In comedy timing is everything. So, too, in politics. In good times governing is – or ought to be – pretty straightforward. How hard can it be to divide up the windfall gains from a mining boom, for example?

But when the good times stop rolling political leaders and even the taken-for-granted institutions of governance are put to the test. The results are illuminating, but will do little to restore faith in the competence of our political leaders.

Nowhere illustrates Australia's fluctuating economic and political fortunes better than Western Australia. No state benefited more from the resources boom. Nowhere looks likely to be harder hit by its abrupt but entirely foreseeable end. This state has been through similar booms and busts in the past. Cyclicality is, after all, the very nature of the resource trade.

Now that the very large wheels have – temporarily, at least – fallen off the iron ore trade, the new growth industry in WA is blame-shifting. There are plenty of potential scapegoats to go round. Premier Colin Barnett now claims that the resource majors that were so recently urged to ramp-up royalty-generating production are now engaged in something approaching collusive practices that are designed to depress prices and force marginal producers out of business.

It might be a bit late, but Barnett's got a point. Rio Tinto and BHP plainly can continue to increase production and restructure the industry in this country in the process. But why should they do anything else? They are foreign companies with no particular loyalty to this country, much less the WA government. This just happens to be where the resources are. Their primary responsibility is to their shareholders – wherever they are. Tax "minimisation" in such circumstances is also entirely predictable if not obligatory.

It is regarded as rather bad form to point out that the "Australian" resource industry is overwhelmingly foreign-owned. But one doesn't have to be mindlessly xenophobic to recognise that multinational corporations (MNCs) with a global logic may view the exploitation of resources in this country in a rather different light than the locals do.

Foreign MNCs may actually be better at digging things up and shipping them out than some of the local captains of industry are, so it's not obvious why "we" should be any more enthusiastic about the latter than their foreign rivals.

But now that the overly optimistic projections about iron ore revenues have collapsed, the WA government is looking to Canberra to bail it out. The response from the other states is all too predictable. As Paul Keating famously said, never get between a state premier and a bucket of money. The idea that there is an unambiguous "national interest" has always been something of a convenient political myth. At times of economic and political stress it is revealed for the fiction it generally is.

What is most surprising about the current interstate brawl is the speed with which the S-word has been deployed. WA Treasurer Mike Nahan took the opportunity to remind his state and Commonwealth counterparts about the secession referendum of 1933 when West Australians actually voted to withdraw from the Federation.

I don't think even the most rabidly parochial Sandgropers are contemplating secession at this stage, but it does highlight the dysfunctional nature of our most fundamental political institutions. Our form of government is – in my view – an unfortunate product of unique historical circumstances. Federalism may have made sense at the founding of the country, but the duplication of responsibilities and the sheer number of politicians claiming to represent us at various levels of government looks unsupportable and unjustifiable these days.

It is ironic that when we are constantly nagged about the need to become more "efficient" and cost effective, our most basic political institutions are anything but. However, there is absolutely no chance of changing this system for all its obvious flaws. Which level of government would volunteer for the chop? Certainly not the two houses of state parliament, despite the fact that much larger cities around the world are effectively run by city councils. Shanghai has a larger population than the whole of Australia, but somehow gets by with a series of district governments.

Democracies are wonderful things, no doubt, but political classes of one sort or another can become self-serving vested interests, too. Australia's multiple layers of government are anachronistic, costly and counter-productive. But like their counterparts in America they are almost impossible to change despite growing evidence of their dysfunctional nature and inability to pass much needed legislation and reform.

We are collectively suffering from a chronic and seemingly irreversible form of “path dependency”. The past continues to shape the present in ways that reflect the interests of powerful groups of insiders, but which do little to help us address contemporary problems of governance and economic development.

The problems may be glaring; unfortunately, the solutions are not. In the meantime, don’t look to isolated, inward-looking and grumpy Western Australia for answers to what ought to be national problems.

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