
Policy Markets in Australia

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May your Magnificence ... accept this little gift in the same spirit in which I send it; and if you will read and consider it well, you will recognise in it my desire that you may attain that greatness which fortune and your great qualities promise. And if your Magnificence will turn your eyes from the summit of your greatness towards those low places, you will know how undeservedly I have to bear the great and continuing malice of fortune.

Niccolo Machiavelli to Lorenzo de Medici, Dedication to The Prince

... I have chosen to dedicate these my discourses to you in preference to all others; both because in doing so, I seem to be showing some gratitude for benefits received, and also because I seem in this to be departing from the usual practice of authors, which has always been to dedicate their works to some prince, and, blinded by ambition and avarice, to praise him for all his virtuous qualities when they ought to have blamed him for all manner of shameful deeds.

*Niccolo Machiavelli to Zanobi Buondelmonti and Cosimo Rucellai,
Dedication to Discourses on the First Ten Books of Titus Livy*

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Abbreviations and acronyms

ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACTU	Australian Council of Trade Unions
APS	Australian Public Service
CTC	Competitive Tendering and Contracting
DAS	Department of Administrative Services
DOF	Department of Finance
DOFA	Department of Finance and Administration
IT	Information Technology
JCPA	Joint Committee of Public Accounts
MAB/MIAC	Management Advisory Board/Management Implementation Advisory Committee
NATSEM	National Centre for Social and Economic Modeling
NZ	New Zealand
PSC	Public Service Commission (Australia)
PwC	PricewaterhouseCoopers
PwC-BPO	PricewaterhouseCoopers-Business Process Outsourcing
SSC	State Services Commission (New Zealand)

Abstract

Are there policy markets in Australia, and if so, how do they operate? This is the core question for this dissertation. Beginning with a focus on this simple formulation of the problem, the thesis explores the idea of policy markets, breaking it down into its constituent parts—‘policy’ and ‘markets’—and develops four different ways in which policy markets (i.e. markets for policy analysis, research and advice) might be modeled:

1. the dimensions of knowledge, values and competition in policy development systems and processes;
2. a hierarchy of policy markets according to strategic, programmatic and operational concerns;
3. policy markets in the context of cyclical process models of policy-making, especially the variant posited by Bridgman and Davis (1998); and
4. a typology of policy markets ranging from ‘pseudo’ forms through to a form of full (or ‘pure’) policy market.

Against the background of this theory-building, the empirical evidence—which was gathered through a combination of documentary investigation and some 77 interviews with senior public servants, consultants and ministers—is addressed through three interrelated approaches: an analysis of the (relatively limited) government-wide data; a comparison of this material with experience in New Zealand; and a set of three extended case studies. The three case studies address the idea and experience of policy markets from the point of view of:

- the supplier—in this case, the economic forecasting and analysis firm, Access Economics;
- ministers-as-buyers—through a study of the Coalition Government’s 1998 efforts to reform the waterfront; and
- the bureaucracy as implementers of an extensive program of outsourcing—through a detailed examination of the outsourcing of corporate services (especially human resource management) by the Department of Finance and Administration.

Several conclusions are drawn as to the character, extent and theoretical and practical significance of policy markets in Australia. While various elements of actual markets (e.g. contracts, price and service competition, multiple sources of supply, etc.) can be detected in the Australian approach to

policy-making, policy markets are not as prevalent or as consistent as the rhetoric might suggest. In particular, while the language of the market is a common feature throughout the Australian policy-making system, it tends to mask a complex, 'mixed economy', whereby there is a continued preference for many of the mechanisms of bureaucratic ways of organising for policy analysis, combined with a growing challenge from various forms of networks, which are sometimes 'dressed' as markets but retain the essential elements of policy (or, perhaps more particularly, political) networks. Nevertheless, the growing use of the language and some of the forms of the market in Australia's policy-making system suggests that practitioners and researchers need to take this form into account when considering ways of organising (in the case of practitioners) or ways of studying (for researchers) policy development in Australia.