

Australia's National Cabinet and its Coronavirus Response:

Implications for Australian Federalism

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Abstract

To coordinate a nationwide response to the threat of the Covid-19 pandemic, and the resulting impact of Australia's first recession in nearly thirty years, on March 13 the Morrison government convened the National Cabinet. This comprises the Prime Minister, Scott Morrison, and the eight leaders of the States and Territories, and formally replaced the Council of Australian Governments as the principal body for coordinating national policy implementation in the Australian Federation. A critical policy analysis of the emergence of these new institutional structures demonstrates their significant influence on the federal government's policy response to the pandemic.

The initial political stability enabled by this restructuring allowed a dramatic reversal in fiscal policy. After previously claiming to be on track for a budget surplus, the federal government undertook massive deficit spending. Central to this stimulus has been the 'Jobkeeper' wage subsidy to over 3 million workers. In monetary policy, the Reserve Bank of Australia has cut interest rates to record lows, and embraced Quantitative Easing for the first time.

While these policies received bipartisan support, the Morrison government has indicated its intention to shift back towards the neoliberal economic policy approach favoured by the Liberal-National Party (LNP) ruling coalition. There are also concerns over a potential decline of the role of Parliament in ensuring government transparency and democratic accountability, and of deeper economic inequality, as a result of the policy decisions of the Morrison LNP government in dealing with the ongoing crisis.

Divisions between the Commonwealth government and the states over the duration of quarantine lockdowns and border closures have already strained the National Cabinet. Debate over the long-term policy response to the economic turbulence wrought by the pandemic is therefore set to dominate Australian politics towards the next national election, due in 2022.

Introduction

Since its Federation, the Commonwealth of Australia has confronted global challenges such as war and economic recession; it has again had to cope with a global pandemic. The formation of a National Cabinet in response to the coronavirus threat has resulted in far-reaching changes to the Australian federal system of democratic government, with implications for economic policy, party politics, and even foreign policy, beyond the immediate concerns of maintaining public health. While there have been tensions in the development of the National Cabi-

net, it has so far guided Australian society through the Covid-19 crisis with a fair degree of success.

The Development of Australia's Federal System

After the first prison colony was established in Australia by the British Empire at Sydney Cove in 1788, the subsequent six settler colonies followed Canada's example by forming a Federation in 1901. The Australian Constitution, approved as an Act of the British Parliament, divides governing powers between the national federal Commonwealth government, and the six States and two Territories, which were derived from the previous separate colonies. Since Federation, there has often been a tension between the Federal government and the states over the constitutional jurisdiction of their respective powers (Irving, 1997: 46-47).

In the influenza pandemic of 1918-1919, the Premier of New South Wales (NSW) resisted the Commonwealth's desire to ease quarantine restrictions on soldiers in transit returning from the Great War (Finnane, 2020). During the Depression of the 1930s, the Premiers' Plan devised by the states' leaders to (unsuccessfully) deal with the economic crisis through deflationary austerity challenged and eroded the authority of the Scullin Labor government in Canberra (Alexander, 1967: 101-102). However, since the Second World War, the Commonwealth has steadily accrued greater powers, especially over taxation. In 1942, state income taxes were abolished, as the Commonwealth centralised control of national resources for the war effort (Summers & Lowe, 2010: 145).

The post-war Commonwealth government steadily expanded its bureaucratic roles and activity, but the states have retained responsibility for provision of essential services, such as health, transport, education, and the police and justice systems. While they have their own fundraising resources, principally real estate stamp duties and payroll tax, the states have remained fiscally reliant on grants from the federal government. In 2000, a Goods and Services Tax (GST) replaced a series of consumption taxes, with the revenue raised reserved for the states, to attempt to reduce the long-running acrimony over Commonwealth-state fiscal relations. The lower tier of local government, not mentioned in the constitution, is similarly reliant on state and federal government grants to supplement its main revenue stream of property tax to fund provision of local services, principally land use management and sanitation (Singleton, 2009: 97-99, 106-109).

Policy coordination between the Commonwealth and the states and territories since Federation was traditionally done through the annual Premier's Conference, which focussed around disputes between Canberra and the state and territory leaders over the level of funding for the states; always perceived as inadequate, from their perspective. The major political parties of modern Australia, the conservative Liberal-National Party (LNP) Coalition, and the Labor Party commonly confront each other across the different levels of government in the federal system, often adding a partisan edge to the fractious Commonwealth-state rivalry (Maddox, 2005: 115-117).¹

The Premiers' Conference was replaced in 1992 during the Keating Labor government by the Council of Australian Governments (COAG), a more frequent series of meetings by not only the national and state leaders, but also relevant ministers, to better coordinate policy coordination across a range of portfolios, such as education, law and order, the environment, transport, and health (Miragliotta, 2010: 64). This COAG structure would eventually end up confronting the greatest global public health and economic challenge to Australia since the Second World War.

Australia's Pandemic Policy Response

The COVID-19 Threat to Australia

After the World Health Organization (WHO) confirmed the emergence of Covid-19 in Wuhan, China in December 2019, Australia's border control biosecurity authorities began monitoring the disease. On January 21, under the authority of the *Biosecurity Act 2015*, the coronavirus was officially classified as a Listed Human Disease with pandemic potential. The first case in Australia was confirmed on January 25, 2020, from a traveller arriving from China, which led to a travel ban on Chinese nationals from February 1. On February 18, the Department of Health released the Australian Health Sector Emergency Response Plan for Novel Coronavirus, to outline the government's overall response, action and communication strategy to the escalating health crisis (DoH, 2020a: 6-8).

On February 27, Liberal Prime Minister Scott Morrison declared the coronavirus outbreak was a national pandemic (Morrison, 2020a). Travel restrictions were steady escalated, to an overall travel ban, effective from March 25. As well as barring entry to non-citizens, Australian citizens have since been barred from travelling overseas, with only highly restricted exemptions, one of the strictest travel regimes of any developed democratic country (Commonwealth of Australia, 2020).

Despite these restrictions, by the end of February, 23 cases were reported, mostly due to arrivals from China, but also from Iran, and from the *Diamond Princess* cruise ship quarantined in Japan. The first deaths and community transmissions began from early March. Australia's highly globalized economy and society was therefore highly vulnerable to the impact of the coronavirus, which manifested itself in a brief spurt of panic buying in supermarkets, particularly of items such as toilet paper. In its first major response to the looming economic impact of the pandemic, which had reached 156 cases, on March 12, Prime Minister Morrison announced a A\$17.6 billion stimulus package, primarily directed towards business cash flow and investment support, supplements to social security payments, and adversely affected regional areas (Morrison, 2020b). The LNP government was thus already being forced to depart from its preferred fiscal goals of austerity in government spending.

Formation of the National Cabinet

The Morrison government was also being pushed into more forceful action by the state governments, particularly those of the two most populous states, NSW, led by Liberal Premier Gladys Berejiklian, and Victoria, led by Labor Premier Daniel Andrews. Showing a higher sense of urgency and concern than Morrison, these two leaders signalled they were preparing to unilaterally impose strict lockdowns for their states, ahead of the national government, as the WHO declared a global pandemic on March 12. To avoid becoming upstaged by the Premiers, following a fortuitous COAG meeting in Sydney on March 13, Morrison announced the formation of the National Cabinet, comprising himself, and the Premiers and Chief Ministers of the six states and two territories (Murphy, 2020).

Due to the states' frontline role in providing public health services, police and other emergency services, the National Cabinet would meet at least monthly, and more frequently if required, primarily by video-link. The long-term, ongoing crisis of the Covid-19 pandemic has had a pervasive, complex impact on all facets of society and economy, so the National Cabinet was determined to be the most appropriate, if extraordinary institutional governing mechanism, to best confront the challenges of these extraordinary times (Morrison, 2020c).

The bipartisan nature of the National Cabinet was demonstrated in that a majority of five members are from the Labor Party, with four Liberals, including Morrison. This was a significant difference from the historical precedent of the War Cabinets of the Second World War, which only contained members of the party in government. Morrison nevertheless still did not include any members of the federal opposition, such as Labor leader Anthony Albanese (Albanese, 2020).

The constitutional status of the National Cabinet is rather ambiguous, as the conventions and rules of the regular cabinets of the federal and state governments, such as legally protected confidentiality and principles of cabinet solidarity once decisions are passed, may not necessarily apply. There is also dispute about whether the *Freedom of Information Act 1982* applies to National Cabinet decisions. The decisions of the National Cabinet are not binding, and have to be approved in legislation by the Australian Parliament to have full legal authority. The bureaucratic support for its operation is provided by the Department of the Prime Minister and Cabinet, and therefore its operations are potentially accountable to scrutiny from parliamentary committees (Menzies, 2020).

On March 17, a meeting was held by the National Security Committee of the federal Cabinet, which along with the Cabinet Expenditure Review Committee, was a key decision-making body of the Commonwealth government's pandemic response. Based on the NSC's deliberations, on March 18 the Governor-General David Hurley declared a human biosecurity emergency, under the *Biosecurity Act 2015* (Commonwealth of Australia, 2020a). This authorised the greater exercise of powers by the various levels of government to counter the pandemic, and was the most far-reaching example yet of the increasing use of 'delegated' legislation by

Australian governments. This practice effectively creates new laws through government fiat, bypassing parliament, and concentrating greater power in the executive, with scrutiny left to the Senate Standing Committee for the Scrutiny of Delegated Legislation (Parliament of Australia, 2020a).

The National Cabinet is supported by medical advice from the Australian Health Protection Principal Committee (AHPPC), comprising the Commonwealth Chief Medical Officer, and the Chief Health Offices of the states and territories. Based on the advice of the AHPPC, on March 18, it was announced the National Cabinet had authorised extra measures to prevent community transmission, by screening overseas arrivals and mandating their self-isolation for a two-week period of quarantine, predominantly at hotels, which were by now emptying of tourists (DoH, 2020b).

Border Closures, Suspension of Parliament, and the NCCC

On March 20, as the states and territories declared their own states of emergency, the National Cabinet announced requirements for the AHPPC's advised social distancing rules. On March 22, NSW and Victoria announced the closure of all non-essential services, and WA and South Australia (SA) closed their borders, the first time that inter-state travel had been so restricted since the influenza pandemic of 1918-1919 (ABC, 2020a). In an emergency truncated session of Parliament held on March 23, the *Coronavirus Economic Response Package Omnibus Bill 2020* was passed unopposed by the House of Representatives and the Senate. It added \$66 billion worth of funding to the previous stimulus package, bringing the total value of support payments to business, workers, and welfare recipients to \$84 billion (Parliament of Australia, 2020b).

The House of Representatives and Senate then resolved to adjourn Parliament, with an estimated scheduled to resume from August 11. Parliamentary Committees would still meet via videoconferencing, such as the new Senate Select Committee on Covid-19, which undertook the important role of oversight of the national government's pandemic response. The parliaments of the states and territories underwent similar suspensions, with Tasmania resuming in August, and NSW in September (Horne, 2020).

Another significant development occurred on March 25, when to complement the medical role of the AHPPC, on March 25 Prime Minister Morrison announced the formation of the National Covid-19 Coordination Commission (NCCC), an expert panel appointed to advise on the required economic response to the pandemic. The NCCC's executive board, selected by the Prime Minister's Office, comprised two senior public servants, the Secretaries of the Department of Prime Minister and Cabinet and of the Department of Home Affairs; and six major corporate executives, including the Chair, former major mining company CEO Neville Power (NCC, 2020).

On March 29, the National Cabinet announced strict requirements for social distancing, encouraging Australians to stay home, unless for non-essential purposes of employment, gro-

cery shopping and health care. It was up to the states and territories to enforce these lockdown measures, which would go on to do so with often rigorous use of police powers against individuals and businesses, including heavy fines for non-compliance of up to \$45,000, and even potential arrest, with prison terms of up to six months if convicted. Australia has therefore had one of the most highly policed responses of the major democracies to the Covid-19 pandemic (Daly, 2020: 5-7).

These strict measures have been subject to some criticism from across the political spectrum, from both progressive human rights activists, and conservative small-government libertarians. However, as Australia has enjoyed a relatively low comparative rate of infections and fatalities, they have arguably proved effective in containing the pandemic, and so have been generally supported by the public overall (Sparrow, 2020).

Another facet of the Commonwealth government's response to the pandemic was the role of Australian Defence Forces (ADF). The ADF has often been called out to assist state governments during natural disasters, such as floods, and major bushfires the previous summer. On April 1, the Defence Minister Linda Reynolds announced *Operation COVID-19 Assist*, which has mobilised nearly 3,500 personnel to assist state authorities. As well as medical services, the ADF has been used to support contact tracing, and assist police in maintaining quarantine restrictions and border closures, although ADF personnel do not have any law enforcement powers (DoD, 2020).

A Pandemic End to Neoliberalism?

JobKeeper

As the economic effects of the lockdown measures began to have a sharp impact on the economy, the media widely reported large numbers of the suddenly unemployed waiting in long queues outside the government's Centrelink social security offices. The sudden demand for unemployment benefits and other government services was such that the Australian government's own website myGov was overwhelmed and crashed (Burgess, 2020). Shocked into action, on March 30 the Morrison government announced the implementation of the JobKeeper Payment, which was to become the core policy response to the pandemic-inflicted economic crisis (Morrison, 2020d).

Another special truncated one-day sitting of parliament passed legislation on April 8 for JobKeeper, a subsidy paid to employers to retain any full-time workers employed before March 1, 2020. All employees would receive \$1500 per fortnight, paid via their employer. Those already unemployed would receive a supplement to the JobSeeker Payment of an extra \$550 per fortnight. Initially budgeted at \$130 billion (later revised down to \$100 billion), this was the most expensive single measure of government spending in Australian history; JobKeeper raised the overall cost of the government's economic stimulus pandemic response to \$320 billion, 16.4% of GDP (Doran, 2020).

This record fiscal stimulus was complemented by yet another radical shift, in monetary policy. Following the practice embraced by other major central banks, the Reserve Bank of Australia (RBA) engaged in quantitative easing (QE) for the first time, commencing widespread purchasing of at least \$15 billion worth of securities in the secondary commercial market. The RBA also reduced the cash rate to a historic low of 0.25%, and set the yield for three-year government bond rates also at a historic low of 0.25%. A lending facility of \$90 billion to support commercial bank liquidity was also established. These actions by the RBA showed how the contemporary debate among economists over whether governments should embrace Modern Monetary Theory (MMT) over neoliberal austerity was beginning to influence actual policy implementation (Pandey, 2020).

The embrace of both massive deficit spending and QE showed how abruptly the LNP had been forced to shift away from the neoliberal, monetarist-aligned 'limited government' economic policy it had long advocated, but only irregularly pursued while in government. In his first budget in April 2019, new Treasurer Josh Frydenberg boasted the government's accounts would return to a \$7.1 billion surplus in the 2019-2020 financial year, even with significant income tax cuts (assuming favourable iron ore prices). The Morrison LNP government therefore claimed it was 'Back in black', with ever larger ongoing surpluses projected into the future (Grattan, 2019).

The unexpected coronavirus pandemic brought these ambitions undone. The small-government austerity policies favoured by conservative parties in developed democracies since the 1980s had been challenged by the 'Lehman Shock' 2008-2009 global recession, but not abandoned as the preferred approach by the Australian LNP. However, the whole artifice of neoliberal economic ideology was left thoroughly outdated and discredited by the vast, traumatic scale of disruption wrought by the Covid-19 pandemic (Bregman, 2020).

The Morrison government's deficit spending was in effect a return to the policy direction of the era of Australia's longest serving prime minister, Robert Menzies. He had boasted in the 1950s and 1960s of his Liberal government's higher deficit spending, in a time before neoliberal monetarist economic ideology became dominant in conservative parties from the 1970s (Hutchens, 2020). When alluding to the challenges of the post-virus recovery, Treasurer Frydenberg instead invoked his conservative political idols Ronald Reagan and Margaret Thatcher as models for policy inspiration, inferring that wage restraint, more 'flexible' working conditions, tax cuts, and deregulation favouring employers should be promoted. This was yet another signal by a key LNP figure of the desire to retain policy alignment within neoliberal ideology (Quiggin, 2020).

The neoliberal attitudes of the Morrison government (backed by its conservative supporters in the News Corporation media outlets, owned by US-based magnate Rupert Murdoch) were also reflected in the uneven implementation of JobKeeper, through deliberate exclusion of sectors perceived as politically unfavourable to the LNP. Around 3.5 million workers, through about 1 million employers, have been eligible to receive JobKeeper. However, despite

attempts by Labor to pass amendments in Parliament, those on casual contracts, including foreign temporary workers, and freelance contractors such as artists and performers were deemed ineligible. Over 700,000 casual workers then ended up being fired by their employers. Funds allocated for the public broadcaster, the Australian Broadcasting Corporation (ABC) also continued to decline, forcing higher staff redundancies (Richardson, 2020).

JobReady and the Universities' Challenge

The university sector was also mostly excluded from JobKeeper, under the rationale that it was already partially public funded, although private and foreign universities were eligible. As the tertiary education sector faced the collapse of the highly lucrative international student market, upon which it had become highly dependent, the Morrison government's 'JobReady' training policy allocated nearly 40,000 new places for domestic students, to meet the surging demand generated by the recession. To encourage more training in Science, Technology, Engineering and Mathematics (STEM) subjects, after gaining support for legislative changes from a sufficient number of crossbench Senators from the minor One Nation and Centre Alliance parties, these courses will have their costs slashed. However, humanities, law, and commerce degrees are to at least double in cost, to about \$58,000 for a four-year Bachelor's degree (DESE, 2020).

The JobReady scheme aspired to be budget-neutral for the universities overall, but the result of the policy means humanities and social science students will effectively be subsidising the burdens of the recession in higher education. This disparity also threatens to perpetuate social inequality, as students from lower socio-economic backgrounds and regional areas will be further discouraged by prospects of higher debt burdens. To make up for a shortfall of up to \$16 billion in lost revenue, including \$7.6 billion in lost research funding, staff numbers at universities have been slashed, estimated at over 21,000 staff for 2020, around 10% of the tertiary education sector's workforce. This will worsen teaching ratios, and erode the quality of education standards (Karp, 2020).

By the middle of 2020, GDP had fallen by 7.3%, the largest quarterly drop ever recorded, with up to 20% of workers unemployed or underemployed. But, largely due to JobKeeper, household income, small and medium (SME) business income, and corporate profits actually increased. As consumption slumped by 13.2% in the June quarter, the level of savings dramatically increased: fivefold from the previous year for the business sector, to \$50 billion; and eightfold for households, to \$59.5 billion, again mostly due to the government's record deficit spending. Out of the 12 largest developed economies, Australia's fall in GDP, its first recession in nearly thirty years, was the third-best outcome, while having the fourth-lowest rate of 'second wave' deaths, at 26 per million, as of the start of September (Colebatch, 2020).

As the unemployment rate for the June quarter increased to 7.4%, nearly 2.3 million people had been kept out of poverty due to JobKeeper, and the supplements to JobSeeker. Poverty levels (\$416 weekly disposable income or less) among over 1.5 million JobSeeker recipients

dramatically fell, from 67% to 7%, which clearly showed the vital importance of government spending during times of recession. Drawing back on these payments too soon would reverse these gains in poverty reduction (Tingle, 2020a). The Morrison government also encouraged individuals to make early withdrawals of up to \$10,000 each financial year from their retirement funds, with around \$34 billion being drawn upon by 2.8 million Australians through the Early Release Superannuation Scheme. This also threatens the long-term future prosperity of those of lower incomes (ATO, 2020).

The End of COAG; the NFRC, and the NCC

The extraordinary nature of the National Cabinet continued to evolve when the Prime Minister of New Zealand, Jacinda Ardern, was invited to participate in a meeting on May 5. This showed the importance of regional cooperation with Australia's near neighbour in tackling the transnational crisis. It also alluded to the colonial era of Oceania, when incorporating New Zealand into the Australian Federation was temporarily considered (Young, 2020). On May 29, Prime Minister Morrison announced the National Cabinet would permanently replace COAG (Jenkins, 2020).

A full sitting of parliament resumed earlier than scheduled on June 10-18, with social distancing and other biosecurity measures introduced. This was an acknowledgement of the effective response of National Cabinet, which was credited for overseeing the reduction in infections, from 350 per day by the end of March, to under 20 per day by the end of April. By mid-May, the state governments had gradually eased lockdown restrictions, although they would soon be reimposed again, most firmly in Victoria, when the second wave of infections began to spike again from late June. After a series of quarantine failures in hotels and retirement homes, the Andrews Victorian state government re-imposed strict lockdowns in Melbourne from June 30, and the border with NSW was closed again on July 6 (Burrige, 2020).

It was announced on June 26 that as part of the new federal structures, a Council on Federal Financial Relations was to be formed, to comprise a proposed National Federation Reform Council (NFRC), under the National Cabinet. NFRC committees were planned to address seven key areas: Energy, Health, Housing, Population and Migrations, Rural and Regional, Skills, and Transport and Infrastructure. Backed by a range of task forces, reform committees and advisory groups, 28 ministerial forums and regulatory councils are to be established, to eventually promote reforms across the entire range of Commonwealth-state government functions, from Attorney-Generals' reform to gene technology. While it remains to be seen just how much of this ambitious agenda can actually be fulfilled into the medium-term future, it demonstrates how the response to the coronavirus crisis has enabled a potentially far-ranging, long-reaching change to Australia's 'new federalism' (Saunders, 2020: 4-7).

On July 22, the NCCC was renamed the National Covid-19 Commission Advisory Board (NCC), as concerns began to mount over its lack of transparency and accountability, and its apparent institutional biases towards the corporate sector, particularly the mining and other

fossil fuel-based industries. One of the NCCC's members, former union leader, Labor government minister and superannuation industry representative Greg Combet resigned in June, after being the only one to declare on a register of potential conflicts of interest (NCC, 2020b).

Concerns over this opaque nature of the NCC were further highlighted when it recommended large subsidies promoting gas energy, instead of renewables, as part of a strategy to promote economic recovery. Labor members of the Senate Covid Committee, particularly Senators Kristina Keneally and committee Chair Katy Gallagher raised their criticisms that the NCC risks a subversion of Australian democracy, though a lack of transparency, having no legislative basis, and no independent appointment process. If the NCC is officially made an advisory board to the federal cabinet, rather than just the National Cabinet, then it could be brought under the rules of cabinet confidentiality, and thus render it even more secretive and evasive about the potential conflicts of interest of its members (Hicks, 2020: 3-6).

These concerns over the NCC again brought on calls by Labor, crossbench members of parliament, and retired senior judges for a Commonwealth Integrity Commission (CIC) (or alternatively, an updated Australian Federal Integrity Commission – AFIC). An independent agency such as the CIC/AFIC would have a watchdog role of preventing and investigating corruption, and protecting whistle-blowers; there are such organisations at the state level, such as the NSW Independent Commission Against Corruption (ICAC), but no such body at the federal level. The Australian Greens Party and crossbench independents have been the most consistent instigators for a CIC/AFIC, but legislation to bring it about has so far been delayed by the LNP, who would not welcome greater scrutiny of recent various scandals, such as: abuse of funding for community sport projects, prosecution of government whistle-blowers, local party branch-stacking, dubious allocation of contractors, and inflated sales of government-owned land to Liberal Party donors (Australia Institute, 2020).

The National Cabinet Under Strain

On July 10, the National Cabinet reduced the limit on Australian citizens allowed to return from 7,000 to 4,000 a week, to reduce the burden on the quarantine system. Nearly 400,000 expatriates returned since March, but over 30,000 have been left stranded due to the tight restrictions, and limited, expensive airline flights (Chamas, 2020). Meanwhile, the Northern Territory went ahead with its election in August, which saw the Labor Party retaining government, an important demonstration that democratic elections could still proceed, even amidst a pandemic (NTEC, 2020). The 46th federal Parliament also resumed for a two-week sitting from the end of August, ending a two month hiatus. This sitting was the first to have some MPs appear remotely by video-link, also showing the core institutions of Australian democracy could overcome the hazards wrought by the pandemic (Parliament of Australia, 2020c).

During this historic session, legislation was passed to extend JobKeeper and the JobSeeker supplement for another six months. Concerns remained though over the potential reduction

of up to \$10 billion in aggregate demand from the economy, which could see an estimated 740,000 Australians pushed back into poverty, as the amount of these payments started to be incrementally reduced from the end of September, before the program is due to expire in March 2021. The Opposition and crossbench MPs were also critical of the Morrison government using its numbers to limit debate and ram through legislation weakening environmental protection. A motion by the Australian Greens party to debate a paid pandemic leave bill was also gagged. Even some government backbenchers, such as the maverick former National Party leader Barnaby Joyce, were critical of the government's erosion of legislative scrutiny, through this abuse of its parliamentary majority (Tingle, 2020b).

Morrison's government also used this session of parliament to reassert its foreign policy powers, by introducing the *Foreign Relations (State and Territory Arrangements) Bill 2020*. This sought to reassert control over the states' engagements in foreign commercial agreements, such as Victoria's involvement in China's 'Belt and Road' transnational infrastructure initiative, and the sale by the Northern Territory government of the operation of the Port of Darwin to a Chinese-owned corporation. The pushback by the Commonwealth government against the states was therefore intertwined into the worsening diplomatic tensions between Australia and China (Power and Tan, 2020).

Morrison became increasingly hopeful of having the all interstate borders open by Christmas, through mutual identification of Covid-19 'hotspots' by state medical authorities. He announced after a National Cabinet meeting on September 4 that all the states and territories, except for WA, were 'on board' to re-open their borders in December. This indicated a departure from the full consensus approach on decision making inherited from COAG, which had so far been the operating principle for the National Cabinet as well (Hayne, 2020).

As international border restrictions may remain until the end of 2021, there was growing pressure from expatriates and federal Labor to raise the allowable number of Australian citizens returning from overseas. Morrison pressed the state and territory leaders in National Cabinet negotiations on September 18 to accede to raising the cap from 4,000 to 6,000 a week, rising gradually in stages into October. While international border control is the responsibility of the Commonwealth, unless federal resources and staff are solely used, such as the Howard Springs quarantine facility in the Northern Territory, it requires the cooperation of state health authorities to smoothly maintain entry and quarantine procedures. So, as well as internal borders, the international frontier has proved to be another major area of tension straining the National Cabinet (ABC, 2020b).

The October Budget

The influence of the NCC on the government's policy agenda also became evident in September, when Morrison and Energy Minister Angus Taylor announced plans for a 'gas-fired recovery', with the government promoting, and even potentially having direct investment in construction of gas-fired power plants and pipelines (Taylor, 2020). This controversial decision

was criticised by environmental groups, the Labor opposition, crossbench MPs, and even former Liberal Prime Minister Malcolm Turnbull; they advocated a renewable energy-based recovery, to wean the Australian economy off its heavy dependence on fossil fuels, as the Morrison government looked to be failing to meet its carbon emissions targets under the Paris Agreement (Butler, 2020).²

Frydenberg's next budget for FY2020-21 had been delayed until October 6, and delivered a record deficit of \$213.7 billion, the first of several deficits required to stimulate recovery, which would be required to stimulate the economy, funded by a gross public debt estimated to peak at \$966 billion in 2023-24. The budget brought forward income tax cuts worth \$50 billion, which disproportionately favour those on higher incomes (Treasury, 2020).

From FY2021-22, 88% of the tax cut benefits will go to the richest 20% of Australians, while the lowest 20% of income earners will not benefit. This will therefore tend to inhibit, rather than stimulate economic growth, as those on higher incomes are more likely to save these tax cuts, rather than spend them (Australia Institute, 2020b). A survey of senior economists recommended that spending on social housing, and permanently boosting JobSeeker would instead be more effective for an economic recovery (Martin, 2020). These policy recommendations were further taken up by the Labor opposition and the Greens, who also prefer fiscal investment in measures such as universal childcare, renewable energy, and transport infrastructure (Crowe, 2020).

As part of a series of subsidies and tax concessions favouring the corporate sector, the budget also introduced JobMaker, a hiring credit worth \$4 billion, to encourage businesses to hire younger workers under 35. There were also increased bonus payments for welfare recipients and retirees, and \$1 billion in research funding for the stricken universities (Grattan, 2020).

To follow the October budget, the Morrison government indicated its interest in pursuing legislation aimed at enabling workplace 'flexibility' which favours employers over trade unions, investment tax breaks preferential to the fossil fuel industry over renewable energy, and other deregulation to benefit corporations and the banking industry. Such proposals would indicate a desire to maintain a neoliberal policy agenda, which erodes both environmental and workplace protection standards (Jericho, 2020)

Frydenberg did at least indicate some shift away from austerity, stating that the government would not return to debt-and-deficit reduction until the unemployment rate was reduced to below 6%; it fell to 6.9% in the September quarter (Murphy and Karp, 2020). However, as the reduced rate of Jobkeeper came into effect, payroll job numbers reduced by around 115,000, indicating the decision to wind back the amount of employment subsidy payments was already having an adverse effect (Black, 2020).

Conclusion

The National Cabinet a Mostly Successful Model

Overall, the Australian National Cabinet model so far compares favourably with the pandemic response of other federal systems in other democracies. Japan has generally managed to overcome coronavirus policy disputes between the national government and the prefectures (Mark, 2020). Canada has also performed relatively well, whereas the relationship between the Trump administration and the US States has been dysfunctional at times (Beauchamp, 2020).

The operation of the National Cabinet has nevertheless so far shown how Prime Minister Scott Morrison's Commonwealth government has been constricted in its response to the pandemic when confronted with the Premiers, who are determined to uphold the public health environment of their states, particularly through border closures. Despite these divisions, both the federal and state levels of government have enjoyed majority support ratings overall for their handling of the pandemic (Wilson et al, 2020). The Labor government of Chief Minister Andrew Barr was returned in a landslide victory in the Australian Capital Territory election on October 17 (Thomas, 2020). The Queensland election on October 31 was expected to be a much closer result, with record numbers of 597 candidates from 12 competing parties. The Palaszczuk Labor government was likely to be returned, possibly as a minority government in a hung parliament (Nothling, 2020).

The federal government has made arrangements for almost 85 million vaccine doses to be locally manufactured and distributed, at a cost of \$1.7 billion, once clinical trials from either Oxford University or the University of Queensland prove successful. The government hopes the public vaccine roll-out can begin from mid-2021, although some medical experts have said this goal is still rather ambitious (Sas & Scott, 2020).

Case numbers have continued to drop significantly, especially in Melbourne, due to the second wave lockdown imposed for three months by the Andrews government, one of the longest endured in the world. The Morrison government, business groups, and their conservative media supporters became increasingly frustrated with the Victorian government's 'Roadmap to Recovery', of only very gradual easing from October, depending on progress suppressing outbreaks (Hitch, 2020). However, Premier Andrews' approach appeared to be vindicated, when on October 26, no new cases or deaths were reported, which allowed the lockdown to be finally lifted (Duckett and Crowley, 2020).

The National Cabinet model has reshaped the operation of the Australian Federation, but dealing with the stresses of the coronavirus has also led to significant strains in Commonwealth-State relations. These tensions within the National Cabinet have become more politicised as the crisis drags on, as Morrison was increasingly critical of the Labor governments in

Victoria, Queensland and WA, while praising the LNP government of NSW (Brent, 2020).³ However, there seems little the Commonwealth can do to pressure Premier Andrews and the other state and territory leaders from easing restrictions to a faster timetable, which shows the limitations of the National Cabinet structure. The balance of power in the Australian Federation has therefore shifted back in favour of the state and territory governments, in these unique and challenging times of a long-term, ongoing pandemic (Grattan, 2020). The federal government may yet seek to test its constitutional powers in the High Court to override the states and intervene to lift border restrictions, but such a legal dispute would engender a harsh political backlash that would certainly threaten to end the effective functioning of the National Cabinet.⁴

Australia's Covid-19 response is therefore widely regarded as generally successful overall, with relatively low rates of infections and deaths, and fairly good testing rates.⁵ Before a vaccine becomes available, the Australian economy and society in general will remain burdened with restrictions, particularly those on international travel, even once interstate barriers are eventually fully lifted. Should the post-pandemic economic recovery prove to be fairly rapid, the LNP will remain in its advantageous position over Labor towards the next national election, due in 2022. If the inequitable effects of the deepest recession since the Great Depression, and the traumas of the most severe public health crisis in a century are drawn out and lingering, then the Morrison government's handling of Australian federalism may come into sharper criticism, with less favourable electoral consequences.

Notes

- 1 The LNP has been in power in Canberra since 2013; Scott Morrison has been Liberal Party leader and Prime Minister since 2018. As of October 2020, Labor was in government in the states of Queensland, Victoria, Western Australia (WA), the Northern Territory (NT) and the Australian Capital Territory (ACT).
- 2 Turnbull was overthrown by Morrison as Liberal leader in a party room challenge in 2018, largely due to differences over climate change and energy policy.
- 3 Morrison's support for NSW Premier Berejiklian became more difficult after revelations of her secret love affair with a disgraced former NSW Liberal MP, under investigation by ICAC for corruption (Piotrowski, 2020).
- 4 The Commonwealth is granted legislative powers regarding quarantine under Section 51 (ix) of the Constitution; whether this grants the power to override a quarantine imposed by individual states is untested. Section 109 grants preference to the Commonwealth over the states if their laws are inconsistent, so the federal government's wishes would likely ultimately prevail (Commonwealth of Australia, 2012: 26, 49).
- 5 As of October 30, 2020, there have been a total of 27,569 COVID-19 cases in Australia, including an estimated 200 active cases, and 907 deaths (DoH, 2020c).

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