

THE LAUNCH OF THE LONGEST DECADE

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Sydney
2 June 2006

In co-launching George Megalogenis's book, *The Longest Decade*, a study of the Keating and Howard governments in office, Paul Keating provides one of his rare written commentaries on the Keating government and its achievements—its path-breaking reforms—separate and distinct from those of the Hawke government.

History, of course, is difficult to write, if for no other reason, than that it has so many players and so many authors.

It is hard enough to get any history right, even if one was a principal player; it is even harder to get it right when one is an observer.

Except with one caveat: the effluxion of time and events presents epochs as panes or tableaux where the spin, like melting snow, has long allowed the architecture to speak for itself.

With some time and the context of other events, it becomes possible to divine a period, especially if one is in the position of knowing some of the primary facts. And that, of course, is best facilitated by actually being there.

George Megalogenis's *The Longest Decade* makes this valiant attempt. And he does so in a detached, stand back-ish and honest way, seeking to make sense of things for his reader where his pictures are influenced only by the views he strongly developed during the period about which he is writing.

Some of those views carry the splashed paint of a journalist's quick and imprecise brushwork; impressions that are either over-gilded or shaped by transient myth.

However, the strength of this work is that the writer tries to peel away important leaves of journalistic impressionism, the over-gilding, by seeking to de-myth and demystify some very important developments in our recent national history.

If I had to characterise George Megalogenis's attempts here, I would say his book is about 'myth-busting'. This in itself says something important about him as a writer and about the book as a work.

George came to the Canberra Press Gallery as a young economics journalist in the salad days of my treasurership.

He is a serious fellow who has a good understanding of policy, a keen sense of the macroeconomic imperatives and an eye for the facts at the pointy end of the economic argument.

So naturally, much of the book turns on his interpretation of economic events, though he has attempted to dig deeper and put those economic changes in socioeconomic terms, ascribing certain outcomes to classes of voters and then tracking their movement between the Labor Party and the Coalition.

His observations about trends in such things as property prices, in women joining the workforce, in the changing composition of home and work attest to an inquiring and perceptive mind which is confident enough to step outside the strictly economic terrain.

For my part, I gave George eight or ten hours of time because I thought he was genuinely looking for insight and for truth. And I appreciated the opportunity, to reflect upon the period in my own words. With a decade beyond my leaving office, George felt confident enough to look back, that far at least, to make some preliminary judgements.

There are some I like and there are some I do not like. There are some I agree with and others I disagree with.

Would I write a better book? Well, of course I would. I write better than George and I know more. But George is not me and he is not John Howard and his third-party view is worth something. Is it worth the world? No. But is it worth something? Indeed, it is.

In a world laced with opinion, sensationalism and dross, George's book is, at once, characterised by its sobriety; its conscientious attempt not to drive the material down his readers' throats. And, its wont to make judgement calls while inviting the reader to consider the supporting arguments.

There is the odd flush of caprice; George took himself out of the Canberra Press Gallery to write this book but he could not quite take the Canberra Press Gallery out of himself.

But let me go to one of the bits I like.

George says at page 183:

'The final year of Keating, and the first year of Howard Mark II . . . would be the best policy year of Keating's prime ministership; a return to his Treasury form of the early to mid-1980s. In April, he signed the competition policy agreement with the states. In May, he turned the \$4.5 billion of tax cuts he still owed voters into superannuation.'

To that George could have added unveiling in the House of Representatives a detailed model for a shift to an Australian republic and later in the year the signing of a security treaty with Indonesia which importantly included ANZUS-like phrases.

George went on to say that my prime ministership had what he called 'five very good policy ideas'. And he listed them in what he thinks is their order of importance.

- labour-market reform
- universal superannuation (those assets should cross a trillion dollars any time soon)
- engagement with the Asian region
- native title, and
- competition reform.

He went on to mention the republic, though he did not mention in this list one of the greatest reforms, and that was the setting into place and the maintaining of, during the recession, the tariff cuts announced in early 1991. Announcing a policy is one thing; sticking with one under stress is entirely another.

Without this change, Australia would never have broken, big time, into the world of internationalism. And our low inflation rate would not have been maintained without the unfettered import competition.

Nor did he mention in his five examples the establishment of the APEC leaders' meeting. An event, at my sole initiative, which built the first and primary piece of political architecture in the Asia Pacific.

To these I could have added the development of Working Nation, the first case-managed, work-obliged, job-subsidised program of any kind in the western world to deal with long-term unemployment. Or reform of the electricity market, creating an interstate grid down the east coast of Australia for the very first time. Or the first standard-gauge railway across the continent, closing the gap between Adelaide and Melbourne.

And all of this happened in four years and three months. Not ten years.

I say I like these points because some of the literature to date characterises me, at that time, as resting on my laurels or being exhausted or running a government which was uncoordinated and unfocused.

Of course, none of that was true. The huge reforms that occurred in the life of the Keating government, as distinct from the Hawke–Keating government, are the ones which have underpinned the fifteen-year expansion:

- the opening up of the labour market with the abandonment of centralised wage fixing
- the complete opening of the product markets with the 2000 'end game' tariff cuts
- the setting up of superannuation as the country's only mandatory and primary savings vehicle, and
- the turbo-charging of Australia's capital market by the lock-in of superannuation with the equities market.

Hopefully, in the end, the facts speak for themselves. The facts that are devoid of spin of the political or journalistic kind.

In these respects at least, George has articulated the facts.

He turns his attention to the recession of 1989–90. He says what made this recession different from all the others is that it carried the name of the Treasurer and not the Prime Minister. But, he said, my taking responsibility for it validated my stewardship of monetary policy because it underwrote the longest decade, extending it by five years to fifteen years; that is, beyond the customary ten-year expansion we seem to have had between recessions.

He says ‘wages were held’ and we entered a ‘golden era of low inflation’.

He is, of course, correct. Entirely correct.

In policy terms, had we not checked demand then we would have been back to where John Howard left us with his recession of 1982. Double-digit wages growth accompanied by double-digit inflation.

There would have been no prosperous 1990s or these, the first five years of the noughties, without the smashing of inflation.

By holding wages with the Accord through 1989 and 1990, while curbing demand, the Labor government, once and for all, broke the dismal legacy of Australia’s boom-and-bust history. We de-linked wage blowouts from the expansion and inflation itself from wage booms.

Ian Macfarlane, the current Governor of the Reserve Bank, said as much recently:

I think that some of the economic interpretations are completely wrong and, even more importantly, the political interpretations are completely wrong. The episode in Australia which returned us to a low-inflation, stable growth economy was regarded as a policy error, whereas in America it is regarded as a policy triumph.

It follows, therefore, that if I am to take the brickbats over the interest rates of 1989, surely then I am entitled to the laurels of the 1990s growth years.

The fact that the Labor Party saw fit not to contest the point in 2004 says more about it than it says about me.

Another bit I like is George’s putdown, albeit incidentally, of the Howard and Costello claim that the government I led left the budget in a black hole in 1996.

The fact is, the budget between 1991 and 1996 performed the primary task that was expected of it and should have been expected of it, and that was to support overall demand at a time when private demand had fallen sharply. And to support those people unemployed in the process by appropriate levels of income support.

It is called the natural stabilisers and I told the public that, over time, the budget would ‘whirr back into surplus’ after 1995–96.

George says, and I quote him, ‘the budget behaved as Keating had predicted by swinging dramatically into the black.’

He went on to make clear that, 'the surplus for 1998–1999 was \$4.3 billion, not the \$1 billion Costello said it would be.

'The following year 1999–2000 it surged to \$13.1 billion and would have gone higher had the Howard government not spent the money.'

What George is telling his readers is that there never was a black hole.

Black holes are, of their essence, near irreparable.

What John Howard and Peter Costello did for their political reasons, was to contest the timing as to when the budget should swing back to its natural point of equilibrium. It boiled down to an argument about timing and when the stimulus to the economy from the budget should be withdrawn and at what pace. The proof, though, on the correctness of fiscal policy, was always in the eating and my economy has roared along at just under 4 per cent GDP growth ever since the One Nation package kickstarted it back into growth.

The Prime Minister and Treasurer used these hollow arguments to scuttle their own promise to honour my proposed payment of the second round of the LAW tax cuts into superannuation accounts.

There was no shortage of budgetary funds, no macroeconomic reason why savings vested in individuals' superannuation accounts and preserved to age 60 were not qualitatively better than leaving funds on the Cabinet table to be spent opportunistically.

The cost of this paltry decision was to prevent superannuation savings rising from 9 per cent wage equivalent to 15 per cent wage equivalent. That narrow decision lost this country the accumulation on that extra 6 per cent of wages. Had that happened, superannuation assets would now be well on the way to two trillion dollars rather than one trillion, remarkable enough as that figure itself is.

George finishes this episode by posing what he calls a trick question. Who did break the LAW tax cut promise? He concludes, 'it wasn't him [Keating]'. In other words, it was them, Howard and Costello.

There are many, many examples which the book points up.

George reminds people that in February 1992, two months after I took the job, Labor's primary vote stood at 34 per cent and the Coalition at 52 per cent.

He further reminds his readers that I was able to lift that primary vote by eleven percentage points to 44.9 per cent at the election in 1993. In percentage terms, a lift of 33.3 per cent.

He concludes that, 'Fightback! drove the stake through Hawke's leadership', opening up an eighteen-percentage point gap between Labor at 34 per cent and the Coalition at 52 per cent as at February 1992. And he attributes to my One Nation package the lifting of Labor off the floor, getting it back in the game, trailing the Coalition by just

one percentage point, 43 to 44 per cent at the end of March 1992, just one month later. This outcome, he says, validated my challenge to Hawke's leadership. I thought it did, too.

George has a few other bons mots I agree with.

He says, 'The 2004 election was the first to be decided by the winners of the open economy.'

I believe that is true.

He then makes a related point.

He says, 'The twist is that the more winners that deregulation creates, the more recruits there are for the Keating agenda.'

By that, he means the socially inclusive, multiculturalist, reconciliation-focused, republican-committed, engagement-with-Asia agenda.

He then makes a further and related point. 'After 2004,' he says, 'Keating hoped the penny would drop, that Labor would not return to power without playing to its former strength in the middle and at the top of the income ladder.'

That is precisely what I had hoped.

He is correct in this. For the notion that Labor should play to its base, or more particularly, return to its base—is to return to primary support somewhere in the region of only 37 per cent.

Without recruiting or getting back some of the winners from Labor's new economy, George's middle and top of the income ladder, it is not possible to secure sufficient primary votes to win a national poll.

Perhaps I could finish on this point.

George says, as he nears his concluding thoughts, that 'Paul Keating tried to change Australia; John Howard returned it to what it was.'

That, I believe, is true in the first part but untrue in the second.

I certainly did try to change Australia.

And I hope that at the very core of its economic being, I, in fact, did.

Its economy is among the most open and competitive in the world and it has had the longest continuous phase of low inflationary growth of any other OECD country.

But I also tried to do something else. Something George calls the three Rs.

And this was to re-orient Australia towards its surrounding region; to come to terms with Aboriginal dispossession and reconciliation, and to claim our constitution as our own from the monarch of Great Britain.

On the first of these, the renewed emphasis on Asian engagement, the Prime Minister is only now returning to my policy of a decade ago.

Even John Howard recognises the primary importance of Indonesia to Australia and the need to integrate ourselves further with China and Japan.

Howard walked away from the Aborigines on Wik but he did not destroy my Native Title Act because he couldn't. Of that, George Megalogenis says, 'Keating's contribution is all the more remarkable. He established a system, however complicated, that could not be turned back.'

So, has John Howard returned Australia to what it was? About this, I believe, George is in error. The answer to his question is, I think, 'NO'.

Howard certainly shifted our moral compass. He has bruised our soul. He has played to the basest of human instincts. He has, with his wages policy alone, turned our sense of fairness and egalitarianism on its head.

He has sinned mightily.

But he has not put the stake through the Australian heart that is characterised by its propensity for enlargement. For in time, we will be more integrated with Asia. We will accept reconciliation with all the moral weight it deserves. And we will turn our back on the English monarch, claiming our constitutional arrangements for ourselves.

I commend George Megalogenis and the publisher, Scribe Publications, on this important work and recommend it to any interested person.

I have much pleasure in co-launching the book with the Prime Minister.