Various initiatives enhancing Commonwealth power vis-à-vis the States have been a feature of the Howard government that has surprised many observers. These developments need to be understood in the context of longer-term political, financial and regulatory changes that are challenging established features of Commonwealth-State relations. The Howard government’s allocation of GST revenue has offered the prospect of greater State-level financial and policy autonomy. But the Howard government has also inherited, and in some policy domains has significantly enhanced, the further development of a Commonwealth-State regime best described as ‘regulatory federalism’. Its effect, in contrast to the effect of the GST initiative, is to constrain the States’ scope for policy autonomy. A similar impact is emerging from the Commonwealth’s efforts to ensure that its conditional grants to the States better serve Commonwealth policy goals and priorities. And a raft of Commonwealth initiatives is bypassing the States altogether. While the Howard government has clearly enhanced the role of the Commonwealth, it remains constrained by structurally-entrenched aspects of the federal system that continue to make intergovernmental collaboration rather than confrontation a sensible strategy.