

Introduction:

Positioning in the Williamson-Jaffee Methodological Tree

Institutional Bias... with hidden number crunching and a policy agenda.

Public Choice

Property Rights

Agency Theory

Transaction Economics

The rhetorical tetrad

Facts (Units of observation)

Links (Units of logic)

Metaphors (Models and constructs)

Narrative (Stories)

(Donald N. McCloskey « If you are so smart: the narrative of economic expertise, U. of Chicago Press, 1990)

Primacy of local services...

Strong perceived utility of « local services »

Lawn and garbage (Water and Sanitation)

Law and order (Security and crime prevention)

Lanes, Streets and Roads (local transportation)

Lawn bowling, pools and ovals (recreation and leisure)

R coding (Zoning and value protection or creation)

Mushy-softy stuff (Crèches, Nursing homes, Women centres)

Anteriority of elected local governments

Adelaide (1840) was the first elected governing body

But never in the American Tradition of Local independence and fiscal autonomy (No «taxation without representation» stuff)

Local governance : mostly financing of specific capital needs (Road trusts, Water boards, etc...)

Also regulatory responsibilities (Weights and measures, health codes, vehicle licensing) which were later, transferred to States and Federal Government

But, almost invisible...

Never involved in Constitutional discussions

Never mentioned in the literature and documents

Not part of the constitutional compact

Very late admission at the Big Boys table (a seat on the Council of Australian Government in 1990)

Very subordinate...

Creature of the State

High Court (1904) Sydney vs. Commonwealth:

« the powers {from the State} are exercised by the subordinate body as an agent of the power that created it »

Very strictly delimited powers until recently (1992)

Very limited capacity to borrow

Legal control from the State (eg: Wannaroo, WA)

States can obliterate, amputate, redesign borders and powers...

Very marginal in the Big \$ Trough

Revenues going to the Federal	78%	
Revenues going to the States	18%	
Revenues going to the LG	4%	
<i>In Canada</i>		13%
<i>In Germany</i>		14%
<i>In the USA</i>		19%

And financially squeezed, between

1- Elastic + hot button expenditures

expenditures growing and touchy : baby care, senior citizen centers, police protection, public libraries and local roads

2- Inelastic + hot button revenues

revenues rigid and touchy: rates and user charges

3- And pressure to provide more and more services...

Fiscaltopia

Putting the allocative functions at the optimal level of jurisdiction

Choosing the more appropriate level of financing

o **Australian LG Fiscal Pathology**

Marginalisation of local governments

Fiscal dependency of State Governments

No intermediate level of governance between Fed and States

The correction of Horizontal inequities is not Tiebout optimal

Mismatch between Central and Periphery Revenue capacity («Vertical imbalance »)

Money is a liquid... it goes down, not up!

	Revenues	Expenditures
Federal	78%	57%
States	18%	38%
Local Governments	4%	5%

Public agency problem

Canberra has the most of the money and not much to spend it on...

The periphery (States and Local) receive an important part of their revenues as fiscally and politically painless transfers

Thus... overspending and under accountability.

Why?

The Australian federation has been built by Actors who had no previous federal tradition

No real concept of local autonomy and representativity.

Still now reticence at leaving too much powers to LG and to see the Federal level deal directly with LG

Vertical Arrogance ...

Over reliance on the virtues of Economies of Scales

« LG are far too small to take advantage of economies of scale and substantial cost saving could be made if local governments units were amalgated »

(P. Groenewegen, Public Finance in Australia, 3rd edition, p. 270.

Australian Therapeutic choices

Transfer of spending powers

Transfer of revenues

Revenue Sharing

Interjurisdictional grants

With the Centrally Monitored Money Reticulation system

The Money Reticulation: channelling money from the Fed. to the LG

From Fed. to States : the LG Financial assistance is allocated on a per capita basis (since 1995)

From State to L.G : the Financial Assistance Grants are allocated on standardisation formula basis

The Principles of the reticulation are defined at the Federal level (Local Government Act of 1995)

The amounts distributed

FAG Principles

Road Allocations

The results of the allocation (Excel table)

The author's favoured solution

Autonomisation of revenues sources...

through the Property tax and user's fees.

Thus... we should pay higher property taxes...

But less of the others

Property Taxation

Rental Values are not the best indicator of Market Values

Specially in a country where 90% of residences are owner occupied...

And because of the extreme fuzziness of leasing information in the commercial sector...

Not mentioning the very vague basis for pastoral and mining leased properties

Advantages of a full market value property tax

Reanimation of the Valuation profession

... and the Valuation Academic profession

Tax on capital values

Verifiable market adjustments

Progressive taxation (more or less...)

Capitalisation of property taxation

Possibilities of self-assessment

Of course... something else must give

Probability of realisation

Zilch...

Very strong allergy to property taxation

Very strong allergy to « obvious » vertical and horizontal inequities

Nevertheless... the pressure will grow!

Decentralisation... trends and flavours.

Post modern mood

Financial downloading from higher government levels

Leaders and grass root actors are getting better

Greater confidence and participation from the public

... and greater efficiency from local governments

... sharpened by greater public scrutiny and participation