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Failure and Strategic Projects: Australias Asia-Pacific Vision

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Failure and Strategic Projects: Australia's Asia-Pacific Vision

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ABSTRACT

This paper uses Australia's 1980s shift to a new accumulation strategy of 'international competitiveness' to examine the role of failure in shaping state strategic projects. The paper argues that the Australian strategy's gradual shift from an interventionist to a market-led orientation played out in competing representations of failure. Whether particular policies were perceived as failures depended not only on their material effects, but also on the ways in which failure was defined and on the values underpinning those definitions. As representations of failure establish the boundaries between the incremental adaptations that stabilise an accumulation strategy and the more radical failures characteristic of crisis, they illuminate how processes of discursive selectivity 'fix' state projects' temporal, scalar and spatial dimensions.

Keywords: failure; regulation theory; strategic selectivity; crisis; Australia

Introduction

This paper uses the lens of 'failure' to understand Australia's 1983–1996 attempt to shift from its long-standing accumulation strategy, known as the Australian Settlement, to a new strategy built around the perceived imperative of developing an 'internationally competitive' economy. At its inception in 1983, Australia's new strategy sought to address the economy's structural deficiencies by restructuring domestic production, reforming the labour market, reducing trade

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barriers and championing the creation of a community of Asia-Pacific states. Initially, these interventions were coupled with redistributive social policies that intended to preserve Australia's (then) egalitarian social structures and values. For O'Neill and Fagan (2006, p. 206), these years of "state engineered market liberalism" constitute "a continuously intense time of crises in State role and power, alongside a most dramatic series of experimentations as firms and governments sought new, durable, successful forms of economy." Yet a stable new settlement proved elusive. Despite numerous policy adjustments, difficulties persisted and the 1996 federal election brought a socially conservative and economically neo-liberal opposition party into power.

This paper's empirical content seeks to understand how Australia's visionary strategy was gradually transformed, why years of incremental policy adjustment failed to secure a stable new path, and why the eventual outcome was the election of a socially conservative and capital-oriented regime. Its account of this history is informed by Jessop's (1990) state-oriented version of regulation theory, a theoretical framework that focuses attention on the state's inherently problematic task of coordinating economy and society. This approach is especially useful in analysing national transformations because it considers the state's role in mediating opposing interests and highlights the spatial implications of policy change. From its perspective, the Australian Labor government's reforms in the crucial years 1983–1996 constitute a state strategy; that is, a coherent "programmed path of actions" that seek to implement "an overall vision of a desired state of affairs" (Jessop *et al.*, 1993, p. 240; after Jessop, 1990). The paper's reconstruction of Australia's strategic path of actions draws on existing political economy accounts (Bell, 1997; Bryan and Rafferty, 1999; Fagan and Webber, 1994; O'Neill and Fagan, 2006; Webber *et al.*, 1991; Webber, 1998; Webber and Weller, 2001) but makes an original contribution by emphasising how politically contested interpretations of policy failure shaped the policy trajectory.[1] It then uses these insights to contribute to

connecting one of regulation theory's "missing links" – the "transition rules" governing the onset of crises in accumulation strategies (Tickell and Peck, 1992, pp. 208–209). Showing how representations of failure infuse the political processes through which crises develop, mutate and sometimes resolve helps to explain both the resilience of capitalism and its intermittent transformations.

The paper is divided into five sections. The next section locates the notion of failure in regulation theories and the literatures of state strategies, policy adjustment and crisis. It highlights the politicised nature of the idea of failure and the ways that assessments of failure express opposing interests, value frameworks and ideologies. The discussion identifies three principal ways in which failures are represented in political discourse—the unifying failures that motivate a visionary project, the stabilising failures that reinforce a state strategy and the de-stabilising failures that lead to crisis. It argues that representations of past failures are embedded in political narratives in ways that lend coherence to visionary projects, justify their selective policy strategies and contribute to their discursive re-imagining of nations and national interests. The third section examines how representations of failure were invoked in Australia's strategic transformation. It shows that although representations of failure sometimes advanced the state's strategic projects and sometimes undermined them, they consistently worked to support political projects. Drawing on this example, Section Four then discusses how a state's capacity to manage perceptions of failure plays a pivotal role in the evolution of state strategic projects (Jessop, 2001), the spatial selectivity of state actions (Jones, 1997), and the rescaling of state spaces (Brenner, 2004). The conclusions reflect further on the role of failure in political transformations.

Strategic Policy Failures

In Jessop's (1990, p. 6) version of regulation theory, the activities of states are guided by accumulation strategies that combine "an economic growth model, with its preconditions" and

"a strategy for its realisation." A successful accumulation strategy integrates the interests of business and social groups under the leadership of one dominant (hegemonic) coalition and through it secures a set of economic and social conditions conducive to capital accumulation.[2] The state is understood as a social relation produced by (the class relations among) its constituents. Jessop's approach emphasises the discursive processes through which actors construct perceptions of their common interests and focuses attention on the social organisation of institutions, social forms, political processes and cultural norms that secure the stability of the capitalist accumulation process. For Jessop (1990), a state's capacity to secure a stable accumulation system at a particular place and time—that is, its capacity to establish a viable 'socio-temporal fix'—depends on its *strategic capacity*, defined as its capacity to realise an overall vision, and its *strategic selectivity*, or the differential privileging of some institutions, policies, actions and actors over others.[3] Jones (1997) highlights the inherent spatial selectivity of these processes.

Regulation theory views capitalist regimes as inherently unstable. States' strategies are challenged continually by the contradictory nature of capitalist social relations as well as by a range of place- and time-specific contingencies. The selection of state strategies is therefore bedevilled by uncertainty. Because the viability of alternative policy options can never be known in advance, in practice policy trajectories are revealed incrementally. Experimental, trial-and-error processes enable an overall strategy to evolve iteratively and recursively toward a workable balance among its various aspects; that is, toward a state of 'structured coherence' (Jessop, 2001; after Harvey, 1985, p. 140). If the tensions that inevitably arise from a strategy's internal contradictions cannot be resolved, crisis ensues. Although the notion of crisis can be interpreted in numerous ways (O'Connor, 1988), this paper follows Hay's (1999, p. 317) definition in which crises are politically-mediated moments of decisive intervention that alter a state's policy trajectory. Crisis ruptures the dominant political coalition, challenges its vision and

refutes its strategy. Crisis leads to the establishment of a new coalition armed with policies capable of restoring accumulation. This process generates regulation theory's characteristic periodisations of history into successive spatio-temporal fixes such as the hypothesised transitions from Fordism to post-Fordism or Keynesianism to neo-liberalism.

The problem with regulation theory's account of crisis is that it does not explain, beyond the generality of capitalism's inherent contradictions, when and how 'fixes' de-stabilise or why some contradictions can be accommodated within a strategy whilst others fuel crises. As Painter and Goodwin (1995, p. 340) comment: "A crude account of one stable and enduring mode [of regulation] quickly breaking down and then equally quickly being replaced by a markedly different but equally stable new arrangement is clearly unsatisfactory and historically inaccurate." Regulation theory has not specified when, why or how a stable spatio-temporal fix slips toward irretrievable crisis, nor has it adequately theorised the role of human agency in shaping this destabilisation (Jenson, 1990; MacLeod and Goodwin, 1999; Painter and Goodwin, 1995; Tickell and Peck, 1992). This omission is important because without an adequate understanding of this process, regulation theory's periodisations of history collapse into continuous crisis (Amin and Robins, 1990) or continuous adaptation (Kerr, 2002). If the idea of successive spatio-temporal fixes is to be retained, the conditions of stability and crisis must be specified.

Understanding the mechanisms that produce crises requires understanding how state strategies play out in political practice. Numerous studies have shown that the timing and determinants of political crises hinge on the complex relationship between concrete material conditions, interests and ideas (see O'Connor, 1988). Whilst material conditions are central underlying factors (Webber, 1991; see also Dunford, 1990), they do not explain the serendipitous timing of actual crises in some cases or the notable absence of crisis, despite adverse economic conditions, in others. The role of ideas, representations and discourses in

determining the timing, mechanisms and nature of crises has therefore attracted considerable scholarly interest (for example, Blyth, 1997; Jenson, 1990; Hay, 1996; 1999). This literature recognises that a state's capacity to implement its strategy is inextricably bound up with its capacity to maintain simultaneously a coherent vision of the future and a plausible explanation of the past. This task relies on the mobilisation of complex systems of representation and their amalgamation in persuasive narratives that underpin public support for a leadership, secure the legitimacy of its strategy and justify its policy interventions.

In Hay's (1999) view, crises are *constructed*, by political actors, in alternative narratives that reassess past policy experiments. Although multiple meta-narrations could potentially explain past events, the context and its history will tend to selectively favour some meta-narratives over others. This indeterminacy means that narratives are *discursively selective* (Hay, 1999, p. 324). Complex political processes determine which stories dominate. In Hay's view, the political success of a meta-narrative depends less on the objective accuracy of its assessment of material conditions than on its ability to fashion a convincing story that draws in and flexibly narrates multiple symptoms. In his analysis, this process involves branding some past policy experiments as failures.

Crises ensue only when political actors opposed to the dominant regime successfully reconstruct past events in a way that combines multiple small policy failures into an overarching meta-narrative of systemic failure (Hall, 1980, p. 174 cited in Hay, 1999, pp. 332–5). Because this is no easy task, a system's contradictions may persist over time as 'catastrophic equilibria' (Hay, 1996) or resolve inadvertently at 'tipping points' in an incremental policy reform process (see also Block, 1981). Blyth (2002) shows that crises tend to occur at times of intensified uncertainty, when policy 'anomalies' cannot be explained within extant frameworks or resolved by an existing repertoire of policy instruments (see also Hall, 1993). At these times, contestation over opposing representations of past policy experiments intensifies

as political actors struggle to provide convincing explanations of, and effective remedies to, policy dilemmas. Blyth (2002, pp. 33–34) activates the notion of failure by viewing it as a tool in political struggle that mediates the tension between "ideas held by agents" and their "structurally derived interests." These accounts show that the notion of crisis is both entwined with and complicated by politicised representations of failure.

The notion of failure is unavoidably political. Ideas of failure express the multiple interpretations and assessments that can be made of the same material circumstances and events. Interpretations reflect actors' spatio-temporal positions: the histories and contingencies through which they comprehend events, the temporal horizons over which they elect to assess them and their relative positions in networks of power. Assessments of whether or not an event, policy or strategy is a failure give specific expression to opposing interests, value frameworks and ideologies. Different value frameworks generate different assessment criteria. Hood (1991) argues that assessments of actual events incorporate complex combinations of three foundational understandings of failure: economic failure (waste or inefficiency), moral failure (unethical conduct) and risk-based failure (instability or breakdown).

Representations of failure can have a destabilising, stabilising or unifying role in political processes and state strategies. First, in regulation theories, failure is a synonym for contradiction, and as such is inherently destabilising (Hay, 1996; see also Jessop, 1998). In this guise, crises arise when the numerous 'conjunctural' failures of specific strategic policy experiments accumulate and condense into structural crises that mark the generalised failure of a strategy to resolve its presenting contradictions. By this view, although pragmatic policy adjustments may resolve a state strategy's short-term problems, they are likely to compromise its motivating aims and threaten its political legitimacy in the longer term. Incremental policy changes may defer or resolve presenting tensions for a time, but crises will surely develop. In

the light of this tendency, Malpas and Wickham (1995) conclude that visionary state projects are inherently prone to failure.

Second, and alternatively, failures can be depicted as having a stabilising influence on state strategies. In evolutionary accounts of policy making, policy development is viewed as a process of trial and error learning in which small policy failures are the catalysts that enable political, economic and social systems to evolve together toward 'structured coherence.' From this perspective, adaptive responses to failure enable states to 'muddle through' successive policy experiments and to avert crises (Lindblom, 1959, see also Kerr, 2002). Here the policy trajectory is conditioned by past policy decisions and the path-dependent webs of understanding they generate, rather than being motivated by visionary aims (Heclo 1974, p. 303). From this perspective, internal adjustment processes are guided by expert opinion and are expected to avert crises. Actual crises are therefore explained as the outcome of some external shock or change. [4]

Third, failures can be viewed as unifying political projects, especially visionary national projects. In this respect, Ochoa (2003) argues that visionary projects are constructed around national socio-cultural values. These values are forged in and defined by exceptional events that survive in the collective consciousness as failures that cannot be reconciled with national aspirations. Dunkirk, Gallipoli and Pearl Harbour are examples of this unifying form of failure. In Ochoa's view, the meta-narratives created to support visionary state projects necessarily incorporate and gain legitimacy from their selective representations of these defining moments. The complex sets of values (for example, self-reliance, democracy and honour) that are incorporated implicitly in these identifications constitute the common criteria by which contemporary events are assessed politically. For Ochoa, system-wide failures of visionary state projects occur at a point of recognition—a specific conjuncture, in his terms, a liminal moment—when contemporary events can no longer be reconciled with or contained by a

dominant version of the national vision and its story of national identity. At this point of disjuncture, multiple small failures of adaptation become publicly recognised as indicative of more generalised failure. This temporal positioning of the onset of crisis links it not only to the shallow failures of policy experiments conducted in the recent past, but also to the deeper failures that infuse national narratives. For Ochoa (2003; see also Debray 1973, p. 153), these moments of failure are liberating moments of political possibility that enable a new coalition to unify around a revised discursive construction of past events, future ambitions and national identity. From Ochoa's perspective, then, the narratives and meta-narratives of failure that frame visionary projects do not only weave stories about presenting social, economic and cultural contradictions, they at the same time embed those stories in the emotional appeals of a complementary interpretation of national history and national aspirations. Narratives about contemporary political failures are therefore intertwined with narratives that define the nation and the national scale (and, as a consequence, favour some strategies and spaces over others).

It follows that contradictions generate crises when they are accompanied by changes in the way that policy failures are perceived and by related political processes that detach a regime's vision from its discursive embeddedness in the 'national' project. Whether the tensions and contradictions inherent to capitalism produce crises then depends on a politics of representation of failure that is deeply structured by identifications with place and territory. The next section shows how representations of failure conditioned the strategic and spatial selectivities of Australia's 1983–96 transformation and how definitions of failure were used to unify, stabilise or destabilise the state's strategy.

Australia's Strategic Repositioning

Australia's vision of itself as a competitive economy in an Asia-Pacific region exemplifies the ways in which representations of failure both secure the stability of a dominant regime and

mark its demise. This section's account of Australia's state strategy is organised into four parts, each focusing on a different aspect of failure. The first describes how a shared view of failure unified a coalition of interests in support of the 'international competitiveness' strategy. The second shows how representations of failure facilitated policy adjustment and stabilised the new strategy. It also demonstrates that these gradual adjustments transformed the strategy's vision, reworked its priorities and reconfigured the composition of its leadership coalition. The third section examines the failure of Australia's strategy of regional engagement. The fourth section describes how an opposition group armed with an alternative version of the national vision induced crisis by highlighting the national strategy's regional and international failures.

Unifying Failure and the Vision of International Competitiveness

By the early 1980s, there was general consensus among Australia's policy elite that the 'Australian Settlement'—a class compromise based on the three pillars of white migration, trade protection and centralised wage determination—had failed to prepare the Australian economy for the changes that were expected to accompany globalisation (Australia, 1979). The material basis of this consensus was Australia's declining terms of trade. The trade index, which measures exports relative to imports, had fallen from 240 in 1951 to 100 in 1985 (Ravenhill, 1994, p. 76). The Settlement's Keynesian policy settings had not been able to control the domestic economy's struggle with the twin problems of inflation and unemployment. The repeated failure of Keynesian policy solutions had discredited the Keynesian approach. Although these tensions had been mounting since the late 1960s, this account begins in 1983, when the election of a reformist Labor government began the implementation of a visionary state strategy that aimed to transform Australia and create an 'internationally competitive' economy.

The new regime, led by a former trade union leader, R.J. Hawke, used the failure of Keynesian policies to unify an unlikely coalition of political forces under the 'international

competitiveness' vision. The first of its three main constituencies was the export sector, which supported the rapid internationalisation of the economy with a view to restoring the profitability of primary export industries (agriculture and mining). Second were the domestic manufacturing and business sectors, which supported reforms that would integrate Australian businesses into the production structures of a globalising economy. Third was the union movement, led by the Australian Council of Trade Unions (ACTU), which supported reform within the corporatist frameworks of Scandinavian social democracy (Webber, 1998). A quasi-corporatist decision-making framework reconciled these disparate interests and provided the *capacity* for the state to embark on a radical reform strategy.

The vision's implementation first targeted finance markets, product markets and labour markets. In December 1983 the new government floated the Australian dollar and relaxed associated financial controls to expose the economy to international market forces. Next, in the labour market, it negotiated a series of wages and incomes 'Accords' in which real wage reductions would be offset by expanded health, education and social services. In production sectors, industry policies encouraged technological modernisation, productivity gains and product quality improvement. Rationalisations in trade-vulnerable sectors aimed to improve the economy's overall efficiency by freeing capital for more productive uses (Fagan and Webber, 1994). The tariffs and quotas that had previously protected Australian firms from import competition were then gradually removed.

Stabilising Failure and Incremental Policy Adjustment

The strategy quickly began to unravel. The entry of foreign banks and the removal of limits on offshore borrowing produced a frenzy of geared investments and fuelled asset inflation. Instead of settling at a market level, where the exchange rate would optimally regulate import and export prices, the Australian dollar became a speculative currency. Fluctuations in its value increased business risks and undermined the economy's stability. The flood of money from

offshore resulted in iconic but undervalued Australian firms being liquidated by asset-stripping raiders (Sykes, 1996). As Australia's international position deteriorated, the 'balance of payments crisis' came to dominate the policy debate (Bell, 1997).

The struggle to identify the best path forward threw up a range of interpretations of the situation and its failures. The export sector saw the problem as access to global markets. It advocated action at the supranational scale to promote free trade. It opposed interventionist domestic industry policies, arguing that the state could not effectively 'pick winners' and that the market should be allowed to find (Pareto equilibrium) solutions. Within the business sector, lack of progress was attributed to microeconomic over-regulation and the slow rate of labour market reform. Business supported neo-Schumpeterian interventions to promote innovation and create advanced technology industries. The ACTU's understanding focused on Australia's chronic lack of investment funds. It advocated policies to attract capital and redirect it toward productive uses (ACTU and TDC, 1987).[5]

These competing explanations of policy failure reflected and highlighted the opposing value frameworks and economic paradigms that co-existed within the state coalition (contrast AMC, 1986; IAC, 1987 and BCA, 1991). However, the protagonists did not question the fundamental tenets of the international competitiveness vision, although each maintained a different understanding of it. They shared a focus on efficiency-related values, albeit in different combinations with social considerations, and all accorded spatial priority to the national scale. At this stage, the strategy's many difficulties were successfully represented as adaptive failures: the teething problems associated with the transition from the Australian Settlement to the new 'internationally competitive' regime. Nonetheless, the incommensurability of opposing positions made it impossible to reach a negotiated compromise. The political stalemate encouraged the government to rely increasingly on the policy recommendations generated by general computable equilibrium (GCE) econometric modelling of the national economy.

Modelling rendered the complex and uncertain policy environment intelligible and enabled contested political processes to be represented as a rational, orderly and effortless transition between old and new regimes.[6]

As debates over the strategy's direction continued, the ACTU became marginalised as the media increasingly depicted it as impeding rather than facilitating labour market reform.[7] In Jenson's (1990) terms, the ACTU's policy solutions were falling outside the parameters of the increasingly dominant neo-classical paradigm. Hampson and Morgan (1999, p. 771) locate the ACTU's exclusion from the strategic debate (and therefore from the hegemonic coalition that was the national state) to a shift in the media's use of language from 1986, when it began using the words 'industry policy' to describe labour market reform but not investment policy. Thus, the process of identifying policy solutions to presenting failures involved power struggles that culminated in deeper realignments of power geometries within the coalition of interests that comprised the state (see Massey, 1993). This narrowed the effective arena of political contestation, altered the policy trajectory and changed the character of future policy debates.

In this uncertain context, the state's capacity to make policy changes hinged increasingly on the persuasive rhetoric of the Treasurer, Paul Keating. His oratory created a crusading sense of purpose and set the policy agenda. Keating was a conscious political performer (Gordon 1993, p. 1). He frequently invoked momentous occasions in national history, such as Australia's World War I defeat at Gallipoli, to justify his vision and bind it to a reshaped national identity. He was deliberate in his use of language, which he saw as the principal tool of his political craft (Gordon 1993, p. 45).

In May 1986, Keating issued his famous warning that without a sharp adjustment, Australia was in danger of becoming a 'banana republic'. The media's dogged focus on this representation turned what might otherwise have been a throw-away line into a warning that the internationally competitive vision was faltering (Hampson and Morgan, 1999; Kelly, 1992).

This event acts as a switching point, a moment of public recognition of policy failure that precipitated a major realignment of the state's strategy. The fear that Australia would descend to 'banana republic' status externalised the blame for Australia's policy failures to global market forces and depicted further reform as a national challenge. This moment was deployed to justify new policy settings—higher interest rates, restrained government expenditures and accelerated labour market reforms (Button, 1988)—that would inevitably produce hardships for ordinary wage-earners (Bell, 1997). Although they were represented as tackling the externally-induced balance of payments crisis, Bell (2004) argues that the new policy settings were in fact targeting the internal threat of inflation.

As it transpired, these policy adjustments exacerbated the deepening financial crisis. The cash interest rate had reached 18% by 1989, crippling businesses and households. In a context devoid of guiding precedents, the government resolved that gradually easing interest rates would restabilise the economy. However, instead of the expected 'soft landing,' the approach produced a bust (Bell, 2004, p. 59). Australia's policy-induced recession lasted from September 1989 until December 1992 (Boehm and Liew, 1994). It generated numerous firm failures and massive job losses. Deteriorating material conditions might have been expected to plunge the government's strategy into crisis. However, in another rhetorical flourish, Treasurer Keating reaffirmed the government's resolve and restabilised the strategy by announcing, in November 1990, that this was "the recession Australia had to have" (see Kelly, 1992). Here Keating represented policy failure as a necessary stage in the transition to an internationally competitive economy. The recession has continued to be represented as having corrected the policy mistakes of the late 1980s by bringing down interest rates and "killing off" both inflation and inflationary expectations (McFarlane, 2006, p. 3). Public acceptance of the necessity of recession enabled the further marketisation of the economy. In the March 1991 Economic Statement (Button, 1991) the government unilaterally liberalised Australia's trade barriers, well

in advance of World Trade Organisation (WTO) targets, and accelerated domestic industry reforms without first consulting the manufacturing sector (Hershan, 1996).

In retrospect, these changes mark the point at which the government finally rejected interventionist industry policies and embraced the comparative advantage-based approach that was favoured by trade-oriented sectors. Of the three original constituencies of the state coalition, only the export sector and its supporters in the globalised financial services sector remained influential. Consolidating this reorientation, Treasurer Keating became Prime Minister in December 1991. This shift in power relations also marked the point at which political networks based in Australia's southern manufacturing centre, Melbourne, were replaced by political networks grounded in New South Wales and the emerging global city of Sydney. This both reflected and reinforced Sydney's increasing economic dominance in the internationalising economy (see O'Neill and McGuirk, 2005).

Keating's 1992 One Nation reform package introduced a range of measures to stimulate the economy out of recession, mitigate economic hardships among low income households, stimulate disadvantaged regions, and further encourage surviving manufacturing firms to internationalise their operations (Keating, 1992). Although these measures helped the Keating government to win the 1993 general election, they also brought a new set of failures into focus. Australia's international competitiveness relied on export market development but market access was stalled by other countries' trade barriers. It became clear that policy would have to shift again, to intervene strategically beyond the boundaries of the state's territorial jurisdiction (Keating, 2000).

Failure and Australia's Regional Engagement

Representations of territory and scale are routinely harnessed to support states' geopolitical strategies (Ó'Thuathail, 2002). Australia's internationalisation strategy re-imagined Australia's

geographical location by representing Australia as part of an Asia-Pacific region. This spatial strategy altered both the dimensions and horizons of national action by creating an Asia-Pacific socio-spatial scale through which Australia could pursue its interests.

Australia's regional reorientation relied on comparative advantage trade theory's expectation that Australia could not compete internationally in labour intensive industries but that its raw materials could fuel the world's manufacturing boom (Garnaut, 1989). Strategic and security concerns were also important. Policymakers feared that if post-Cold War geopolitical re-alignments created a triadic structure of trade blocs led by the United States, Japan and Germany, Australia would become excluded from global commerce. In addition, Australia's growing markets in Asia were potentially threatened by shifts in the United States' trade policies (Ravenhill, 2001). As the same time, the United States' diminishing military role in the Pacific raised security concerns (Dibb, 1986).

A policy focus on the undifferentiated commodities in which Australia enjoyed a 'natural' comparative advantage logically favoured the establishment of open markets in a rule-based global trading system. But as a small nation in a peripheral location, Australia had limited capacity to influence international relations. It seemed, therefore, that the only feasible means by which Australia could pursue its interests abroad was through cooperation with other nations. Here the strategy followed the precedent of the 'Cairns Group of Fair Trading Nations,' an Australia-led group of agricultural exporting nations that had successfully influenced GATT negotiations in the 1980s (Higgott and Cooper, 1990).

Accordingly, Australia's repositioning materialised in the creation of an imagined region called the Asia-Pacific. From the start, however, this construct was uncomfortably ambiguous. Its territorial dimensions did not represent a culturally or politically defined Asia or a coherent group of Pacific Rim nations (Dirlik, 1998) and critics saw it as a means to avoid the difficult social and cultural implications of genuine Asian engagement (Fitzgerald, 1997). Nonetheless,

the Asia-Pacific idea was institutionalised in 1989, after intense diplomacy by Australia and Japan, in the form of the Asia Pacific Economic Cooperation (APEC) forum. Its founding members included Australia, New Zealand, the United States, Canada, Japan, the Republic of Korea, Thailand, Indonesia, the Republic of the Philippines, Singapore and Brunei.[8] Consistent with its multilateral priorities, Australia had initially envisaged APEC as the precursor to "a more formal intergovernmental vehicle" with regulatory power over trade and industry (Hawke, 1989 in Cooper *et al.,* 1993, p. 92). It would become a new scale of government—a Pacific equivalent to the European Union—able to regulate property rights and set labour market conditions. In Australia's vision, APEC would establish a new tier in a hierarchically nested framework, positioned 'above' the national and intermediate regional scales (such as ASEAN, EAEC, AFTA and NAFTA) and 'below' the global scale of the WTO.[9] If member states could then be convinced to agree to trade rules based on the non-discriminatory notion of 'open regionalism,' APEC would function as a catalyst to global trade liberalisation (see Bergsten, 1997). In other words, Australia saw APEC as a strategic institution and as a vehicle for securing access to export markets.

However, although APEC's initial 1994 (Bogor) and 1995 (Osaka) meetings made in-principle commitments to free trade, member states shied away from binding trade agreements that might involve relinquishing their national sovereignty (Kahler, 2000). At the 1996 (Manila) summit, leaders' failure to produce promised 'Individual Action Plans' stalled progress. By the 1997 meeting in Vancouver, held after the onset of the Asian economic crisis, APEC had split along an east to west axis (Higgott, 1999). By 2000, APEC's trade liberalisation and region-building visions had collapsed (Ravenhill, 2001).

Clearly, APEC failed to develop in the way Australia had intended. First, it was never likely that the various groupings of APEC member states would agree to subordinate their interests to APEC or support the contentious concept of 'open regionalism' (Ostry, 1998).[10]

Second, APEC was compromised by competing organisational logics. Its representation as a space of political cooperation between states contradicted its role in creating a seamless regional space of capitalist competition (Ravenhill, 1995). Third, APEC was divided by competing interests that overshadowed Australia's objectives. It simultaneously provided a means by which ASEAN states could assert their interests relative to Japan and the United States (Maull, 2002), a means by which Japan could consolidate its investments and production networks in Asia and a means by which the United States could stem Japanese economic expansion (Cooper *et al.,* 1993). Although this multiplicity was partly accommodated by the development of a scalar division of labour within APEC, the resulting organisational complexity created an unstable institutional space crosscut by 'horizontal' struggles among states, 'vertical' inter-scalar struggles among competing international groupings and persistent differences between 'western' and 'eastern' interests (see Rüland, 2002).[11]

Although Australia's narrative of Asian engagement positioned APEC in a story of progress toward open trade and regional cooperation (Keating, 2000), Australia's region-building strategy encountered repeated rebuttals. These included ASEAN states' 1991 rejection of the idea that APEC would develop into a form of government, Australia's failed attempts to contain APEC territorially, and Australia's exclusion from an important Asia–Europe trade meeting in 1996 (Fitzgerald, 1997). These international policy failures reflected irresolvable differences in interests, values and priorities – differences that could never be resolved by incremental policy adjustment.

Australia's engagement with the Asia-Pacific region declined in 1996 with the defeat of the Keating government and the onset of the Asian financial crisis.[12] However, the pursuit of regional engagement had produced material changes in international relations and trade patterns. It had altered power relationships among constituencies within Australia, among states to Australia's north and among states and firms in the region. But Australia's

internationalisation objectives were at odds with the realities of its uncertain position in the Asia-Pacific division of labour (Higgott, 1987). Despite its self-referential objectives and its representation of itself as a state of the Asia-Pacific, Australia had little influence over the states to its north and was not able to transcend their historically inscribed perceptions of Australia's isolationism, its long-standing association with (Commonwealth) colonialism or its contemporary association with the United States.

Failure, Vision and National Identity

Australia's internationalisation strategy was ultimately defeated by a crisis of legitimacy in the domestic polity. Before the 1996 election, an ultra-conservative political party emerged to give a stridently xenophobic voice to the dissatisfactions brewing in the rural and working class regions that had borne the costs of Australia's domestic reform process. In addition to appropriating the name of the Keating government's 1992 reform package, One Nation, the new organisation challenged Keating's inclusive rhetoric and directly targeted his Asian engagement narrative. One Nation's opposition brought to the surface the many contradictions within the international competitiveness strategy. In particular, it highlighted the uneven regional consequences of the reform process and the apparent disappearance of the 1983 vision's motivating 'national' values of equity and fairness. One Nation forced Australians to recognise that the vision had changed in meaning and content as it had evolved, and that the market-led policies being enacted in the name of international competitiveness no longer resembled the policies they had supported at the strategy's inception. Reform had not delivered jobs or prosperity to regional Australia, and the nationally-oriented political agenda seemed not to recognise the growing distributional inequities it had produced (see O'Neill, 1996).

One Nation effectively disempowered Paul Keating's forward-looking narrative of Australia and of its place in the world by making his representations of the national interest

appear contrived. One Nation's supporters positioned themselves as the 'real' Australians by invoking the values of egalitarian mateship—values that are grounded in the Gallipoli experience and the rigours of outback life—that had been suppressed by Keating's cosmopolitan and multicultural revision of Australian identity. Importantly, One Nation was a grassroots movement. Its leadership had emerged from outside the national policy elite's networks of power. The government's inability to silence One Nation's racist commentary—or to influence the negative media coverage of it in Asia and the United States—undermined its internal authority and Australia's international position (Dieter, 2002). Although One Nation did not attract widespread political support within Australia, it did succeed in breaking the spell that had been cast by Paul Keating's rhetoric. Thereafter, the numerous small failures that had gradually transformed the policy direction were recast as evidence of systemic failure.

The 1996 election of a neo-conservative Liberal government affirmed this perceptual shift. The new state coalition did not include One Nation but did incorporate key elements of its platform. The incoming Liberal government intensified market-based reforms, accelerated attacks on organised labour and introduced harsh measures to reduce welfare dependency. These reforms consolidated rather than redirected the Keating government's already market-oriented economic policy framework. The new administration responded to One Nation's challenge by realigning social policies to restore a sense of stability and celebrate social obligation, family values, naturalised social hierarchies and authoritarian government.[13] These measures deliberately slowed of the rate of social change and turned the national vision to traditional conservative values. They neutralised the disaffection in regional areas, but at the same time imposed limits on the new government's capacity to reform the welfare and health sectors. The vision of international competitiveness disappeared from the policy discourse and the notion of Asian engagement was replaced by a more pragmatic bilateral approach to

foreign policy that focused on China, which by 1996 was emerging as the primary market for Australia's exports (Ravenhill, 2003).

Despite almost 25 years of reform, the problems that prompted the 1983 change in Australia's regulatory approach have not been resolved. Australia's share of world exports continues to fall (Kunkel, 2002). Aggregate GDP growth is high by world standards, but the economy relies on volatile and finite mineral exports. Declining exports of elaborately transformed manufactures demonstrate that Australian firms are not integrating successfully into networks of global production.[14] Moreover, trade policy reforms have inadvertently damaged sectors in which Australia should, in theory, have had a comparative advantage (Fagan, 1997). What the reforms have achieved is the internationalisation of capital and the concentration of finance capital and associated services in the 'global' city of Sydney. By 2006, $4.25 in every $100.00 earned in Australia (4.25% of GDP) was transferred to foreign investors (Colebatch, 2006).

Strategy, Failure and New State Spaces

Initially, the failures of the Australian Settlement had unified political support for a new state strategy, a new interpretation of Australia's history and a new internationally competitive future. This enabled the Australian government to act as the instrument of the national will and to represent itself both domestically and internationally as a coherent, monolithic actor working in the national interest. The visionary strategy succeeded in advancing nation-building objectives and in creating a representation not just of Australia's interests, but of 'Australia' as a collective identity. As a result, Australia's gradual shift toward neo-liberal policies in the years 1983–1996 strengthened rather than 'hollowed-out' the nation-state.

For a time, the Hawke and Keating Labor governments were able to represent the strategy's implementation failures as faltering steps toward the establishment of a structurally coherent new regulatory regime. The representation of Australia as being *in transition* from the

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old and unsustainable Settlement to a sustainable and internationally competitive new reality softened public resistance to policy reforms. But despite numerous incremental changes, the strategy failed to stabilise into a durable new 'spatio-temporal fix'. Rather, political struggles within the dominant coalition narrowed the state's networks of power and progressively transformed both the vision and the values it represented. The market-oriented realignment of the strategy after 1991 averted a system-wide crisis but threatened the strategy's longer term viability. Although the shift to regional engagement diverted attention from intensifying domestic problems and temporarily stretched the state's influence beyond its own borders, the attempt to create a 'new state space' in Asia ultimately failed, as did the campaign for global trade liberalisation. The strategy's emphasis on national export performance in a nationally-focused, comparative advantage framework hardened territorial boundaries.

The political repercussions of these failures materialised at the sub-national scale as political support for One Nation flourished in agricultural exporting regions. In contrast to the Australian Settlement, which had used taxation, wage and industry policy to distribute the nation's wealth among Australia's constituent regional States, the international competitiveness strategy did not incorporate an effective re-distribution mechanism. Its inherent spatial selectivities marginalised trade-exposed regions and privileged Australia's most internationally connected places, especially the urban centre of Sydney (O'Neill, 1996; O'Neill and McGuirk, 2005). These uneven regional outcomes were a key pillar of One Nation's political appeal.

This key period in Australia's history demonstrates how representations of failure underpin the durability of state accumulation strategies. First, it shows that policy development trajectories do not simply evolve in a process of 'policy learning' within a state administration (Hall, 1993; Heclo, 1974), but that trajectories are shaped by struggles among competing representations of a vision and played out in debates over how emerging policy failures should be understood and addressed. Emotive representations of failure that stir nationalist

sentiments, as exemplified in this case by the 'banana republic' and the 'recession Australia had to have' themes, play a crucial role in establishing the policy direction and in generating political support for additional reform. Second, the account highlights the inextricable link between shifts in strategy and shifts in power relations within a ruling coalition. As the Australian strategy evolved, political struggles over policy selection gradually reconfigured its political coalitions. The ACTU and manufacturing industry interests were progressively excluded from policy-making networks. As this process narrowed the range of ideas that were recognised as viable solutions to policy dilemmas, it narrowed the range of policy options available to the state; that is, its 'policy repertoire' (Jessop, 2003). This in turn compromised the state's capacity to anticipate or address the dissatisfactions that found a voice in One Nation. Third, the account has demonstrated that interactions among scales shape the transformation of strategies. As the government concentrated on 'internationalising' the national scale through international engagement, One Nation's vision developed in regional Australia and invoked a pioneering, rural imaginary of nationhood. The idea of nation was being reconfigured through relations among scales. Fourth, the account shows how representations of failure mediate transitions between strategies and govern the onset of crisis. Despite its numerous failings, the international competitiveness strategy was not challenged until, in 1996, One Nation was able to combine its multiple failures into a narrative of systemic failure. One Nation highlighted the disparity between the vision's aims and the material realities of its impact on households and communities, the gap between its original balance of economic and social justice values and the efficiency-dominated value framework of its later mutated form, the flawed logics of its regional engagement ambitions, and its failure to maintain engagement with regional Australia's understanding of the nation and of national aspirations. The first three of these failings highlight the strategy's inability to find a workable balance between economic and social regulation. They could have been addressed by further policy adjustment. It was the

failure to maintain a coherent narrative of national unity that enabled One Nation to challenge the strategy's overall credibility. This was the crucial element governing the timing of the strategy's political defeat. By shifting the way the international competitiveness strategy articulated with the idea of nation, One Nation effectively altered the criteria by which the strategy's failures were judged.

Conclusion

This paper has focused on how contested representations of failure shape the evolution and eventual disintegration of state strategies. It has considered three constructions of failure: 'unifying' representations that enable visionary state projects to develop; 'stabilising' representations that reinforce a state's capacity to govern; and 'destabilising' representations that challenge a dominant coalition's long-term vision. The political deployment of notions of failure helps to explain the processes that stabilise a state strategy or propel it toward crisis. Stable regimes have the capacity to depict small policy failures as routine, and to use them to justify policy realignments. This depoliticises policy failure and makes it possible to represent policy reforms as uncontroversial adjustments to changing circumstances. But the process of incremental change will destabilise a strategy if the policy trajectory diverges from its motivating vision and if its accompanying systems of representation fail to link day-to-day policymaking with visionary objectives and national aspirations.

The 'structured coherence' characteristic of a stable state strategy therefore requires more than a set of complementary policies and institutions that facilitate economic and social reproduction – it also requires that policies are integrated in a narrative that unites a political community. Opposing groups that find a means to link their proposals to a coherent alternative version of the national story have the capacity to represent small failures as evidence of system-wide failure. By the same token, visionary state projects are thrown into crisis when a dominant coalition loses the capacity to incorporate its failures into an evolving story of national

development and national identity. Linking sequences of policy adaptation to their deeper associations with national aspirations explains the timing of the onset of crises in accumulation strategies and addresses one of regulation theory's enduring 'missing links' by providing a systematic account of the mechanisms governing the transition from one regime of accumulation to another.

Acknowledgements

Endnotes

[1] The possibility that other, equally plausible versions of this history could be constructed is acknowledged (see Cameron and Palan, 2004; Graham, 1992).

[2] Space considerations prevent a full account of regulation theory. See Aglietta (1979) and summaries by Jessop (1990) and Dunford (1990).

[3] Jessop (2002:5) defines a 'spatio-temporal fix' as an "ensemble of socially embedded, socially regularised and strategically selective institutions, organisations, social forces and actions organised around ... the expanded reproduction of capital as a social relation."

[4] In Hall's (1993, p. 280) 'policy learning' approach multiple incremental changes culminate in the 'paradigmatic' changes indicative of crisis (see also Etzioni, 1967).

[5] Bryan (1995) argues that these options were based on flawed understandings of the implications of capital mobility.

[6] Because these models operationalise neo-classical expectations, they support neo-classical policy recommendations. Their aspatial and atemporal assumptions combine with their 'closed' nature to

preclude assessment of the Australian economy's changing global position, the uneven sub-national effects of policy change or the dynamic nature of change processes (Toohey, 1994).

[7] Moreover, the labour movement was fracturing internally as wage restraint and industry restructuring altered union power structures. Inflation had undermined political coalitions built on the simple premise that increasing workers' wages would make them better off (Bell, 1997).

[8] China, Taipei and Hong Kong joined in 1991, Mexico and Papua New Guinea in 1993, Chile in 1994, then Peru, Russia and Vietnam in 1995.

[9] The acronyms refer to the Association of South East Asian Nations (ASEAN); the East Asia Economic Caucus (EAEC), which adds Japan, China and South Korea to ASEAN; the ASEAN Free Trade Agreement (AFTA) and the North American Free Tree Agreement (NAFTA).

[10] The detail of these debates is beyond the scope of this paper. Ostry (1998) argues that the key issue for Asian states was the threat to sovereignty; while for Western economies it was fear of free-riding by the European Union.

[11] APEC incorporated three scales of governance. The diplomatic performances of leaders' meetings respected the leaderless, non-hierarchical, non-binding and consensus-based organisational model preferred by ASEAN members (Plummer, 1998). The 'Eminent Person's Group' that produced APEC's vision of "openness, diversity and cohesion" was the repository of forces advocating rule-based multi-lateral trade reform. Finally, the numerous technical committees set up under APEC's auspices (but mainly funded by Japan) pursued detailed matters of economic integration and transaction cost minimisation.

[12] Berger (1999) suggests that after the financial crisis the United States could pursue its interests via the more authoritative instrument of the International Monetary Fund (IMF).

[13] Ironically, these conservative social policies echoed the austere 'Asian values' that the 'western' vision of APEC had sought to replace with market processes (see Robison, 1996).

[14] By value, ETM exports fell by 0.5% in 2001-02, 7% in 2002-03 and 4% in 2003-04 (Lundy, 2005).

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