

THE LABOR GOVERNMENT, 1983–96

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Paul Keating's 'The Labor Government 1983–96' was delivered in his role as visiting Professor in Public Policy at the University of New South Wales. It constitutes his first formal summation of the Labor government and to the time of this publication, his only one. The address sketches out the manner in which the Hawke and Keating governments differed from their predecessors and how they approached the modernising of Australia's economy and society.

I thought quite hard before deciding to speak about the Labor government from 1983 to 1996. I was an active participant in that government, not a dispassionate observer, and I'm no more dispassionate now. To the inevitable charge, 'He would say that, wouldn't he?' the only response can be that I probably would.

And no single individual can speak comprehensively about those years in government. Bob Hawke was Prime Minister for nine of the thirteen years. And through five governments, the original policy work of people like Neal Blewett, Don Grimes, Brian Howe, Susan Ryan on social policy, John Button, John Dawkins, Peter Walsh and Ralph Willis in the economic portfolios and Kim Beazley, Gareth Evans and Bill Hayden in defence and foreign policy made their own contributions. Each of them would have a different story to tell.

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Thirteen years is a long time. A lot happens in thirteen years—kids are born, grow up and enter secondary school, new technologies are invented, social attitudes alter, new industries emerge and, during our particular thirteen years in government, empires fall. And in our case it involved five election victories. It was more than the British Tory Party managed during all the long Thatcher and Major years. I was especially proud to have led Labor to a fifth consecutive victory. I was not able to manage number six. But had I had, Labor would have clocked up sixteen consecutive years—four American Presidential terms back to back—a difficult thing to do in this day and age.

On the other hand, I was one of the few who were there at the beginning and the end. I was involved in most of the decisions. And I strongly believe that the Labor government between 1983 and 1996 changed Australia for the better in ways that it would not otherwise have changed.

In a single address you cannot attempt a chronological account of what happened and why over thirteen years, and I am not going to try. But the passage of time has

given some perspective to our views of those years and I thought there could be value in setting out my own belief about what happened in Australia during that period and why it mattered.

I have to say that it never felt like anything less than an adventure. It felt like a big story then, and it feels like it now. It felt like we were making of Australia what we felt it could and should be. That we'd been granted this fantastic opportunity and privilege. In those thirteen years Australia was refashioned—not in every detail, and not always to the point of completion. No such point exists in my experience.

There were a couple of moments of drift and some policy mistakes and certainly some political ones. There was a lacerating recession which bore down heavily on people who deserved better, many of whom had accommodated the economic changes, seized the new economic opportunities, who had put their faith in us.

Golden Ages only exist in the minds of the melancholy, or political parties drifting on the outer edge of darkness. But it was an unprecedented period of deliberate and often brave reform in which the government and the people strived to make Australia a first-rate country—a place with a powerful economic engine and a soul to match. Sprawling and strange to outside eyes—but savvy and subtle and worldly. Sometimes you could feel the charge of energy that came from this sense of common purpose. It was palpable.

Institutions which can so easily be moribund or aimless—the Parliament, the public service, the Labor Party—suddenly revealed their purpose and their utility. Perhaps not a golden age, but there were times when you felt like yelling, 'Eureka, it works'.

The fact that Australia has come through this first phase of the economic crisis in Asia so well has been heavily due, mostly due, as almost everyone except the current Prime Minister and Treasurer has acknowledged, to decisions taken by the Labor government. On their side, they like to pretend that the fundamental reforms of the Australian economy in the 1980s simply popped into existence one day while no-one was paying attention. A genie that popped out of some Treasury laser printer.

But try to imagine the Australian economy today with an uncompetitive exchange rate. Or the situation we would face if we had to try to maintain a peg or some other arrangement against speculative attack by financial markets. Instead, the floating currency has acted as a shock absorber within the system by providing a real devaluation of 20 per cent. Or imagine where we would be if we still had the Jurassic economy of the late 1970s, and we were still trying to protect jobs in decaying manufacturing structures behind high tariff walls, with current commodity prices.

Central to the story of the Labor government from 1983 to 1996 are these points.

First, the Labor government found—and had to find—a new way of delivering growth to the Australian economy. It did this by embracing openness rather than the protectionism of the past. It saw competition as the best way of ensuring that in a more open economy the interests of ordinary working men and women were better secured.

Second, the Labor government found—and had to find—new ways of delivering social justice—that is, cushioning change and supporting the weak—in a community that was changing rapidly. In the past, the centralised wage fixation system had been the principal means of achieving equity in Australia. But the economy, the nature and composition of the work force and the broader society were all changing. More women were working and the nuclear family structure was no longer the norm. The wages system could no longer perform the same task.

Third, for a similar range of reasons connected with changes to the economy and society, the Labor government had to begin the transition from a welfare state system whose model was directive, top-down, universal and passive, to a welfare model which was focused on the needs of each individual and which maximised choice: an active one.

Fourth, the decision to open Australia economically brought with it—and had to bring—consequences for other areas of social and external policy, including our relations with our own indigenous people and with our neighbours in the region.

What this added up to was the construction in Australia over these years of a socio-economic model which was unique in the world and which subsequently helped shape the thinking of other social reform governments. This model placed a strong weight on markets, but accepted that there were circumstances in which markets alone could not adequately serve and support communities, and which saw an active, though different, role for government in shaping social outcomes.

Life was difficult for a social reform government in the late 1980s and early 1990s. The prevailing political winds from the northern hemisphere were alien and cold. In Reagan's America and Thatcher's Britain, great society and welfare state solutions were being abandoned and dismantled. It was hard, under the constant gaze of markets, to make the case for a more efficient Australian economy moulded with a Labor heart. But we did it.

And it was a highly collegial effort. A former official who observed much of the debate in the Cabinet over those years told me recently that the impressive thing about it was how those in Cabinet—whether from the economic portfolios or the social portfolios—all had a coherent view of where Australia needed to move. I think that is true. It was one of the strengths of Labor and the government during that period.

We didn't call what we were doing the Third Way. For Australia, we saw it as the only way.

The reasons had been becoming clearer for two decades.

When the salad days of Australia's postwar growth were coming to an obvious close, it was apparent to anyone in Australian public life that a succession of governments following Menzies' resignation lacked a coherent framework to guide Australia through to its next economic age.

Beginning with the development of agriculture and the Gold Rush of the nineteenth century and moving through the other phases—lead and zinc, iron ore—Australia's economic story, and very much its social story, had been the exploitation of the country's bounty.

Coupled with this was the obvious comfort the country had from our economic ties with Britain through imperial preference. Imperial preference inculcated in Australia the notion that we were entitled to some preferential treatment in the world order and that we could pay for it by resort to our natural wealth.

New expression had been given to this approach in the Menzies years under the policies of John McEwen. A whole generation of Australian industrialists grew up believing we could live and grow in a featherbedded system.

The rot set in when the terms of trade began their long-term decline about the time Robert Menzies retired. Through a succession of governments and treasurers it seemed there was no understanding that a fundamental shift was taking place away from commodity producers and towards the products of the open and large manufacturing and services markets of the United States, Japan, Germany, etc.

Then came the OPEC-induced oil price rises beginning in 1973 which unleashed the first big shift in inflation.

The combination of the surge in oil prices and wages being bid up led to rising inflation which was quickly becoming entrenched by the time the Whitlam government left office in 1975. High inflation underpinned high interest rates. Profits collapsed, dislocating private investment and, with it, employment.

The Fraser government was elected with majorities in both Houses of Parliament. Many people hoped it could develop a framework to deal with our economic malaise, then called stagflation: stagnant growth and high inflation.

In those years of the mid- to late 1970s the terms of trade really shifted for the worse for Australia, denying us the increments to national income that had allowed the blowsy policy of protectionism to remain affordable. But the Fraser government and Treasurer John Howard did nothing about it. The structural issues were left unattended. Even the Fraser government's own Committee of Economic Inquiry, the Campbell Inquiry, which had set out proposals for regeneration, was ignored.

In the three years leading up to the 1983 election, the leading figures of the opposition knew that Labor not only had to do better but could do better. Others, including the trade unions and the public service knew it too. In many respects, it was the last throw all of us had to make the Australian economy and society, in any controlled way, modern and competitive. Perhaps the last chance to throw off the cargo cult mentality and the belief that nature would bestow its beneficence on us by periodically dropping a new bag of money in our lap.

This was the time people like the then secretary to the Treasury, John Stone, were contending that an efficient, competitive manufacturing sector was inconsistent with Australia's burgeoning primary export sector. The argument went that minerals and

the mineral boom would make the exchange rate more valuable, allowing competitively priced imports to knock down the industries that lived under the umbrella of protection. A somewhat determinist view that we were bound to be a quarry forever, but not much more than a quarry.

There was no orthodoxy in existence at the advent of the Hawke government about how to address the national problems and bring the country along with us. The Cabinet had to develop this by itself.

Nobody, but nobody, comes to office with a flawless schematic for change. But some of us in the Labor government came to office with a greater belief in markets than our conservative counterparts. A belief that in the long run, the social contract would only hold if it was underpinned by growth and wealth and that the only way this could be procured and enjoyed was by making Australia internationally competitive and promoting a more cohesive and inclusive society.

The economic summit of March 1983 was in many respects a summit of desperation. All the participants knew that, despite its natural wealth, the fundamentals of the Australian economy were all wrong and that we needed a paradigm shift in the way we conducted ourselves economically.

When I look back on those thirteen years of Labor government I think of the period after that summit as the intensive care ward.

First, we sought to restart growth and employment after the Fraser/ Howard 1980–82 recession, and to adjust the factor shares between wages and profits. We knew that the profit share was too low to get employment growing strongly again. Employment had to expand quickly and that meant aggregate wage restraint. But we did not want to achieve this simply by screwing down wages. The Accord with the trade unions was the device we used to see that the burden was shared. We got cooperative agreement on wage restraint but used rising employment and the social wage to maintain household income and to protect equity.

We reduced the Commonwealth's public-sector outlays by five percentage points of GDP. This was a huge amount, but we believed it could be done without adverse impact if we created a more focused, better targeted and more efficient public sector. With a smaller public sector we obviously needed less tax revenue, and we took the revenue share in GDP for the whole country down to one of the lowest among the OECD industrialised countries.

We wanted a public sector large enough to sustain the social contract but not so big that it crowded out employment-creating private investment. Unlike some people on the left of politics we believed that if the call by the government sector on national resources was too high it would squeeze private-sector activity and initiative. We reduced the top personal tax rate from the 60 per cent rate under Malcolm Fraser and John Howard to 49 per cent—a big and meaningful shift. We reduced the company tax rate from 46 per cent to 33 per cent, and we removed the double taxation of dividends with the imputation system (which also strengthened Australian companies and investment in Australia). This greatly favoured investment in equities, improved the stability of our stockmarket and presented the biggest break ever for

private companies and public-company shareholders. These were things Labor governments—in the old Labor paradigm—did not do.

Later in the period of the government, once the shares between wages and profits had been adjusted, we began to move away from broad wage adjustments through the national wage cases to the new enterprise-bargaining framework. The Keating government made the historic 100-year shift away from centralised wage fixing. The objective was to lift enterprise productivity and share it by agreement between employers (profits) and employees (wages).

This was part of an intense effort to lift productivity from an abysmal trend rate of 1.25 per cent in the ten years to 1985 to 2.25 per cent in the decade to 1995. Indeed productivity from those changes touched on 3 per cent this year.

But just as important as labour-market reforms to this process was our comprehensive microeconomic reform agenda. This included telecommunications reform, the national road system, national rail freight, electricity and gas reforms, a national TAFE system and the national training agenda.

Second, we tried to address the core components of Australia's international competitiveness (then badly out of line). We did this by floating the exchange rate and freeing the financial system so interest rates could be set in the market where banks could become creators, not rationers, of credit, and by dismantling the tariff wall which had insulated Australian industry against the world and kept it from improving its performance. Tariffs had kept the cost of goods to Australian working men and women well above what they should have been; they cut into their standard of living.

One result is that Australians can now buy a Commodore as good as an Opel, and at the same price, not twice the price as before.

Third, we put a long overdue focus on remedies for the decline in national savings. We pulled the budget into surplus and augmented private savings through the introduction of award-based superannuation, which later became the Superannuation Guarantee Charge.

In the early 1980s only 40 per cent of employees—and less than a quarter of female workers—were covered by superannuation. This left many people relying only on the old age pension to live through their retirement. The cost to the budget—and to future taxpayers like many of the young people in this audience tonight—was set to grow substantially as demographics increased the number of retirees in relation to working age people. The risk will be that the budget will not be able to afford a healthy retirement income for them. In the long run the aged are better off with their own bucket of savings, largely independent of the public pension. The Labor government will have given it to them, and in doing so laid down the most fundamental of changes.

Labor's national superannuation scheme delivered Australia a net increase in national savings of about 2.5 per cent by 2005, and 4 per cent over the long term. The present government took the employee and government contributions off the

agenda in the 1997–98 budget. The thought of unions having influence on large amounts of national savings horrified John Howard. As a result, compulsory contributions will reach only 9 per cent of earnings rather than 15 per cent by 2003, and Australia's improvement in national savings will be reduced by about 1 per cent of GDP. You never expect much of conservative governments but you would have thought thrift was one policy they would applaud and support.

Considering what we had in place with the agreement of the trade unions, and the high level of acceptance we had achieved in the community generally, this decision by the Howard government is a savage blow to Australia's economic security.

Faced with the recession of the early 1990s, while doing everything possible to alleviate its worst effects, the government was duty bound to ensure that the pain was not for nothing. So against the understandable tide of popular opinion, the Keating government stuck with policies like the tariff cuts, which we knew were in the country's long-term interests. Announced in two tranches, in 1988 and 1991, the foreshadowed tariff cuts only mattered if they were stuck to—implemented.

This was the period in which Australia decisively broke with inflation. The wage–tax trade-offs from 1986–87 onwards had helped us to retain the advantages of the 27 per cent competitive depreciation of the dollar during 1985–86 without unleashing a new surge of prices. The aggressive, then steady, monetary policy we pursued bore down on inflation. Australia went into the recession with inflation at 5 per cent and came out of it at 2 per cent. I believe it will maintain this into the next decade.

I recently came across one left-wing critique of our term in office which said: 'The Labor Government embraced [rationalist policies] out of insecurity with its past, lack of clarity and uncertainty and hesitation in a rapidly changing environment.' The only response you can make—this being a university address—is 'Nonsense'.

The Labor government embraced rational economic solutions and market-oriented policies because they were the best way of getting growth and therefore the best way of ensuring the future of ordinary Australians. We could see clearly that in a rapidly changing global environment this was the only choice we had that did not leave us condemned to slump into irrelevance and decline, that increasingly seemed our lot.

Economic rationalism has been turned into a fashionable bogey man. But as ogres go, it really doesn't cut the mustard. If the claim is that Labor believed that markets can be an efficient mechanism for all sorts of economic and social purposes, then it is true, but isn't saying much. If it is suggesting that Labor was in some sort of ideological, Thatcherite thrall to markets, then it is demonstrably false. In policies ranging from the Accord to Medicare to Better Cities to industry policies like the Car Plan to Creative Nation to Working Nation, Labor consistently believed in an active role for government in Australia. But a more focused role. Using the government to steer the boat, not row it.

I want to say something specifically about the public service. Almost all the best work we were able to do in government depended on the cooperation of a creative, hard-working and independent public service, which included people of the highest calibre

and commitment to good government. Labor acted to make the public service more responsive. We amalgamated departments and worked to shift the emphasis of their work from inputs to outcomes. But this was a far cry from the move towards an American system which the incoming government made in 1996 by purging—without explanation—six departmental secretaries. The problem for Australia at present is that we now have the worst of both worlds—a cowed public service, but without America's flexibility. The next Labor government needs to find ways of addressing this issue and restoring the essential values of the Westminster system to the Australian public service.

This brings me from the first of the points I began with—the Labor government's emphasis on growth by opening the economy—to the second point, the need Labor had to find new ways of delivering social justice.

The incomes of ordinary Australians were once guaranteed almost entirely by the wages system. But by the beginning of the 1980s Labor knew that wages policy could no longer be used to achieve social equity because we no longer had a society in which a male breadwinner supported a wife and children through a lifetime spent in one job.

We needed another way of dealing with these equity issues and we found it in the 'social wage' element of the Accord—that is, the combination of disposable income plus non-cash government transfers for education, health, housing, etc.—which enabled us to compensate low income wage and salary earners and their families for wage restraint by providing government programs and payments to those who needed them.

The steady but determined implementation of Labor's social priorities in those thirteen years is a roll of honour, doubly worthy in my view when you accept that it was achieved against a background of that declining share of Commonwealth expenditure as a percentage of GDP. From Medicare to Working Nation I believe the Labor government had an outstanding record of social reform.

To take one proud example, at the end of Labor's period in government the most needy families in our community had seen an 80 per cent improvement in real terms in their income support.

The list of Labor's social reforms can sound almost pedestrian when you read it out—Medicare, pharmaceutical benefits, repair of the social safety net, a 200 per cent increase in childcare places, housing assistance, rent assistance, a system of geriatric assessment, introduction of the Home and Community Care Program to help the elderly and disabled, major improvements in the education and training systems to give young people, particularly the disadvantaged, a better chance in life, a 250 per cent increase in Year 12 retention rates. Not to mention the extension of superannuation coverage across the workforce, sex discrimination legislation, and the reshaping of higher education. But each of those reforms and all the others changed the lives and social outlooks of millions of people.

And just as importantly, I think, one of our achievements was to help change the aspirations of the Australian community—to alter the sense of what this society ought to be like and what equity in it really meant.

The policy enshrined in the Accord worked both as a means of facilitating employment creation and as an instrument of social justice. Over the thirteen years of the Labor government, employment rose at an annual rate of 2.2 per cent, more than double the rate of under 1 per cent during the preceding seven years of Coalition government.

It is easy to understate this achievement. But if Labor had only managed the 1.5 per cent growth rate we have seen under the Coalition government during the past three years, 700,000 fewer Australians would have been in work. During the 1980s Australia had the highest rate of job growth in the OECD. Thirty-three per cent more people were in work when Labor ended office than when it began. In all Western Europe, in comparison, net employment did not increase by a single job between 1973 and 1994.

I want to specifically address a claim which is often made about equity in Australia over those years, particularly the distribution of income. Excuse these detailed figures, but they are important. According to the most comprehensive study of the entire period 1981–82 to 1993–94, Australian households were, on average, better off by the end of the period than at the beginning. Taken together, all household types benefited from the increase in average total household income—that is, private income, government cash benefits and the value of government non-cash benefits—of 9.1 per cent over the period.

And at the end of the period Australia was a society with a more equal distribution of income than in the early 1980s. Households in the lower income ranges received a greater share of total income over the period, whereas the top 20 per cent of income earners received relatively less.

The non-cash social wage played an increasingly important part in this redistributive process. The disposable income of the lowest 40 per cent of households increased from 20.2 per cent in 1981–82 to 21.1 per cent in 1993–94. Social income for the same lowest 40 per cent of households increased from 24 per cent to 26.1 per cent. Most of the increase was at the expense of the top 20 per cent of households.

This was against a global background in which almost every industrialised society saw before-tax income ranges widen because of the relentless pressures of globalisation and technological change.

The data, for those interested, are in the December 1995 report *Trends in the Distribution of Cash Income and Non-Cash Benefits* by David Johnson from the University of Melbourne and Ian Manning and Otto Hellwig from the National Institute of Economic and Industry Research.

The third theme I wanted to talk about is the transformation of the idea of welfare which emerged with increasing strength towards the end of the Labor period.

It was becoming clear by the end of the 1980s that the sort of society which was now emerging in Australia and throughout the developed world—better educated, more atomised, more diverse in its social structures—was one in which the traditional downwards, passive and universal model of welfare was becoming less appropriate. A new welfare model was needed which imposed greater responsibility on the individual but which was also more responsive to the individual's needs.

We began to place greater stress on finding ways of assisting people to help themselves, and to focus much more on individual responsibility and personal choice. The Child Support Agency's role in ensuring non-custodial parents met their responsibilities to support their children, and the introduction of the Higher Education Contribution Scheme, designed to help fund the expansion of tertiary places, were early examples of this.

The fullest example of the new approach to social policy came in the suite of programs covered by the government's 1994 White Paper, *Working Nation*.

Although the proportion of Australians fifteen and over engaged in active employment rose during the period of the Labor government from 63 per cent to 65.5 per cent, unemployment remained high. The problem was that too many Australians did not have the skills and training to fill the jobs being created. A modern, sophisticated open economy was essential and it has brought untold advantages. But there were victims, and how well a government looks after them, how well it opens the way back to opportunity and a share in the general prosperity, is the ultimate measure of success.

The Keating government's *Working Nation* took a comprehensive approach to the question of unemployment. Economic growth is far and away the most effective creator of jobs, so *Working Nation* contained programs for a more efficient economy—quickenning the pace of microeconomic reform.

But while growth is fundamental to job creation, it is not the answer for the long-term unemployed, for the unskilled and poorly educated, for those trapped in a cycle of poverty, or for those in the regions of Australia whose economies are in long-term decline and in need of fundamental—and socially painful—restructuring. To these people *Working Nation* offered an entirely new way—a set of education and labour-market programs to provide training, work or individual case management for all who needed it.

Working Nation also introduced the notion of reciprocal obligations. This has become widely fashionable since. But our reciprocity was of a particular sort. The reciprocal obligation did not lie on the government's side, as the present government seems to believe, simply in the payment of unemployment benefits but in the provision of individual training and skill development in return for work and study by the unemployed.

I won't go into the details. *Working Nation* was the first comprehensive program of its sort in the world and elements of it have since been adopted by the Blair and Clinton governments. When so many of its programs were scrapped by the incoming

government, not only the unemployed, but all Australians were the losers—and in the long run I think we will all pay.

My final point is that once Australia had begun to open its economy, other forms of openness imposed themselves on government policy.

Through the Labor years the share of exports in the economy rose from 16 per cent to 20 per cent. Services and elaborately transformed manufactures grew much faster than our traditional primary exports. And Asia was becoming increasingly important to our economy. The developing countries of Asia took 20 per cent of our exports at the beginning of Labor's period, 36 per cent at the end of it.

As I have said in this auditorium before, the distinctive thing about Australia's relationship with Asia during the Labor years was that for the first time all our interests—not just political and strategic interests which we had long had, but economic as well—started to come together in Asia. We did not, as the current easy government lie has it, have an Asia Only policy, but we did have an approach to our national interests which went beyond the idea of great and powerful friends. Our foreign policy and our defence policy of self-reliance gave us a larger role in the Pacific. I have spoken here several times before about the changes Labor brought to Australian foreign policy, and I don't want to cover that ground in any detail now.

Except to say that the changing structure of our economy had some quite specific consequences. Once the dollar had been floated, and the tariff barriers started to come down, it became less important for Australia to fight to protect our privileged access to other markets in the way we had done when Britain joined the Common Market than to fight to get others to open their markets with us. That was part of the rationale for APEC and the development of the Cairns Group.

Once our economy began to depend more heavily on the export of services rather than bulk commodities, the way we presented ourselves to the world became more important. Decisions about where you educate your children or seek health care or look for legal assistance or buy your entertainment are quite different from decisions about where to source steaming coal.

We could not, in my view, represent ourselves to the countries of the Asia Pacific in the way we needed to, but more importantly, we could not be at ease with ourselves until we had acknowledged the reality of our relationship with indigenous Australians. Well before Mabo came along as a decision of the High Court of Australia, Labor had begun addressing the questions of Aboriginal reconciliation. The native title legislation gave us the opportunity to redress a great wrong. The Labor government did not hang the High Court out to dry when it presented the difficult challenge of Mabo. You don't need to be a political scientist to know that the Coalition did just that when the High Court presented its Wik decision not many years thereafter.

Much of Labor's agenda was about preparing Australia for the world we knew was to come.

We wanted to strengthen Australia's intellectual infrastructure. In addition to the resources we put into expanding the higher education system—nearly doubling the

number of university places in the eight years to 1996—we tried to strengthen the links between our fine pure research base and its industrial application by creating the Cooperative Research Centres which have made an important contribution to the Australian economy.

In our 1995 cultural policy Creative Nation, we set a world first in efforts to forge bonds between the creative element in Australia and the emerging digital economy. Some of the media depicted Creative Nation as an indulgence in my affection for the arts, and I still see it referred to in the press as an arts policy. It was much more than this—so much more, that quite a few in the arts community expressed disapproval of its broadness.

Creative Nation was of a piece with Working Nation and other government labour market and industry policies. It was a policy for the arts, but it was also a far-reaching cultural policy that picked up on the developments in new media and opened conduits between that burgeoning technology and the creative spirit in the community. It was very much a jobs policy and an industry policy.

There was nothing precious about it—it was carefully thought out policy which the British, American and other governments have since used as a reference point in developing their own cultural policies. The central premise was that the most successful modern economies and the best modern societies were, above all, creative ones. Fostering the arts is always a good idea per se and a basic responsibility, but in an era dominated by these new technologies, commonsense tells us there are irresistible benefits to reap of an economic and social kind. Art overlaps with design, design with media and landscape and the environments in which we and future generations will live; literature overlaps with literacy and self-knowledge and these things overlap with ambition and achievement.

The renewed interest in our sense of ourselves was inculcating in many of us a new awareness of what it meant to be Australian. To know that this meant not being British or North American or Asian or anything else but ourselves.

Labor knew what sort of Australia it wanted. It knew we had to be in the world. It knew how we ought to be seen. It knew what role we ought to play. It knew what sort of society we wanted at home. It knew that breadth of mind and inclusion was the way to a cohesive country.

The internationalisation that came with the changes Labor wrought, and that globalisation fostered, played to our sense of individuality and diversity. The multicultural society eschewed by some was seen by most as the very way in which our new international role could best be performed.

The same was true of the republic. How could—how can—Australia go into the second century of our existence as a Commonwealth, borrowing the Head of State of another country? And in circumstances in which, however you do the polling, more than half of all Australians don't think this situation adequately represents our country? We don't need the republic because we want to change Australia's institutions, but because we want to strengthen them.

One of the great structural reforms over the period was reform of the Labor Party itself. Generally, political parties wear out, particularly if they can lay claim to being 100 years old or older. They simply fade away; they become irrelevant and the nation loses them.

Gough Whitlam gave the Labor Party mouth-to-mouth resuscitation almost at the point of expiry but, given the split and its aftermath, he and his colleagues had great difficulty trying to refocus it in a policy sense.

The achievement of the last Labor government was to know and understand the Party's innate altruism and to take the time to guide it towards the world Australia had to belong to. To include it in the deliberations of the government. To bring its constituent unions into the policy milieu. To give it a sense of mission. To convince it that Labor had power at an entirely critical juncture in Australia's history and that although the party had faced all sorts of challenges in the past, including war and depression, we had never had to change by root and by branch—to fundamentally remake—a peacetime economy.

The Labor Party is a very hard outfit to manage at the best of times. But going against the grain of ingrained beliefs and philosophy is especially difficult. But we did this in spades in areas like abandoning control over the exchange rate for the long-term good; giving banks the power to create credit at the expense of building societies and credit unions; letting foreign banks take market share from our own banking system; cutting the top personal rate of tax; putting an assets test on the age pension; setting up competition to Telstra; selling the Commonwealth Bank and Qantas; reforming the waterfront.

This was hard work. But it was done willingly, cheerfully and persuasively by a Cabinet with an amazing degree of policy unity and purpose.

In these things belief always matters. Urgency matters. Inclusion matters and courtesy matters. Time and effort and patience matter.

Surely no government spent more time on consultation, meetings, consensus—more meetings, more consultations, more consensus—than this one.

And it was an uplifting process. When people truly understand the problems, comprehend the framework and then see the light, it is, for anyone deeply involved in such a process, like winning the lottery.

There were many inconclusive meetings but plenty of beaming ones, where we would all go off to some little café for a hamburger and a Coke at midnight, happy we had made another step for Australia.

I also believe the public understood this too. They watched this creative tension knowing that most of the time there was something in it for them and the country. A word of high commendation here for Bill Kelty and the Australian trade unions is appropriate: for their clear-headedness, their preparedness to change and their fidelity to the interests of working people.

But we could not have done what we did without the Australian community. They knew things were not right and had to be put right. They were prepared to trust us in the process. They took the step into the dark with us, but as they saw the adjustments come and the outlook improving, they gave us another chance: in 1984 after the big financial reforms, in 1987 after the dollar collapse, in 1990 as the economy was growing and in 1993 after the recession, rejecting what they saw as the extreme alternative. What we might call today the Elliott view of life.

We finished with a more healthy and robust country and a Labor Party that would never be the same again. One that had broken out of the yolk sac of central planning, of policy dogmatism, of insularity, to enjoy the great range of opportunities it had created for itself.

I am the last person to argue that the work of the last Labor government should be holy writ for the next one. Australian social democracy is lucky to have in public life at present some highly creative men and women who are already setting out new approaches to public policy. Politics is a battle of ideas. The twenty-second grabs and the photo opportunities are what you have to put up with to convince people about the ideas, but they are not what it is all about.

The world changes and the challenges change. The 1991 edition of the Macquarie Dictionary, published in the year I became Prime Minister, doesn't have an entry for the word 'Internet'. Yet it is hard now to think of any area of public policy that is not in some way influenced by it.

The things governments need to do change at different periods of history. Part of the art of government lies in knowing what should be on the agenda now. Australian governments once needed to build telecommunications infrastructure, to run airlines and banks. Now the need is different: it is to prepare the country for an exciting but uneasy existence as an open, service-oriented, knowledge-dominated economy engaged as a centre of the Asia Pacific. To help equip Australians to participate in a knowledge-based society, and to deal with the consequences of those changes for equity in our community.

I believe the essential message from the period of thirteen years of the Labor government is this: Australians should have no fear.

The country and the community showed an astonishing capacity to remake itself, to reform and to adjust. Far from constraining or limiting us, globalisation, for all its problems and complexities, gave Australia the ability to free ourselves from a fate as a commodity price-taker, at the mercy of markets far away. It helped make us phobia-free—most of us anyway.

The same will be true of the future. If you were asked to imagine a society with the capacity to succeed in the twenty-first century, you could hardly go past what we have here—a robust democracy, a vibrant, well-educated and creative community, with people drawn from all over the world, situated in the region of the world which will continue to be the fastest growing over the next century. And having been granted the inestimable gift of a continent for ourselves.

The Labor government between 1983 and 1996 saw that reality and pointed the way forward. But others now must get us there. I hope some who will do so are in this auditorium tonight.