had Kennett’s imprimatur and certainly not his blessing.

The final critical discourse moment that disrupted the possibility of Kennett acting as the broker of the dialectic was the electorate and institutions’ perception of his style of fiscal management. Kennett initially represented the expedient fiscal “fixer” who had the courage to take the “no alternatives” path. The cuts to spending were seen in the initial stages as challenging but necessary, but by the second term it was apparent that the regions, the public health sector and public education sector had disproportionately bore the brunt of the cuts. Perton (2001) outlines this point precisely in his assessment of the problem that Kennett posed to the party and the Victorian community:

...[y]ou know there was a *fifteen hundred million dollar surplus* in the year that we lost and I don’t think we would have lost the election if we had spent that. So, yeah, it [the crisis] very much flavoured the government right from beginning to end and whilst the initial success of the government [came from] the confidence that people had in us...fixing that up, by the end of the government *people were sick of it*: Always ruled by accountants rather than philosophers (pp. 8 – 9 interviewee’s emphasis).

The discursive and semiotic importance in this observation is that the philosopher is a dialectician, the accountant a statistician. By this stage in the neo-liberalisation process even Liberal Party politicians, Ministers and business supporters were identifying the breakdown of the possibility of Kennett facilitating a community-wide dialectic that would promote a mode of social regulatory compromise with the wider Victorian community.

This approach cut deeply into the life chances of many citizens, organisations and regional businesses and as a consequence their reflexive reticence cut across the Kennett neo-liberal hegemonic project. It also became apparent that there was a differential affect between those citizens who could provide for themselves and those who relied on government institutions for the provision of these basic services (Hayward 2002, p. 13). Education and health, as two of the key institutions that deal with life chances at the beginning and end of life affect a large percentage of the population directly or indirectly through family circumstances, and as such meant that there were potentially a significant number of citizens affected by these dramatic cutbacks. By the time the 1999 election campaign arrived the ideological need to withhold money from these two vulnerable but socially emblematic areas of government responsibility meant that the potential for community coalescence was over (see Perton (2001, p. 8 – 9 above).

While the notion of the competitive paradigm (see CCT above for example) was accepted, sometimes reluctantly, by the Victorian population and institutions, this ideology of “steering not rowing” was becoming harder to sell to a reform weary public and institutional community. The fact that Kennett continued to withhold money up until the 1999 election campaign started to look like punishment, and given that Kennett’s hegemonic discourse had substantially moved towards hubris (Parkinson 2000, p 373; Scales 2001, p. 5; Hamer 2001, pp, 8 – 9; Cain 2001, p. 9; Ellingsen 1999 and Edwards 2001, p. 9) and intolerance of any dissention (Shamshullah 1999, p. 7; Little 1999, p. 17; and Bone 1999, p. 17), demagoguery (Cannold 1999, p. 19) may have just been around the corner as Gude (2001) observed, confirming this view when assessing the reasons for the inexplicable 1999 election loss:

There was a big war chest if you like, there was a *huge amount of money* that was there and had that have been, I would argue it *should have been allocated two years before*, not at an election, and could have been, some of it anyhow, and a lot was being held back for reasons *best known to one person* (sic) (p. 12 emphasis added).



## Concluding Remarks

The election loss was emblematic of Kennett's inability to have taken the role as honest broker in the dialectical process that would fulfil the Regulation Theory requirements for a neo-liberal post-Fordist future. As the driver of this process Kennett was the pivot around which this negotiation would have taken place. Kennett introduced the community to the neo-liberal regime of accumulation, he did what no other Premier before him had, he took up the mantle of the capitalist accumulation process and invited the accumulators into a Victoria that was opened for business on 3rd October 1992. As Hamer (2001) observed in his interview for this thesis the difference between Kennett and myself in relation to business' desire to purchase and run the assets owned by the state was that 'he let them do it: I didn't' (p. 9).

In relation to the legacy that the Kennett Government left to the community John Gillies' response has a nostalgic realism about it:

Well I think, the legacy of any conservative government is that the next government in is constrained by what they've done in the physical sense and the financial sense it constrains Labor. And the other thing is that the next government in is usually frightened to go too far the other way because they believe that the ground's shifted. Now, I think the ground has shifted but I don't think it was Kennett who shifted the ground. I think the ground all over Australia the ground [was] moving. I used to look at things and say you know well Australia was...a very sharing, egalitarian country which tended to look sympathetically at everyone's views, was concerned about welfare and we got this horrible aberration. But, I've lately come to the view that the 1970s were the aberration, Australia's never been a really nice place. And that we went through a period where wealth was increasing very rapidly and it could be deployed into a lot of really good areas. I mean Whitlam made a few blues, but he also did some great things and changed the face of Australia very dramatically in doing it. But I think that was the aberration and that we're more or less back to square one now (2001, pp. 10 – 11).

Perhaps Gillies (2001) represents the philosopher that Victor Perton (2001) was searching for to come out of the Kennett Revolution.

## **CONCLUSION**

### **A post-script to the revolution**

‘I don’t know whether anything’s permanently new. But I think that one of the unfortunate things they’ve left is that they’ve seduced even Labor governments into believing that they’ve got to demonstrate that they are prudent financial managers and to do that by cutting this and not doing that and being very risk averse’  
(Halfpenny 2001, p. 9).

Regulation Theory has previously demonstrated its value to political economy because of its theoretical and methodological insights into the nature of the structural coupling that needs to arise between disparate elements in capitalist societies to sustain prolonged periods of capitalist growth. While growth is not automatic once the “coupling” has been achieved the dialectical nature of this structural articulation allows for on-going adjustments to be made to maintain the life of the particular phase of capitalist growth. The less disruption there is from the inherent boom/bust cycles of capitalism the greater the success of that particular phase of growth. Disruption to the growth phase may not be a phenomenon that only occurs after the bedding down process has succeeded and the disruption may not be limited to the boom/bust cycle either.

The state potentially plays a key role as an honest broker in the negotiation phase of the structural coupling process between the regime of accumulation and the mode of social regulation. As Lauria (1997) argues, the state apparatus, as a significant part of the mode of social regulation, is one of the key institutional players in this process of bringing about a dialectical accord between the two arms required for this articulation to succeed. Lauria (1997) states that in the (previous) Fordist regime of accumulation for instance:

...*the state* helped to stabilise the patterns of production and demand (via Keynesian economic management), consumption through providing appropriate forms of service provision (via various components of the welfare state), fiscal policy, wage relations (via collective bargaining and corporatist politics), and productive infrastructure (p. 6 emphasis added).

While the state has a legitimate role to play in identifying the shift from one regime of accumulation to the next it is essential that it plays, and is seen to play, the role of honest broker in the negotiation so that both “sides” can give on-going support to the regulatory regime that underpins the new regime of accumulation. In the case of the Kennett Government, based on the evidence presented here, it appears that this was not the case.

Kennett (1976), as early as his inaugural speech to parliament, was advocating the cause of the free enterprise system and in fact reifying it by suggesting that: ‘[t]he free enterprise system in Victoria is extremely excited about this proposed legislation’ (p. 13). This unreflexive reification, by discursively separating the free enterprise system from its human constituents, gave an indication of the viscosity the capitalist system held for Kennett. The reification came towards the end of a speech that was the showcase for Kennett’s political philosophy and his discursive order of political priorities. The inaugural speech focussed almost exclusively upon the needs of the free enterprise system and what the government could do for “it”. In Kennett’s rhetoric, business and the government were at the service of the *most effective system of production ever devised* (Kennett 1976, p. 13) and as such Kennett presented the Victorian Parliament and its citizens with the first piece of discursive evidence that demonstrated his future disposition to a regime of accumulation. This was in contradistinction to the needs of the broader community as potential participants in a mode of social regulation.

As was argued throughout this thesis, Kennett maintained this disposition and demonstrated his commitment to neo-liberalism and its manifestation as an accumulation practice when he metaphorically declared Victoria was “open for business”, trading on the back of the *Commonsense Revolution* (Kennett 1995) and in the interests of the accumulation practice (Kennett 1995).

While business taxes were reduced, household taxes were increased (see for example Cain/Kirner tax levy on every rateable property in Victoria) (Hayward 1999a; 1999c, p. 13 and 2002, p. 13). Multiple government services were put out to tender causing many thousands to be put out of work with only the prospect of having to tender for their job as a safety net. In many cases individuals and local coalitions of workers were unable to compete with the big service providers and remained unemployed (Millar & Dowling 2004). In fact, Kennett appeared to want to be a player in the capitalist process as Premier, when he states in the *Commonsense Revolution* (1995): 'We work closely together as a pro-business Government, and work face-to-face with business to identify ways that help *us beat our competitors into the market*' (p. 5). Gone is the arm's length relationship between business and government; this appears to be a partnership that has eclipsed the much criticised government practice of *picking winners*.

It appears that the key disruptive force was not the boom/bust cycle but the apparent, greater commitment of the Kennett Government to the neo-liberal regime of accumulation than to the role of honest broker between the capital accumulation process and the political economy and society into which it was being introduced. In fact, it appears from the evidence, and the political outcome, that the greater disruptive force was the agentic intrusion of Premier Kennett between the capital accumulation method and the Victorian society. John Gillies (2001) encapsulated the potential confusion of the electorate around the role of the government in the neo-liberalisation process in Victoria when in his interview for this thesis he observed that: 'You don't know whether you're dealing with a whole lot of people committed to an ideology or whether you're dealing with *one person* committed to an ideology' (p. 6 emphasis added).

The Kennett Government introduced a series of major structural changes that underpinned Victoria's shift towards a potential neo-liberal post-Fordism. It cut budgetary expenditure dramatically and introduced a form of corporate accounting into the budgetary processes; it sacked tens of thousands of public servants; contracted out state and local government services; introduced employment contracts to the public service; undertook the biggest public asset sale in Australia's history; closed and sold hundreds of government schools; cut millions of dollars in funding from state hospitals; "entrepreneurialised" Melbourne through an events management "branding" strategy that, among many other things, saw an extensive, hitherto unseen, gambling industry established; and restricted, or denied, the public and the parliament's access to information about many of these processes. Whilst the actions in this list appear draconian, the strength of the critical discourse moment that constituted the crisis scenario upon which the Government was swept to power in 1992, sustained it through its own potential *crisis of allegiance* sufficient for it to be elected to a second term of government in 1996. Yet there was disquiet in the community and, as Lavelle (2000) argued, this was a popular government with unpopular policies that transformed into a Melbourne-centric government that alienated regional Victoria and lost government in dramatic fashion on its second attempt at *re-election*.

## **Theoretical and Methodological Outcomes**

The context for the assessment of the effectiveness of Regulation Theory was undertaken in light of urban sociological expectations and how they intersected with the needs of the wider regional state. More particularly in an Australian regional political economy context, it was an area that had so far only had limited investigation (see Broomhill 2001; Low 1994; Hampson 1991; Hampson et al. 1994; Hampson & Morgan 1999 and Engels 1999). The method of interpretation used in this thesis was a relatively unexplored approach to analysis that combined Regulation Theory with Critical Discourse Analysis to unpack the difficult research task of uncovering the "politics" in a negotiation balanced between economics, society, governmentality and agency.

It was also a theoretical/methodological nexus that had not been used before by the Australian Regulation school research academics. This combination of approaches was identified “early” in the life of the Regulation Theory project. In fact, as observed in Chapter 2, leading regulation theorist Bob Jessop argued, as early as 1990, that there should be a blending of Regulation Theory and a form of discourse analysis to maximise the effectiveness of Regulation Theory’s application to the state:

Theoretically, what is needed is a synthesis of regulationist, state theoretical and discourse-analytic concepts...they have each produced concepts to describe, not only the underlying causal mechanisms, power, liabilities, tendencies and counter tendencies...they also produce concepts on a middle range, institutional level to facilitate detailed conjunctural analyses. The regulation approach stresses the successful development and institutionalisation of a mode of regulation whose principle features are defined in terms of their contribution to maintain the capital relation. Discourse analysis...emphasises political, intellectual and moral leadership (Jessop 1990, p. 205).

The key critique here of Regulation Theory was its lack of analytical tools to allow it to come to terms with the political response to the capitalist process. As Goodwin & Painter (1997) argued as well,

[as] the possibility of identifying coherent and stable modes of regulation recedes, a study of regulatory processes in local governance must highlight political practice, strategy, and conflict. This leads (or should lead) to an intensified concern with discourse because practice, strategy, and conflict are inherently, though not exclusively, discursive (p. 27).

Having said that, there was not the development of a specific literature that combined these approaches until Fairclough, Jessop & Sayer (2003) took it a step further and developed the *cultural political economy* approach to understanding the role of politics and agency in these sort of political economic negotiations towards a deeper understanding of the dynamics of the post-Fordist settlement.

## Contributions to Knowledge

This thesis has provided a detailed analysis of a *captured moment* of a, so far, unique government in Australia's political history. The Kennett Government has been the most thorough-going neo-liberalising government we have seen in Australia, lead by an individual who, in many senses, was bigger than the government he lead or the economic ideology that he was prosecuting. As such this research reflects an important moment in Australia's political history and the results are presented below.

As stated above this thesis is the first to use a combination of Regulation Theory and Critical Discourse Analysis to study the neo-liberalisation process in a regional state in Australia. While Engels (1999) has done a thorough political economy investigation of the neo-liberalisation process in Kennett's Victoria and Broomhill (2001) has done the same using Regulation Theory, a research project has not been undertaken previously that uses the combination of approaches that have been suggested by Jessop (1990), Painter & Goodwin (1997) and Fairclough, Jessop and Sayer (2003). This thesis has therefore presented a new theoretical paradigm for this type of analysis.

Furthermore as a result of the work done in this thesis, there has been a further elaboration and development of knowledge in relation to the critical discourse analysis component of the research. In order to unpack all of the discursive levels of the Kennett Government's neo-liberalisation project I have developed a broader schema to discuss, not only important *moment* (Chouliaraki & Fairclough 1999, pp. 28 – 29 & 67 and Fairclough 2001, pp. 122 - 138) in the discursive constructions of those being analysed, but also a category that identifies the underpinning rhetoric that supports these moments (a *secondary discourse moment*) and, in addition, the identification of an extended moment that identifies a discursive project that is an elaboration of the moment (a *critical discourse phase*).

My starting point was the *critical discourse moment* (Chouliaraki & Fairclough 1999, pp. 28 – 29 & 67 and Fairclough 2001, pp. 122 - 138) where the key discursive message was nominated and prosecuted. This was the moment upon which the hegemonic project of the Kennett Government turned. The primary example in the first term of government was the idea of *crisis*. The other key moment was that of *change*. Underpinning these however was a *supportive discourse* that buttressed the prosecution of the crisis and change moments and these were important to identify and unpack because they had the potential to reveal the ideological nature of the critical discourse moment. These supportive discursive terms I described as *secondary discourse moments* and, in the case of the Kennett Government, they revealed how the critical discourse moments were articulated. Prime examples of *secondary discourse moments* included *common sense*, *no alternative* and *fundamental*. These terms revealed Kennett's reductionist attitude towards governance and shone a revealing light on the mobilisation of crisis as more than a response to the previous Labor Government but a part of a conservative neo-liberal project<sup>112</sup> that had its roots in Thatcher's Britain and a specific resonance in Harris' Ontario (see Albo & MacDermid 1998 and Ralph, Regimbald, and St-Armand 1997).

There was also a need to investigate how, or if, the *critical discourse moment* had a temporal longevity beyond its status as a moment. This proved to be the case in relation to the Kennett Government. It became important to capture the tenor of a period of time where there was an overarching discursive atmosphere around with the Government's progress. This discursive atmosphere I nominated as the *critical discourse phase* to communicate a broad discursive phase that captured the generalised perceptions of the Government's habitus. This is an analytical tool that is most effectively used in retrospect, as was the case here. The Kennett Government appeared to go through three phases in their governance: *crisis*, *consolidation* and *collapse*.

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<sup>112</sup> As noted earlier two similar radical reformist governments, one in Ontario in Canada and the other in Victoria in Australia, came to office with the same manifesto: *The Commonsense Revolution* (see Kennett 1995 and Ralph, Regimbald, and St-Armand 1997).



By nominating these as critical discourse phases there was the opportunity to come to terms with governance as a project and to measure the reception or success of that project. This specific methodological tool may not apply in all cases but in the case of the relatively short-lived, dynamic government like the Kennett Government the explanatory utility of the phases is evident. The three critical discourse phases have a discursive, explanatory clarity about them even prior to being unpacked.

The interview material produced for this thesis was extensive and formed the major component of the thesis' primary research. This was all original work and in some cases, due to the death of three of this thesis' informants, constitutes their last words on the subject. Therefore, this collection of interviews adds significantly to the public archive of the reflections of some of the key players in a tumultuous political period in Victoria's history.

## Findings

What the evidence from this research has shown is that the weight of effort by Kennett and his government was tipped towards business and the neo-liberal accumulation regime. Nevertheless, the pathway to an embedded accumulation regime will require a commitment to the socio-institutional side as well. It appears from the evidence presented here, that Kennett and the Government allowed that to atrophy through discursive mismanagement of relationships that were other than with business. Amongst a list of rebuffs to the community, both discursive and directly confrontational, four stand out.

The first is found in Carney's 1993 interview. Less than six months into his Premiership, Kennett demonstrates his lack of tolerance for resistance to his agenda when he opines that 'post-war Australians have lacked the courage and maturity to embrace *radical change*' (Kennett cited in Carney 1993b, p. 15 emphasis added).

Through the application of Critical Discourse Analysis we can see the unreasonable political intolerance in this trans-generational dismissal of anyone in the electorate who is not prepared to embrace Kennett's reforms, even at their extremity. Implicit in this discursive dismissal of the immature and cowardly is the hubristic narcissism of the "strongman" as leader (Little 1999, pp. 23 – 24).

Secondly, Karen Batt (2001) disclosed in her interview for this thesis the troubling circumstance where Kennett and Stockdale, prior to the 1992 election were prepared to *sign* a memorandum of understanding between themselves and the Community and Public Sector Union, on behalf of a future government that was almost assured of being elected. The memorandum stated that 'there'd be no major changes to the public service and its operation without the involvement and consent [of the Union]...' (Batt 2001, p. 1). This was an agreement to which the Kennett Government never adhered nor intended to. Gude (2001) observes that most of the preparatory legislative drafting was done between 1988 and 1992. The Kennett Government, in one of its first acts abolished the Public Service Board, took away the public sector's annual holiday leave loading and the government payroll deduction of public sector union fees all within the first month of being elected and 'without the involvement and consent of the Community and Public Sector Union' (Batt 2001, p. 1) This legislation had obviously been prepared prior to Kennett coming to government.

The third discursive message was sent to another section of the institutional community when Kennett, Stockdale and Gude went to visit another collectivist, this time from the small business community. Not content to alienate the Union movement with unethical and arbitrary behaviour these Government representatives berated and insulted a representative of their natural constituency for not adhering to the strict individualist ideology of their revolution (Interviewee A 2001). Here was a case in point of how those who lacked the courage and maturity to embrace *radical* change would be treated.

The Liberal Party's Deputy Leader Phil Gude in his interview for this thesis disclosed the final example of discursive mismanagement of the non-business community. As the second term of the Kennett Government progressed it became increasingly clear that there was a sense of alienation growing in the regional and rural electorates of Victoria. Kennett acknowledged as much in both the second term *Addresses* referred to in this thesis (see Kennett 1996 & 1997). With that awareness in mind the "honest broker" should be going out into the community to gauge its disposition to two terms of radical change and look for elements that could be included in the dialectical negotiation. However this was not the case with Kennett. In this disapproving anecdote, Gude (2001) ascribes to Kennett's behaviour a high-handedness that contributed to the 1999 election loss and the breakdown of the dialectical relationship with regional Victoria:

*...he lost sight of what was happening out there [in regional Victoria]...He would have met about a thousand people but he was snapping at people. He was out there telling them, he wasn't out there listening and he lost it and I think that was unfortunate (p. 11).*

This, as it transpired, was not only an affront to the regional constituents but also an affront to the possibility of playing a role in the construction of a viable mode of social regulation. The ironic turn here is that by treating the electorate's resistance to *radical change* with such aggressive disdain and dismissal the chances of consolidating the neo-liberal regime of accumulation also receded at the same rate that the regional electors did from Kennett and his Government.

## **Crisis**

There is no doubt that there was a broadly positive response in the public domain to the Government's discursive construction and prosecution of the *crisis*. As an expedient political tool it was very effective, as the Victorian Treasurer Alan Stockdale affirmed in his first Budget speech. Stockdale claimed that one of the features of his 1993-94 Budget, was that it brought 'to an end the era of Labor fiddles, rorts and concealments' (Stockdale 1993c, p. 3).

As the media observed the discourse of crisis and blame was ‘the elixir of life for the [Kennett] government [and] the justification for the vast bulk of what it’ (Carney 1993c, p. 17) had said and done. However, as the evidence herein shows, this was a short-term strategy that developed a life of its own and the Government was ultimately the negative beneficiary of a strategy that overwhelmed the strategists. It is apparent in hindsight that Kennett misjudged the durability of the moment, and the willingness of the community to continue to support a process that appeared to shut them out, other than at the ballot box. As Perton (2001) observed: ‘From my perception, the Liberal Party and Liberalism in Victoria were seen as too economically focused and not enough people focused’ (p. 11).

Therefore, in the medium term, the *critical discourse moment* of crisis transformed into a *critical discourse phase* of crisis that combined the budget crisis and the neo-liberalising process into one rolling economic revolution. This phase required a more politically tactful managerial approach in which the Kennett and the Government were not prepared to engage. As was argued earlier, from the time of his inaugural speech, Kennett always relied on the discourse of capitalist renewal and the language of managerialism to create hegemonic space for his reforms. The unfortunate reality for the electorate, and ultimately the Government, was that this space was reserved exclusively for business and the ideology of neo-liberalism. As Kennett rhetorically demonstrated one year after his election victory in his assessment of the overall success of the government: ‘we are very clearly deregulated...we have opened this State again for meaningful constructive building of a *business state*’ (sic) (Kennett 1993a, p. 3 emphasis added). As Scales reported in his interview for this thesis, Kennett was intellectually constrained by his managerialist approach to governance and lacked an appreciation of the need to build a social compact (Scales language for the mode of social regulation as explained earlier):

There was a different set of political imperatives emerging...I don't think Kennett saw it in particular in the context of a [social] compact. He saw it more in the context of a way a manager may see it: the context of efficiency. So in the way you think about the Kennett era you almost need to think of it in the context of good management, as distinct from necessarily good political leadership. That doesn't mean that there wasn't political leadership there but it was more a management framework rather than an obvious political leadership framework (2007, p. 4).

What Scales is describing here is Kennett's particularly narrow and instrumental view of the role of Premier and that he was prepared to sacrifice the articulation between neo-liberalism and the community on the managerialist altar of efficiency.

The other informant from the business sector<sup>113</sup>, David Edwards, was a key participant in the ideological and policy preparatory work for the Kennett Opposition through his Chairmanship of *Project Victoria* and his position as the Chief Executive Officer of the Victorian Chamber of Commerce and Industry. While Edwards was ideologically comfortable with the direction of the Kennett revolution he had reservations about Kennett's character and his suitability for the honest broker role. In a passage that captures the essential unsuitability of Kennett for the role of building an effective and enduring mode of social regulation Edwards (2001) observes of Kennett that:

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<sup>113</sup> The relative invisibility of a cross section of business people to add to the research data was one of the main elements missing that would have added additional depth to the findings. As mentioned in the discussion of the 126<sup>th</sup> *State Council Address* it was difficult to convince business leaders to participate. The key questions for them would have been built around their perception of the need for a mode of social regulation to sustain the neo-liberal regime of accumulation; and the relative weight they would have given to the state and institutional ensembles in the negotiation.

...the style was absolutely right in those first couple of years, but then if you want a business, to carry on the analogy, to grow afterward then you look at other types of management styles. *So you try and empower your staff and you get more ownership and you get a much more democratic decision-making process, that wasn't Jeff's style and he continued on with the style that he always had and so that was his difficulty...*there's a lot of people that have had their fingers burnt and I think we'll learn that *you need to bring communities with you when you go through change processes* (p. 11 emphasis added).

## Consolidation

The second *critical discourse phase, consolidation*, as Gillies (2001) observes, was the period after the draconian fiscal measures were beginning to ebb and the massive privatisation programme was beginning to bring in large amounts of money to the government. There was a generalised feeling that the crisis had been stayed and that the building, reform fatigue (Gude 2001, p. 13; see also O'Reilly 2000, p. 19) would be assuaged by a less rigorous and thorough-going approach to governance. As Gude (2001) observed, the electorate were so assailed by change they needed to gasp for the oxygen of compromise and consultation (p. 13). This was not to be the case and Gillies (2001) assessment captured the mood:

Well I think people were convinced, first of all I think people became aware of the fact that things weren't as dramatically bad, that the fear was gone. The fear that the State was about to fall in a black hole and everyone would lose his or her house and so on, that was gone. I think that people looked at what Kennett had done and decided that what he'd done wasn't necessary. It wasn't salvation of the State. It went further than that and he was making life really hard for them. And most certainly the Kennett Government never gave the impression at any point that it was sympathetic to the difficulties of any particular person. If it fitted, if any action conformed with what they believed to be then bad luck for anyone who was in the road. Totally, totally unsympathetic and people don't like that in a government (p. 10).

In turning to another of the key critical discourse shifts in this consolidation phase we saw analysis move from the discursive to the semiotic through the betrayal of the Westminsterian and Fordist roots that both Cain (2001) and Hamer (2001) identified in the Kennett Government-style of governance. This phase produced a series of decisive critical discourse moments that had an easily apprehendable semiosis. The *secret state* (Mottram & McKay 1999) and the attack on the independence of the Auditor-General's office were further disruptive elements that sent a message to the electorate, and the institutions that were among the likely partners in a mode of social regulation, that the interests of business were the subjects that were of primary interest to the Government. The Government was prepared to offer business the cloak of secrecy by invoking a corporate practice that was meant to stop competitors benefitting from knowledge to which they should not have access. This was the concept of commercial-in-confidence. In this case the electorate, on whose behalf the government was entering into these arrangements, were being placed in the semiotic role of the "competitor" and therefore denied access to information to which they, and the Auditor-General, felt they had a right.

The semiotic damage continued as Kennett attempted to "gag" the Auditor-General by changing the legislation, allowing the role to be contracted out to the private sector and by allowing individual government departments the opportunity to hire their own auditors. This flew in the face of, not only transparency, which was already being disrupted by the resort to commercial-in-confidence, but also the sovereignty of the Parliament, the body to which the Auditor-General reported. The Auditor-General was not an office of government but an independent officer of the Parliament whose job it was to oversee the government so as to assist in the maintenance of a high standard of probity in its dealings. Without this oversight governance practices could avoid scrutiny.

For Victor Perton (2001) warning bells were ringing in dramatic fashion because 'the traditional Liberal supporters...hated us for what we'd done to the Auditor General and the perception of what had happened to the DPP<sup>114</sup>' (p. 9). Disruption was becoming self-inflicted political damage as an increasing public and institutional wariness developed in relation to the Kennett Government's allegiances.

## Collapse

*Collapse* was the final *critical discourse phase* of the Kennett Government and the neo-liberal revolution. It came with the Kennett Government's loss of the 1999 election and although it was primarily a regional revolt (Colebatch 1999b, p. 13) the disruptive elements that have been identified in this thesis appeared to have resonated throughout the state. Overwhelmingly, media analysis focussed on Kennett and the shock of the loss to him, the Liberal Party and *then* the state. The alignment of the Premier and the Government with the neo-liberal capital accumulation process so damaged the Government's reputation that Lavelle's (2000) *popular government with unpopular policies* turned popularity to cynicism and revolution into revolt. Kennett became the key disruptive force. His self-assessment that: "I represent risk" (Kennett quoted in Parkinson 2000, p. 56) transformed from assertion into conundrum. To whom or what did Kennett now represent risk? It was obviously to the longevity of the Government and the Deakinite/Fordist values discussed earlier but also to the long-term articulation between his favoured regime of accumulation and a mode of social regulation that would have given it longevity through the dialectic imprimatur of business, the institutions and the electorate.

In the context of the electorate it was certainly regional Victoria and those Melbourne small "l" Liberals who were aligned with the Perton (2001), Hamer (2001) and Cain (2001) view that the risk Kennett represented to democracy, transparency and distributional equity was too great.

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<sup>114</sup> Director of Public Prosecutions.



Again Perton (2001) sums up the response: 'I think the whole nature of Kennett's leadership of the Liberal Party was a break from tradition. You know I personally found it authoritarian and did not enjoy that part of it at all' (p. 1).

From the evidence presented here it appears that Jeff Kennett and his government were unsuitable to manage the increasing tensions that develop under neo-liberalism between its responsibilities to neo-liberal economic reproduction and social reproduction. Therefore an on-going research programme that followed the Bracks/Brumby Governments has the potential to produce more evidence of either the continuation of a quantifiable shift; or strategic withdrawal back to greater regulation with more rowing and less steering.

As the 1999 election result indicated, the electorate was not satisfied with the way in which the Kennett Government handled the negotiation over a local mode of social regulation in its attempts to embed a form of neo-liberal capitalist accumulation practice. The key to this research is that the auspices of Regulation Theory were able to isolate practices that were key to this outcome. Without a well-managed transition, overseen by the thoughtful establishment of a viable and relatively durable mode of social regulation it seems, on the evidence presented here, that governments will struggle to have their mandates extended. This observation was borne out by the election result in 1999 where three regional independents were elected to the Victorian Parliament and held the balance of power that oversaw the establishment of a minority Labor Government (the Kennett Government's Opposition). This outcome caused the Bracks Labor Government to be much more assiduous in building a regime that resulted in a much broader mode of social regulation that still sees it in government eleven years later. But the contemporary relevance of the theory's facility to identify the potential for electoral rejection if a mode of social regulation is not established was further underlined in the 2010 Australian Federal election campaign when an uncannily similar circumstance occurred. Three regional independents potentially held the balance of power and were part of the formation of a minority Labor Government that was again forced to engage more directly with the electorate and its institutions to establish a set of

protocols and dialogue so that a mode of social regulation could be built that would establish a closer “working” relationship between the electorate and its institutions and the government. Through the application of Regulation Theory to the experience of the Kennett Government, the contemporary resonances and the facility of Regulation Theory to create a greater understanding of the necessary reciprocity between governments, capital accumulators and the citizens and its institutions is manifestly demonstrated.

In relation to the main concern of this thesis it is apparent that Jeff Kennett in particular “represented a risk” to the establishment of a mode of social regulation. From the material presented in this thesis the evidence points directly to the power of Kennett’s disruptive agency and the alienation that that caused amongst those groups represented in this thesis. These were the institutions and communities that had the potential to constitute an influential cohort that would form a viable mode of social regulation. In terms of Regulation Theory’s ability to explain whether a genuinely post-Fordist Victoria emerged from the experience of two terms of Kennett-style neo-liberalism it appears that it could not because it did not appear to have embedded for temporal, political and ideological reasons (as this thesis has demonstrated). Nonetheless, Regulation Theorists do have a role to play in the final assessment of the Kennett experience. As Tickell & Peck (1994b) make clear, if the accumulation practices of neo-liberalism conform to the “jungle law” then neo-liberalism ‘represents the politics of the unresolved *crisis*...and should be seen as a symptom of, not as a solution for, the after-Fordist crisis’ (p. 319 emphasis added). The neo-liberal practice of deregulation, user pays principles, the logic of the market applied to all decisions, mass sackings and anti-democratic behaviour at the behest of New Right politicians and neo-liberal capitalists, is the sense in which ‘neo-liberalism represents the *essence* of the *crisis*’ (Peck & Tickell 1994b, p. 319 emphasis added).

It is evident that the two major constituents of Regulation Theory were present, in the form of a neo-liberal capitalist accumulation regime and an ensemble of community and institutional players who were ready to deal with its emergence in the regional state of Victoria, but there was a key disruptive element that

stood between the possibility of the negotiation taking place; and that was Kennett. This was evident in Kennett's discursive history and in the nature of the discursive exchanges between Kennett and the institutions cited in this thesis. Kennett started as an ideological advocate for a renewal of the free enterprise system and remained a bulwark against any compromise that appeared to challenge its unfettered expression.

The confounding factor for Regulation Theory in this context is the agency of a powerfully placed individual with a disposition to make use of that power. As this research shows, agency is a factor that continues to play a major role in sociological research. Kennett was able to overwhelm the political process through his particular style of political discourse and personality. Kennett was the key disruptive element that stood between the two arms of Regulation Theory and prevented a positive and constructive dialectic from developing. Kennett introduced the "law of the jungle" and left Victoria with Tickell & Peck's (1994b) "jungle law" and the on-going symptoms of the unresolved crisis.

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**Appendix 1**  
**PhD Research Questions**  
**Crisis Management: The rise of neo-liberalism in**  
**Kennett's Victoria**

Questions to representatives of organisations outside government

Question 1: Describe, if any, the change in the relationship between your organisation and the State government once the Cain/Kirner government was replaced by the Kennett administration?

Question 2: Did you feel that you and your organisation had more or less input into government decision-making under the Kennett government?

Question 3: Why do you think this happened, and was it significant? Could you explain your answer please?

Question 4: Who do you think were the major, outside, local influences on the government?

Question 5: Do you think that the Kennett government's agenda for change was driven from within the government or outside the government?

Question 6: To what extent did Kennett create a "new" Victoria? Were there any beneficiaries? Were there losers?

Question 7: To what extent do you think budget crisis and financial issues influenced the Kennett government's first term? Could you give examples?

Question 8: Do you think the financial considerations warranted the changes that occurred over the Kennett government's two terms?

Questions to people who worked within the government

Question 1: To what extent did the Kennett government represent a break from the "old" Liberal party?

Question 2: How would you characterise that break?

Question 3: Was there a sense of Liberal tradition that was consciously maintained?

Question 4: Was there a sense of Liberal tradition that was consciously discarded?

Question 5: How was this managed politically?

Question 6: How much of the Kennett reform agenda do you believe was set before the 1992 election victory?

Question 7: Which groups or individuals outside of politics, both before and after they won, influenced the government?

Question 8: To what extent was this outside advice sort?

Question 9: How influential were the department heads?

Question 10: Do you believe the government took advice from interests outside the bureaucracy? Could you give examples?

Question 11: To what extent did financial and budget considerations influence the government's reform agenda?

Question 12: Why do you think the Kennett Government lost and what do you think will be their lasting legacy?

### Questions for Bureaucrats

Question 1: To what extent do you think the Kennett government represented a break from the "old" Liberal party?

Question 2: How would you characterise that break?

Question 3: How much of the Kennett reform agenda do you believe was set before the 1992 election victory?

Question 4: Which groups or individuals outside of politics, both before and after they won, do you believe influenced the Kennett government?

Question 5: To what extent was this outside advice sort?

Question 6: How influential do you think the department heads were?

Question 7: Do you believe the government took advice from interests outside the bureaucracy?

Question 8: Do you think that the Kennett government's agenda for change was driven from within the government or outside the government?

Question 9: If so who do you think were the major, outside, local influences on the government?

Question 10: To what extent did Kennett create a “new” Victoria? Were there beneficiaries? Were there losers?

Question 11: To what extent do you think budget crisis and financial issues influenced the Kennett government’s first term? Could you give examples?

Question 12: Do you think the financial considerations warranted the changes that occurred over the Kennett government’s two terms?

Question 13: Why do you think the Kennett Government lost and what do you think will be their lasting legacy?

## **Appendix 2**

### **The “ other-Fordisms”**

#### **After-Fordism**

This view acknowledges that capitalist economies have entered into a discontinuity with Fordism but without entering a new phase of capitalism. Its proponents argue that a coherent post-Fordist mode of regulation has yet to stabilise. The crisis continues in the search for a ‘new institutional fix’ (Ash 1994, p. 28). Because of the equivocal nature of this position and the academic uncertainty it promotes, it will not be pursued in this thesis (see for example Peck & Tickell 1994).

#### **Post-Fordism**

The restructuring which characterises post-Fordism is given expression through ‘an emerging coalition between flexible production, differentiated and segmented consumption patterns, postmodernist cultural forms and a restructured welfare state’ (Burrows & Loader cited in Penna & O’Brien 1996, p. 47). The notion of flexibility is central to an understanding of post-Fordism - flexibility in employment, work practises and consumption. The notion of flexibility has become an essential hegemonic tool in capital’s push for increased labour productivity and hence a move towards a new regime of accumulation.

Penna and O’Brien (1996) also include the rise of service and leisure industries, and the importance of knowledge and information ‘as shifts in the location and form of industrial society from the broader patterns of social organisation (Fordism) to particular kinds of social formation (post-Fordism) (1996, p. 46 - 47).

Academics such as Probert (1992; 1993a and 1993b), Harvey (1990) and Penna and O'Brien (1996) are satisfied that society has emerged out of Fordism into a post-Fordist resolution. While Jessop argues that new developments, such as flexibility in the labour process, in the macroeconomy and the mode of regulation, can be said to be generally prefigurative of post-Fordism, a relatively stable post-Fordism is yet in the making. For Jessop the presence of a strong ideology such as "Americanism", which attached itself to Fordism, needs to be appended to post-Fordism before it can achieve the general acceptance through the imprimatur of a strong set of ideological ground rules (Jessop 1994a, p. 260).

### Competing post-Fordisms: Optimists and Pessimists

Notwithstanding the earlier definitions, there is some argument within the literature about the perception and presentation of post-Fordism<sup>1</sup>. These positions can be basically characterised as optimistic or pessimistic according to their views about the prospects for society under post-Fordism.

English Marxist academics, Stuart Hall and Martin Jacques, have developed a social thesis in response to the 'tumultuous economic, social and political crisis' (1989, p. 29) which occurred in the 1970s. *New Times* was an early response to the changes which followed. By positing post-Fordism at the 'leading edge of the most competitive modernising companies' (Hall & Jacques 1989, p. 36), the optimism of Hall and Jacques leaves itself open to fellow academic Krishan Kumar's criticism that it is a Thatcherism (or Reaganism) of the Left...promoting designer socialism through its uses of a language of individualism, choice and diversity which pays excessive homage to the vocabulary of the New Right (1995, p. 54).

Australian academic and author, John Mathews also supports this view. Mathews 'take[s] a very optimistic view of the future of work and organised labour' (Mathews cited in Hampson, Ewer & Smith 1994, p. 232) arguing that post-Fordism offers 'the opportunity for the realisation of the long-standing demand for industrial democracy' (Campbell 1990, p. 12). Conversely, Hampson argues that 'nearly all other post-Fordist writers see unions' decline' (Hampson 1991, p. 93).

David Harvey, while not as pessimistic as Hampson, is critical of the shift to flexible accumulation; his preferred term for post-Fordism. His critique of post-Fordism is based on the 'enhanced powers of flexibility...to exert stronger pressures of labour control...while entrain[ing] rapid shifts in the patterning of uneven development' (1990, p. 147) which can only maintain the pressure. Harvey argues that 'the devaluation of labour power has always been the instinctive response of capitalists' (1990, p. 192). He continues his critique by arguing that this sort of flexibility raises the spectre of underconsumption and as such does not offer 'even a short-term solution to the crisis-tendencies of capitalism' (1990, p. 192).

The most compelling advocates of the pessimistic school, among the regulationists, are Professors Esser and Hirsch from the Goethe University in Frankfurt. Their view differs from the Parisian or French view in that they argue that the crisis of Fordism *has* been resolved and this resolution has found root in a post-Fordist scenario which is determinedly bleaker than the French view or that of Jessop's neo-Schumpeterian workfare state. Underpinning these processes is the abandonment of collective principles that Fordism had come to embrace (Ash 1994, pp. 18 - 19).

### Neo-Fordism

Krishan Kumar argues for the third position which he characterises as global or neo-Fordism. Rather than a distinct shift to new strategies of capital accumulation, globalisation has allowed a more virulent form of capitalism to develop. It is now much easier for capital to remove production 'to the cheap wage regions of the world...maintain[ing] its dynamism in a period of crisis' (Kumar 1995, p. 56) and at the same time influencing industrial relations outcomes in the allegedly post-Fordist first world. This is the view which was argued for by Aglietta in his original work, and which Ash argues has been overlooked by regulationists for a more authentic post-Fordist scenario, rather than the extension of Fordism which this view proposes. However, I would argue that Hirsch and Esser (1994) are the successors of this view through the development of their 'hauntingly pessimistic post-Fordist scenario' (Ash 1994, p. 18).