The Australian treasurers: managers and reformers in an evolving role

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This thesis is my own original work.

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Abstract

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If the prime minister is 'first among equals', then arguably the treasurer is now 'second among equals'. And the treasurer is increasingly the minister most likely to later become prime minister. Yet there is no collective biography of the 39 Australian federal treasurers, such as the volume edited by Michelle Grattan on Australian prime ministers or that by Roy Jenkins on British chancellors. Nor is there a book analysing the office itself. This thesis fills that gap.

Inspired by Plutarch's *Parallel Lives*, chapters Four to Seven compare and contrast four pairs of contemporary treasurers with similar backgrounds but divergent careers. As the academic literature on political leadership boils down to distinguishing two essential types -- *managers* and *reformers* -- the pairs contain one of each. Bookending these core chapters are introductory chapters, providing context, and analytical chapters, drawing lessons from the eight lives studied in depth and the other treasurers. In this way, the thesis is a comparative biography but also a work of political history with implications for political science.

The treasurer's job has changed greatly over time, although some initial responsibilities persist. The thesis traces the development, identifying six eras. Initially the treasurer presided over a book-keeping department, reflecting the Gladstonian tradition of fiscal conservatism. This ended with the Great Depression and the Premiers' Plan saw a second era where the federal government attempted to regain macroeconomic stability. The *White Paper on Full Employment* ushered in a third, Keynesian, era which lasted until the mid-1970s oil shocks and subsequent stagflation. A short-lived fourth era of monetarism

was followed by the fifth era of economic rationalism. The global financial crisis may have seen a shift to a sixth 'new Keynesian' era.

This analysis of eras is brought together with the distinction between managers and reformers by adapting Skowronek's model of 'political time' whereby major reformers overthrow the old paradigm, fortunate managers then operate it and unfortunate managers preside over its collapse.

The main argument of this thesis is that good treasurers need to be effective and influential and many factors produce these qualities. The job is onerous and complex and what counts as success may be unclear at the time. Treasurers (like prime ministers) need a measure of luck. But three key features stand out as crucial.

First, an effective treasurer needs immense political skills and the support of his/her prime minister. The combinations of Curtin/Chifley and Hawke/Keating, and to a lesser extent Bruce/Page, were particularly productive of economic reform. The second crucial relationship is with their department, where treasurers need to harness the technical expertise of its senior officials who may lack political acumen. Successful treasurers build an effective relationship to both develop and accomplish the treasurer's agenda. The third key element is a matter of timing. Some treasurers such as Theodore and Swan are faced with downturns in the global economy making their job much more difficult. Some treasurers, however, have turned adversity into opportunity and enhanced their reputations in crises – Chifley, and perhaps Keating.

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I also express my gratitude for the love of my wife Elo Guo-Hawkins and my mother Hazel Hawkins.

[1] Early versions of what is now chapters 4, 5 and 6 of the thesis were published in Treasury's *Economic Roundup*; Hawkins (2008, 2009, 2010b, 2010c, 2011a, 2011b).

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Chapter One: Applying Plutarch's "parallel lives" approach to biography to Australian treasurers

Introduction

Australia's treasurers occupy a very important position in Australian politics, arguably second only to that of the prime minister. Many prime ministers lost office primarily because of a loss of public confidence in their governments' ability to manage the economy (Bruce, Scullin, Whitlam[2] and Fraser). In forming public perceptions of governments' economic competence, the role of treasurers has been crucial.

Yet despite their importance, relatively little has been written about the treasurers and the role they play. In Australia there is no collective biography of *all* the 39 federal treasurers, such as the volume edited by Michelle Grattan on Australian prime ministers[3] or that by Roy Jenkins on British chancellors of the exchequer.[4] Until Chris Bowen's (2015) volume on twelve notable treasurers, there was no book even about some of the treasurers. Nor is there a book about the office itself, such as that by Patrick Weller (1985) on prime ministers in Commonwealth countries or by Richard Holt (2001) on UK chancellors. There is also no substantive academic comparison of their performance, such as Paul Strangio (2013) has done for prime ministers. The Treasury put out an anecdotal booklet to mark its centenary but there is no substantive volume about the Australian Treasury such as Bridges (1966) for the United Kingdom Treasury, McKinnon (2003) for the New Zealand Treasury, Weller, Scott and Stevens (2011) for the Australian Department of Prime Minister and Cabinet or Wanna, Ryan and Ng (2001) for the Australian National Audit Office.[5] The closest works are arguably Whitwell (1986) on the 'Treasury line',

[2] Technically Whitlam was majority leader but not prime minister at the 1975 election, having been dismissed the previous month by the governor-general.

[3] Grattan (2013). Other collected essays on Australian prime ministers include Whitington (1972) which has essays on the main prime ministers up to McMahon (and the then potential prime minister Whitlam); Hughes (1976) which goes a little further; and Brown (2002) covering PMs from Menzies to Howard. There is even a volume of collective biography of their wives; Langmore (1992). Walter (2007, p 413) has described collective biographies as an 'Australian predilection'.

[4] Jenkins (1998) covered chancellors from 1886 to 1947. Edmund Dell (1996) and Howard Davies (2006) relate the story of chancellors whose terms were later than those covered by Jenkins.

[5] The other major institution involved in Australian economic policy, the central bank known as the Commonwealth/Reserve Bank, has been the subject of a series of detailed studies. Gollan (1968) covered its origins and history up to 1924. Giblin (1951) describes its growth as a central bank from 1924 to 1945. Butlin's (1983) untimely death limited his coverage of the period 1945-1959 but Schedvin (1992) covers

Weller (2007b) on the cabinet and Weller and Grattan (1981) and Tiernan and Weller (2010) on ministers.

Globally, much has been written about prime ministers; as biographies, as histories and as a sub-genre of books on leadership. Hennessey's (2000) analysis of the British prime ministership is a good example. There has been relatively little written about treasurers (or finance ministers as they are generally called overseas) - or other senior ministers for that matter. Arguably the main academic scholar that has done comparative studies on the topic, Jean Blondel (1985, p vii) argued three decades ago that 'there are scarcely any references to articles on ministers before the 1970s and even since that date…the harvest has been meagre'. As discussed more fully in Chapter 2, subsequent work has not added much analytical insight, mostly just finding synonyms for 'managers/administrators' and 'reformers', subjectively allocating ministers between them and, with some exceptions, having little to say about what leads to them choosing between the two roles and what determines whether they succeed in these roles.

This thesis traces the development of the ministerial role of the treasurer, from initially an arms-length supervisor of a department of bookkeepers or accountants, to an activist manager of the macroeconomy in a Keynesian framework, and then to the provider of a stable and sustainable economic background and advocate of microeconomic reform. It discusses what leads to a treasurer being regarded as successful. It does so by presenting in the core of the thesis, comprising chapters four to seven, a set of comparative biographies, organised into four pairs of roughly contemporary treasurers with similar backgrounds whose careers can be usefully compared and contrasted.

It is the contention of this thesis that the eight chosen treasurers encompass four key economic and political periods throughout the 20th century; the pre-WWI beginnings, the great depression, WWII and the post-war boom, and the era of economic liberalisation in the 1980s. The eight chosen encompass, arguably, the most important of Australia's treasurers -- some widely regarded as 'great' treasurers and often considered important actors in their era in politics. Five of the eight treasurers (chronologically the latter five)

the period 1945-1975 and Cornish (forthcoming) will take the story up to 2000. Cornish (2010) provides an overview of the entire history.

selected in this thesis were also independently chosen by Bowen (2015) as being among the dozen more 'notable' treasurers.

Each pair includes a Labor and non-Labor treasurer, and a successful reformer with either a frustrated reformer or one content to be an administrator. Each treasurer is paired with another who lived in similar times and had a similar background. This approach of comparative collective biography was in part inspired by the classic comparative biographical study, *Plutarch's Lives*.

Plutarch's *Lives*

Plutarch was born around 45-50 in Bœotia and studied in Athens under the philosopher Ammonius. He travelled to Egypt, Crete and Italy but spent most of his life in the Greek world, then part of the Roman Empire at its height. He taught philosophy and served as a priest at Delphi. Married, with at least five children, he was a public official, serving as archon (leader) of the small town of Chæronea. He was a genial host of intellectual 'table talks'.[6] From ancient lists of Plutarch's works, we know that not all of them now survive.[7] Plutarch lived to around the year 120 CE and the biographies, for which he is best remembered, are believed to date from the latter half of his life.[8]

His *Parallel Lives* consisted of 23 paired biographical essays, each giving an account of one Greek and one Roman life, followed by a comparison (*synkrisis*) of them, and sometimes preceded by a prologue.[9] The prologues tended to highlight similarities between the two lives and the synkrises highlighted differences.[10] For example, the Greek statesman and general Pericles was compared with the Roman Fabius; 'two lives rich in examples of both civil and military excellence' and two men alike in their virtues including their mild temper and demeanour, Plutarch tells us. The Greek orator Demosthenes was paired with the Roman orator Cicero, and Alexander the Great with

[6] Barrow (1967, pp 18-22), Beck (2014, p 2). Plutarch's summaries of some of the discussions have been preserved.
[7] Sadly, his *Lives of the Caesars*, written before the *Parallel Lives*, is mostly lost; Stadter (2010, p 286).
[8] This paragraph draws on Beck (2014), Clough (1864, pp v-xvi) and Russell (1999).
[9] One pairing compares two Greeks with two Romans so that 48 worthies were covered in total, but one of the pairings has been lost. The prologues and the synkrises are discussed in detail in Duff (2014) and Larmour (2014) respectively. Wardman (1974, p 3) describes the synkrisis as an 'integral part of Plutarchan biography'. Averintser (2002, p 26) argues that while earlier readers found the synkrises the most noble component of the lives, to modern taste they are pedantic.
[10] Geiger (1988, p 254), Larmour (2014, p 411), Pelling (1986, p 354), Stadter (1975, p 155) and Tatum (2010, pp 3, 9-12).

Julius Caesar. The 'Lives' varied from around 6,000 words for the more obscure Eumenes and Philopoemen to around 20,000 words for Alexander the Great, with the average a little over 10,000 words.[11] Stadter (2010) argues that six of the pairs, including the late republican Roman lives, can be read as a group of twelve to give what he terms 'parallels in three dimensions'.

Plutarch was already an experienced biographer when he started writing the collection, and presumably set out his motivation for the study, and his reasons for adopting the pairing approach, in its introduction, now lost.[12] It is generally agreed that his motivation was to analyse a 'virtue' that was common to both the paired lives, to educate and serve as an example to the reader.[13] But, particularly in the *synkrises*, Plutarch also drew attention to the differences, although he kept the comparison objective and historical and generally avoided drawing conclusions on whom was the better man. It is likely that Plutarch believed that the comparisons between pairs with important similarities enriched the analysis of the individuals.[14] He was less interested in stark contrasts between them. Pairing a Greek with a Roman in each case may have been intended to preserve the reputation of Greek leaders in a time of Roman domination. In only one case does Plutarch pair contemporaries.[15]

Some scholars have opined that 'the comparative method is essential to Plutarch's technique' and used throughout the essays.[16] Plutarch himself explained 'there is no better way of learning the similarity and difference…than by putting lives beside lives and deeds besides deeds, just as if they were works of art'.[17] He adds in the opening paragraph of the life of Aemilius Paulus:

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[11] Stadter (2005, p 56).

[12] Barrow (1967, p 51), Hägg (2012, p 242), Tatum (2010, pp 1-2).

[13] Barrow (1967, pp 53-55), Duff (1999, pp 4-5, 13), Humble (2010, p 238), Podlecki (1987, p 21) and Tatum (2010, pp 2-3). Lee (2009, p 23) notes that in his essay on Pericles, Plutarch says 'actions arising out of virtue...immediately put one in a frame of mind such that one simultaneously admires the acts and desires to emulate the agents'.

[14] Larmour (1992, p 4156) argues 'no Life can be anywhere near fully understood without references to its partner'.

[15] Philopoeman and Flaminius; Pelling (1986, p 350).

[16] Stadter (1975, pp 155-6). Plutarch stresses the lives are βιοι παραλληλι (parallel lives). It is therefore unfortunate that the most accessible modern publications of Plutarch's work, such as the *Penguin Classics* editions, separate the Greek and Roman lives. Ironically, in one of these split volumes, Duff (2011, p xviii) stresses that 'the comparative element…is central to their meaning…to read one life without its partner…is to miss much that was of importance to Plutarch'.

[17] From Plutarch's essay *de mulierum virtutibus*, cited by Stadter (1975, p 156).

> I first set to work writing these lives for the sake of others, but their composition has proved so congenial that I now persist in it for my own improvement. I am using history as if it were a mirror, in the reflection of which I am trying to adorn my own life, so to speak, by making its virtues resemble the ones displayed in my biographies. For me the experience is very much like actually spending time with these figures from the past…

Plutarch has been described as 'the last of the Greek classical historians and the first of the modern biographers'.[18] As Stadter (1996, p 238) argues, by the time Plutarch was writing, the Greek encomium and the Roman panegyric were both common literary forms but they shared the characteristic of being exclusively laudatory whereas Plutarch aimed to depict his subjects truthfully. In a much-cited prologue to the lives of Alexander and Caesar, Plutarch proclaimed:

> I am writing lives not history, and the truth is that the most brilliant exploits often tell us nothing of the virtues or vices of the men who performed them, while on the other hand a chance remark or a joke may reveal far more of a man's character than battles where thousands die, huge troop deployments or the sieges of cities. When a portrait painter sets out to create a likeness he relies above all on the face and the expression of the eyes and pays little attention to the other parts of the body; in the same way it is my task to dwell upon those details which illuminate the workings of the soul…

[18] Warner (1958, p xvi) and Ricketson (2004, p 4).

Plutarch was not the first biographer, or even the first comparative biographer,[19] but he was certainly an influential one and arguably 'the most important Greek biographer'.[20]

Duff (1999, p 3) points out that the *Lives* 'seem to have been an almost instant success' and influenced Roman writers such as Appianus (who compared Demosthenes and Cicero, Alexander and Caeser, and Epaminondas and Scipio) and Amyntianus (who compared Dionysius with Domitian, and Philip of Macedon with Augustus).[21] They were first translated into Latin in the fifteenth century, thence into Italian and Spanish, and into French and then English and German in the sixteenth.[22] After these translations became available, it was held by a contemporary writer that the *Lives* was 'more generally read than any of all the books which the ancient Greeks or Romans writ'.[23] The mode of comparative lives also had a pedagogical role and was used for instruction and the development of scholarship.

[19] Aristotle's pupil Aristoxenus wrote *Lives of Men* (with subjects including Pythagoras, Socrates and Plato) and Hermippus, whom Plutarch cites, wrote biographies of lawgivers, orators, philosophers and physicians. Indeed, Geiger (1985, pp 18-19) suggests most ancient biographies were written as parts of series. The Roman writers Terentius Varro and Cornelius Nepos both wrote collections of biographical essays which foreshadowed Plutarch in comparing Roman and Greek notables (few of which survive); Duff (1999, p 290), Geiger (2014, p 293), Hägg (2012, pp 188-9), Lee (2009, p 22) Mossman (2007, pp 76-77), Podlecki (1987, pp 7-8), Scardigli (1995, p 21) and Stem (2012). Duff (1999, pp 243-4), Gossage (1967, p 60) and Russell (1973, p 110) discuss the role of comparisons in speeches (*panegyric* and *encomia*) praising living and dead leaders, the use of paired speeches and the use of comparisons as exercises for students. Barrow (1967, p 52) conjectures 'what appears to be original is to undertake a whole series of such comparisons'.

[20] Pimlott (1999, p 35). Pimlott later (p 41) describes biography as 'a genre that has kept its essential structure since Plutarch'. Similarly, Beck (2014, p 1) describes Plutarch as 'generally considered to be the ancient world's foremost biographer' and Geiger (1985, p 9) calls the *Lives* 'the finest achievement and model of the genre'. Hägg (2012, pp 280-1) writes 'even if the parallel scheme as such had precedents, nobody had developed it with such perseverance into anything approaching the *Parallel Lives* in scale and power of attraction'. Walter (2014, p 314) calls him 'the forerunner of Western biography' and described the Lives as 'an early disquisition on leadership'.

[21] Pade (2014, p 532). Lamberton (2001, p 68) opines 'there is probably no single intellectual figure whose influence is found more pervasively in the literature of the Roman empire from the second century through the fifth'.

[22] Barrow (1967, p 162).

[23] Gilbert Burnet (1682). More recently the same claim is made by Wilamowitz-Moellendorf (1926, p 47). Lamberton (2001, pp 23, 190) says of the *Lives* that 'there can hardly have been a more influential account of Greece and Rome, before or since' and that 'only Aristotle and Plato, among writers of Greek prose, were better represented in the collections of manuscripts in the Italian libraries of the fifteenth century'. Gippert (2004, p 307) claims the *Lives* 'were most widely celebrated throughout the eighteenth century as the ideal biographical model'.

Throughout history Plutarch was admired by writers as diverse as Machiavelli, Goethe, Rousseau, Shakespeare[24], Stanfield[25], Samuel Johnson and his biographer James Boswell, Vasari, Emerson and Nietzsche.[26] Samuel Johnson considered translating the Lives and contemplated writing a work called *Lives of Illustrious Persons...in Imitation of Plutarch.*[27] Boswell cites Plutarch, whom he calls 'the prince of ancient biographers', in justifying the inclusion of small incidents from Samuel Johnson's life that shed light on his character.[28] Plutarch inspired Shakespeare, the 'American fathers of revolution'[29], and 'French rebels and reactionaries'[30] as well as other more recent biographers.[31]

In Mary Shelley's (1818) gothic tale, the being animated by Frankenstein taught himself about the goodness of humanity by reading Plutarch:

> Plutarch taught me high thoughts; he elevated me above the wretched sphere of my own reflections to admire and love the heroes of past ages…I felt the greatest ardour for virtue rise within me, and abhorrence for vice.[32]

Plutarch's reputation temporarily dimmed during the nineteenth century when there was a scholarly fad of trying to attribute Plutarch's accounts to earlier authors but, as Lamberton (2001, pp 193-5) argues, the failure of these endeavours saw his reputation restored and he remains to modern tastes 'the most enjoyable of all the ancient writers on the history of Greece and Rome'. A surge of interest in the late 1980s has seen Plutarch

[24] Shakespeare used the lives of Coriolanus, Julius Caesar and Mark Antony for the plays that bear their names; Duff (1999, p 3). Gossage (1967, p 67) even suggests that Shakespeare satirised Plutarch in *Henry V*, act iv, scene 7, where Fluellen and Gower compare Henry and Alexander the Great.

[25] James Field Stanfield (1813, p 64), whom Lee (2009, p 55) calls the author of the first British book about biography, described Plutarch as 'the great master of the art' of biography.

[26] Beck (2014, p 1), Russell (1999, p 1201), Stadter (1992, p 1). Lamberton (2001, p 188) argues that Plutarch 'has had a decisive impact on the European tradition's perception of its Greek and Roman antecedents'.

[27] Gippert (2004, p 309).

[28] Boswell (1791, pp 11-12), Gossage (1967, p 70).

[29] Stadter (2011) refers to John Adams and Benjamin Franklin citing Plutarch and cites notes on the *Lives* written by Alexander Hamilton.

[30] Paige (1983, p 184).

[31] Lee (2009, p 32) tells how the publication of North's translation of the *Lives* in 1579 energized biographical writing in England. This reputation has been sustained. James Stanfield's 1813 book on biography lauds Plutarch as 'the great master of the art' while Nicolson (1954) calls him 'the father of biography'.

[32] Shelley (1818, chapter 15).

become the classical 'historian' attracting the most scholarly attention, ahead of Herodotus and Tacitus.[33]

Plutarch's work still resonates as an exemplar both good and bad. Australian biographer, the late Geoffrey Bolton referred to 'Plutarch's ghost'; writing about past political figures as an implicit commentary, or rebuke, of their contemporary successors.[34] William Coleman referred to what 'might be called the Plutarchian theory of biography', that is 'the delineation of some valuable individuality…that wins our sympathy or admiration'.[35] Plutarch has recently been cited by 't Hart (2014a, p 211) as the exemplar for writing of political leaders as heroes in history and his *Lives* lauded by Walter (2014, p 314) as 'the forerunner of Western biography'. It has been observed in a recent survey of political biography that 'there has been a recurrence of parallel lives, like Plutarch, trying to draw a lesson from comparison'.[36] Australian cabinet minister Christopher Pyne (2015, p 1) has referred to Plutarch's comment (in his life of Pericles), on how reading of the lives of others can lead to emulation of their virtues, in his account of his father's influence on his own career.

The Plutarchian genre: some other comparative biographies

Plutarch has been an exemplar for a genre of biography. The long-standing success of his format, and its familiarity to many audiences, has led many other biographers to adapt it. An early example was Taylor (1846), who produced what he termed a *British Plutarch*, with 38 essays on worthies such as Burke, Cook, Pitt and Watt, but they were arranged alphabetically rather than paired.

More recently there has been a revival of interest in comparative biographies which, judging by their titles, were inspired by Plutarch, covering Hitler and Stalin, Jesus and Mohammad, and Nehru and Mandela.[37] A number of other works do not explicitly refer to Plutarch but follow similar lines. Wolfenstein (1967, p 3) gives a comparative psychobiography of Lenin, Trotsky and Gandhi analysing the 'revolutionary personality'. Theodore Roosevelt and Woodrow Wilson, two gifted and active presidents who

[33] Scheidel (1997, pp 273-4).
[34] Bolton (2006, p 2).
[35] Coleman (2007, pp 104-5).
[36] Walter (2014, p 319).
[37] Bullock (1998), Peters (2011) and Maylam (2014).

emphasised communication to the public (the former coining the term 'the bully pulpit' for the presidency), were compared in a joint biography by Cooper (1983). William McAdoo, Wilson's cabinet minister responsible for Treasury, was the subject of a comparative biography by Craig (2013), paired with his fellow cabinet member Newton Baker. Kowalewski (1981) compared the troubled presidencies of Andrew Johnson and Richard Nixon, arguing both of their difficulties can be traced back to similar issues in their childhood. Summy (1983) compares the visionary political leaders Jayaprakash Narayan of India and Thomas Jefferson of the US. Campbell (2009) looked at eight pairs of British political rivals; some from opposing parties such as Gladstone/Disraeli but others from the same party such as Thatcher/Heath and Blair/Brown, and observed that 'very often they are of contrasting temperaments – one cool and calculating, the other temperamental and impulsive; one ascetic, the other self-indulgent; one idealistic, the other cynical'.[38] Wapshott (2011) compared the lives of rival economists Keynes and Hayek. Mary Wollstonecraft and her daughter Mary Shelley were the subject of a parallel lives study by Gordon (2015).[39]

Closer to the nature of this thesis is the study by Duffy (2004), which provided a comparative biography of Mark Latham and Tony Abbott, whose paths first crossed as students at Sydney University before both entered federal parliament in 1994. Duffy (2004, pp 2-4) claimed both combined 'leadership' with 'larrikinism', both had ambitious parents and a distinguished political mentor and both were keen to project policies not always in line with the message of their parties; but they differed in their attitude to tradition and authority.

Manning Clark (1987) used the early careers of Alfred Deakin and Robert Menzies to contrast what he termed 'two Australias'; the 'old dead tree' of British tradition associated with Menzies and the 'new tree green' of the Australian nationalism of Deakin. Bennister (2012, p xi) compared John Howard and Tony Blair, prime ministers who, while from opposite ends of the world and opposite parts of the political spectrum, both centralised power in their office and attempted to establish direct connections with the electorate, and served around a decade as prime minister but lost office in 2007, with their popularity

[38] Campbell (2009, p 2).

[39] Wollstonecraft died in giving birth to Shelley. Gordon (2015, p xvii) explains how chapters in the book 'alternate between the lives of Wollstonecraft and Shelley' with the goal of 'allowing readers to hear the echo' and 'exploring the intersections between their lives'.

and political capital eroded. Bob Ellis (1997b) and Paul 't Hart (2011b) went in another direction, comparing Howard to Richard Nixon, both with conservative upbringings, early political success followed by a seemingly terminal setback[40] and, after a period in the wilderness, ultimate success at age 56, leading a secretive right-wing government, followed by a forced retirement. While his book was solely about Paul Keating, O'Brien (2015, p 48) observed that Keating and John Howard had what he terms 'parallel lives' and tried to draw Keating out on the similarities and differences.

James Walter (1981, p 38) cited Plutarch in arguing that 'the study of parallel lives, the comparative biography of those of similar disposition, role or circumstance, placed side by side so that each illuminates the other, is not unfamiliar' and argued for its extension to analysis of groups of intersecting lives. He cited Barber's (1972) study of US presidents as an example of what was then a contemporary analysis of parallel lives.

The virtues of comparative biographies

Political scientists have mixed views on the utility of biography to their field. Some, such as Patrick Weller, have written acclaimed biographies themselves. They presumably would be sympathetic to the view of Harold Lasswell (1930, p 1) that 'political science without biography is a form of taxidermy', even if they may not go so far as Victorian era statesman Benjamin Disraeli who once advised 'read no history, nothing but biography'.[41] They might nod when reading Samuel Johnson's (1750, pp 40-41) view that 'no species of writing seems more worthy of cultivation than biography, since none can be more delightful or more useful, none can certainly enchain the heart by irresistible interest, or more widely diffuse instruction to every diversity of condition'. They might empathise with Lytton Strachey (1918, p viii), who while calling biography 'the most delicate and humane of all the branches of the art of writing', warned 'it is perhaps as difficult to write a good life as to live one'. Jean Blondel (1985, p 5) argued that studies of individual ministers and of the general broad pattern of multiple holders of the office are complementary, and can help improve the quality of governance. A practising Australian politician Chris Bowen (2015, p x) agreed. Echoing Plutarch's motive of self-improvement, this former and aspiring future treasurer argued that researching and

[40] Nixon losing the California gubernatorial race proclaimed 'you won't have Nixon to kick around anymore' while after losing the opposition leadership Howard said 'I'd have to be Lazarus with a triple by-pass to think of running for the leadership again'.

[41] Cited by UK chancellor Nigel Lawson (1993) and Pimlott (1990, p 214).

writing about past treasurers 'will make me a better treasurer'. He may have been following the advice of the medieval intriguer Machiavelli (c1515, chapter 14) who advised 'another thing a ruler must do to exercise his mind is read history, in particular accounts of great leaders and their achievements…he must do what some great men have done in the past: take as a model a leader who's been much praised and admired'.

On the other hand, some political scientists and other academics tend to disdain biography as a populist activity; asserting that biographies are less academically rigorous[42] and that 'real intellectuals do not do political biography'.[43] There is even a suspicion that 'obsessive shadowing of another man's life is one of the more bizarre ways to spend one's time'.[44] This has led some eminent biographers to lament that their work has been dismissed as a 'retirement pastime…the half dead chasing the dead' and that many agree with WH Auden that biographers are mere 'gossip writers and voyeurs calling themselves scholars'.[45] The UK's Ben Pimlott observed ruefully that 'while readers take biography seriously, nobody else does'.[46] A particularly acerbic description was Germaine Greer's barb that biography is 'an unpardonable crime against selfhood' by 'the intellectual equivalents of flesh-eating bacterium'.[47]

It has been often lamented that biographers tend to fall in love with their subjects[48] (and autobiographers already are in love!).[49] They therefore 'usually furnish a largely favourable portrait'.[50] While Lytton Strachey may have moved biography on from the

[42] Holmes (2002, p 7) observes that academia 'has not been very keen to recognise biography'. See Arklay, Nethercote and Wanna (2006, p xi) for a discussion of this criticism. The attitude itself has a long history; Averintser (2002, p 26) cites the classical Roman writer Nepos as regarding biography as 'frivolous and not dignified enough'.

[43] This common criticism is noted by Bolton (2006, p 1). As Riall (2010, p 376) observes, 'no one would deny that biography sells', but 'life writing has a relatively slight reputation among academic historians working today, especially political biography'. Marquand (2009) notes that 'political biography is very much an Anglo-American specialty… perhaps reflecting a certain suspicion of high theory endemic in the English-speaking world'.

[44] Penelope Lively, cited by Moggridge (1992, p xvi).

[45] The biographer of Keynes, Robert Skidelsky (1988, p 1).

[46] The biographer of Hugh Dalton and Harold Wilson, Ben Pimlott (1990, p 214). Almost a decade later he saw no improvement in the attitude of academics; 'many historians look witheringly at biographers'; Pimlott (1999, p 31).

[47] Cited by Lee (2009, p 96).

[48] Not always as literally as Bob Hawke's biographer Blanche d'Alpuget (who became his mistress and then wife) or General Petraeus' biographer Paula Broadwell. Some have put the opposite view; Oscar Wilde said 'every great man has his disciples and it is always Judas who writes the biography'; Lee (2009, p 91).

[49] Edel (1981, p 9).

[50] Arklay, Nethercote and Wanna (2006, p xi); Duff (2011, p xxii).

hagiographic form it often previously took[51], there are still forces acting against the biography that is very critical. The subject themselves, obviously, if still alive will have a vested interest in their image and may have constructed a 'life myth to protect themselves against certain truths they can't acknowledge about themselves'.[52] Even after the subject's death their family may also have a 'life myth', as may their political followers and 'keepers of the flame' such as prime ministerial libraries and the subject's home town.[53] As Virginia Woolf (1939, p 222) put it, 'the widow and the friends were hard taskmasters'. Past biographers may be protective of their interpretations of the life. Not only are the calls of the subject, the family and the followers to respect the subject's privacy a consideration but so are the laws of defamation.

Biographers may act as 'history's butlers…solemnly ushering in the facts'.[54] Some biographers may suffer from a variant of the Stockholm syndrome; after spending years engrossed with the writings of their subjects they come to exaggerate their importance. Other may deliberately exaggerate to try to generate a wider readership for their book.

Comparative, or contrasting, biographies may help avoid such biases, as the author is less likely to start with a favourable view of both or all subjects and the comparison process will serve as a reminder of areas where at least one of the subjects fall short. As has been argued of Plutarch's *Lives*, 'the experience of the reader encountering the second life is enriched by recalling details, incidents and themes from the first and the first subject is (re)interpreted by encountering the second'.[55] As Pelling (1986, p 351) observed, 'even when two great men are similar…dwelling on the differences can help us to understand important aspects of those individuals more clearly'.

Comparative collective biography lends itself more to generalisation and inference and the development and testing of hypotheses than does the biography of an individual. It is therefore less subject to the criticism above. Theakston (1997, p 651) has observed that 'comparative biography is unduly neglected as a political science methodology'.

[51] Walter (2002, p 321) believes that Strachey's iconoclasm and Freud's theory of the subconscious are the two major influences on twentieth century biography.
[52] Walter (1992, p 279).
[53] Day (2002), Spalding (2011), Walter (2006, p 29). Lee (2009, p 63) cites Gladstone as describing a contemporary biography as so decorous that 'it is not a life at all …it is a reticence in three volumes'.
[54] Michael Holroyd (1997, p 6), a distinguished biographer playing devil's advocate.
[55] Larmour (2014, p 410). Similarly, Stadter (1996, p 243) comments 'setting side by side two similar lives allows us to see each more precisely, because it makes us look in one for features we saw in the other'.

Comparative biography is an element of the sub-field of 'comparative politics' within the discipline of political science, for which has been claimed the following virtues:

> By making the researcher aware of unexpected differences, or even surprising similarities, between cases, comparison brings a sense of perspective to a familiar environment and discourages parochial responses to political issues… but perhaps the principal function of comparison in political science is that of developing, testing and refining theory.[56]

A series of comparative biographies of politicians (in this case, treasurers) is of interest for what has been called the 'Great Man' question: to what extent can we explain the course of historical events in terms of the actions and decisions of a few individuals?'[57] A comparative biography can shed more light on this question than can a biography of a single subject.

It is also of value to include sometimes in comparative biographers the less great as well as the great. For as Plutarch put it in his prologue to the lives of Demetrius and Antony:

> …young men would appreciate good flute-players better if they were given experience of bad ones. In the same way, it seems to me that we shall be all the more ready to study and imitate the lives of good men if we know something of the wicked and infamous.

[56] Hopkin (2002, p 249). Hague and Marrop (2007, p 84) comment that the 'comparative approach…[allows us] to formulate and test hypotheses'.

[57] Holt (2001, pp vii-viii). He gives as two examples historian AJP Taylor arguing that the history of modern Europe (up to World War II) could be written in terms of just Napoleon, Bismark and Lenin; and Dell (1996) blaming the poor post-war performance of the UK economy largely on the mistakes of the chancellors. The 'great man' thesis is most associated with Thomas Carlyle (1840, p 1), who argued 'the history of what man has accomplished in this world is at bottom the History of the Great Men who have worked here.' An alternative view is put by Leo Tolstoy in *War and Peace* who likens leaders to the bow waves of boats, being in front but being pushed by rather than leading the boat; Grint (2010, p 9). In a similar vein, Alfred Deakin commented: 'the mischief is that democracy in Australia, as in the United States, insists on attaching an extraordinary importance to the personality of its political leader'; Walter (2010b, p 110). Herbert Spencer developed in the 1879s an opposing view to Carlyle, known as cultural or social determinism, which argued history was determined by the interplay of social and cultural forces over which individuals have little control; Elgie (1995, pp 2-3). Choosing between the Carlyle or Spencer views is effectively deciding 'do leaders make history or does history make leaders?'; Gustafson (2008, p 103).

The four paired 'lives' in this thesis

(i) Early pioneers of Australian democracy – Andrew Fisher and Joseph Cook

Fisher and Cook were both born in the north of the United Kingdom in the 1860s. They both had only an elementary school education as they were working as coal miners in their teens, although both strove to improve themselves by reading in the evenings and both contemplated a religious vocation. Both sought a better life by migrating to Australia in 1885 and once here took leading roles in trade unions. Both were elected to state parliaments as Labor members before shifting to the federal parliament on their way to becoming prime minister and treasurer.

But around this stage their lives diverged. Fisher stayed true to the Labor cause and combined the roles of treasurer and prime minister on three occasions. His was the first government with majorities in both houses and he was an active reformer. Cook had moved across to the conservative parties while still in the NSW parliament and while also serving as both prime minister and later treasurer had few achievements in either role. Both ended their careers serving as high commissioner in London, the pomp of which by this time suited Cook very well and Fisher not at all.

(ii) Unorthodoxy versus conventionality in the Great Depression – Edward 'Ted' Theodore and Joseph Lyons

Theodore and Lyons both came from humble backgrounds and rose through Labor circles to become state premiers before entering federal politics (the only ones making this transition since the early days of federation and not followed until John Fahey). Theodore held office for only a brief and interrupted period in a government which, stymied by a hostile Senate and a stubborn Commonwealth Bank, collapsed around him. Lyons acted as treasurer while Theodore had stood down and then became prime minster and treasurer after crossing to the non-Labor side of politics. Both had to address the Great Depression, Theodore's daring originality contrasting with the conventionality of Lyons.

(iii) Reconstructing Australia after World War II – Ben Chifley and Arthur Fadden

Chifley and Fadden, while on opposite sides politically, both came from humble origins and retained the common touch throughout their lives. Both have been credited as introducing Keynesian (counter-cyclical) macroeconomic policy into the political

mainstream and coped calmly when international circumstances put the Australian economy under great pressure. But Chifley was far more interested in pursuing large economic reforms while Fadden just wanted to keep the economy ticking over.

(iv) Dismantling the 'Australian Settlement' – John Howard and Paul Keating

Keating and Howard were both born in suburban Sydney within five years of each other. Both their fathers ran small businesses. Brett (2005, p 41) has observed that both were steeped in party politics 'from their youth. Politics channelled their adolescent energy and aggression, and they shaped their adult identities around the party polarisations.'

As Williams (1997, pp xiii-xiv) observed, 'despite the chasm between their political convictions, Howard and Keating were more alike than either cared to acknowledge…Each had played the most influential role in shaping the identity of his party during the 1980s…they were both tenacious political fighters' which enabled both to become prime ministers after they had been treasurer.[58] Both were keener on reform as treasurer than were their prime ministers but Keating was much more successful at achieving reforms such as financial deregulation and lower tax rates than Howard.

Structure of the thesis

The four pairs of parallel lives are the core of the thesis, comprising Chapters 4 to 7. Bookending them are introductory chapters, providing context, and analytical chapters, drawing lessons from the eight lives studied in depth and those of other treasurers also examined. In this way, the thesis is a comparative biography but also a work of political history with implications for political science.

The non-biographical chapters start with a literature review (Chapter 2). This is followed by an introductory discussion of the job of treasurer (Chapter 3). After presenting the eight selected parallel lives, the thesis turns to a review of all the treasurers drawing lessons from their careers (Chapter 8), and in particular their relationship with the Treasury department (Chapter 9), which leads into a more analytical examination of the job of treasurer (Chapter 10) and conclusions (Chapter 11).

[58] When the ABC's *Four Corners* made matching profiles of the two men, they gave them the contrasting titles of 'the big picture man' and 'an average Australian bloke'; Brett (2005, pp 29-30).

Chapter Two: A review of the literature on treasurers – explaining their performance and success

Introduction

This chapter interrogates the political science literature to see how treasurers can be characterised using various typologies in order to understand better how they perform their role and what makes for a successful treasurer. It sets the scene for Chapter 10, which adapts this literature in the light of the discussion of Australian treasurers in the intervening chapters.

What indicates a successful treasurer and how might they be ranked?

Treasurers want to be a 'success' in the portfolio and want to be remembered for their stewardship and achievements. Views differ about how the success of a treasurer should be assessed, and whether 'good' economic times were due to their stewardship or to other factors largely outside their control. For instance, Holt (2001, p 301) has remarked in the UK that 'there is no sensible way of saying which was the best post-war chancellor. It depends on whose values and objectives you use as a benchmark, and on how you assess the contribution of the chancellor to the performance of the economy'.

In the future, it may be possible to compare the performance of treasurers against the performance goals set for them by their prime ministers.[59] These 'charter letters', described in Podger (2009, pp 22-23), were first issued to ministers during the Howard Government but have so far not been made public.

One way to gauge the reputed performance of political leaders is to establish some comparative ranking drawn up according to some defensible criteria. To date, ranking of political leaders has been most comprehensive for the US presidents. The most credibility appears to attach to those based on polls of historians, which show a high degree of consensus about those which are the greatest (Washington, Jefferson, Lincoln and the two Roosevelts[60]) and the poorest performers (Grant, Harding, Nixon) and the rankings are

[59] Richard Denniss suggested this criterion in a private conversation.

[60] The carvers of Mount Rushmore, who could not easily revise their opinions, therefore got it pretty right in including the four of these presidents who had completed their terms at the time of carving.

fairly insensitive to the exact expression used to reflect performance.[61] Respondents' ranking of the presidents have been highly correlated with their knowledge of them, suggesting that the great presidents attract more attention from historians, but some presidents (notably the Civil War general Ulysses S. Grant) may be attracting attention for other reasons than their presidential performance and there may be a degree of 'presentism' -- even historians are likely to be more familiar with recent presidents.[62]

There have been some ranking exercises for Australian prime ministers by individuals such as polymath and former politician Barry Jones (1996) and psephologist Malcolm Mackerras (2008), some surveys of academics by newspapers and a more comprehensive exercise by Monash University reported by Paul Strangio (2013). There is a fair degree of consensus about the best (Deakin, Curtin, Chifley, Menzies in his second run) and the poorest (Cook, Scullin, McMahon).[63] The studies recognise that there are difficulties in comparing leaders from different eras and reducing many facets to a single ranking.

Gladstone has been hailed the UK's 'greatest chancellor of all time',[64] mainly because he introduced the modern system of parliamentary oversight of public finances. In Australia, there is no definitive champion. Claims have been made for Theodore.[65] But while undoubtedly very bright and determined it is hard to point to achievements during his brief and interrupted tenure. Chris Bowen (2015, pp xv-xvi), himself a former treasurer, regarded Keating as the greatest for 'the scale and scope of his reform program and the ability to explain the need for the reforms', and gave 'honourable mentions' to Page, Theodore, Fadden, Hayden, Costello and Swan. Turner, the first treasurer, was regarded as solid and respected by all parties.[66] Chifley has been nominated as the best, and was

[61] Simonton (1987, chapter 5). There are very high correlations between rankings on general prestige, strength, activeness, and accomplishments.

[62] Simonton (1987, pp 169-170, 176-177). Rhodes and 't Hart (2014, pp 13-14) refer to criticisms of ranking exercises as being 'skewed towards recent political figures'.

[63] The rankings predate the tenures of Rudd, Gillard, Abbott and Turnbull.

[64] Lawson (1993, p 279) agreeing sixty years later with Hirst (1931, p 280). Of the post-war chancellors, Howe, Lawson and Clarke appear best regarded on the Conservative side and Jenkins and Brown among the Labour chancellors.

[65] Chifley called Theodore 'the best financial brain that this parliament has ever known'; *Hansard*, 5 October 1950. By some accounts, Bruce shared this opinion; Calwell (1972a, p 63 and 1972b, p 7). See Chapter 5 for more information. Contemporary economists such as Saul Eslake and Ross Garnaut also rank Theodore very highly; *The Age*, 9 May 2005. Leslie Melville, who observed a large number of the treasurers, many from close quarters, believed that Theodore was the best.

[66] Barton appointed Turner treasurer in his Protectionist government. Reid, a Free Trade prime minister also appointed him treasurer. There were press reports that Watson also wanted him as treasurer in his Labor government; Hawkins (2007a, p 122).

almost certainly the most loved.[67] Fadden has been cited for the good economic performance in the latter part of the 1950s.[68] Keating's economic reforms and panache often saw him nominated as the best of the post-war treasurers.[69] Swan's handling of the global financial crisis, when Australia was virtually the only advanced economy not to fall into recession, has led to him receiving plaudits.[70] External recognition may be one aspect of assessing greatness. Paul Keating (in 1984) and Wayne Swan (in 2011) were both awarded *Euromoney*'s title of 'world's best finance minister'.[71]

Five treasurers made *The Bulletin*'s 2006 listing of the 100 most influential Australians but only Keating for his work as treasurer.[72] When the *Australian Financial Review* conducted an online poll in 2011 asking its readers whom they regarded as the most influential business, economic or political leader of the past sixty years, Keating topped the poll with 29 per cent of votes, more than twice the runner-up Howard (who was likely being cited for his impact as prime minister rather than treasurer).[73]

As Oliver (1931, p 31) put it, the success of a treasurer will also be judged politically; 'whether he was successful in gaining power, in keeping it and in governing, whether in short he was skilful at his particular craft or a bungler'. Much political literature applies what Rhodes and 't Hart (2014, p 13) call 'the simplest criterion of all…longevity in office'. Errington (2008, p 217) suggested in particular that 'conservative leaders tend to be measured by their electoral success rather than their legislative achievements'. The longest-serving treasurers were Costello (4,284 days), Fadden (3,622 days over two periods), Keating (3,006), Chifley (2,995) and Holt (2,604). Arguably the most politically successful treasurers were those who went on to become prime minister (Bruce, Menzies,

[67] For example, Holloway (c1954, p 100) called Chifley our 'best treasurer' and MacCallum (2014a, p 118) remarked 'many still regard him as Australia's best treasurer'. At Chifley's funeral, Menzies reportedly described him as Australia's best treasurer; Martin (2015, p 160).
[68] *The Age*, 9 May 2005, p 4.
[69] Economic journalist Ross Gitttins (2015, p 126), for example, ranks Keating the best treasurer of the thirteen with whom he is familiar 'by a country mile'. Political journalist Laurie Oakes (1988, p 36) regarded Keating as 'the most impressive treasurer this country has seen for a very long time'. McGregor (c1990) calls him the 'best post-war treasurer' and Chris Richardson ranks Keating as our best treasurer; Kelly (2014, p 428). Leigh (2015, p 107) more cautiously calls him 'possibly Australia's greatest ever treasurer'.
[70] Ross Garnaut credited him with 'two towering achievements – sustaining economic growth during the deepest [global] downturn since the Great Depression and implementation of the world's best carbon price scheme'; Kelly (2012).
[71] Swan was one of the few finance ministers to survive the GFC.
[72] The others were Howard, Menzies, Scullin and Whitlam; Haigh (2006).
[73] *Australian Financial Review*, 16 August 2011, pp 56-57.

Chifley, Holt, McMahon, Howard and Keating[74]), or at least like Snedden and Hayden were subsequently allowed to lead their parties.

Treasurers and the importance of timing

Timing is important, especially for a reforming treasurer. It has been observed that:

> What we call luck in politics is actually a gift for timing…while politicians are always condemned for opportunism, being a skilled opportunist is the essence of the political art…a skilful opportunist is someone who persuades the public that he has created the opportunity; Ignatieff (2013, p 34).

> When to push which ideas, wage which battles, confront or ignore which social problems: considerations of political opportunity, timing and momentum are crucial to leadership; 't Hart (2014a, p 210).

One aspect of timing relevant to treasurers is that it helps to commence the job in a new government, particularly when economic conditions were a factor in the former government's defeat. This allows reforms to be projected as a necessary response to the inadequacies of the former government. It also allows credit to be claimed when the economy recovers, even if the recovery reflects improved global conditions or the ending of a drought rather than domestic policy adroitness. The worst conditions are when the global economy deteriorates soon after a new treasurer takes office.

A difficult political task faces a treasurer who takes over from a treasurer of the same party or coalition, particularly if his predecessor has been promoted to the prime minister.[75] They face challenges whether they act as an innovator or an heir, been seen as a traitor (or at least implicitly criticising their predecessor) if they make big changes and

[74] Technically Page and Fadden were also treasurers who went on to become prime minister but they only served as prime minister for about 20 and 40 days respectively.

[75] As Davies (2006, p 24) observed of UK chancellor Norman Lamont, 'he inherited a policy from his predecessor [John Major] which proved to be unsustainable. Unfortunately that predecessor was now his boss'. An earlier chancellor, Roy Jenkins (1998, p 386) remarked 'it was not much fun being chancellor under Gladstone, Lloyd George or even Macmillan'. More generally, Blondel (1991a, p 5) observes 'a finance minister is 'likely to be subjected to particular pressure' when the prime minister is a former finance minister.

a clone if they do not.[76] On the other hand, it has been argued there can be an advantage in coming into the office after the prime minister has sacked your predecessor; 'if a prime minister sacks a chancellor, he cannot sack a second'.[77] To paraphrase Oscar Wilde, to lose one treasurer might be regarded as a misfortune; to lose two looks like carelessness.

Assessing the managerial record of treasurers

Part of being a great treasurer is good stewardship – having good economic outcomes, or at least better outcomes than might have been achieved by an alternative treasurer. As treasurer Swan put it, 'the first and foremost responsibility of a treasurer is to manage the economy well and increase the overall level of national wealth.'[78] Nigel Lawson (1993, p 253), UK chancellor in the 1980s, argued the reputation of a modern chancellor 'is to a substantial extent dependent on much the same factors (with many noughts added) as those on which a chancellor in Gladstone's time [1850s to 1880s] depended. If public spending is under control, revenue is coming in well and there is a margin to divide between tax reductions and judiciously targeted public spending measures, he will be riding high'.

Assessing the record of treasurers as economic managers is fraught with difficulty. Firstly, there is the question of the extent to which economic decisions are truly made by the treasurer himself rather than the prime minister or the (inner) cabinet – or in the case of inflation reflect the judgements and actions of the independent Reserve Bank. Secondly, the global economic circumstances matter greatly. Thirdly, there are questions about whether a treasurer's performance on say unemployment should be measured as the *average* rate over their tenure (which makes it hard for a treasurer such as Lyons who inherited very high unemployment to look good) or the *change* over their tenure (which makes it hard for a treasurer such as Holt who inherited very low unemployment and inflation rates to look outstanding). Regardless of whether she or he is truly responsible for them, politically, a long-serving treasurer will 'own' the economic outcomes by the end of their tenure and likely be judged by their legacy.

[76] Bynander and 't Hart (2006). Skowronek (2011, p 13) gives the extreme example of this problem in an American context with John Adams feeling so restricted by the legacy of Washington that he keeps the great man's cabinet in place.
[77] UK chancellor Kenneth Clarke (2004, p 184). Dell (1996, p 243) makes the same point.
[78] Swan (2005, p x). Similarly, Bowen (2015, p xiv) argues 'the job of a treasurer is to be a competent manager of the economic cycle'.

Reforming treasurers

Some, but not all, treasurers want to be more than just good economic managers of the status quo. They want to be reformers and build an economy that is stronger, more efficient and perhaps fairer. As Saul Eslake has put it, 'a good treasurer expands the scope for economic policy reform.'[79] Bowman and Grattan (1989, p 156) have argued that 'self-confidence, clean-cut positions (whether acquired or self-generated) and a strong dash of political courage are necessary in those that would promote change'.

As Gough Whitlam (1957) once lamented, 'the way of the reformer is hard in Australia'. It requires many skills. As Goldfinch and 't Hart (2003) put it, 'reformist leadership requires the embracing of novel policy ideas, the skills to "sell" them to diverse audiences, and the wielding of power to see them enacted'.

Since Keating, educating and advocating ideas to the media is now seen as important, although some previous treasurers were reticent to take on this role. Frank Crean (1993, chapter 14) did not see himself as a marketer; 'as far as the press was concerned I never refused to see anyone but I did not believe it was right for them or for me that I should seek them out'. Now it is regarded that 'part of the treasurer's job is to do good economic policy but an equally important part of the job is to sell it'.[80]

As Machiavelli noted of changes to systems of government:

> The person bringing in the changes will make enemies of everyone who was doing well under the old system, while the people who stand to gain from the new arrangements will not offer wholehearted support…partly because people are naturally sceptical: no one really believes in change until they've had solid experience of it. So as soon as the opponents of the new system see a chance they'll go on the offensive…[81]

[79] Saul Eslake, cited in Kelly (2012). Eslake has also said that the three core requirements for a good treasurer are managing the economy effectively, convincing the public that the treasurer is responsible for the good results and being the spearhead for reform; cited in Kelly (2012). Similarly, Bowen (2015, p xiv) writes that 'it falls to the treasurer to explain the need for economic reform'.
[80] Economist Saul Eslake, quoted in Ellis (2011).
[81] Machiavelli (c1515, chapter 6, p 23).

Views differ about whether it helps or hinders a reformist treasurer to have ambitions for the highest office. The UK's Nigel Lawson (1983, p 253), who did not have that ambition, mused that 'on the one hand my actions did not excite the suspicions among my cabinet colleagues' but on the other hand there was less incentive for them to be supportive as 'there was no future in being a Lawsonite'. Marsh, Richards and Smith (2000, p 324) suggested it made him more willing to take risks.

The qualities that make a good treasurer are also those that make for strong performance in other portfolios. A recent Australian study asked departmental secretaries about the traits of the best ministers they served. Among the responses cited in Tiernan and Weller (2010, pp 148-9) were:

> Intellectual openness, honesty, an understanding of the boundaries between the department and the office…intellectual and personal integrity…judgement in what matters and what doesn't…hardworking, respectful of roles…a person with principles and high ethical standards…intellectually very able…a clear vision of what the government's objectives are…good ministers have a framework, trust senior people, good judgement, decide quickly…

But beyond these general observations, the search for objective characteristics that predict success for treasurers may not be rewarding. Roy Jenkins (1998, p 10) concluded from his study of UK chancellors that 'they are almost, but not quite, as variegated as a random selection of any nineteen reasonably successful men. They all had somewhat more than average ability and substantially more than average ambition'.

Treasurers and crises

It is sometimes claimed that prime ministers and presidents can only prove their greatness by leading their countries in times of crisis, which can be defined as an unusual event characterised by significant threats to well-being, a sense of urgency and a high degree of uncertainty.[82] It can hardly be a coincidence that lists of great leaders of the 20th century generally include names such as Curtin, Churchill, Washington and Roosevelt who led

[82] 't Hart and Tindall (2009, pp 4-6).

their countries during major wars. As 't Hart and Tindall (2009, pp 4-6) argue, this raises the question of whether treasurers can best demonstrate their greatness by coping with economic crises such as global depressions.[83]

Some studies of leadership, such as Grint (2010, p 19) suggest that people who are good at managing crises are better rewarded than those whose good management avoids crises arising. As 't Hart (2011c, p 203) points out, a successful reformer will 'not let a good crisis go to waste' but is rather aware that 'history rewards those who have the capability to understand and interpret the crisis of the day to underpin hitherto infeasible attitude and policy change'. A reforming treasurer may be more likely to succeed if they can frame a policy challenge as a crisis as in these periods the populace has a 'greater willingness to accept unconventional measures'.[84] They need to be careful though not to be blamed for creating the crisis.

Ansell, Boin and 't Hart (2014, pp 433-3) identified five core tasks in political crisis management; sense-making, shaping responses, meaning making, account giving and learning. For a treasurer facing a recession these five tasks may translate to explaining how the economic problem reflects external influences, devising a policy response such as an economic stimulus package, explaining why this is necessary, explaining how the policy worked to limit the rise in unemployment and developing better policy responses for future recessions.

Typologies of treasurers

There are very few analyses specifically referring to types of treasurers or finance ministers. There is, however, an extensive literature on prime ministers, a sub-set of the large genre of leadership studies. There are also some analyses of cabinet ministers in general, albeit not that many.[85]

[83] A study of UK chancellors devotes a chapter to dealing with crises. It starts by asserting that 'no chancellor…has the right to regard himself or herself purely as a victim of circumstances' and that their main task was dealing with crises, adding that it may be that 'we remember chancellors for the crises that befell their periods of office…[and] judge them on the extent to which they were responsible for the crises, and the ways in which they dealt with them'; Holt (2001, p 228). John Major (1999, p 135) has ruefully reflected that 'the Treasury enjoys a crisis, having had a good deal of experience with them', but treasurers usually enjoy them less.

[84] Goldfinch and 't Hart (2003, p 238).

[85] Andeweg (2014) observes 'presidents and dictators attract psychobiographers, but ordinary ministers in parliamentary systems do not…We still know very little of why and when some ministers are moulded

Arguably the most-cited typology by journalists and politicians themselves is that by UK Labour cabinet minister and maverick Tony Benn, who classified politicians into three types; *straight men* such as Jim Callaghan, *fixers* such as Harold Wilson and *maddies* such as Margaret Thatcher. Barry Jones (2016, pp 138-9) believes this pattern can be identified as far back as Homer; with Hector the straight man, Odysseus the fixer and Achilles the maddie. Among recent Australian leaders, Howard might exemplify the straight man and Hawke and Gillard the fixer,[86] while Keating is a self-confessed maddie[87] and many would place Abbott in that category too. As Deane (2015, p 68) puts it, 'there hasn't yet been a category created to contain Kevin Rudd'.

Another informal classification with a particularly Australian flavour comes from Sol Encel (1961, pp 175-6) who classifies prime ministers and opposition leaders as larrikins, characterised by use of 'lowbrow' humour, a liking for the 'cut and thrust' of politics and a low regard for ideals (eg Reid, Hughes, Fadden, Calwell and Gorton) and *prima donnas* (eg Deakin, Bruce, Curtin, Menzies and Whitlam).[88] An updated list would probably see Rudd and Turnbull added to the *prima donnas*, Hawke, Latham and Abbott to the larrikins, and Keating perhaps added to both. There would seem to be a third category needed for more modest and sober leaders (eg Watson, Cook, Scullin, Chifley, Holt, Howard, Crean, Gillard, Shorten).

Much of the academic literature on political leadership boils down to distinguishing two essential types. The first are 'managers' whose ambition is to manage competently the existing institutions. In the context of treasurers, they would seek to maintain a strong rate of economic growth (or improve well-being if more progressively inclined), keep unemployment and inflation low and keep the budget in a sustainable position in a longer-run sense. The second group are 'reformers', who also want to be competent managers, but want to go further and transform the existing structures, making the economy operate more efficiently (and improve any trade-off between inflation and

by the institutions and others change them'. Rhodes (2006, p 323) asks 'where are the theories, the models and the typologies of executive government in parliamentary systems…?'

[86] Adams (2008) includes Chifley as a straight man, Menzies as a fixer and Keating as a maddie. In Adams (2013) he adds Rudd as a straight man, Gillard and Shorten as fixers, and Evatt and Whitlam as maddies. Crabb (2010) classes Beazley and Crean as straight men, Hawke and Gillard as fixers, and Keating, Latham and Rudd as maddies. Dobell (2013) classes Rudd as a straight man, Gillard as a fixer and Abbott a mixture of fixer and maddie.

[87] Keating phone call to Mark Latham, 12 October 1999, in Latham (2005, p 117).

[88] Encel (1961, pp 175-6).

unemployment so that both can be lower) and changing the distribution of incomes and opportunities. Some of these studies are listed in Table 2.1. Blondel and 't Hart observe that it is now commonplace to distinguish *leaders* and *managers*, a distinction Blondel believes can be traced back to Plutarch.[89]

Table 2.1: Sources of contrasting typologies of political leaders

Managers	**Reformers**	**Source**
Lions	Foxes	Pareto (1916)
Spectator	Lawmaker	Barber (1965)
Minimalists/executive	Initiator/creative	Headey (1974a)
Conservatives	Reformists	Paige (1977)
Transactional	Transformational	Burns (1978)
Straight men/fixers	Maddies	Tony Benn
Reactive	Anticipatory	Richardson, Gustafson & Jordan (1982)
Office-holders	Real leaders	Blondel (1987)
Expressive	Mobilising	Kavanagh (1990)
Voyeurs	Participants	Keating (1990)
Passive	Active	Barber (1992)
Spectators	Activists	Blondel (1993b)
Maintainers	Initiators	Maddox (2000)
Legitimator/minimalist	Initiator/accelerator	Marsh, Richards & Smith (2000)
Agents/managers	Commanders	Norton (2000)
Collectivist	Interventionist	Smith (2000)
Constraint respecters	Challengers	Keller (2005)
Hobbesians	Lockeans	Jones (2006)
Transactional	Inspirational	Nye (2008)
Managers	Mobilisers	Miller (2008)
Conservative	Radical	Errington (2008)
Maintenance ministers	Policy drivers	Tiernan & Weller (2010)
Managers	Leaders	't Hart (2014b)

[89] Blondel (1987, p 20) comments 'from Plutarch to the present day, it has apparently been accepted that there are "heroes", "illustrious men"… it has also been assumed there was very little to be said for or about the great majority of leaders'. 't Hart (2014b, p 8) argues the literature, probably unfairly, tends to regard the *leaders* as inherently more admirable than the *managers*. A practitioner, the former chief of staff to Greg Combet, Allan Behm (2015, p 68) opined that leadership is about ends whereas management is about means, as well as casting leadership as transformational and management as transactional.

This reformer/manager split is sometimes cross-classified by whether the leader attempts to implement their approach through imposition or by building consensus. This leads to what Richardson, Gustafson and Jordan (1982) and Errington (2008) refer to as four differing 'policy styles'. The conservator, generally the most common, maintains the status quo by consensus. The regulator is more assertive but also wants to maintain the current system. When a strong treasurer drives change, they can be classified as transformational. If they achieve change by building support for it through skilled advocacy they belong in the concertation category.

Table 2.2: Policy styles of Australian treasurers

	Managers	Reformers
Means of exercising authority		
Imposition	**Strong regulators**	**Transformational**
Consensus	**Conservatorship**	**Concertation**

Richard Holt (2001) provided a typology specific to UK chancellors of the exchequer on two dimensions. Firstly, he classified them on whether they were seeking to encourage or discourage faster growth in demand. Secondly, he classified them by whether they want to make long-term changes to the economy; with Dalton, Maulding, Howe, Lawson and Brown regarded as long-sighted. The second criterion is essentially the *reformer* category again. The problem with Holt's typology is that his first criterion probably applies more to the stage of the economic cycle than being an inherent characteristic of treasurers themselves. Long-serving treasurers would fall into the expansionary category at some stages of their treasurerships and restrictionist category at others.

Another approach to cross-classifying leaders is James Barber's (1992) much-cited study of US presidents, which classified them on two dimensions; their activity or passivity and their positivity or negativity -- their enjoyment of the role. Of the first four presidents, Washington was passive-negative regarding establishing stability as his duty; John Adams, a dour Puritan, was active-negative; the brilliant Thomas Jefferson was active-positive while the irresolute and unsuccessful James Madison was

passive-positive. Among later presidents Barber classified Wilson, Hoover, Johnson and Nixon as active-negative, having lofty goals but being crushed by their failures to achieve them when they stuck rigidly to policies that were failing.[90] Coolidge (and to a lesser extent Eisenhower) he classed as passive-negative and Taft, Harding and Reagan as passive-positive. FDR was the exemplar active-positive president with Truman and Kennedy also falling into this category. Their self-esteem allowed them to experiment with policies and switch if they did not work and to enjoy their tenure in the job. Of the presidents since Barber wrote, Clinton and Obama might be classed active-positive (and Trump probably too unless his perception that the job is harder than he expected and his lack of achievement moves him into the active-negative category), and Bush Jnr as passive-positive. An attempt to quantify the analyses of Barber by Simonton (1987, pp 207-209), however, did not find they had any predictive power, or even correlation, with measures of presidential success.[91]

Barber's framework was used by Henderson (1992, p 100) to distinguish what motivates people to enter politics. He suggests 'the active-negatives are drawn by a need for power; the active-positives by a desire to achieve certain policy goals; the passive negatives by a sense of duty; and the passive-positives by a search for affection, gained principally through their ability to perform on the political stage'.

Greenstein (2004, p 3) claimed that Barber's approach is inapplicable to Westminster systems, where there is arguably a 'tradition of collective leadership' and 'the rare Winston Churchill, Margaret Thatcher or Tony Blair is far outnumbered by the many Stanley Baldwins, Harold Wilsons and John Majors, whose personal impact on government action is at best limited'. But this is a tradition that many writers argue has been disappearing. For Australia, Brereton and Walter (1978) classify Fraser as active-negative and Whitlam as active-positive based on a textual analysis of their replies to parliamentary questions without notice. The Barber model is applied to Australian treasurers in Chapter 10, especially Table 10.7.

[90] Wilson's failure to compromise over the League of Nations, Hoover's failure to adapt his economic policies to the Great Depression, Johnson's refusal to negotiate over Vietnam and Nixon's problems with Watergate all contributed to the failures of their presidencies; McKay (2014, p 443).
[91] Simonton (1987, pp 207-209).

A brief selective survey of the literature on leadership

A recent survey of literature surveys from the vast area of writing on leadership concluded 'there is precious little evidence that there are any qualities that mark out leaders'.[92] A more optimistic interpretation from Blondel's (1990, p 284) reading of the literature was that 'at least intelligence, dominance, self-confidence, achievement, drive, sociability and energy have appeared positively correlated with leadership in a substantial number of studies undertaken by experimental psychologists'. As Blondel (1990, p 284) observed, 'psychologists have shown that different types of leadership are appropriate to different situations. A more "task oriented" leader will be satisfactory when problems are relatively simple, a leader more concerned to establish a "rapport" with the led will be more appropriate where the questions to be solved are complex'. Classic examples are Churchill and de Gaulle whose leadership was popular during war but were dispensed with once peace came.

Along similar lines, Hermann (2014, p 120) has argued that the preferred leadership style varies with circumstances; in turbulent times priority is given to leaders who 'take charge and provide the public with some sense of security' while in more tranquil periods 'leaders who are good at day-to-day politics, at listening and building consensus, become more in demand'. Hartley (2014, p 676) observes that of long lists of qualities conjectured in individual studies to be associated with effective leadership failed to be replicated in other studies and that 'different leadership contexts and leadership challenges may require different behaviours and actions to be effective'.

Another recent literature survey, by Hermann (2014, pp 120-125), suggested that key features of political leaders are their beliefs, leadership style, motivation, reactions to stress, background and experience. Treadway, Bentley, Williams and Wallace (2014, pp 511-2) concluded that the characteristics that result in effective political leadership are perceptiveness, a 'high internal locus of control' (ie a belief that the individual can control outcomes), affability and extroversion. A study by 't Hart (2011a, p 323) concludes 'effective public leaders are those who are able to continuously strike a viable balance between the requirements of prudence, support and trustworthiness'.

[92] Reicher, Haslam and Platow (2014, p 150). Nye (2008, p 22) agrees but regards this as a good thing; if scholars had produced a cookie-cutter leadership style, individuals would be forever trying to imitate it'.

Blondel (2014, p 712) distinguished three views of political leadership.[93] The *American* approach assumes leaders generally act in the interests of the country, as their values lead them to perceive this, and can achieve much. The *African* approach assumes leaders generally act in their own interests. The *European* approach assumes leaders aspire to act in the interests of their country but are heavily constrained and cannot achieve much. The Australian view is probably closest to the American. As Paul Keating put it, 'when you change the government, you change the country'.[94] Australia has been fortunate in its treasurers. None have been regarded as primarily motivated by self-enrichment. Only two have had to stand down due to financial scandals (Theodore and Lynch) and both returned to cabinet and were never convicted by a court.

A characteristic of leaders, especially in the business world, is that they are ready to take risks. This is sometimes incorrectly interpreted as a characteristic of *good* business leaders. But, as Grint (2010, p 53) argues, truly 'it is only the successful ones that survive' and which therefore attract attention; we know little about the majority who take risks and are unlucky while those favoured by the fall of the dice 'bewitch us with their tales of destiny'. Perhaps more accurate is that the characteristic of a good leader is taking some *well-judged* risks. A saying attributed to Mark Twain among others is that 'good judgement comes from experience and experience comes from bad judgement'.[95]

Psychobiographical insights

Harold Lasswell (1930, 1948) pioneered the application of psychology to the analysis of politicians. In Australia, the approach has been developed by the 'Melbourne school' founded by Alan Davies.[96] Some of the prominent Australian authors of political psychobiographies are Judith Brett, Graham Little and James Walter.

Lasswell conjectured that the most driven politicians were those who endured doubtful self-esteem in childhood, caused by doubts about whether they met the strong expectations held for them by their parents.[97] This has been challenged by later writers.

[93] Blondel (2014, p 712).
[94] Keating in 1996, cited by Brett (2008, p 111), who also points to a similar statement by John Howard in 2007; 'there is no such thing as a change of government when everything continues the same'.
[95] Grint (2010, p 67).
[96] Walter (2007, p 148).
[97] He refers to future leaders as having 'been deprived of the power to which they believed themselves entitled'; Lasswell (1948, pp 39-44).

Indeed Renshon (2014, p 136) suggested accumulated research shows most political leaders do not match Lasswell's hypothesis and that many seek power to validate high estimates of self. For example, leaders such as Whitlam have shown an 'expansiveness and optimism' that 'is simply not consonant with a predominantly ego defensive personality'.[98]

Lasswell classified political actors as *agitators*, *administrators* or *theorists*. Agitators are strongly narcissistic 'with an urge to win an emotional response from the public'.[99] Lasswell (1930, p 78) describes the agitator as 'enough agitated about public policy to communicate his excitement to those about him'.[100] He 'lives in effect, to shout or write – to be noticed, to provoke and to leave his mark'.[101] But agitators are 'notoriously contentious and undisciplined', may have been overindulged when growing up and seek emotional responses to satisfy underlying emotional drives. By contrast the administrator looks to a small group rather than the mass public while the theorist is not focused on an audience at all. The theorist, of whom Woodrow Wilson was the archetype, is marked by emotional detachment. While the agitator seeks to mobilise the people, the administrator works through systems and the theorist seeks to change the world. To the administrator, the agitator 'exaggerates the difference between one desirable social policy and another'. While Lasswell regarded politicians such as Hoover as specialised administrators and Marx as a specialised theorist, there were those such as Lenin who were composites of all three types.

Lasswell argues that the types of political actor result from underlying character. The compulsive character, who 'relies on rigid, obsessive ways of handling human relations', tend to become an administrator; while the dramatising character, who demands affection, tends to become an agitator.

Predicting the performance of treasurers

Drawing together the strands of literature and typographies discussed above, a matrix can be constructed of type of treasurer and context. It can be postulated that in benign economic conditions the current orthodoxy is resilient and there is little demand for

[98] Alternative psychological factors have been posited, such as failure to experience 'optimal frustration' to explain his unusual drive; Walter (1981, pp 33-34).
[99] Davies (1980, p 14), Lasswell (1930, pp 78, 125).
[100] Lasswell (1930, p 78).
[101] Davies (1980, p101), Lasswell (1930, p 79).

radical change and so managerial treasurers will be assessed favourably and the road will be hard for reformers. By contrast when the prevailing economic model appears to be failing, and so the current orthodoxy is more vulnerable to challenge, managers may seem complacent and reformers more favourably regarded.

Skowronek presents a typology along these lines for US presidents, summarised in Table 2.3. Perhaps inspired by Plutarch, Skowronek (1993) likes to compare 20th century presidents with their predecessors facing similar circumstances.

Table 2.3: Skowronek's first typology of US presidents

	Affiliated to orthodoxy	Opposed to orthodoxy
Resilient orthodoxy	**Articulation**	**Pre-emption**
	Munroe, Polk, T Roosevelt, L Johnson, G Bush snr	Tyler. A Johnson, Taylor, Cleveland, Wilson, Nixon, Clinton
Vulnerable orthodoxy	**Disjunction**	**Reconstruction**
	J Adams, JQ Adams, Pierce, Buchanan, Hoover, Carter	Washington, Jefferson, Jackson, Lincoln, FD Roosevelt, Reagan

Source: derived from Skowronek (1993, pp 36-57 and 2011, pp ix, xii, 29, 85-113), 't Hart (2011b, p 427).

The presidents most admired by history tend to fall in Skowronek's *reconstruction* cell, introducing reforms to address evident problems. By contrast, the *disjunctive* presidents failed to deal with a vulnerable orthodoxy, were seen as complacent or old-fashioned and are poorly regarded by history. The *articulative* presidents took on the easiest task in just maintaining a satisfactory status quo and are often regarded by history as bland while the *pre-emptive* presidents were out-of-step and prone to threatened or actual impeachments. To their supporters the pre-emptive leaders were 'conviction politicians' and to their opponents 'zealots'. Skowronek's approach has been generalised to political leaders more broadly by Laing and McCaffrie (2013) and 't Hart (2011b, 2014).

It is possible to distinguish between those leaders who were content, or perhaps restricted, to continuing current policies and those who were reformers, establishing new paradigms and using (or aspiring to use) the position to change the economy. The latter are those who in Skowronek's second typology, sought to 'reset political time'. Skowronek's

model, summarised in Table 2.4, classifies presidents by eras, identifying those who constructed the regime that dominated the era, those who managed the regime and those who floundered during the collapse of the regime. As 't Hart (2011b, p 421) puts it, rather than seeing history as a linear narrative, it views it as 'cyclical time', analogous to paradigm shifts in science. It could perhaps be seen as a political equivalent of the long-term Kondratiev waves some economists see generated by technological breakthroughs, demographics and/or long-term asset price speculation and credit booms.[102] Like the business cycle, Skowronek's eras are not of any fixed duration.

Table 2.4: Skowronek's 'political time' model of US presidents

	Jeffersonian	**Jacksonian**	**Republican**	**New Deal**	**Conservative**
	1800-1828	1828-1860	1860-1932	1932-1980	1980-
Constructing	Jefferson	Jackson	Lincoln	FD Roosevelt	Reagan
Managing	Monroe	Polk	T Roosevelt	L Johnson	GH Bush
Collapsing	JQ Adams	Pierce	Hoover	Carter	

Source: based on Skowronek (1993, pp 59-406 and 2011, pp ix, 21).

Since Skowronek's books were written, it now looks like the conservative era ended in 2008 with George H Bush a better fit as the manager and his son caught up in the collapse of the era in the global financial crisis. For a while it appeared that Obama may have started a new era which Hillary Clinton would have continued but the election of Trump has rendered the outlook very uncertain.

The Skowronek model of political time is applied to Australian treasurers in Chapter 10, more specifically in Table 10.9.

[102] See, for example, Solomou (2008).

Chapter Three: The job of Australian treasurer

Introduction

The term 'treasurer' comes from the mists of British history. There are references to a thesaurarius in the Domesday Book of 1086 and to a 'Henry the treasurer' soon after the Norman conquest; Chapman (1997, pp 12, 55) and Roseveare (1969, p 20). The latter describes the origins of the office as being 'as mysterious as the migration of eels'. By the sixteenth century the Lord Treasurer ranked second only to the Lord Chancellor; Chapman (1997, p 13). This post was held from 1572 to 1598 by Lord Burghley, regarded as 'the master mind of Queen Elizabeth's government', who appointed a secretary, Henry Maynard, effectively the first Treasury department staff member. In time the post of Lord Treasurer was replaced by a Treasury Commission, whose first lord became the prime minister (the doorplate at no 10 Downing Street reads 'first lord of the treasury'); Bridges (1966, pp 17 19 and 160), Chapman (1997, p 15). The 'second lord' is the chancellor of the exchequer, the British equivalent of the Australian treasurer., where the office dates from Norman times.

The office of 'treasurer' has survived through centuries and is replicated in Australia (and many Westminster parliaments). Today the treasurer presents an annual statement of the government's proposed accounts, whose name 'budget' also dates back centuries.[103] A former treasurer, Chris Bowen (2015, p ix), has traced back the use of the title 'treasurer' in Australia to a recommendation in the Bigge report of 1822 that a 'colonial treasurer' be appointed in NSW to administer 'the duty of collection, receipt and account'.

Paul Keating once said of the treasurer's post 'this is a very big and important job. It should be done in a noble way'.[104] This chapter describes some aspects of the treasurer's job.

'Second among equals'?

A common expression to describe the prime minister is 'primus inter pares', that is 'first among equals', a term coined apparently by Robert Walpole, UK prime minister 1721-1742.[105] If cabinet votes to decide on a policy, while all cabinet ministers in theory have an equal vote, the prime minister's view will often sway the vote of other ministers. The prime minister chairs the cabinet and sets the agenda, giving him or her more influence. The prime minister also exercises many powers which do not need the

[103] Chapman (1997, p 17) and Roseveare (1969, p 114) explain it comes from being applied humorously in the 1730s to the *bougette*, a French term for the wallet from which Walpole as chancellor drew out the proposals for the year's finances.
[104] Cited by Cumming (1991, p 329).
[105] Bennister (2012, p 39). Gladstone's minister John Morley used the expression in his biography of Walpole and it may have been Gladstone who suggested the term; G Edwards (2004, p 12).

authorisation of cabinet.[106] In Australia, the prime minister has generally been given the authority to choose the ministers in non-Labor governments.[107] In both Labor and non-Labor governments the prime minister allocates ministers to the various portfolios (although traditionally the deputy leader is allowed the portfolio of their choice). All this is a matter of convention, for neither the cabinet nor the office of prime minister are mentioned in the Australian constitution.

If the prime minister is 'first among equals' then the treasurer is generally, as one British expert put it, 'second among equals'.[108] In formal terms this is a slight exaggeration. Of the 39 men to hold the post in Australia, nine were simultaneously prime minister,[109] three were simultaneously deputy prime minister,[110] seven were ranked second in cabinet where there was no formal deputy,[111] six were nominally third in cabinet precedence but arguably had more influence than the minister ranked second,[112] and only fourteen, mostly short-term treasurers, had a lower status.[113] This is clearly a more impressive record than that of any other cabinet office.

It is generally agreed that 'Treasury is a post which is by far the most important of any in government except that of the prime minister'[114] and 'the second most prestigious job' in cabinet.[115] Alfred Deakin once commented 'everything that matters finds a place in the budget'.[116] As long ago as 1915 there were references in the media to 'the important Treasury appointment – barely second in importance to that of the prime minister himself'.[117] Former treasurer Bill Hayden (1996, pp 220-1), who was nearly a prime minister himself, wrote in his memoirs that the treasurer's job 'was in many ways a more significant role than that of prime minister'.[118] Tony Abbott has said 'after the prime minister, the treasurer has the broadest brief in the government because there are no issues that don't involve the nation's finance'.[119] As Wallace (2015, p 15) observed, 'good

[106] In recent times in Australia these have been termed 'captain's calls', especially by those critical of them.
[107] Labor prime ministers Watson and Rudd chose their ministers too but were careful to include those members who would have polled well in a caucus ballot.
[108] This is the title of Holt's (2001) book about the UK chancellors of the exchequer, the equivalent to the treasurers in Australia.
[109] Watson, Fisher, Scullin, Lyons, Menzies, Fadden, Chifley, Whitlam and Hawke.
[110] Cairns, Keating and Swan.
[111] Forrest, Lyne, Cook, Page, Theodore, Casey and McMahon.
[112] Turner, Watt, Holt, Lynch, Howard and Costello.
[113] Higgs, Poynton, Bruce, Spender, Bury, Snedden, Crean, Hayden, Kerin, Willis, Dawkins, Bowen, Hockey, Morrison.
[114] Journalist Mike Steketee (1975, p 11) and UK chancellor of the exchequer Nigel Lawson (1993, p 248).
[115] D'Alpuget (2010, p 26). Similarly, Oakes (2004) says 'Treasury is indisputably the second-most important job in government'. Murphy (1980, p 118) says 'next to the office of prime minister, it was the most important political appointment in Australia'. Similar views are expressed by economist and journalist John Edwards (1996, p 188) and deputy prime minister Doug Anthony, in Oakes and Solomon (1974, p 52). Senior cabinet minister Greg Combet wrote that 'Treasury was the best job in government'; Combet and Davis (2014, p 285).
[116] *Hansard*, 20 August 1912, pp 2348-9.
[117] *The Age*, 28 October 1915, p 7.
[118] Hayden (1996, pp 220-221).
[119] King (2014, p 258). Similar comments have been made by former treasurer Billy Snedden (1986, p 54:17).

treasurers are a prerequisite for good government and prime ministers cannot succeed without them'.[120]

The holder of the equivalent post in comparable economies is also usually seen as the second-most important cabinet minister in these countries[121] and has an overview of the operations of the government.[122] Unlike in the UK though, Australian treasurers do not have any special privileges over those of other cabinet ministers.[123]

In terms of cabinet ranking, of the portfolios existing since Federation the median ranking of treasurer has been third; compared to fourth for foreign minister; sixth for attorney-general, defence minister and trade minister; and eighth for postmaster-general/communications minister.

[120] Wallace (2015, p 15).

[121] See, for example, Dell (1996, p 146), Donoughue (1985, p 48), Ganesh (2014, p 295), Holt (2001, p 84) and Smith (2000, p 40) for the UK; Farrell (1997, p 48) for Ireland; Henderson (1992, p 111) for New Zealand and Müller-Rommel (1997, p 172) for Germany. Blondel (1997, p 10) notes that other than the prime minister the finance minister tends to be the only minister given a co-ordinating role. Larsson (1993, p 208) reports a survey of European ministers which showed a large majority reporting the finance minister as one of the two most important ministers. A survey of experts in Western Europe by Druckman and Warwick (2005) found that the treasurer/finance minister role was regarded as the most important portfolio (not counting prime minister) in Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Netherlands, Norway, Portugal and Sweden, second in Luxembourg and third in Italy. A similar exercise by Laver and Hunt (1992) covering advanced economies concluded that the portfolio was regarded as the most important (again not counting prime minister) in Australia, Belgium, Canada, Denmark, France, Greece, Iceland, Ireland, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden and the United Kingdom; the second most important in Finland, Germany, Israel, Luxembourg and Malta; and third most important in the United States.
An extreme case was Gordon Brown, who 'behaved as if he was a co-equal to the prime minister, dominating the Whitehall machine and, through his control of the purse strings, controlling almost every aspect of domestic policy' and there are stories of prime minister Blair begging him to be told what was in the budget; Hasan and Macintyre (2011, p 70), Weller (2007a, p 74). One of the few dissenters is former shadow chancellor Roy Hattersley (2001), who points to 'the ease with which failed chancellors are dumped' and argues that 'for almost half a century British economic policy was dictated more by world events than by Downing Street decisions'.

[122] See for example recent chancellor Darling (2011, p 6) for the UK, Larsson (1994, p 177) for Sweden and Boston (1992, p 194) for New Zealand.

[123] The UK chancellor of the exchequer has an official residence at Number 11 Downing Street, next door to the prime minister (whom they can visit through a connecting door), a country mansion, a robe of office, a great seal of office and sleepovers at Windsor Castle. They also engage in a series of rituals when bringing down the budget; being photographed holding a briefcase (most chancellors continued to use Gladstone's ancient briefcase) containing the budget papers outside Number 11, usually being filmed at repose with his family the previous weekend, feeding ducks in St James Park at lunchtime on budget day, having a private audience with the sovereign and being allowed to drink alcohol while delivering the speech; all of which chancellor Nigel Lawson (1993, p 274) recalled as both 'fun' and serving the useful purpose of ensuring 'for one day in the year the attention of the entire nation should be focused on the national economy and the issues involved'. The chancellor also participates in arcane rituals such as the 'Trial of the Pyx', a test of the coins produced by the Royal Mint, where he is accompanied by an official called the Queen's Remembrancer; Lawson (1993, p 278).

The demanding nature of the treasurer's job

Being treasurer has been called 'the most demanding of all portfolios', especially before the finance portfolio was hived off.[124] A former treasurer, Bill Hayden (1996, p 221), recalled that as treasurer he 'had to master every other submission before the cabinet, have a grasp of its detail at least as competently as the portfolio minister…the workload was heavy and the tasks demanding'. As treasurer, William McMahon once mused 'life was never intended to be pleasant for a treasurer'.[125] A former Treasury officer, later to become treasurer himself, Leslie Bury, said: 'in many ways the task of a treasurer is a hapless one. He stands at the main pressure point of government where many conflicting and irreconcilable forces meet'.[126] John Howard argues it is the second hardest job in politics, after opposition leader.[127]

While being treasurer brings a high profile, treasurers are generally not popular.[128] Gladstone's chancellor Robert Lowe described his career in the following jingle;

> Twelve millions of taxes I struck off;
>
> Left behind me six million of gains;
>
> Of debt forty million I shook off;
>
> And got well abused for my pains.[129]

The sheer demands on time and health are often cited, both in Australia and by overseas counterparts. Journalist Laurie Oakes (1998, p 37) has observed that 'a treasurer is almost always associated with bad news'. He has also opined that 'Treasury is by far the most

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[124] Oakes (1976, p 122). Former chief of staff to treasurer Swan, Jim Chalmers, cited in Anderson and Greber (2013, p 17), called it 'the most difficult job in the government'.

[125] *The Sun*, 19 August 1977.

[126] *Hansard*, 21 August 1958, p 648.

[127] Masters (1990b, p 12). Howard is well-placed to judge having been himself prime minister, treasurer, other ministers, leader of the opposition, shadow treasurer and other shadow minister and having spent over thirty years in parliament; arguably only Hughes, Menzies or Page could claim longer or more varied senior experience.

[128] The Australian Election Study has often compared how liked prime ministers are compared to treasurers and the treasurer has never been preferred. Hawke was more liked than Keating in 1987 and 1990, Howard was more liked than Costello in 1998, 2001, 2004 and 2007 and Gillard was more liked than Swan in 2010; McAllister and Cameron (2014, pp 41-45). The treasurer was also less popular than the opposition leader defeated in 1987, 1990, 1998, 2001, 2004 and 2010.

[129] Cited in Winter (1976, p 297). Lowe had earlier said he expected as chancellor to become 'emphatically disagreeable to everyone all around'; Winter (1976, p 247). Treasurers share this obloquy with their department; as McKinnon (2003, p 7) observes 'treasuries have long enjoyed an almost inbuilt unpopularity'.

arduous of portfolios.'[130] As early as 1908 a former treasurer argued that heading the Treasury was more demanding than heading other departments.[131] Even someone as confident as Paul Keating, who regarded himself as 'a quick study', said that 'this gig's a tough one'.[132] As he put it, 'it's not the hours or the work, which is hard enough, it's the responsibility. Nations engage people to worry for them'.[133] He later remarked 'you get stressed beyond all reason – you get used to it but there's an enormous weight on you all the time…no one does it easily. You adapt, but you adapt at a cost'.[134]

A UK chancellor recalled working twice as hard in Treasury as when he was minister for defence and that 'it was very, very tiring indeed…my health got worse and worse…I even got a bad attack of shingles because of my exhaustion'.[135] When he handed over to his successor he said 'welcome to the bed of nails'.[136] One of his predecessors remarked upon taking up the position that he 'soon developed an oppressive sense of awe towards my responsibilities' and worked 'harder than I have ever done in any job before or since' in what he termed 'a very wearing and mostly thankless job'.[137]

Furthermore, even as a treasurer becomes more familiar with the job, in some ways it becomes progressively harder. Wanna (2007, p 30) observed that 'governments run out of steam in undertaking budgetary reforms' as in their early years 'they can criticise their predecessors and inherited systems, they have their own new agenda and priorities and they have enthusiasm'. Costello was one treasurer determined to make a strong start. It was said of him in his first year that he was 'a treasurer determined to push things along right from the start – before ministers were captured by their departments'.[138] But after a

[130] Oakes (2004). A similar comment was made by treasurer Crean (1983, p 11:17).
[131] Chris Watson, *Hansard*, 11 December 1908, p 3165.
[132] A conversation recalled by Bob Ellis (2002, p 391).
[133] Cited by Cumming (1991, p 330).
[134] Cited by Carew (1990, p 28).
[135] Denis Healey (2004, pp 59, 62), UK chancellor of the exchequer 1974-1979. He had earlier listed frequent colds, deafness in one ear, arthritis in a shoulder and problems with his teeth as maladies consequent upon this job, adding that 'when I had my routine medical check-up, the doctor and nurse together found it impossible to get any blood out of me, confirming all the popular myths about chancellors'; Healey (1989, p 384).
[136] Howe (2004, p 76).
[137] Roy Jenkins (1991, pp 218, 226 and 369), UK chancellor of the exchequer. He said that on a typical weekday he was at his desk until 8 pm and usually worked five or six hours each Saturday and Sunday. An earlier chancellor, Hugh Dalton (1962, p 19), described being chancellor as one of 'the two most killing offices'. A later chancellor, Nigel Lawson, described the job as 'exceptionally demanding and takes a heavy toll of personal and family life', where the only relaxation during the week was during cabinet meetings; Lawson (1993, p 706), Paxman (2002, p 217).
[138] Oakes (1996).

few years he was moaning that he only had a few more budgets in him and was increasingly seen as bored and lazy.

But despite this hardship it is a rare minister who turns down the treasury portfolio or gives it up voluntarily.[139] Some treasurers such as Fadden retired due to age and/or ill health. Some such as Bruce quickly stepped up to become prime minister. Probably only Cook, keen for the social whirl in London as high commissioner, found another job more appealing. (The reasons for treasurers' departures are summarised in Table 3.2 below.)

Treasurers need to be skilled politicians more than economists

There seems no general view that the treasurer should be an economist or accountant. 'While they all [the ministers] accepted that the Attorney-General should be a competent lawyer, most agreed with the principle of the generalist' for other ministries.[140]

Economic understanding is likely to be more important for treasurers than for prime ministers but judgement and luck are probably still more important. Even Treasury officials purportedly believe 'it is more important for a treasurer to be a good politician than a good economist'.[141] A UK chancellor of the exchequer argued that treasurers with an economic background often 'try to make generalisations from situations described by their teachers when they were students which had actually occurred twenty years earlier. So economic theory tended to be based far too much on what happened two generations earlier'.[142] He quoted with approval a former treasurer of England (and bishop of London – God and Mammon then having closer links) who wrote back around 1170 that; 'non enim in ratiociniis sed in multiplicibus iudiciis excellens scaccarii sciential consistit'; which translates as 'the highest skill of the exchequer does not lie in calculations but in judgement of all kinds'.[143]

[139] In the UK, Holt (2001, p 84) believes 'nobody since the second world war has turned down the job'. Dalton and Macmillan may arguably have preferred to be foreign secretary.
[140] Weller and Grattan (1981, p 52).
[141] Carew (1988, pp 110-111).
[142] Healey (2004, p 55). Samuel Brittan (1971, p 55), an informed observer of British politics, believed that 'considerable harm has resulted in some recent years from politicians in the highest positions who had exaggerated ideas of their own economic understanding'.
[143] Denis Healey (1989, p 383 and 2004, p 58) quoting Richard, son of Nigel. In the UK Kenneth Baker said of Keith Joseph that his 'much greater intellect…made him indecisive…he could see both sides of the problem'; cited in Marsh, Richards and Smith (2000, p 310).

But as economist Joan Robinson (1959, p 17) has said, 'the purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists'. A treasurer with some economic training is less likely to be bamboozled by economic jargon and better able to probe Treasury advice. Bill Hayden, later to be treasurer himself, but at the time an MHR studying economics part-time, once referred to the 'control, pressures, directions and intimidations for which the Treasury has become so well renowned' but hoped a treasurer with economic qualifications could resist them.[144]

In Australia, the first treasurer with formal economics training was McMahon, followed by Bury and Cairns. None have been particularly admired as treasurers.[145] The more respected Theodore and Chifley, while men of the world with an astute political 'nose', had no university education and left school early. Both were, however, dedicated autodidacts and had read more economics texts than many students who took a course or two in economics during their university studies.[146] Since Holt, the only treasurer without a university degree of any kind was Keating, regarded by many as the most successful.

Relative to some comparable countries, Australian ministers tend to have less specialised knowledge about their portfolios but more political and presentational skills.[147]

Views differ about how difficult it is for potential treasurers to get a good grasp of economics. The eminent physicist Max Planck, who developed quantum mechanics, once told Keynes he had considered going into economics but decided it was too hard while the eminent philosopher Bertrand Russell decided against going into economics as it was too easy and Keynes himself regarded it as 'an easy subject at which very few excel' as it requires a combination of mathematician, historian, statesman and philosopher.[148]

[144] *Hansard*, 23 August 1966, p 321.
[145] As Freudenberg (2009, p 81) observed, 'there has never been any obvious relationship between the success of an Australian treasurer and prior training in economics'.
[146] As Charlton (2015, p 68), reviewing Bowen (2015), observed, 'knowledge is more important than qualifications'.
[147] Headey (1974b, p 78), who compares Australia, Canada, Netherlands, UK and USA.
[148] Keynes (1924a, p 173), Harrod (1950, p 137), Heilbroner (1953, pp 238, 261).

Treasurers' relations with prime ministers

John Howard, who held both jobs for long periods, observed that 'prime ministers will always leave the dirty work to treasurers'.[149] As he explained in Howard (2010, p 537), 'it is the role of the treasurer always to argue for expenditure restraint. It is the responsibility of the prime minister, at various times, to determine that additional expenditure in certain areas is necessary'. Political journalist Annabel Crabb has opined that 'any treasurer who isn't a bit more of a tightwad than the PM is probably in the wrong job'.[150] Academic Rodney Tiffen (2017, p 76) opines that treasurers typically 'see themselves as custodians of policy purity, while prime ministers are more electorally attuned'. Journalist George Megalogenis (2015) remarked 'we tend to think of prime ministers and treasurers as mortal enemies'. The same holds overseas; President Obama once remarked that 'you know how finance ministers are; they're more conservative'.[151]

Edwards (1996, p 168) noted that 'a successful treasurer needs the support or at worst the neutrality of the prime minister'. Bowen (2015, p xii) concludes from his analysis of treasurers that 'successful treasurers work in partnership with a supportive prime minister'. Howard (2010, p 537) has written that 'the dynamic of the cabinet process is that the backing of the prime minister is essential to winning the approval of any economic change or reform which involves a measure of short- or long-term political pain'. Bramston (2014, p 124) records Paul Keating as once remarking 'you can't preside over such fundamental adjustments without a substantial and deep unity of purpose between the prime minister and the treasurer.' Interviewed by O'Brien (2015, p 178), Keating observed that this is not always available; many prime ministers take the view that they 'need reforming treasurers like they need a dose of rabies'. Simon Crean observed 'in the end a treasurer is only as strong as the prime minister allows him to be'.[152] Weller and Cutt (1976, p 78) observe that in cabinet the treasurer is usually the best-briefed minister[153] but 'if he is to win consistently he requires the prime minister's support'. It has been suggested 'the tag team is the better model for a reformist government, with the

[149] Cited in Masters (1990b, p 10).
[150] Crabb (2014). She later commented in Crabb (2016, pp 171-2) that 'tensions between treasurers and prime ministers are a common and sometimes even productive feature of government'.
[151] He made the comment to a finance minister who is an exception to the rule; Greece's then finance minister Yanis Varoufakis who complained that Obama's treasury secretary was less sympathetic to his complaints about the austerity programme being forced on the Greek government; Parker (2015, p 49).
[152] Simon Crean, referring to his father's period as treasurer, cited in Hocking (2012, p 102).
[153] Perhaps along with the finance minister.

treasurer as agitator and the prime minister keeping an eye on the politics.'[154] Laing and McCaffrie (2013, p 85). observed that 'in terms of setting policy and implementing regime change, prime ministers commonly operate in tandem with their treasurers'; with Curtin/Chifley, Hawke/Keating and Howard/Costello given as 'prime examples'. Bruce/Page was an earlier example of a prime minister and treasurer who had a warm and productive relationship. On the other extreme, Hughes and Watt never got on and it is unsurprising that Watt did not last long in the role and never achieved what his abilities could have allowed with a more supportive leader. Watson, Fisher and, for some of their terms, Lyons and Chifley got around the problem of relations with the prime minister by taking both roles themselves.[155]

In Europe Larsson (1993, p 207) observed that ministers of finance 'are bound to develop a special relationship with prime ministers'. In the UK, Enoch Powell once remarked 'if the prime minister isn't on the chancellor's side, nobody's on his side'.[156] Denis Healey said 'the most important single thing for a chancellor is to work well with his prime minister'.[157] But the prime minister is (usually) the boss. Lawson (1993, p 249) recalled that when Margaret Thatcher appointed him chancellor she told him to get his hair cut.

With the treasurer generally regarded as the second most important position, prime ministers may be wary of treasurers who could prove to be rivals. Bennister (2012, p 49) said of John Howard that he was wary of Costello, being 'keenly aware of the way Paul Keating had used his position as treasurer to launch his ultimately successful defeat of sitting prime minister Bob Hawke'. Fear of giving a rival a large stage is also why Tony Abbott resisted pressure to replace Joe Hockey as treasurer with the more able Malcolm Turnbull. It has been said that the ideal treasurer 'already has the requisite seniority yet

[154] Megalogenis (2006, p 95). Similarly, Laing and McCaffrie (2013, p 85) observe 'prime ministers have tended to be the agenda setters and symbolic leaders of reform, securing support within the electorate, whilst their treasurers have had more substantial roles in implementation'.

[155] Keating contemplated this too but Don Russell persuaded him against the idea; O'Brien (2013). Some colleagues warned him that taking on both jobs from 1945 to 1949 drove Chifley to an early death. Hawke had laughed at this suggestion when Keating made it in 1988; Hawke (1994, pp 450-1). Yet Keating suggested to Mark Latham he be both opposition leader and shadow treasurer; Latham's dairy 13 December 2003, in Latham (2003, p 255). Gladstone in the UK had also combined the roles in what Jenkins (1998, p 7) terms 'an exhausting arrangement'.

[156] Cited in Hennessy (1989, p 394).

[157] Cited in Kynaston (1980, p 149).

is not a threat to the prime minister'.[158] Chifley's loyal support for Curtin is probably the gold standard in this respect.

Treasurers' relations with other cabinet ministers

A difference between cabinets in Westminster systems[159] and presidential systems[160] is that Westminster systems require cabinet ministers to express views across portfolios and, being recruited from the ranks of parliamentarians, ministers usually do not have extensive experience in the subject of their department when they are first appointed.[161] Westminster ministers are sometimes termed *amateurs* but are required to be a mix of political generalists, technical specialists and managers.[162] They are therefore more mobile ministers, who hold more than one portfolio during their careers. This also makes them more able and willing to discuss matters outside their own portfolios.

But there are differences in the extent to which ministers typically range outside their own departments. The treasurer tends, along with the prime minister obviously, to have a broader responsibility in cabinet and their views are given more weight.[163] As Weller (2007b, p 240) observed, Treasury (and since 1976 Finance) is the only department that prepares briefs on almost all cabinet submissions.

Treasurer Bill Hayden (1996, p 211) reflected that 'the job has also required one to be quite tough, even rough, in rebuffing a good friend in cabinet'.[164] This would have troubled a sensitive soul like Hayden. Some other treasurers were more brusque; John Dawkins commented 'I don't go into the cabinet room to make friends'.[165]

As a recent political insider put it, treasurers 'are always caught between the rock of fiscal rectitude and the hard place of ministerial ambition'.[166]

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[158] Holt (2001, p 90). This implies not always appointing the best person; as Holt puts it, 'the notion that a chancellor has to be *papabile* is not one that has always appealed to the papal incumbent'.
[159] For example, countries with a British heritage such as Australia, the United Kingdom, Canada, India and New Zealand, but also others such as Italy, Japan and Sweden.
[160] For example, the United States, Brazil and Mexico.
[161] In countries, similar to Australia only 6 per cent of appointees to finance and trade ministries were classified as 'specialists' by Blondel (1985, pp 203-205).
[162] Blondel (1991a, pp 7-8).
[163] Tiernan and Weller (2010, p 177).
[164] Hayden (1996, p 211).
[165] Cited in *The Age*, 29 December 1991. As treasurer, Dawkins became known as bad-tempered as he 'savaged' proposals advanced by spending ministers; Blewett (1999, p 291).
[166] Chief of staff to Greg Combet, Allan Behm (2015, p 38).

Treasurers' relations with other stakeholders

Holt (2001, p 157) noted one indication of the toughness of the job, and their frequent unpopularity with cabinet colleagues, is that beleaguered treasurers and finance ministers often enjoy attending conferences with their overseas peers. They may indeed find their 'only political friends' among this 'finance ministers' trade union'.[167]

As well as his leader, there are other important stakeholders with whom a treasurer needs a sound relationship to be effective. For Labor treasurers, the caucus is the main one. The role of the party room in non-Labour governments is less clear, although for many Liberal treasurers, the attitudes of powerful Country Party leaders were important. When minor parties control the Senate, the ability to negotiate effectively with them matters. The unions in the case of Labor treasurers and the main business leaders for non-labour treasurers are also important.

Increasingly, with financial deregulation, it has been important for Treasurers to have the confidence of financial markets. Contrary to Keating's boast that he 'had them in his pocket', often it seems that the markets limit the actions of modern treasurers, likely imparting a conservative bias to policy. Ratings agencies have a considerable amount of power and influence (utterly unjustified by their performance, in the view of many). Their influence on markets has increased the leverage of financial journalists.

The treasurer's job as a 'stepping stone' or 'poisoned chalice'

An inherent attraction in being treasurer is that it is important work that can be very satisfying. But another part of the appeal is that it is often seen as a 'stepping stone' towards the prime ministership.[168] It raises public profile and allows the incumbent to demonstrate an ability to do a difficult job. Of Australia's 29 prime ministers, nine had previously served as treasurer, whereas only three had been foreign minister, three defence minister and three attorney-general.[169] Many of the classic leadership challenges

[167] Lawson (1993, p 274). A predecessor, Denis Healey (1989, p 419), agrees, commenting that 'belonging as we did to the most depressed and unpopular caste in the political life of all our countries, as untouchables we developed a friendly freemasonry which transcended our political differences'.

[168] Weller (2007b, pp 263-4) refers to '…the potential successors who might feel inclined to wrestle the position from their leader are often treasurer'. Keating and Costello are obvious recent examples. For a time, Hockey was also seen as a potential replacement prime minister.

[169] This is similar to the pattern in post-war Europe where Treasury or its equivalent was the department in which a prime minister has been most likely to have served before gaining the top post; Müller and Philipp (1991, p 144).

to prime ministers have come from their treasurer or equivalent; not just Hawke/Keating (or the undeclared Howard/Costello rivalry) in Australia but Adenauer/Erhard in Germany, Chretien/Martin in Canada and Blair/Brown in the UK.

As contemporary chroniclers put it, 'treasurers naturally see themselves as future leaders'.[170] Paul Keating once remarked that 'the only course for me if I was ever going to be able to reach the leadership was to do every other single one of the jobs that were hard'.[171] John Howard comments 'a prime minister who has been a treasurer has a certain understanding of it all'.[172] Harold Holt was not particularly interested in being treasurer but was keen to take the job lest someone else use it to establish themselves as a rival successor to Menzies as prime minister.[173] (By contrast, arguably the next most prestigious cabinet post, foreign minister, while perhaps 'third among equals', has not been regarded as a stepping stone and has often been used to park thwarted or overthrown leaders).[174]

On the other hand, UK Chancellor of the Exchequer Denis Healey famously referred to the post as 'the poisoned chalice'.[175] A few years later, the same term was used by Australian treasurer Paul Keating when he was appointed to the job.[176] Kelly (1994, p 455) wrote that 'the Treasury portfolio always damaged its incumbent, sooner or later.' Davies (2006, p 40) observed that in the UK 'a long spell at the Treasury has typically been damaging to the incumbent's chances of higher office, partly because unpopular decisions are an occupational hazard, and partly because of the structural tension between the two positions'. A UK chancellor once described as 'the only Treasury forecast in my time that was ever correct' a prediction upon taking office that he would 'soon be the most unpopular man in Britain'[177] and a predecessor blamed being chancellor for his not

[170] Errington and van Onselen (2007, p 77). Carney (2009) comments 'the orthodox view developed through the 1980s that this portfolio, second only to the prime minister's post itself in weight and importance, was the path to winning sufficient credits with the public as a politician with serious intent'.
[171] Cited in Carew (1990, p 28). As well as treasurer (1983-1991) Keating also served as deputy prime minister and had been NSW president of the Labor Party.
[172] McGregor (1987, p 41).
[173] Howard (2014, pp 267, 285) and Reid (1961b, p 12).
[174] Weller (2014, p 342) gives as examples Casey (seen as a threat to Menzies), Hasluck (defeated candidate for PM), and deposed leaders Hayden, Downer and Rudd.
[175] In April 1979; Kynaston (1980, p xi).
[176] In 1983. Carew (1988, p 67), D'Alpuget (2010, p 26).
[177] Norman Lamont (2004, p 147), UK chancellor of the exchequer 1990-1993. Over a century earlier outgoing chancellor William Gladstone wrote to his successor that, 'no man wants so much sympathy as the Chancellor of the Exchequer, no man gets so little' and the successor, Robert Lowe, (whom Maloney (2006) called 'Gladstone's Gladstone') agreed that he was certain to be more disliked than other ministers

becoming leader.[178] Fred Daly (1977, p 215) reported that some believed Gough Whitlam appointed Jim Cairns as treasurer as a means of destroying him as a rival leader.

There is certainly a long history of the treasury and its minister being unpopular. King James I once said 'all treasurers, if they do good service to their masters, must be generally hated'.[179] Keynes (1918, pp 304-5) regarded Treasury as having an essential role in 'the balancing of one department's claims against those of other departments' but this 'tends to make it an unpopular department'. Ben Chifley once reflected that 'treasurers are notoriously unpopular. They are loved by nobody, not even their own colleagues. The hand of every man is against them. Nobody wants to give them anything, but everybody wants to get something from them'.[180] Paul Keating once described as a downside of the job that it involved 'being the lightening rod. That means occasionally you get covered in carbon'.[181] Tiffen (2017, p 76) commented 'it is unusual for treasurers to have a warm and positive public image'. Kelly (2007, p 358) reported that when in 2007 the Liberal cabinet was contemplating defenestrating John Howard and making Peter Costello prime minister, one factor which stayed their hand was that 'many ministers had their own war stories about dealing with the treasurer'. As the (fictional) Danish prime minister Birgitte Nyborg said defending her finance minister, 'he holds the purse strings; name me one popular finance minister'.[182]

Holding onto power while treasurer will be easier if the treasurer is able to manipulate economic conditions so as to create a pre-election boom. There is certainly anecdotal discussion along these lines, with suggestions that governments and treasurers take 'tough' decisions in the budget immediately after an election but increase spending and cut taxes in budgets prior to elections. In the academic literature, this phenomenon is posited to be itself a possible cause of swings in economic conditions, giving rise to what is called the *political business cycle*. The empirical evidence for its existence, summarised in Alt and Rose (2007, p 851), is at best mixed. To succeed requires a government to

as he was closest to 'that most susceptible part of an Englishman's person, the pocket of his trousers'; cited in Kynaston (1980, pp 26, 31).

[178] Denis Healey (2004, p 65), asked why he lost the leadership ballot, replied 'the basic reason was that I had to do so many unpopular things when I was chancellor'.

[179] Cited by Roseveare (1969, p 41).

[180] Ben Chifley, quoted by Crisp (1960, p 153).

[181] Carew (1992, p 261). John Howard (2014, p 301) reflected 'treasurers are never overly popular, as I well know'.

[182] Speaking of Bent Serjø in the Danish TV series *Borgen*, 2010.

control the major determinants of economic conditions (despite monetary policy being increasingly controlled by independent central banks and a greater role being played by international economic conditions); to have good enough forecasts and understanding of economic linkages to know how and when to change economic settings; and the voters (or the commentators who inform them) not being forward-looking enough to see the longer-term consequences of easier macroeconomic policies. But even if these considerations are too strict for manipulation of economic conditions in this way to work, governments may still think tax cuts and targeted increases in spending win votes from those favoured by them.

As a test of the extent to which the treasurership reduces the public popularity of its holder, Table 3.1 lists the swings to/from treasurers in their seat since they took up the position, and compares this with the national average to or from their party. (Many treasurers are excluded due to the short period they held the post, or because they were also prime minister at the time. Turner and Forrest were unopposed in their seats in 1901 and 1903.)

The most spectacular swing against a treasurer was that against Theodore after the great depression hit (exacerbated by the splits in the Labor Party). Since the second world war almost all treasurers have seen their vote drop after taking up the post. They have usually, but not always, polled worse than the national swing to or from their parties would imply, suggesting that being treasurer in itself reduces their popularity.

Table 3.1: Cumulative change in share of primary vote of treasurer since election prior to his becoming treasurer (compared to that of his party[183] nationally)

(First election as treasurer)	First election as treasurer	Second	Third
Watt (1919)	-9 (+2)		
Bruce (1922)	+8 (-4)		
Page (1925)	+5 (+1)	+10 (-1)	na[184](-3)
Theodore (1931)	-58 (-22)		
Casey (1937)	-2 (0)		
Menzies (1940)	+12 (-6)		
Chifley (1943)	+20 (+10)		
Fadden (2nd stint) (1951)	0 (0)	-8 (-3)	-15 (-3)
Holt (1961)	-6 (-4)	-2 (-1)	
McMahon (1966)	+3 (+4)	-7 (-3)	
Snedden (1972)	-5 (-2)		
Crean (1974)	-1 (0)		
Hayden[185] (1975)	-7 (-6)		
Lynch[186] (1977)	-7 (-6)		
Howard[187] (1980)	-2 (-2)	-6 (-4)	
Keating (1984)	-1 (-2)	-10 (-4)	-8 (-10)
Willis (2nd stint) (1996)	-6 (-6)		
Costello (1998)	-2 (-8)	-3 (-4)	-1 (-1)
Swan[188](2010)	-11 (-5)	-12 (-10)	
Morrison (2016)	-1 (-3)		

Main sources: derived from *Parliamentary Handbook*, 5th, 11th, 12th, 16th, 18th, 26th to 33rd editions; Jaensch and Hughes (1987, p 394).

[183] For the purposes of this table, the Liberal and National parties, and their predecessors, are treated as a single party.
[184] Page was unopposed in 1929.
[185] Strictly speaking Hayden was no longer treasurer by the time of the December 1975 election but had only been dismissed, with the rest of the Whitlam government, the month before.
[186] Strictly speaking Lynch was no longer treasurer by the time of the December 1977 election but had only stepped down the month before.
[187] Howard's month as treasurer before the 1977 election is disregarded.
[188] Disregarding that Swan stepped down as treasurer three months before the 2013 election.

Tenure of treasurers

The Westminster system reduces the security of ministers, especially in Australia where an election must be held within three years; not only must ministers retain the confidence of the prime minister and/or their parliamentary party colleagues but the government must stay in office. They are highly unlikely to emulate the tenures of ministers untroubled by elections such as Soviet foreign minister Andrei Gromyko who served from 1957 to 1985 or Saudi foreign minister Saud Al Faisal who was in place from 1975 to 2015.

The tenure of some Australian treasurers has been very short: one day in the special case of Hawke appointing himself an interim treasurer, two weeks by Whitlam in the 'duumvirate', and around three months for Watson, Poynton and Bowen. At the other extreme, Costello served for over a decade and Fadden, Chifley and Keating all served for over eight years. These four longest serving treasurers between them accounted for about a third of the time served by all treasurers while the eleven shortest serving only accounted for 4 per cent between them. This marked skewing in the length of service is such that while the mean tenure has been three years, the median has been two. There have been 39 treasurers but only 29 prime ministers.

Table 3.2 shows the reasons why Australian treasurers left the office. The most common reason was the government in which they served losing office.[189] The second most common cause was being demoted by their prime minister. The demotions have reflected a mix of poor performance, scandals and political manoeuvring.[190] It is more common for treasurers to leave voluntarily than for prime ministers,[191] but it is still a small proportion of the exits. As Enoch Powell famously observed, (almost) 'all political lives…end in failure'.[192] Like prime ministers, treasurers suffer from an 'illusion of irreplaceability'

[189] In western Europe, the most common reason for the departures of ministers, accounting for approaching half of all departures, was also their party no longer being in government; Blondel (1991b, p 159). Holt (2001, p 257) observes that in the UK 'most chancellors' careers have ended painfully' although few have been openly sacked.

[190] In deciding whether to dismiss a treasurer, a lot will depend on the nature of the prime minister. Dowding and McLeay (2011, p 159) have classified prime ministers as butchers, dominators, operators and consensus seekers. Butchers are more likely to demote a treasurer whereas the other categories are more likely to try to improve their performance.

[191] Cross and Blais (2011, p 135) observe that in Westminster systems 'leaders rarely leave voluntarily'. In Australia, only Barton, Menzies (the second time), and perhaps Fisher, have left the prime ministership at a time of their choosing. The most common reasons for prime ministers losing office have been electoral defeat and overthrow by parliamentary colleagues; Strangio (2011, p 210).

[192] The full quotation is 'all political lives, unless they are cut off in midstream at a happy juncture, end in failure, because that is the nature of politics and of human affairs'; Powell (1977, p 151).

and fear an 'empty life' away from power and may be discouraged from stepping down by advisers, courtiers and spouses who would also lose status; Bynander and 't Hart (2006). While death has claimed three prime ministers in office, with the pressures of office arguably a contributing cause in all cases, no treasurers have died in office. While two sitting prime ministers (Bruce and Howard) have lost their seats in parliament, Theodore is the only treasurer to suffer this embarrassment.

Table 3.2: Reasons for treasurers leaving office

Government lost office	19	Turner I, Watson, Lyne, Fisher I, Forrest II, Fisher II, Forrest III, Higgs, Poynton, Page, Theodore II, Fadden I, Chifley, Snedden, Hayden, Howard, Willis II, Costello, Bowen
Demoted[193]	10	Casey, Spender, McMahon, Bury, Crean, Cairns, Lynch, Kerin, Willis I, Hockey
Rose to prime minister[194]	2	Bruce, Holt
End of temporary period as treasurer	3	Scullin, Whitlam, Hawke
Resigned (but stayed in parliament)	8	Forrest I, Forrest IV, Watt, Theodore I, Lyons, Menzies, Keating, Swan
Retired (and left parliament)[195]	5	Turner II, Fisher III, Cook, Fadden, Dawkins
Lost parliamentary seat	(1)[196]	
Died in office	0	
Still in office	1	Morrison

An international comparison of post-war tenures by Herman (1975, p 61) showed that the Australian treasurers were among the longest lasting. This period, however, is atypical

[193] While it is conceivable that a move to another cabinet post may not be regarded as a 'demotion', in most if not all the cases here the treasurer was displeased about the move.
[194] Fadden (in his first stint) and Chifley also rose to become prime minister but stayed treasurer.
[195] Fadden was 64 when he left the treasurer's job, almost retirement age, whereas Dawkins was only 46. Fisher and Cook took up the post of High Commissioner in London at the ages of 53 and 60.
[196] Theodore lost his seat but the Government had been defeated as well.

for Australia as it is dominated by the long treasurerships of Fadden and Holt during Menzies' record reign from 1949 to 1966. In western Europe Larsson (1993, p 219) shows that the average tenure of finance ministers between 1945 and 1984 varied between 5-6 years in Sweden and Germany to less than three years in the UK, Belgium, Finland and Italy. These averages are longer than the typical Australian tenures.

For ministers as a whole, across the world from 1945 to the early 1980s, it has been estimated that the average tenure is only two to four years, raising doubts about whether it should even be referred to as a *career*.[197] At best, as Blondel (1985, p 13) put it, 'the ministerial career is viewed as a gamble, where the stakes are high, but failure is fairly routine.' In the UK 'the old adage about chancellors is that the only way to get out with your reputation intact is to get out early'.[198] Popularity is likely to decline as any 'honeymoon effect' wears off, it becomes less plausible to blame problems on a predecessor and decisions cumulatively offend various groups of voters.[199] A British study by Berlinski, Dewan and Dowding (2012, p 247) showed that ministers are more likely to survive in their posts if they are educated, female, young and highly ranked.

It has been observed that on average European finance ministers tend to stay in office longer than do their cabinet colleagues.[200] But Gunnar Sträng is likely to remain an outlier, having served for 21 years (1955-1976) as finance minister in Sweden.

Horiuchi, Laing and 't Hart (2015) have shown that long-serving party leaders can be a 'hard act to follow' and their successors tend to serve shorter than average terms in the post. A classic example would be when the founder of the Liberal Party, Sir Robert Menzies, stepped down after a sixteen-year reign as prime minister, the party then churned through four leaders (Holt, Gorton, McMahon, Snedden) in seven years and when their second longest-serving leader John Howard was defeated they had three leaders in two years (Nelson, Turnbull, Abbott), with none ever gaining the stature of Menzies and Howard. There is a mixed pattern among treasurers in this respect. The

[197] The mean tenure is 3½ years but the median only 2½ years; Blondel (1985, p 82). The mean tenure tends to shortest in Latin American countries and longest in communist countries and around 4 years in those countries most comparable to Australia; Blondel (1985, p 91).

[198] Holt (2001, p 256). Thomas Jefferson once remarked that 'no man will ever bring out of the presidency the reputation which carries him into it'; cited by Simonton (1987, p 76).

[199] A statistical study of US presidential popularity suggested it decayed over time like a radioactive element (but may kick up as the next election neared, giving a parabolic shape); Stimson (1976).

[200] Blondel (1991a), Larsson (1993, pp 218-9). The risk of being sacked is 20 per cent less for holders of the top two portfolios; Huber and Martinez-Gallardo (2008, p 176).

dominant Keating was followed by a succession of short-lived treasurers over the next five years (Kerin, Willis, Dawkins and Willis again). Holt's lengthy period as treasurer was followed by relatively short stints from McMahon, Bury and Snedden. On the other hand, Fadden's lengthy tenure was followed by a smooth handover to the long-serving Holt. Chifley and Costello's long terms were ended by changes of government but the incoming treasurers served for nine and six years respectively.

The reasons for Australian treasurers leaving office are contrasted with those in three comparable countries in Table 3.3. One feature of the table is that there has been a higher turnover of Australian treasurers than of their counterparts in Canada, New Zealand and the United Kingdom. As with treasurers, the government losing office is the most common cause of UK chancellors and Canadian and New Zealand finance ministers ceasing to hold the post, with reshuffles the next most common cause. Fewer chancellors and NZ finance ministers retired than treasurers. Dismissals are rare in all countries, although some 'resignations' or 'retirements' may have occurred under the threat of dismissal. Australia was uniquely fortunate in having no treasurers dying in office.

The tenures for treasurers and the reasons for their departures are compared in Table 3.4 with the other key portfolios that have been part of every ministry since federation.[201] The mean tenure for treasurers of 2½ years[202] is comparable to the 2-3-year average tenure in the other ministries. Those holding the higher status ministries of treasury and foreign affairs are less likely to be moved in reshuffles, but more likely to retire, than those with the junior portfolios of trade and communications. Two treasurers (Bruce and Holt[203]) were promoted directly from treasurer to prime minister; more than for any other ministers. Theodore is the only treasurer to have lost his seat (at the same time as the government fell) but this has been more common in other senior portfolios. Defence ministers are most likely to be dismissed leading Hugh White (2006) to call the portfolio the 'graveyard of political ambitions'.

[201] Barton's cabinet also had a minister for home affairs but it was not clear which portfolios should be regarded as the successors. In addition, the vice-president of the Executive Council and a minister without portfolio were included in Barton's cabinet but these are not comparable to the portfolios in the table.
[202] In this calculation, the mean treats, for example, Forrest's four periods as treasurer as four rather than one observation.
[203] Chifley succeeded Curtin as prime minister almost immediately after Curtin's death but remained treasurer.

Table 3.3: Reasons treasurers & equivalents left office: number of cases 1901-2016

	Australia	**Canada**	**New Zealand**	**United Kingdom**
	Treasurer	Minister of Finance	Minister of Finance[204]	Chancellor of the Exchequer
Government lost office	19	14	12	15
Lost parliamentary seat	0	0	1	0
Reshuffled	9	7	7	6
Dismissed from ministry	1	0	1	2
Rose to prime minister	2	0	2	7
End of temporary period	3	0[205]	1	0
Resigned	8	7	4	7
Retired	5	5	1	1
Died in office	0	1	3	2
Still in office	1	1	1	1
Total	48	35	33	41
Mean tenure (years)	*2.4*	*3.3*	*3.5*	*2.8*

Main sources: derived from Table 3.2, McKinnon (2003, pp 428-431), Canada Ministry of Finance website (http://www.fin.gc.ca/comment/minfin-eng.asp), Jenkins (1998).

[204] Colonial treasurer to 1907, and treasurer from 1996 to 1999 when the finance minister was the junior minister.

[205] Two brief periods of acting ministers are excluded from this table.

Table 3.4: Reasons ministers left office: number of cases 1901-2016

	Treasurer	Foreign affairs[206]	Defence	Attorney general	Trade	Post/ comm's[207]
Gov't lost office	19	19	17	18	18	17
Lost seat	(1)[208]	2	4	0	1	3
Reshuffled	9	7	13	9	21	19
Dismissed	1	2	5	3	3	3
Rose to PM	2	1	0	1	0	1
Temporary	3	0	1	1	1	0
Resigned	8	2	5	4	9	11
Retired	5	6	8	6	2	0
Died in office	0	2	3	0	2	0
Still in office	1	1	1	1	1	1
Total	48	42	57	43	58	56
Mean tenure	*2.4yrs*	*2.7yrs*	*2.0yrs*	*2.7yrs*	*2.0yrs*	*2.1yrs*
Median tenure	*1.3yrs*	*1.7yrs*	*1.4yrs*	*2.3yrs*	*1.2yrs*	*1.3yrs*

Many regard the average tenure of under three years as inadequate. One view is that 'a minimum of three years in a portfolio is required for someone to be able to exert influence over the department'.[209] Another is that a minimum of three years is necessary to carry

[206] Minister for External Affairs from 1901 to 1916 and from 1921 to 1970, Minister for Foreign Affairs (and Trade) since 1970. There was no formal minister from 1916 to 1921 but effectively the role was held by prime minister Billy Hughes who is taken to be the minister for the purposes of this table.

[207] Postmaster-General from 1901 to 1975, Minister for Post and Communications from 1975 to 1980, Minster for Communication(s) 1980 to 1987, Minister for Transport and Communications from 1987 to 1996, Minister for Communications (Information Economy) and the Arts from 1996 to 2007, Minister for Broadband, Communications and the Digital Economy from 2007 to 2013, and Minister for Communications from 2013.

[208] Theodore lost his seat but the Government had been defeated as well.

[209] Blondel (1993a, p 327). Kellner and Crowther-Hunt (1980, p 211) in the UK suggest that given the 'long time-scale required both for the formulation and implementation of most policies' it is 'extremely difficult for the average chancellor in his 2½ years to counter the Treasury view in any coherent rational way'.

out a major new policy.[210] The UK minister Anthony Crosland opined 'I reckon it takes you six months to get your head above water, a year to get the general drift of most of the field, and two years really to master the whole of the department'.[211] The ministers consulted by Weller and Grattan (1981) said that as it takes months to get on top of a department, ministers should stay in the one job for a minimum of three years. Most thought, however, that after five or six years it was time to move, as most decisions would require changing earlier decisions.[212]

Post-treasurer careers

Other than the five cases of retirement, outgoing Australian treasurers remained in the parliament. In nine cases the outgoing treasurer had a second (or in Fisher's case third and Forrest's fourth) turn as treasurer.[213] As noted above, eight subsequently became prime minister. Two left to become High Commissioner in London. Two later served as governors-general. A number engaged in some form of business career (if only serving on boards) after leaving parliament but arguably only Watson (who headed the National Roads and Motorists Association) and Theodore achieved any prominence in these roles.[214] It is notable that former treasurers seem to have less glittering corporate careers than they expected, Keating and Costello being two recent examples.[215] As has been said of Australian former prime ministers, some former treasurers 'wander around aimlessly, seeking out a meaningful role…criticising their successors'.[216] They may suffer from what Gareth Evans termed 'relevance deprivation syndrome'.[217] It has been said that 'there is nothing so ex- as an ex-politician'.[218]

[210] Rose (1971, p 406).
[211] Cited in Headey (1974a, p 99). A similar view is put by Paxman (2002, p 208) who opines 'unless they are familiar with the subject from a conscientious period as opposition spokesman, ministers will spend much of their first year learning the job, dependent upon the permanent officials. In the second year they may begin to make a mark. Often it is only by the third year – at which point they may well be on the way out – that they are fully in command'.
[212] Weller and Grattan (1981, p 56).
[213] Bowen, or less likely Swan, may yet add to this list as they remain in parliament.
[214] Walter Massy-Greene, who had been an assistant treasurer, went on to become 'an outstanding company director of his era'; Lloyd (1986). See also Appendix 2 and Kemp (1964).
[215] Perhaps this is because, as Nigel Lawson (1993, p 271) remarked in his first address to the House of Commons as chancellor, few 'have left office with their reputation enhanced'.
[216] Robert Ray, cited in Strangio (2011, p 209).
[217] In a speech to the National Press Club on 18 February 2010, Gareth Evans lamented that this term and 'streaker's defence' were the expressions for which he was most remembered.
[218] Ignatieff (2013, p 166). An almost identical statement was made by Paxman (2002, p 262).

By comparison, in western Europe, 'most ministers in most countries are thus in parliament after leaving office; but the duration of their stay in parliament is usually rather short', around three to four years.[219] Blondel (199b, p 167) reports that former academics and lawyers are the most likely European ex-ministers to return to their former professions.

[219] The United Kingdom is an outlier as a significant number of ministers have been appointed to the House of Lords for life; Blondel (1991b, p 164).

Chapter Four: Andrew Fisher and Joseph Cook: the miners who became treasurers

Prologue

In 1885 a young miner from Scotland named Andrew Fisher stood on the deck of the passenger ship *New Guinea* contemplating the new life awaiting him in the Australian colony of Queensland. He was unaware that boarding a similar ship later that year would be a man who as Joseph Cook would go on to hold many of the same posts he would; Labor[220] MLA, government minister, treasurer, prime minister and finally High Commissioner.

The two men had very similar backgrounds. Indeed, to borrow some words from Plutarch, in their origins they 'resemble each other so closely that it seems that god originally fashioned them out of the same mould'.[221] They were both born into mining families in small mining villages in the United Kingdom; Fisher in Crosshouse in Scotland and Cook in Silverdale in central England. Both had fairly rudimentary formal education but were self-disciplined and keen on self-improvement, studying most evenings. Both were working in the mines in their teens and during winters Sunday had a literal meaning as the only day they might see the sun. Both were men of faith, and could have become ministers of religion rather than parliamentary ministers in different circumstances. Both came to believe their prospects would be better in Australia and as young men moved there. Once in their new country they both became involved in trade unionism, joined the Labor Party and were elected to colonial legislatures.

The federation of Australia in 1901 saw both switch to the new federal parliament but by now only Fisher was still representing Labor. The two men's careers now changed from parallel paths to greatly diverging ones. Andy Fisher stayed with his long-held principles and working class sympathies while Joseph Cook gradually affected middle or upper class mannerisms and advocated conservative policies. The two men would become political rivals, most notably leading the two sides of politics in the 1913 and 1914 elections,

[220] Prior to around 1912, the party variously used the spellings 'Labor' and 'Labour' before settling on the latter; Faulkner and Macintyre (2001, p xi), McMullin (1991, p ix).
[221] Plutarch (c100, p 198), Prologue to the Lives of Demosthenes and Cicero.

winning one apiece. They had very different policy approaches as treasurers; Fisher being an activist treasurer while at his political peak and simultaneously prime minister while Cook was a reluctant treasurer in the twilight of his political career.[222] They also had very different styles when both ended their careers returning to Britain as Australian High Commissioner. This chapter looks at how this divergence occurred.

Table 4.1: The parallel lives of Joseph Cook and Andrew Fisher

	Joseph Cook	**Andrew Fisher**
Born	December 1860	August 1862
Migrated to Australia	Dec 1885 – Feb 1886	June-August 1885
Elected to state parliament	June 1891	May 1893
State minister	July 1894 – Sep 1899	December 1899
Elected to federal parliament	March 1901	March 1901
Appointed federal minister	June 1909	April 1904
Treasurer	**July 1920-Nov 1921**	**Nov 1908 - June 1909; April 1910 – June 1913; Sept 1914 – Oct 1915**
Prime minister	June 1913 – Sept 1914	Nov 1908 - June 1909; April 1910 – June 1913; Sept 1914 – Oct 1915
Resigned from parliament	November 1921	October 1915
High Commissioner in London	Nov 1921 – May 1927	Oct 1915 – April 1921
Died	July 1947	Oct 1928

[222] Cook was one of only two prime ministers to serve as treasurer after holding the higher office, the other being Arthur Fadden. SM Bruce served as assistant treasurer after being prime minister.

Both men have been rather forgotten. They were overshadowed by more colourful contemporaries Deakin and Hughes. Not helping matters were that Cook burnt most of his papers while Fisher's languished in London for many years. Neither wrote memoirs. Around the centenary of his first becoming treasurer there was a sudden spate of Fisher biographies.[223] Cook, and particularly his period as treasurer, remains neglected.[224]

This chapter looks at the reasons why these two men's views diverged so far after starting off so close.

Family and childhood

Andrew Fisher was born on 29 August 1862 at Crosshouse in Ayrshire, Scotland. Family lore cited by Day (2008b, p 12) said they were descendants of Scottish rebel William Wallace. Andy's father, Robert Fisher, a coalminer and beekeeper, helped establish a co-operative society which set up a library which the young Andy used to supplement his primary school education. His mother, Jean Garven, was a blacksmith's daughter.

A boyhood friend recalled young Andy as known for his 'good conduct, honourable dealings and kindliness of nature'.[225] As a young man, his brother recalled him as being 'interested in the educational and general welfare of the village of Crosshouse'.[226]

When he was three, Andy was knocked unconscious by a kick to the head by a runaway cow. This was to affect him the rest of his life for it left him with limited hearing in one ear, making him appear aloof at noisy social gatherings.[227]

Joseph Cooke was born in the Staffordshire mining village of Silverdale on 7 December 1860, the second child of William and Margaret Cooke. Growing up in poverty, he also had only primary level education.

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[223] Day (2008b), Humphreys (2008) and Bastian (2009). Perhaps surprisingly, Bowen (2015) does not include Fisher among the dozen treasurers he profiles. Fisher appears as a minor supporting character in plays about Deakin by Kylie Tennant (1952) and O'Malley by Boddy and Ellis (1974).

[224] Cook's service as treasurer is accorded just one sentence, and without any achievement mentioned, in essays about him by Denning (c1952b), Fitzhardinge (1959), Hughes (1976), Rickard (2000) and Wildman and Hague (2016) and not mentioned at all by Fricke (1990) and Gorman (2013).

[225] Hugh Murdoch, letter to Arthur Jose 12/11/33 in Jose papers, University of Melbourne archives 65/12.

[226] Letter from David Fisher, July 1934, Jose papers, University of Melbourne archives. Douglas (1998) describes life in Crosshouse at this period.

[227] Bastian (2009, p 8), Day (2008b, pp 7, 45), Anderson (2001, p 190). His daughter suggests the impaired hearing may have contributed to his having a speech impediment as a child; P Fisher (1962, 1976).

From the age of thirteen, or perhaps earlier, Andy was working in the coal mines.[228] Robert Fisher's work had left him with 'black lung' and the family needed the income. Being born slightly before Fisher, Cooke started working in a mine even younger, at the age of nine. A new *Education Act* saw him back in the classroom not long after, but at twelve he was back in the mine after his father died in a mining accident.[229]

Religious beliefs

Fisher was firmly in the 'Christian socialist' tradition. He grew up a Presbyterian and was a regular church-goer all his life, using biblical references in his everyday speech.[230] His family were members of the Free Church of Scotland, known as the 'wee free'; whose adherents were 'known for thrift and temperance in private life'.[231] The church was non-hierarchical and 'instilled in him a sense of equality, self-governance and collective decision-making'.[232] Marginson (1970, p 187) claimed his 'views on the nature of man largely reflected his Presbyterian upbringing'. According to Bastian (2009, p 13), Fisher believed 'men were tempted by wealth and power to behave badly towards others'. In 1891 he contemplated taking up an offer by a local reverend to pay for him to attend the University of Melbourne with an eye on joining the ministry but decided against it.[233]

In his early days at least, Cooke was even more deeply religious than Fisher and he had attracted good congregations to hear him preach at age 16.[234] He went further towards joining the ministry, passing some exams to do so, but was prevented from taking up a position by the need to support his family after the death of his brother and father. His religious beliefs led him to different conclusions than did those of Fisher. Cooke was initially a member of the 'primitive Methodism' also known as 'ranters' or 'Clowsites',

[228] A report when he was first elected says that he started work at ten, but stopped after legislation fixed the minimum working age as twelve; *Gympie Times*, 6 May 1893, p 5. A letter from his brother David in July 1934 recalled him starting work 'about 11 years of age' and that he worked underground until he emigrated; Jose papers, University of Melbourne archives. But in an account corrected by Fisher himself it is said he started working in the mine at 13; Fisher (1910). Day (2008b, p 18) suggests some of the confusion may have arisen by Fisher saying he had been 'down the mine' at an earlier age, but referring to taking his father lunch rather than working there.

[229] Cook told the NSW parliament of having 'a vivid recollection of being dragged out of bed by my mother every morning at 4 o'clock to go to work'; *NSW Parliamentary Hansard*, 12 September 1894, p 386.

[230] Williams (2013, p 55).

[231] Steven (2001, p 65), Williams (2013, p 56).

[232] Bastian (2009, p 13).

[233] In a letter to Arthur Jose, dated 12 November 1933, Hugh Murdoch, a contemporary in Crosshouse, recalls receiving a letter from Fisher in which he expressed an interest in being a church minister; Jose papers, University of Melbourne archives.

[234] An anonymous report in the *Cumberland Argus and Fruitgrowers' Advocate*, 8 February 1913.

who had split from the mainstream Methodists whom they regarded as too concerned with money and status and they mainly comprised working class devotees who liked to worship in the open air and placed great emphasis on self-improvement.[235] Their views overlapped less with trade unionism than did Fisher's Presbyterians; they only wanted the government to remove the impediments to self-advancement. Over time Cook shifted to mainstream Methodism and then to a more conservative minority view within it, becoming a 'puritanical renegade'[236] with a 'determinedly old testament view of the world'.[237] He opposed Sunday opening of Taronga Zoo lest it distracted people from church.[238]

Both men had a reputation for dourness. Cook was known for having 'no time for frivolity'[239] and was uninterested in sport, dancing or music.[240] Fisher was introduced to British readers by an Australian correspondent as 'he jokes with difficulty and very drily'.[241] He has also been recalled as having 'no sense of humour at all'[242] but took some interest in sport and played cricket.[243]

A contemporary newspaper wrote of Fisher that 'a more modest and unassuming man never associated with politicians'; Anon (1908, p 1). Fisher was a much warmer man but even Cook could lighten up somewhat in private. Cook had a cheery smile for friends and 'a tranquillity of soul'.[244] Fisher was renowned as 'a man of irreproachable honesty'.[245]

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[235] Williams (2013, p 64).
[236] Williams (2013, pp 67-69).
[237] Williams (2013, p 24).
[238] Murdoch (1966, p 6).
[239] Buchanan (1940, p 4). Murdoch (1968, pp 10-11) describes his 'deficient sense of humour' and how 'he did not laugh readily'. Souter (1998, p 109) refers to Cook as 'humourless'. Alfred Deakin (1906, p 177) believed Cook's 'want of humour' prevented him being more popular than his party chief Reid. Wildman and Hogue (2016, p 37) describe Cook as 'the most humourless of Australia's prime ministers'.
[240] Abjorensen (2015, p 202) refers to Cook as a 'dour wowser…devoid of any positive attributes'. Peter Cook (1994, p 2), however, claims his grandfather was 'never a wowser'.
[241] *Manchester Guardian*, 25 January 1917, p 6.
[242] His private secretary Malcolm Shepherd (1958, part 2, p 73). Scott (1936, p 43), for example, describes him as having 'the minimum of humour'. A contemporary journalist, 'Amicus Curie' (1912, p 7) also refers to his 'lack of the sense of humour'.
[243] He captained a parliamentary team against one led by the governor-general. His modest scores of 5 and 11 were at least better than Hughes' effort of 2 and 1. Only Malcolm Shepherd scored more than 11 in the second innings. *The Argus*, 8 December 1908, p 6.
[244] Clark (1987, p 109). Bebbington (1988, pp 91-92) says Cook, while often dour in public, displayed a sense of humour with his family. Anonymous (1909a, p 564) also called him 'very genial' outside parliament, while Anonymous (1905, p 216) wrote he had 'a smile for a friend, a sneer for the world'. See also Murdoch (1998, p 110). Denning (c1952b, p 1) describes him as a 'kindly and pleasant man'.
[245] Amicus Curie (1912).

Emigration

The Ayrshire newspapers Fisher read in the local library ran stories of how immigrants from the area had made good in Queensland, notably Thomas McIlwraith, who rose to become a wealthy grazier and premier of Queensland.[246] McIlwraith visited Ayrshire in 1884 promoting Queensland as a destination and Fisher was convinced it offered 'greater freedom and opportunities' and 'a better chance',[247] especially once he had been blacklisted for his union activities.

Andy and his younger brother James migrated to Australia. They arrived in Queensland in 1885 and found work at the Burrum coal fields. Andrew soon became a manager. He moved to the Gympie goldfields but when he went on strike was dismissed. He obtained an engine driver's certificate and gained another position.

Cooke meanwhile had married Mary Turner, a teacher from a nearby village. After Cooke's mother remarried, the couple decided to emigrate to Lithgow in New South Wales, following in the footsteps of Mary's brother. Cook found a job in the Vale of Clwydd colliery in March 1886 and Mary and their son joined him in early 1887. It was at this time that Cook dropped the 'e' from his name.[248] They went on to have nine children during their 62 years of marriage and Dame Mary, as she became, spent a lot of time working for the Red Cross.

Unionism and self-improvement

Both Andy Fisher and his father were ardent unionists and blacklisted for their activism. Fisher became involved with trade unionism early, meeting the pioneering UK labour leader Keir Hardie at evening school and discussing economics and history with him.[249] Hardie, who went on to found the Independent Labor Party and become one of the first British Labour MPs, was a Christian socialist and the national secretary of the Miners'

[246] Murphy (c1983).
[247] Fisher (1910), Dougan (1998), Steven (2001, p 67).
[248] Murdoch (1996, p 24).
[249] Cockburn (1956, p 66).

Union. In the early 1880s Fisher visited Hardie on a regular basis[250] and they kept in touch, catching up again in Australia and Britain as fellow parliamentarians.[251]

By 1879, though only seventeen, Fisher was secretary of the Crosshouse branch of the Ayrshire Miners' Union, which was wiped out by a ten-week strike in 1881. Fisher continued his active involvement with trade unionism once he settled in Australia. He joined the Amalgamated Miners' Association and by 1890 was secretary and in 1891 president of its Gympie branch. In 1891 he became secretary of the Gympie Joint Labor Committee and then president of the Gympie branch of the newly formed Workers' Political Organisation, later known as the Labor Party. He represented Gympie at a Labor-in-Politics conference in Brisbane in August 1892. Similarly, once settled in Australia, Cook became secretary of the local Miners' Association.

Fisher was not driven by ego. As Douglas (1988, p 3) observed, 'the overriding reason why Fisher wanted to reach the top of the political ladder was because experience had shown that only from such a vantage point would he have any hope of putting the principles he advocated into practice'.

Both were keen on self-improvement. Fisher taught himself shorthand and accounting and read widely on social sciences and economics.[252] One of his youthful friends recalled him ploughing through the works of Thomas Carlyle and Ralph Waldo Emerson as a young man.[253] In his personal finances Fisher was a 'keen and careful investor'.[254]

Cook studied shorthand and book-keeping during lunch-breaks and after his shift, hoping to become an accountant or journalist. He also read more widely but not with any apparent

[250] Bastian (2009, p 23).

[251] Hardie saw Fisher again in 1907 in Australia while on a convalescent cruise. Hardie wrote to Fisher later on economic conditions in the UK where Hardie's colleagues were 'doing all we can to get the government and local authorities to tackle the question of unemployment'. He also requested a resolution of the Australian parliament favouring the enfranchisement of women which he hoped could be influential in the British parliament; 4 November 1908, Fisher Papers, MS 2919/1/41. In 1911 when Hardie accompanied Fisher on his homecoming to Ayrshire, and presided over a Miners Union dinner in his honour, Hardie described Fisher as representing 'the force that was coming, the rule of the common people'; *Kilmarnock Standard*, 20 May 1911, p 5. They also had breakfast together at 11 Downing St at the invitation of Lloyd George; Pearce (1951, p 79). Fisher was a little cautious about associating with Hardie too much to avoid damaging Australia's relations with the UK government and being labelled too radical by the Australian press; Cockburn (1956, p 237), Fyfe (1935, p 118).

[252] Bastian (2009, p 10). The *Kilmarnock Standard*, 24 June 1911, refers to him as an 'omnivorous reader'.

[253] Hugh Murdoch to Jose; Jose papers, University of Melbourne archives.

[254] Murdoch (2013, p 25). Shepherd (1958, part 2, p 73) cites a contemporary writer's view that Fisher was 'most impressed with himself as a financier' and he had said that 'the reason people do not understand my financial proposals is that they do not have the Scotch head'.

special interest in economics.[255] Like Fisher, he esteemed Emerson and another favourite author was Whitman.[256] By 1890 he was a part time auditor with the local council.

Cook put considerable effort into improving his public speaking. While from the humblest of origins, by the latter stages of his parliamentary career, 'in manner and language, he comported himself as though born to a public school and Oxford'.[257] Initially a poor speaker he trained himself to become an assertive debater: it was said 'he would crush and exterminate'[258] and 'he does not know when to stop fighting'[259]. This was complemented by a thorough grasp of parliamentary standing orders.[260]

Fisher also developed his public speaking but not to the same extent. He was a competent orator but with no great flair.[261] His public speeches sometimes suffered from procrastination in their preparation.[262] This meant that his grasp of the topic was

[255] P Edwards (2004a, p 115) described Cook as 'devoted to self-improvement'. Anonymous (1913c, p 128) wrote he 'reverences knowledge and will spare nothing to obtain it'. Even critics such as Nicodemus (c1906) refer to the 'sober, economic and industrial life he led aided by self-improvement'. Murdoch (1968, p 17), however, suggests that being self-taught he did not develop critical skills. He was engaging in hyperbole, though, when he later described Cook as a man who 'never had an original thought in his life'; Murdoch (2011, p 49). Attard (1991, p 169) believes Cook was 'chiefly remembered as a slow-thinking, cautious man, lacking imagination or constructive ideas'. Among conservative colleagues, John Latham referred to his 'mediocrity, self-satisfaction, idleness and discourtesy'; Attard (1991, pp 172, 174). A more charitable assessment came from Earle Page (1963, p 58) who claimed Cook 'never received due credit for his constructive mind'.

[256] Cook, recalling his early life, in Bright (1896).

[257] Smith (1933, p 49).

[258] An anonymous writer (1909, p 563-4) who also claimed 'he deals you out the one violent bash in the eye whether you merely mis-spelled a word or ruined an empire'. Ellis (1962b, p 20) describes him as having 'a resilience unparalled in Australian political history'. A bizarre simile for his parliamentary speaking style came from Billy Hughes who said he was like 'an ichthyosaurus attempting the gavotte'; cited by Souter (1998, p 121). Fitchett (1919, p 8) called him 'perhaps the most formidable debater in the federal parliament'. Two anonymous writers in 1913 called him a 'clear, interesting, forceful' speaker and 'one of the most capable debaters in state or federal politics'. Norman Makin (1982, p 64) recalls Cook had 'a voice of satin smoothness' and was very capable in debate. Campbell-Jones (1935, p 148) says 'his delivery always suggested the pulpit', a sentiment echoed by Amicus Curie (1912, p 7).

[259] Amicus Curie (1912, p 7). Another journalist called him 'a bitter tongued debater' who had learned the parliamentary game in a hard school; Anon (1914, p 92).

[260] Shepherd (1958, part 2, p 109) comments 'what he did not know about parliamentary procedure was not worth knowing'.

[261] As Greenwood (1955, p 222) observes, like Curtin and Chifley, Fisher had 'an ability to express simply the convictions of the ordinary working man'. Anonymous (1913a, p 70) states 'his style is good Doric, straight and to the point'. Anon (1908, p 1) wrote 'he has neither imagination nor eloquence' but was 'clear, intelligent and precise'. Makin (1961, p 30) says 'while having no great gifts as an orator, he could speak clearly and vigorously', and Buchanan (1940) and Fitzhardinge (1964, p 120) have similar views. Ithurial (1909, p 6) wrote 'he never soars, he never scintillates' while Anon (1910, p 572) described his 'poverty of qualifications' in oratory. Amicus Curie (1912, p 7) claimed 'verbatim reporting of Mr Fisher would be unintelligible'. But critics such as Biggs (1924, p 3), Eggleston (1953, p 11) and Ellis (1962a) go too far in calling him 'inarticulate'. Strangio, 't Hart and Walter (2015, p 170) characterise him as 'a mediocre rhetorician at best' known for 'pedestrian speaking'.

[262] His secretary Malcolm Shepherd (1958) describes his exasperation with this.

sometimes not fully appreciated.[263] Scott (1936, pp 38-39) argues Cook was a better orator than Andrew Fisher, 'more fluent… more resourceful with an ampler vocabulary…more polish, more finesse' (although Fisher had 'more force, more fervour'), perhaps due to his experience in sermonising.

Cook saw self-improvement as involving adopting more formal styles of dress and a more aloof manner. Sir Norman Cowper (1951, p 36) opined that an observer of 'Cook's voice, appearance and manner' would never' have dreamed that here was a man who started life as a working miner and was one of the first small band of Labor politicians'. Cook had a growing sense of self-importance. When he read that a journalist described him (accurately) as having 'a pointed beard, a bald head, the mannerisms of a methodist minister and a habit of washing his hands with invisible soap', he threw the offending magazine the length of his balcony.[264]

Both were known for their diligence. A contemporary writer said of Fisher that he had 'no eccentricities except the love of hard work'.[265] In one month Fisher visited 36 towns, received 60 deputations, addressed 51 meetings and covered over 3,500 miles by train, coach and buggy, horseback and railway tricycle.[266]

Both men were very involved with the community in their new homeland. Fisher was active in the Independent Order of Oddfellows and the Gympie Industrial Co-operative Society, as well as serving as superintendent of the Presbyterian Church Sunday School. As well as the church, Cook was involved with many local charities.

Colonial parliaments

Fisher was the successful Labor candidate for Gympie at the 1893 Queensland Legislative Assembly elections (surprising even himself by the margin with which he topped the poll) and became vice-chairman of the parliamentary party.

In his 1893 election address he advocated a progressive land tax, 'the establishment of a state department of labour to which men can apply for work at a minimum wage as a

[263] Rankin (1928), for example, wrote in his obituary that 'if Fisher ever studied political economy deeply he did not disclose it by his public speeches'.
[264] Anon (1918, p 244).
[265] Anon (1913a, p 70).
[266] Shepherd (1958, part 2, p 83), Souter (1998, p 98). A typical 'day in the life' of Cook while prime minister is described in *The Argus*, 28 March 1914, p 8.

right', and a 'state bank so that those engaged in agriculture and productive operations generally may have use of the public funds at half the rate of interest charged by private banks for the same money'. He was critical of the government's budget, saying the state was 'living beyond its means' and advocating cuts in military spending. He argued for a halt to immigration, at least for as long as unemployment was high, and suggested it was being encouraged by those who wanted to see land prices bid up.[267]

This first parliamentary term was influential on his thinking.[268] The collapse of the Queensland National Bank led to him refining his ideas about a state bank. Polden (1977, p 66) tells of Fisher's interest in the Queensland note issue. His experience of the great strikes led him to favour the establishment of arbitration tribunals.

Fisher lost his seat at the 1896 poll and worked as an engine driver and municipal council auditor while awaiting the next election. One reason for the loss was the strong campaign against him by the conservative press and while out of parliament Fisher helped journalist Henry Boote found the *Gympie Truth*, concentrating on its financial management.[269] He was a delegate to the June 1898 Queensland Labor convention which adopted a platform including establishment of a government bank.

He returned to the Queensland parliament in 1899. He served under Anderson Dawson as minister for railways and public works in the world's first labour government but, as it only lasted a week, obtained no real experience.[270] He twice unsuccessfully introduced bills to establish a scheme for workers' compensation. He became the party's main speaker on budgetary and financial matters.[271]

[267] *Gympie Times*, 15 April 1893, p 2 and 25 April 1893, p 3.
[268] P Edwards (2004b, p 661) comments 'his first three years in parliament, at a time of industrial strife and commercial "boom and bust" in Queensland, helped to shape Fisher's political views for succeeding decades'. Whitington (1972, p 34), Marginson (1967, p 93) and Bastian (2009, p 54) comment that he studied banking and finance. He wrote in sympathy with the New Australia émigrés to Paraguay, who he saw as trying to escape 'systematic swindlers, who promote land booms and mortgage banks, water the capital in prosperous times by multiplying it on paper by 2 or 3, call it prosperity and then rob the poor to pay interest thereon'; *Gympie Times*, 25 February 1893.
[269] Boote (1928) reminiscences on these times. Fisher may have been partly inspired by his old friend Keir Hardie founding a newspaper, *The Miner*, later renamed *Labour Leader*; Sykes (2006, p 3 and 2015).
[270] Murphy (1971).
[271] Bastian (2009, p 70).

Cook, meantime had become president of the first Labor Electoral League in Lithgow in May 1891.[272] The next month, with some luck, he won Labor preselection and then the Lithgow-based seat of Hartley in the New South Wales parliament.[273] He advocated the eight-hour day, free trade (abandoning earlier beliefs in protectionism), better education, female suffrage and land reform. In the latter, he was so influenced by Henry George's advocacy of a single tax on land that he became the local secretary of the Land Nationalisation League.

With a group of like-thinking fellow members, Cook founded a Labour Party in the New South Wales parliament and by October 1893 was leading it. In January 1894, he chaired the first Intercolonial Parliamentary Labour Party conference, which Fisher attended.[274] This was probably the only occasion the two men met before Federation.

The paths start to diverge

Fisher never wavered from his Labor beliefs. Cook, however, claimed he could not accept being bound by a pledge to support all caucus decisions. He left Labor and in 1894 defeated an official Labor candidate for his seat of Hartley. The Free Trade premier, George Reid, offered Cook the portfolio of Postmaster General and he accepted, serving for four years of great activity.[275] He then briefly served as Minister for Mines and Agriculture, where he appointed William Farrer to experiment with wheat strains to great success, before Reid's government fell in 1899. He chaired an inter-colonial conference which led to telephone calls across the Pacific. When he first accepted Reid's offer of a ministry, Cook retained some Labor sympathies and rationalised that being in cabinet

[272] Murdoch (1966, p 2) suggests this form of self-improvement may have been a substitute for the white collar jobs that eluded him in the 1890s depression. A contrary view is expressed by P Cook (undated) who suggests he forsook the chance to become an accountant due to his commitment to unionism.
[273] Cook only came second in the preselection ballot but the winning candidate withdrew due to ill-health. Cook states in Bright (1896) that he was reluctant to stand but if this is true it says more of his caution than any modesty.
[274] *The Age*, 24 January 1894, p 5.
[275] Cook (1994, p 1) and Murdoch (1996, p 9) claim Cook was the first member elected by Labor anywhere in the world to become a cabinet minister. Buchanan (1940, pp 5-6) suggests Reid's more likeable personality appealed more to Cook than the protectionist leader Dibbs' patrician hauteur, although Cook would have found Reid too frivolous on occasions. Ellis (1962b, p 20) suggests he also felt Labor had not shown him enough gratitude. Childe (1923, p 60) denounces Cook as 'the chief of the "rats" '. While with Labor, Cook prophetically warned of parliamentarians that 'the moment they get into a state of comfort, respectability and decency, they seem to forget all about those who are not so well circumstanced as themselves'; *NSW Hansard* 16 November 1893.

meant he was able to do more for the working classes.[276] But he soon moved into the middle class, both geographically and emotionally.[277]

Federal parliament

Fisher campaigned enthusiastically for Federation, and easily won the federal seat of Wide Bay, which encompassed his state seat of Gympie.[278] Cook was much less enthusiastic about the federal sphere. When Reid announced his move to the federal parliament, Cook saw himself as a future NSW premier. Reid's Free Trade Party, however, prevailed on Cook to contest the seat of Parramatta (which then extended west to Lithgow) at the federal election, with Reid promising him a ministry if the party formed government. Cook was elected unopposed and lined up behind Reid in opposition to the Barton-Deakin Protectionist government.

Both Fisher and Cook showed early signs of ambition. Fisher stood unsuccessfully for the leadership in 1901.[279] In August 1905 he was elected to the new post of deputy leader, beating Billy Hughes by a single vote.[280]

Cook was less successful, missing out on the deputy leadership when it became vacant in 1903 and he was not offered a ministry in Reid's only cabinet in 1904. This was likely due to suspicions of residual radicalism and led him to adopt more conservative stances.[281]

In the first decade of Australia's parliament, the free traders were almost always in opposition so Cook's career lagged behind that of Fisher. In 1902 Fisher represented the

[276] Crowley (1981).

[277] In June 1901 he moved from Lithgow to Sydney, first to the then middle class suburb of Marrickville and then in 1908 to the affluent Baulkham Hills.

[278] His prospective opponent Defence minister and former premier James Dickson died and Fisher instead faced a weaker local MP. Fisher was on the 'free trade' side of Labour (with Hughes – Watson was a protectionist).

[279] Watson (1927, p 27) recalled Fisher being nominated but a majority voting for Watson, and that Billy Hughes was absent, believing the leadership would not be decided until another day. There is no reference to a ballot in the caucus minutes; Weller (1975a, p 44).

[280] Fisher's victory was variously attributed to his been seen as safer and more stable, more cautious in expression, more radical in belief, less distracted by outside interests, more economically literate or just a desire not to have both leaders from New South Wales. The interpretation of Strangio, 't Hart and Walter (2015), expressed in terms the 1905 caucus would certainly not have used, is that Hughes 'could not match the emotional intelligence Fisher exhibited'.

[281] In 1904 Hughes approached him about supporting Watson's Labor government but was rebuffed; Murdoch (2011, p 50).

Australian Labor Party at the coronation of Edward VII, which doubled as a honeymoon.[282] He was appointed to the Labor caucus' economics committee in 1903. In 1904, he served as minister for trade and customs (ranking fifth in the cabinet) in the Watson government. While longer lasting than Dawson's, it also lacked a majority and was out of office after four months.

Fisher was also more active in championing positive reforms. In 1903 he called for the creation of a federal statistical department to produce uniform statistics.[283] He supported state-owned enterprises as 'sound, beneficial and necessary' and able to face competition.[284] In March 1908 Fisher successfully moved in the House that old age pensions be introduced, one of his lasting legacies. Fisher was elected as a Queensland delegate to the Labor Party's triennial conferences in 1905, 1908, 1912 and 1915, and the delegates unanimously chose him as president in 1908. At this conference, Fisher argued for better social statistics, particularly on the distribution of wealth, more representation of women and for a history of the Australian labour movement to be prepared.[285]

Fisher also continued his self-education on economic matters, gathering with some colleagues on Sundays to read and discuss theoretical economics. Henry Higgins was surprised to see this, noting that on the occasion he observed them they were discussing Böhm-Bawerk's writings on interest, quite a technical piece.[286]

Fisher's performance was rewarded. When Watson resigned in October 1907, Fisher beat Hughes and Spence for the ALP leadership.[287]

Cook was also climbing the political ladder. In 1905 he became the deputy leader of the Free Trade party, which by then was marketing itself as the 'anti-socialist' party. With Reid often attending to his legal practice in Sydney, Cook was frequently leading the party in the House. Cook was a hard-working and shrewd parliamentarian, with a

[282] He had married Margaret Irvine, his landlady's daughter, on 31 December 1901.
[283] *Hansard*, 31 July 1903, p 2953.
[284] *Hansard*, 24 July 1906, p 1907.
[285] *Official Report of 4th Commonwealth Political Labour Conference*, 7 July 1908, p 13; see also *Hansard*, 31 July 1903, p 2953.
[286] Palmer (1931, p 176). Higgins served as Watson's attorney-general despite not being an ALP member.
[287] No voting figures were recorded but Spence was first eliminated and then Fisher won by a 'substantial majority'; *The Age*, 31 October 1907, p 7. Sir George Pearce's biographer claims there were also supporters of Pearce for leader but this would have been complicated by Pearce being in the Senate; Heydon (1965, p 22).

reputation for dry speeches but witty interjections. In 1909 he succeeded Reid as party leader unopposed.

Political beliefs

Fisher's core political beliefs were largely unchanged throughout his adult life. As he wrote to Keir Hardie 'a man can escape from a country, but he can never escape from himself. I imagine my beliefs will stand the Australian climate'.[288] He combined a utopian Christian socialism with a belief in practical measures. A much-quoted statement of Fisher was that 'no Labour Party worthy of the name can deny that its objective is socialism, but no socialist with any parliamentary experience can hope to get anything for many years to come other than practical legislation of a socialist nature'.[289] At the 1908 conference he declared 'we are all socialists now' and 'indeed the only qualification you hear from anybody is probably that he is not an extreme socialist'.[290] Fisher wanted 'to improve social conditions as far as is humanly possible under the existing constitution' and described as 'my kind of socialism' giving 'the typical labourer…the fullest opportunity to rise in life'.[291] He distinguished between the 'speculating' and 'labouring' classes and sought the greatest opportunity for the latter. But he was no revolutionary.[292] A study of the Queensland labour movement in the late 19th century by Rayner (1947, p 27) concluded Marxism had a negligible influence and this was true of Fisher. Indeed, we have no less than Lenin's word that he was no communist. Lenin (1913, p 243) described Fisher's Labor Party as 'a liberal-bourgeois party … the leaders of the Australian Labor Party are trade union officials, an element which is everywhere most moderate and capitalist-serving, but which in Australia is altogether peaceful and purely liberal'. The article is discussed in Kuhn (1989). Fisher has been classed as in the centre-right of the Labor Party by Stockley (1976, p 238). While Fisher would sometimes

[288] Cited by Cockburn (1956, p 139).

[289] (Brisbane) *Worker*, 8 April 1905, p 4.

[290] *Official Report of 4th Commonwealth Political Labour Conference*, 7 July 1908, p 14. Stockley (1976, pp 265-6) believes Fisher 'indisputably was a socialist by which he meant fundamental change achieved over a period of time by piecemeal socio-economic reform within the existing system' and compared to many peers had a 'more humanitarian and emotional socialism'. Day (2010, p 59) argues 'Fisher's socialism was one of incremental improvement rather than revolutionary overthrow. It was about the state making capitalism fairer and providing a safety net for those who had fallen on hard times'.

[291] Fisher, cited in Stephens (1910).

[292] His daughter summarised Fisher's view as 'a bad law must be obeyed; it must be altered as soon as possible by legislative means'. While welcoming the abolition of serfdom in Russia, he was critical of the anti-democratic government established; P Fisher (1962).

employ the Labor rhetoric of caricaturing big business as the 'fat man'[293], he had no objection in principle to workers also being shareholders.[294]

Cook by contrast was changing his political beliefs quite markedly as he rose from the working class to the middle class and above. The trade union movement which had provided his ladder up was now dismissed as 'an organisation for developing class feeling and disseminating hatred in the community'.[295] Cook started referring to 'the workers' in the third person: he was no longer one of them.[296] He now attacked Labor for 'preaching the doctrine that men will necessarily become better if you improve their environment'.[297] Trusts and monopolies were now regarded as part of the 'natural law' rather than a problem to be addressed.[298]

Fisher's first term as treasurer and prime minister

In the parliament elected in 1906 Deakin's party with between 16 and 20 members governed with the support of, but not in a formal coalition with, the Labor Party's 26 members.[299] The Labor Party succeeded in having legislation passed but some members were unhappy about not being in office. Fisher characteristically urged caution on his colleagues but in late 1908 caucus voted to end its support for Deakin. In November 1908 Fisher became prime minister in a minority government (supported by the Deakinites). While some writers had high hopes, the realists recalled Watson's experiences leading a minority government. Fisher had, in Day's (2008, p 153) words, 'swapped power without office for office without power'.

Fisher followed Watson's practice of also serving as treasurer. He attached importance to 'keeping the books', perhaps a legacy of his father's work as treasurer of the co-operative.[300] Fisher had specialised in finance in parliament. Being 'modestly well off

[293] For example, *Hansard*, 7 September 1908, p 133. The 'fat man' image was taken from political cartoons in the *Worker* and the *Bulletin*.
[294] Day (2007).
[295] *Hansard*, 4 August 1910, p 1208.
[296] Murdoch (1996, p 68).
[297] *Hansard*, 19 June 1906, p 369.
[298] *Hansard*, 19 June 1906, pp 363, 369.
[299] Deakin was accused by Forrest and others of being dominated by the Labor leaders; for example, Forrest refers to reliance on Labor support as 'humiliating' in a letter to Deakin, 27 July 1907, justifying his resignation; *Forrest Papers*, NLA. But Deakin replied to Forrest on 5 August 1908 that 'Fisher has been quite as courteous as Watson so far – never threatened, never dictatorial'.
[300] Murdoch (1998, p 17). He later wrote that Fisher took the treasury portfolio 'so that the final word of honest decision and distribution would be his alone'; Murdoch (2013, p 26).

in his private life he had acquired an understanding of banking and finance through the management of his own investments'.[301] Fisher was concerned to avoid being the first federal treasurer to post a deficit.[302] In March 1909 Fisher attended a premiers' conference in Hobart, but declined to discuss a financial settlement, believing it was for a future government to decide.

During his first term as prime minister Fisher made an important policy speech in Gympie outlining Labor's programme of proposed reforms and how they would be financed. He did not, however, spend enough time preparing it and it was regarded as too long and detailed, rather dull and poorly delivered.[303] Given his lack of a majority, it was essentially a platform for the next election. Among other policies he foreshadowed a land tax to fund old age pensions, nationalisation of the iron industry and a federal currency.[304]

In 1909 Fisher's government was defeated on the floor of the House by a 'fusion' of most of Deakin's followers with those of Forrest and the free traders now led by Cook. Although the free trade group was the largest of the three fusing parties, Cook made no serious attempt to wrest the leadership for himself and served as Deakin's defence minister and effectively his deputy.[305]

Deakin derided the objecting Labor members as 'like a lot of unruly urchins dragged screaming from a tart shop'.[306] Given how long Labor had supported Deakin in government, the Labor members regarded Deakin's attitude as churlishly ungrateful and it created much ill-will, ending Deakin's friendship with Fisher. Fisher posed on the hustings the question 'What can you do with a man like that?' and the electorate's answer was to remove him from office.[307] Cook was once again in opposition.

Fisher's second term as treasurer and prime minister

Fisher won the April 1910 election convincingly on a platform that included land tax, a Commonwealth Bank and a note issue, old age pensions and arbitration but the character

[301] Murphy (undated, p 16).
[302] Humphreys (2008, p 24).
[303] Day (2008, pp 170-2).
[304] The speech was published as Fisher (1909).
[305] Murdoch (1996, p 79).
[306] Cited by Day (2008, pp 172, 177), McMullin (1991, p 67) and Smith (1933, p 108).
[307] Lloyd (2000, p 80).

of Fisher was also important.[308] This was the first federal election to change the government and Fisher's was the first Australian government to have clear control over both Houses. It was also the world's first majority Labor national government. Unsurprisingly, Fisher was re-elected ALP leader unopposed. It was a very active government, passing 113 acts in its term. As well as the implemented measures, well ahead of his time Fisher also advocated a decimal currency system.[309]

Fisher introduced Australian government banknotes, derided by his critics as 'Fisher's flimsies', backed 25 per cent by gold and effectively gave them a monopoly by introducing a 10 per cent tax on private banknotes. The issue of notes under the control of the government and not fully backed by gold was decried in some circles.

Fisher introduced a tax on unimproved land levied at a penny per pound for properties valued over £5,000 and progressively increased to a rate of 6d per pound with an additional penny for absentee owners. He commented that 'the land tax, while making a substantial contribution to revenue, has operated beneficially in inducing some owners to subdivide their large estates, providing homes for more settlers and adding to the productiveness of the land'.[310] He claimed the creation of a large number of small landowners was 'my kind of socialism'.[311] A land tax had been advocated by the followers of Henry George in Australia, who included a significant element in the Labour movement. Fisher was familiar with George's work and may have heard him speak.[312] A progressive land tax had been successfully introduced in New Zealand in 1891 and in 1906 the New Zealand prime minister discussed it with Watson.[313] The Treasury secretary was reportedly not keen on the idea.[314]

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[308] Fisher (1909). This was the first election with two clear alternative prime ministers in Fisher and Deakin. Labor made Fisher's character a major issue and Dyrenfurth (2008, p 19) argues Fisher's image was a major factor in their victory. Stockley (1976, p 253) regards the electorate's cynicism towards the 'fusion' as another factor.

[309] He also advocated the metric system; *Hansard* 4 August 1910, p 1135.

[310] Fisher's budget speech, *Hansard*, 1 August 1912, p 1582.

[311] In an interview in Stephens (1910).

[312] Henry George had addressed a public meeting in Kilmarnock, very near Fisher's home, in 1884 and toured the Australian colonies for three months in 1890; Bastian (2009, pp 24-25). Sawer (2012, p 72) comments that advocacy of land tax by Henry George and John Stuart Mill had been influential in Australian progressive political circles.

[313] Dilley (2013). A progressive land tax had also been advocated by Thomas Paine (1792), a likely influence on Fisher's thinking.

[314] *Punch*, 16 September 1909, p 428.

Fisher introduced anti-trust legislation in 1910, in the spirit of the US *Sherman Act*. In a foreshadowing of a current political debate, the *Australian Industries Preservation Act* meant that the prosecution in a monopoly case only needed to have the *effect* of restraining trade rather than proving the *intention* and shifted the burden to the defence of proving that any restraint of trade was in the public interest.[315] Labor wanted to strengthen the ability of the legislature to control 'the financial monsters who…seem to multiply exceedingly in our commercial deep'.[316] This was a focus of both the 1913 election campaign[317] and the referenda campaigns of 1911 and 1913.

Fisher opened his first budget speech, for 1910-11, by noting that the previous financial year was the first not subject to the Braddon clause, which had required three-quarters of federal revenue to be passed to the states. Fisher introduced a 25 shillings per capita payment to the states. In discussing spending, most attention was paid to military expenditure and pensions. In the speech for 1911-12 he was able to point to strong growth in revenues from a growing economy. The speech for 1912-13 again paid a lot of attention to military expenditure.

Fisher conducted two referendum campaigns aimed at giving the federal government greater economic powers. The first set in April 1911 included two propositions. The first was four amendments to section 51 of the Constitution to extend commonwealth authority to *all* rather than just *interstate* trade and commerce; expand the corporations power; give the parliament power to control wages and conditions of employment; and add a new power to control combinations and monopolies. The second proposal would have empowered the commonwealth to nationalise monopolies. Both proposals were decisively rejected in all states other than WA, in part due to insufficient campaigning (Fisher was in the UK for much of the time) and division in Labor ranks. Prominent Labor identities such as Holman in NSW opposed giving more power to the federal

[315] Sawer (1956, p 94).
[316] Hughes, as acting prime minister, also making the point that *intent* is 'practically incapable of proof' and in cases of predatory pricing the *initial* effect on the public is beneficial; *Hansard*, 11 November 1910, pp 6038-9.
[317] Fisher (1913).

government.[318] Fisher divided the proposals into six separate referenda when resubmitting them in May 1913 but they were all narrowly defeated.[319]

In May 1911 Fisher again visited London for the Imperial Conference and the coronation of George V. He received a hero's welcome when he returned to his birthplace and accompanied Keir Hardie on a visit to the south Wales coalfields where he spoke in support of miners fighting for better conditions.[320]

Fisher, King O'Malley and the Commonwealth Bank

Arguably the economic act of Fisher's administration with the greatest repercussions, albeit not to be fully realised for many years, was the founding of the Commonwealth Bank of Australia. There are conflicting accounts of how this came about, and particularly the role played by the legendary King O'Malley in its founding.

While a 'national bank' had appeared on the Labor platform in New South Wales as far back as 1891,[321] and South Australia had established a state bank in 1895, in the first decade after Federation it was O'Malley who was its main advocate[322] and pushed for it to be much more than just a government-owned trading bank. O'Malley elaborated on his plans in a parliamentary paper published 15 April 1908.[323] At the Labor Conference in

[318] Stockley (1976, p 314).

[319] Sawer (1956, pp 99-100). There were majorities in support of all six referenda in three states and overall votes in favour of over 49 per cent; they therefore came closer to passing than most referenda; Humphreys (2008, pp 61-62, 72-73). They were subsequently reintroduced into parliament in 1915 but after Fisher retired, his successor Hughes cancelled plans to resubmit them to the people.

[320] *Kilmarnock Standard*, 8 July 1911; Kirk (2011, pp 293-4).

[321] Notably this means it predates the 1893 bank crashes. Holt (2001, p 9) claims the novel *Caesar's Column* by Ignatius Donnelly (1891) was one influence.

[322] Fisher acknowledged 'the credit to which … [O'Malley] is entitled for constantly keeping this question before the public'; *Hansard*, 28 November 1911, p 3263. O'Malley had been arguing for banking legislation at least as far back as O'Malley (1893).

[323] O'Malley (1908). Beazley (1967a, Chapter VIII, p 3 and 1967b, p 22) suggests it may have been written by Giblin, as it is not in O'Malley's usual flamboyant style. But while Tasmanian political circles were small enough that O'Malley almost certainly knew Giblin, 1908 was before Giblin had developed expertise in economics and before he joined the Labor Party. It is also notable that while, in his account of the early history of the Commonwealth Bank, Giblin (1951, p 2) refers to O'Malley's advocacy he does not mention the paper. O'Malley himself said that he 'had to play the fool to keep the people listening' (*Australasian*, 22 May 1937, p 5) but was also capable of more serious work. As one journalist put it, 'behind an extravagant public manner, Mr O'Malley carries as sound a knowledge of finance as any member of his party'; *The Age* 30 April 1910, p 19. Praise also came from an unlikely source; Sir Robert Gibson, the Bank's chairman during the Depression and no friend of Labor politicians, told the financial editor of *The Argus* of his respect for O'Malley's financial ability; Cook (1958, p 143). Fisher's secretary, Malcolm Shepherd (1958, p 176), opines that O'Malley 'despite his political pantomimics, was a well-read, well-informed, and in some ways, highly cultured man … and there was never any question as to his honesty'.

July 1908 O'Malley moved that the Commonwealth Bank be 'one of issue, deposit, exchange and reserve' with Holman and Watson supporting him.[324] Fisher did not participate in the debate on it. On 30 September 1909 O'Malley spoke for five hours in parliament on his banking proposals. O'Malley discussed monetary and banking issues with Professor Irvine of the University of Sydney.[325]

The controversy surrounds whether O'Malley and some colleagues, the so-called 'Torpedo Brigade' had to force Fisher to implement the policy at a caucus meeting in October 1911. O'Malley has given a few accounts of the proceedings, embellishing them as he got older.[326] Beazley (1963, 1967b, 1967c) dismisses O'Malley's account as a total fabrication invented in response to O'Malley's chagrin at his role being understated in publications about the Bank produced in the 1920s. Beazley also cites inconsistencies between O'Malley's version of events and the caucus minutes.[327] The minutes, however, usually record decisions taken (motions moved/amended and so forth) and provide little indication of the debate that led to them.[328]

[324] O'Malley papers, National Library of Australia, MS460/3849. *Official Report of 4th Commonwealth Political Labour Conference*, p 21. O'Malley was ahead of its time in wanting his bank to have central banking functions; clause IV.xvii says 'the bank shall be a bank of reserve for the deposit of reserves of the banking companies operating in the Commonwealth'. He argued 'every writer on political economy from Aristotle to Adam Smith, from Ricardo to Colhoun concedes that a change in the money volume alters the price of every ounce and yard of goods'. He argued 'private banking corporations are more apt to encourage the panics than to allay them', noting the reductions in credit in the 1890s. His bank could adopt a counter-cyclical policy; the 'way to prevent a speculative disaster or shrinkage of credit from developing into widespread distress called panic is to expand the money volume by easy loans or otherwise'. He described leaving the control of money with the private banks as 'lambs in the keeping of wolves'. The Swiss National Bank is mentioned as a model of what O'Malley had in mind.

[325] McFarlane (1966, p 12).

[326] O'Malley (1923, 1930, 1931, 1939); *Australasian*, 22 May 1937, p 5; the account he supplied to a sympathetic biographer Dorothy Catts (1957, pp 171-173); and his letter to Commonwealth Bank governor Hugh Armitage, 24 September 1947; O'Malley papers, NLA MS 460/6216.

[327] The caucus minutes refer on 30 August 1911 to Fisher outlining the government's programme which included a 'national bank'. The 5 October caucus meeting, chaired by McGregor in Fisher's apparent absence, referred the Banking Bill to the Treasury and Pensions Committee of which O'Malley was a member and their report was presented by Spence to caucus on 19 October, whereupon a special meeting was convened for 25 October, at which Riley and Archibald moved 'that the government introduce the Banking Bill'. The motion is carried and first reading took place on 1 November. Discussions on 28 and 29 November approve of a single governor running the Bank; Weller (1975a, pp 280, 287, 290 and 294). The Beazley interpretation is supported by then Labor senator George Pearce in Pearce (1951, p 104) and Heydon (1965, p 23) and adopted by some later writers such as Day (2008, p 250), Murphy (1981) and Weller (1975a, p 290).

[328] For example, as noted above, they have no mention of Fisher contesting the leadership in 1901.

Furthermore, O'Malley is not the only member of the 1911 caucus to describe Fisher, and particularly Hughes, as needing to be pushed.[329] Dr Maloney, who shared 'a certain flamboyance'[330] with O'Malley, claimed to have been chair of the Torpedo Brigade and asserted that Fisher had promised the private banks that he would not introduce a Commonwealth Bank.[331] Maloney recalled 'Labor members who voted for the original Commonwealth Bank Bill, after having forced Mr Fisher, against his will, to introduce it'.[332] James Catts claims Fisher had no intention of proceeding with the Commonwealth Bank until 'a number of us took steps in the party room' and nominates O'Malley as the leader.[333] According to King (1986), John McDougall supports O'Malley's account. David O'Keefe and Alfred Ozanne wrote letters to O'Malley in 1937 and 1941 reminiscing about the antics of the 'Torpedo brigade' and O'Malley's role in forcing Fisher's hand.[334] Fisher's successor as treasurer, William Higgs, urged that O'Malley's influence should be recognised by an inscription at the Bank's head office.[335] A future Commonwealth Bank governor believed the Bank had been established 'mainly at the instance of King O'Malley'.[336] So did some of the non-Labor members of parliament.[337]

[329] Other writers broadly supporting the O'Malley story include Cockerill (1943, pp 115-6), Copland (1958, p 214), Crean (undated), Ellis (1962a), Green (1963, p 91), Jauncey (1933, p 58 and 1949, p 171), Lang (1962, p 18), Luers (1987, p 81), McConnell (1946, p 8), Noye (1981,1985) and Sawer (1956, p 96). Anon (1910, p 572) described Fisher as the 'natural leader of the conservatives in caucus'.

[330] In a letter to the author of a history of the bank on 25 January 1933, Maloney claims that Fisher told caucus that it 'not being the opportune time', progress on the bank would be delayed, but after a 'ding dong go', the ministers agreed to introduce it without a vote; NLA MS 460/5306; see also Biddington (2010, p 296).

[331] Biddington (2010, p 339).

[332] *Hansard*, 22 April 1931, p 1190. He had earlier described O'Malley as the man 'to whose efforts, more than to those of any other, the creation of the Bank is due'; *Hansard*, 4 November 1920, p 6200 and 12 June 1924, p 1228. He later remarked 'had there been no King O'Malley there would not have been a Commonwealth Bank in Australia today'; *Hansard* 2 November 1934.

[333] Catts claims his recollections were confirmed by Higgs, Maloney, Page and Matthews; *Hansard* 19 December 1918, pp 9843-4, 13 June 1924, p 1264.

[334] O'Malley papers, NLA 460/5604, 5915; extracts are published in Hoyle (1981, pp 129-131).

[335] Gollan (1968, p 99). In apparent contrast, Fisher's daughter claims Higgs told her he rejected O'Malley's account.

[336] Hugh Armitage added 'it was only by continuous pressure and a good deal of underground wire pulling that he was eventually able to get it passed into legislation'; Armitage reminiscences, 1949. Armitage repeated his view in a speech to a Christmas party for retired Bank officers in 1958; RBA archives RBA SA-65-84.

[337] Grosvenor Francis proclaimed 'the members of the Labour party claim credit for the establishment of that bank, but we all know that Mr. King O'Malley forced it upon them whether they liked it or not and that they accepted with fears and forebodings'; *Hansard*. 12 October 1927, p 457. A similar account is given by Edmund Maher (undated). Another prominent conservative, Sir Norman Cowper (1951, p 38) calls O'Malley 'undoubtedly the man to whom the establishment of the central bank was principally due'.

There is other evidence that Hughes at least was reluctant to see the bank established.[338] O'Malley challenged Hughes to show where he had made a speech advocating a national bank prior to October 1911, offering a £100 donation to a charity of Hughes' choice, but Hughes did not respond.[339] In a letter from Hughes to Fisher in September 1911 about forthcoming legislation, a bill for a Commonwealth Bank is conspicuously absent.[340] The decision in 1910 to allocate the role of issuing bank notes to Treasury could be interpreted as indicating the government was not committed to any rapid establishment of a Commonwealth Bank.[341]

Fisher's daughter later recalled her father taking seriously concerns raised by the private banks about the viability of the Bank.[342] In his lengthy 'Gympie speech' in 1909 setting out Labor's programme, and in a post-election interview[343] in April 1910, he made no mention of a central bank. Fisher made no move to introduce a Commonwealth Bank during his first stint as treasurer. By one account, 'he was just plain scared of it', but it may have just been that lacking a majority he saw no point in introducing legislation.[344] Ironically, its very advocacy by O'Malley, whom Fisher disliked, may have made Fisher more hesitant about the bank.[345]

Furthermore, O'Malley himself provided a private account much closer in time to the events. In a friendly letter to 'brother Fisher' in May 1919, urging him to return to Australia and take up the Labor leadership, O'Malley refers to Fisher having been 'chagrined when in 1911 I took the Bank to caucus and you will admit that it took some courage to go against the opinion of the whole government'.[346]

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[338] In a letter to Hugh Mahon, 15 March 1909, Hughes writes 'about the Commonwealth Bank we must be dumb; if not we shall frighten all the timid souls'; Mahon papers, NLA MS 937/128. Day (2008, pp 177, 250) describes Hughes as being 'nervous at times about the reaction of the business community' and having forced Fisher 'to omit mention of the Commonwealth Bank from his Gympie speech'. O'Malley (1931, p 7) called Hughes, Pearce and two others, but not Fisher, his main opponents.

[339] *Australasian*, 5 June 1937, p 9.

[340] Hughes to Fisher, 11 September 1911; Fisher papers, NLA MS 2919, box 2, series 3, item 79.

[341] Jauncey (1933, p 57), Bastian (2009, p 224). Fisher said he was 'not averse' to the Bank issuing notes once it had become established; *Hansard*, 15 November 1911, p 2886.

[342] P Fisher (1976). See also Bastian (2009, p 223) and Catts (1957, p 171). Fisher told parliament he had met with some private bankers to discuss proposed banking legislation and while no record was made of the discussion he had no objection to the banks giving their version of what was discussed; *Hansard*, 14 July 1910, p 401.

[343] *Sydney Morning Herald*, 25 April 1910, p 7.

[344] O'Malley's biographer Catts (1957 p 125). Fisher once said 'I make no pretension to banking knowledge'; *Hansard*, 30 May 1911, p 3454.

[345] Bastian (2009, p 223), Butlin (1961, pp 349-351), Hoyle (1981, p 125).

[346] O'Malley to Fisher, 5 May 1919, NLA MS 460/5073.

Reluctantly or not, Fisher had Treasury prepare the bill to establish the Bank but it lacked many of the features that O'Malley wanted.[347] In particular it was proposed to be just another commercial bank rather than a central bank as well. Fisher referred to the Bank as 'a business concern pure and simple' and blandly remarked that 'in a country like our own, which is growing in wealth and population, there is ample room for the establishment of another bank. A new bank has not been established in Australia for a long time'.[348] Alfred Deakin described the bill as merely an 'instalment' of the O'Malley plan while his colleague Irvine called it 'O'Malley pasteurized'.[349] Fisher did, however, go on to conjecture that 'it will ultimately become the bank of banks rather than a mere money-lending institution.[350]

Denison Miller, then a senior officer of the Bank of New South Wales, was chosen to be the Commonwealth Bank's inaugural governor.[351] There appears no truth to rumours that Fisher was interested in becoming governor of the Bank himself.[352] Fisher praised Miller's caution; 'he acted with discretion in seeking to build up a national bank that

[347] The drafting instructions for the bill merely stated 'a bill is required for the establishment of a Commonwealth Bank'; Garran (1958, p 153).
[348] *Hansard*, 15 November 1911, pp 2646, 2650.
[349] *Hansard*, 22 November 1911, p 3036.
[350] *Hansard*, 15 November 1911, p 2661.
[351] According to Campbell-Jones (1935, pp 265-6), Fisher chose him after the first interview and without wanting to interview the remaining applicants short-listed for him by Treasury Secretary Allen. Harper and Schedvin (1988, p 207), however, describe the appointment process as 'lengthy and difficult', which matches a contemporary press report by Anon (1912) claiming the search took six months with many private bankers approached being unwilling to take the job. In an alternative account, O'Malley asked John Russell French, general manager of the Bank of New South Wales, to name 'the best banker in the world' and when French nominated Miller, O'Malley arranged for the cabinet to interview him; this account is given by O'Malley's biographer and friend Dorothy Catts (1957, p 174) but is also supported in recollections by a future governor, Hugh Armitage, 1949, RBA archives RBA SA-65-84. An exchange of letters between Fisher and the English, Scottish and Australian Bank's Charles Wren reveals Wren recommended Miller after declining the job himself; (20 May 1912, NLA *Fisher papers*, MS 2919 and *Wren papers* MS 6758). Initially the plan had been for a board to govern the bank but the final bill had a sole governor in charge; Butlin (1983, p 162). Hugh Armitage believed some government members wanted Treasury secretary Allen to be appointed but O'Malley persuaded them it was better to have someone with banking experience, and after two senior bankers approached said they were not attracted to a 'semi-socialist undertaking', Miller was the next choice and that Miller had 'great creative powers' and being a 'good organiser with a pleasant and friendly personality'; Armitage reminiscences in 1949, RBA archives SA-65-84.
[352] Souter (1988, p 142) refers to incorrect reports along these lines. Labor MP Finlayson reports hearing the rumour, and supporting the idea, in a letter to Fisher on 23 March 1912; *Fisher papers*, 2919/5/14. Fisher ridiculed the suggestion, writing on the letter 'and the 1st of April is still five days off'.

ultimately should be the bank of banks'.[353] Fisher promised Miller that he would be 'free from political control or interference in any way whatever' and held to this.[354]

Cook's government as an interregnum

By the 1913 election Joseph Cook had taken over from the retiring Deakin as leader of the Fusion, now styled the Liberal Party, beating John Forrest by one vote. In the 1911 Budget debate, Cook had advocated a comprehensive scheme of national insurance and this formed part of the Liberal Party's platform in 1913.[355] Cook (1912b, p 16) advocated the establishment of a public accounts committee.

At the 1913 election, Labor lost government by a single seat due to a swing against it in rural areas, and Cook became prime minister. But Labor retained control of the Senate.

By now Fisher was the father of six young children and showing some signs of strain, but he defeated challenges to his leadership from Higgs (who represented the more radical wing of the Labor Party) and Hughes.[356]

Frustrated by the block the Senate placed on his legislation, Cook elected not to play safe and serve out his term but instead set up the conditions for the first double dissolution in Australian history by passing legislation opposing union preference and restricting maternity allowances which he knew the Labor majority in the Senate would reject. Cook set out his credo as 'liberalism stands in the first place for encouragement of individual effort. Then it stands for equality of opportunity all round'.[357] While Cook had stated in August 1913 that his government planned to take the Commonwealth Bank out of savings bank business, the required legislation had not passed the House before it was dissolved.

Fisher's policy speech in July 1914 was largely a restatement of that of 1913. When World War I broke out, Fisher famously promised to support the United Kingdom 'to the

[353] 1914 policy speech, reported in *Sydney Morning Herald* 7 July 1914, p 7. Fisher says approvingly of Miller's passivity that 'the governor did not attempt to outbid the other financial institutions in order to attract business'. Another indication of Miller's caution was that Hughes once said to Fisher 'if the Commonwealth Bank continues to treat its overdraft customers in the way it has treated me, it won't go broke in a thousand bloody years'; Armitage reminiscences in 1949, RBA archives SA-65-84.
[354] Cited by Harper and Schedvin (1998, p 210).
[355] He had also advocated social insurance schemes in 1908 and 1910; Greenwood (1955, pp 203, 230).
[356] It is not mentioned in contemporary press reports but the caucus minutes show the vote as Fisher 42, Higgs 18 and Hughes 1; Weller (1975a, p 322). It is tempting to assume Hughes' single vote was his own but a biographer says this was not the case; Booker (1980, p 171).
[357] Buchanan (1940, p 21).

last man and the last shilling', essentially the same policy as Cook, neutralising the war as an election issue.[358] Fisher led Labor to a clear majority in both houses.

Fisher's final term as treasurer and prime minister

Fisher had to concentrate on mobilising for war rather than the social or economic reforms which characterised his previous term and better suited his personality. In the earliest days of the war Fisher was concerned about the impact war would have on the international economy and unemployment in Australia. This, he wrote, 'could be far more serious than the direct consequences of war itself' and suggested that the Commonwealth Bank would be needed to support credit so 'the wheels of industry keep moving'.[359]

The war disorganised parliamentary financial procedures; Fisher presented a budget on 3 December 1914 but there was no budget in 1915. War expenditure drove the budget into a deficit of unprecedented magnitude. This was despite Fisher trying to raise revenue by increasing the rate of land tax and imposing probate on deceased estates. These measures, however, did not raise as much as might have been expected.[360] In July 1915 Fisher told caucus the government intended to impose the first income tax.[361] It raised nearly £4 million in 1915-16.

Fisher had a deep-seated abhorrence of debt, perhaps reflecting his working class upbringing and his experience of political corruption involving borrowing in Queensland politics. In 1903 he had opposed a proposal by Turner to establish a permanent federal debt. He cited 'a very old saying that parliamentary gods very seldom know what revenue

[358] Fisher's letter to the editor, *Sydney Morning Herald*, 10 August 1914, p 11. Fisher was not quite the uncritical Empire loyalist this comment might suggest. He had opposed sending Australian troops to the Boer War, when the United Kingdom was not under threat. Fisher rejected a proposal by Hughes that the election be cancelled in favour of an electoral truce; Beaumont (2013, p 17), Holman (1935, pp 109-110). Fisher was 'repelled by the brutality and carnage of war'; Meaney (2010, p 45). He 'regarded war as a scourge…[and] believed that international arbitration was a preferable way to resolve conflicts'; Beaumont (2013, p 44). The 'last shilling' expression had earlier been used, in reference to the Boer war, by Cook in the NSW Parliament (*Hansard*, 18 October 1899, p 1458).

[359] *The Argus*, 24 August 1914, p 13.

[360] Sawer (1956, p 145) comments 'land tax revenues were disappointing, partly because of drought years, partly because the tax began to have some effect in breaking up large estates so as to bring holdings below the taxable level, and partly because of administrative and legal difficulties in assessing tax on the outback leaseholds'.

[361] Weller (1975a, p 416). This was despite a proposal for an income tax being defeated at Labor's Adelaide conference. The first British income tax had also been introduced to pay for a war, by Pitt in 1798 to pay for the Napoleonic war with France; Darling (2011, pp 186-7).

there is in economy' in arguing for funding expenditure from revenue not borrowing.[362] In 1910 he had argued that borrowing was justifiable for 'a great national work such as the transcontinental railway' but 'the creation of a regular borrowing policy…every time that wealth objects to provide its share of revenue…such a policy is nationally dangerous as well as socially unjust' and described borrowing as 'a costly and perhaps a dangerous policy if it can be avoided…by living within our income from taxation…we want to tax accumulated wealth'.[363] Yet his government passed the *Loan Act* in 1912, authorising the raising of money for constructing post offices and Australia House in London. He defended this by arguing both purposes would generate revenue as there were to be tenants as well as government offices in Australia House.

During the early war years, he passed legislation enabling the federal government to raise war loans and borrowed from the British government and the Australian banks, lamenting having to abandon his 'cherished hope of financing our war forces…from revenue'.[364]

The resignation of Fisher

Fisher's health deteriorated as he was attacked by both conscriptionists and Labor radicals. He delegated piloting of the Income Tax Bill through parliament to Hughes. He also seemed to be losing confidence in his own abilities, reportedly telling the Governor-General 'that he had no knowledge of finance, although he had ideas'.[365] A holiday in New Zealand, disguised as inter-government negotiations, was insufficient for him to regain his health.[366] In October 1915 he resigned the prime ministership to become High Commissioner in London, taking over from another former prime minister, George Reid.[367] While Fisher later attributed his decision primarily to his health, writing 'the bare fact is I was more run down in health when I left the Commonwealth than my friends

[362] *Hansard*, 12 September 1905, p 211.
[363] Stephens (1910).
[364] *Hansard*, 3 December 1914, p 1341.
[365] Letter from Munro-Ferguson to the Colonial Secretary cited in Attard (1989, p 148) and Murdoch (1998, p 69).
[366] Murphy (1981).
[367] In May 1915 there were rumours about Fisher becoming high commissioner but the governor-general believed that while Fisher regarded Reid as old and lazy, he had 'no aspiration to the fill the latter's place'; Munro-Ferguson to Harcourt, 13 May 1915, NLA MS 696/691. His predecessor as Labor leader, Chris Watson, wrote to Fisher on 11 May 1915 and argued 'if you feel knocked out in health then it would be well enough to take it'; *Fisher papers*, MS 2919/1/107.

knew'[368], the account by his former colleague George Pearce of Fisher's last departure from the House where he shook his fist in its direction and said 'they can all go to ____, George' suggests political pressures also played an important role.[369] He was also

[368] Letter to his former colleague, and successor as treasurer, William Higgs, 6 September 1919, *Fisher papers*, NLA MS 2919/1/507. He had earlier commented that 'parliamentary life is much less healthy and much more exhausting…the nervous strain is continual'; Fisher (1910). When returning to office in 1914 Fisher said he would only work ordinary office hours and take Sundays off, but by 1915 Fisher 'had been under great strain and his health had suffered'; Smith (1933, pp 148, 162). He suffered frequent illnesses including a few days of temporary deafness and complained to the governor-general of 'intolerable strain'; Day (2008, p 328). The governor-general was soon describing Fisher as in a 'high state of nervous tension aggravated by a chill which he was unable to throw off'; Meaney (2010, p 46). Keith Murdoch said in 1918 that Fisher suffered a 'sort of nervous tiredness, rather serious and necessitating rest'; Attard (1991, p 143). Garran (1958, p 221) observed that Fisher 'from physical and mental overwork was feeling the strain of his responsibilities'. Day (2010) suggests the mine work in his youth had damaged his lungs. Cooney (2015, p 4) refers to Fisher as having a 'collapse' at the time of his resignation. Even in 1910 it was remarked that 'while Mr Fisher is a comparatively young man, being now 48 years of age, he looks older. The strain of leadership has not failed to leave its mark, as his rapidly whitening hair shows'; *The Age* 30 April 1910. Baxter Cook, a journalist, felt that Fisher 'always seemed to me to be in a state of apprehension'; Cook (1958, p 113). Buchanan (1940) and Attard (2010, p 50) suggest his health problems included a loss of mental acuity. Hughes apparently believed there were signs of Alzheimer's disease as early as 1915, although this may be self-serving. Hughes' supporter Hume-Cook (1936, pp 15-6, 20) says of Fisher at the time 'though seemingly in full possession of his physical powers, there was not the same virility about his mental powers… in some subconscious way he was cognisant of the mental trouble that was approaching' and so 'to avoid being drowned in the waters of oblivion by giving up his post – he grasped the high commissionership and so saved himself from the fate he dreaded'. Fisher's daughter, however, says the memory loss only started in the 1920s; P. Fisher (1976). The sudden deaths of his friends and cabinet colleagues Egerton Batchelor (at the age of 46), and Charlie Frazer (aged just 33), may have influenced him. The example of Alfred Deakin may have also played on his mind and suggested leaving the stresses of parliament could best serve his physical and mental health.

[369] Anderson (2001, p 203), Attard (1995, pp 119-20), Hirst (1999, p 57), Malkin (1979, p 15), Marginson (1967, p 83) and Meaney (2010, p 46) suggest Fisher, a long-term opponent of conscription, foresaw the growing support for conscription within the Labor Party which could lead to a split. In this he was right but he was wrong to think that in his absence the party would fall in behind Hughes. Sykes (2006, p 11) believes 'Fisher could see that the Great War had made conflict with some of his parliamentary friends and supporters inevitable'. His cabinet colleague George Pearce (1951, p 127) states 'increasing differences in the party was the general cause of Mr Fisher's retirement'. Weller (2007b, p 34) and Encel (1974, p 45) suggest Fisher was wearying of a 'constant battle with caucus' and Dyrenfurth (2011, pp 183-4) refers to criticism within Labor ranks about the conduct of the war. Dyrenfurth (2012, p 32) described Fisher as 'under pressure from both his party's Left and Right'. Attard (1989) suggests Fisher was frustrated by disputes with the state governments. Day (2008, p 342 and 2010, p 67) suggests Fisher may have feared the political consequences once the extent of the Gallipoli debacle became known. Edward Holloway (c1954, p 28), then president of the Melbourne Trades Hall Council and the Victorian branch of the Labor Party, says Fisher resigned as he was 'irritated beyond patience by some of his colleagues in the cabinet and party, led by WM Hughes who was hankering for power'. Other accounts, such as M Ellis (1962a), Fitzgerald (2014, p 79), Humphreys (2008, p 1), Jeffreys (1977), Makin (1961), MacCallum (2009, p 4) and Pearce (1951) and the Boddy and B Ellis (1974) political farce, also place more blame on Hughes for bringing Fisher down. Makin (1961, pp 34-35 and 1982, pp 57-58) describes Hughes challenging Fisher's authority by bringing forward legislation which Fisher had promised would be deferred. Fisher offered Hughes the post of High Commissioner in London to get rid of him, and when Hughes refused took it himself. Similarly, Senator Ferricks refers to Fisher having been 'jockeyed out' by Hughes; *Hansard*, 9 February 1917, p 10387. But as Lloyd (2000, p 83) and MacCallum (2014a, p 42) argue, this seems inconsistent with Fisher seeing off all Hughes' earlier challenges for leadership positions.

uncomfortable as a war leader, sending soldiers to their death rather than implementing social reforms.[370] Of course the political pressures were probably themselves exacerbating his health problems. There was also a financial incentive as the London post was well-paid and more secure than a political career and Fisher had a large family and had bought a large house.[371] Or perhaps he was just homesick or thought he could do more for the Australian war effort in Britain. Most likely it was a combination of all these factors.

Cook, meanwhile, had been playing the role of leader of the loyal opposition. When Fisher retired, his successor Billy Hughes split the Labor government by his advocacy of conscription and led a band of rebels to form the National Labor Party. Well short of a majority, Hughes opened discussions with the Liberals, and they agreed to form a 'win the war' coalition which successfully contested an election. The two parties then merged to form the Nationalists. As in 1909, Cook appeared not to covet the leadership, despite the Liberals being the larger component of the new party, and Cook served loyally as Hughes' unofficial deputy prime minister for the next five years. He initially also took the relatively junior post of navy minister but by one assessment was the 'real leader' on the floor of parliament, 'exercising a directing force over proceedings'.[372] Cook accompanied Hughes to the UK for a war conference in June 1918 and the two remained there for the peace conference, signing the Treaty of Versailles and not returning to Australia until August 1919.[373] On their return Hughes took all the credit and did not support Cook when it was proposed that Watt replace him as deputy leader.[374]

Abjorensen (2015, p 69), an academic who has studies prime ministerial exits, comments 'to what extent Fisher left office of his own volition remains an issue of contention'.

[370] Kevin Rudd's interpretation of his reading about Fisher is that 'he became very sick' as he 'internalised so much' of the horrors of the war; cited in Williams (2013, pp 58-59).

[371] Smith (1933, p 162) suggests the 'comfortable emoluments' of the high commissionership was a factor.

[372] *Daily Telegraph*, 24 September 1917, p 4.

[373] There are various conjectures about the reason Hughes took Cook with him. One possibility is that Hughes was too suspicious of Cook to leave him in Australia as acting prime minister. Another is that his colleagues preferred Watt as acting prime minister. Another is that the ex-Liberals wanted Cook to go to keep an eye on Hughes. Hughes delegated very little to Cook during their time in the UK, but Cook took solace from a knighthood and the chance to return as 'the local boy made good' to his birthplace. He was involved in redrawing the borders of Czechoslovakia. He enjoyed his time in the UK so much he set his sights on becoming High Commissioner; Anderson (1972, p 268), Beaumont (2013, p 438), Murdoch (1996, p 131).

[374] Murdoch (1968, p 378). Despite Cabinet support, Watt declined the post due to ill health.

Cook as treasurer

In March 1920 Cook became acting treasurer, when Watt left for a trip to London. Cook then reluctantly became treasurer following Watt's resignation, when SM Bruce declined the position.[375] While Cook had earlier seen the treasurer as an important position, saying in Cook (1912a, p 1) that 'in the glass of the budget we behold the face of the nation', he was now impatient to become High Commissioner in London and his promotion to treasurer was as unwanted as it was unexpected.

Cook served in a challenging period. This was the height of the post-war boom, and the government was concerned about inflation. At the same time, unemployment remained high. Global interest rates were high due to war debts and a shortage of ships impeded trade.

Cook thought it was 'the main financial duty of a government to keep its commitments as low as possible and to balance the budget'.[376] He was focused on reducing inflation[377] and, as often during his career, was more comfortable opposing proposals than propounding them. Cook noted about the discussion of an excess profits tax that it had been first applied in Sweden but 'spread like Spanish influenza to other countries' and believed it 'encourages wasteful expenditure, puts premium on overcapitalisation, puts penalty on brains, energy, enterprise, discourages new ventures and confirms old ventures in their monopolies' and was 'in many instances passed on as a consumption tax'.[378] He decried the maternity payment as a 'bangle bonus' and a 'waste of money', arguing 'much of it is going into the pockets of women who do not need it'.[379]

In his first budget (16 September 1920) Cook aimed to reduce borrowing and set the country up for repaying war debt quickly, but was only willing to raise taxes modestly from fear of discouraging investment. This forced him to be very parsimonious with spending, and ruled out any expansion in public works to ease unemployment. The only

[375] Both Robert Best and Arthur Rogers were also viewed as possible treasurers; *Daily Telegraph*, 27 July 1920.
[376] Murdoch (1996, p 132). Hughes (1998, p 133) muses that Cook's early poverty may have been the source of his penny-pinching attitudes.
[377] Cornish and Coleman (2014, pp 5-6).
[378] Entry in Cook's notebook 1919-1920, p 31, NAA M3580, 10.
[379] *Hansard*, 20 October 1921, p 12074.

large expenditure initiative was on ships to alleviate export problems. Labor and the Country Party criticised him for not making further cuts in spending.[380]

His second budget (29 September 1921) continued this deflationary policy, although by now the Australian and global economies were slowing, Australia was suffering from drought and inflation had fallen. Cook lamented the 'huge interest bills' the government faced after the war and in his dour way was critical of the 'luxurious living in which many people have been able to indulge as a result of profit made during the war'.[381] His 'stand-pat budget' was closely debated, and almost defeated in parliament, but the critics proposed no clear alternative. [382]

The Federal Economies Commission, chaired by businessman Robert Gibson, delivered its report on 4 April 1921.[383] It was critical of the cost of Australia House in London and poor oversight of expenditure in the Navy department and called for the centralising of accounting functions.[384] It also called for more purchases of calculating machines, a recommendation which has been described as 'more easily understood given the knowledge that one of the three commissioners was a senior executive of an adding machine company'.[385] But overall it seems to have had little impact.

While acting treasurer, Cook had assured the parliament that 'a Royal Commission to consider the whole incidence of Commonwealth taxation' would be appointed 'at an early date'.[386] Following its recommendations, Cook set up a Board of Appeal for taxation and introduced income averaging for primary producers, as well as some more modest changes.

Cook as acting treasurer had replied to a parliamentary question that 'the Government intends, as early as practicable, to institute a searching investigation into the question of the insurance of the workers against unemployment and sickness, with a view to the

[380] Sawer (1956, p 205).
[381] *Hansard*, 29 September 1921, p 11587.
[382] Sawer (1956, p 205).
[383] The Royal Commission upon the Expenditure of the Commonwealth of Australia with a View to Effecting Economies, to give it its full name, had been appointed in 1918 when Cook's predecessor Watt was treasurer. Gibson was to go on to chair the Commonwealth Bank and his clashes with Theodore are discussed in the following chapter. The other members were businessman George Turton and the chief accountant from the Postmaster-General's department, Gilbert Haldane; Weight (2014).
[384] Weight (2014).
[385] Wanna, Ryan and Ng (2001, p 49).
[386] *Hansard*, 22 April 1920, p 1441.

establishment of a system fair to both employers and employees'.[387] No action, however, was taken while Cook was treasurer.

Cook had been unenthusiastic about the establishment of the Commonwealth Bank; while campaigning in 1914 he described it as 'a wicked and costly and unnecessary proceeding … however it was there and they must make the best of it'. But he made an important reform to it while treasurer. Cook transferred to a department within the Bank responsibility for banknote issue, a measure he had advocated as far back as 1914.[388] While its governor saw the move as 'the first and most important step in the enlargement' of the Commonwealth Bank into 'a national bank in every sense of the word'[389] and Cornish (2010, p 3) regarded it as 'an important development in the history of Australian monetary policy', Cook himself described it as 'a modest little proposal' and 'merely a machinery measure'.[390] It was not discussed in the Nationalist party room meetings.[391] Cook argued that the 'very essence of the note issue depends on its elasticity, because it must rise and fall with the volume of…business' and he argued that the Bank was more in touch with both money markets and the general public than was Treasury.[392] But as he did not want the note issue under the sole control of the Bank's governor, he constituted a board ('outside all intruding political influences'[393] as he put it) of four including the governor, a representative from Treasury and two businessmen. While housed in the Commonwealth Bank, the Note Issue Department was 'kept distinct' from the rest of the Bank's operations. It could be argued Cook was ahead of his time in this concern for 'central bank independence'.[394] But in the bill he abandoned the idea of requiring banks to keep a set proportion on notes in their reserves after 'receiving satisfactory assurances' from the banks and instead suggested this could be revisited as part of a broader banking bill in due course.[395]

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[387] *Hansard*, 31 March 1920, p 1009.
[388] *Hansard*, 13 November 1914, p 671.
[389] Sir Denison Miller, cited by Harper and Schedvin (1998, p 220). Miller had advocated it to treasurers and prime ministers Fisher, Hughes, Forrest and Watt but been rebuffed; Cornish and Coleman (2014, p 6).
[390] *Hansard*, 4 November 1920, p 6174. The operations of the Note Issue Department are described in Coleman (1999, 2001), Cornish and Coleman (2014, pp 6-19) and Polden (1977).
[391] Their minutes for the relevant period are contained in the Pearce papers, NLA MS213, series 12.
[392] *Hansard*, 4 November 1920, p 6175.
[393] *Hansard*, 4 November 1920, p 6182.
[394] Coleman (2001) points out that this independence only lasted four years, giving it as an example of the impossibility of real central bank independence.
[395] *Hansard*, 4 November 1920, p 6177.

In June 1921 the board was stating its policy as being 'to decrease the [note] circulation by all legitimate means' as a means of depressing the price level and coaxing the exchange rate back to its previous parity under the gold standard.[396] It was a crude form of monetarism but one board member regarded it as based on 'elementary truths' and endorsed by experts at the Brussels international financial conference.[397] By June 1922 the board was able to say they had succeeded in reducing the amount of currency in circulation. The private sector members of the board were pushing to reduce it further but the banks were resisting.[398] The conflict was eventually resolved when Page as treasurer handed responsibility for the note issue to the Commonwealth Bank in 1924.

While his admirers regarded him as fulfilling the treasurer's role with 'his usual aplomb',[399] with the exception of the note issue measures, Cook was an unimaginative treasurer who contributed little to post-war reconstruction, to reducing unemployment, to improving economic efficiency or to reducing inequality. Admittedly, Hughes would probably not have encouraged him.[400] Nor was he a very confident or enthusiastic treasurer, saying 'the position of the Commonwealth Treasurer is more difficult today than it has ever been … I do not pretend to be an expert', adding 'I am a bit tired of being "shot at" both inside the House and outside by everyone who thinks he can teach me how to do the job'.[401] He complained that 'every frog in every marsh is calling out for economy' while he was also pushed for extra spending on specific worthy projects.[402]

From April to September 1921 Cook was also acting prime minister, while Hughes attended an imperial conference, bringing a greater harmony to party and cabinet.[403] Cook was able to do this despite Hughes taking all the prime minister's senior staff with him.[404]

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[396] Armitage to Collins, 17 June 1921, cited in Cornish (1988a, p 5).
[397] Collins, the Treasury secretary and board member of the Notes Issue Department represented Australia at the Brussels Conference in 1920; Cornish (1988a, p 6).
[398] Cornish (1988a, pp 9-10).
[399] Ellis (1962b, p 22).
[400] There is a story that Cook once spent an hour explaining an idea to Hughes only to be told 'It's no bloody good, Joe. You might as well piss up against the pyramids and imagine you're irrigating the Nile Valley'; Murdoch (1996, p 135).
[401] *Hansard*, 30 September 1920, p 5211. He had earlier interjected to agree when a Labor member described him as 'not a financial genius' and lacking the 'ability to carry the heavy responsibilities of getting Australia out of its financial difficulties'; *Hansard*, 25 March 1920, p 881. He later described himself as being 'at my wit's end…to find money to keep public works going'; *Hansard*, 26 October 1921, p 12198.
[402] *Hansard*, 7 October 1920, p 5434.
[403] Upon Hughes' return the Nationalist party room unanimously praised Cook's performance as acting leader; their minutes for 28 September 1921 are in the Pearce papers, NLA MS 213, series 12.
[404] Murdoch (1968, p 393).

After Hughes had settled back into the prime minister's role, Cook was happy to hand the treasurer's job on to Bruce in December 1921.[405]

High Commissioners and retirees

Both Fisher and Cook moved straight from active politics to be High Commissioner in London. But Cook was better suited to the position and enjoyed it much more.

Fisher served his five-year term diligently, but his dislike of protocol and his informality meant that it was not a role for which he was well suited.[406] And needing to defer to Hughes when he visited the United Kingdom must surely have grated. Cook, by contrast, revelled in the social prestige the position granted him.[407]

By the latter stages of their postings both men's health and mental acuity were deteriorating.[408] They played little role in public life once they finished their time as High Commissioner. Cook was 67 by the time he returned from London and uninterested in resuming a political career. The only public role he took on was serving as chairman of a royal commission into South Australia's share of federal funding in 1930. The former postmaster-general also participated in the first telephone call between London and Sydney in 1930. He enjoyed a long and pleasant retirement in Sydney before his death on 30 July 1947.

Fisher, aged 59, was mentioned as a possible candidate for the electorate of West Sydney following the sudden death of TJ Ryan. He apparently indicated to Labor members he would accept being drafted but did not want to run in a contested preselection and another

[405] Hughes graciously (if inaccurately) said it was 'a very great wrench to part' from Cook and he would 'miss him very much' when announcing the appointment to the Nationalist party room on 10 November 1921; Pearce papers, NLA MS 213, series 12.

[406] As Campbell-Jones (1935, p 263) put it, he 'hated display or posing or any form of public vanity'. He rejected a knighthood and was tardy in replying to letters offering him the privy counsellorship and preferred to attend an engagement in Kilmarnock than attend the King's Council to be sworn in; *Fisher papers*, National Library of Australia MS 2919/1/60. Shepherd (1958, p 133) tells of the struggle to get him to wear court dress at George V's coronation. He ripped off the 'effeminate' lace collar. He declined an honourary degree from Oxford and the Légion d'honneur; Meaney (2010, p 47).

[407] Attard (2010, p 59) describes him as 'self-assured, socially at ease and a competent public speaker' and cites the UK secretary of state for the colonies as finding him 'a charming man'. On the other hand, Hughes complained of his weak administration and Latham complained of his 'mediocrity, self-satisfaction, idleness and discourtesy'; Attard (2010, p 59).

[408] George Pearce described Fisher as 'capable of little concentrated effort' towards the end of his tenure; Heydon (1965). Towards the end of his term Cook was reported as 'aging rapidly' and suffering from 'loss of memory' and 'irritability'; Attard (1991, p 175).

candidate was selected instead.[409] He returned to London[410] and unsuccessfully sought Labour preselection for the Scottish seat of Kilmarnock in the House of Commons.[411] He then lived in London, sinking into dementia, until his death on 22 October 1928.

Commemorating Fisher and Cook

Fisher has a suburb in Canberra commemorating him. There is also a suburb of Cook but this commemorates both Sir Joseph Cook and Captain James Cook. There is a federal electorate named after Fisher but the electorate of Cook refers to James Cook. The Department of Prime Minister and Cabinet is located in the Andrew Fisher Building in Canberra.

Synkrisis

These two treasurers and prime ministers started their careers in such similar ways. If, as a contemporary governor-general put it, the odds were 'a million to one against a coal miner becoming prime minister'[412], then the odds against both of them doing so were a trillion to one against. At his funeral Cook was described as the 'Australian Lincoln'[413], an analogy that would hold equally for Fisher.

But why were they so different by the time they served as treasurer? As evidenced by the time the two young teetotallers put into studying in the evenings when their peers would be resting or carousing, both believed strongly in self-improvement. But for Fisher self-improvement meant acquiring knowledge and using it to lift the whole working class up. For Cook it meant social climbing for himself and his family and leaving the working class behind.

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[409] *Sydney Morning Herald* 8 August 1921, p 9; 10 August, p 11 and 11 August, p 7. William Higgs had earlier heard rumours of Fisher's return and wrote to him on 8 July 1919 that 'if you come back in time to contest the Wide Bay, you could win the same and probably carry our party to victory again'; *Fisher Papers*, MS 2919/1/501. Attard (1995, p 127, however, suggests he would no longer have fitted comfortably into a Labor Party that had shifted to the left and been abandoned by many of his friends. Scott (1936, p 304) believed Fisher's health would have ruled out a political comeback and by 1921 Makin (1982, p 57) noted Fisher 'showed some distress of mind'.

[410] Attard (1991, p 165) describes this as 'bowing to family pressure'.

[411] He may have been inspired by an earlier prime minister and high commissioner, George Reid, who had taken a seat in the Commons. His daughter and an obituary writer believe he lost out on getting preselection due to excessively pro-royalty sentiments; Rankin (1928) and P Fisher (1976); but Day (2008, p 408) suggests that the preselectors realised his mental powers were failing.

[412] Sir Munro Ferguson, cited by Dyrenfurth (2008, p 19) and Murdoch (1998, p xiv).

[413] Reverend Deane, reported in the *Sydney Morning Herald*, 2 August 1947.

As noted above, Fisher's Free Presbyterian religion reinforced his belief in collective democratic action, while Cook moved himself to the more individualist end of the spectrum of Methodist belief. Both men exhibited pride in various ways but for Cook it was pride in his individual accolades while Fisher was more concerned that a Labor leader be accorded the same respect as a conservative leader. Fisher was content to represent the caucus, the party and the broader labour movement and implement the policies determined in party fora.[414] In this he differed from his predecessor Watson and successor Hughes. It was also a stark difference between him and Cook, who rejected the notion of caucus solidarity. Even this may have been a cover, for he later showed no problem with the principle of cabinet solidarity, which should have raised similar issues if he truly believed he had to be free to follow his own conscience,[415] and he was a compliant deputy to men as different as Reid, Deakin and Hughes.

Fisher, contrary to the poor press he initially attracted until the recent biographies by Bastian and Day,[416] was an intellectual. Henry Boote, who knew him well, recalled his ability to discourse on philosophy, metaphysics and literary classics.[417] A contemporary writer called him a man 'who is not afraid of ideas'.[418] An Australian correspondent introducing him to British readers wrote 'of the intellectual depth…there is no doubt'.[419]

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[414] A contemporary journalist emphasised this point. Anon (1908, p 1) stated with some exaggeration that Fisher 'had long since shredded any shred of individuality' and reproduced party policy like a gramophone.
[415] Murdoch (1979, p 8) cites Cook as explaining; 'every individual who enters a cabinet must surrender something of his private opinions in order to reach a point of agreement and concerted action'.
[416] For a long while Fisher was overshadowed in histories by his prime ministerial predecessor Deakin and successor Hughes who both shone more brightly as orators and characters and were the subject of two volume biographies while Fisher suffered from his two aspiring biographers (Denis Murphy and Clem Lloyd) dying before their works were completed. Day (2007) points out Fisher spent the last thirteen years of his life in London and his papers were not repatriated until the 1960s. As Humphreys (2005, p 2) comments, 'invariably he is presented as handsome in appearance and manner, with his neat moustache and fetching Ayrshire burr, but as a man of modest abilities, pragmatic and even plodding'. Bernays (1919, pp 139-40), Broinowski (1949), Clark (1981, p 284), Cockerill (1943), Encel (1974, p 169) Fitzhardinge (1964, p 120), Greenwood (1955, p 216), Jose (1937, p 308), La Nauze (1965), Lyons (1965, p 79), Serle (1949), Sladen (1916, p 22) and Tennant (1952, p 102), and more recently Hirst (2013, p 33), are examples of this tendency to damn Fisher with faint praise. Good examples of the more recent recognition of Fisher's achievements are Murdoch (1998), Lloyd (2000), Anderson (2001), Scates (2001), P Edwards (2004b), Galligan and Abdiel (2007), Day (2008), Humphreys (2008) and Bastian (2009).
[417] Boote (1928, p 7). Jose (1937, p 307) reports that by 1880 Fisher was 'exceptionally well-read in the literature of reform'. Cockburn (1956, p 60) refers to Fisher studying history and geography'. A contemporary writer called him a man 'who is not afraid of ideas'; *Review of Reviews*, July 1911, p 26. A British newspaper said of him 'of his intellectual depth…there is no doubt'; *Manchester Guardian*, 25 January 1916, p 6. In Fisher (1910) he crossed out a reference to himself as 'not a great reader'.
[418] *Review of Reviews*, July 1911, p 26
[419] *Manchester Guardian*, 25 January 1916, p 7.

While in some quarters he was regarded as stubborn and fixed in his views,[420] Fisher himself declared 'if our opponents can show by argument that we are wrong we should retrace our footsteps and admit our error'.[421] Other writers have argued Fisher was 'willing to listen to views which did not coincide with his own'[422] and as treasurer 'sought out expert and educated bankers and economists'.[423] A sign of his intelligence and competitiveness is that 'he played both chess and draughts with considerable skill'.[424] He also had an interest in art.[425]

Fisher had the support of his wife Margaret in pushing forward social reform. Unusually for a prime minister's wife of this time, she was actively involved in public affairs, joining a radical suffragettes' march critical of the British government while in London. By contrast, Cook's wife Mary, while having sufficient social conscience to be heavily involved with the Red Cross, took a more traditional role.

Fisher therefore developed a clear idea of economic reforms he wanted introduced and so aspired to be a reformer if he got the chance. Cook seemed to have narrower interests, focused on religion, and few strongly held goals he wished to achieve. In marked contrast to Fisher's steadfast consistency, Cook was notorious for the range of issues on which he had changed his mind. It was said of him that:

> 'Mr Cook's view upon any subject is important, but unfortunately it is almost certain to be ephemeral, so we must make the most of it while it lasts … [he] has no political roots. He will transplant readily, and grow in any soil.'[426]

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[420] An influential view was Shepherd's (1958, p 20) claim that Fisher 'was not a reader and did not want to read anything that differed from his point of view'. Apparently based solely on this comment, Souter (1998, p 98) claims Fisher 'rarely read a book, for fear he might have to revise his point of view'. By Latham (2001) this had become an assertion that 'Fisher once said he avoided reading books because they might make him change his point of view'.

[421] *Official Report of 4th Commonwealth Political Labour Conference*, 7 July 1908, p 14.

[422] Scott (1936, p 44). Another contemporary journalist, while making a number of criticisms, conceded Fisher was 'open-minded'; Anon (1908, p 1).

[423] Murdoch (2013, pp 33-34).

[424] Smith (1933, p 48). Day (2008, p 184) reports his winning a parliamentary competition. Bastian (2009, p 164) and Biggs (1924, p 3) also refer to his chess prowess.

[425] Anonymous (1913a, p 70). Whitlam (2002, p 132) recalls that as prime minister Fisher said that once the necessary public service buildings had been constructed in Canberra, next would be a public library and art gallery. Shepherd (1958, p 275 and part 2, p 77), his private secretary, recalls his support for Australian art and literature. Fisher was good friends with artists John and Hugh Paterson; Day (2008, pp 182-3). He established the Historical Memorials Committee which commissioned portraits.

[426] Thomas Ewing, *Sydney Morning Herald*, 16 February 1906, p 5. Among the many diverse issues on which he changed his mind were tariffs, trade unions, old age pensions, smoking, republicanism, female

Spending most of his career in opposition, it was said of Cook that 'the habit of a decade of criticism never left him and … he had not developed that constructive side which is so essential for both ministerial and cabinet life'[427] and he possessed 'few skills in negotiation.'[428]

Fisher was the more likeable man[429] and therefore good at building support for his proposals and was an adept political manager.[430] Cook was more dour and aloof. He also 'had great difficulty in appreciating other points of view, and seldom made any real attempt to do so'.[431]

It will be argued later in this thesis that an important characteristic of the more successful reforming treasurers (eg Page, Chifley, Keating, the early Costello) was that they had the strong support of their prime minister. Fisher was ideally placed in this respect as he was both prime minister and treasurer. Cook by contrast was treasurer to the autocratic Hughes who held him in fairly low esteem.[432]

It is also easier to be a reforming treasurer if you take up the post after a change in government. Fisher did this for all three of his terms and in the case of his second, and

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suffrage, postal charges, upper houses of parliament, land nationalisation, anti-trust legislation, federation, land taxation, arbitration courts to settle industrial disputes, a national bank, deficit budgeting, income taxation, federalism, primitive versus 'new connexion' or mainstream Methodism, conscription, states' rights and possibly teetotalism. He also justified some of the change by cabinet solidarity. As Cook destroyed most of his personal papers there is little record of his private views to assess how they differed from those expressed publicly.

[427] Shepherd (1958, part 2, p 109) argues 'his years spent in opposition and consequently devoted mainly to destructive criticism of government proposals tended to make him 'anti' in most things'. His extended period in opposition meant 'his hostility became more than a role, his bitterness more than a cloak'; *Punch*, 10 June 1909, p 792.

[428] P Edwards (2004a, p 115).

[429] An otherwise unsympathetic account in the *Australian Magazine*, 1 October 1910, p 802, called Fisher 'a pleasant man whom everybody likes'. Another mostly critical account by contemporary journalist referred to Fisher as 'sincere, kindly, faithful, open-hearted'; Anon (1908, p 1). Scott (1936, p 44) comments 'a more friendly man there was not in the politics of Australia in his time'. Edward Holloway (c1954, p 100) described him as the 'most lovable prime minister'. AG Stephens observed 'people call him Andy after five minutes' acquaintance'; Fisher (1910).

[430] Fisher held together a fractious Labor Party, which split just over a year after he left. He held the seat of Wide Bay from 1901 until his retirement in 1915 but Labor did not win it again until 1961. Labor historian Clem Lloyd has commented 'no-one has led the party better. Probably only Curtin has led it as well'; cited in MacCallum (2014a, p 44). Strangio, 't Hart and Walter (2015, p 169) referred to Fisher's 'emotional intelligence', an attribute in which he far outshone Hughes. Mackerras (2008) rates Fisher as one of Australia's four greatest prime ministers.

[431] Murdoch (1996, p 19).

[432] Hughes reputedly regarded Cook as 'the biggest damn fool in creation'; Beaumont (2013, p 268) and J Hume Cook (1936, p 79). He also described him as 'not an efficient administrator [and he] knows nothing about business'; Attard (1991, pp 172, 174).

most significant, term it happened after an electoral landslide to which his own standing had been an important element. Cook by contrast was following on from Watt in the same government under the continuing leadership of Hughes. Arguing for dramatic reform could therefore be taken as criticism of his colleagues and so he was more likely to accept the status quo.

Chapter Five: Edward (Ted) Theodore and Joseph Lyons: provincial premiers turned depression treasurers

Prologue

The newly re-elected Tasmanian premier and treasurer Joseph Lyons sat at his desk in 1925, writing a note of appreciation to the former Queensland premier and treasurer 'Red Ted' Theodore for coming to Tasmania to campaign for him.[433] In his short letter Lyons thanked Theodore for his 'signal services' which he hoped to one day reciprocate.[434] Theodore had stood down from the Queensland parliament to move to federal politics, where there was something of a leadership vacuum on the Labor side.[435] Theodore believed Lyons would one day also make a strong contribution to national government. Indeed, when the federal party successfully talked Lyons into making the move, Theodore apparently personally guaranteed Lyons' salary should he be defeated at the election.[436]

[433] Theodore addressed public meetings in Devonport, Burnie, Launceston and Hobart. In Devonport, Theodore said Lyons 'had accomplished wonders in straightening up the financial position and saving the state from the verge of insolvency'; (Burnie) *Advocate*, 23 May 1925, p 6. He said he was 'impressed with Mr Lyons's earnestness, his sincerity, his tenacity and his courage'; *Mercury*, 22 May 1925, p 7.

[434] The letter, dated 30 June 1925, is in the *Theodore papers*, NLA MS 7222, folder 2. Lyons may not have met Theodore in person until they were elected to the federal parliament in 1929. Theodore had not been to Tasmania before 1925 and there is no reference to the men sharing a platform while he was there. Lyons had only made a handful of trips to the mainland. Lyons had been selected as a delegate to Labor's national conference in 1919, which Theodore attended, but Lyons could not attend for financial reasons; Hart (1967, p 23). Lyons was not a delegate to any other Labor national conference and Theodore was not a delegate when it met in Hobart in 1912. Theodore attended the 1916 premiers' conference as acting premier and the 1918 conference as Queensland treasurer but Lyons did not attend either. Lyons attended the 1915, 1926 and 1927 conferences (none of which was in Brisbane) but Theodore did not. Neither attended the premiers' conferences of 1917 and 1920. Theodore attended the 1919 treasurers' conference but Lyons was then in opposition.

[435] The talented TJ Ryan, Theodore's predecessor as Queensland premier, had moved to federal politics and become deputy leader but died suddenly in 1921, aged just 45. The ALP leader, Frank Tudor, died in 1922. His successor Matthew Charlton had been hospitalised with a serious illness during the 1922 campaign. Former senior Labor figures such as Hughes, Pearce and Watson had defected to the conservatives over the conscription issue, while Fisher was living in declining health in London.

[436] Hector McFie, a Tasmanian MLC, claims this in a letter to Philip Hart 3 June 1964, *Hart papers*, National Library of Australia, MS 9410, folder 1. Theodore believed Lyons was 'a man whose word was worth listening to, who was sincere, who knew his subject and who commanded respect'; Denholm (1922, p 59).

Table 5.1: The parallel lives of Joseph Lyons and Edward Theodore

	Joseph Lyons	**Edward Theodore**
Born	Sept 1879	Dec 1884
Elected to state parliament	April 1909	Oct 1909
Becomes deputy Labor leader	January 1914	Sept 1912
Appointed state minister	April 1914	June 1915
State treasurer	April 1914 – Nov 1916; Oct 1923 – Jun 1928	June 1915 – Feb 1925
State deputy premier	April 1914 – Nov 1916	June 1915 – Oct 1919
State premier	Oct 1923 – Jun 1928	Oct 1919 – Feb 1925
Elected to federal parliament	Oct 1929	Jan 1927
Appointed federal minister	Oct 1929	Oct 1929
Acting treasurer	Aug 1930 – Jan 1931	n.a.
Treasurer	**Jan 1932 – Oct 1935**	**Oct 1929 – July 1930; Jan 1931 – Jan 1932**
Prime minister	Jan 1932 – April 1939	n.a.
Defeated at election	n.a.	Jan 1932
Died	April 1939	Feb 1950

When writing his letter to Theodore, Lyons may have reflected on what his son Brendan Lyons (2008, p 101) would later call their 'remarkable similar political backgrounds'. Both men had risen from humble origins through dint of hard work and application. Both were involved in union activities and joined the Labor Party. Both were elected to state parliament in 1909. Both quickly rose to become state treasurer and then premier. At this time, Lyons' biographer Henderson (2011, p 171) observed they shared similarly pragmatic views about economics.

But Lyons at that time would never have dreamed then that he would one day leave the Labor Party and bring down the Scullin Labor government in which he would serve with Theodore, ending Theodore's political career.

When the Scullin government was elected in 1929, Theodore and Lyons were its only members with any government experience and both were given senior cabinet positions. Theodore was treasurer and, when he had to stand aside and Scullin was overseas, Lyons was acting treasurer.

But as the Scullin government wrestled with the Great Depression their views on how to deal with the economic collapse differed markedly. In time Lyons left the Labor Party and led the federal opposition. The December 1931 election saw Lyons become prime minister and treasurer and Theodore lose his seat. Lyons was treasurer as Australia gradually emerged from the recession. While Theodore never stood for parliament again, Lyons nonetheless contemplated appointing him to a government post.

This chapter looks at the reasons why these two men's views diverged so far after starting off so close.

Family and childhood

Joseph Lyons was born in Stanley, Tasmania on 15 September 1879, of Irish ancestry, and grew to be a staunch Catholic. He retained some Irish sentimentality.[437] He attended the local convent school, and was a keen student and debater. Indeed, one relative referred to him as 'fairly droolin' with the schoolin''.[438] He was a good runner, footballer and cricketer at school.[439] After his father gambled away the family's savings on the 1887 Melbourne Cup, Lyons had to find work. He had a number of part-time jobs, including as a printer's devil as a nine year old (the same job as former treasurers Chris Watson and William Higgs).

[437] In a parlour game in 1905 Lyons was asked his favourite colour and replied 'the colour of the shamrock'; illustration in Henderson (2011, p 37).
[438] According to Enid Lyons (1965, p 53). Bradish (1927, p 15) claims 'as a boy he was tireless in every opportunity to enhance his debating powers'. Manning Clark (1987, p 263), however, compares his intellectual thirst unfavourably with contemporaries such as Scullin and Curtin, claiming Lyons 'was never a voracious reader or a man with a lively curiosity'.
[439] 'Lithe as a deer' recalled Pithouse (c1940).

Edward Theodore was of more distinguished ancestry but grew up in similarly modest circumstances. He was born on 29 December 1884 at Port Adelaide. His father, a Romanian immigrant, originally called Vasile Teodorescu but later Basil Theodore, was a son of a senior Greek orthodox bishop and a nephew of the inventor of the first submarine[440] but was himself only a labourer, tug boat operator and later part-time farmer. He had an interest in organised labour and was approached about standing for parliament but declined.[441] Theodore's mother, born Annie Tanner, was an English immigrant. Ted attended local schools and did some labouring jobs before heading for the Western Australian goldfields at the age of fifteen.

Unionism and self-improvement

After two aunts offered to pay his school fees Lyons was able to qualify to become a teacher and in 1907 was sent to Hobart to attend Teacher Training College. He was then sent all over the state, generally to small village schools, before gaining a post in Launceston in 1908. One of his postings was to the Carmichael Lyne estate, where he met the owner's brother, William Lyne (the former NSW premier who went on to serve as federal treasurer), fuelling his interest in politics. By 1906, Henderson (2011, p 37) reports, he was listing 'studying politics' as his favourite occupation. Dissatisfied with the way teachers were treated, in 1906 Lyons joined the Tasmanian Workers' Political League.

Theodore was much more peripatetic. He moved to the Abrolhos Islands and then to Broken Hill. By 1906 he had moved to Chillagoe, in the hinterlands of Cairns, where he toiled as a mine labourer and prospector. He literally bore the scars of his work there as a mining accident left his back permanently marked.[442] He became known as 'Red Ted', for his politics rather than his appearance. In 1909 he married Esther Mahoney. Along with his close friend Bill McCormack, Theodore was a founder of the Amalgamated Workers' Association of North Queensland, and Theodore was its first secretary. It was said that 'Theodore provided the brains and McCormack the brawn'.[443] When it merged

[440] *Sydney Morning Herald*, 5 September 1946, p 7.
[441] Joyce (1959, p 1).
[442] Fitzgerald (1994a, p 365).
[443] Kett Kennedy, cited in Moore (2015, pp 27, 97). Kennedy (1977, p 15) describes the 'forcible' way in which Theodore and McCormack went about recruiting for the union.

with the much larger Australian Workers' Union in 1913, Theodore served as the state president from 1913 to 1916.

While they had limited formal schooling, both Lyons and Theodore were interested in learning and read a good deal, although Theodore had greater intellectual depth. A contemporary journalist recalled Lyons as 'intelligent and well-read'.[444] Miners with whom Theodore worked recalled his 'incessant reading'.[445] Simpson (1931) reports that Theodore built up a substantial library of books on economics after moving to a larger house in 1916.

Religious and political beliefs

Lyons was a staunch Catholic all his life. According to Manning Clark (1987, p 263), he 'turned to God in all the crises of his life'. His first biographer, Hart (1967, p 8), however, considered 'his Catholicism does not appear to have greatly influenced his views on particular political issues…he probably knew little of the Church's detailed social teachings.' Williams (2013, p 93) similarly observed that 'he was uninvolved – and, it would appear, largely uninterested – in the debates of the 1930s conducted within Australian Catholic-intellectual circles'. He did, however, dress his crucial criticism of Theodore's economic policy of expansionary credit in religious terms; 'only the Creator could make something out of nothing'.[446] Lyons was known as 'honest Joe', reflecting a virtue very important to him.[447]

Lyons was involved with a discussion group of Fabian hue formed by the economist (and for a time fellow MP) LF Giblin, whom he had first met in 1907.[448] While not professing to be an economist himself, Lyons was advised by economists of the stature of Giblin and Douglas Copland. Throughout his career, Lyons would reach out for diverse sources of

[444] Buchanan (1940, p 3). Denning (1937, p 30) recalled him as 'abreast of the latest developments in financial thought'. Johnston (1987b, pp 60-61) gives a similar view. He was also 'widely versed in socialist literature'; Bolton (1963, p 293). Murphy (1975, p 175) refers to him as having 'a zeal for reading socialist and economic tracts'.

[445] Joyce (1959, p 1). Fitzgerald (1994b, p 39) remarks that even while an itinerant miner, 'wherever he went he joined a library and read whatever he could' and once in parliament, 'he devoted his spare time to studying finance'.

[446] Cited by Manning Clark (1987, p 371). Along similar lines, Lyons claimed Theodore's Fiduciary Notes Bill attempted 'what is possible only to the Creator – the performance of a miracle'; *Hansard*, 13 March 1931, p 237.

[447] As early as 1905 he described 'honesty' as his favourite virtue; Henderson (2011, p 37).

[448] Coleman, Cornish and Hagger (2006, p 14); Henderson (2011, pp 47-48).

advice. His wife wrote of how he 'conferred with pastoralists, industrialists, trade unionists, farmers and businessmen'.[449]

While in 1909 he referred to himself as a 'socialist', at times addressed colleagues as 'comrade', and in 1921 declared 'the capitalist system had failed'[450], he never revealed any deep knowledge of or strong support for Marxism.[451] He opposed the Labor Party's adoption of the socialist objective in 1921 and became interested in finding a 'third way' between capitalism and communism.[452] Towards the end of his life he confessed 'I am still a Labor man at heart'.[453]

Despite Theodore's father's family being pillars of the Greek Orthodox church, Edward was also raised a Catholic (his father having adopted his mother's faith) but, while for a time he was a regular attender at mass, religion never appears to have played a big part in his life.[454] By his latter years he was apparently an atheist.[455] Fitzgerald (1994b, p 410) reports that a priest came to him on his deathbed but it is not clear whether Theodore genuinely welcomed him or just wished to appease some family members.

Theodore had the stronger and more curious mind of the two men. He was widely read in socialist literature[456] and in Theodore (1926, p 3) referred to capitalism as a 'passing phase of human history' which was chiefly responsible for inequality. He added, however, that Labor's planned transition to a more socialist model would be gradual and peaceful. Theodore was never a Marxist revolutionary. Indeed, he was a significant investor and

[449] Cited in Henderson (2008, p 207). When he appointed an advisory council in 1925 to investigate ways of ameliorating the state's financial position, its members included former conservative premier and treasurer Sir Elliot Lewis and leading businessmen Sir Alfred Ashbolt as well as Giblin

[450] He continued '…it has to go. Hitherto the Labor Party has attempted to correct the evils of a rotten system. Now, they must seek to remove the rotten system…'; *Hobart World*, 14 March 1921, p 4.

[451] Hart (1967, p 7), his son Brendan Lyons (2008, p 65).

[452] Bird (2008, p 15 and 2009, p 41). Enid Lyons (1965, p 145) describes how by the late 1920s 'his early dreams of socialism were tempered now by awareness of the danger to individual freedom that lay within it'. Melville (c1974, p 63) recalled Lyons as 'never really very much imbued with Labor traditions'. As early as the mid-1920s there had been signs of Lyons moving away from the Labor movement; Denholm (1977). For example, an editorial in the *Mercury*, 23 July 1926, p 6 commented 'in practice there is really no substantial difference between one party and the other in Tasmania. It is, more or less, a matter of chance that Mr Lyons has political connections with the Labour Party'.

[453] Denning (c1948b, p 23) and Lyons' daughter Sheila, cited in Crawford (1989, p 24).

[454] Fitzgerald (1994b, pp 74-75), Young (1971, pp 6-7). Greenwood (1966, pp 2-3) pointed out that Theodore was sent to a government rather than catholic school.

[455] A letter from John Wren to Theodore on 4 October 1949 refers to a conversation between them where Theodore expressed disbelief in an afterlife; Griffin (2004, p 33).

[456] Bolton (1963, p 293) and Murphy (1975, p 175).

saw nothing wrong with this. As John Howard (2014, p 28) put it, he 'mixed easily with entrepreneurs; he was something of one himself, though prone to corner cutting.'

Rather than overthrowing capitalism Theodore sought to reform and govern it to make it consistent with the interests of the workers. Kim Beazley Snr (1966, 1972) called Theodore 'Australia's first significant Keynesian';[457] probably true of parliamentarians but there were Keynesian economists in Australia at the time such as Giblin and Copland.

Into state parliaments

In 1909 Lyons resigned as a teacher and successfully stood for the state seat of Wilmot.[458] This was a largely rural seat, although it included Launceston. Lyons supported the Labor programme, which included radical measures such as breaking up large estates. Although untrained in finance, he took an early interest in financial matters, serving on the Standing Committee on Public Accounts. In 1912 he became president of the Tasmanian branch of the Labor Party, and topped the poll in Wilmot. He was soon the deputy leader of the parliamentary Labor party.

Also in 1909, aged only 24, Theodore won the Queensland Legislative Assembly mining seat of Woothakata (from 1912 Chillagoe), on some accounts having won a toss of a coin to decide whether he or McCormack should be the candidate.[459] Working hard to improve his rhetoric and studying finance in the parliamentary library, he was rewarded with a rapid rise. When T J Ryan became leader in September 1912, Theodore became his deputy. Theodore spoke out on economic issues, calling for a debt sinking fund and advocating succession duties, increased income tax, a tax on dividends and a land tax.[460]

[457] In a more accurate refinement, Beazley (1971, p 4) referred to him as the 'first Keynesian in Australian public life', an accolade repeated by Souter (1998, p 265). A cynic might say he would identify with Keynes' comment to Lytton Strachey that his ambition was 'to manage a railway or organize a trust, or at least swindle the investing public'; cited in Walsh (2007, p 49). (Keynes' biographer Harrod (1950, p 111) discreetly omits the latter part of this quotation.)

[458] The Tasmanian lower house was elected under proportional representation using the same electorate borders as the federal electorates. As second on the Labour ticket, Lyons had a good chance of being elected, although it was still a gamble to quit his job.

[459] Childe (1923, p 114), McMullin (1991, p 81) and Moore (2017, p 60) report this story –as does Hardy's (1950, pp 324-5) fictionalised account -- but Sykes (1988, p 226) does not believe it. An anonymous journalist (1945, p 7) reports old-timers recalling Theodore as a reluctant candidate who saw himself as too young and inexperienced.

[460] *Queensland Parliament Hansard*, 9 September 1913, p 1239.

State treasurers

The election of a Labor government in Tasmania in April 1914 saw Lyons become treasurer, as well as deputy premier and minister for education and railways. The government, however, had only a precarious hold on the lower house and faced an obstructive upper house. Lyons represented Tasmania at the Premiers' Conference in Sydney in 1915, which doubled as a honeymoon with Enid. As education minister, ahead of his time, he attempted to introduce equal pay for women.[461] He established a royal commission into public debt, serving as a commissioner himself along with Giblin and three others.[462]

The Tasmanian economy suffered from educating children who then left for the mainland to find work. By January 1915, the unemployment rate in the state was over 13 per cent. With little manufacturing industry of its own, the rural exporters in Tasmania suffered from the federal tariffs.

After a bitter conscription referendum campaign and a split in the Labor Party, the government was defeated and Lyons became leader of the opposition in November 1916 and was seen as Labor's 'bright new hope'.[463] He stood unsuccessfully for the northern Tasmanian federal seat of Darwin in 1919. A car accident in 1926 put his life at risk, and left him lame for years in one leg.

Meanwhile in Queensland TJ Ryan had led Labor into power in 1915 and Theodore became treasurer[464], deputy premier and secretary for public works. The new administration aimed to be a reformist government in the mould of the concurrent federal government led by fellow Queenslander Andrew Fisher. In May 1916 Theodore took to the national stage as acting premier at the premiers' conference.

Theodore's approach to the state budget was described as 'orthodox'.[465] Indeed Fitzgerald (1994b, p 62) suggests that Theodore and Ryan 'swept into power largely because they embodied petit-bourgeois ideals of good book-keeping'. But this did not prevent them

[461] Enid Lyons (1972a, p 3).
[462] Frank Green (1969, p 10), who served as secretary to the commission.
[463] Davis (1983, p 10).
[464] This appointment surprised some, who regarded William Lennon, a former banker who had served as Labor's acting leader, as the best qualified candidate for the position; Greenwood (1966, pp 114-5).
[465] Cain (1990), Clark (1975, p 28).

implementing many reformist measures. The new government sought to promote competition by establishing government-owned enterprises ranging from ‘cattle stations and butchers, timber and sugar mills, banking and insurance services, even a hotel’.[466] It also had ambitions to break up land monopolies and reform industrial legislation, although these faced considerable opposition in the upper house. Ryan and Theodore ran the Queensland campaign against the conscription referenda, with Theodore arguing it would set a dangerous precedent for 'industrial conscription'.[467] When one of Theodore's pamphlets was censored, he had it incorporated in *Hansard* and published, to the ire of Prime Minister Hughes.

With a drought sapping revenues and a desire to expand the rail network, Theodore introduced new taxes on companies in his first state budget on 13 October 1915. To one writer, ‘it encapsulated Theodore’s belief that governments had obligations to intervene in the economy in times of adversity’.[468] This belief presaged Theodore’s future approach to the national budget.

His second budget, on 1 November 1916, continued in a like vein. In August 1919 Theodore introduced the Unemployed Workers Bill, providing for establishment of an Unemployment Council to study the issue and devise policies to combat it. The central thrust was to time public works projects for periods of slack demand. It also allowed for a levy on companies to fund unemployment insurance. While like much of the government’s legislation it was blocked by an upper house of members appointed for life, it was an important assertion of a new principle. Theodore declared ‘every citizen of the state has a right to get work’.[469] It foreshadowed the attitudes he would adopt as federal treasurer a decade later.

State premiers

In October 1923 Lyons became premier and treasurer and held both posts until 1928. Initially he led a minority Labor government, but in June 1925 Lyons achieved a majority. He was a cautious premier and state treasurer, who brought the budget from deficit to

[466] Cain (1990).
[467] Murphy (1978b, pp 311-312).
[468] Kennedy, the biographer of Theodore’s close colleague William McCormack, cited in Fitzgerald (1994b, p 70).
[469] Queensland parliament *Hansard*, 2 September 1919, p 502.

surplus through application of financial orthodoxy. His bipartisan style and the priority he accorded to improving the state's public finances, attracted criticism from Labor hardliners, but the conservative Legislative Council rejected Lyons' more progressive legislation. Lyons had started studying law but dropped his studies when appointed premier.

In October 1919, when Ryan resigned to enter federal politics, Theodore became premier at the age of 34. He remained treasurer as well as taking on the role of chief secretary. (From March 1920 to February 1922 he transferred the treasurer's job to deputy premier John Fihelly.) In 1920 Theodore was to have represented the ALP at an international labour conference in Geneva but was unable to attend.[470] In 1922 Queensland became the only state to pass legislation to abolish its upper house, which enabled Theodore to pass legislation providing for unemployment benefits, broader workers' compensation, organisation of rural marketing and funding of relief work by local governments.[471] In May 1923 he increased his government's majority from one to fourteen.[472]

In October 1921 Brisbane hosted the Labor Party national conference. Scullin supported a motion establishing the objective of the party as 'the socialisation of industry, production, distribution and exchange'. Theodore unsuccessfully moved an amendment limiting nationalisation to 'those agencies … which are used under capitalism to despoil the community', but later succeeded in having conference adopt the 'Blackburn interpretation' that the policy's extent was only 'for the purpose of preventing exploitation'.[473] Theodore explained the need to control the instruments of credit and supported the nationalisation of banks. In Theodore (1922, p 3) he expressed sympathy for farmers, 'the most indispensable worker in the community' and expressed concern about the 'rural exodus' to the cities. Greenwood (1966, p 86) characterises Theodore as premier as 'no ideologue but a practical, political realist'.

[470] ALP federal executive minutes, 14 October 1920, in Weller and Lloyd (eds) (1978, p 50).
[471] Higgins (1954, pp 26-28).
[472] The *Round Table*, December 1923, p 162, described the government as the 'single remaining Labour government in the British Empire'.
[473] Theodore also viewed Scullin's idea of a Supreme Economic Council controlling the nationalised industries as impractical, indeed as 'extreme' and 'Bolshevik'; Fitzgerald (1994b, pp 147-9); Colegrove (1967, p 7) and Ross (1934, p 59). Theodore had also been an active delegate to the 1919 and 1924 conferences.

When UK investors were critical of his radicalism,[474] Theodore became the first Australian premier to raise funds in the New York money market. These funds, however, proved more expensive and Theodore later compromised some policies to secure further funds from London.

Writing for international audiences, Theodore said 'the essential character of the Labour policy necessitates a gradual, and not a violent, progress towards reform' as 'change by force can only be maintained by force'. He claimed that the Ryan and Theodore governments had resulted in 'less ruthless exploitation and profiteering, less poverty and misery among the workers, and a fairer distribution of prosperity and happiness among men and women in Queensland than in any other country in the civilised world'.[475]

At Labor's national conference in 1924 Theodore successfully moved to have put in the platform a call for the 'Commonwealth Bank to be developed on the lines of a central reserve bank, while retaining its ordinary and savings bank functions', notwithstanding the ongoing commitment to bank nationalisation.[476] Theodore (1925a, pp 2, 9 and 16) regarded Page's 1924 central banking legislation as 'an emasculation of the central bank', putting it under the control of private banks and 'pandering to the plutocrats'.

While the governments in which Lyons served and led were noted for their caution, Hughes (1972, p 365) called the Ryan-Theodore Government 'one of the golden periods of Labor Party history, on a par with the Chifley-Curtin period for innovation in policy and probably more effective in terms of long run achievement'. A sign of Theodore's ability was that the other side of politics tried to recruit him.[477]

[474] The UK investors were warned off by a delegation of Queensland conservatives including a former premier; Schedvin (1971).

[475] Theodore (1923, pp 198-9) and Theodore (1925b, p 434). The 'gradual approach' of Labor was emphasised for a domestic audience in Theodore (1924). For contemporary press references to, and a left-wing critique of, Theodore's moderate reformism, see JHC (1924).

[476] *Official Report of the Proceedings of the 1924 ALP Commonwealth Conference*, 3 November 1924, p 65; Murphy (1978a, p 336), Robinson (1986, p 138).

[477] There had been a move to get him to lead a 'centre party'; Higgins (1954, p 61). In 1922 large sums of money were offered to Theodore to lead the conservatives in the Queensland parliament; Larcombe (1934, p 79). Earle Page made strenuous efforts in 1923 and 1924 to get Theodore to switch sides; Young (1971, p 43), Clark (1974, p 28). The *Round Table*, December 1923 observed that 'political opponents continually make overtures to him to become the leader of their party' (p 166).

Into federal parliament

While both Lyons and Theodore had long considered moving to federal politics, Theodore was the first to get there, but his path was far from untrammelled. After winning Labor preselection for the federal seat of Herbert, Theodore resigned as premier in February 1925 and MLA in September, but to all-round surprise narrowly failed to win the federal seat.[478] Too impatient to wait three years for the next federal election, Theodore was willing to move to somewhere affording him a chance to enter parliament sooner. He relocated to New South Wales, where he won the seat of Dalley at a by-election in January 1927, having been endorsed by the state executive without the usual local preselection ballot. There were strong suggestions that the former member, William Mahony, had been paid £5,000 to resign but a royal commission found no evidence that Theodore had made such a payment.[479] The move to NSW, however, brought him into conflict with the Lang machine.[480]

Theodore's speeches as a backbencher were mainly on economic matters. Young (1971, p 74) observed that Theodore's arrival was especially welcome because at the time while treasurer Page was vulnerable on financial issues there was no Labor members with the technical ability to put him under pressure. Theodore attacked Page for supporting cuts in wages and reductions in tariffs. By February 1928 Theodore was a federal frontbencher and had compiled a detailed compendium of statistics and arguments for Labor candidates.[481] He went within one vote of being elected deputy leader in April 1928, and by February 1929 was the unanimous choice for the position, serving as acting leader for two months while Scullin was ill.[482] After Labor defeated the Bruce government in

[478] Politicians as diverse as Lyons, Hughes and Forde and almost all the press regarded Theodore as virtually a certainty; Fitzgerald (1994b, p 182).

[479] A common view was that controversial businessman John Wren may have made the payment; Fitzgerald (1994b, pp 206-210), Griffin (2004, pp 258-260) and Young (1971, pp 80-86) and the lightly fictionalised account in Hardy (1950, chapter 10).

[480] While Lang referred to policy differences, much of Lang's opposition to Theodore appears a personal rivalry; Young (1963). The seat of Herbert was held by Labor from 1928 to 1958, so Theodore's impatience may have cost him a long federal political career and perhaps his chance of the prime ministership. Alternatively he could have contested the Queensland seat of Kennedy, traditionally Labor and only won by the Nationalists in 1925 due to the death of the sitting Labor member after nominations had closed, which was held by Labor from 1929 to 1966.

[481] Theodore (1928).

[482] When Charlton stepped down in 1928 Theodore made it clear he would not stand against Scullin for the leadership; Denning (1937, p 26). But there was press speculation that Theodore rather than Scullin might still be chosen by the Labor Party as their prime minister; *Sydney Morning Herald*, 15 October 1929, p 11. Charlton may have stepped down earlier than he otherwise planned in order to prevent Theodore assembling the numbers to become leader; Kennedy (1988, p 290).

October 1929, Theodore, who had been campaign director, became treasurer and effectively deputy prime minister. He reportedly relaxed after the election win by reading a book on economics at a picnic.[483]

Lyons considered standing for the federal equivalent of his state seat of Wilmot in the 1925 election but decided against it after being re-elected as premier.[484] After Labor narrowly lost the 1928 state election, he rejected suggestions he stand at the 1928 federal election.[485] At Scullin's request, Lyons successfully contested the federal seat of Wilmot at the snap poll of 1929. He was immediately brought into cabinet as postmaster-general.

Lyons was reportedly disappointed not to be made treasurer,[486] given his experience, but Scullin preferred Theodore, who was also a former premier and state treasurer but had longer experience in the federal parliament.

The early days of the Scullin Government

Theodore as a new treasurer was described by Cain (1990) as:

> carefully attired, aloof, grave and measured in manner, the new treasurer stood out in a parliament where his air of brooding strength and confident grasp of the world at large intimidated colleagues and foes alike… Theodore was a solitary man. In the comfortable library of his Kirribilli home were gathered works ranging from economics and history to philosophy and literature. Proud and relentlessly self-improving, already prospering from investments and multiplying his contacts in the business world, he had moved far in style and circumstances from the working man he once was.

[483] According to reminiscences by his former campaign manager reported in Fitzgerald (1994b, p 228) and Laughren (1994).
[484] He mentioned considering standing in a letter to Theodore dated 6 December 1924; *Theodore Papers*, NLA MS 7222, folder 2. It seemed a less attractive option after he won the state election as it would have meant giving up the premiership for an uncertain chance of election as 1925 was a poor year for Labor.
[485] He cited 'personal reasons' rather than political to a Labor Party conference; *Mercury*, 3 December 1928, p 6. The seat was retained by the conservative Llewellyn Atkinson, who had held it since 1906 under various party labels. As Henderson (2011, p 184) points out, whereas when he stood in 1919 the federal parliament was still meeting in Melbourne, by 1928 it had moved to Canberra, travel to which took much longer, and he now had eight rather than three children.
[486] White (1987, p 109), citing former Labor speaker Norman Makin; MacCallum (2014a, p 76).

Theodore stood out as a treasurer who probed and questioned Treasury rather than passively accepting what they gave him. As his senior officials generally had an accounting background, Theodore knew more economics than they did.

Theodore assumed the responsibilities of treasurer in October 1929 at a time when many observers, especially overseas, had serious concerns about the state of the Australian economy.[487] Australia was particularly vulnerable given the importance of wool and wheat exports, whose prices had collapsed, and the reliance on overseas capital. The UK bankers and investors had become concerned about the accumulation of Australian debt during the 1920s, and the increase in tariffs and end of assisted immigration from the UK made things worse. The London market had effectively closed to Australian government borrowers after January 1929.[488]

Theodore was already critical of the pro-cyclicality of conventional approaches to fiscal policy, noting that capital works spending 'tends to grow in times of prosperity and to diminish in times of depression'.[489] But initially Theodore followed financial orthodoxy. A week after becoming treasurer, Theodore reportedly promised that he would balance the budget by the next June.[490] But within days of taking office Wall St had crashed and Brigden prepared a note forecasting a 10 per cent drop in national income in 1930.[491]

Theodore revised Page's budget, raising income taxes on high incomes and foreshadowing cuts in government expenditure. He argued the Bruce-Page government 'had greatly understated the expenditure requirements and over-estimated the probable revenue'[492] and revised the budget estimate for 1929-30 from Page's estimate of a surplus

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[487] *The Economist* described it as having 'a dangerous element of insecurity palpable to the eye of the most casual observer'; 19 October 1929, p 706. Green (1969, p 81) remarked 'the Commonwealth treasury was empty. No ministry had ever assumed control of the government in less auspicious circumstances'.

[488] While treasurer, Theodore asked leading business figure WS Robinson to sound out secretly the Bank of England's attitude towards Australia; Robinson (1967).

[489] *Hansard*, 21 November 1929, p 114. Scullin elaborated on this argument in a speech, commenting that 'the general tendency of treasurers is to curtail their expenditure on public works whenever there is a period of industrial depression. This has the effect of aggravating the whole position. If the problem of unemployment were tackled on scientific lines the public works policy of the Commonwealth as a whole would be formulated so that during times of general industrial depression there would be an impetus to work of this character with a corresponding curtailment of it during times of general industrial prosperity'; The *Argus*, 4 November 1929, p 7.

[490] Anstey (c1936).

[491] Brigden (1929). This was one of the earliest macroeconomic forecasts. His analysis included some multiplier effect and discussed how the income loss would be distributed. Brigden made public his views in *Sydney Morning Herald*, 7 December 1929.

[492] *Hansard*, 21 November 1929, p 111. He added this meant that as treasurer he 'inherited an empty Treasury'; *Hansard*, 21 November 1929, p 119.

of £0.4 million to a deficit of £1.2 million. He ended on an optimistic note, however, declaring; 'if we are blessed with good seasons, our troubles will soon disappear, and we shall commence a new era of progress and prosperity'.[493] The deepening economic crisis, however, meant that revenue estimates were continually revised down.

At this stage, Theodore was still supporting economic orthodoxy. When a backbencher moved at a caucus meeting in May 1930 'that the Government arrange to have £20 million available through the Commonwealth Bank for the purpose of supplying the wants of the states and commonwealth for public works', Theodore in the chair opposed it as 'not practicable'.[494]

While Theodore was caught up in the coming economic maelstrom, Lyons took little part in the economic debates. Lyons recalled that on joining cabinet he was 'confining my activities to the administration…of my department'.[495]

The economic and other strains appeared to be taking more of a toll on Scullin than on his treasurer, and by early 1930 there were rumours Scullin might step down in favour of Theodore.[496] Scullin announced that Theodore would be acting prime minister while he went to Europe to attend the Imperial Conference.[497]

Theodore's attempts to establish a central bank

As early as December 1929 Theodore had outlined to cabinet a proposal for a reconstruction of the Commonwealth Bank.[498] In January 1930 the cabinet agreed to appoint a committee of four economists including academic Douglas Copland and Commonwealth Statistician Charles Wickens to report on 'present restricted credit and the cause thereof'.

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[493] *Hansard*, 21 November 1929, p 119. Theodore realised he may need to take controversial measures. He doubted the Senate would be obstructionist, but warned of a double dissolution if it were; *Sydney Morning Herald*, 16 October 1929, p 16.

[494] Caucus minutes, 14 May 1930, reprinted in Weller (1975b, pp 371-2), Anstey (c1936), Fitzgerald (1994b, p 239).

[495] *Hansard*, 13 March 1931, p 230.

[496] Cook (1971, p 191).

[497] While there were important duties there, Denning (1937, p 180) suggests Scullin was 'cracking under the strain' and partly went for a respite.

[498] Cabinet minutes for 16 December 1929 in Crisp papers, NLA MS 5243/20/156. Theodore agreed with those who argued 'the Commonwealth Bank as a central bank had definitely failed to arrive'; *The Economist*, 26 October 1929, p 756.

Armitage at the Commonwealth Bank worked with Theodore on his Central Reserve Bank Bill of April 1930.[499] The opposition-controlled Senate failed to pass it after they referred it to a select committee, which did not report until December.[500] The bill would have separated central banking functions from the Commonwealth Bank into a separate Central Reserve Bank, to be managed by a board appointed by the governor-general consisting of a governor, two deputy governors, the treasury secretary and five other directors, retiring in rotation 'who are or who have been actively engaged in agriculture, commerce, finance, industry or labour'.[501] (The remainder of the Commonwealth Bank would then be able to compete freely with the private banks for ordinary banking business, an aspect that did not appeal to the private banks.[502]) The Central Reserve Bank would have control of the note issue, and banks would be required to hold reserves with it and supply it with information on their operations. The Bank would be empowered to buy and sell exchange and securities and make advances and so act as a 'lender of last-resort'. These provisions are very similar to the arrangements ultimately established

[499] Cornish (1993b, p 11), Hill (1993), Schedvin (1970, pp 86, 173) and Giblin (1951, p 109). Armitage recalled James Collins drawing up the bill; Armitage reminiscences in 1949, RBA archives SA-65-84. Schedvin (1970, p 86) suggests that a bill drafted for Page in 1928 may have formed the basis for Theodore's bill. A letter to Armitage on 8 February 1930 refers to the Attorney-General's Department working on a Reserve Bank Bill and a Commonwealth Bank Bill; RBA S-d-13. Armitage writes to Heathershaw on 15 April 1930 informing him of progress in drafting the bill, and noting that Theodore 'has been through this memorandum and made his annotations'; RBA S-d-13. Armitage recalled he had received the permission of Gibson to advise Theodore; Armitage reminiscences in 1949, RBA archives SA-65-84.

[500] An influential voice pushing the opposition to do this was the head of the largest private bank, Alfred Davidson; Schedvin (1988, p 342). See Hawkins (2010d) for a further discussion of the select committee. Sir Ernest Harvey recommended it be deferred, claiming it was regarded in London as 'fundamentally unsound in principle' on the grounds of its potential for 'excessive political influence and control'; Harvey to Gibson, 7 April 1930, RBA S-e-3.

[501] Young (1971, pp 110-1).

[502] Theodore had earlier expressed reservations about turning the Commonwealth Bank into a purely central bank if this meant it could no longer compete with the private banks*; The Economist*, 26 October 1929, p 757. But he came to realise that 'the Commonwealth Bank cannot function properly as a central reserve bank while it is in active competition with the private banks'; *Hansard*, 1 May 1930, p 1335. Furthermore, keeping the retail operations also meant that the Commonwealth Bank held similar, illiquid, assets as the private banks and so was not well placed to support the private banks in a crisis; Cornish (2007a, pp 7-8 and 2010, pp 5-6) and Harvey (1927). The private bankers generally were supportive of a central bank in principle, but this seems to be partly motivated by the idea of converting the Commonwealth Bank from an active competitor to a neutral umpire – they conspicuously refer to the Commonwealth Bank becoming a central bank and dropping its trading operations rather than a new central bank being established in addition. These fears may have been amplified when the Commonwealth Bank Bill of May 1930 seemed to set it up for more vigorous competition; Holder (1970, p 653). Theodore did not have a high opinion of the heads of the private bank, commenting in a speech at the Cremorne Theatre on 14 March 1931 that just because they 'had some clerical experience in keeping ledgers' did not mean they had any expertise in economic policy; the speech is in the Latham papers, NLA MS 1009/46/379.

in 1960 and in large measure still applying today.[503] Much informed opinion found the bill unobjectionable.[504]

The powerful chair of the Commonwealth Bank, Sir Robert Gibson, however, wrote to Theodore expressing the Board's opposition and calling for a delay.[505] As well as his generally conservative stance, Gibson was likely opposed to a reduction in his own power as he would not have been appointed as chair of both the Central Reserve Bank and the Commonwealth Bank.[506] The scope for the Labor Government to appoint the head of the new central bank was a concern to conservatives generally, who saw in Gibson a doughty defender of 'sound finance'.

Lyons replaces Theodore as 'treasurer'

In July 1930 Theodore stood down from cabinet after the conservative Queensland government established a royal commission into accusations that the Mungana mine, in which it was alleged that Theodore had at least an informal interest, was sold to the Queensland government at an inflated price while he was premier.[507] While the commission found against Theodore, no criminal charges were laid.[508] At a subsequent delayed civil case in August 1931, a jury[509] acquitted Theodore, finding that neither of the key points – that the mine was sold at an inflated price[510] and that Theodore had a

[503] A short history of central banking in Australia is provided by Cornish (2010).
[504] For example, *The Economist* (5 April 1930, pp 767-8) described it as 'an attempt to put an end to a long-standing anomalous situation … there is no obvious weakness in these proposals'.
[505] Gibson to Theodore, 6 February 1930, RBA S-d-13.
[506] Gibson had made the chairmanship of the Commonwealth Bank almost his full-time job; Armitage reminiscences, 1949, RBA archives, RBA SA-65-84
[507] Anstey (c1936) claims that Theodore told him Scullin had requested he stand down but the cabinet minutes of 7 July 1930 state that Theodore rang Scullin requesting to resign and Scullin accepted this; NAA A3264. Contrasting perspectives on the Mungana affair are given by Connolly (1954), Johnston (1987b), Kennedy (1978), Moore (2015), Sykes (1988) and Young (1971). Theodore had said he could not appear before the commission until after the budget but the commission would not delay proceedings for a month to allow this and Theodore sent no written evidence.
[508] The royal commission referred to cheques sent from McCormack to Theodore for about half of the revenue McCormack received from Mungana and regarded this as evidence of corrupt behaviour by Theodore; Kennedy (1978, pp 65-66), *Smiths Weekly*, 19 July 1930.
[509] The jury's composition did not suggest it would have a pro-Labor bias. It comprised an accountant, a garage proprietor, a storekeeper and an insurance agent; Moore (2017).
[510] There is always scope for a range of views on the true value of a mine. Moore (2015, p 22) characterises it as 'spectacularly uneconomic'. In the Theodore papers in the National Library (MS 7222, folder 3) are documents sent to Theodore in 1937 which indicate that a British investor was willing to pay more for the mine than the price for which it was sold to the government. A contemporary note by Theodore says he saw little point in reopening the issue now he was done with politics. Maher (1983, p 1) reports an estimated value of $18 million in 1983. Geologist Ian Plimer claimed the area had 'the richest mineral deposits in the world'; Moore (2017), who strongly rejects Plimer's claims.

conflict of interest[511] – were proven. Sawer (1963, p 7) regarded the jury's decision as a 'complete vindication'. But there was not 'acquittal in the public mind'.[512]

Theodore spent much of his time on the backbench developing his thoughts on economic policy, notably through discussions with Professors Irvine, Copland and Giblin.[513] Bridge (2011, p 121) reported that Theodore also had discussions with former Labor leader Billy Hughes who agreed with much of his new thinking. Theodore moved from a relatively orthodox to a more radical line, which could be described as proto-Keynesian. This was six years before the publication of Keynes' *General Theory*, but Theodore had read and been influenced by other books by Keynes such as *The Economic Consequences of Mr Churchill* (1925), the *Treatise on Money* (1930c) and articles such as Keynes (1930a).[514] It is not known whether Theodore had read other works by Keynes advocating public works to reduce unemployment, such as Keynes (1924b), *Can Lloyd George Do It?*[515]

[511] McCormack sent a series of cheques to Theodore, which neither ever satisfactorily explained, but this was not proof that Theodore held a stake in Mungana; it may have just been that the Mungana payments allowed McCormack to repay a loan from Theodore for some unrelated purpose. Theodore told a public meeting in Brisbane on 3 October 1930 that he had 'many business transactions' with McCormack; *Daily Standard*, 4 October 1930, pp 1, 10. Moore (2017) says this was the only time Theodore addressed the substance of the allegations. A writ was issued on the day Theodore was to address this public meeting and rebut the charges, which Theodore believed was designed to inhibit him from speaking; *Brisbane Courier*, 4 October 1930, p 13.

[512] Whitlam (1971, p xiii). Theodore could perhaps have done more to prove his innocence, such as suing for defamation *Smith's Weekly*, who published photographs of cheques from McCormack to Theodore along with excerpts from the Royal Commission report in their 19 July 1930 issue; Kennedy (1978, p 123). Theodore's supporters pointed to the political involvement in the proceedings; the barrister assisting the royal commission being the state chair of the Nationalist Party and he and the attorney-general representing the crown at the civil case, with the latter, Macgroaty boasting that the case 'smashed the Labor Party' and so 'I was worth what I was paid'; *Labor Call*, 1 June 1932, p 7, Moore (2015, p 323). A communist sympathiser, possibly Frank Hardy, writing as Franklin (1950, p 7) described the civil case as a deliberate 'white wash' in exchange for Theodore's support for the Premiers' Plan, but offers no support for this implausible suggestion.

[513] McFarlane (1966); Hart (1967, p 72); Kennedy (1988, p 294); Millmow (2010b, p 81). Copland and Giblin were admired by Keynes according to Menzies' diary entry, 12 March 1941, reproduced in Martin and Hardy (1993, p 153). Armitage at the Commonwealth Bank supported Theodore's view; Armitage reminiscences in 1949, RBA archives SA-65-84. Cain (1987b) suggests NSW MP and lecturer in economics Clarry Martin, once a student of Irvine, may have helped Theodore with his speeches, but the biography of Martin by White (1986) has no suggestion of this. Millmow (2007b, p 177) notes that Martin spoke in support of Theodore's approach but makes no reference to his helping develop it. Martin is not referred to in the Theodore biography by Fitzgerald (1994b).

[514] Other than discussion of Keynes' views on World War I reparations, there were only six parliamentary references to Keynes before Theodore in 1931. The term 'Keynesian' was not used in a parliamentary speech until Dr Evatt and Frank Crean in 1953.

[515] Co-written with Hubert Henderson, the editor of *The Nation and Athenæum*. Cornish (1981b, chapter 2, p 10) points to an unsigned article in *The Nation and Athenæum*, 30 July 1927, probably by Keynes, calling for increased public works spending.

(1929) or the Lloyd George Liberal Party's 'yellow book'[516], that presaged the ideas of the *General Theory* in a simpler and shorter form.[517] It is quite likely he did, especially as many of the articles were published in *The Nation and Athenæum* which Theodore was known to read.

It has been argued that Theodore in early 1931 was more consistently 'Keynesian' than was Keynes himself.[518] Keynes had had relatively little to say about public works spending as a means out of recession between 1924 and 1929.[519] Indeed at times he appears to have been sceptical about their efficacy. In an unpublished draft Keynes (1924c, p 23) Keynes wrote 'the expenditure, on the production of fixed capital, of public money which has been raised by borrowing, can do nothing in itself to improve matters; and it may do actual harm if it diverts existing working capital away from the production of goods in a liquid form'. In Keynes (1932) he supported the Premiers' Plan which sought to balance the Australian budget through spending cuts, an approach very different to what would come to be termed 'Keynesian'.[520]

While Theodore was becoming Keynesian, Lyons was certainly not. He regarded Keynes as one of the most distinguished economists in the world, but this respect did not overcome Lyons' fiscal orthodoxy. Lyons' family experience had led him to avoid personal debt, and by analogy he wanted to avoid national debt.[521] Lyons preferred to stick to the orthodox 'Treasury view'[522] which held that public works spending would be

[516] The report by the Liberal Industrial Inquiry (1928, p 476), to which Keynes contributed, argued for 'a large programme of national development' for 'dealing with unemployment'.
[517] Keynes called his book the 'general theory' as he saw classical economics as only dealing with the specific and uncommon case of full employment. Keynes modelled his language on Einstein's distinction between his own 'general theory of relativity' and the specific Newtonian case; Skidelsky (2003, p 960).
[518] Economist Saul Eslake, for example, refers to Theodore 'anticipating the Keynesian Revolution before it happened'; *The Age*, 9 May 2005. Similarly, Calwell (1963a, p 83) wrote that Theodore 'wanted to apply Keynesian economics at a time when Keynes himself was barely known'.
[519] Booth (1989, p 8). There are many articles that have been written distinguishing between Keynes and 'Keynesians'. Keynes himself quipped after a meeting with Keynesian economists in 1944 that 'I was the only non-Keynesian there'; Clarke (2009, p 168).
[520] The month before writing it Keynes had dined with the leading Australian conservative politician John Latham, who may have influenced him; Millmow (2010b, p 134). Later that year, however, Keynes put his name to a letter drafted by Pigou arguing that 'in present conditions' individuals or governments cutting back spending 'will be injuring others as well as themselves'; Macgregor et al (1932, pp 138-139).
[521] Personal conversation with Brendan Lyons, 2008.
[522] The 'Australian Treasury view' was essentially the same as the 'British Treasury view' which probably influenced it. The British view was well expressed by chancellor of the exchequer Stanley Baldwin who asserted in 1922 that 'money taken for government purposes is money taken away from trade, and borrowing will thus tend to depress trade and increase unemployment' and reiterated in the 1929 budget speech by Winston Churchill, who later referred to it as an 'unanswerable argument' and an 'economic law'; Cornish (1981b, Chapter 3, pp 13-16).

ineffective as it would just crowd out private spending. Keynes rebutted this argument in articles such as Keynes (1929);[523] in his evidence before the Macmillan Committee[524] in 1930; and eventually in a much more developed form in the *General Theory*.[525]

A key part of the argument for public works being an affordable means of stimulating an economy in recession (and hence rejecting the Treasury view) is the 'multiplier' effect whereby as those initially found work spend their new income it creates jobs for others who in turn spend their new income and so on. This creation of multiple jobs both generates more tax revenue for the government and reduces its expenditure on unemployment benefits, providing an important offset to the cost of the initial public works. Keynes first referred to the 'multiplier' publicly in 1933, citing Kahn's paper of 1931, although he had been thinking along similar lines earlier.[526] He elaborated on it in Chapter 10 of the *General Theory*.[527]

The idea of the multiplier, however, had been discussed in Australia earlier than this. A speech by Brigden in September 1929 referred to Australia suffering an income loss of £30 million leading to an 'indirect loss' of a further £30 million.[528] In more formal writing, Giblin (1930) had a similar analysis but while a copy of his paper was in the library of King's College (where Keynes worked in Cambridge), Keynes had apparently not read it.[529] Giblin's early work on the multiplier may have inspired Theodore, whose March 1931 paper to caucus said 'every one hundred additional men employed upon

[523] While the article is unsigned it is consistent with the beliefs and style of Keynes who was chairman of the board of the magazine in which it appeared. For the evidence on Keynes' authorship, see Clarke (1988, p 59).

[524] Keynes (1930b, p 129-131).

[525] The *General Theory* was 'written to give theoretical support to the expansionist economic proposals already being put forward in the 1930s'; Millmow (2010b, p 17). In it Keynes argued that the economic system 'seems capable of remaining in a chronic condition of sub-normal activity for a considerable period'; Keynes (1936). Meade (1937) was the first to present the ideas from the *General Theory* as a set of equations. This Nobel prize-winning economist later summarised Keynes' critique of the Treasury view as 'an intellectual revolution' which 'was to shift economists from thinking normally in terms of…a dog called *savings* wagged his tail labelled *investment* to…a dog called *investment* wagged his tail called *savings'*; Meade (1975, p 82).

[526] Keynes (1929, p 710), Keynes (1933a, b), Kahn (1931), Keynes (1938), Keynes and Henderson (1929, pp 105-106).

[527] Keynes (1936, pp 113-131).

[528] *Sydney Morning Herald*, 17 September 1929, p 10.

[529] The key passages are Giblin (1930, pp 10-11). See the discussion in Coleman, Cornish and Hagger (2006, pp 85-90, 93-94 and 104-106). Markwell (1985, p 35) claimed that Giblin had expressed a similar idea in the late 1920s. Melville (c1974, p 20) refers to doing multiplier calculations in 1930.

productive work would necessitate the employment of two hundred additional men in the factories, shops and transport services'.[530]

When Theodore stood aside, Scullin took on the treasurer's position himself, hoping that Theodore would soon be able to be reappointed, with Lyons as assistant treasurer. In August 1930 Scullin left for the Imperial Conference in London. With Theodore stood down, it was now Scullin's long-standing friend Jim Fenton who was left as acting prime minister and Lyons as acting treasurer from 25 August 1930 to 10 January 1931. Lyons apparently resented being passed over for Fenton, who ranked behind him in the cabinet and lacked Lyons' leadership experience as a former premier.[531]

As well as leaving for Europe, Scullin made two other decisions which proved controversial within the Labor Party. When the Bank of England suggested a mission to Australia to examine public finances, Scullin approved but it is unclear whether caucus had even been informed.[532] Scullin also renewed Gibson's term on the Commonwealth Bank board, virtually ensuring he would remain chairman. Anstey claimed Scullin had consulted Theodore first, although Theodore denied any involvement.[533]

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[530] *Caucus Minutes*, 2 March 1931, in Weller (1975b, p 416). This sentence also appears in a public presentation of his plan; Theodore (1931, p 240) and a similar idea was expressed in a speech at the Cremorne Theatre on 14 March 1931; Latham papers, NLA MS 1009/46/379.

[531] Makin (1982, p 71) refers to this as 'possibly his greatest disappointment' and reports that Scullin believed this may have been a factor in Lyons' subsequent defection, a view shared by contemporary journalist Joe Alexander (1971). It is not clear why Fenton was chosen; perhaps on seniority as he had been in the federal parliament since 1910 whereas Lyons joined only the previous year, perhaps as a Victorian he had more supporters in the caucus, or perhaps Scullin thought that Lyons, as a former state treasurer, was more needed to act in the treasurer's role. Robertson (1974, p 268) seems to incline towards the latter consideration as he notes that Scullin was not expecting parliament to sit in his absence. (Robertson also notes that Brennan and Daly also ranked ahead of Fenton but Brennan was also going overseas and Daly was an inexperienced senator.) Hart (1967, p 64) argues that Fenton's appointment 'reflected only his party seniority and his friendship with Scullin'. There is no sign in the caucus minutes of an acting deputy leader, who would have had the strongest claim to be acting prime minister. In January 1931 Scullin referred to Theodore being 'reinstated' as deputy but 'to put the matter in order' a vote was taken for the post; Caucus Minutes, 26 January 1931, in Weller (1975, p 411).

[532] Fitzgerald (1994b, p 241). Cook (1971, p 231) and Souter (1988, p 264) believe caucus had not been told. Lyons claimed that Scullin and Theodore suggested the invitation to cabinet; *Hansard*, 8 May 1931, p 1714. See Millmow (2004), Attard (1992) and Hawkins (2010a) for further discussion.

[533] At the time of the reappointment Theodore was out of cabinet, absent from parliament and preoccupied with Mungana and Lyons was acting treasurer. Scullin says he consulted cabinet and Theodore and they unanimously supported the reappointment; *Hansard*, 29 April 1931, p 1369. Warwick Smith (1969, p 40) claims Scullin consulted Theodore. Forde (1971, p 1:2/32) recalled cabinet 'thought it wise to reappoint him'. Anstey (c1936, p 378), who was at the meeting, disputed Scullin's claim and Beasley, who had been absent, complained of not being consulted; *Hansard* 29 April 1931, p 1369 and 5 May 1931, pp 1609-12. Cabinet minutes for 4 August 1930 support Scullin's claim that cabinet (at a meeting which included Scullin, Anstey and Lyons but not Theodore or Beasley) agreed; NAA A3264. The matter was questioned at a cabinet meeting on 6 September (with Beasley present) but it was affirmed

The battle of the plans begins

While 'the tragedy of the great depression moved him profoundly', Lyons believed the 'prime duty of government was to restore confidence by sound administration and financial stability'.[534] In this Lyons was far more conservative than many of his Labor colleagues. As Hart (1967, p 72; 1970, p 40) wrote, 'Theodore was Lyons' intellectual superior and as such able to comprehend new theories that alarmed Lyons' more orthodox and cautious mind'.

Despite being advised by Giblin that a deflationary policy would be 'a fatal mistake',[535] cabinet agreed on 20 August 1930 that 'the budget shall be balanced this year and that the

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that the reappointment was decided on the recommendation of Scullin. Denning's (1937, p 75) view is that Scullin had consulted Lyons, Fenton and Brennan but not Anstey and Beasley but 'there was always a certain amount of mystery about it'.

A report in the *Sydney Morning Herald*, 6 January 1931, p 9, claims that caucus had directed that no reappointment was to be made before they were consulted. Henderson (2011, p 218) claims that at least some caucus members believed they had been assured that Gibson would not be reappointed. AW Martin (1999a, p 91) claims that Scullin 'secured caucus agreement…by arguing that Gibson's experienced counsel was needed' and that the Bank chair was elected by the board and 'all members shared Gibson's views on finance and politics'. The caucus minutes suggest that the matter was not discussed before the reappointment but on 19 February 1931 a motion was moved disapproving of it. It was reported that Scullin denied allegations that he had previously promised that Gibson would not be reappointed and that cabinet had supported the decision; *Sydney Morning Herald*, 20 February 1931, p 11. An amendment saying 'that we accept the explanation of the prime minister' was carried unanimously; Weller (1975b, pp 414-5). Holloway (c1954, p 134) recalled the reappointment being a 'shock to caucus' and attributed the decision to Scullin. There was a press report that Scullin had floated with Gibson the idea that as a condition of reappointment he hand an undated resignation letter to the prime minister but Gibson had scornfully rejected the idea; that Scullin had then told Gibson he would not be reappointed but that Scullin then backed down when Gibson threatened to disclose publicly the details of the discussions; *Argus*, 2 January 1934, p 7.

Green (1959, p 31) suggests Theodore opposed the reappointment. Questioned at a public meeting, Theodore said 'no doubt Mr Scullin had good reason for not changing the chairman at that time. I do not know the reason'; *Sydney Morning Herald*, 17 January 1931, p 17 and *Australian Worker*, 21 January 1931, p 8. In a speech at the Cremorne Theatre on 14 March 1931 Theodore sidestepped the issue of his own involvement and said the reappointment occurred 'because the prime minister did not want to make a change of that kind while certain negotiations were going on and while at that time he was assured by Sir Robert Gibson of the heartiest support and co-operation in carrying through a progressive financial policy' and also argued that 'he was only one of six conservative directors' ; the speech is in the Latham papers, NLA MS 1009/46/379. Cook (1931, p 211) suggested Theodore reluctantly agreed with Scullin's wish. Clark (1975a, p 30 and 1981, p 187) uses Theodore's alleged support as casting doubt on Theodore's political and economic nous. Millmow (2006) argues that Theodore played no part in the reappointment.

The reappointment has generally been viewed 'with bewildered amazement at its apparent absurdity', although Colegrove (1967, p 69) argues that this is unfair as it was only after his reappointment that Gibson became troublesome. Martin (1999, p 91) and Millmow (2010b, p 42) argue the reappointment was motivated by the need to assure the financial and business communities, with Melville (1974, p 29) arguing Scullin had little choice if he wanted to maintain the confidence of the London financial markets.

[534] Menzies (1967, pp 121-2).

[535] Giblin to Lyons, 4 September 1930, in *Lyons Papers*, NLA MS 4851, folder 14. As Giblin put it, 'To be scared of a policy involving a definite moderate measure of inflation is as sensible as to avoid a glass of beer for fear of delirium tremens.' In a similar vein, Keynes and Henderson (1929, p 118) had suggested

position shall be watched carefully and that the steps will be taken, at the earliest moment, necessary to adjust the position by in the first place reduction in expenditure'.[536]

Lyons moved in caucus to make the government's policy 'free exchange rates, stabilisation of internal prices by monetary control, reduction of interest rates and provision of credits for industry, and that every effort shall be made by the government to induce the Commonwealth Bank to carry out such policy.'[537] An amendment seconded by Theodore sought to direct the Commonwealth Bank to create sufficient credit to finance the government and provide for £20 million for works programmes, and was carried 26-14.[538] (This proposal, moved by Theodore's friend and fellow MHR George Gibbons, is sometimes termed the 'Gibbons plan' – see Table 5.1 for a comparison of the plans). Some suggested Theodore was preparing the ground for a challenge to Scullin.[539] A few days later, however, Fenton read to caucus a letter from Scullin apparently supporting Lyons' position.[540] Initially, this was not sufficient to sway caucus, with Curtin and Anstey moving that the government should continue to push the Commonwealth Bank. Fenton and Lyons said that 'in view of the vote that they would consider their position'.[541] Reconsidering, to avoid a party split, caucus agreed to defer the matter until Scullin returned.[542]

Caucus also wanted to defer for a year the redemption of bonds. Lyons opposed this 'repudiation' but lost the initial caucus vote. He won a subsequent vote following the arrival of a supportive telegram from Scullin.

Lyons brought down a supplementary budget on 5 November 1930 with some modest revenue and expenditure adjustments to reduce the widening deficit. He explained 'the people of Australia have accustomed themselves to a condition of prosperity due in part to high prices for our staple exports and to the heavy borrowings abroad. Now…a lack of

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that 'to bring up the bogey of inflation as an objection to capital expenditure at the present time is like warning a patient who is wasting away from emaciation of the dangers of excessive corpulence'. Giblin drew on his pioneering work on the multiplier when advising Lyons; Cain (1983).

[536] NAA A3264. Scullin and Lyons were present at this meeting but not Theodore. A subsequent meeting on 5 September, chaired by Fenton while Scullin was overseas, (including Lyons, Anstey and Beasley) and attended by Gibson, unanimously agreed to carry out the plan for a balanced budget.

[537] *Caucus Minutes*, 28 October 1930; Weller (1975b, p 391). See also Souter (1998, p 270).

[538] *Caucus Minutes*, 30 October 1930; Weller (1975b, p 395).

[539] Cain (1990).

[540] *Caucus Minutes*, 6 November 1930; Weller (1975b, p 396).

[541] *Caucus Minutes*, 6 November 1930. Press reports suggest that the meeting was bitter, but that Theodore voted against the Curtin-Anstey move; Weller (1975b, p 397).

[542] Love (1990, p 416).

confidence has developed. The community generally is at present in a state of inertia and awaiting a lead…the first need in present circumstances is that the Government should take steps for the balancing of the budget'.[543]

Sir Otto Niemeyer[544], the Bank of England adviser despatched to Australia, described Fenton and Lyons (using a somewhat mixed metaphor) as 'entirely at sea … like a couple of rabbits popping their heads out of the hole'.[545] Lyons asked Niemeyer not to attend one meeting as Lyons was 'afraid of criticism from his own people that he was acting under direction'.[546]

In December 1930, Curtin and Chifley successfully moved to have the Labor Party appoint a committee to formulate a clear monetary policy. The committee was to include Curtin himself, the radical Anstey, Theodore and conservatives Fenton and Lyons, and with the power to co-opt other members as necessary.[547]

The parting of the ways

The Country Party's Earle Page had made strenuous efforts in 1923 and 1924 to get Theodore to switch sides to the conservatives,[548] but to no avail. Lyons, it turned out, was more easily persuaded.

While acting as treasurer, Lyons' profile was raised by his campaigning for subscriptions to a government conversion loan, which he argued was a patriotic act. He declared 12 December 1930 to be 'All for Australia Day', with many businesses promising to invest profits from the day in the loan and Lyons appealing to households to do their Christmas shopping that day.[549] The loan ended up oversubscribed. Allan Martin (1999a, p 93) saw this as a 'turning point in his career'.

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[543] *Hansard*, 5 November 1930, p 61.
[544] Niemeyer had a distinguished career, finishing first in the 1906 civil service entrance exam ahead of Keynes (and thereby forcing Keynes to join the Indian office rather than Treasury), but had been associated with Churchill's disastrous move to return the pound to its pre-war parity with gold in 1925. Henderson (2011, p 221) describes him as adopting 'a high-handed and insouciant tone in his dealings while in Australia'.
[545] Niemeyer (1930, p 268).
[546] Niemeyer (1930, p 302).
[547] *Caucus Minutes*, 10 December 1930; Weller (1975b, p 407).
[548] Young (1971, p 43). There had been a similar move while Theodore was Queensland premier, trying to get him to lead a 'centre party'; Higgins (1954, p 61).
[549] Henderson (2011, p 240).

Lyons may have hoped to become treasurer when Scullin returned from London in January 1931.[550] Instead Scullin persuaded caucus to reinstate Theodore. Lyons felt this was inappropriate as Theodore had not yet been cleared of the Mungana allegations.[551] Lyons tried to trigger a spill of all positions at caucus but failed and voted against Theodore's reinstatement at the caucus meeting. There are reports that he 'made a bitter personal attack on Theodore'.[552] Rather than applauding Lyons' efforts as acting treasurer, the Tasmanian Labor Party Conference censured him. Denning (1937, p 37) believed this further disenchanted a 'harassed and hunted' Lyons from Labor.

Lyons (along with Fenton) resigned from the cabinet over the reinstatement of Theodore and then in March 1931 left the Labor Party itself after voting against Theodore's proposal for a fiduciary notes issue.[553] Among Lyons' close friends and economic

[550] Whitington (1972, p 69) and Strangio, 't Hart and Walter (2016, p 173) suggested Lyons had wanted the position, and this was a large part of the reason for his resignation from Labor. Jenkins (2008, p 13) suggests he was 'fully expecting to be appointed treasurer'. Henderson (2011, p 241) cites Enid Lyons as recalling Lyons met with Keith Murdoch and they thought that Scullin would make Lyons treasurer. Henderson (2013, p 163) believed he 'had every right to expect he would be given the Treasury portfolio', as did Fricke (1990, p 104) and Souter (1998, p 274). Lyons said he suggested Scullin keep the post himself (*Hansard* 13 March 1931, p 236; *Sydney Morning Herald*, 30 January 1931, p 11), but when Scullin demurred, Lyons thought he had a better claim than Theodore; Lloyd (1984, pp 81-2). A less charitable interpretation is that Lyons saw his road to the Lodge blocked by Theodore in a Labor government; Hughes (1976, p 82).
On the other hand, Lyons claimed 'I did not desire to be treasurer. I know my limitations'; *Hansard*, 13 March 1931, p 236. Lyons told the press 'when Mr Scullin returned I pressed on him the desirability of his taking the [treasury] portfolio…[as] finance is so important in government' but he replied the duties were 'too onerous'; *Sydney Morning Herald*, 30 January 1931, p 11. This is consistent with Scullin's claim that Lyons asked to be relieved of the job; *Sydney Morning Herald*, 16 January 1931, p 11. Enid Lyons (1965, p 168) recalled Lyons replying to Keith Murdoch when he predicted Lyons would soon be treasurer that he doubted he would wish to be. Lyons' son Brendan recalls his mother saying that Lyons had not wanted the post, which is also reported by Enid's biographer, Henderson (2008, p 151) and ALP historian McMullin (1991, p 169). Lyons told a dinner of his Tasmanian supporters that he was willing to stand down for someone better; (Burnie) *Advocate*, 9 January 1931, p 2. Scullin's biographer Robertson (1974, p 302) claims 'Lyons was quite anxious to relinquish Treasury burdens'. Henderson (2011, p 246) refers to him handing them back to Scullin 'with great relief'. Scullin said Lyons was 'relieved of the Treasuryship at his own request'; (Burnie) *Advocate*, 23 January 1931, p 7. At the time, Lyons said 'it will be a distinct relief to be out of office, as the strain has been constant and severe'*; Sydney Morning Herald*, 30 January 1931, p 11. Lyons 'intimated he was not prepared to take on the treasurership permanently'; Allan Martin (1999a, p 96). Lyons' claim is however weakened by the fact that he subsequently chose to keep these burdens in addition to the prime ministership not many months later even though the return of Bruce to parliament gave him an obviously qualified candidate for the treasurer's post.
The biography by White (1987) regards the evidence as ambiguous.
[551] *Hansard*, 13 March 1931, p 229. Lyons told parliament he had not judged the treasurer but hoped he would have remained outside cabinet until he was cleared. Lyons had himself stood aside a minister over a financial scandal in his Tasmanian administration in 1927; Henderson (2012, p 6).
[552] Morgan (1966, p 131).
[553] He argued that Theodore's policy was contrary to those taken by the party to the previous election. Lyons rejected calls to resign his seat, unless either Scullin or Theodore would contest it at the subsequent by-election; *Hansard* 13 March 1931, p 234. There have been suggestions that he had decided to leave Labor even before Theodore's reappointment; Sykes (1988, p 244). But Lyons described as a 'contemptible

advisors was Staniforth Ricketson, a stock broker whom he had known since his Tasmanian days. Ricketson was a member of the group of Melbourne identities who became involved in persuading Lyons to leave the Labor party.[554] Lyons and some fellow Labor defectors joined with the Nationalists to form the United Australia Party.[555] Theodore said Lyons had succumbed to 'adulation and flattery'.[556]

Lyons has long been on more friendly terms with the conservative side of politics than was usual for Labor members. After Labor's narrow loss in the 1928 Tasmanian election, the Nationalist leader McPhee praised Lyons' statesmanship and offered to serve under him if he left the Labor Party. Lyons found the Federal Parliamentary Labor Party uncongenial and had little affinity with the machine politics practised in Sydney and Melbourne.[557] When opposition leader John Latham had called for a unity government to fight the depression in December 1930, Lyons had reputedly been sympathetic to the idea but caucus rejected it.[558]

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lie' the suggestion that he had discussed with Latham leaving the Labor Party while Scullin was overseas; *Hansard*, 13 March 1931, p 234. Many of his former Labor colleagues referred to him as a 'rat'. Holloway (c1954, p 43) believed the 'offer of a short cut to even greater fame won him over'.

[554] Balderstone (1983, p 258); Hart (1967, p 52 and Hart (1979, pp 115-7), Henderson (2011, p 241). Other members of 'the Group' (sometimes called the 'Temple Court Group' or the 'Savage Club group') were Kingsley Henderson, a businessman and architect who became a close friend of Lyons in the 1930s, then Victorian MP Robert Menzies, businessman (and former adviser to Treasury and treasurers) Sir John Higgins, businessman Charles Norris and retired journalist Ambrose Pratt; Murray and White (1988, p 318); Hart (1967, pp 87-9). The Group had originally formed to support a December 1930 loan conversion campaign; Hart (1970, p 44). Tsokhas (1988, p 27) adds media baron Sir Keith Murdoch to its members. Pratt referred to the group as being Lyons' 'special bodyguard'; Henderson (2011, p 275).

[555] Bird (2009, p 48) suggests Lyons may have regretted leaving Labor after it adopted the conservative 'Premiers' Plan' in July 1931 but by then there was no way back. An obituary cites a confidant suggesting 'I do not think he was ever an entirely happy man afterward'; (Melbourne) *Herald*, 8 April 1939, p 4. This is also the view of his former colleague Edward Holloway (c1954, p 43). Lyons' friend Frank Green (1959) regards Lyons as effectively being 'driven out' of the ALP. The UAP's slogan for the 1931 election was 'Tune in with Britain', an odd choice for a leader with an Irish Catholic heritage. Lyons' speech is reported in *The Age* 5 December 1931 and Luscombe (1967, p 172).

[556] Speech at the Cremorne Theatre on 14 March 1931; Latham papers, NLA MS 1009/46/379.

[557] Hart and Lloyd (1986); Henderson (2004, p. 931), White (1987, p 109). Enid Lyons (1972b) observed that Tasmanian politics lacked the 'ruthlessness' evident on the mainland. Bradish (1927, p 15) exaggerates for comic effect when he writes 'instead of bickerings, calls-to-order, hurtling inkwells, and all the futilia of disturbance in other parliaments, we have gentle whisperings, handholds and prefect bliss' but it gives some idea of the difference. White (1987, p 108) estimates that before 1989 Lyons had probably only 'been to the mainland about half a dozen times'.

[558] Henderson (2008, p 152).

The battle of the plans continues

Theodore warned at the February 1931 Premiers' Conference that Australia 'was getting close to the final smash' with a loss of £125 million in income.[559] His reflationist plan[560] drew on a paper by statistician Wickens to argue that the Commonwealth Bank should adopt an expansionary policy until the price level was stabilised.[561] Giblin also provided Theodore with what may have been the first official estimates and forecasts of Australian national income.[562]

The Theodore plan was a 'middle way' between the deflationist plan and the Lang plan of repudiation[563] (Table 5.2). Theodore spoke eloquently of the need to counteract 'the complete breakdown of the monetary system'. Theodore aimed to get wholesale prices back to their average 1925-1929 level through the expansion of credit.[564] He quoted international economists such as Keynes[565], Cassel and Hobson[566] in his speech. He also drew on discussions with local economists Giblin (whom Theodore appointed acting statistician), Copland, Dyason and Irvine, although none would probably have supported the plan in total.[567]

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[559] *Conference of Commonwealth and State Ministers Proceedings*, 7 February 1931, p 28.

[560] He presented his plan to caucus where it was approved 32-12, and a summary is included in the minutes; *Caucus Minutes*, 2 March 1931, in Weller (1975b, pp 416-8), reproduced in Shann and Copland (1931a, pp 1-8), and publicly as Theodore (1931).

[561] Castles (1997a). While Wickens' October 1930 paper was confidential, when some of it was leaked Wickens publicly confirmed his belief in anti-deflationary measures; *Sydney Morning Herald*, 20 November 1930, p 9. Wickens was criticised in parliament by Gullett for this 'exceedingly regrettable…lapse' from 'public service traditions'; *Hansard*, 27 November 1930, p 803. The acting prime minister soon after released the full note, which cited Keynes' *Tract on Monetary Reform* to argue for an easing of monetary policy when prices were falling as 'it is doubtful which of the two – inflation or deflation – is the worse evil'; *Sydney Morning Herald*, 27 November 1930, p 12. Tragically Wickens, a self-educated economist who played a role in establishing the Economic Society of Australia which he chaired in 1928, was felled by either a stroke or epilepsy on 2 February 1931 and while he lived another eight years he was essentially an invalid and played no further role in public affairs. Coleman, Cornish and Hagger (2006, p 120) described Wickens as 'the solitary official in the Commonwealth Government who could claim an expertise on economic issues'.

[562] They were £663m in 1928-29, £550m in 1929-30 and £470m in 1930-31; Giblin

[563] The Lang plan was derided by Calwell (1971b, p 10) as 'gibberish' based on a speech by Anstey that mixed social credit theory and orthodox finance.

[564] Theodore (1931, p 240) and his Cremorne Theatre speech of 14 March 1931 (available in the *Latham papers*, NLA MS 1009/46/379) in which he quotes from Keynes (1925) but incorrectly dates it to 1929. His thoughts were influenced by a note by Copland, Dyason and Giblin (1930).

[565] Theodore referred to Keynes' well-known works *The Economic Consequences of Mr Churchill* and the *Treatise on Money* as well as a recent magazine article, Keynes (1930a).

[566] Hobson (1930, p 138), to which Theodore referred, includes a reference to the 'failure of effective demand', which would later be regarded as a Keynesian concept.

[567] Melville (c1974, p 42). McFarlane (1966) and Millmow (2007b) provide biographical essays on Irvine. Manning Clark (1987, p 362) suggested Irvine 'converted Theodore to the case for bank credit'. The

Table 5.2: Battle of the Plans

	Niemeyer plan (Melbourne agreement)	Stabilisation (Economists') plan	Lyons (Sheehan) plan	Gibbons (Theodore) plan	Theodore plan	Lang plan	Premiers' plan
	August 1930	Sept 1930	Oct 1930	Oct 1930	Feb/March 1931	Feb 1931	June 1931
Government spending	cut	cut	cut but expand public works	increase public works	expand unemployment relief; some other cuts		cut by 20% (12½% for pension
Taxation		raise on property income	raise on property income				raise income and sales taxes
Interest rates		lower	lower	lower	lower	lower	lower
Exchange rate	unchanged	devalue 20%	free	devalue	devalue	goods standard	devaluation
Public sector wages	cut	cut by 10%	cut by 2½ to 15 per cent	cut high salaries only	cut (stable in real terms)		cut by 20%
Private wages	cut	cut by 10%					cut by 20%
Government debt					special tax on interest	defer interest	Voluntary conversion but with tax penalty
Bank credit		expand	expand	expand	expand		expand

Major sources for Table 5.2:

Niemeyer plan: Schedvin (1970, pp 182-3);

Stabilisation plan: Schedvin (1970, p 222); Copland, Dyason and Giblin (1930); Copland, Giblin and Wood (1930, pp 179-86); Copland, *The Argus*, 27 October 1930, p 9.

Lyons plan: Cornish (1988b), Schedvin (1970, p 190); *Sydney Morning Herald*, 3 October 1930, p 11.

Gibbons plan: Schedvin (1970, p 192); Weller (1975b, p 391).

Theodore plan: Theodore (1931), Weller (1975b, pp 416-8).

Lang plan: Schedvin (1970, p 228);

Premiers' plan: Schedvin (1970, p 249); Shann and Copland (1931a).

influence of Irvine is discussed in David Clark (1981, p 187) and Groenewegen and McFarlane (1990, pp 126-127 and 162-164), with the former going so far as to claim that Theodore was just parroting Irvine's views without understanding them. Given Theodore's ability to respond to questions and interjections on his plans, and the regard in which his economic knowledge was held by the likes of Melville, this seems unlikely. His plan also drew on Copland, Dyason and Giblin (1930).

Theodore regarded attempting to balance the budget with what would today be called 'austerity' policies would be self-defeating as it would just further contract the economy. He called for an easing of monetary policy, arguing 'if we could thus stimulate industry in Australia so that the 250,000 men now unemployed would be set to work, their production would enormously increase the real wealth of the community. Unless we do that I do not see how we can balance the budget'. He argued he did not aim for inflation for its own sake; 'we should not set out to increase price levels as a first step but monetary policy might be reflected in price levels'.[568] Theodore later claimed that had he not been forced to resign he might have been able to persuade the commercial banks to adopt a more expansionary lending policy.[569]

Theodore felt conservative economists and bankers were excessively wedded to maintaining parity between the Australian pound and sterling, which he dubbed a 'conservative fetish'.[570] Theodore wanted the Commonwealth Bank to buy government bonds to drive the yield down to 5 per cent, bond holders to pay a special interest tax and the exchange rate to depreciate.

Theodore played a prominent role in negotiations for merger of the Government Savings Bank of NSW and the Commonwealth Bank's savings bank arm.[571]

Cabinet approved Theodore's Fiduciary Notes Bill in March 1931, after an amendment by Scullin. It envisaged an issue of £18m, with £1m a month being used to support employment and £6m for farmers.[572] Whitlam regarded Theodore's speech in parliament of 17 March 1931 supporting his bill as demonstrating 'a dazzling command of basic economic ideas but it shows his humanity and his recognition that economics is only about people.'[573] In April 1931 the Senate rejected the bill. Theodore was reported as suggesting it would be reintroduced and if rejected again form the basis for a double

[568] Theodore speech reported in *Sydney Morning Herald*, 9 February 1931, p 9. Melville (c1974, p 44) described the Theodore plan as having 'made quite good economic sense'.
[569] Interview in August 1934, reported in Maclaurin (1937, p 44).
[570] *Sydney Morning Herald*, 17 January 1931, p 17.
[571] This was 'regarded as a triumph for Mr Theodore'; *Round Table*, no 86, March 1932, p 410.
[572] Arthur Calwell (1972a, p 68) claimed it was Gibson who suggested a fiduciary notes issue, a claim repeated in the biography by his daughter Mary Calwell (1998, p 51), but this seems totally implausible. Millmow's (2010, p 82) suggestion that Calwell was confusing Gibson with Giblin seems more likely. Another possibility is Calwell was confusing Gibson with Gibbons, Theodore's parliamentary supporter.
[573] Whitlam (1971, p x). The speech is in *Hansard*, 17 March 1931, pp 300-19. A long-serving clerk of the parliament regarded it as 'the finest speech I ever heard in this place'; cited by Katter (2012, p 17).

dissolution, but given the weak position of the government, this was likely a bluff.[574] The bill was very controversial. One radio announcer rhetorically asked 'why are the bells of St Paul's cathedral like Mr Theodore?' and replied Spoonerishly 'they peal from the steeple'.[575]

Theodore quoted from Keynes' *A Treatise on Money* in his speech. Theodore had the first copy of this in Australia as his friend WS Robinson had arranged for a copy to be sent to Theodore as soon as it was published in 1930.[576] Theodore prophesised that the book 'will stand for fifty years'.[577] This was an uncannily accurate prediction about Keynes' impact (although it was the later *General Theory* rather than the *Treatise* that had the major influence); 1980 was about when Keynesianism was (temporarily) eclipsed by monetarism.

The Keynes of the *General Theory* would, however, have cautioned Theodore of the need to bring business leaders on board for his plan to be effective. As Keynes (1936, p 162) lamented 'economic prosperity is excessively dependant on a political and social atmosphere which is congenial to the average business man' and policymakers need to be wary of 'upsetting the delicate balance of spontaneous optimism'.

An alternative to the Theodore Plan was the Premiers' Plan, developed by Copland, Giblin, Melville and Shann. It was hailed by many overseas commentators as a good example of governments listening to economists.[578] Melville (1971) rejects Schedvin's characterisation of the Premiers' Plan as passively following the market, arguing that the authorities could have kept deficit budgets and used controls to fix the exchange rate and not cut wages.[579]

An econometric exercise by Valentine (1988) concludes that the Premiers' Plan had little net impact on the economy as the interest rate cuts were expansionary but the government

[574] Giblin (1951) and Cook (1971, pp 375-8). In a speech at the Cremorne Theatre on 14 March 1931 Theodore said a double dissolution 'must take place'; the speech is in the Latham papers, NLA MS 1009/46/379. Sawer (1963, p 21) doubts that there was any intent to use the bill as a double dissolution trigger.

[575] Hugh Brain 'reminiscences', 1976, University of Melbourne archives 77/97, folder 3.

[576] Fitzgerald (1994b, p 278) and Laughren (1994). This probably put Theodore ahead of Australia's professional economists: Cain (1987a, p 5) says the book '…did not begin to register in Australian academic discussion until the second half of 1931'. Most reviews of it did not appear until 1933. See Markwell (2000) for a discussion of Keynes' influence on Australian economists.

[577] *Hansard*, 17 March 1931, p 318.

[578] Millmow (2010b).

[579] In Melville (c1974, p 34) he characterised the plan as 'talk deflation and inflate like hell'.

expenditure cuts were contractionary. It also suggests the Theodore plan would have done most to expand real GDP, but in keeping wages higher, it would have produced higher rates of unemployment. In Valentine's model, a combination of lower interest rates, increased government spending, cuts in wages and a devaluation would have been the best response – what he terms the 'hindsight plan'. Butlin and Boyce (1988) also believe a faster and larger devaluation would have been beneficial.

In February 1931, the Arbitration Court reduced the basic wage by 10 per cent. This move, supported by most economists, was intended to be a cut in real wages, but consumer prices soon dropped by a similar amount. The exchange rate was also devalued in 1930 and 1931.

Sir Robert Gibson wrote in February 1931 that the Commonwealth Bank would cooperate with the government only if wages, pensions and social benefits were reduced, and in April told Theodore that the Commonwealth Bank would provide no further assistance to the government, leaving it no choice but to resign, default or agree to the deflationary Premiers' Plan.[580] Theodore reluctantly agreed to the Premiers' Plan. In a letter to Curtin in 1932, Theodore explained:

> in the hope of getting a respite for the government I agreed to the economy policy of the Premiers Conference conditionally upon the public debt interest and mortgage interest being included in the cuts. I never had any belief that that policy would restore employment unless it was accompanied by credit expansion on a large scale…the banks gave us assurances they would cooperate with the government in the increase of money but they let us down villainously in this respect…I stated…a crisis precipitated then would be fatal to our electoral hopes but an acceptance of the premier's [sic] plan would ensure us our supply and give us twelve months breathing space. I held the opinion…within twelve

[580] Gibson's letter and Theodore's reply are reproduced in Shann and Copland (1931a, pp 44-56). According to Armitage, Gibson later realised his mistake and told Armitage 'it was wonderful how right Mr Theodore had been all the way through the depression' although at the time he and the board had been unable to see it; Armitage reminiscences in 1949, RBA archives SA-65-84. At the time of his appointment, Gibson had 'not a great deal of knowledge of central banking', according to Armitage.

> months the whole world would probably go inflation and thus kill the Opposition crusade[581]

Young (1971, p 139) and Clark (1975a, p 32) suggested that 'Theodore probably could have proceeded to the party leadership and the job of prime minister by vigorously opposing' the Plan. It took Scullin and Theodore hours to convince a majority in caucus and they only won over Labor's national executive by 7 votes to 5, but in the end the Premiers' Plan was adopted in June 1931.

Millmow's (2004b, p 142) judgement is that while the Plan was deflationary it was a 'more equitable and imaginative blueprint than Niemeyer's'.

The July 1931 budget continued the implementation of the Premiers' Plan. It increased sales tax, and cut public service salaries, maternity allowances and pensions. A big drop was expected in direct tax collections. Theodore's speech was unenthusiastic but he rallied somewhat near the end, calling the budget 'a policy of internal financial rehabilitation which, though drastic in its incidence, is at any rate equitable in its effects on the various sections of the community'.[582]

The end of the Scullin government and Theodore's political career

After Lyons, Fenton and their supporters left the Labor Party and formed the United Australia Party, a group of Lang supporters now held the balance of power and they continued to attack Theodore. In November 1931, they accused Theodore of corruption in the distribution of unemployment relief. When Scullin refused to initiate an inquiry, the rebels joined with Lyons' United Australia Party to bring down the Scullin government. At the subsequent election, Labor was reduced to fourteen seats, with Theodore among the seven ministers to lose their seats.[583]

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[581] 14 October 1932, *Theodore papers*, NLA MS 7222, folder 2. Cornish (1988b, 1992) suggests that Treasury Assistant Secretary Sheehan was persuasive.

[582] *Hansard*, 10 July 1931, p 3746.

[583] Opposed by a Langite Labor candidate, Theodore's share of the vote dropped from 78 per cent in 1929 to 20 per cent. While it was not the decisive issue, Lang's supporters taunted Theodore with a parody of a popular song of the time, singing 'Yes, we have no Munganas' at Theodore's campaign rallies; *Round Table*, no 86, March 1932, p 416. As Head (1978, p 14) points out, there were 13 federal and state elections between 1929 and 1933 and in 12 of them the incumbent government was defeated.

The Lyons government with Lyons as treasurer

Lyons led his new party, essentially a collection of ministerialists, to a decisive victory at the December 1931 election and clear wins in 1934 and 1937, in no small measure due to his personal popularity and ability to adopt radio, film and air travel for campaigning. It was suggested the 'group' who persuaded him to leave Labor, and big business funders of the UAP in general, exerted considerable influence over him, although this suggestion is repudiated by some writers.[584]

Lyons purportedly offered Chifley the treasurership if he also left Labor[585] but Chifley declined. Lyons took the post himself. He saw nothing unusual in this as he had been both premier and treasurer in Tasmania.[586] He appointed Bruce, a former prime minister and treasurer, as assistant treasurer from January to June 1932. One interpretation for this was that as the election had 'centred on finance and honesty…Lyons determined to take personal responsibility for its implementation'[587] and 'give the public the impression that "Honest Joe" was safeguarding their savings'.[588] Lyons took the title himself as Bruce was 'having to live down his reputation for reckless expansion'.[589] Bruce himself said he had to 'hold Lyons' hand'[590] and 'more or less from the background steered him'.[591]

When Bruce left for London, much of the routine administrative Treasury work was done by Walter Massy-Greene, an assistant minister, and then from September 1933 by Richard Casey.[592] It has been claimed that Lyons 'leaned very heavily on his assistant

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[584] Former Clerk of the House, and a friend of Lyons since his teenage years, Frank Green claims that as prime minister Lyons reported cabinet decisions to them and sometimes their influence had such decisions reversed (an example being the national insurance scheme); letter to Lyons' biographer Philip Hart, 10 February 1964, *Hart papers*, National Library of Australia MS 9410, folder 1 and Green (1969, pp 114-5). Those close to Lyons referred to Henderson as Lyons' 'guide, philosopher and friend' and he was a pall-bearer at Lyons' funeral; Hart (1979, pp 121-2). Malcolm Fraser (1987, p 322) referred to the ongoing influence they exerted over the UAP in the 1930s; 'those who paid the bills attempted and often succeeded in determining candidates and policy'. On the other hand, Hart (1967, p 187) concludes 'all the available evidence, therefore, supports Lyons' claim that he never received dictation from any extra-parliamentary organisation'.

[585] E Lyons (1972a, p 97); B Lyons (2008, p 135). This is somewhat surprising given Chifley's support for Theodore.

[586] Personal conversation with Brendan Lyons, 2008. Lyons also briefly served as Minister for Commerce.

[587] B Lyons (2008, p 163). Bruce ranked third in cabinet seniority.

[588] Hart (1967, p 245).

[589] This was the view of Giblin cited by Millmow (2010b, p 119).

[590] Cain (2005, p 267), Edwards (1965, p 208).

[591] Cited by Hazlehurst (1979, p 155), purportedly said to Bruce's biographer Cecil Edwards. See also Millmow (2010b, p 122).

[592] Hart (1967, p 245). From October 1933 to October 1934, Senator Harry Lawson also contributed as Assistant Minister (Treasury).

treasurer [Walter Massy-Greene, who] … had a great natural gift for finance'.[593] The 1935 budget was presented to the House by Casey as assistant treasurer. Lyons appointed Casey as Treasurer[594] in October 1935, making Lyons the first prime minister since 1910 not to hold a portfolio.

Lyons was a lonely man as prime minister, cut off from his former Labor colleagues and lacking a strong affinity with many of his former opponents now his UAP colleagues. Country Party leader Earle Page's more friendly attitude, and role as both policy and medical adviser, gave him considerable influence over Lyons.[595]

Treasury was still dominated by accountants and the Commonwealth Bank played an important role in economic policymaking. Lyons said of its chair, 'no man played a greater part than Sir Robert Gibson in the rehabilitation of the Commonwealth'.[596] Lyons appointed Giblin to the Commonwealth Bank board in 1935.

In January 1932, a Premiers' Conference led to the establishment of a committee headed by Adelaide businessman Wallace Bruce, and driven by the economists Giblin, Melville, Mills and Shann, to examine policies to fight unemployment.[597] It recommended devaluation, cuts in real wages, reductions in tariffs, smaller budget deficits and a limited expansion of state spending on relief projects, but rejected proposals for significant increases in public works. Millmow (2010b, p 129) regarded it as in some ways 'a reprise of the Premiers' Plan'. In June, the premiers agreed to cut deficits by cutting pensions. Asked to comment, Keynes said that he 'sympathised intensely with the general method of approach' but put more emphasis on public works than wage cuts or devaluation.[598] Lyons and Bruce initially welcomed the report but then cooled at the idea of trying to

[593] Kemp (1964, p 97). Hart (1967, p 245) agrees.

[594] Henderson (2011, p 352) suggests a possible motive was to bolster Casey's chances of being Lyons' successor rather than Menzies.

[595] As a Labor renegade, a catholic and not having served in the war, Lyons did not have a lot in common with most of the other UAP members. Page was 'shrewd enough to be both respectful and matey towards Lyons', as well as being a medical adviser; journalist George Baker, letter to P Hart, *Hart Papers*, National Library of Australia, MS 9410, folder 1. Support for this view also comes from Page's private secretary Ulrich Ellis, letter to Hart, MS 9410, folder 2 and Hasluck (1952, p 110).

[596] Cited by Millmow (2010b). After Gibson's death Lyons referred to him as a 'financial genius' and a 'personal friend'; *Argus*, 2 January 1934, p 7. By contrast, Leslie Melville (c1974, p 21), better placed to make an assessment, opined that Gibson 'had little knowledge of central banking'.

[597] The other member was George Stanley Colman (a Melbourne businessman). Copland was also appointed but was overseas for much of the investigation. Their report estimates that real per capita income had fallen by around a quarter from 1926-27 to 1930-31.

[598] Keynes (1932, p 94). On the latter point, Keynes advised '…expand bank credit and stimulate capital expenditure as much as courage and prudence will allow.' His comments are discussed by Clark (1976).

force Gibson to devalue. Melville regarded the decision to reject the recommendation to devalue as having slowed the recovery.[599] In responding to the report Lyons (1932) announced the formation of federal and state Employment Councils 'to ensure that the fullest and most immediate investigation of ways whereby unemployment can be relieved should take place'.

Australia was one of the first countries to emerge from the depression and Roosevelt asked Lyons how it was done.[600] On the other hand, the Lyons government was criticised by Maclaurin (1937, p 242) as excessively passive; 'the Administration from 1932 to 1936 followed a policy primarily of waiting for something to turn up, and seemingly was afraid to do anything constructive lest it retard the slow recovery'. The Lyons government had one run of good luck; the rural sector had a run of good harvests.

Lyons' first budget speech in September 1932 referred to national income falling from £650 million to £450 million.[601] He placed the budget in the context of the Premiers' Plan and said it represented the 'path of financial rectitude'.[602] He referred to a survey of company profits which suggested tax revenue would fall. The budget restricted maternity allowances, cut public servants' wages and reduced pensions.

The Imperial Conference of 1932 led to the 'Ottawa agreement' calling for tariff cuts. Fenton, then trade minister, resigned in protest. Bruce also resigned around this time and moved to London. Lyons offered the assistant treasurer job to the Country Party but they rejected his accompanying conditions. Lyons refused to drop tariffs below those prevailing in the Scullin government.

In April 1932, Western Australia voted to secede. Partly in response, but also reflecting his experience as a treasurer of a small 'claimant' state, Lyons hastened his plans to establish the Commonwealth Grants Commission.[603] Lyons appointed Giblin to the commission.

[599] Melville (1971) and his interview by Cornish (1993b).
[600] Personal conversation with Brendan Lyons, 2008.
[601] *Hansard*, 1 September 1932, p 86.
[602] *Hansard*, 1 September 1932, p 86.
[603] B Lyons (2008, p 167).

In his second budget speech, Lyons lamented 'the condition of the world is one of uncertainty, doubt and confusion'.[604] He emphasised the importance of rolling over maturing debt in London, for which Bruce was now responsible as resident minister. A degree of domestic recovery allowed some tax cuts and the partial restoration of public servant salaries. He called the budget the 'reward which the Australian people have earned by the sacrifices they have made'. [605]

Further tax cuts were given in the 1934 budget in response to the 'remarkable improvement in the Australian economic situation'.[606] In his policy speech for the 1934 election Lyons claimed to have presided over 'one of the most spectacular economic recoveries the world has known'.[607] Australia's recovery was faster than the average in comparable countries (see Table 10.4 below), which Eichengreen (1988) attributed to its larger devaluation.

After losing seats in the 1934 election, Lyons needed to form a coalition with the Country Party, whose leader Earle Page became minister for commerce and deputy prime minister, and his influence on Lyons increased. But unlike the coalition with Bruce, Page either did not demand or could not persuade Lyons to give him the treasurer's job.

In the 1934 election campaign, in part due to rural pressure, Lyons agreed to establish a Royal Commission on Banking. He appointed as one member of it Ben Chifley as 'both his knowledge of finance and the analytical habit of his mind fitted him admirably for such a task'.[608] It reported in 1937 (and is discussed in the following chapter).

While Lyons was sometimes criticised for leading an inactive government,[609] he had his hands full managing a fractious group of egos, united by little more than a general antipathy to socialism and a ministerialist liking for government posts.

[604] *Hansard*, 4 October 1933, p 3201.
[605] *Hansard*, 4 October 1933, p 3223.
[606] *Hansard*, 24 July 1934, p 594.
[607] *Sydney Morning Herald*, 14 August 1934, p 11.
[608] E Lyons (1972a, pp 97-98).
[609] As an editorial put it, 'Few governments have derived so much self-satisfaction from doing so little'; *The Age* 30 July 1945, cited by Hart (1967, p 236).

As far back as his first budget speech in 1932, Lyons had foreshadowed a 'contributory system of old age pension'.[610] In 1935 a cabinet subcommittee was appointed to investigate it. The contributory scheme was seen as avoiding the looming budgetary problem of paying for the age pension, although this was obscured in public presentations.[611] At the 1937 election, Lyons promised to introduce a national insurance scheme, combining elements of health insurance and superannuation. The legislation passed through parliament in 1938, but employers opposed it, concerns were expressed about administrative difficulties and defence came to be seen as a greater priority. Reid (1980a, p 359) recalled Lyons emerged from the cabinet room in tears when the final decision was taken to abandon it. Menzies resigned as deputy leader and attorney general, supposedly in protest at the scheme's abandonment.[612]

Lyons established a committee of Giblin, Melville and Wilson in December 1938, initially in the Defence Department, which with the addition of Brigden, Copland and Coombs became known as the 'F&E'.[613]

[610] *Hansard*, 1 September 1932, p 104. Page had long advocated something similar. The Bruce-Page Government had set up a commission of MPs to investigate which did not issue a final report until 1927. Legislation was introduced in 1928 but as the economy turned down it was abandoned in August 1929.

[611] Watts (1980). Watts (1980) and Richards (1975) point out that the Labor Party also supported social insurance but wanted it funded from a combination of a capital gains tax, wealth tax, payroll tax and higher company tax.

[612] Many contemporaries viewed Menzies' action as motivated more by impatient ambition to secure the prime ministership for himself; Hart (1967, p 308), Wentworth (1987, p 12:7). This view is supported by noting that, despite his purported fervour, in his sixteen years as prime minister Menzies never tried to introduce such a scheme himself. Menzies' biographer reports an earlier attempt by Menzies to overthrow Lyons, in 1935, which was foiled when Casey would have nothing to do with it; Martin (1999b, p 43).

[613] The Financial and Economic Committee, to give it its full name, is described in Maddock and Penny (1983) and Whitwell (1985 and 1986, pp 65-79).

The portents of a second world war, and the domestic political pressure from Menzies' disloyalty,[614] caused Lyons immense stress.[615] In early 1939 he again approached Bruce to return to office. Bruce said he would only do so if it was immediately as prime minister. Lyons apparently initially accepted this demand, but then (possibly due to influence by Casey, who saw himself as another possible successor) changed his mind. Nothing came of the idea.

While he stayed reluctantly in office,[616] Lyons' health continued to deteriorate, and he died of a heart attack on Good Friday, 7 April 1939, at the age of sixty, a few days short of eclipsing Hughes' then record of longest-serving prime minister. It was said 'few men who have held high office have been as sincerely and widely mourned'.[617]

Theodore after parliament

Theodore resisted subsequent entreaties from Curtin, Chifley and others to re-enter politics.[618] He initially stayed active in public affairs. In 1932 he led a committee which

[614] In particular, Menzies made a speech in November 1938 about how democracies needed inspiring leadership, widely regarded as disparaging Lyons, and distressing to him; Weller (2007b, p 70), White (2000, p 187) and Perkins (1968, pp 66-7, 73). His press secretary, Irvine Douglas (1972) opined that Menzies' disloyalty 'helped to bring on his breakdown and his heart attack'. Page, a medical doctor, believed that anxiety caused by Menzies' disloyalty caused Lyons' fatal illness; Denning (c1948b, p 15). Chamberlain (1972, p 1:2/45) shared this view. So, according to Wentworth (1987, p 12:7) did Enid Lyons. There may have been other plotters. According to Enid Lyons, Charles Hawker had been on his way to challenge Lyons when he was killed in a plane crash in October 1938; Hart and Lloyd (1986), Henderson (2013, p 165). Richard Casey, Archdale Parkhill, NSW premier Bertram Stevens and former prime minister Bruce were all discussed as possible replacements; Henderson (2013, pp 164-5). Ellis (1963, p 236) and Hart (1967, p 305) suggested there were elements within the party that thought Lyons should step down once he passed Hughes' landmark as longest serving prime minister in April 1939. In 1937 Lyons had raised with some of his business backers the idea of retiring in favour of Menzies but was told 'our people are unanimously of the opinion that Menzies is not ready for the job'; Hart (1979, p 133).

[615] Lyons had long had a 'strong emotional repugnance to violence and war' and a lifelong opposition to conscription; Hart (1967, p 13) and E Lyons (1965, p 53). The prospect of being a war leader therefore greatly disturbed him; White (1987, pp 176-7).

[616] Green (1969, p 116) believes he was awaiting details of an appointment by the British Government until he resigned and cites Lyons as saying 'I should never have left Tasmania; I had good mates there, and was happy, but this situation is killing me'. Whitington (1954, p 69) believed Lyons was hoping to hand over the leadership to Casey and then become Australian ambassador to the US.

[617] Buchanan (1940, p 24). Similarly, Stevens (1939, p 5) mourned the loss of 'one of the best-loved figures ever known to our public life'. Hasluck (1952, p 109) comments 'the tributes paid to Lyons after his death bear testimony to his uprightness, his understanding, patience, forbearance and tolerance'.

[618] For example, Chifley wrote to him on 30 July 1945 regretting that he had not returned to politics as 'your abilities would be invaluable these days'; *Theodore papers*, NLA MS 7222, folder 2. Even Lyons raised the possibility of him returning to serve in a 'composite cabinet'; Fitzgerald (1994b, p 384). Theodore wrote to Curtin on 19 January 1932 'my statement, after the elections, that I supposed I should have to employ my energies in some field other than the political field for the immediate future has been construed by the press as a renunciation of politics for all time. I did not intend it that way, but I confess that politics have lost their glamour…I do resent insults and intolerance and base ingratitude from the

pointed out that a handful of banks possessed 90 per cent of business in 'a virtual money trust'.[619] Theodore's committee argued for nationalisation of private banks with compensation, and a Commonwealth Bank with a majority of the board appointed by an incoming government but with some officials remaining to provide continuity.

But gradually he turned his attention from public policy to business. He joined with Frank Packer to take over the struggling AWU paper, *The World*. Forming a company called Consolidated Press, they later launched the *Australian Women's Weekly*, and revitalised the *Daily Telegraph*. In the mid-1930s Theodore was living in Fiji running a gold mining company.[620]

It has been suggested that Lyons put aside earlier differences and asked Theodore to return to Australia in March 1939 to co-ordinate defence preparations or an economic policy co-ordinating body, but Theodore was unenthusiastic and Lyons was dead before there could be further discussion.[621] Menzies considered appointing Theodore to head the Loan Council.[622] Curtin brought Theodore back to government as director of the Allied Works Council, skilfully organising resources for war-related projects from 1942 to 1944. He also informally advised the government of Fiji.[623]

His business interests made Theodore a wealthy man. By 1945 he was reputed to be a millionaire[624] and historian Geoffrey Bolton (1963, p 316) called him 'the closest that Australia had come to producing the Great Gatsby'. After a major heart attack in 1948,

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workers whom I have served…I do not feel compelled to abase myself before them'; reprinted in Black (2001, pp 159-161). In a similar vein, he wrote to Curtin on 14 October 1932 that 'my faith in the intelligence of the workers is sadly shaken'; *Theodore papers*, NLA MS 7222, folder 2.

[619] Theodore et al (1932, p 9). In a later individual paper, Theodore (1933, p 179) argued that 'the power vested in the controllers of monetary policy transcends in many respects the power vested in government and in parliaments' and the private banks do not wield this power in the public interest.

[620] Ironically, given that when treasurer he had said 'gold has a fictitious value because a majority of the stupid people in the world have chosen to make it currency'; *Anon* (1945, p 7).

[621] Calwell (1972a, p 69); Kennedy (1978, p 115), Anon (1945, p 7). The F&E lobbied Lyons in 1939 for Theodore to co-ordinate economic policy on the Committee's advice; Maddock and Penny (1983, p 30).

[622] Anon (1945, p 7). On 4 September 1940, Evatt claimed 'When Mr Theodore was willing to assist in Australia's financial organisation and Mr Spender has suggested his name to the conference of State Premiers, Mr Menzies allowed Mr Theodore to be rebuffed, humiliated and almost insulted. It would seem probable that Mr Menzies did not want the assistance of a man of brains'; Hazlehurst (1979, p 192). A contrary account by Cain (1990) has Theodore's appointment blocked by the Country Party, leading an exasperated Menzies to say 'give up this deplorable habit of throwing stones at great men'.

[623] Anon (1945, p 7).

[624] Anon (1945, p 7).

Theodore resigned the chairmanship of Consolidated Press. He died of heart disease on 9 February 1950, survived by his estranged wife and four children.

Commemorating Lyons and Theodore

Both Lyons and Theodore have suburbs in Canberra commemorating them. The town of Castle Creek in Queensland was renamed Theodore in 1926. The electorate of Wilmot was renamed Lyons in 1984 and a number of conservative MPs formed a discussion group called the Lyons forum. Another legacy is that Theodore reportedly coined the name 'surfers' paradise' for what was then an undeveloped beach.[625]

Synkrisis

Despite some similarities in their backgrounds, Lyons and Theodore differed in their characters. Lyons was a gentle and kindly man and very sensitive.[626] Theodore by contrast was brasher and self-confident. Theodore was described as 'tall, robust and commanding' with a 'cold, driving ruthlessness'[627] (although he was also capable of charm[628]). He was a hard man but 'neither a boor nor a bore'.[629] An indication of his combative but cultured nature was that one of his few recreations was chess.[630] Whereas Lyons was empathetic, Denning (1937, p 31) recalled that Theodore's 'most striking weakness was an inexplicable incapacity to appreciate the psychology of the men among whom he worked'. As Anstey (c1936) put it, he shared with Bruce the 'same confidence in their superiority to the worms around them'.[631] Combined with a deeper intellect and wider reading, this gave him confidence to absorb new ideas and reject the orthodoxy. Theodore

[625] *Courier-Mail*, 10 February 1950, p 3.
[626] His wife Enid (1965, p 53) recalls 'he had sympathy for every living creature. He was the very gentlest of men'. *Time* magazine (8 July 1935) introduced him to an international audience as the 'tame Tasmanian' who was 'honest, naïve, likeable'. An early acquaintance recalls him as 'a sensitive lad'; Pithouse (c1940, pp 227, 230). His press secretary, Irvine Douglas (1972), recalls him as 'very sensitive indeed'. He could suffer from 'moments of black depression'; *Mercury*, 10 April 1939, p 9.
[627] Cook (1971, p 8). Denning (1937, pp 26, 30) remarked that compared to Scullin, Theodore was 'more ruthless, more determined, more constructive, more tenacious, more instinctively a fighter'. Makin (1982, p 71) also recalls his 'ruthless nature'. Whitington (1954, p 28) refers to him as 'ruthless and determined'.
[628] A contemporary journalist wrote 'his name stands for success, efficiency, ruthlessness, political dynamite. Only a handful of people are aware of the charming personality behind this forbidding façade'; *Sydney Morning Herald*, 5 September 1945, p 7. Denning (1937, p 30) recalled him having 'when he cared to reveal it, a charm of manner, a kindness and a considerateness'. Arthur Calwell said it was 'a rare and exquisite privilege' to have known Theodore; according to his daughter Mary Calwell (2012, p 146) citing unpublished papers.
[629] Nairn (1986, pp 183-4).
[630] Buckridge (1994, p 150) refers to him as a 'chess enthusiast'.
[631] Anstey (c1936).

could become an early Keynesian where Lyons would hesitate. Instead Lyons drifted to more conservative economic stances over the course of his career.

Theodore was much more confident in his grasp of economics, an area in which he had read widely. While Lyons had studied political economy at teachers' college,[632] had read a range of political economy texts[633] and had many discussions with Giblin and other Australian economists, he was very modest about his grasp of the subject, describing his knowledge of economics as having been 'much over-rated'.[634] His son recalls him saying he 'knew nothing' of it.[635] He repeatedly said 'I know little about finance'.[636] Theodore by contrast was regarded as having 'a firmer theoretical grasp of the situation than his senior Treasury officials'.[637]

As well as rejecting Theodore's new expansionist policies, the other factor that drove Lyons from Labor was his view that Theodore had failed to clear himself of the Mungana allegations. Financial proprieties and integrity in public administration were more important to Lyons whereas Theodore had more of a 'whatever it takes' mentality. Theodore's pre-federal politics had been in the rougher environment of Queensland and he then had to contend with the Lang machine in New South Wales whereas Lyons had only experienced the more genteel Tasmanian politics.

Lyons also thought Theodore did not deserve to be returned to cabinet for what Lyons regarded as his disloyalty to Scullin in supporting changed policies while Scullin was

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[632] Pithouse (1940, p 229).

[633] Enid Lyons (1972a, p iii) records that Lyons 'had read extensively. In sociology and political economy, his imagination was captured and his thoughts stimulated by John Stuart Mill, Ruskin, Bellamy and Henry George, among others'.

[634] Cited by Hart (1967, p 82). Henderson (2011, p 7) regards this as merely an example of his 'endearing' characteristic of 'learned humility'.

[635] Personal conversation with Brendan Lyons, 2008. Lyons was similarly modest in parliament; *Hansard*, 12 March 1931, p 238. Leslie Melville (c1974, p 63) recalled Lyons 'didn't have any real grasp of financial matters'.

[636] Notable examples include his speech leaving the Labor Party (*Hansard*, 13 March 1931, p 238) and at an earlier testimonial dinner (Burnie *Advocate*, 9 January 1931, p 2).

[637] Schedvin (1970, p 119). Souter (1998, p 265) reports he 'was said to have a firmer grasp of the economic situation than anyone at Treasury'. Denning (1937, p 30) recalled him as 'abreast of the latest developments in financial thought'. Johnston (1987b, pp 60-61) gives a similar view. The conservative premier Bertram Stevens described him as 'the coolest, best and most experienced financial brain in the southern hemisphere'; cited in *Sydney Morning Herald*, 5 September 1945, p 7. Cook (1971, p 261) says 'there is no doubt that he had an acute intelligence, was well read in the literature of economics and had an excellent understanding of the problems of government finance'. Leslie Melville (c1974) admired Theodore as a politician, administrator and intellectual and regarded him as being 'as honest a politician as anybody I ever met'.

away in Europe.[638] Lyons was somehow able to convince himself that he himself was not being disloyal when he brought down Scullin's government, or at least that he was maintaining loyalty to his electors instead. As he once put it in response to an interjector at a rally, it was better to 'rat' on your party than on your principles.

While econocrats may admire Theodore more than Lyons, in political terms Lyons has the far better track record federally. During his time as treasurer the economy gradually emerged from the great depression, and probably quicker than did most comparable economies. He led his new party to three election victories and was still popular at the time of his death in office. By contrast Theodore's federal political career was one of great promise unfulfilled.[639] Based on his ability, Ben Chifley, and purportedly also SM Bruce, regarded Theodore as Australia's greatest treasurer, a view shared by many others.[640] But his achievements were few.

[638] Enid Lyons (1965, pp 169- 170).

[639] As another Labor treasurer, Chris Bowen (2015, p 85), put it, 'no treasurership has been marked by as much lost potential and missed opportunity'.

[640] Calwell (1971a), Whitlam (1971a, p viii) and Lemmon (1987, p 6:30) report that Chifley regarded Theodore as 'our greatest treasurer'. By some accounts, Bruce shared this opinion; Calwell (1972a, p 63), Chifley in *Hansard*, 5 October 1950. Economic historian and depression chronicler Boris Schedvin (1970, p 119) regarded Theodore as probably 'the most able holder of the Treasury portfolio in Commonwealth history … [given] his outstanding intellect, his imagination and grasp of the wider issues'. Treasury officials reportedly rated Bruce and Theodore as the best treasurers of their age, according to Edwards (1965, p 59) and Page (1983). Theodore had become 'something of a cult figure in the Treasury' according to Fitzgerald (2013, p 10). Recalling treasurers over his long life, Melville said Theodore stands out for his knowledge of economics; Cornish (1992). A senior Treasury official asked at the end of World War II whether Chifley was the best treasurer said 'well we had Theodore'; Crisp (1960, p 165). More recently, Ross Garnaut and Saul Eslake both rank him among the best treasurers for his vision; *The Age*, 9 May 2005. Politicians as diverse as Paul Keating, Malcolm Fraser and Bob Katter agree in their admiration of Theodore; Katter (2012, p 17). See Hawkins (2010c, p 92) for further examples. A rare counterargument is provided by Tony Smith MHR who argued Theodore 'was the worst Treasurer this Commonwealth has ever seen' claiming his Fiduciary Notes Bill represented a move to 'cast fiscal sobriety adrift in order to neutralise that political threat' (from Lang); *Hansard* 16 February 2012, pp 1712-4.

Chapter Six: Ben Chifley and Arthur Fadden: long-serving treasurers in a period of transition

Prologue

Labor's Ben Chifley and the Country Party's Arthur Fadden between them held the treasurership from 1940 to 1958, almost a fifth of the 20th century. They held the office in a period where the transition from accounting to Keynesian macroeconomic management, to which Theodore had pointed the way, was realised. By the end of Fadden's second stint as treasurer fiscal policy had been directed at an inflationary boom and a fully-fledged central bank was being established. Both became unchallenged leaders of their parties but more tellingly they were also personally popular with their political opponents and personally respected in their performance as treasurer even by those who disagreed with their policies.

Both men were well regarded as treasurers. Indeed, both have hailed as among our greatest ever, with Chifley hailed as a reformer and Fadden as a manager.[641] This is despite Chifley handing over an inflation rate approaching 10 per cent in 1949 and inflation peaking under Fadden at an all-time high of over 20 per cent in 1952. They both also served as prime minister and opposition leader.

Chifley was recalled as 'a prodigious worker'.[642] Evatt said 'I do not suppose there has been a man in public life who has worked harder'.[643] Reid (1961a, p 13 and 1980a, p 366) described Fadden too as 'a hard working treasurer'.

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[641] Gough Whitlam (1991, p 30) called Chifley 'if not the world's greatest treasurer, at least Australia's greatest'. Golding (1996, p 126) remarks 'there are many who would argue that Chifley was in fact one of Australia's very great treasurers'. One of his colleagues, Holloway (c1954, p 100), calls Chifley our 'best treasurer' and MacCallum (2014a, p 118) remarks 'many still regard him as Australia's best treasurer'. The argument for Fadden being ranked highly is that, as Professor Ross Garnaut commented, 'if the role of the treasurer is primarily one of maintaining economic stability, then the people who have presided over long periods of stable growth have to get high marks'; *The Age*, 9 May 2005, p 4. Whitington (1964, p 151) judged him as 'by far the best treasurer Menzies could have had' but not of the calibre of Chifley or Theodore. Hasluck (1985, p 189) reports that Wilson and Randall thought Fadden was the best treasurer they had had (which would put him ahead of Holt, McMahon, Bury and Snedden).

[642] A public servant cited by Day (2001, p 389). He was described as living in 'almost hermit-like seclusion' as treasurer; Denning (c1952a, p 10). There is an example of an 83-hour working week in *Sunday Telegraph*, 8 April 1945.

[643] *Hansard*, 20 June 1951, p 68.

Table 6.1: The parallel lives of Ben Chifley and Arthur Fadden

	Ben Chifley	**Arthur Fadden**
Born	Sept 1885	April 1894
Elected to local government	1933	1930
Elected to state parliament	n.a.	1932
First elected to federal parliament	Nov 1928	Dec 1936
First appointment as minister	March 1931	April 1940
Treasurer	**Oct 1941 – Dec 1949**	**Oct 1940 – Oct 1941; Dec 1949 – Dec 1958**
Opposition leader	Feb 1950 – June 1951	Oct 1941 – Sept 1943
Prime minister	July 1945 – Dec 1949	Aug 1941 – Oct 1941
Died	June 1951	April 1973

Both men were noted for their familiarity with economics and finance, although to differing degrees. Fadden was described by Coombs (1981, p 154) as 'interested in economic and financial issues'. Country Party historian and friend of Fadden, Ulrich Ellis (2007, p 253) said that Fadden 'in his leisure hours devoured government reports and financial papers'. While the majority view is that Fadden was 'no intellectual', Arklay (2014, p 1) believed he 'possessed an inquiring mind'. It has been suggested Fadden had a 'deeper intellect and sensitivity than he was willing to disclose to the public'.[644]

It was said of Chifley that 'his interests were economic and financial. They were almost exclusively economic and financial.'[645] Indeed, Chifley's wife recalled that it was a frequent topic of conversation when they were courting.[646] Nugget Coombs, who worked

[644] Sir John Carrick, cited by Arklay (2010, p 28).

[645] Holt (1969, p 51). Palmer (1940, p 208) called him 'preoccupied' with finance. Senior public servant Breen (1974, p 228) characterised him as 'a thinker well above the average in finance'. Ryan (2004, pp 84-85) refers to Chifley's extensive reading, especially of Keynes. Green (1959, p 39) recalled him reading widely, particularly on history and world affairs. At the time of his death he still kept in his study a copy of Shann and Copland's (1931b) compendium of key economic documents related to the Depression.

[646] Crisp (1960, p 8). In Ellis and McLachlan's (2005, p 21) play about Chifley, he says of his wife 'what I liked about her…was how you could talk to her about economics'.

closely with Chifley, refers to his 'considerable mental aptitude for financial and economic matters' but added that this was 'developed by good solid hard work'.[647] Even his opponent Menzies agreed that Chifley 'mastered the techniques of public finance'.[648] More recent writers also refer to Chifley's 'quite remarkable grasp of finance'.[649] Chifley was not blinded by economics, however, once observing that 'economic research is not an exact science…academic theorists bring into their findings their own pet ideas'.[650]

Despite their policy differences, Fadden and Chifley got on well with 'a shared knowledge and understanding of finance and their temperamental compatibility'.[651] Chifley and Fadden were also popular with the public. Neither were pompous nor formal, and they were known as 'Chif' and 'Artie'. As Arklay (2014, p 213) remarked, 'like Ben Chifley, Arthur Fadden seemed to understand the average Australian'. One side of Fadden's sociability was that he could be a prodigious drinker but Arklay's (2014, pp 183-4) judgement is that, at least until near the end of his career, it very rarely affected his performance as treasurer.

Neither man was regarded as a silver-tongued orator but both were effective communicators. Fadden could be quite nervous when presenting his budgets[652] but had a reputation as a good raconteur with a fund of anecdotes on which he could draw and some good quips. Chifley's voice became increasingly raspy over the years as addressing many outdoor public meetings in poor weather took its toll.[653]

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[647] Melbourne *Herald*, 11 August 1976; Coombs (1970, p 46).

[648] Menzies (undated). On the ABC TV programme *Mr Prime Minister* (broadcast 25 May 1966), Menzies recalled that Chifley 'had the most acute mind – he got on top of Treasury and economic problems in the most remarkable way'.

[649] Golding (1996, p 126). Reid (1951b, p 20) wrote 'in his way he was a financial genius'. Day (2001, p 235) described Chifley as 'deeply interested in economic matters'. Edwards (2005, p 81) believes, however, that Curtin was more widely read in economics than was Chifley.

[650] *Hansard*, 11 March 1929, p 988.

[651] Enid Lyons (1972a, p 98).

[652] Heather Henderson, daughter of Menzies, cited in Acklay (2014, pp 64, 174). A parliamentary colleague, Jo Gullett (1992, p 247), recalled 'his choice of words was not good, he tended to repetition and his voice, while clear and strong, was monotonous'. Cox (1968, p 2) recalled 'Fadden never became a really impressive orator at the table of the House' but 'he shone on a public platform'.

[653] Nugget Coombs (1986, p 51) commented he 'could command the attention of the House by clarity and mastery of his subject and when the occasion called for it by a homespun humour'. Parliamentary contemporary Gordon Brown (1953, p 212) regarded him as 'the calmest speaker it has been my lot to contact…[with] no frills or flourishes'. Clark (1983, p 34) called Chifley 'a good stump performer and parliamentary debater'.

Both were very popular with their staff. One of Chifley's staff recalled him as 'lovely…a true gentleman'.[654] A future treasurer who worked in Treasury said of Fadden 'no one could have a more kindly and considerate chief'. [655] Murray Tyrrell (1974, p 7; 1975, p 19), a public servant who worked for both men, described Chifley as someone who 'looked after his staff' and Fadden as an 'extremely good man to work with, a very honest and upright boss'.

One time colleague and later opponent, and fellow treasurer, Joe Lyons described Chifley 'as one of the finest fellows I have ever met', while Lyons' wife Enid remembered Chifley's 'rugged good looks, immense personal dignity and his friendly but always slightly reserved bearing'.[656] Indeed one biographer referred to the challenge that 'it is almost impossible to find anybody with a bad word to say' about him.[657]

Similarly, it has been said of Fadden 'there would not be one member in parliament…who disliked him'.[658] Parliamentary contemporaries recalled Fadden as 'energetic, outgoing, shrewd and immensely likeable' and 'sharp-witted with a fund of jokes'.[659] As the British High Commissioner put it, 'you couldn't meet a better man in a bar'.[660] He had an enormous zest for living.[661]

While on opposite sides of parliament, in some ways the views of Chifley and Fadden were not that different. With his background, it has been said 'Fadden should have joined

[654] Eileen Clendinning, personal discussion 24 May 2015. She referred to him as also concerned about the wellbeing of his staff. Nugget Coombs (1981, p 90), appreciated Chifley's 'gentleness, his simple faith in mankind and his warm gift for friendship'. Similarly, Rogers (1971) recalled Chifley was noted for being 'more than kind to his staff'. Historian and senior Liberal politician Paul Hasluck (1997, p 39) also observed that all his public servants liked him.
[655] Leslie Bury, *Hansard*, 21 August 1958, p 648.
[656] Enid Lyons (1972a, p 97). Future treasurer and prime minister Harold Holt described Chifley as 'one of the more loveable men ever to have inhabited Parliament House'; cited in Thompson (1964, p 74). Hasluck (1986, p 17) recalls Menzies choosing Chifley as his first pick when asked to select an all-time best cabinet.
[657] Thompson (1964, p 55). There are a few critics who argued Chifley wore a working class 'mask' and played down his learning and affluence; Scalmer (1996, p 46) gives some examples.
[658] Parliamentary contemporary John Cramer (1989, p 30). Political opponent Fred Daly (1977, p 116), for example, recalled Fadden as 'a very lovable character'. He had been called the 'most popular man in parliament'; *Sydney Morning Herald*, 23 April 1973. Menzies' private secretary Hazel Craig (in Fitzgerald (2014, p 189)) and Davey (2011, p 47) describe him as a 'hail fellow, well met' character. Enid Lyons (1972a, p 98) recalled 'everyone whole heartedly liked Artie'.
[659] Beale (1977, p 50). Daly (1977, pp 25, 29, 32) includes some examples of Fadden's wit.
[660] Cross to Cranborne, 20 January 1942, cited by Macintyre (2015, p 79).
[661] Gough Whitlam, *Hansard*, 1 May 1973, p 1467; E Holt (1969, p 69).

the Labor Party'[662] and he wrote himself that he could have become a union official[663] and that in his twenties his sympathies were more on the Labor side.[664]

Family, childhood and young adulthood

Ben Chifley was born in Bathurst on 22 September 1885, the son of a blacksmith and a convent employee. While Ben had two brothers in addition to his parents, the greatest influence on him growing up was likely to have been his Irish grandfather for he was largely raised on his grandfather's farm in the hamlet of Limekilns 18 kilometres away. Ben lived there from the age of five to fourteen; as he laconically put it, 'I went for a holiday and I came back nine years later'.[665] While there he received only rudimentary schooling 2-3 days a week. There are two ways this period in his life may have influenced Chifley as a treasurer. Firstly, it instilled in him a love of reading and, secondly, observing the effect on his grandfather and their neighbours of the bank collapses of the 1890s meant banking reform was always a preoccupation for Chifley.[666] Over half a century later, Chifley recalled 'I can remember the depression of the 'nineties, and the farmers near where I lived who were desolated and grief-stricken at the closing of the banks'.[667]

Arthur Fadden also grew up far from the major cities. He was born in Ingham, in tropical north Queensland, on 13 April 1894. He was the eldest of ten children. Both his father and maternal grandparents had been Irish immigrants. His father was a policeman in a small rural village and young Artie's bedroom was next door to a cell. He grew up in the cane fields and, as Ellis (1963, p 306) put it, 'gambolled with the Tom Sawyers and Huckleberry Finns on the banks of the Pioneer River'. He mixed with children from different ethnic groups at school, developing social skills which served him well in later life.[668] As a young man, he excelled at cricket, rugby, running and boxing. He also performed in amateur theatre. Being treasurer of a vaudeville troupe was his first experience of balancing the books.

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[662] MacCallum (2014a, p 97). Denning (c1948a, p 5) says Fadden had many friends in the Labor Party but was not attracted to its policies.
[663] Fadden (1969, p 7) suggests this could have occurred if he not been rejected when he applied for a clerical job with the railways.
[664] *Canberra Times*, 24 April 1973, p 2.
[665] Crisp (1960, p 3).
[666] Reid (1951b, p 20).
[667] *Hansard*, 11 November 1947, p 1927.
[668] Arklay (2014, p 2), Fadden (1969, p 3).

When Chifley returned to Bathurst, he started work at a general store but soon moved to the railway workshop and over a decade quickly rose to driving locomotives. For recreation, he played cricket and rugby, being good enough at the latter to represent NSW Country. A little discussed episode in his life is that in the 1920s Chifley made his first overseas trip, to south Asia, working his passage on a steamship to observe conditions there.[669]

Fadden also left school young and at 15 was working as an office boy at a sugar mill. He then became an assistant to the town clerk for Mackay Town Council. When he discovered defalcations in the books kept by the town clerk (missed by five auditors), the clerk was dismissed and Fadden appointed in his place. Fadden attempted to enlist in the army in 1915 but was rejected on health grounds.[670] Fadden subsequently became a public accountant in Townsville in 1918. When a cyclone hit Mackay in January 1918 Fadden narrowly escaped drowning and worked tirelessly with the relief effort.

Chifley married Elizabeth McKenzie, the daughter of another locomotive driver, and they shared the same Bathurst cottage provided by her parents for the rest of their lives. Elizabeth suffered from scoliosis (a bent spine) and remained in poor health most of her married life. She miscarried in 1915 and the Chifleys never had children. Fadden married Ilma Thornber, a milliner, in 1916. Her father, grandfather and brother-in-law had all been mayors of Mackay, so the marriage brought him closer to political circles. They had four children.

Self-improvement

Chifley rued his lack of formal education, once commenting to his nephew 'I'd rather have had Mr Menzies' education than a million pounds'.[671] Since childhood he was an avid reader, and Plutarch's *Lives* was one of his favourites.[672] Once he returned to Bathurst he attended evening classes four times a week for fifteen years and continued to read voraciously. He taught at the Railway Institute on Sunday mornings.

[669] Bolton (2006, p 4).
[670] Despite his sporting prowess, Fadden was also rejected on physical grounds for a clerical position with the railways; Fadden (1969, p 7).
[671] Crisp (1960, p 6), Martin (2015, p 85).
[672] Crisp (1960, p 6), Courtney (1951, p 4), Day (2001, p 43), Martin (2015, p 63). School friends recalled Chifley 'sitting in the school playground, waiting his turn to bat, with his head stuck in a book'; Thompson (1964, p 58).

Fadden was less obsessive but also studied in the evenings, gaining accountancy qualifications by correspondence. He was also an avid reader of the local papers so had a good grasp of local affairs.

Religious and political beliefs

Chifley was from a catholic family, whose family motto, recalled Martin (2015, p 41), was 'keep the faith'. He did indeed retain his beliefs all his life. But when he married Elizabeth, who was a presbyterian, he placed himself outside the mainstream of his church and the couple married in a presbyterian church in Sydney to avoid embarrassment to their families in Bathurst.[673] Chifley still attended catholic services, sitting at the back of the hall, and read the Bible from cover to cover at least eleven times.[674] Archie Cameron thought Chifley 'loved God' but 'hated the priests'.[675] The religious dispute extended beyond the grave: Ben and Elizabeth Chifley are buried in different sections of the Bathurst cemetery.[676]

Fadden was a presbyterian and a freemason, but religion seems not to have played a large part in his life. As the Country Party's historian Ulrich Ellis (2007, p 249) put it, 'Artie's religion was mateship'.[677]

A pivotal movement for Chifley was the 1917 railway strike which saw Chifley demoted for a time due to his involvement and spend one or two nights in a police cell, the injustice of which only fuelled his belief in the cause of the labour movement.[678] Chifley became a 'true believer' in the Labor cause.[679] Bob Hawke (1985, p 1) claims Chifley described the Labor Party as his 'real religion'. While an idealist, remembered for coining the term 'light on the hill' to capture Labor's aspirations for a better world, he was pragmatic enough to have also coined the expression 'hip pocket nerve' to denote what motivates

[673] A papal decree of 1908 denied the sacraments to those marrying outside the church; Day (2001, pp 92-93). As Chifley explained to a friend; 'one of us has to take the knock. It'd better be me'; Crisp (1960, p 9).
[674] Martin (2015, p 84), Williams (2013, pp 114-5).
[675] Hasluck (1997, p 29).
[676] Wright (1988).
[677] Ellis (2007, p 249).
[678] Martin (2015, p 166). Chifley later declared 'I should not be a member of this parliament today if some tolerance had been extended to the men who took part in the strike of 1917'; Crisp (1960, p 11).
[679] The expression 'true believer' was popularised by Bob Ellis' eponymous television series about the Curtin-Chifley era. In discussion with the author, Ellis conceded the term was not used in Labor circles at the time.

many voters.[680] He had both a 'deep-rooted passion to improve the lives of his fellow Australians' and 'a practical appreciation of the political compromises and ruses that were sometimes necessary for success'.[681] Chifley supported a mixed economy. As he put it, 'nationalisation of hamburger stands or ice cream shops or permanent wave establishments is not our business'.[682]

Into local and state government

Fadden spoke at a public meeting in support of a friend running as a Nationalist against Theodore in 1925, but declined an offer from the Country and Progressive National Party to run himself at the 1929 state elections. His first serious foray into politics was his election to the Townsville City Council in 1930, leading a team of independents known as the 'servicable six'.

Chifley was elected to Abercrombie Shire Council in 1933 and stayed on it until 1947 (even while prime minister and treasurer), serving as shire president for a few years.

Fadden narrowly won the Queensland Legislative Assembly seat of Kennedy for the Country and Progressive National Party in 1932 and in 1934 was appointed to lead for the opposition in financial debates. He was a strong supporter of the conservative 'Premiers' Plan' for dealing with the Depression. He advocated curing unemployment by settling people in northern Queensland. After a politically motivated redistribution aimed at unseating him, he unsuccessfully contested the sugar belt seat of Mirani in 1935.[683] He then returned to his accountancy practice in Brisbane.

Into federal parliament

Chifley was elected for the then Bathurst-centred seat of Macquarie, at his second attempt, in 1928, and sat next to fellow newcomer and future prime minister John Curtin, to whom he became very close. In one of his first parliamentary speeches Chifley (like Curtin) opposed Bruce's plan for a Bureau of Economic Research as duplicating work done by

[680] Day (2007, p 94). Chifley was probably unaware that UK chancellor Robert Lowe had much earlier referred to 'that most susceptible part of an Englishman's person, the pocket of his trousers'; *The Times*, 22 December 1868, p 4, cited in Maloney (2006, p 407).
[681] Day (2001, p 530). Chifley once described his aim as to create a 'heaven on earth'; Crisp (1960, p 383).
[682] Speech in September 1948, reprinted in Chifley (1952, p 35).
[683] It was suggested several hundred roadworkers were moved into the electorate to ensure his defeat; *Canberra Times*, 24 April 1973, p 2, Fadden (1969, p 37).

other organisations and questioned whether economists with 'academic ideas gathered in the rarefied atmosphere of some university' offered better advice than 'someone with a wider and more practical experience'.[684] Chifley served on the busy Joint Committee of Public Accounts and in the course of its inquiries seemed to have formed a more favourable view of economists.[685]

Fadden's chance to move to the federal parliament occurred with a by-election in late 1936 for the federal seat of Darling Downs, following the death of Sir Littleton Groom. Groom had sat for United Australia Party but Fadden chose to sit with the Country Party. He held the seat until 1949 when he moved to the neighbouring Gold Coast seat of McPherson which he kept until his retirement.

Chifley in the Scullin government

Chifley became minister for defence in Scullin's government in March 1931 and assisted Theodore on some economic matters, such as being delegated responsibility for implementing some spending cuts required under the Premiers Plan.[686] Some accounts suggest Chifley had some misgivings about Theodore's approach, but others say he was a 'strong supporter of the Theodore plan'.[687] On a personal level he got on well with Theodore. They had long conversations walking the gardens of Parliament House and they fished together.

The Scullin government fell, however, within a year of Chifley's appointment when Lyons defected and rebels backing NSW premier Jack Lang turned on it too. Particularly hurtful for Chifley was that in the internecine conflicts within the Labor movement, he was expelled from the Australian Federated Union of Locomotive Enginemen which he

[684] *Hansard*, 19 March 1929, p 1470.
[685] Crisp (1960, p 52). One of its reports recommending establishing a body like the Commonwealth Grants Commission.
[686] Bennett (1973, p 8), Bowen (2015, p 115), Carroll (1978, p 111), Crisp (1960, p 62), Crisp and Bridge (2004, p 417), Day (2001, p 258) and McKinlay (1988, p 118) all call him 'minister assisting the treasurer', Marr (1980, p 52) refers to him as 'assistant treasurer' and Watts (1987, p 69) refers to him as 'assistant minister' but he does not seem to have been officially recognised as such (he is not listed in the *Parliamentary Handbooks* or *Hansard* with any such post, for example).
[687] Waterson (1993), Robinson (1986, pp 129-30). Day (2001, p 254) says Chifley was concerned about how London bondholders would view Theodore's policies. Crisp (1960, p 51) believes Chifley was not moving towards expansionary policies at the same pace as was Theodore. In parliament Chifley strongly supported Theodore's Fiduciary Notes Bill; *Hansard*, 25 March 1931, pp 602-6. By the time he was treasurer himself, Chifley regarded Theodore's policies as right; Reid (1980b, p 40).

had helped form. In the ensuing election, Chifley lost his seat and was out of parliament for nearly a decade.

Fadden builds his parliamentary career while Chifley is in the wilderness

Lyons purportedly offered Chifley the treasurership in his United Australia Party government if he also left Labor but Chifley declined.[688] Chifley's biographer says 'he rebuffed it immediately' but according to Lyons' wife, Chifley 'had been briefly tempted to go with Joe ... but the mystique of Labor tradition held him back: only through the party could social reform be achieved, he felt, and it was better to ride out the present storm in the hope of a better future'.[689]

While out of parliament Chifley fought the Lang forces, being elected as NSW president of the federal version of the Labor Party in 1934. Chifley's involvement with many community organisations in Bathurst was not enough for him to win back Macquarie when he contested it again in 1934. In 1935 he stood unsuccessfully against Lang in the state seat of Auburn. By one account he made a trip to Indonesia.[690] Crisp (1960, p 86) described how he continued his study of finance and economics and continued to meet with Theodore.

The Menzies government appointed Chifley to the Capital Issues Advisory Board soon after the outbreak of the war, a sign that he was viewed as a moderate Labor voice.[691] Chifley was also briefly Director of Labour at the Department of Munitions, before resigning and winning back the seat of Macquarie at the 1940 election. Chifley was immediately restored to the frontbench and in 1941 served on the Board of Inquiry into Hire Purchase and Cash Order Systems.

Fadden, meanwhile, had quickly established a reputation as a speaker on financial subjects.[692] His first parliamentary speech ended by outlining his vision of a 'varied and

[688] Crisp (1960, p 65), E Lyons (1972a, p 97); B Lyons (2008, p 135). Lyons was now leading the United Australia Party. Given the UAP candidate won Macquarie at the 1931 election and held it until Chifley won it back in 1940, taking up Lyons' offer would almost certainly have allowed Chifley to stay in parliament throughout the 1930s. He may well have succeeded an ailing Lyons as prime minister in the 1930s; Ellis and McLachlan (2005, p 41).
[689] Crisp (1960, p 65), E Lyons (1972a, p 97).
[690] Ryan (2004, p 87). Crisp (1960) and Day (2001), the major Chifley biographies, make no mention of this.
[691] Butlin (1955, pp 202-3).
[692] Denning (c1948a, p 4).

balanced economy'.[693] Early on he was mentored by Country Party leader Earle Page.[694] In 1939 Fadden tried to dissuade Page from attacking Menzies in the House. Failing in this, Fadden and three colleagues withdrew from the Country Party until after Page stood down and was replaced by Archie Cameron. Fadden was critical of what he termed the Government's 'half-baked scheme known as national insurance'[695] and supported a tax on gold as the increase in its price 'may be described as a windfall'.[696]

When Menzies needed to appoint Country Party ministers in April 1940, Fadden became, to his 'utter surprise'[697], minister assisting the treasurer. In this role, he claimed (without giving any details) that the government was funding the war 'by the most scientific means at its disposal, to find one-half from indirect tax and one-half from direct tax'.[698]

Fadden had been booked on the plane which crashed in August 1940 killing three ministers, but fortunately had taken the train instead. He was appointed minister for air and civil aviation in addition to assistant treasurer.

Chifley and the Royal Commission on Banking

In 1935 Lyons and Casey appointed Chifley to the Royal Commission on the Monetary and Banking Systems. As Enid Lyons observed, 'both his knowledge of finance and the analytical habit of his mind fitted him admirably for such a task'.[699] Chifley later suggested he had been chosen as the government thought he 'would take the most moderate Labor view'.[700] Over nine months the commission took evidence in every capital. A biographer comments that Chifley 'added to his knowledge of economics and finance by his searching interrogations of the leading economists who came before the

[693] *Hansard*, 17 June 1936, p 40.
[694] Fadden recalled 'Earle Page had been like a father to me from the time I entered the House' and was 'always the soul of kindness and understanding'; Fadden (1969, p 81).
[695] *Hansard*, 23 November 1938, p 1931.
[696] *Hansard*, 19 September 1939, p 708.
[697] Fadden (1969, 42).
[698] *Hansard*, 9 May 1940, p 662.
[699] E Lyons (1972a, pp 97-80). Anstey had lobbied for the position but Curtin pushed Chifley and it is likely that Chifley's case was helped by the good opinions held of him by Lyons and Scullin; Crisp (1960, p 167), Day (2001, p 321), Love (1990, p 441), Sutherlin (1980, p 39), Whitlam (1991, p 13). Much later, Richard Casey uncharacteristically and uncharitably recalled 'I brought him off the street, not for the reason that he had any prior knowledge of banking, because I think at that stage the right honourable gentleman did not know a bank from a public convenience'; *Hansard*, 20 April 1950, p 1707.
[700] Carroll (1978, p 114).

commission, as well as by the many months of discussion, both formal and informal, with his fellow commission members'.[701]

Chifley questioned the Commonwealth Bank about their reluctance to compete with the private banks,[702] in part due to a perceived incompatibility with the Bank's role as a central bank,[703] and their lack of control over the exchange rate.[704] He asked the private banks about funds they placed with the Bank and referred to the compulsory deposits banks were required to place with the central banks in New Zealand, America and South Africa.[705] He referred to evidence from Professor Gregory to the Canadian banking inquiry about the need for such required reserves to supplement open market operations and similar suggestions by the Macmillan Committee.[706] He also asked about controls on interest rates and about open market operations.[707] Chifley asked whether the treasurer rather than the treasury secretary should be on the board given confidentiality would inhibit the secretary reporting back to the treasurer.[708] Chifley was concerned that bank mergers were reducing competition and that this was further impeded by gentlemen's agreements between the banks.[709] He repeatedly questioned the banks about their ability to check booms or recessions or to affect the demand for imports.[710] He was also concerned about the lack of finance, particularly longer-term finance, for small business.[711]

[701] Day (2001, p 322). An economist and future treasurer, Leslie Bury, who attended the hearings thought that Chifley asked 'astute' and 'penetrating' questions; Bury (1975, p 3). Howard (2014, p 102) suggests Chifley established 'contacts with professional economists as well as Treasury boffins'.
[702] Royal Commission, *Transcript of Evidence*, pp 13, 53-54 and 68-69. He also put this question to the private banks, eg p 464.
[703] Royal Commission, *Transcript of Evidence*, pp 17, 54.
[704] Royal Commission, *Transcript of Evidence*, p 28.
[705] Royal Commission, *Transcript of Evidence*, pp 161, 313, 351 and 482-3. He also questioned economists about this eg Melville, *Transcript of Evidence*, p 1153.
[706] Royal Commission, *Transcript of Evidence*, pp 67, 276 and 481-2.
[707] Royal Commission, *Transcript of Evidence*, pp 1174, 1175 and 1279.
[708] Royal Commission, *Transcript of Evidence*, pp 57, 1395.
[709] Royal Commission, *Transcript of Evidence*, pp 183-4, 208, 222-3, 257, 315 and 363. At times these exchanges became testy with one banker accusing Chifley of attempting to 'put words in my mouth'; p 97.
[710] Royal Commission, *Transcript of Evidence*, pp 101, 134 and 257.
[711] Royal Commission, *Transcript of Evidence*, pp 50, 258, 400 and 1112.

The economist with the commission recalled that Chifley was 'vitally important in the drafting process' and 'the Royal Commission's major impact was the education of Ben Chifley'.[712]

The commission concluded that 'no action by the monetary and banking system of Australia could have avoided some depression, although the system together with the governments, and, indeed, the community as a whole, must share some responsibility for the extent of the depression… the proper policy for the Commonwealth Bank, as the depression developed, was one of expansion'.[713] The commission also thought the government should explore establishing a market for treasury bills and should introduce decimal currency. They recommended some, relatively mild, strengthening of the central banking powers of the Commonwealth Bank, such as requiring trading banks to place a deposit representing a proportion of their liabilities with the Bank. But in his dissenting comments, Chifley argued the report did not go far enough and that desirable economic outcomes were incompatible with privately-owned, profit-oriented banks.[714] It may be that Chifley felt obliged to put forward nationalisation as Labor policy, even if his personal preference was for central bank control over private banks.[715]

Fadden's first stint as treasurer (and briefly prime minister)

Following the September 1940 election there was a challenge to Cameron's leadership of the Country Party. After Cameron withdrew from the contest the vote was tied between former leader Earle Page and future leader John McEwen. To break the deadlock Fadden was appointed acting leader, and therefore unofficial deputy prime minister. He was

[712] Jock Phillips, interviewed by Sutherlin (1980, pp 48 and 278). Kuhn (1988, p 62) describes how 'in accord with Labor's policy' Chifley advocated nationalisation, but referred to it as 'ultimate' nationalisation rather than immediate.

[713] Royal Commission on Monetary and Banking Systems (1936, pp 209-10).

[714] Royal Commission on Monetary and Banking Systems (1936, pp 262-8). Chifley commented 'in times of unhealthy boom conditions the trading banks are unable individually to check these conditions, and collectively they have never attempted to do so…during a depression or feared slump, the banks, in their own interest, and to protect their depositors, on whose confidence the banks' prestige and solvency depend, adopt a policy of contraction which intensifies the evil.' Butlin (1937, p 50) opines that 'Mr Chifley made out, even in his three pages, a better case for nationalisation than the Majority did for private ownership'. Sir Leslie Melville, however, recalled that Chifley's minority report 'did not leave much impression'; Cornish (1993b, p 444).

[715] Jock Phillips, interviewed by Sutherlin (1980, p 123). Millmow (2010b, p 222) comments 'Chifley wrote the addendum only to give mandatory voice to Labor Party policy'. Clark (1975b, p 32) refers to Chifley as 'a very reluctant nationaliser'. The Commonwealth Bank's governor Armitage recalled in 1949 that Chifley had been opposed to bank nationalisation when first treasurer; Armitage reminiscences, RBA archives RBA SA-65-84. See the discussion of bank nationalisation later in this chapter.

confirmed as party leader in March 1941. While Menzies was visiting London, Fadden was acting prime minister from January to May 1941. Martin and Hardy (1993, p 139) referred to rumours that Fadden would have been 'happy to see Menzies go' but there was no active plotting against him.

Fadden was promoted to treasurer,[716] and in November 1940 brought down his first budget, increasing a range of taxes (including a 'greatly increased yield from the middle incomes'[717]) and borrowing heavily to pay for vastly increased military spending. Concerned about rising inflationary pressures, Fadden rejected reliance on further expansion of credit. He regarded inflation as the least equitable means of raising revenue from the public.[718] Fadden failed in an attempt to convince the states that they should yield income taxes to the federal government. Price controls had been introduced 'preventing profiteering and safeguarding the interests of the Australian consumers'.[719] A payroll tax was introduced to help fund child endowment. Banking regulations were introduced by agreement between the government and reluctant banks.[720]

Former Commonwealth Bank governor 'Nugget' Coombs (1981, p 10) recalled 'Fadden's first budget was phrased in more traditional financial terms and its Keynesian structure was less apparent'.

Fadden and Treasury Secretary Stuart ('Misery Mac') McFarlane were not temperamentally compatible.[721] An Economic and Industrial Committee of Cabinet was established in June 1941, chaired by Fadden and with Professor Copland as Economic Consultant, but it only operated for a few months.[722] More influential was the 'F&E Committee' of leading economists.[723] Acting on advice from F&E Fadden tried

[716] Spender (1972, pp 73-74) believed Fadden demanded it as his right as effective deputy prime minister, although Menzies tried to present it as his own decision to make the best use of Fadden's accounting background; Bowen (2015, p 162).
[717] *Hansard*, 21 November 1940, p 87.
[718] *Hansard*, 21 November 1940, p 85; Hasluck (1952, p 282).
[719] *Hansard*, 21 November 1940, p 80.
[720] Butlin (1983, pp 98-99).
[721] In addition to his dourness, 'McFarlane's style of presentation sometimes showed a carelessness of detail which offended Fadden's accountancy standards' leading Fadden to complain of some tables 'bloody thing doesn't add up!'; Coombs (1981, pp 6, 11).
[722] The Committee is described in Crisp (1978, p 377), Hasluck (1952, pp 429-430) and Weller (2007a, pp 74-75).
[723] Maddock and Penny (1983) and Whitwell (1985) describe this committee, with the latter emphasising the profound impact the Depression had on its members and their embrace of Keynesianism.

unsuccessfully in February and June 1941 to persuade the states to transfer income tax powers to the federal government.[724]

Fadden persuaded the banks to agree to place 'special deposits' with the Commonwealth Bank and follow its policy on advances as a means of constraining credit expansion.[725] He had earlier expressed the desirability of the Commonwealth Bank being able to operate more as a central bank using 'open market operations'.[726]

Menzies resigned as prime minister in August 1941 and a joint party room meeting chose Fadden as his replacement despite his being from the smaller party in the coalition. But his government was short-lived; as he put it he only 'reigned for forty days and forty nights' (like the Great Flood).

Fadden remained treasurer as well as being prime minister.[727] He regarded the 1941-42 budget as one of the two best he presented. He viewed war with Japan as inevitable, so was concerned with new measures to raise revenue. Fadden aspired to introduce a scheme of 'compulsory loans'[728] from singles earning over £100 a year, reaching 90 per cent on very high incomes to accrue interest at 2 per cent and be repaid after the war.[729] A 'high profits' tax was proposed for companies earning over 8 per cent on capital. Payroll tax was introduced to help fund child endowment. The budget included forecasts of national income, and said about 15 per cent of this would be needed for war purposes.[730]

The parliament, however, voted against the budget. Labor leader John Curtin denounced the budget as 'contrary to true equality and sacrifice' and two independents withdrew their support from the coalition government. Curtin replaced Fadden as prime minister.

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[724] Maddock and Penny (1983, p 38).
[725] *Hansard*, 25 September 1941, p 576; Cornish (2010, pp 32-33).
[726] *Hansard*, 23 November 1938, p 1933.
[727] He said he would wait until after the budget to rearrange the cabinet portfolios; *Courier-Mail*, 30 August 1941, p 1. It is not known whether if he continued in government he would have relinquished the treasury portfolio.
[728] This was an idea of Keynes (1939a, pp 47-51, 1939b, pp 59-62) also known as 'compulsory saving', 'deferred pay','post-war credits' or 'national contribution', suggested by the F&E Committee; Coleman, Cornish and Hagger (2006, pp 190-192), Davey (2011, p 63), Maddock and Penny (1983, p 39) and Markwell (1985, p 50). It had been strongly advocated by one of the independents on whom Fadden relied to hold government but Fadden was particularly proud of the idea; Fadden (1973, pp 8-9).
[729] *Hansard*, 25 September 1941, p 574. Similarly, there would be compulsory loans out of company income.
[730] *Hansard*, 25 September 1941, p 570.

Chifley as Curtin's treasurer

While Chifley's appointment as treasurer was seen with hindsight by journalist Warren Denning as 'practically automatic', many commentators at the time were surprised, expecting the job to go to deputy leader Forde.[731] Chifley ranked behind only Curtin and deputy leader Forde in cabinet precedence. He brought down on 29 October 1941 a revised Commonwealth budget, dropping the 'compulsory loans' and focusing the income tax increases on high income earners. Soon after, the Japanese attack on Pearl Harbour in December 1941 and the bombing of Darwin in February 1942 brought the war much closer to Australia and greatly increased public support for a 'total war economy'. War expenditure almost doubled between 1940-41 and 1941-42, and the 1942-43 budget expanded it further, necessitating further increases in personal income, company and sales taxes.

Curtin established a Production Executive, a cabinet committee similar to Menzies' Economic Cabinet, to which he appointed Chifley.[732] Chifley introduced the tradition of the 'budget lockup' for journalists.

The government very quickly adopted responsibility for income taxation. In February 1942, an advisory committee[733] was established to examine whether the federal government should take over as the sole imposer of income tax. Following its report in March, the government moved to take over the powers in May. The High Court rejected a challenge by four states in July 1942. The income tax system was also placed on a 'pay-as-you-earn' basis.

In his 1943 budget speech Chifley said 'a well-balanced system of taxation is the most efficient and equitable method of meeting the cost of the war. It makes a direct reduction

[731] With Scullin too ill, Chifley was the best qualified for the job in terms of experience (and was recommended by Scullin, of whom Chifley was a protégé according to Vines (1964, p 17)) but Forde aspired to it and as deputy leader was expected to be given it; Crisp (1960, pp 140-142), Whitington (1972, pp 110-1), McMullin (1991, pp 212). Strangio, 't Hart and Walter (2015) comment that Curtin 'picked Chifley above a range of "big beasts" in the party'. Watts (1987, p 69) claims Chifley 'did not figure in any of the journalists' lists of likely ministers before the caucus elections'. The *Sydney Morning Herald*, 6 October 1941, p 5, for example, expected either Curtin to be treasurer himself or it to go to Forde.

[732] The Production Executive, chaired by Dedman, is described in Crisp (1978, p 377) and Hasluck (1952, pp 430-3).

[733] It included Scullin, Professor Mills (with whom Chifley had served on the Banking Commission) and UAP MP Eric Spooner (who after later losing his seat stood unsuccessfully against Chifley in Macquarie in 1946).

of the volume of civilian spending.'[734] He foreshadowed that taxes would need to be maintained: 'after the war, to save ourselves from inflated costs and prices, and to distribute equitably the additional wealth which full employment brings, we must expect fairly heavy tax rates...higher than before the war.'[735] By 1944, however, he was warning 'taxation is so high that it is impracticable to obtain any further contribution from this source'.[736]

While Menzies and Fadden had been focused on their own short-term political survival, the Curtin government was more forward looking. While Curtin himself concentrated on the war effort, a cabinet subcommittee, comprising Chifley, Evatt, Holloway and Ward, was established in August 1942 to consider post-war reconstruction. As well as treasurer, from December 1942 to February 1945 Chifley was minister for post-war reconstruction, a new department headed by Coombs and including a number of talented progressives.[737]

Banking and monetary policy

Curtin was keen to avoid the problems faced by the previous Labor government and so supported Chifley in taking control of the Commonwealth Bank.[738] By early 1942, much of the recommendations of the 1937 report of the Royal Commission on Banking had been implemented under wartime National Security Regulations, such as requiring the private banks to lodge funds in special accounts with the Commonwealth Bank and comply with its policy on advances. The Commonwealth Bank was also empowered to set maximum interest rates on bank deposits and advances, a measure favoured by Australia's leading economists, although there was concern about disintermediation if banking controls were pushed too far.[739]

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[734] *Hansard*, 29 September 1943, p 157. Chifley was drawing on advice from Australia's leading economists on the 'F&E committee'; Maddock and Penny (1983, p 32).
[735] Chifley (1943, p 2).
[736] *Hansard*, 7 September 1944, p 574.
[737] It is discussed further in Chapter 9.
[738] Curtin had curbed some of his radical views by the time he was prime minister. Reminded of a speech he gave years before when he advocated nationalisation, Curtin replies 'yes, I remember that speech and I also remember that that year I lost my seat'; Beazley (c2000, p 17).
[739] A meeting involving Melville, Giblin, Copland, Coombs, Clark, Walker, Isles, Hytten, Butlin, and Wilson agreed that 'bank interest rates and, as far as possible, mortgage rates would have to be controlled so as to avoid too much pressure on the bond market with its threat to the budget and to the confidence of investors in government securities' but that 'an attempt to control bank advances, for example, might merely result in investment going past the banks', Notes of a meeting of economists, 8-9 November 1943, RBA S-43-1.

A mortgage bank was established in 1942 as a department within the Commonwealth Bank. While its operations were restricted at the time, Chifley saw it as 'a powerful instrument in post war reconstruction'.[740] An Industrial Finance Department was established later for long-term lending.

In March 1945 Chifley introduced legislation to continue the wartime controls on the private banks, consolidate the Commonwealth Bank's role as a central bank and replace its board with a single governor and an advisory board of officials. The *Banking Act 1945* and the *Commonwealth Bank Act 1945* have been described as 'substantially the work of JB Chifley'[741], though this probably understates the role of Nugget Coombs in reassuring Chifley that these changes made bank nationalisation unnecessary. As Chifley explained, the legislation was 'based on the conviction that the Government must accept responsibility for the economic condition of the nation...the Government has decided to assume the powers which are necessary over banking policy to assist it in maintaining national economic health and prosperity.'[742]

This required the Commonwealth Bank to act as a central bank and 'to control the issue of bank credit by all the banks in such a manner as to avoid expansion of credit in times of boom and contraction of credit in times of depression.'[743]

The Act introduced the three goals of the Bank which are still in place as the goals of the Reserve Bank today and remain inscribed in gold letters on the Bank's headquarters:

- The stability of the currency of Australia
- The maintenance of full employment
- The economic prosperity and welfare of the people.

[740] *Hansard*, 25 September 1942, p 973.
[741] Polden (1977, p 2). Jock Phillips is less sure; '…although Chifley was a very strong force behind the legislation, much of it would have happened anyway'; Sutherlin (1980, pp 278-9).
[742] *Hansard,* 9 March 1945, p 547. This was the first time that the Commonwealth Bank had been explicitly referred to as a central bank in legislation; Butlin (1983, p 103). A move to nationalise the banks was rejected by caucus on 20 February 1945; Weller (1975b, p 350). Chifley did not support the proposal, perhaps reflecting his personal view or possibly, as Calwell and Dedman believed, deferring to Curtin who had promised no nationalisation during the course of the war; Dedman (1972, p 3), Stephens (1974, p 85).
[743] *Hansard*, 9 March 1948, p 548.

Welfare measures

There was a long history of calls in Australian politics for some form of social insurance, with Labor generally wanting it funded from general revenue and liberals calling for a scheme based on compulsory contributions into individual accounts.

Despite the pressure of war, Chifley increased old age and invalid pensions and introduced widows' pensions, additional maternity allowances, funeral benefits, unemployment and sickness benefits. He foreshadowed further measures once the war was over.[744] This was sometimes portrayed as a trade-off for extending income tax onto lower income earners.[745] This was implemented through a National Welfare Fund into which was paid the lower of £30 million or one-quarter of personal income tax collections. This had the additional advantage of being an economic stabiliser.[746] Chifley (1945) rejected viewing welfare as a form of insurance, believing it was more equitable for it to be paid out of progressive taxation. The view of leading economists at the time was that 'high taxes have not deterred incentive in the past'.[747]

Another major reform was the government's agreement to introduce a 40-hour week in exchange for the ACTU's support for the war effort by not disrupting the economy. As prime minister, Chifley introduced the *National Welfare Act 1945* to place the Welfare Fund on a permanent basis and finance it from payroll tax and a specified component of personal income tax. He also introduced the Pharmaceutical Benefits Scheme.

The rise of Keynesianism and the 1945 White Paper

The government was concerned that 'employment and aggregate incomes are constantly increasing whilst the goods and services available for civilian spending are continually

[744] *Hansard*, 11 February 1943, pp 548-550. In Chifley (1945, pp 1-2) he introduced what was to become a familiar metaphor, comparing social security to a trapeze artist's safety net, providing 'a national minimum of cash income which is available to all in their emergencies and below which none must be allowed to fall'.

[745] Butlin and Schedvin (1977, p 337) called it 'the sugar coating on the pill'. See also De Maria (1991, p 282).

[746] Chifley (1943, p 10 and 1945, p 12).

[747] There was in the context of a discussion of a 70 per cent top marginal tax rate; Notes of a meeting of economists (Melville, Giblin, Copland, Coombs, Clark, Walker, Isles, Hytten, Butlin, and Wilson), 8-9 November 1943, RBA S-43-1.

becoming less' and 'it may force a strong and continuous rise in prices'.[748] Taxation increases were used to soak up much of this spending power.

Nugget Coombs argued that Chifley 'took a broadly Keynesian approach'.[749] Chifley's first biographer went as far as to call him a 'Keynesian-of-the-first-hour'.[750] Journalist-historian Paul Kelly argues that the Chifley era was 'unique, a rare mix of minister and bureaucrats who implemented Keynesian economics and the welfare state with genuine claims to international prominence'.[751]

These claims, however, overstate the extent of Chifley's Keynesianism. Chifley did not refer to Keynes in a parliamentary speech until 1943 – and this was a sceptical reference to Keynes' support for post-war credits, the policy advocated by Fadden.[752] The Chifley family believe Chifley was a regular correspondent with Keynes, perhaps from as far back as 1917; Martin (2015, pp 84, 134). This seems very unlikely; there are no references to Chifley in the many volumes of Keynes' collected writings or in the major biographies by Skidelsky (1983, 1992, 2000, 2003), Moggridge (1992) and Harrod (1951). Nor do Markwell's (1985) paper on 'Keynes and Australia' nor Day's (2001) biography of Chifley refer to any correspondence. There is also no correspondence in the Keynes archives at King's College, Cambridge.[753]

Chifley did think enough of Keynes, however, to attend his memorial service in Westminster Abbey.[754]

As Bowen (2015, p 132) puts it, 'deep down, Chifley was a reluctant adherent to Keynesian economics'. While he believed fiscal policy could be deployed for counter-cyclical purposes, Chifley did not rely on it. Price controls were introduced 'to prevent profiteering and minimise the rise in prices' and rationing by coupons (initially of clothing, tea and sugar, later extended to meat, butter and drapery) were imposed under wartime powers. Subsidies were paid to stabilise the prices of tea, potatoes and milk.

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[748] *Hansard*, 11 February 1943, p 553.
[749] Coombs (1986, p 50).
[750] Crisp (1960, p 169).
[751] Kelly (1989b, p 8).
[752] *Hansard*, 22 June 1943. Indeed before 1946 it was Menzies who was the stronger advocate of Keynes in the parliamentary arena, having referred to him as a 'very brilliant and progressive writer and thinker'; *Hansard*, 21 March 1945. Admittedly Menzies was citing the Keynes of the *Treatise* rather than the *General Theory*.
[753] Personal correspondence, May 2017.
[754] Skidelsky (2000, p 473).

Measures were also taken for the control of rents and land sales. Under the National Economic Plan announced in February 1942 real wages were to be frozen. Rents were also frozen from end-1941 to mid-1945.

Chifley had therefore rejected advice from his most Keynesian advisors that macroeconomic measures alone could prevent inflation.[755] As the end of World War II came into view Chifley was pondering the risk that with deferred spending unleashed 'and a short supply of goods, inflation can very easily be caused'.[756] Even Keynes himself conceded to Australia's Treasury secretary that 'one is also, simply because one knows no solution, inclined to turn a blind eye to the wages problem in a full employment economy'.[757] Chifley viewed this as grounds for retention of controls, especially as the inflationary boom could be followed by a slump, as occurred after World War I.[758] In this he was following the advice of Australia's leading economists who at a meeting in November 1943 all 'seemed to feel that controls would be inevitable for some time after the war', some to maintain full employment, some to prevent excess spending power leading to inflation.[759]

Curtin was inspired by the UK government's May 1944 *White Paper on Employment Policy* and on his return from there in July initiated production of an Australian equivalent.[760] Coombs was in charge of drafting it and Chifley was the only minister to

[755] Cornish (1993a, p 48). Keynes (1939a, p 43) had described rationing (except for some essential goods) as a mere 'pseudo-remedy' to inflationary pressures. Chifley (1941, especially p 108) wrote of the need for price controls and some nationalisation to manage the domestic economy in the post-war period without mentioning Keynes.

[756] *Hansard*, 13 October 1943, p 484.

[757] Keynes (1945b), letter to Stuart Macfarlane, 5 June 1945.

[758] Stephens (1976). Whitwell (1994, p 216) says '...at the end of World War II it was widely assumed in Australia that there would soon be a slump after an intense but short-lived boom'. As John Stone recalled 'everyone feared that the war-time boom would be succeeded, perhaps after a few years "false prosperity" during the readjustment period, by the kind of post-war slump by which, throughout all history, wars had been succeeded'; cited by Whitwell (1986, p 83). Millmow (2015c, p 61) described this as a 'general fear'. Macintyre (2015, p 67) writes 'most economists in Australia and overseas anticipated a slump'. Waters (1970, p 51) and the notes of a meeting of economists (Melville, Giblin, Copland, Coombs, Clark, Walker, Isles, Hytten, Butlin, and Wilson), 8 9 November 1943, RBA S-43-1, demonstrates how widespread was the concern about a post-war slump. Keynes had the same concerns in the UK; Davenport-Hines (2015, p 319), Skidelsky (2000, pp 61-62).

[759] Notes of a meeting of economists (Melville, Giblin, Copland, Coombs, Clark, Walker, Isles, Hytten, Butlin, Wilson) 8-9 November 1943, RBA S-43-1. In 1947 Wheeler argued that 'price controls should definitely be retained to guard against a runaway psychology'; notes 17 April 1947, RBA C.3.7.6.10.06/16368.

[760] Nugget Coombs had been thinking along similar lines as far back as 1938 and expounded his thoughts publicly in Coombs (1944). Douglas Copland was also impressed by the British white paper and urged Curtin to produce something similar; Harper (2013, p 243). Cornish (1981b) describes the development of the UK *White Paper*. Millmow (2015c, p 61) argued the Australian paper 'was a more circumspect and

be given an early draft. Apparently initially very supportive of Coomb's draft, Chifley was later influenced by Treasury to be more restrained. Cabinet referred a revised draft to a subcommittee of Chifley, Dedman, Holloway and Calwell. There had been a tension throughout the drafting about whether the paper was an 'economic' or 'political' document, and by the end it was a far more cautious and political document than it had started out.[761]

Australia's representatives were strong advocates at international fora of other countries also adopting the full employment objective and Keynesian policies, reflecting a mix of altruism and a fear that balance of payments constraints would prevent Australia achieving full employment unless other countries shared the goal.[762] As Chifley (1947, p 8) put it, 'only second to full employment and rising living standards in our own country do we want to see those conditions in other countries, both for our own sake and for the sake of a peaceful and thriving world'.[763]

Keynes commented in 1945 that when he heard Australians at a conference urging that world powers should undertake to maintain full employment they were asking them to promise to be 'not only good but clever'.[764] Indeed, it has been suggested that 'Keynes found the Australians more Keynesian than he was himself'.[765]

considered document than its British counterpart.' Merry and Bruns (1945) argue that the UK, Australian and Canadian white papers are similar, although Australia placed greater emphasis on the role of government investment as a means of influencing aggregate demand. Keynes (1943, p 319) himself argued that changes in government investment were a more effective means of adjusting demand than changing tax rates to influence consumption.

[761] Cornish (1981a) describes the drafting process in detail. Sections containing statistical projections in early drafts were first relegated to an appendix then dropped altogether. Butlin and Schedvin (1977, p 679) describe the final result as 'an amalgam of ministerial statement and specialist report which served neither purpose adequately'.

[762] Beresford and Kerr (1980, pp 152, 158-9); Chifley (1943, pp 4-7); Cornish (1981a, p 10; 1993a, pp 52-53 and 2015a); Grant (1996, chapter two); Lee (1991, chapter one), Maddock and Penny (1983, pp 43-44) and Turnell (1999). Among the conferences where Australia promoted full employment were the UN conference of food and agriculture in 1943, the International Labour Organisation conference in 1944, the Bretton Woods negotiations in 1944 and the San Francisco conference on world security in 1945; Mamchak (1981, p 82).

[763] Chifley (1947, p 8).

[764] A letter to TS Eliot, 23 March 1945 reproduced as Keynes (1945a).

[765] Edwards (2005, p 153), drawing on Markwell's (1985, p 59) interpretation of the letter to TS Eliot. Keynes was very complimentary of the advocacy by Wilson and Melville; Cornish (2015a, pp 3-6).

Relations with their prime ministers

One key difference between Chifley and Fadden was the relationship with their prime minister. A cabinet colleague observed that 'Curtin was very loyal to Chifley and Chifley was very loyal to Curtin'.[766] It was said that Curtin discussed all important decisions with Chifley.[767] Curtin trusted Chifley and delegated to him a significant part of economic management, although views differ about how far this delegation went.[768] Chifley being himself 'calm, well grounded, unperturbed by criticism'[769] complemented the anxious Curtin. As Curtin's health deteriorated, with Forde overseas, Chifley became acting prime minister in April 1945.[770]

By contrast Fadden had a more vexed relationship with Menzies. In the early 1940s when Fadden was the leader of the opposition parties, he regarded Menzies as disloyal.[771] They went on to work together tolerably well in government in the 1950s but Dame Enid Lyons recalled 'neither particularly admired the special gifts of the other, and each was slightly out of his depth in the other's intellectual sphere'.[772] Fadden felt Menzies failed to

[766] Arthur Calwell (1972a, p 60), who relates that 'Curtin told Chifley that if he would not become treasurer Curtin himself would not become prime minister'.

[767] Day (2007, p 94), Bennett (1973, p 12) and Chifley's private secretary Murray Tyrrell (1975, p 31). Tyrrell recalled '…Curtin never made a decision of any importance that he didn't consult Chifley about…normally it was Mr Chifley's view that prevailed'; cited in Thompson (1964, p 73).

[768] McMullin (1991, p 234) states that Chifley 'took responsibility for the economy…allowing Curtin to concentrate on defence and war strategy'. The war historian Paul Hasluck (1995, p 119) opines that …when one turns to economic policy…it would seem that Chifley was a more significant wartime figure than the Prime Minister'. Curtin's first biographer suggested 'Curtin accepted unhesitatingly Chifley's views on financial issues'; Ross (1977, p 387). A latter biographer challenges this, arguing that Curtin was 'the ultimate source of authority in economic affairs' even if he delegated details of finance to Chifley; Edwards (2005, pp 124-132). One contemporary journalist wrote: 'Mr Curtin, however, holds more than a watching brief whenever Labor comes to discuss finance. He is himself a crisp financial thinker', although the writer also says of Chifley 'on finance, none more authoritative'; *Sydney Morning Herald*, 29 October 1941, p 10. Nugget Coombs' recollection was that 'Curtin relied very much on Chifley's economic and financial knowledge and was guided by him, but there was no uncertainty as to where the final yes or no lay and that was with Curtin'; Rowse (2003). Beazley (1971, p 5) opines that 'it was Curtin, however, who accurately defined in practice the acceptable limits of a radical financial policy'.

[769] Hirst (2010, p 197). Curtin found in Chifley 'with his complete self-mastery, steady consistency of temperament and dogged loyalty, the sort of emotional sheet-anchor he required and he could rely on absolutely…Curtin chose him to be the confidant, the companion, the shock absorber of a highly strung prime minister of a nation at war for its life'; Crisp (1960, pp 143-4).

[770] Bolton (2014, p 134) and Macintyre (2015, pp 282, 298) suggest Curtin sent both Forde and Evatt overseas to give Chifley a clear run as acting prime minister and establish himself as Curtin's successor.

[771] When Menzies criticised Fadden's policy of post-war credits, Fadden publicly referred to 'this stab in the back, another betrayal in the series for which Mr Menzies has become notorious'; Chamberlain (1972, p 1:1/11), Golding (1996, pp 117-8), Joske (1978, p 131) and Souter (1998, p 357). Privately he referred to Menzies as 'that big bag of ----'; Perkins (1968, p 143).

[772] Enid Lyons (1972a, p 99). John Howard (2014, pp 77-78, 265-266) formed a similar view, saying of Menzies and Fadden that the latter's 'knockabout personality' provided a foil to the 'more cerebral and

appreciate his work covering for him as acting prime minister while he went on lengthy overseas trips.[773] When in 1954 the Commonwealth Finance Ministers meeting was held in Sydney, the first time it was held outside Britain, it was Menzies rather than Fadden who chaired it. While Menzies did heed Fadden's views on the economy, and respected his political judgement, he would not admit it publicly.[774] A contemporary writer claimed Menzies and Fadden 'maintained a semblance of amity for political expedience, but on Fadden's part there has been an instinctive and deep-rooted dislike'.[775]

Chifley as treasurer and prime minister

After Curtin's death in July 1945, Chifley reluctantly became the new prime minister; he would have preferred to have stayed a powerful treasurer.[776] Chifley remained treasurer while prime minister, a workload no future leader shouldered for more than a few days.[777] Knowing his health was deteriorating,[778] Chifley intended if he won the 1949 election to

urbane' Menzies but while 'their different personalities blended well at a professional level…there is little evidence that they were close away from the office'. Tyrrell (1975, p 8), who worked for Fadden, recalled he and Menzies were 'temperamentally poles apart'. As their parliamentary colleague, Jo Gullet (1992, p 247) recalled it, Fadden and Menzies were publicly loyal to each other but 'both at times found the exercise rather difficult'. Arthur Calwell (1972a, p 59) recalled Fadden relating a conversation with John Curtin where they agreed that the problem with Menzies and Evatt was that they were 'both clever lawyers, but, because they spend their time pleading one time for one cause and another time for another, neither of them has any deep-seated convictions'. Menzies had never been keen on the Country Party as they had been responsible for his uncle, his father and his father-in-law losing their parliamentary seats; Calwell (1972a, p 74).

[773] Fadden (1969, pp 60-62) and Davey (2011, p 51). Once when Fadden welcomed Menzies back from an overseas trip Menzies jumped into the official car and left Fadden behind without a ride; Fadden (1969, p 60).

[774] Fitchett (1977, p 26).

[775] Watson (1956, p 13).

[776] Martin (2015, p 112). A dying Curtin entrusted to Scullin persuading Chifley to stand despite Mrs Chifley's objections; Crisp (1960, pp 221-2), Langmore (1992, p 519), Reid (1980b, p 38). Treasury Secretary Watt recalled Chifley telling him that he felt, despite medical advice that he should not take on extra responsibilities, a duty to the party to take the leadership given misgivings about alternative leaders; cited in Thompson (1964, p 72) and Breen (1974). Chifley's nephew John (1992, p 24) said his uncle did not want the publicity and limelight of being prime minister; he 'worked to be the planner – the treasurer'. Daly (1977, p 32) recalled Chifley termed standing for leader 'joining the suicide squad'.

[777] Among his Labor predecessors as prime minister, Watson and Fisher had simultaneously been treasurer, Curtin had simultaneously been defence minister during World War II, Hughes had been attorney-general and Scullin minister for external affairs and industry minister (and for a while treasurer). On the other side of politics, Barton, Deakin, Reid and Bruce had simultaneously been external affairs minister and prime minister and Menzies and Fadden (and for a while Lyons) both prime minister and treasurer. With Scullin in poor health, there was no obvious experienced candidate for treasurer. Nonetheless, Colin Hughes (1976, p 145) argued that it was a serious mistake for Chifley to take on both positions.

[778] Howard (1985, p 424) says Chifley by 1947 'had a sense of urgency for his medical advisers had alerted him to his state of health'.

hand over the Treasury portfolio to Dedman but bring the economics unit from the Department of Post-War Reconstruction into the Prime Minister's Department.[779]

While Chifley's frugality may have commended him to Treasury, it sometimes frustrated his ministers. Evatt is claimed to have said exasperatedly 'It's almost impossible to get money out of Ben. You'd think it was his own.'[780]

Macroeconomic policy and the expansion of Keynesianism

Chifley as prime minister continued to seek economic advice. He chaired the Investment and Employment Committee from its establishment in late 1946 to its last meeting in November 1949. It brought together leading economic advisers from a number of economic departments and agencies. While it provided useful analysis, Cornish (1993a, pp 56-57) judges it was not influential. Chifley's industrial relations legislation provided for an economic bureau to assist the arbitration commissioners.[781] In Scalmer's (1998, p 184) view, under Chifley 'the bureaucracy was reforming rather than obstructionist'.

Chifley faced internal party opposition to Australia joining the World Bank and the IMF but patiently and adroitly gained approval from cabinet, federal executive and caucus.[782]

With the war finally over, Chifley was concerned in his 1945 budget that the 'existence of excess spending power will be a dominant feature of the whole transition period'.[783] In the 1946 budget, while pleased 'the first stage of the post-war transition has been completed successfully', Chifley warned 'the danger of inflation is still present...[reflecting] the increased demand which has arisen from higher employment'.[784] He warned "I do not know of a greater menace than inflation and I know who suffers the

[779] Makin (1961, p 130), Smith (1974, p 221), Strangio, 't Hart and Walter (2016, pp 230-1). In the event, Chifley lost the 1949 election and Dedman lost his seat. Similarly, Nelson Lemmon was reportedly Chifley's preferred successor as leader but he was also defeated at the 1949 election; Ellis and McLachlan (2007, p 7).
[780] Holt (1969, p 52).
[781] Eggleston (1953, p 160).
[782] Weller (2007a, pp 80-82) describes the process. One of his ministers, John Dedman (1968, pp 153-4) described Chifley's success as 'an achievement in statesmanship…which has never been excelled and seldom equalled in the years since Federation'.
[783] Chifley recalled the 29 per cent increase in consumer prices in the two years following World War I; *Hansard* 9 March 1945, p 548.
[784] *Hansard*, 14 November 1946, pp 241-242. Chifley had made similar warnings to the ALP NSW conference in June; reprinted in Chifley (1952, p 20). This was a widely held fear. Back in 1940 Menzies warned 'unless we learned from past experience this war will be succeeded by boom just like the last one'; Cornish (1981a, p 12).

most…and those are the people that I represent in Parliament'.[785] Removing subsidies pushed up some prices and Chifley did not get much support from the states in fighting inflation.[786]

Chifley was successful in maintaining low unemployment, even during the period of demobilising the large defence forces. He established the Commonwealth Employment Service to help the unemployed find work. By 1948 he said 'for the first time in my life, the country has almost achieved full employment'.[787] He also succeeded in stabilising prices in the immediate post-war period. But to do this he retained some wartime rationing, which became increasingly unpopular.[788] Also highly controversial was Chifley's deployment of troops to mine coal during a strike by miners, but it has been argued it was necessary to avoid a wage boom ratcheting up inflation.[789]

The Keynesian response to an overheating economy would be to move the budget into surplus. But this was hard to sell politically. A war-weary populace would see surpluses as the government holding onto money they did not need that could be given back as tax cuts. The Government practiced 'Keynesianism by stealth', with the extent of the surplus disguised by treating an accumulation of reserves as though it were an expenditure item.[790] An interdepartmental committee described the budgetary stance in early 1949 as having a 'mild deflationary influence'.[791]

In September 1949 Australia followed the rest of the sterling area by depreciating the Australian pound by 30 per cent against the US dollar.[792] This added inflationary pressures to the economy. By this time inflation was up to 9 per cent, and was likely to rise further as the inflationary pressures that had been supressed by controls manifested.

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[785] Speech in June 1948, reprinted in Chifley (1952, p 30). In his cinema advertisement for the 1946 election ('In the wake of the storm') Chifley promised to 'take no risks with inflation'.

[786] Macintyre (2015, p 392) comments that while Chifley's budgets 'were framed to dampen demand, those of the states undid any deflationary impact'.

[787] Speech in June 1947, reprinted in Chifley (1952, p 24); and *Hansard*, 29 September 1948, p 968.

[788] Chifley maintained rationing in part to support the UK which was short of dollars to buy fuel; Crisp (1960, pp 309-314). Lee's (1990) interpretation is that he feared a US recession dragging the Australian economy down and so wanted to maintain close links with the UK.

[789] Carr (1989, p 61).

[790] Whitwell (1986, pp 90-93).

[791] Paper prepared for the Investment and Employment Committee, January 1949, cited by Whitwell (1986, p 93).

[792] Chifley emphasised that Britain (and other countries with currencies linked to the pound) was Australia's most important export market; *Hansard*, 20 September 1949, p 339. The devaluation was against the advice of Coombs and some other advisers; Howard (1978, p 418).

Chifley rejected advice to tighten policy further, due to the impending election[793] and concern about the risk of recession. In Australia, as in the UK, many feared that the post-war pattern would follow that of World War I with initial inflation being replaced by recession and rising unemployment.[794]

Chifley cut taxes in his post-war budgets, but also repaid debt. He explained, however, that 'war costs do not end when fighting ceases. Some of these items, such as debt charges and war pensions, will continue for many years'.[795] Yet by 1949 Chifley was able to say that 'the majority of taxpayers now pay considerably less than half the tax which would have been payable at war-time rates'.[796]

Chifley was loyal to the English, notwithstanding his Irish ancestry, and was especially friendly with his UK counterparts Hugh Dalton and Stafford Cripps.[797] This was one reason he followed their lead in maintaining rationing after the War, a policy Bowen (2015, p 133) regarded as 'a significant factor in his government's defeat in 1949'.

As one of Chifley's ministerial colleagues John Dedman (1972, p 1) put it, there had been 'no conscious effort on our part to use the wartime situation to make radical reforms' but the 'end of the war would be a very satisfactory time to introduce some of the reforms we had in mind'. Chifley attempted to increase federal powers through referenda, but with limited success. In August 1944, a referendum proposing to grant fourteen additional federal powers (including over employment and for the curbing of monopolies) for five years after the end of the war was rejected.[798] Three separate questions were put concurrently with the 1946 election, proposing federal power over social services, marketing of primary produce and conditions of employment. Despite Labor being

[793] He feared that, as in 1946, the Liberals would make a big issue of high taxation, especially if Labor increased tax rates; Lee (1991, p 133).

[794] Dell (1996, p 65), Howard (1978, p 148), Kuhn (1985, p 249), Stephens (1976, p 259). Clarke (1983, p 34) refers to the post-war boom being generally expected to peter out. Chifley in 1949 was still worried that 'following upon the very great boom conditions that have obtained throughout the world since the end of the war, some measure of recession could be expected'; *Hansard*, 31 May 1949, p 296. The United States had entered a recession in 1949, which was feared to be the start of such a pattern recurring; Whitwell (1986, p 86).

[795] *Hansard*, 14 November 1946, p 244.

[796] *Hansard*, 7 September 1949, p 27, repeated in his 1949 election policy speech; reprinted in Chifley (1952, p 78); Smith (1974, p 221).

[797] Bowen (2015, p 132), Crisp (1960, pp 309-314), Dell (1996, p 40), Green (1959, p 80) and Martin (2015, p 229). Hugh Dalton (1962, pp 73, 286), the UK chancellor of the exchequer (1945-1947), described Chifley as a 'personal friend'.

[798] The additional powers were already held by the national governments of Canada, New Zealand and the United Kingdom; McMullin (1991, p 232).

comfortably returned at the election, and a national majority for all three questions, only the first proposition was approved.[799] In May 1948 a referendum to give the federal government power over prices and rents was rejected overwhelmingly.

Nation-building

An air of 'tremendous optimism' was manifest in nation-building projects such as the Snowy Mountains scheme.[800] Menzies later generously described the Snowy Mountains Scheme as 'a living memorial to the courage, enterprise and drive of Mr Chifley'.[801] Chifley founded the Australian National University in 1946,[802] introduced direct grants to other universities, and a university scholarship scheme. As chair of the Historical Memorials Committee, Chifley decided that plans should be commenced for a national gallery.[803]

The Chifley government initiated the post-war immigration programme and established a large scale Australian car industry in 1948 by encouraging General Motors in the production of the Holden and providing them with decentralisation grants as they located their main plant in Adelaide. In addition, the Curtin and Chifley governments are credited by Hawke (1985, p 5) with having 'accepted, for the first time, a share of Commonwealth responsibility for education, health, housing, power and transport'.

Bank nationalisation

On 16 August 1947 Chifley announced his plan to nationalise the banks.[804] The direct trigger was the High Court ruling three days earlier that Section 48 of the *Banking Act*, which allowed the government to direct local governments to conduct their banking with the Commonwealth Bank, was invalid. Chifley believed the banks would next challenge the special accounts provisions and so remove the ability to use monetary policy to guide

[799] Queensland, South Australia and Tasmania voted against the second and third propositions so they failed to meet the approval by a majority of states criterion.
[800] Beazley (c2000, p 16).
[801] Starr (2000, p 185).
[802] Literally laying the foundation stones for two buildings there.
[803] Whitlam (2002, pp 132-3).
[804] Whereas the 1945 banking bills were considered by cabinet clause-by-clause over five days, cabinet and then caucus both agreed unanimously to bank nationalisation without notice at single meetings a day apart: Weller (1975b, p 427); Weller (2007b, p 89); Crisp (1960, pp 323-8). Cabinet ministers overseas at the time was incredulous when told of the decision; Coombs (1981, p 116) and Daly (1977, p 58).

the economy.[805] Chifley informally approached the banks and said he would not resist the Court's decision if the banks assured him that they would not go on to challenge the special accounts provisions but the banks would give no such assurance.[806]

Views differ about how reluctantly Chifley turned to nationalisation and what it said of his state of mind. As Curtin's treasurer, Chifley held strong views but was not regarded as stubborn.[807] But by 1947 one contemporary journalist reported rumours that Chifley's 'heart condition was having its effect on his temper and his moods' making him 'indifferent to public opinion'.[808] Nugget Coombs (1970, p 46) reflected that in the latter stages of his career Chifley became 'insensitive to criticism' and received too little of it from his cabinet ministers. While Henderson (2015, p 194) described the decision to nationalise was 'effectively a fit of pique', Chifley's ministers strongly rejected such a view.[809]

A bill was brought before the House in October 1947. Chifley argued that 'since private banks are conducted primarily for profit and therefore follow policies which in important respects run counter to the public interest, their business should be transferred to public

[805] Haylen (1969, pp 43-51); *Hansard* 15 October 1947, pp 802-803; speech in September 1947, reprinted in Chifley (1952, p 95). In 1945 the banks wrote to the Commonwealth Bank indicating their compliance with the special reserve requirement did not imply any contractual agreement, hinting they might in future challenge the legislation; Butlin (1983, pp 124-125). Kelly (2001, p 127) suggests Chifley may have been exaggerating the danger to build support for nationalisation but Stephens (1976, p 268) argues that had Chifley being ideologically committed to nationalisation, he would have moved immediately after the 1946 election win. Myers (1959, p 177) suggests Chifley was 'infuriated by what he considered the ingratitude of the banks for the fact that he had saved them from nationalisation in 1945'. She also suggests he had just realised that taking over both assets and liabilities of the banks would mean the cost to the government of nationalisation would not be that great. John Howard (2014, p 108) believes Chifley's concerns that the central banking powers of the Commonwealth Bank could be undermined were 'understandable'. Johnson (1986, p 41) argues that the banks 'were seen to be starving industry of finance for development'.

[806] Coombs (1981, pp 115-116 and 1986, p 52), Howard (2014, p 109). Commonwealth Bank governor Armitage suggested to the banks that they persuade the Melbourne City Council to transfer their banking to the Commonwealth Bank as a means of defusing the dispute but they would not do so; Armitage reminiscences, 1949, RBA archives RBA SA-65-84.

[807] Denning (c1952a, p 11) remarks Chifley was 'always ready to be argued out of a position he had taken up – if the other person had better arguments'.

[808] Holt (1969, p 58). In 1949 Armitage described Chifley as having 'some preconceived and quite immovable ideas'; Armitage reminiscences, RBA archives, SA-65-84. Bob Ellis (2002, pp 406-7) went much further, calling Chifley a 'late blooming ego-tripper' who 'believed too much in what was right' and did not really understand salesmanship.

[809] John Dedman (1972, pp 5,9) is insistent that Chifley never acted in 'pique', while Arthur Calwell (1972b, p 3) described such a suggestion as the 'greatest piffle I've ever heard…completely untrue'. Allan Fraser (1961, p 21), one of Chifley's backbenchers, believed Chifley 'had no wish to nationalise the banks for the sake of nationalisation' and at the relevant cabinet meeting he asked every cabinet member's view before expressing his own.

ownership'.[810] The bank nationalisation policy was unpopular and divisive; being supported by only around half of Labor voters and only 2-7 per cent of non-Labor voters.[811] It led to a massive campaign against the government by the banks and many of their employees.[812] The legislation did not take effect, however, as the High Court, and on appeal the Privy Council,[813] ruled that nationalisation was unconstitutional.

Fadden in opposition

After his short period as prime minister, Fadden was unanimously chosen as leader of the opposition, with Billy Hughes taking over the leadership of the United Australia Party from Menzies. Fadden led the divided opposition to a landslide defeat in the 1943 election.

Menzies became leader of the opposition and set about forming a new Liberal Party. Fadden remained leader of the Country Party, which declined overtures to merge with the new party. Fadden campaigned against Labor's economic (particularly banking) policies and its referenda proposals to increase Commonwealth powers.

As opposition leader, Fadden was very critical of Chifley's wartime banking regulations: 'we are fighting dictatorships today and we should not constitute the Commonwealth Treasurer a dictator of the financial policy of this country'.[814] A common theme was the danger of 'insidious inflation, which is the worst possible form of taxation' and 'the worst enemy of the worker and the poor man'.[815] He cited Keynes in critiquing rationing.[816]

[810] *Hansard*, 15 October 1947, p 798. This was very similar to the arguments he had made in his minority report of the 1937 Royal Commission. In the meantime, the Commonwealth Bank would buy any shares of the private banks their owners wished to sell at the price prevailing on 15 August 1947; May (1968, p 17).
[811] Opinion polls in 1947 and 1948 reported in Goot (1969, pp 106, 176).
[812] May (1968) gives a detailed account.
[813] The hearing there was a marathon; Attorney-General 'Doc' Evatt's opening address lasted for 14 days and two judges died during the hearing.
[814] *Hansard*, 5 November 1941, p 82.
[815] *Hansard*, 8 October 1943, p 287 and 22 June 1943, p 19.
[816] *Hansard*, 10 September 1942, pp 166-7.

Fadden's second stint as treasurer

Labor lost the 1949 elections, with petrol rationing (an issue highlighted by Fadden), bank nationalisation, a coal strike and inflation among the main reasons.[817] Fadden as Country Party leader and unofficial deputy prime minister could choose his portfolio and his choice was to be treasurer.[818]

Inflationary pressures were building.[819] The incoming Menzies government removed all rationing and long pent-up demand was finding expression in a consumption and construction boom. The inflow of immigrants and a post-War 'baby boom' added to the demand pressures. Large capital works projects such as the Snowy Mountains Scheme were underway. Wages were accelerating. A number of economists were arguing that more deflationary policies were needed.[820] By the time the Korean War boom came along it was described as 'like a bee stinging a runaway horse'.[821] The public was also becoming more concerned.[822] One of the main promises of Menzies and Fadden at the 1949 election was to 'put value back in the pound'. By comparison with the Chifley government, the new government had less fear of recession but more fear of a third world war.[823]

The Korean War boom and the 'horror budget'

Australia was still 'riding on the sheep's back' in 1950. A blow had just been struck against the sheep's traditional rival, the rabbit, with CSIRO scientists successfully introducing the lethal disease myxomatosis. A new rival in the form of synthetic fibres was only just emerging.

[817] Menzies believed that bank nationalisation was the key reason for Chifley's defeat; Jones (2016a, p 35). Lee (1994) argues many commentators overstate the importance of bank nationalisation as an issue and highlights the coal strike and petrol rationing.
[818] McEwen and Jackson (1983, p 41).
[819] Liberal intellectual Fred Eggleston (1953, p 181) referred to the main inflationary factors after the election were 'devaluation, the boom in wool prices, excessive immigration, public works, rearmament, the soldiers' bonus and the increasing costs of falling production'.
[820] Whitwell (1986, pp 97-100) gives examples of minutes from the Commonwealth Bank and Treasury to this effect.
[821] Badger (1955, p 78).
[822] In an opinion poll in December 1949 about the major issue the Government needed to address during the coming year, 'living costs' was only nominated by 10 per cent of those polled. By December 1951 it was nominated by 48 per cent; Hazlehurst (1979, p 328).
[823] Lee (1991, p 176).

While the relative size of the rural sector had been in gradual decline for decades, it still accounted for around a fifth of GDP.[824] Wool alone accounted for almost half of Australia's exports in 1949, with other rural products making up a further third. It therefore had a marked impact on the economy when the outbreak of the Korean War saw a surge in the global demand for wool.[825] The greasy wool price rose from 49 pence per pound in 1949 to almost a pound per pound at its March 1951 peak.[826] At the same time the price of wheat, Australia's second most important export, also rose strongly. Notwithstanding some large increases in import prices, these developments meant the terms of trade had increased by 64 per cent from 1945-46 to 1949-50 and they rose a further 46 per cent in the following year. The increase in the terms of trade added a massive 7 per cent to real gross domestic income in 1950-51. Unsurprisingly, this fuelled already strong demand; real private consumption almost doubled between 1943-44 and 1953-54. Real spending on household durables increased by 26 per cent in 1950-51 alone. The unemployment rate fell to very low levels in 1951, probably the lowest since the 'gold rush' a century earlier and never matched since. The consumer price index increased by 13 per cent in 1950-51, an increase also not experienced since the gold rush, and went over 20 per cent the following year.

Despite its rhetorical concern with inflation, the Menzies government shared its predecessor's enthusiasm for national development and the provision of infrastructure which made it hard to cut back government spending significantly and its political criticisms of Chifley made it hard to increase taxes.[827] It was not until after the April 1951 election that a more restrictive fiscal policy was adopted.

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[824] Cashin and McDermott (2002) argue that wool dominated the Australian business cycle before World War I, but its importance had diminished by the 1950s. The Australian wool sector was mentioned as an example of an export sector driving economic growth in an influential article by Chambers and Gordon (1966).

[825] The wool stockpiles that accumulated during the second world war had been run down by 1951, and the United States government announced plans to rebuild its stockpile to meet military needs for uniforms. There was also a backlog of demand for woollen products for consumers; Little (1966, p 168). While the US had once been self-sufficient in wool, its sheep numbers were now at their lowest in almost a century and it was importing two thirds of its wool. Commercial users of wool, and even the public, started to fear that wool and woollen clothing would become unavailable or prohibitively expensive and there was a rush to purchase them; Goldbloom, Hawkins and Kennedy (2008).

[826] The decimal currency equivalents are 41 cents rising to $2.

[827] Schedvin (1992, pp 173 and 297) and Whitwell (1995, pp 171-2 and 1996, p 97) argued that Treasury shared this preference for development. See also Cornish (1992, pp 43-44) and Millmow (2015c, p 62). In his 1950 budget speech Fadden referred to inflation as 'the familiar growing pains of a vigorous economy' and said that 'the Government has been determined that migration and essential development should go on, and, as far as possible, be accelerated'; *Hansard*, 12 October 1950, pp 763-4.

While Fadden decried the 'dangerous rate' of inflation,[828] economic policy was slow to respond. In a confidential memo to the cabinet in February 1951 Fadden referred to the 'certain prospect of further and very substantial rises in the domestic price level'.[829] He gave as possible responses reducing credit, increasing interest rates, voluntary or compulsory increases in savings, budgeting for a surplus, price controls, increasing imports, currency appreciation and price subsidies.[830]

Menzies wanted to appreciate the pound but Fadden refused.[831] One of his arguments was that the high wool price might prove temporary and there would be opposition to any subsequent devaluation.[832] As an alternative, a wool sales deduction scheme was introduced in 1950, under which 20 per cent of the value of wool sold or exported was paid to the Treasury and credited against woolgrowers' income tax obligations.[833] It was very unpopular with farmers and repealed the following year.

Notwithstanding the important role promises of removing controls had played in their 1949 election campaign, the government introduced the *Defence Preparations Act 1951* and used it to reintroduce capital issue controls in the 1950 budget, both restraining total investment and directing it to priority areas, arguing the prospect of another war constituted exceptional circumstances.[834] A short-lived National Resources Board, based on a similar body in the US, was established to set the desired total investment and prepare plans for controls required in any future war, which many ministers thought could be soon. The board included public servants, business leaders and a trade unionist and was

[828] *Hansard*, 21 June 1950, p 4667. His speech put more emphasis on the need to 'destroy the menace of communism as the first and fundamental prerequisite to putting value back in the pound'.
[829] 19 February 1951, *Menzies papers*, NLA MS 4936, box 438, folder 5.
[830] Coombs had suggested many of these measures to Fadden in May 1950; Rowse (2002, pp 206-7).
[831] Fadden said in cabinet that the Country Party 'can't stay in cabinet…if we appreciate'; Weller (2007b, p 106). A measure of the strength of his opposition was that reflecting in retirement on his 22 years in federal parliament, he named preventing an appreciation as his most notable achievement. By contrast the long-serving central bank governor Coombs (interviewed by David Love, *Australian Financial Review*, 23 July 1968, p 2) nominated *failing to appreciate* as the major regret of his governorship. As Ellis (1963, p 288) points out, there was an implicit threat: the Labor Party had said they opposed appreciation too and the combined Labor and Country Party vote in the House exceeded that of the Liberals. Davey (2010, p 87) and Fadden (1969, p 116) report that during this tense period, some Country Party ministers carried signed letters of resignation in their pockets.
[832] Fadden (1969, p 115).
[833] Fadden (1969, p 117) describes how he initially wrote up the plan on lavatory paper, all that he had available on the night he had the idea.
[834] Boyd and Charwat (2014), Butlin (1983, p 138).

chaired by the prime minister. Casey, the Minister for National Development, wanted the board to have executive functions, but Menzies restricted it to an advisory role.[835]

In the September 1951 budget the government responded to the inflationary pressures with the first explicit use of Keynesian anti-inflationary fiscal policy.[836] There were increases in income tax, company tax, sales tax and excise duty and special depreciation allowances were removed. One estimate put its impact on personal income at almost 6 per cent.[837] The government budgeted for a significant surplus. Fadden had argued to his colleagues that 'a budget surplus is one of the most effective weapons currently available to the government – and also one which interferes as little as possible with the freedom of the economy to shape its own course'.[838] Import licensing was also lifted.

An explicitly Keynesian stance was adopted in the budget speech:

> the financial operations of governments can, if appropriately directed, do a great deal to redress unstable conditions developing within the economy … modern thought on the relation of public finance to economic stability is quite clear … that, in times of excessive demand and scarcity of labour, governments should draw away from the public in taxation and loans more than they spend for current purposes.[839]

Fadden concluded, in a somewhat mixed metaphor, that 'the whirlwind of rising prices may be exhilarating for the few who can ride it out, but for many inflation can become a whirlpool which ever more rapidly engulfs their savings and ultimately their jobs'.[840]

The reaction was sharp. A tabloid headline screamed 'huge sales tax rise in horror budget', a sobriquet coined by Arthur Calwell that was forever attached to it.[841] Fadden

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[835] Butlin (1983, p 138), Crisp (1978, p 383), Lee (1995, pp 128-9).

[836] See Goldbloom, Hawkins and Kennedy (2007) and Whitwell (1994). Perhaps surprisingly given his respect for Theodore and Chifley, Chris Bowen accords Fadden the title of 'the first Keynesian treasurer'; Clark (2015, p 18).

[837] Artis and Wallace (1967, p 423). Auld's (1967, p 344) study concludes the 1951-52 budget was deflationary but much less so than the 1960-61 budget, and similar to the 1955-56 and 1956-57 budgets.

[838] A memo in January 1951 cited in Whitwell (1986, p 105).

[839] *Hansard*, 26 September 1951, pp 53-54.

[840] *Hansard*, 26 September 1951, p 66.

[841] *The News* (Adelaide), 26 September 1951, p 1. A more measured but just as critical tone was adopted in the broadsheets; 'Drastic budget revision is imperative' was the heading of the editorial in the *Sydney Morning Herald*, normally a government supporter; 3 October, p 2. It was described as 'one of the worst

later judged the budget as one of the two best of the eleven he presented.[842] But at the time he felt 'I could have had a meeting of all my friends and supporters in a one-man telephone booth'.[843] In rather an understatement, Fadden said 'it was not intended to make anyone giggle'.[844] But despite these humorous ripostes, Fadden was feeling the pressure and hurting more than he showed, feeling especially sharply the attacks from country folk.[845] He suffered a minor collapse at a state dinner, and a long sea voyage to attend the Commonwealth Finance Ministers' meeting in London was a welcome break.[846]

After earlier rejecting advice at the Commonwealth Finance Ministers Conference to reintroduce import licensing, Menzies and Fadden did so in March 1952, and the controls were varied with the business cycle over the remainder of the decade.

Menzies rejected backbench suggestions of blocking wage increases, suggesting any interference by the government in the deliberations of the Arbitration Court would be highly improper.[847]

The timing of the government's counter-cyclical moves proved very unfortunate as rather than standing against an ongoing boom, it reinforced a weakening resulting from a collapse in wool prices from April 1951.[848] The greasy wool price almost halved from an average price of 175 pence per pound during 1951 to an average of 89 pence in 1952. With the benefit of hindsight, the peak of the boom has been placed around early- to mid-1951.[849] The economy went into recession from around mid-1951 to end 1952. The

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budgets the Commonwealth has ever seen' in the *Daily Telegraph*, 28 September, p 8. Apparently Menzies himself had earlier referred to the need for a 'horror' budget and Calwell reminded the house of this; *Hansard* 3 October 1951, p 286.

[842] Fadden (1969, p 66). The other was the 1941-42 war budget.

[843] Cribb (1996). Opinion polls suggested the budget halved Fadden's popularity and some graziers called for Fadden to be expelled from the Country Party; Arklay (2014, p 163).

[844] *Advertiser*, 29 September 1951.

[845] His obituary in the *Sydney Morning Herald*, 23 April 1973, said the criticism of the horror budget 'so upset him that he showed signs of severe nervous strain for months afterward. His hair became greyer and he became physically run-down' while that in the *Canberra Times*, 24 April 1973, said the criticism 'hurt him deeply'.

[846] The dinner was on 16 October 1951. He left Australia in December for the conference starting on 15 January 1952 and while there was invested with his knighthood; Arklay (2010, pp 215-6).

[847] Martin (1999b, p 211).

[848] The US military sharply cut back its purchases of wool in April 1951 and the resolution of a dock strike in New Zealand soon after increased the supply of wool to the world market; Little (1965, pp 173-4). With the benefit of hindsight, Karmel (1956, p 59) judged 'the action in this budget was along the right lines, but it was long overdue'.

[849] Waterman (1972, p 12) puts it in June-July; Boehm and Moore (1984, p 42) put it in April 1951 and Kennedy's (1969, p 235) estimates have nominal GNP (seasonally adjusted) peaking in the June quarter 1951.

turnaround was both reflected in and amplified by a stock cycle. With hindsight, economists regard this recession as relatively mild.[850] But it had a marked impact on sentiment at the time: the majority of respondents in an October 1953 opinion poll said their living standard had dropped over the past year; less than a tenth reported any progress.[851]

As Schedvin remarked, 'it is difficult to explain why so little note was taken of the collapse in the price of wool around April 1951'.[852] He suggested that 'as the government had been so difficult to persuade, senior officials were unwilling to encourage backsliding by softening their recommendations in the light of altered circumstances'.

It was not until the second half of 1952 that policy responded to the changed circumstances. In August 1952, the fiscal measures of the horror budget were largely reversed. The 1952-53 budget was brought forward several weeks and included cuts to company and sales tax. Fadden opened by remarking that 'it has now become traditional … that the budget speech should deal also with the impact of the budget, and of the measures associated with it, on the progress and prosperity of the country', a tradition that would have surprised his predecessors of the early days of Federation.[853] Fadden stressed the 'dramatic changes in basic economic conditions' since the previous budget; the fall in wool prices, the surge in imports and the subsequent fall in international reserves. Business, he noted, had 'passed into a phase of slackness and uncertainty' while 'demand for some types of goods is inadequate to absorb the supplies available and, in consequence, some unemployment has emerged here and there'.

Fadden lamented the:

> great change of attitude on the part of businessmen. A year ago many believed that monetary demand for goods would go on increasing at a tremendous rate so that ready markets would be found for almost anything that could be produced or imported

[850] Whitwell (1986, p 107) comments 'the recession of 1952-53 was neither particularly deep … nor protracted'. Schedvin (1992, p 174) agrees 'the downturn was moderate'. It was also partly attributable to a minor drought. It is hard to be sure of its size as while the income-based estimates of real GDP show a fall of around 1 per cent in 1952-53, the expenditure-based estimates show an increase.
[851] Murphy (2000, p 107).
[852] Schedvin (1992). In his speech presenting the 'horror budget' Fadden himself remarked 'wool prices have already fallen a long way from the peak reached early in 1951'; *Hansard*, 26 September 1951, p 52.
[853] The budget speech extracts in this section are from *Hansard*, 6 August 1952, pp 65-78.

> from abroad, and large and easy profits made in the process. A very different outlook prevails today and there is in some quarters a good deal of fear about the economic future. I believe it to be basically unfounded, but the fact that it exists is something we cannot ignore. Psychology is enormously important in economic affairs and can never be safely disregarded.

Fadden was aware of the danger of allowing inflationary expectations to become entrenched and the large output costs that would then be necessary to tame them:

> Plans and commitments are built upon the belief that prices will continue to rise and scarcities to persist. When these conditions are brought or come to an end, as they must some time, expectations are falsified, plans go wrong and losses are incurred. Left to run its own course, inflation will inevitably bring its own drastic solution in bankruptcies and mass unemployment.

Given the change in economic circumstances, Fadden explained the government intended to 'reduce taxation as far as the Commonwealth budgetary position makes possible, but we are not going to go into deficit'. Views differ about how effective was this fiscal response. Whitwell (1986, p 108) suggests the budget was 'mildly expansionary'. Auld's (1967, p 339) study concludes that the automatic stabilisers were helpful and were augmented by discretionary tax reductions but substantially offset by cuts in government spending, leading to the conclusion that 'in terms of discretionary anti-recession policy, the government's decisions were destabilising'.[854]

By the time of the 1953-54 budget in September 1953, inflation had been checked, international reserves had been rebuilt and the Korean War was over. It was back to business as usual with a balanced budget. Fadden opened his budget speech by announcing cuts to a range of taxes and was able to congratulate himself on how his Keynesian tools had handled the collapse of the boom; 'equilibrium has now been restored … the action taken proved both timely and adequate … we have now practically attained that stability we set out to achieve in the strenuous days of 1950 and 1951 … the recent boom, one of the sharpest in our history, was brought under control without

[854] Auld (1967, p 339).

incurring anything, that, by any stretch of imagination, could be called a slump. That, I venture to claim, was a quite unprecedented achievement'.[855]

There was further fiscal largesse in the 1954 budget, with income tax cut and sales tax lowered or scrapped on a range of items including furniture, toys, musical instruments, confectionery and aircraft parts.[856]

Banking and monetary policy

Fadden introduced banking bills in 1950 making the Commonwealth Bank governor answerable to a board rather than to the government. When these were rejected by the Senate, they formed the trigger for the 1951 double dissolution election which gave the Liberal-Country coalition a Senate majority.

Monetary policy had a smaller role than did fiscal policy in fighting the Korean War inflation. Interest rates were increased for the first time since the start of the second world war, but there was 'virtually unquestioned dogma that interest rates should be low',[857] in part due to concerns about inflicting capital losses on those patriotic citizens who had bought war bonds. Furthermore, both the prime minister and the Treasury apparently did not regard monetary policy as very potent.[858] There was an increase in special accounts and a lending directive to rein in credit, which were reversed after the economy moved into recession.

When re-establishing the Commonwealth Bank board, Fadden said he had no intention of separating its central banking function from its commercial banking activities.[859] But ever since the Commonwealth Bank gained more central banking powers during the War,

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[855] *Hansard*, 9 September 1953, pp 41-2. Similarly, when presenting the 1954 budget Fadden was able to refer to 'real and substantial material progress [with]…retail and wholesale prices generally steady throughout the year…we have tasted the fruits of stable progress'; *Hansard*, 18 August 1954, pp 384-5.

[856] Waterman (1971, p 126).

[857] Butlin (1983, p 140).

[858] Treasury argued in February 1951 that 'a government decision deliberately to raise interest rates unless carried to very high levels could not be regarded as an important contribution to anti-inflationary policy'; cited by Whitwell (1986, p 104). Menzies wrote to Fadden in June 1950, 'I have very little faith in the virtue of a rise in interest rates as such a means of restraining excessive investment demands'; cited in Schedvin (1992, p 169).

[859] In 1955 Fadden wrote 'the Commonwealth Bank should continue to have direct contact with current trends in finance and business and thus be equipped with first-hand knowledge to reshape its central bank policy to the requirements of changing economic conditions' and that the central bank should be in a position to direct the trading bank to lend for nationally necessary but 'commercially unattractive' projects; Simms (1982, pp 65, 95). Butlin (1983, p 183) added that some in the Country Party feared separation would jeopardise the concessional finance provided to rural interests.

the private banks had complained it had an unfair advantage in its commercial operations and particularly resented the special accounts. In 1953 the Commonwealth Trading Bank was made a separate entity, but still under the overall control of the Governor of the Commonwealth Bank. The private banks maintained their pressure, leading to the Liberal Party's federal council pushing Menzies for action[860] and in 1957 Fadden introduced legislation for a split. The central banking functions were retained in a renamed Reserve Bank of Australia. The commercial banking activities were transferred to a new Commonwealth Banking Corporation comprising the Commonwealth Savings Bank, Commonwealth Trading Bank and a new Commonwealth Development Bank which Fadden regarded as his 'own brainchild… designed to overcome the lack of adequate long-term borrowing finance for farm development and small industries'.[861] The legislation was initially rejected by the Senate. The bills were much like Theodore's proposals almost three decades before, which were then frustrated by the non-Labor parties in the Senate. Labor and the non-Labor parties had therefore now swapped sides on the argument! The bills were passed when the Government gained control of the Senate after the 1958 election.

Macroeconomic policy in the latter 1950s

Privately Menzies wished Fadden had retired in 1954 after a serious road accident, which required five operations, but felt obliged to keep him on as treasurer.[862] By 1957 Fadden was himself tiring of the job, describing himself as 'about as tired and overworked and often as lonely as a drover's dog'.[863] Nonetheless Fadden continued to achieve results. He merged the income tax and social services contribution, making the tax system simpler. He also introduced many changes favourable to farmers such as increasing depreciation rates and abolishing land taxes.

By the mid-1950s inflationary pressures were again building.[864] Once more electoral considerations inhibited action. The 1955 budget was called 'the most inert one presented

[860] May (1968, p 136).
[861] Fadden (1969, p 147). In another concession to the Country Party, the rural credits function was left with the Reserve Bank; Butlin (1983, p 186).
[862] Davey (2010, p 95), Martin (1999b, p 367).
[863] Fadden, letter to Harrison, cited in Martin (1999, p 367).
[864] Menzies wrote to his daughter in July 1955, 'inflation is once more on the way and some faintly heroic measures will be needed'; Henderson (2011, p 6). Fadden only referred to 'a mild and incipient from of inflation' in his 1955 budget speech; *Hansard*, 24 August 1955, p 29.

to parliament in living memory'.[865] It was only after the Menzies government was re-elected in December 1955 that a package of deflationary measures was announced in a mini-budget in March 1956.[866] Spending was cut, company and sales tax were raised, additional taxes were levied on alcohol and tobacco and interest rates were increased. With the economy judged to have slowed to 'a state of substantial balance',[867] the 1957-58 budget increased government spending and cut taxes. Again, the measures were delayed until after the economy had already peaked.[868]

While critics described these responses as 'stop/go', overall the Fadden era appeared economically a golden age; with unemployment averaging under 2 per cent and economic growth around 4½ per cent in the 1950s. After the Korean War boom, inflation averaged around 2½ per cent.

The record looks less impressive when compared internationally. The 1950s were a golden age across most of the western world with Australia slipping behind; its average annual growth in real per capita GDP of 1.7 per cent was below the Western European average of 4.2 per cent and slightly slower than that of Canada.[869]

Chifley as opposition leader

While Labor lost its lower house majority in 1949 it retained control of the Senate and Chifley served as opposition leader. The 1951 double dissolution election arose due to Chifley's resolve to oppose legislation replacing the Commonwealth Bank governor by a board. Chifley was apparently influenced by his memories of the role played by a board during the Depression but, as Beazley (1966, p 22) pointed out, the means of appointment and ability of the government to direct the Bank are more important than whether its decisions are taken by a board or individual. Chifley attempted to make rising inflation the major election issue but it became dominated by communism, an issue that divided the Labor Party and their trade union supporters. Menzies won majorities in both houses.

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[865] *Sydney Morning Herald*, editorial, 25 August 1955.
[866] Karmel (1956, p 59) believed the 1955 budget repeated patterns of acting too late in addressing inflationary pressures and only offered 'a token cut in its own expenditure'.
[867] *Hansard*, 3 September 1957, p 215.
[868] The peak is estimated at around June-September 1955; Waterman (1972, p 12).
[869] The global average was 2.8 per cent; based on estimates in Maddison (2001). See Table 10.4 below.

Chifley was still opposition leader on 13 June 1951, when Menzies halted the dancing at the ball commemorating fifty years of federal parliament to announce the passing of his great rival, who had suffered a heart attack in his modest room at the Hotel Kurrajong. Chifley was 'mourned by a whole nation'.[870]

Fadden's latter years

With his health suffering from the strains of office,[871] Fadden stood down as Country Party leader and deputy prime minister in March 1958, did not contest the elections that year and handed over the treasurership to Harold Holt in December.[872] Unusually, he held the treasurer's job for a little while after he ceased to be a member of parliament.

Fadden lived for almost 15 years after his retirement from parliament but without any prominent public role. He was hurt not to be given the chair of the Commonwealth Banking Corporation and was privately critical of the direction in which the Country Party was taken by his successor McEwen.[873] He accepted a number of directorships and published a very anecdotal memoir.[874] Fadden died on 21 April 1973, survived by his wife, two daughters and a son.

Commemoration of Chifley and Fadden

Chifley and Fadden both have Canberra suburbs and federal electorates in their home states named in their honour. Chifley Library at the ANU is an apt memorial given Chifley once said he would have preferred a university education to a million pounds and his

[870] Denning (c1952a, p 2), Marr (2001), Martin (2015, chapter 1) and Reid (1951a, p 1) provide detailed accounts of his passing, the funeral and mourning.
[871] McEwen and Jackson (1983, p 57); Whitington (1964, p 77). In his memoirs, Fadden gave as his reason for retiring only that he was physically tired and wanted a long holiday, although he noted that many in politics stay too long. Arklay (2014, p 197) and Reid (1961a, p 12) also refer to the loss in 1956 of his deeply loved son Gordon. Opperman (1977, p 344) recalled him as 'physically he was far beyond his mileage. Family bereavements, a close brush with death…[and his political workload] had eroded his energy, frayed his nerves and lowered his morale'. Arthur Calwell (1972a, p 59) recalls Fadden saying in March 1957 that he feared his health 'would break down completely' if he continued in politics. By his final year, there were also increasing concerns about excessive drinking; Arklay (2010, p 237). Whitington (1964, p 27) believed Fadden had 'very little heart for the job' from the mid-1950s.
[872] As he noted in his memoirs, Fadden (1969, p 148) was one of the few treasurers to step down voluntarily and know when they are presenting their last budget, and was able to refer to his then record term in his final budget speech; *Hansard*, 15 August 1958, p 20.
[873] Arklay (2014, pp 207-8).
[874] With the assistance of journalist Elgin Reid and historian of the Country Party Ulrich Ellis (who had also assisted with Page's autobiography).

government's role in establishing ANU.[875] More surprising, Torrens University has a Chifley Business School. ASIO's new headquarters has been named after Chifley, as has Chifley Tower, Sydney's tallest building, in Chifley Plaza. The ALP's think tank is called the Chifley Research Centre. One of the Jenolan caves was renamed in his honour. There have been a series of Chifley Memorial Lectures, mostly held in Bathurst, notable examples including Whitlam (1957 and 1991), Keating (1992) and Hawke (1995). A memorial garden to Fadden was created in Brisbane, although much of it was later taken up by a freeway.

Synkrisis

Chifley and Fadden could both be regarded as successful managers of the economy. Chifley oversaw both the direction of resources to the war effort while containing inflation and the subsequent redeployment of them back to civilian uses without significant unemployment. Fadden was able to avoid the spike in inflation from the Korean War boom becoming imbedded in inflationary expectations and do so without a large rise in unemployment. For the rest of his term largely benign international conditions made it easier for him to maintain both low average rates of inflation and unemployment.

Despite some similarities in their backgrounds and natures, however, the two men differed in their approaches to being treasurer. Chifley was more far more activist and far more driven to make changes to correct what he saw as the deficiencies in the economic system that led to the scourge of unemployment. This led him to seek fundamental changes to the operation of both monetary and fiscal policy. Influenced by his advisers, his reading and his time on the Royal Commission, he was sympathetic to Keynesian views but did not fully trust in the ability of Keynesian policies to steer the economy, continuing to see a role for more direct controls.[876] Fadden was not critical of the capitalist economy but accepted the advice of Treasury to use Keynesian methods to manage it, albeit subservient to a political agenda which often meant the policy measures were implemented too late.

[875] A proposal to name the new university in western Sydney after him was scrapped by a state Liberal government.
[876] Cornish (1993a).

Chifley had the advantage of strong support from his prime minister Curtin, with whom he had a warm rapport, in his early years as treasurer and then the status of prime minister himself for the remaining time. Fadden in the 1950s had a less warm relationship with his prime minister but Menzies did not fear him or repress him, as has been the case with some other prime minister-treasurer relationships. Fadden had the advantage of the brilliant economist Wilson as his Treasury secretary.

Chapter Seven: Paul Keating and John Howard: young treasurers from the Sydney suburbs

Prologue

Labor's Paul Keating and the Liberals' John Howard share a similar background in many ways. Indeed, O'Brien (2015, p 48) described them as having led 'parallel lives'. Both grew up in post-war suburban Sydney; the Keating home in Bankstown was only about ten kilometres away from the Howard home in Earlwood. Both their fathers were small businessmen while both mothers concentrated on raising the family. Both had three siblings (although Paul was the eldest child and John the youngest). They shared an admiration of Winston Churchill.[877] Both were first generation politicians and, unlike contemporaries such as Kim Beazley Jnr, Simon Crean, Alexander Downer and John Spender, neither could claim parliamentary ancestors, yet had fathers who were members of a political party and political discussion was a common occurrence around the dinner table. Both entered parliament relatively young and both were among the handful of treasurers who attained the post before they were forty.[878] Both were astute political operators and good at reading the public mood. They were both very good in their own ways at handling the media and could distil complex arguments into simple messages.

While they each wanted the economy to perform well under their management, they had grander aspirations about reform, and not just limited to the economy. The two are regarded by Quiggin (2012, p 212) as the leading proponents and implementers of 'economic rationalism'. They championed 'free market' economic reforms, both within their own parties and to the wider public. Commentators such as George Megalogenis (2006, p 1) have referred to their 'consistency on economics'. For a considerable period in parliament they were regarded as 'quite close'.[879] On issues such as financial deregulation Keating implemented as treasurer policies to which Howard had aspired.

[877] Keating was inspired by Churchill's career and his writing in the *Strand Magazine*; Watson (2002, p 14), Day (2015, pp 53-54). On at least one occasion Howard compared himself to Churchill; 'I am the bloke who ultimately wins the last battle and in political terms that is Churchill'; Marr (1998, p 147).

[878] The others were Chris Watson, SM Bruce and Peter Costello. See Tables 8.1 and 8.2 for further comparisons.

[879] Masters (1990b, p 10). Megalogenis (2006, p 301) reports 'Keating says that he enlisted Howard to his economic-reform mission, and that Howard, in turn, encouraged him 'behind the scenes' on the path of

Table 7.1: The parallel lives of John Howard and Paul Keating

	John Howard	**Paul Keating**
Born	July 1939	Jan 1944
First elected to federal parliament	May 1974	Oct 1969
First appointment as minister	Dec 1975	Oct 1975
Treasurer	**Nov 1977- Mar 1983**	**Mar 1983 – June 1991**
Opposition leader	Sept 1985 – May 1989; Jan 1995 – Mar 1996	n.a.
Prime minister	Mar 1996 – Dec 2007	Dec 1991 – Mar 1996
Left parliament	Nov 2007	April 1996

Source: derived from 44th *Parliamentary Handbook*.

But they came to be bitter political rivals with marked policy differences (perhaps most notably on taxation and the republic) and were almost polar opposites in their political style. Keating was a self-described exciting 'maddie' whereas Howard was the archetypal 'straight man'.[880] Keating has been described as 'utterly fearless, utterly determined, utterly indefatigable and, quite possibly, utterly mad…no sane self-interested politician would have taken the political risks that he did to reform the Australian economy'.[881] He was a man of contrasts; 'the brawler-statesman…the kid from the fibro suburb in the Armani suit'[882], the 'larrikin aesthete'[883], and the man with the mix of 'public lethality'

deregulation…Howard went as far as playing de facto mentor to Keating. He had advised the new Labor treasurer to move his young family to Canberra, warning that the job would keep him away from home for long periods'. The initial breach between them occurred when Howard acquiesced in Wilson Tuckey making accusations in parliament about Keating's personal life; Megalogenis (2006, p 302).

[880] The classification of politicians as straight men, fixers and maddies is discussed in Chapter 2. Keating described himself as a maddie in a phone call to Mark Latham, 12 October 1999, related in Latham (2005, p 117) and in an interview with O'Brien (2013).

[881] Hartcher (2011, p 108). Oakes (1993) makes similar comments. As treasurer, Keating's boldness divided public opinion. Labor pollster Rod Cameron believed that in 1990 a third of voters admired Keating greatly, a third detested him and a third disliked but respected him; Craven (2017, p 18). Keating himself later said 'to be any good at this game, you must possess the crazy gene'; Bramston (2016, pp 4, 15).

[882] Graeme Richardson, cited in Ellis (1997a, p 135). Jim Chalmers (2004, p 11), now a Labor MHR, used the term 'Brawler Statesman' as the title of his PhD thesis on Keating.

[883] Leser (1998, p 46). Cabinet colleague Gareth Evans referred to him as 'a globally unique combination of statesman, showman, aesthetic and street fighter'; *Australian Financial Review*, 28 August 2014, p 56. Journalist and political historian Paul Kelly (1994, p 233) called him 'a savage by day and a connoisseur by night'. Barry Jones (2016, pp 78-81) recalls some of Keating's cultural enthusiasms.

with ‘private softness’.[884] Throughout his political career Keating remained a powerful political orator.[885] Howard, by contrast, is known for his ‘awesome ordinariness’.[886] Indeed he was once called ‘boring as batshit’ – and this was by one of his supporters![887] While constantly available to the media and a more than competent debater, Howard has never been regarded as an inspiring orator, speaking in what Kelly (2009, p 16) calls a ‘dull monotone’.

Family and childhood

John Winston Howard was born in the Sydney suburb of Earlwood on 26 July 1939, his middle name reflecting his father's opposition to appeasement and support for Winston Churchill.[888] John (or Jack as he was often called then) grew up in what he recalls as ‘a stable, lower middle-class home’.[889] Both his father and grandfather had enlisted in World War I; it was a family that placed a weight on duty to the British Empire. His father Lyall owned a small business, a service station, and his mother Mona looked after the family. His was a comfortable upbringing but his father died suddenly when John was only 16.

Paul John Keating was born in Bankstown, a western suburb of Sydney, on 18 January 1944, the eldest of four children of Matt, a boilermaker who built up a successful engineering business, and Min, a packer at a factory. Keating recalled his mother as having ‘great ambitions for me’ even though ‘she didn’t quite know what they were’.[890]

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[884] Kim Beazley cited by Bramston (2016, p 603).

[885] Future treasurer, and arguably Keating protégé, John Dawkins said there was an ‘intensity about his discourse that was engaging’; D’Alpuget (2010, p 222). Even as a mere backbencher in the Whitlam Government he was known for ’tearing into the opposition in the manner of a starving dingo on a newborn lamb’ and ‘his body language served to provide added firepower for his words – the jabbing finger, the slight swaying motion of a boxer putting his whole torso into every punch; FitzSimons (1998, p107). Brett (2005, p 21) said Keating was ‘energised by conflict and brilliant at marshalling his aggression…arguing passionately for reform, he could make people feel that he had no respect for their views and experiences, and his verbal skills could leave them floundering’. His language, usually free of jargon, could be ‘a shillelagh or a paint brush’ and ‘he could make phrases that stuck’ and ‘he could remind you of what language can be and what it can do’; Watson (2002, p 24).

[886] Press gallery doyen Michelle Grattan, cited by MacCallum (2007, p 168). Price (2006, p 61) calls him ‘astonishingly ordinary’ and cites former premier Carmen Lawrence as calling him ‘the most deeply ordinary person that I’ve ever confronted in Australian politics’. Journalist Laurie Oakes (1997, p 10) remarked ‘anyone who believes that John Howard is a grey boring one-dimensional figure should read the Barnett (1997) biography. They’ll be reassured about their judgement.’

[887] The Liberal federal director Lynton Crosby, cited in MacCallum (2014a, p 187).

[888] Howard was to live up to the name with a 'Churchillian-like stubbornness' according to one of his chiefs of staff, Gerard Henderson (1990, p 155).

[889] Howard (2010, p 10).

[890] Keating interviewed in O’Brien (2015, p 9).

Education

A good memory helped offset the difficulties John's poor hearing caused at school. But his hearing difficulties left him with a degree of shyness.[891] Despite this, he 'had from the earliest age a flair for debate'[892] and was already aspiring to be prime minister when at primary school.[893] But at high school he could not win enough votes to become one of 25 prefects.[894] To his future embarrassment, he also failed mathematics in his final year at Canterbury Boys High School.[895] While his school results were not good enough to win a scholarship, they sufficed for him to enter the University of Sydney Law School where his mother paid his fees for the first year. He recently told Megalogenis (2017, p 130) that had he not studied law he may have become a journalist.

Looking back Howard reflected 'one of my real educational regrets is that I never did an arts or economics degree'.[896] His hearing problems, and the location of the law school away from the main university campus, discouraged him from getting involved in student politics.

Paul also had a happy childhood with supportive parents. He attended local St Brendan's school where, remarkably in hindsight, the nuns recalled him as a 'docile little chap',[897] and De la Salle College where his strength was in maths and science although his main interest was history. Again, the recollections of a teacher were that Paul was 'very shy' and classmates recalled him as bright but quiet.[898] The class were encouraged to take in interest in politics, as tapes of Question Time were played to them for discussion.[899]

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[891] Leser (1998, p 44) and Jones (2016, p 86).

[892] Haupt (1979, p 9), Cockburn (1989, p 35), Leser (1998, p 44), Marr (1998, p 140), McGregor (1987, p 44). His high school year book refers to his 'Churchillian oratory'.

[893] Howard (1996), Barnett and Goward (1997, p 6); Cockburn (1989, p 35), Leser (1998, p 44). Maddox (2005, p 21) gives examples of the teenage Howard's notoriety for being obsessed with conservative politics.

[894] Wainwright and Stephens (2004, p 25).

[895] Errington and van Onselen (2007, pp 15, 29), Murray (2010, p 38), Wild (1978, p 8). Howard got a B in Economics.

[896] Howard (2010, p 18), Grattan (2010, p 443). This was partly a regret he had not enjoyed campus life instead of being restricted to the law school in the central business district; Henderson (1995, p 33). This contrasts with his view while treasurer that 'I haven't found the lack of formal economics training a handicap'; Wild (1978, p 8).

[897] Baker (1988, p 65), Edwards (1996, p 43), Lyons (1987, p 1).

[898] *Sunday Telegraph*, 13 September 1992, p 7; Bramston (2016, p 23).

[899] Knightley (1989, p 153), Bramston (2016, p 23).

Problems with his tear ducts caused by peritonitis made sustained reading difficult, although Keating rejects claims that he was mildly dyslexic.[900] This may have contributed to his decision to leave school at 15 (and to his preference as treasurer for oral briefings).[901] He had been academically undistinguished at school and while he ran and swam was not a star at sport either. He later studied for the equivalent of the HSC at night at Belmore Technical College but did not sit the final exam.[902]

When Whitlam suggested to Keating in parliament that he should get a university degree an affronted Keating replied 'what for? Then I would be just like you'.[903] But Keating later expressed some regret about leaving school early.[904]

Religious and political beliefs

Howard's political views stemmed from the circumstances of his upbringing rather than any intellectual endeavour, argues Murray (2010). Howard described his credo as 'traditional social values of Australian egalitarianism, strong families, entrepreneurial opportunity, hard work, Protestant work ethic'.[905] Like his predecessor as Liberal leader and treasurer Joseph Cook, Howard had 'a strong Methodist upbringing'[906] and moved away from the 'kindly brand of Methodism' of his youth to develop a 'determinedly old testament view of the world'.[907] His marriage brought Howard from Methodism to the Church of England. This was an easy transition for him as he attached little importance to denominational differences within Christianity.

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[900] Ellis (2002, p 389) and Day (2015, pp 40-41). Day has subsequently withdrawn the claim and remaining copies of the first edition of Day (2015) have been pulped.

[901] D'Alpuget (2010, pp 141-2), Day (2000, p 411), Day (2015, pp xiii, 40-41), Edwards (1996, pp 10, 43-44), Chalmers (2004, pp 177-8), Keating (2015). His chief of staff Allan Hawke described him as a 'listener' rather than a 'reader'; Rhodes and Tiernan (2014, p 20).

[902] Day (2015, pp 57-58). Love (2008, p 64) describes Keating as studying in 'a dilettantish sort of way'.

[903] FitzSimon (1988, p 107).

[904] Interviewed by Gerard Henderson (1990, p 178). In Gordon (1996, pp 34-35) Keating remarked 'I could have been better off with a more structured education…a degree would have helped me'. In O'Brien (2015, p 56) he mused 'I think if I had my time over I would have probably done a degree in philosophy; the history of human thought'.

[905] Henderson (1995, p 31). In 1987 he said 'working for yourself is the ethic I grew up with'; McGregor (1987, p 44). To Sheridan (1984, p 19) this comprised 'a coherent and consistent view of the world'. Howard was old-fashioned; Keating referred to him as a 'pre-Copernican obscurantist'; Carroll (2010, p 137), Marks (2014, p 19). But he lived up to the 'hard work' ethos; Paul Kelly refers to Howard's 'enormous energy levels for such a mature politician'; interview 22 November 1996 cited in Bennister (2012, p 136).

[906] Howard interviewed in O'Brien (1985, p 82). Maddox (2005, pp 18-19) argues that the Methodist Church at the time had more progressive views than are generally associated with John Howard.

[907] Williams (2013, p 24).

Howard (1980, p 39) argued in his Menzies Lecture that 'the very essence of our economic philosophy as Liberals is that as little as possible of the nation's resources should be claimed by government'. He held these traditional beliefs steadfastly, but critics argued he did not contribute much on an intellectual level.[908] Brett (2005, p 41) called him a tribal Liberal; 'if something is championed by Labor, then this is sufficient reason to oppose it'. Howard was 'awestruck' by the long-serving Liberal prime minister Sir Robert Menzies.[909]

Keating by contrast 'had an intuitive, artistic mind that arrived at conclusions through leaps of insight, often of dazzling originality.'[910] His speechwriter Don Watson (2002, p 59) noted that 'Keynes said that he took up economics because it suited a man who had an artist's temperament but not his facility' and argues this is true of Keating too. Keating would sketch furiously on economic charts to illustrate his arguments; Ramsey (1987, p 22) styled him 'the Van Gogh of treasurers'. Keating had 'a poet's ability to make the business cycle sound like a symphony' and 'the mind of an artist in the body of a politician'.[911] Indeed his criticism of his opponent John Hewson was that 'he will never lift economics and politics to an art form'.[912] It is perhaps fitting that he is the only treasurer to be the subject of an eponymous musical.[913] He also had, in Kelly's (1994, p 26) words 'an architect's mind in its penchant for clean lines and pure constructs'.[914]

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[908] When asked whether any book was particularly influential on his political thinking, Howard replied 'no, I learned my politics from experience in the field, and in my family and at my school. I've read a lot of books over the years that have confirmed prejudices and modified them, but my politics have been instinctive and remain so'; Haigh (2013, p 59). Errington and van Onselen (2007, p 80) suggest Simon (1978) was an influential book on Howard with the former US treasury secretary making the case for deregulation. Haupt (1979, p 9) remarked 'it may be true to say that John Howard has never had an original idea in his life'. Abjorensen (2007) regarded Howard as 'possessed of no discernibly distinguished intellect'. Leser (1998, p 46) terms him 'bright but unreflective'. Peter Reith confided to his diary that 'I really wonder about John's grasp of detail. In IR he was the spokesperson for five years. He had little idea how the system worked'; 13 August 1997, reprinted in Reith (2015, p 157).

[909] Samuel (1978, p 44). According to Errington and van Onselen (2007, p 20) Howard saw Menzies campaigning in 1955 and 1958. Howard said 'I think of the Menzies period as a golden age'; Henderson (1990, p 155 and 1995, p 30). Errington (2008, p 221) called him an 'unquestioning Menzian'. In a similar vein, Keating (1994, p 15) has referred to Howard as an 'incorrigible Menzoid'. In retirement Howard (2014) wrote a book on the Menzies era and presented a television documentary on his hero.

[910] D'Alpuget (2010, p 76). Bill Hayden (1996, p 481) called him 'a powerhouse for lateral thinking'.

[911] Megalogenis (2011, p 29) and Kelly (2009, p 148).

[912] Keating (1990, p7). He went on to compare himself to Placido Domingo and Hewson to the attendant at the back of the theatre.

[913] The eponymous musical, Bennetto (2005), debuted in 2005 and is described in Carroll (2010, pp 173-182). Keating is also the subject of a poem by John Forbes (1988) and a series of instrumental pieces for piano and clarinet known as the 'Keating tangos' with titles such as 'tango we had to have', 'world's greatest tango' and even 'tango for micro-economic reform'; Marcellino et al (2000).

[914] Kelly (1994, p 26).

While his reputation was for an arrogant certitude, he was 'far more open to ideas and contrary opinions than you might expect'.[915] Keating himself said 'my views can be shifted. If I've got a clear view it will take a bit of shifting but the moment I think it's wrong I will junk it in a second because the moment you start parroting a view you know is wrong your whole self-respect goes down'.[916] Keating once reflected 'I've always been a good listener; in public life you have to be'.[917] Barry Jones (2016, p 82) recalled 'it was said that Keating had a two-metre charm circle around him, even people deeply hostile to Keating found him attractive and compelling once they had met and talked'.

Especially once treasurer, Keating favoured market forces to a degree then regarded as unusual in Labor circles. But he drew a distinction between his support for *markets* and the Liberals' support for *business*:

> The Liberals were always interested in business bodies, cabals, monopolies, duopolies. I wasn't. I was interested in markets, not business. I had faith in markets, in competition…there's a great difference between markets and business.[918]

Keating was never obsessed with money. As he put it, 'like most people I have always wanted enough money not to have to punch the bundy. But I've never considered the accumulation of wealth an interesting way to spend one's life'.[919]

Other than Churchill and Franklin Roosevelt, the political figures who most influenced Keating were former treasurer Ted Theodore, depression era premier Jack Lang and WWII prime minister John Curtin; 'achievers' who 'charged into the party, did things,

[915] McGregor (1977, pp 4-5). Keating once described himself to Kevin Rudd as 'a whore for a good idea…don't care where it comes from'; Carroll (2010, p 67).
[916] Interview with Gerard Henderson (1990, p 184). He made similar comments when interviewed by Fia Cumming (1991, p 329). Keating resented what he regarded as 'pride in his craft' being represented as arrogance; Love (2001, pp 134-5), Knightley (1989, p 153) and interview in O'Brien (2015, p 386).
[917] Watson (2002, p 105).
[918] Keating cited in O'Brien (2015, pp 48, 647).
[919] Knightley (1989, p 155).

took unusual attitudes, took risks'.[920] He also admired the British Labour politician Tony Crosland.[921]

Keating came from an Irish catholic background on his father's side and he 'accepted without any real question or examination the principal beliefs…though he did not then or later exhibit the slightest zealotry'.[922] He recently described himself as not being 'spiritual in a deeply religious sense'.[923] The social values of the church, however, influenced his political stance. Keating (1997, p 313) has described these as 'the whole ethos of a fair go or our sense of justice and social inclusion' and remarked that 'my political life was influenced by the commitment' of the catholic clergy, nuns and teachers.

Young adulthood

After graduating Howard spent about a year travelling through Singapore, India, Israel and Europe, and while in Britain assisted the Conservatives in an election campaign. On his return, he joined the large law firm Clayton Utz as a solicitor, before moving to a smaller firm which became Truman, Nelson and Howard.

Howard married his 'soul partner'[924] Janette Parker after they met at a Liberal Party function. On this first meeting Howard boasted that he would be prime minister one day, and it has been claimed that Janette's 'ambitions for him matched his own'.[925] They would go on to have three children.

His early political career was not without setbacks. In 1958 an eighteen-year-old John Howard was working on the unsuccessful campaign by the Liberal candidate for the Sydney electorate of Parkes and by 1963 he was campaign manager for the successful Liberal candidate there. In 1964 he became president of the NSW Young Liberals. In

[920] Bowman and Grattan (1989, p 145); Carr (1979, p 83); Lyons (1987, p 6), McGregor (1977, p 5), O'Reilly (1979, p 61) and Watson (2002, p 12). While Theodore and Curtin came from modest backgrounds, Roosevelt was a patrician reformer. As Keating put it 'these people didn't need to be walking around with the arse hanging out of their pants to understand running a sensible, well balanced society'; Bowman and Grattan (1989, p 146).
[921] Keating told Knightley (1989, p 153) that Crosland 'wrote wonderful clear-headed pamphlets that were like a breath of fresh air compared to the tripe we had in Australia at that time'.
[922] Edwards (1996, p 53).
[923] Interviewed in O'Brien (2015, p 764).
[924] Price (2006, p 62).
[925] Grattan (2010, p 443); Wainwright and Stephens (2004, p 25). Some would say her ambitions for him exceeded his. Howard has called Janette his 'one person focus group'; Price (2006, p 62). For a portrait of Janette and her influence on John, see Mitchell (2007).

1968 he unsuccessfully contested the state seat of Drummoyne. Losing the contest for a seat the Liberals expected to win left Howard 'devastated' at the time but later eternally grateful.[926]

Keating, who had not gone to university, was working in less prestigious jobs but was also busy politically. After some clerical jobs at Sydney County Council and elsewhere, Keating worked as industrial officer for the Federated Municipal and Shire Council Employees' Union for a year. His main interest away from politics was managing blues-pop band the Ramrods which, in his own words, he took from 'nowhere to obscurity'.[927] He also liked flying and was on the verge of getting his pilot's licence when elected.

Keating joined the Labor Party of which his father was an active local member.[928] Keating was president of the Australian Labor Party's NSW Youth Council at 18 and soaked up Labor history (what he termed 'congealed wisdom'[929]) by meeting twice a week with the former premier Jack Lang, whose political career went back before Federation and the birth of the Labor Party.[930] He single-mindedly worked towards winning pre-selection for a federal Labor seat.

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[926] Howard (2010, p 41 and 2014, p 610). He lost to a popular local candidate but once preselected for a federal seat regarded it as fortunate he did not end up in a marginal seat in state politics.

[927] Brown (2002, p 184). 'When his ambitions for the Ramrods exceeded their own, they parted'; *Euromoney* (1984, p 42). The Ramrods once had the Bee Gees as a support act; Carew (1988, p 18), Day (2015, p 65). Paul recalls occasionally singing with the band and did so again at their 1996 reunion; Baker (1987), Corbett (1996, p 13), Edwards (1996, p 47), Day (2015, p 65). The Ramrods' guitarist recalled Keating was 'very good with the housekeeping'; *Bulletin*, 31 May 1988, p 40.

[928] Love (2008, p 56) suggests that had Paul Keating grown up in Melbourne instead of Sydney his father may have joined the DLP and we may never have heard of him.

[929] Keating interviewed by O'Brien (2013).

[930] Lang had attended rallies by Henry Parkes. As Keating (*Hansard*, 30 September 1975, p 1452) recalled 'he started his association with the Labor movement with people like the Leigh House socialists and the McNamaras of McNamara's Bookshop in Sydney. He married one of McNamara's daughters and Henry Lawson married the other'. He had been a strong supporter of railway workers such as Keating's grandfather William; Day (2015, p 9). Lang's meetings with Keating continued for six to seven years and one of the lessons he passed on was 'the force of language'; *Hansard* 30 September 1975, p 1452, Keating interviewed in O'Brien (2013). Keating recalled Lang once saying 'he had met someone who admired me greatly and that in the end would be the only person I could trust. I asked him who it was and he said it was me'; Hewitt (1981, p 7). In 1971 Keating successfully moved for Lang's readmission to the ALP. At the time, he regarded Lang as 'the greatest living Australian'; Day (2015, p 61). In 1969 Keating had referred to Lang as 'his mentor'; Glascott (1969, p 7). But as treasurer Keating said Lang 'had very little influence'; Lyons (1987, p 1). As prime minister, Keating claimed Lang's influence on him had been 'very much overstated'; Curran (2004, p 260). See also Carr (1979, p 83); Cumming (1991, pp 14-15).

Into federal parliament

Keating was the youngest member of parliament when elected for Blaxland in 1969.[931] He won a 9 per cent swing after a campaign that drew some inspiration from that of John F Kennedy.[932] As a backbencher, Keating would visit the offices of the *Australian Financial Review*, talk to senior executives from manufacturing industry and read works by Adam Smith and Paul Samuelson at home to learn about economics.[933] His first speech called for better urban services, remarking 'I would like to be able to describe my electorate as a scenic district, as something of beauty, but I cannot'.[934] He spent time with Rex Connor, who shared his interest in economic development, but denied being his disciple.[935] Keating described his interests then as 'the structure of society and the economy…what made it tick and how it could tick better'.[936] But he was then far from the economic rationalist he would later become. Upon election, he advocated social ownership of key industries and price controls.[937] In 1973 Keating moved in caucus to direct the trading banks to exempt home mortgages from interest rate rises.[938] In April 1973 he successfully moved for an inquiry into the public service and especially Treasury,

[931] He later reflected that he 'got into parliament too early, at 26, but the train only pulls in once every twenty years in safe Labor seats…you have to jump aboard'; Mark Latham diary entry 30 January 1994; Latham (2005, p 25).

[932] Bob Carr recalls Keating referring to White (1961)'s account of the Kennedy campaign; West and Morris (2003, p 46). Keating's placards and his campaign bus were based on those used by Kennedy; Glascott (1969, p 7); O'Brien (2013).

[933] Day (2015, pp 164, 196), Edwards (1986, p 23 and 1996, p 105); Carew (1988, p 34). Kelly (2009, p 105) says economic journalist Max Walsh was a 'de facto tutor' and Keating recalls that as a backbencher 'I used to go up to the *Financial Review* bureau and chat with Max Walsh and Fred Benchley in the days when you had to walk over the old parliament house roof to get to their offices…they were getting stuff from inside the government and I was tapping into their sources and their views'; O'Brien (2015, pp 62-63). Walsh recalled that Keating was one of the few politicians of the era with an interest in economics; Bramston (2016, p 91).

[934] *Hansard*, 17 March 1970, p 513.

[935] Interview in Henderson (1990, p 175); Cumming (1991, p 206). Oakes (1976, p 138) referred to Keating as a 'Connor protégé' and MacCallum (2014a, p 180) claimed Keating held up Connor as a 'mentor'. O'Reilly (1979, p 61) described Keating as 'virtually an assistant minister to Connor'. When Whitlam once asked him about his fascination with old men like Connor, Keating replied that he was 'trying to suck experience from them'; O'Brien (2015, p 59).

[936] Cumming (1991, p 120), *Hansard*, 17 March 1970, p 514. He was no feminist. As a candidate, he expressed concerns about the cost of housing which sometimes led to the 'wife forced to work'; Keating (1969, p 26), Glascott (1969, p 7). Once elected he decried the circumstances under which a working man 'has to send his wife out to work' and arguing that 'increasing numbers of women in the workforce…is something of which we should be ashamed'; *Hansard*, 17 March 1970, p 515.

[937] Jones (1969, p 15).

[938] After Whitlam argued against it, the proposal was merely referred to a caucus committee; Oakes and Solomon (1974, p 151); Edwards (1996, p 205).

which was manifested in the Coombs Royal Commission. But he had little time for the Left's views on economic planning.[939]

After the 1972 election Keating fell just short of being elected to the ministry.[940] He was not close to Whitlam, who regarded him as 'one of the guys in dark suits from Sussex Street', a NSW Right numbers man.[941] By 1975 Keating had a strong interest in economics, and was a strong supporter of the Hayden budget, but did not at this time see himself as a future treasurer.[942]

Keating was one of the youngest ever ministers when he served for three weeks as minister for Northern Australia in the twilight of the Whitlam government.[943] There is a common (though perhaps untrue) story that returning to parliament house after his dismissal, Whitlam passed Keating in the corridor and snapped 'you're sacked', leaving a bewildered Keating wondering what he had done wrong.[944]

In 1975 Keating had married Annita von Iersel and they were to have four children. Keating's long absences in Canberra were difficult for Annita, and when he became treasurer, the Keating family moved to Canberra.

Meanwhile, after unsuccessfully seeking pre-selection for Berowra, Howard had accompanied Prime Minister McMahon on his ill-fated 1972 election campaign. He was then pre-selected for Bennelong, to which he was elected in 1974.[945] In his first speech, after the customary words praising his electorate, he concentrated on criticising the budget and quoted (twice) then leader Billy Snedden's words that 'the individual's success is the

[939] He derisively referred to 'those old guys couldn't fill in a TA form let alone plan an economy'; Mark Latham's diary entry 5 December 1994; Latham (2005, p 29).
[940] He was the highest polling candidate not to make it; Lloyd and Reid (1974, p 54), Day (2015, p 126), O'Brien (2013).
[941] Keating (2005, p 5).
[942] He also realised Whitlam was unlikely to give an economic portfolio to someone without a university degree; Cumming (1991, p 167). He later recalled 'while I thought my political life would be a life which assumed at some stage responsibility for Treasury or Treasury issues, I wanted to do it at my own pace'; Gordon (1996, p 70).
[943] Charles Frazer, Harold Holt and Andrew Peacock had been younger ministers before Keating and Gary Punch, Kate Ellis and Wyatt Roy have been younger ministers since.
[944] Bowen (2015, p 299), Brown (2002, p 184), Daly (1977, p 232), MacCallum (2014b, p 108), Oakes (1976, p 10) and Ralph Willis (2013, p 123, citing Keating himself) have told the story. On the other hand, Cumming (1991, p 174, also citing Keating), Kelly and Bramston (2015, p 287, also citing Keating) and Edwards (1996, p 124) claim the incident did not occur.
[945] He beat Peter Coleman, the local state member supported by the retiring federal member, 28-20 for the pre-selection. Coleman was later NSW opposition leader, a federal MP and Peter Costello's father-in-law and co-author of his biography.

community's success' which Howard viewed as encapsulating the difference between Liberal and Labor views of the world.[946]

In his early days, the 'boyish'[947] Howard was recalled as 'an ambitious, competent, articulate person who is determined to go places'.[948] Fraser brought Howard to the front bench as shadow minister for consumer affairs and commerce in March 1975. After the 1975 election Fraser appointed Howard minister for business and consumer affairs, with responsibility for competition policy.[949] He handled the portfolio 'competently but without showing a special capacity for dealing with economic questions'.[950] He was responsible for operating a three-month wage and price freeze, from April 1977, although he had no say in formulating the policy. He was also appointed minister assisting the prime minister in May 1977.

In July 1977 Howard was moved to special trade negotiations, an unusual post with only a notional department attached, but designed to give the holder more status to negotiate with the European Community to secure better access for Australian exporters, particularly farmers.

Howard as treasurer

Allegations about speculative financial activities and dubious real estate transactions, and ill health, led Phillip Lynch to stand aside as treasurer during the 1977 election campaign. Howard was initially appointed ‘spokesman on treasury matters’, acting treasurer and then actual treasurer.[951] This made him the eighth treasurer in eight years. Howard acquitted himself well during the election campaign.[952] While Lynch returned to cabinet after the election it was as industry minister. Howard remained treasurer, although then ranked only eighth in cabinet seniority, which rankled with Treasury.[953] He was often

[946] *Hansard*, 26 September 1974, p 1912.
[947] Haupt (1979, p 9).
[948] Snedden and Schedvin (1990, p 189).
[949] As Bowen (2015, p 256) observed, the ministerial responsibilities made him in effect an assistant treasurer.
[950] Schneider (1980, p 103).
[951] This surprised some commentators who had seen Eric Robinson as Lynch's likely successor, but Fraser was concerned that Robinson also had complex business dealings which could attract unhelpful attention; Cameron (1990, p 771) and Samuel (1978, p 48).
[952] Schneider (1980, p 103); Cameron (1990, p 818); Snedden (1986, p 49:17); Michelle Grattan, *The Age*, 13 February 1978, p 9.
[953] Almost invariably the treasurer is one of the four top ministers. The only treasurers with a comparably low ranking were Spender in 1940 and Snedden in 1971-1972. And this was ‘a government where such

perceived as 'very much a Fraser-man'[954] and Weller (1989, p 268) suggested he had less authority in cabinet than most treasurers and 'control over the details and direction of economic policy was …firmly in the hands of the prime minister'. Haupt (1979, p 10) argued Howard was therefore 'identified as the manager rather than the architect of economic policy'. In cabinet, 'Howard would get rolled. Cabinet ministers would sway the debate on the basis of an anecdote in the non-members' bar the night before'.[955] He could not even get through cabinet a proposal for a $1 coin.[956] Howard later claimed 'I had to be the instrument for gathering the tax for the larger government that I didn't want'.[957]

The political challenges that faced Howard are illustrated by a 1978 opinion poll which showed that two-thirds of voters wanted the deficit reduced but majorities wanted increased spending on education, increased spending on health, increased spending on welfare and taxes cut (at least for lower income earners).[958]

The cabinet committee on monetary policy was chaired by Fraser and the committee on wages by Lynch, who also chaired the 'razor gang' (see below). It was not until April 1982 that Howard moved up to the deputy Liberal leadership, and hence the third cabinet ranking.[959] While Lynch had briefly been both treasurer and finance minister, Howard lost the latter portfolio at the start of his tenure.

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things mattered'; Errington and van Onselen (2007, p 74). Treasury was dismayed by the new treasurer's low rank and feared that he would be dominated by the prime minister; Abjorensen (1993, p 75).

[954] Samuel (1978, p 44). Howard rejects this saying he differed from Fraser sometimes, 'I'd be a hopeless treasurer if I let the prime minister get away with everything he wanted'; cited by McGregor (1982, p 16). Bob Ellis (1997a, p 226) claims that Howard's colleagues recalled 'only craven submission and craven flattery' in Howard's dealings with Fraser.

[955] John Hewson, cited *Australian Financial Review*, 6 July 1987, p 8. For example, Howard unsuccessfully opposed in cabinet in 1981 a decision to maintain high levels of protection for the car industry, clothing and textiles; Howard (2010, p 121).

[956] Howard proposed this in 1978 but it was not adopted until the Hawke Government; Peake (2009, p 4).

[957] Cited in Brandis (1998, p 62).

[958] Gallup poll reported in *The Advertiser*, 17 July 1978, p 8.

[959] Fraser wanted to secure the support of the free market 'dries' when his leadership was under challenge from Andrew Peacock; Ayres (1987, p 424). There were also those in the party who did not want both the leader and deputy coming from Victoria; Howard (2010, p 125), Summers (1983, p 49). Fraser had first sounded out backbenchers about replacing Lynch with Howard as deputy after the 1980 election but the numbers were not there; Summers (1983, pp 49-50). A different account is given by Fraser and Simon (2010, p 600) which quotes Fraser as saying 'Phillip was getting tired…I would have had to persuade him to stand'.

The macroeconomy and the early budgets

One early act of Howard as treasurer was the first of some uncomfortable announcements on tax indexation. In the June 1978 ministerial statement Howard referred to an inflation rate of 10.9 per cent, subtracted the effects of higher indirect taxes, health care changes and devaluation to give 7.6 per cent and then halved it to get an indexation factor of 3.8 per cent. In March 1980 it was again announced that the tax scales would only be indexed for half of inflation. In March 1981 it was announced that even half-indexation of income tax was to be abandoned. Howard wrote to Fraser that, while he had 'never been an enthusiast about tax indexation', he was concerned about the 'political implications' of this 'broken promise'.[960] In public Howard still called tax indexation 'one of the most significant changes ever made to the Australian personal income tax system'.[961]

In August 1978 Howard delivered 'a budget speech he had been rehearing all his life', but in which he saw himself as having to 'after nine months of drift, reassert maximum government control over the economy'.[962] But there was one 'severe disappointment' for Howard.[963] Fraser had insisted the 1977 budget include income tax cuts, which were famously spruiked in the ‘fist full of dollars’ election advertisements. Howard believed the cuts were both politically and economically unnecessary and resented the damage to his credibility when one of his early acts as treasurer was effectively to reverse them in the 1978 budget.[964]

The 1978 budget reaffirmed the 'fight inflation first' strategy.[965] In his speech Howard blamed excess wages as the main cause of unemployment.[966] The budget introduced import parity pricing for domestically produced crude oil, one of a number of measures that led to the budget being very unpopular.[967]

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[960] Ayres (1987, p 406) reproduces the letter.
[961] *Hansard*, 2 June 1978, pp 3017-8.
[962] Haupt (1979, p 9).
[963] *Hansard*, 15 August 1978, p 40.
[964] Howard later reflected ‘the tax cuts in ’77 were not necessary and I was surprised by them, and of course, they unravelled very quickly and I had the problem’; Megalogenis (2012, p 105). Howard had to convince the cabinet to drop them and described the experience as ‘awful’; Megalogenis (2006, p 90).
[965] Howard declared 'both for its own sake and as the only real basis for achieving our other objectives, we are determined that Australia will have still lower inflation'; *Hansard*, 15 August 1978, p 38.
[966] Samuel (1978, p 50) and *Hansard*, 15 August 1978, p 39.
[967] 58 per cent of respondents to a Morgan poll rated it ‘bad’, and it would be 1993 before there was a budget with a comparable amount of disapproval; McAllister, Mackerras and Boldiston (1997, p 296).

The 1979 budget again referred to an 'uncompromising attack on inflation.'[968] Howard argued the budget strategy was vindicated by the 'steady improvement in Australia's economic health' but warned of 'fresh inflationary pressures' from higher oil prices. While aiming to reduce the deficit, he lamented 'no one should be under any illusion that the task is easy'.[969] He was able to return the standard income tax rate to 32 per cent from December 1979.

Embarrassingly for Howard, the entire 1980 budget was leaked to journalist Laurie Oakes. Again Howard started his speech by referring to the focus of policy being 'our relentless effort to control inflation' despite it still being in double digits.[970] Defence was highlighted as a priority expenditure area, and increased by 7 per cent in real terms.

After the 1980 election, a Review of Commonwealth Functions committee, known as the 'razor gang', was announced with the aim of cutting some spending programmes and selling off government enterprises. Howard was on the committee, but it was led by deputy Liberal leader Lynch, rather than Howard.[971] An early idea of abandoning the construction of the new Parliament House was vetoed by Fraser and when the committee's report was released on 30 April 1981 the main features were the abolition of the Prices Justification Tribunal, the transfer of some activities to the states, cuts to overseas embassy staff and the sale of some minor government operations.[972] While the opposition denounced it as a 'massive liquidation sale of national assets'[973], a more common view was that 'its results were insubstantial'.[974] Howard (2010, p 120) now views it as 'one of the great damp squibs of the Fraser Government'.

The 1981 budget expressed concern about accelerating wages and once again gave 'priority to constraining and reducing inflation'.[975] Sales tax was increased and its coverage expanded as part of a plan for a balanced budget.

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[968] *Hansard*, 21 August 1979, p 47.
[969] *Hansard*, 21 August 1979, p 48.
[970] *Hansard*, 19 August 1980, p 49.
[971] The other members were the finance minister Guilfoyle, the National Country Party's Peter Nixon and employment minister Ian Viner.
[972] Bendigo Ordnance Factory, Australian Wool Testing Laboratory, Australian Government Clothing Factory, Housing Loans Insurance Corporation, Mugga quarry, Belconnen Mall and some surplus land; *Hansard*, 30 April 1981, pp 1830-53; Wanna, Kelly & Forster (2000, p 130) and Weller (1989, pp 245-251).
[973] Bill Hayden, *Hansard*, 30 April 1981, p 1880.
[974] Richardson (2001, p 201). Among ideas discussed but not recommended were the sale of the two airlines and the Commonwealth Bank; Wanna, Kelly and Forster (2000, p 130).
[975] *Hansard*, 18 August 1981, p 53.

The Campbell report and financial deregulation

Fraser first promised an inquiry into the capital market as part of his election manifesto in November 1975. After renewing the promise at the 1977 election, Fraser, partly influenced by his advisers John Rose, Ian Castles and Ed Visbord, commissioned the Campbell Report, which covered the broader topic of the whole financial system, despite a lack of enthusiasm from Treasury.[976] The inquiry was established 'with committee members and terms of reference that guaranteed a report advocating substantial deregulation'.[977]

Fraser was pushed by his department, and advised by Nobel prize-winner Friedrich von Hayek[978], to float the dollar. Treasury and the Reserve Bank argued that the managed float was flexible enough and that a floating rate might be too volatile. Fraser pushed for Treasury and the Bank to set out how a more market-oriented exchange rate system could be implemented and while at that stage Fraser opposed a full float he was open to debate.[979] But Howard did not push for floating the dollar because Treasury, and in particular his permanent head John Stone, opposed it.[980]

The Reserve Bank board recommended deregulating interest rates before the Campbell Committee reported. Howard initially refused to take the idea to the relevant cabinet committee and when he did it was first rejected and then restricted to deposit rates. Interest rate ceilings on bank deposits were removed in December 1980, but the more sensitive ceiling on loan interest rates remained.

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[976] Barnett and Goward (1997, p 93); Guttmann (2005, p 130) and Weller (1989, p 377); Bell (2004, p 21). John Hewson, then in Howard's office, was also pushing for the inquiry and claims 'I basically wrote the terms of reference myself'; Love (2001, p 59).

[977] Quiggin (2012, p 213). Hewson (2011) recalled he helped choose the members.

[978] Millmow (2015b, p 5).

[979] Fraser and Simons (2010, pp 532-5). Cornish (2014, p 5) notes that Fraser 'expressed some interest in floating the $A when it was explained to him that domestic monetary expansion could be better controlled if exchange rates were allowed to fluctuate according to market pressures'. He asked Austin Holmes, then a consultant economist in his department and a long-time advocate of floating, to prepare a paper on moving to a foreign exchange market; Ayres (1987, p 410). Howard believes that a re-elected Fraser Government would never have floated the dollar; interviewed for Bowen (2015, p 287).

[980] Fraser and Simons (2010, p 526), Megalogenis (2012, p 129). Howard brought a submission to cabinet arguing that 'comparison of Australia's recent experience with that of other countries where exchange rates are determined more directly by market forces does not present a convincing case for a basic change from our present foreign exchange arrangements'; Fraser and Simons (2010, p 533). Even Hewson was at the time apparently a little nervous about the 'risk' of floating the exchange rate; Christine Wallace, citing a letter sent to Campbell Committee secretary Fred Argy, 24 June 1981; *Australian Financial Review*, 10 March 1993, p 5.

While Fraser was initially supportive of the Campbell inquiry, Howard claims that 'Fraser seemed to go cold on the idea of financial deregulation as Campbell's work proceeded'.[981] Howard claims 'I wanted to go a lot further with things like financial deregulation'.[982] On this view, Howard, supported by John Hewson, an advisor he inherited from Lynch, was an 'enthusiastic advocate of financial deregulation' while Fraser was 'more cautious'.[983] By the time the report was released in November 1981, Howard claims Fraser would not commit to supporting its recommendations.[984] The controversial circumstances in which Fraser first became prime minister have been suggested, including by Howard, as making him cautious.[985]

On the other hand, there are accounts in which it was Fraser who pushed for a tender system of selling government bonds in the face of opposition from Howard and Treasury.[986] Treasury notes were first offered by tender in December 1979 and Treasury

[981] Howard (2010, p 114), Haigh (2013, pp 58-59). Howard has referred to those in cabinet 'who believed in the benign hand of government' while claiming himself to be an 'unregenerate free marketer on economics' who 'would have liked to do a lot more'; cited in Sheridan (1984, p 19). Howard (1989, p 34) has called Fraser 'by nature an interventionist' with senior ministers who as 'products of the Menzies-McEwen period had seen a relatively interventionist approach to economic policy apparently produce good results'. Similar views are reported as put by Howard in Kelly (2001, p 244) and Megalogenis (2012, p 145).

[982] Masters (1990b, p 10). As Megalogenis (2006, p 301) put it, as treasurer 'Howard had power, but didn't use it, because he was stomped on by Malcolm Fraser'. Howard himself later reflected to Peter Reith that he knew 'what's it like to have a PM who doesn't support you'; Reith's diary entry 28 August 1997, reprinted in Reith (2015, p 160). Neil Brown (1993, p 189), a contemporary MHR support's Howard's claim to have been a 'frustrated reformer' but was not in the Fraser cabinet himself.

[983] Quiggin (2012, p 214). Keating believes Fraser is 'the most maligned person in the Liberal Party's history' and subject to a 're-writing of history', believing that Howard overstates the extent to which it was Fraser's dominance rather than weak presentation by Howard that led to so little of the deregulation agenda being implemented. Keating claims Howard would 'slither out of the cabinet room like a mangy maggot'; Carroll (2010, p 48). Fraser and Simons (2010, p 543) argue 'any idea that Howard was forcing the pace of change against reluctance from Fraser and cabinet is obviously false'. Ayres (1987, pp 408-9) presents a similar story. Weller (1989, p 383) comments 'no one tried to push along the implementation of the [Campbell] report'. Future Liberal treasurer Peter Costello's view is that 'Howard…had not been a great reformer'; quoted in Errington and van Onselen (2007, p 387) and Hartcher (2007b). Howard's one time chief of staff Gerard Henderson (2003, p 41) believes the outlawing of secondary boycotts by trade unions is 'perhaps the only significant economic reform of the Fraser years'.

[984] Howard (2010, p 126). Snedden (1986, p 56:5) claimed Fraser 'as good as ignored' the Campbell Report.

[985] Howard said in 1980 'in retrospect it was a mistake not to let the Whitlam Government run its full term…there was a feeling we had pushed Australia to the brink…that induced a sense of hesitancy in the reforms'; Masters (1990b, p 10). Journalist Michelle Grattan (2005, p 162) comments 'Fraser was more cautious than one would have expected, given his majority, and a reason was because of the legitimacy issue'. Other Liberal leaders – Peacock, Hewson, Downer and Nelson -- agreed that the controversial manner in which Fraser took power made him more cautious, but Fraser himself and some of his advisers such as Tony Eggleton, David Kemp and Dale Budd, reject this; Kelly and Bramston (2015, pp 276-282).

[986] Fraser and Simons (2010, pp 535-538) presents a detailed account where Fraser and his department push for the measure while Treasury opposes it and Howard appears inactive. Among the drivers within Fraser's advisers were John Rose, Ian Castles and Eddie Visbord. Bowen (2015, p 280) refers to Howard as 'highly resistant' to the reform.

bonds in July 1982. Macfarlane (2006, p 41) says this reform 'has not been accorded the importance it deserves' and regards it as 'second only in importance to the float of the Australian dollar' as a monetary reform. Morony (2007, p 63) says Fraser tried to give his department the right to veto bids in the bond tender but a Treasury officer ignored the direction.

On financial deregulation more broadly, Fraser's adviser Professor John Rose argues 'the action, the drive, the change came from Fraser, it did not come from Howard'.[987] A Fraser biographer has referred to the 'enduring myth' that Fraser resisted the efforts of Howard towards deregulation.[988] Shortly before his death Fraser, interviewed by Megalogenis (2015), recalled 'there were a lot of letters I wrote saying "why is this taking so long?"' In an earlier interview, Fraser (1987, p 35) called Howard 'very lethargic' and similar views are cited by Malone (1987, p 3). Fraser's authorised biography points out that even when Howard suggested some deregulation of banks he said it was 'neither necessary nor desirable' to make sudden changes.[989] Treasury was not pushing Howard to argue for deregulation and there were concerns within the cabinet about the political popularity of deregulation.

Love (2008, p 26) questions Howard's role as a strong advocate for change by pointing to the absence of cabinet submissions by Howard arguing for deregulation. Wallace (1993, pp 125-132) attributes this lack of cabinet submissions to Howard's practice of discussing ideas with Fraser and not bringing forward ideas which Fraser would oppose and to a somewhat chaotic management style in Howard's office where Hewson was juggling his role as adviser with professorial responsibilities at the University of New South Wales. One defence made is that Howard's gradualism reflected guile rather than sloth; 'Campbelling by stealth' through a 'quiet, almost clandestine' campaign to have a 'doubting cabinet' implement the Campbell recommendations.[990] Journalist and political historian Paul Kelly (1992, pp 78-79) shares the blame around; 'Fraser would never

[987] Quoted in Ayres (1987, p 413) and Kelly (1992, p 78).
[988] Ayres (1987, p 408). Peter Costello says of Howard's approach to deregulation 'if he had really wanted to push it he could have pushed it'; Hartcher (2007b).
[989] Fraser and Simons (2010, p 539).
[990] Barnett and Goward (1997, p 204), Barton (1982, p 13) and Kelly (1994, p 78). Gittins (1984, p 9) also sees a strategy behind Howard's 'cunning approach'; 'pulling out all the boards and struts which no-one regarded as particularly important…[so that] the edifice became more unstable and it became easier to justify continuing the demolition job.'

become a pure deregulator; Howard lacked a reforming drive and clout in cabinet; and Stone was obstructionist'.

But as Howard's biographers concede 'the glacial pace of developments surrounding the Campbell Report doesn't indicate a treasurer in a hurry for reform'.[991] Howard took about a year to develop the terms of reference and suggest members for the inquiry and more than a year (toing and froing with Treasury and the Reserve Bank) to translate the recommendations into proposals for cabinet.[992]

One area where Howard was bolder than Fraser was over foreign bank entry. Howard boosted the case for this by allowing mergers between the largest domestic banks. Stone was wary and Fraser (reflecting his rural background) was cautious about giving banks more power, but it again took Howard months to prepare a cabinet submission on the matter.[993] By early 1983, when Howard announced the Government would allow about ten foreign banks to enter the market, the Fraser Government was about to fall.

Tax reform

Howard floated the idea of a consumption tax in 1978 but by January 1979 had to announce the government would not be proceeding with it, on the grounds of its impact on inflationary expectations and the uncertainty it could create.[994] After the 1980 election Howard announced an examination of the taxation system including the possible introduction of a broad-based indirect tax, which Howard hoped to implement before the government lost control of the Senate in July 1981. Fraser and Country Party leader Anthony were not attracted to the idea. In February 1981, Fraser gave a radio interview criticising the inflationary impact of any increase in indirect tax, which signalled the Government would not take any action.[995] Howard (1989, p 34) regarded this as 'a crucial failure of nerve'.

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[991] Errington and van Onselen (2007, p 90). Kelly (1994, p 79) opines that 'Howard lacked reforming drive'. Bowen (2015, p 279) describes Howard as 'not a particularly enthusiastic or fast worker for financial deregulation'.

[992] Ayres (1987, p 411) and Weller (1989, pp 377-382). One factor was the lack of enthusiasm of Treasury and/or the Reserve Bank for specific measures, even though in principle they supported deregulation; Weller (1989, p 382).

[993] Ayres (1987, pp 412-3). Henderson (1995, p 42) calls Howard 'not resolute in pushing for change' and 'indecisive' at this period.

[994] Barnett and Goward (1997, pp 96-97).

[995] Howard first heard of this when journalist Michelle Grattan rang him at his holiday accommodation and said 'your indirect tax is dead, cobber'; Howard (2010, pp 118-9). It remained a long term ambition

In 1978 Treasury proposed a resources rent tax on oil and uranium but industry opposition persuaded Howard against it.[996] Howard called a Labor policy of a super tax on banks as 'socialistic'.[997]

In the 1978 budget Howard introduced a means test on family payments based on the income of children with the intention of stopping the wealthy putting income in the names of children. The press dubbed it the 'newspaper boys tax' and it was scrapped.

When the Costigan Royal Commission uncovered evidence of bottom-of-the-harbour tax avoidance schemes,[998] the government introduced retrospective laws against the schemes in April 1978. This was furiously resisted by some in the business community and the Liberal Party, with former prime minister McMahon leading some backbenchers to cross the floor. Howard once said 'I had a real wrestle and I still haven't resolved in my own mind whether I was right or wrong'.[999] In general Fraser was more supportive of retrospective legislation against blatant tax evasion than was Howard.[1000]

Monetary policy

While John Howard was treasurer monetary policy was essentially determined by cabinet's Monetary Policy Committee, four of whose seven members were farmers. It effectively set maximum interest rates on most bank loans. The Treasury secretary and the governor of the Reserve Bank usually attended its meetings.

When Reserve Bank governor Harry Knight was about to retire, media reports floated the name of Lynch as governor but the Reserve Bank board was opposed.[1001] John Stone (2007, p 14) recommended to Howard that deputy governor Don Sanders be appointed.

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for Howard, finally being introduced when he was prime minister almost two decades later; as Megalogenis (1999, p 99) put it, 'Howard felt the GST would be what *Citizen Kane* was to Orson Welles or *Blonde on Blonde* was to his favourite singer, Bob Dylan – a shot at making history'.

[996] Barnett and Goward (1997, p 83).

[997] As Oakes (1982) noted, 'a somewhat surprising claim given that Britain's Margaret Thatcher imposed just such a tax' the previous year.

[998] 'These involved highly artificial arrangements in which companies were stripped of assets and passed through a number of hands to avoid tax liabilities'; Fraser and Simons (2010, p 587). Costigan's report observed 'this [tax avoidance] industry has developed in Australia…at a rate far in excess of any other industry and has brought with it profits comparable only to the heady days of the Victorian gold rush'; cited by John Dawkins, *Hansard*, 18 May 1983, p 639.

[999] Oakes (1985). Bowen (2015, p 252) regards Howard's stance on tax evasion as the high point of his treasurership.

[1000] Weller (1989, p 388).

[1001] Fraser and Simons (2010, p 550). Ramsey (1984, p 6) reports the external board members wrote to Howard opposing appointing an outsider as governor. Marr (1982) suggests some threatened to resign.

Instead the Bank's secretary, Bob Johnston, who had told Fraser's adviser Rose he was personally more supportive of financial deregulation than were other senior Bank officers, was appointed at Fraser's initiative.[1002]

In October 1978, the Monetary Policy Committee decided that the ceiling on bank lending rates should be reduced but the Reserve Bank's board believed 'it would not be in the public interest' and indicated it would say so publicly if pushed and the government backed off.[1003] The committee contemplated using section 11 of the *Banking Act* to direct the Reserve Bank to loosen monetary policy to assist the housing industry in 1982, but to Howard's relief decided not to do so.[1004]

The Howard treasurership was the highpoint of monetary targeting, which former Reserve Bank governor Ian Macfarlane (1998, p 10 and 2006, p 39) dates as operating from 1976 to 1985. Cornish (2010, p 26) observed that the Reserve Bank itself 'was never convinced that a key assumption of monetarism – that a stable relationship existed between monetary growth and the growth of income and prices – would hold in all circumstances'.

The Campbell Committee recommended in favour of retaining monetary targeting, despite recognising that 'special problems will occur during the transitional period of deregulation'.[1005] In 1978 Treasury said in the Budget papers that the monetary targets 'have made an important contribution to the success of anti-inflation policy.'[1006] By the 1980 budget some wariness was expressed with the targeting approach, as monetary growth exceeded the 10 per cent target by three percentage points. A new target of 9-11 per cent was set but Howard cautioned that 'M3 is not a totally definitive measure of monetary growth'.[1007] In his 1982 budget speech, Howard revealed 'the government gave serious thought this year to formally abandoning the announcement of a monetary projection' but unenthusiastically retained it, arguing it is 'generally seen by the market as important to expectations'.[1008]

[1002] Fraser and Simons (2010, p 550); Bell (2004, p 26).
[1003] Cornish (2010, pp 126-127).
[1004] Cornish (2010, p 128), Howard (2010, p 106).
[1005] Guttmann (2005, p 131), who observes that the discussion of monetary targeting took up less than 1 per cent of the report with only light analysis provided.
[1006] *Budget statement no 2*, p 23.
[1007] *Hansard*, 19 August 1980, p 49.
[1008] *Hansard*, 17 August 1982, p 73.

The 1982-83 recession and Howard's final budget

During 1980 and 1981 real GDP grew strongly and the economy appeared to have left behind the sluggishness of the 1970s and was on the threshold of a resources boom. These sentiments were soon reflected, however, in an acceleration in wages, which was followed by a rise in inflation back into double digits[1009] and a slowing of economic growth. Real GDP contracted in 1982-83 for the first time since 1952-53 and unemployment reached its highest rate since the 1930s.[1010]

1982 was a turbulent year for the Fraser government as it lost the Lowe by-election, Andrew Peacock challenged for the leadership, the Costigan Report led to controversy over tax evasion, the damming of the Franklin River became a major issue, the global economy weakened and the drought became severe. The 1982 budget was regarded as a pre-election budget where the Fraser Government in a 'series of decisions on the run' did a U-turn on its long-term goal of deficit reduction.[1011]

Treasury wanted a deficit of under $500 million, but Howard suggested between $500 million and $1,000 million, warning that a larger deficit would damage the Government's economic credibility. In December 1982 Howard said 'it is no answer to current problems for the Government to expand the budget deficit'.[1012] Fraser, however, for a combination of political and economic motives wanted an even larger deficit. Fraser had been an admirer of Keynes, whom he felt had been misrepresented in some conservative political circles, since his student days in Oxford.[1013] He therefore determined to respond to the weakening economy with a loosening of fiscal and monetary policy.[1014] Fraser's view was reinforced when he held a lunch at the Lodge for leading business leaders and bankers who advocated a stimulatory budget at the time (although some were subsequently critical in public).[1015] In the event a deficit of 1 per cent of GDP

[1009] Peter Costello caustically remarked 'the Howard treasurership was not a success in terms of interest rates and inflation'; quoted in Errington and van Onselen (2007, p 387) and Hartcher (2007b).
[1010] Derived from data in Butlin, Dixon and Lloyd (2015).
[1011] Wanna, Kelly and Forster (2000, pp 142-5), Weller (1989, pp 251-2, 264-5). Fraser planned a late 1982 election, partly due to concerns that the global economy was deteriorating and partly as he preferred to face then opposition leader Bill Hayden (whom he'd beaten in 1980) than the charismatic Bob Hawke. A combination of the Costigan report, opposition from party officials and a bad back forced him to delay until early 1983; Ayres (1987, pp 425-6).
[1012] Davis (1989, p 72).
[1013] Fraser and Simons (2010, p 52).
[1014] Wanna (1994, p 228).
[1015] Weller (1989, pp 257-9).

was budgeted but the final outcome was twice that, the largest ever in dollar terms at the time and the largest as a percentage to GDP since 1977-78. Further spending measures were announced in early 1983.

In the budget speech, the emphasis on inflation was dropped. Instead it was noted 'the international recession is hitting us hard' and so 'we have done all we can to provide relief, assistance and incentive'.[1016] Income tax was reduced, and capital works spending and family allowances increased. Noting 'the Government has always seen merit in gradually moving away from an overreliance on personal income tax', there was some increase and broadening of the base of the sales tax.[1017] There was criticism of wage increases which meant 'Australia has priced herself out of many world markets'.[1018]

Howard considered resigning as he regarded the budget as irresponsible and he was opposed to Fraser's suggestion of overriding the Reserve Bank.[1019] Further aggravating tension between them, Fraser approved spending initiatives without reference to Howard. Fraser and Howard were reportedly snarling at each other over the cabinet table as the budget was developed.[1020] In a cabinet submission, Howard warned 'what is at stake here is our economic credibility'.[1021] Some of his supporters among the 'Dries' – the more zealous free market supporters – even mused about a leadership challenge against Fraser.[1022] But he ultimately decided against resignation. This partly reflected a view that it would be too disloyal and could greatly damage the government and partly that 'at that time, Howard was none too keen on taking really tough decisions'.[1023]

[1016] *Hansard*, 17 August 1982, p 59.
[1017] *Hansard*, 17 August 1982, p 70.
[1018] *Hansard*, 17 August 1982, p 59.
[1019] John Stone advised Howard to resign; Megalogenis (2012, p 133). John Hewson encouraged Howard to resign when Fraser tried to force the Reserve Bank to make a special reduction in SRDs and direct the funds into housing; Abjorensen (1993, pp 82-83). But the 'dries' argued that it was better for Howard to stay; Kitney (2015, p 15). Costello doubts this story: 'he was threatening resignation a long time after the event but there was no evidence at the time'; Hartcher (2007b).
[1020] Kelly (1992, p 51). Howard approved a section in the budget papers regarded as implicitly critical of Fraser, attributing the spike in wages to exaggerated expectations of a resources boom; Megalogenis (2012, p 134). The Reserve Bank's John Phillips (2001, p 44) opined that 'I don't think anybody could have been a great treasurer under Fraser'.
[1021] Kitney (2015, p 15). In Howard (1989, p 33) he wrote 'it seriously damaged the credibility of the Fraser Government'. In 1983 he said of the 'fight inflation first' strategy that 'the error of the former government was not that its policy was wrong but that on occasion the policy was pursued with insufficient zeal and enthusiasm'; *Hansard*, 22 September 1983, p 1191.
[1022] King (2015, p 50).
[1023] Errington and van Onselen (2007, pp 93-4); Howard (2010, p 128); Henderson (1995, p 43 and 2003, pp 42-43).

Howard clashed with Fraser in the dying days of his government about whether Treasury's projections about a widening in the prospective budget deficit should be made public but Fraser prevailed and they were not disclosed until after the election.[1024] During the campaign Howard described as 'colourful', but refused to endorse, a claim by Fraser that savings would be safer under the bed than in the banks under Labor.[1025] Journalist Paul Kelly (1985, p 409) suggests that during the campaign 'the split between Fraser and Howard over economic policy widened dramatically; a re-elected Fraser government would have become quickly involved in a deep brawl over economic direction'.

Keating in opposition

After the 1975 election, Keating stood for deputy leader but was narrowly beaten by Tom Uren.[1026] After briefly being shadow minister for agriculture, he was promoted in 1977 to spokesperson on minerals and energy and he 'visited virtually every resource project in Australia' and promoted a profits-related resources tax, which in 1977 became part of the ALP platform.[1027] Stone (2013, p 44) recalled he 'won golden opinions from the business community'.[1028] Bramston (2016, p 137) describes how Keating aspired to an economics portfolio and hired economist Barbara Ward to his staff to help prepare him. From 1979 to 1983 Keating was NSW state president of the ALP. He was prominent in the then powerful NSW Right faction, dismissing the Left as 'Balmain basket weavers'.[1029] Keating lashed the Fraser government's 'pre-Copernican preoccupations' with small government and cutting real wages.[1030]

Keating was fond of and respected Bill Hayden and hoped to succeed him as prime minister. He was, therefore, unenthusiastic about Bob Hawke's entry into parliament and leadership aspirations, once remarking 'the first Labor leader I tear down will be the one

[1024] Barnett and Goward (1997, pp 238-9), Fraser (1987, p 142), Haupt and Grattan (1983, p 114), Kelly (1985, p 411), Summers (1983, p 159). The '$9.6 billion deficit for 1983-84' was used to discredit Howard for years.
[1025] McGregor (1983, p 101). In private Howard asked Fraser's office 'what the f—k is this "money under the beds" line?'; Tingle (2015, p 39). Hawke's riposte that people could not put their money under the beds as 'that's where the Commies are' only made Fraser seem more foolish; Kelly (1985, p 407).
[1026] He later said that he only ran to stay ahead of Mick Young in the running for a future leadership position and was relieved not to win; O'Brien (2015, p 100).
[1027] Carr (1979, p 84), Day (2015, p 176).
[1028] Stone (2013, p 44).
[1029] Carr (1982, p 24), Carew (1988, p 53), Day (2015, p 199).
[1030] *Hansard*, 26 May 1976, p 2476.

I replace'.[1031] In time Keating joined with his NSW right faction in switching support to Hawke but it was Graeme Richardson rather than Keating who lobbied others to support Hawke.

In shadow cabinet Keating emphasised promoting economic growth to allow redistribution and spending on Labor priorities and warned 'if profits or retained earnings are squeezed unduly in favour of wages, investment slows and growth fades'.[1032] Keating and Willis were appointed by Hayden to a 'shadow razor gang' to vet spending proposals.[1033]

Keating recalls asking Hayden after the 1980 election to be made shadow treasurer but Hayden preferred to stick with Ralph Willis.[1034] In the dying days of his leadership in January 1983 Hayden replaced Ralph Willis with Keating as shadow treasurer to bring his 'attacking style' to the cause.[1035]

Keating was one of the few shadow ministers to support the Campbell Report recommendations in 1981.[1036] But in public he had to follow the party line. In early 1983, Howard announced the government would allow about ten foreign banks to enter the market. As newly appointed shadow treasurer Keating criticised this as 'ad-hoc

[1031] Day (2015, p 184), Edwards (1996, p 152).
[1032] Carr (1982, p 24).
[1033] Haupt and Grattan (1983, p 67).
[1034] Keating, cited by O'Brien (2015, p 122), commented 'I believed I had a much better model developing in my head for the economy and was in a better position to sell that model than anybody else'. In contrast Carew (1988, p 65) and Freudenberg (2005, p 209) believe it was Hayden who raised the idea with Keating in 1980 but Keating was unenthusiastic. Hayden was also dissuaded by some left-wing members; Weller (1999, p 141).
[1035] Bowen (1990, pp 12:21, 22:17 and 32:1). Bowen and/or Uren suggested the idea to Hayden and told Keating it would assist his prime ministerial aspirations. Hayden told Keating 'you're the only bastard tough enough to handle [then Treasury secretary] John Stone'; Carew (1988, p 69), Day (2015, p 311), Edwards (1996, p 159) and Kelly (1994, p 27). Hayden also thought about moving Hawke to the shadow treasurer position but the left of the party strongly opposed this; Kelly (1985, p 339) and Summers (1983, p 25). As Kelly (1985, p 352) put it, the switch was because 'Willis had all the expertise but no wham'. Bramston (2016, p 167) recalled being told by Hayden that his press secretary Alan Ramsey was the strongest advocate of the move. Keating claims in O'Brien (2015, p 122) that by then he was unenthusiastic about the idea but Haupt and Grattan (1983, p 53) claim the move lifted Keating out of a temporary period of gloom. Edwards (1988, p 71) believed Keating was unsure enough to discuss with four Labor identities before accepting but Keating told O'Brien (2015, p 122) it was the leader's right to appoint whomever he wished and so he thought 'I've got to go up the big learning curve but what else can I do?'.
[1036] Bowman and Grattan (1989, p 149), Garnaut (1994, p 61). As shadow minister for natural resources Keating came to believe the local banks were starving miners of finance and this inclined him to support foreign bank entry; Megalogenis (2012, p 164).

decision-making which…will effectively change by stealth the whole structure of the Australian financial system'.[1037]

Keating as treasurer

Hawke thought about shifting Keating after the election and appointing Willis, his former ACTU colleague, as treasurer.[1038] But Keating threatened 'massive retaliation', New South Wales figures in the party insisted that with a Victorian as prime minister, the treasurer should be from NSW, and Hawke realised Keating was a more effective salesman than Willis, and so Keating was confirmed as treasurer.[1039]

Keating became the driver of economic reform.[1040] Keating acknowledges that Hawke was more supportive of economic reforms than were many other prime ministers.[1041] They formed an effective team, agreeing on most issues and with what 't Hart and Walter (2014, p 4) termed 'distinctive but highly compatible skill sets'. Hawke shone at gaining popularity with the public, thereby winning elections, negotiating compromises and chairing cabinet which allowed Keating (and some other senior ministers) to shine at introducing reforms. Keating brought to the partnership an ability to win over cabinet and caucus 'with charm, aggression, chutzpah and sheer command of detail', dominate the parliament and enthral influential members of the press gallery.[1042]

[1037] Keating argued 'any logical examination of this issue leads to the inescapable conclusion that over time foreign bank entry will force up interest rates for individual borrowers'; cited by Gittins (1984, p 9). This stance had been drafted for Ralph Willis by his adviser John Langmore; Edwards (1996, p 206).

[1038] Day (2015, p 223) and Bramston (2016, p 183) claimed the ACTU's Bill Kelty pressed Hawke to appoint Willis. Chris Bowen (2015, p 302) reveals Hawke had his political adviser Peter Barron attempt to convince Keating to give up the treasury portfolio.

[1039] Keating interviewed in O'Brien (2015, p 132), Keating comments to Mark Latham, 12 May 2003, in Latham (2005, p 221), Bramston (2016, p 184), D'Alpuget (2010, p 26), Day (2015, p 224), Hawke (1994, p 158), Kelly (1994, p 55), Mills (1998, p 52), Richardson (1994, p 137) and Tink (2014, pp 299-300).

[1040] As Keating put it, Hawke 'actively supported the policy that I recommended to him. But the philosophy of the policy, the execution of the policy came from me'; interview February 1998, cited in S Martin (1999, p 155). He has recently called them 'a great partnership'; cited in Gordon (2014, p 5). Fellow parliamentarian Leo McLeay said; 'Keating was the driver of most of it…what drove him were the Treasury people. Hawkie went along with things most of the time, that chairman of the board attitude. Keating was the engine, Hawke was a participant', interview March 1988, cited in S Martin (1999, p 154).

[1041] Keating interviewed by O'Brien (2013). Paul Keating once remarked 'you can't preside over such fundamental adjustments without a substantial and deep unity of purpose between the prime minister and the treasurer'; Bramston (2014, p 124). Weller (2007b, p 171) notes Hawke 'generally helped Keating hold the economic line, more certainly when Keating was actually present'.

[1042] 't Hart and Walter (2014, p 5).

Revising priorities and the Economic Summit

A Treasury insider had leaked to Hawke news of the large budget deficit during the election campaign but Hawke did not disclose it.[1043] But after the election, the revision in the projected budget deficit from $6 billion to $9.6 billion was used to justify reviewing Labor's $1.5 billion of promises. Keating thought this was no bad thing as 'the 1983 policy speech that Bob gave was hopeless…it was a shopping list'.[1044]

To help set a new agenda, a National Economic Summit was held in April 1983, at which Hawke stressed the need for reconciliation and consensus. This led to the abandonment of the Fraser government's 'fight inflation first' policy and agreement that inflation and unemployment needed to be fought simultaneously.[1045] The Summit agreed to the establishment of the Economic Planning Advisory Council. A ministerial statement on the summit was presented by Hawke. As Barry Jones (2006, p 338) remarked, with hindsight it is striking the issues *not* addressed by the Summit, such as floating the dollar, foreign bank entry and taxation reform.

Notwithstanding his desire for the post, Keating reputedly had remarked on becoming treasurer, 'I've been handed the poisoned chalice, mate'.[1046] In his early days in the role Keating felt 'a substantial degree of discomfort' and agreed to leave responsibility for tax policy with Willis and Dawkins.[1047] He started in a subdued fashion, was tentative at the Economic Summit, and on his own admission 'it took me a while to find my feet'.[1048] But as Hawke put it, Keating was 'a quick learner' and 'his customary confidence and assurance' soon returned.[1049] By 1984 he was confident enough to face an audience of the Economics Society and field questions for an hour.[1050]

[1043] Bongiorno (2015, p 15), D'Alpuget (2010, p 14); Goldfinch and 't Hart (2003, p 243).
[1044] Keating interviewed in Megalogenis (2015).
[1045] See also Keating's ministerial statement, *Hansard* 19 May 1983, p 803 and his first budget speech.
[1046] Carew (1988, p 67), D'Alpuget (2010, p 26). Edwards (1996, p 160) suggests 'Keating's reluctance to take the job was more feigned than real'.
[1047] Kelly (1985, p 352), Bowen (1991, p 22:17). By July Keating regained control of tax policy; Walsh (1995).
[1048] Keating quoted in Cumming (1991, p 311). John Button described him as 'extraordinarily hesitant'; Gordon (1996, p 96). Keating has conceded 'it took me a while to find my position', Spencer and Chubb (1993), but recently put reports of his initial nervousness in context, arguing 'you'd need to be on valium not to be nervous'; interview in Megalogenis (2015). Bob Carr observed 'the Keating learning curve is one of the masterpieces of recent Australian politics'; Lyons (1987, p 1).
[1049] Kitney (2012, p 45), Megalogenis (2012, p 165); McMullin (1991, p 418). Treasury officials described how Keating grew into the job as they schooled him in economics; Campbell and Halligan (1992, pp 24 and 26).
[1050] Carew (1988, p 88).

Keating's early budgets: out of recession

Treasury described the fiscal imbalance facing the incoming government as 'unprecedented in Australia during peacetime', with the deficit projected to exceed 6 per cent of GDP.[1051] Keating explained the need for expenditure restraint as 'because there is an economic need for that to happen in the context of a maturing economy, not because obeisance needs to be paid to any dogma'.[1052] Keating never had time for those he called 'deficit daleks', which he defined as 'somebody who believes that the Budget deficit can never be small enough, or the surplus large enough, in any circumstances'.[1053]

Keating sat on the Expenditure Review Committee (Labor's version of the 'razor gang'), chaired by Hawke, from its inception in 1983. He worked closely with John Dawkins, the finance minister, on the 1983 budget, which aimed 'to provide a floor of activity in the economy while the private sector recovers' by providing 'a substantial economic stimulus within an acceptable balance of risks'.[1054] It included some tough decisions on tax expenditures, abolishing rebates for health insurance premia and terminating the housing interest rebate. Some excises were raised and it was announced that they would be indexed to maintain their real value. These revenue measures allowed increased funding for employment schemes and an increase in the unemployment benefit while reining back the deficit. A target of creating 500,000 jobs in the first three years was announced, regarded as ambitious at the time, but easily achieved.[1055] Restoring economic growth was assisted by the breaking of the drought.

In 1984 Keating was named *Euromoney*'s 'finance minister of the year',[1056] or as the Australian press often referred to it 'world's greatest treasurer'.[1057] When he was presented with the award, he was called Australia's 'most impressive treasurer since the war'.[1058]

[1051] *Hansard*, 19 May 1983, p 736.
[1052] Keating (1985, p 20).
[1053] Interview with John Laws, 13 February 1995.
[1054] *Hansard*, 23 August 1983, pp 44, 57.
[1055] Stutchbury (1990, p 55). In the event employment increased by around 650,000 between March 1983 and March 1986.
[1056] The award was principally in recognition of his deregulation of the financial system but also recognised his presiding over rapid economic growth; *Euromoney* (1984, p 40). The only other Australian treasurer so honoured since the award started in 1981 has been Wayne Swan.
[1057] A phrase also used by Hawke in the 1984 election campaign launch; FitzSimons (1998, p 257).
[1058] Kelly (1994, p 10), Megalogenis (2012, p 167).

The markets also paid a tribute to Keating's performance: rumours of his resignation in early July 1984 were enough to drive the dollar down.[1059]

In the 1984 budget Keating noted that the economy had grown 10 per cent from June 1983 to 1984 as the Accord (discussed below) enabled the government to run an expansionary fiscal policy without a wages breakout. The budget included income tax cuts and tax concessions for business but the budget deficit was still reduced. Keating later conceded his 1984 budget had been his worst as treasurer and should have been tighter; it was 'an election one'.[1060]

Floating the dollar and financial deregulation

The government devalued the Australian dollar by 10 per cent in March 1983, soon after its election, in response to speculative outflows of capital. The Reserve Bank, and Hawke's economics adviser Ross Garnaut, encouraged the government to float the dollar.[1061] The Reserve Bank governor, Bob Johnston, was also supportive but Treasury secretary John Stone was not. Keating regards the float as 'probably the most important thing I did as treasurer.'[1062] Accounts differ about whether it was Keating or Hawke who talked the other around to supporting a float.[1063]

[1059] Carew (1988, pp 138-9).

[1060] Henderson (1990, pp 179-180). Long-serving finance minister Peter Walsh (1995, p 117) ranks the 1984 budget 'the most permissive of all the 1980s Labor budgets'.

[1061] Megalogenis (2012, p 153), Walsh (1995, p 99). Keating's economic advisor Tony Cole and PM&C were also supportive.

[1062] Craven (2017, p P18).

[1063] Keating (1999, 2012, 2015b), and interviewed by Kerry O'Brien (2015, pp 148-149), claimed that the Reserve Bank governor, Bob Johnston, discussed floating the day after the devaluation and he had moved to supporting a float from April-June 1983 (and according to Bramston (2016, p 197) Johnston confirmed this) but Hawke says it was his initiative and Keating 'had to be brought along'; Spencer and Chubb (1993), Hawke (1994, pp 240-242), Hywood (1989b, p 8), Kelly (1994, p 90), Megalogenis (2012, pp 154-5). Edwards (1996, pp 217-218) notes that both versions are supported by some of their advisers, but dismisses Hawke's version as 'quite wrong' and says Reserve Bank governor Johnston supports Keating's version. Kelly (1992, p 81) says key players from Keating's office told him Keating had supported a float from at least May and this was a key motive behind establishing the Martin Review. Cornish (2013, p 5) reports that Keating and Johnston had discussed a float in May 1983. Love (2001, p 110) says by May 1983 Keating had asked Johnston 'to prepare a manual for a change in currency policy'. McCarthy and Taylor (1995, p 220) argue that the float was 'championed' by Keating and he had discussed the idea upon becoming treasurer. Garnaut (2003, p 13) believed by mid-1983 Hawke and Keating agreed on a float. Graeme Richardson thinks 'it was more Hawke'; Kim Beazley that 'Bob drove the currency issue…off his experience as a member of the board of the Reserve Bank', Brian Howe and Bob McMullan see it as a joint decision, with the latter remarking 'I was never able to reconcile the conflicting stories between them'; interviews cited in S Martin (1999, pp 181-4). Peter Walsh (1995, p 99) believes 'there were elements of truth in both versions'. John Hewson is adamant 'Hawke should be given the credit for the actual float of the dollar'; Love (2001, p 60). Day (2015, p 242) finds it 'impossible to say' whether the float was first

The pressure to act became more acute with massive capital inflows in late 1983. At the October 1983 discussion on floating the dollar Stone continued to oppose it (preferring a more gradual and delayed response[1064]) and cabinet was unsure about the consequences, with John Button and three other ministers reportedly having doubts but Hayden, Willis and Dawkins all in agreement.[1065] But the decision was taken to close the foreign exchange markets for a day and then when the markets opened on 12 December 1983 it was in a new world of a floating rate and with exchange controls abolished. Macfarlane (2006, p 42) regarded these reforms as representing a 'bold stroke' that 'was the final step necessary to enable the Reserve Bank to conduct monetary policy in the orthodox way' and 'represented a whole change of attitude about how Australia viewed its relations with the rest of the world.' From now on, Keating said, 'speculators can now speculate against themselves and not against the Australian government'.[1066]

Having floated the dollar, Keating turned to other aspects of the Campbell Committee report into the financial system that he had inherited from Howard.[1067] While Labor had

proposed by Keating or Hawke. Goldfinch and 't Hart (2003, p 258) judge 'they obtained the float together'. Journalist Paul Kelly (1985, p 445) believes Keating 'educated' Hawke about the merits of the float. Delahunty (2014, p 181) takes the Keating line unambiguously, describing the Government as having 'finally agreed to Treasurer Paul Keating's plan to float the dollar'. Keating pointed out in his interview with O'Brien (2013) that he did the press conference announcing the float with the Reserve Bank governor, not with the prime minister.

[1064] In a memo to Keating, Stone said 'a complete and wholesale leap to a full market system overnight would be an act of faith to which the government has no need to commit itself at this time and the consequences of which cannot clearly be foreseen'; Bongiorno (2015, p 48) and Stone (2012, p 17). Hywood (1989a, p 9) claimed Stone made three objections: as the currency of a small country the Australian dollar could be manipulated by speculators and so be very volatile; in the short term it would appreciate adding to unemployment (in the event it was fairly steady in the months after the float and then depreciated) and there was a lack of due process in rushing the decision. It has also been suggested that Stone 'was territorial and correctly foresaw the effect this would have on the relationship between the Treasury and the Reserve Bank – strengthening the latter and freeing it from the former'; Charlton (2007, p 132). Whitwell (1990, p 129) writes that many critics felt Stone's opposition to the float was 'dressing up in economic jargon an excuse for maintaining the department's sphere of influence'. As Malcolm Fraser put it, Stone 'believes in the deregulation of everything he does not regulate'; Hayden (1996, pp 222-3). Stone (2003, p 75, 2012a, 2012b) has since tried to downplay his opposition to the float, claiming to have only opposed the timing of it, but Keating's adviser Barry Hughes recalls Stone being 'absolutely adamantly opposed at the time' as does Fraser cabinet minister Peter Nixon (2012, p 167) and the Reserve Bank's John Phillips; Martin (2013, p 7), Phillips (2001, p 37). Day (2015, p 241) asserts Stone claimed the float 'would destroy the Australian economy' and warned Hawke he will regret this 'terrible decision'. Keating described Stone as 'a black cobra sitting in the Treasury ready to spit venom' in his opposition to the float; O'Brien (2013). Bowen (2015, p 306) comments 'no other participant in the process…detected any subtlety in his [Stone's] approach or nuance in his opposition'.

[1065] Marr (2012, p 104).

[1066] Keating cited in Love (2008, p 45).

[1067] He literally inherited it; a faded copy of the report sitting on a shelf was one of the few things Howard left behind in the treasurer's office; Keating quoted in Love (2001, p 275) and O'Brien (2015, p 173).

been sceptical about financial deregulation, privately Keating was more supportive.[1068] Keating established the Martin Review Group to assess the Campbell recommendations in the light of Labor policies and rejuvenate the reform process.[1069] His family history helped shape Keating's attitudes towards the banks. Keating recalled his father's business being 'strangled by the banks because they would only lend to you against your collateral asset base, never on cash flow; if you were wealthy you could borrow, if you were smart you could not'.[1070] He had a poor view of the bankers; whom he described as 'pretty ordinary'[1071] and 'deadbeats'[1072]. He believed 'banking is the artery of the economy and we've had hardening of the arteries for too long in this country.'[1073] Carol Johnson (1989, p 107) argues that Keating's push for bank deregulation was driven by a similar motive as Chifley's push for bank nationalisation: a view that the banks were not providing adequate funds for investment.

The remaining restrictions on bank deposit rates were removed in April 1984. The interest rate ceiling on small business loans was removed in April 1985 and the even more politically sensitive ceiling on home loans was scrapped in April 1986. In June 1984 forty new foreign exchange licences were issued. In July 1984 Keating won approval from the ALP National Conference for foreign bank entry.[1074] Keating surprised commentators by allowing sixteen banks to enter. In 1988 he announced the removal of the outdated distinction between trading and savings banks.

[1068] Keating said Hawke and he were the only Labor MPs that expressed support for the Campbell recommendations in caucus; O'Brien (2013). His then economics adviser recalls 'Paul wanted to implement the recommendations under the Campbell Report'; St Anne (2012, p 53).

[1069] Keating claims that when he became treasurer the impetus for financial deregulation 'was absolutely dead, it was gone, absolutely gone'; interview by McCarthy and Taylor (1995, p 226). Similarly, he told Love (2001, p 276) 'the Campbell Report was a dead letter by the time I became treasurer'.

[1070] Keating interview by McCarthy and Taylor (1995, p 227). See also Keating's reminiscences in O'Brien (2013).

[1071] Keating interviewed in Till (2011, p 229).

[1072] Keating interviewed in O'Brien (2013). Interviewed in Megalogenis (2015) he referred to inheriting a 'complacent, smug, uncompetitive banking system'.

[1073] Cited by Carew (1990, p 39). Similarly, in Keating (1985, p 21) he said the 'life juices of the competitive system were severely diluted simple because new ventures appeared to be risky'. He held a 'very healthy respect for the advantages of market processes but that respect falls short of deification'; Keating (1985, p 22).

[1074] Keating argued to the Left that the domestic banks had been no friends of the Labor Party so should not be protected from competition; Carew (1988, pp 134-5). He asked the national conference 'how often has anyone been to a bank in this country and felt like a mendicant walking through the door?' and why the Party owed the big four Australian banks any favours and said that only the limited competition from subsidiaries of overseas banks had stimulated their performance, arguing 'if it was not for the merchant banks, for 15 years gingering them up, we would still be back with quill pens and ledgers, up at the high tables making the folio entries'; S Martin (1999, pp 204, 211).

Keating was regarded as the most influential figure in financial deregulation.[1075] In 1990 Bob Carr opined 'Paul Keating has also clearly won the debate on foreign bank entry and on deregulation, the exchange rate – Keating has clearly won intellectually to the point that I don't know anyone on the left mounting a serious challenge to these propositions'.[1076]

Keating blocked the proposed merger between ANZ and National Mutual and introduced a 'four pillars' policy, still in place today, of prohibiting mergers between the big four banks. He believed this helped isolate Australian banks from the problems seen overseas during the GFC: 'managements did not try to do foolish things to grow by acquisition…they had to grow organically.'[1077]

The foreign banks did not compete much in retail banking but, in a panic reaction to the loss of market share in commercial lending, the Australian banks loosened their credit standards. Deregulated banks behaved 'like a bunch of kids set loose for the first time'.[1078] As Martin and Hawkins (1992, p 12) explained, the banks 'went from rationers of credit to marketers of credit. This change not only caused problems for the banks. It was not understood by many customers. Some borrowers clung to the view of banks as intensely conservative organisations which would not allow them to borrow imprudently.' Unfortunately the banks 'didn't know how to risk-assess and nobody knew how incompetent they were.'[1079] One indication that the banks badly misjudged things is that 'once they ceased to ration credit and charged riskier borrowers a correspondingly higher margin, banks could have reasonably expected higher interest income and a commensurate increase in bad debts',[1080] but judging by their failure to increase general provisions for bad debts they did not understand this.

The middle budgets: avoiding the 'banana republic'

The 1985 budget's spending priorities were jobs training, financial support for students and more places in higher education. In response to lower commodity prices, farmers

[1075] In a series of interviews the most influential figures were named as Keating, Hawke, RBA governor Bob Johnston and Hawke's economic adviser Ross Garnaut; Goldfinch (1999, 2000).
[1076] Carr, interviewed in Henderson (1990, p 90).
[1077] Keating interviewed in Till (2011, p 229).
[1078] Then Reserve Bank deputy governor John Phillips, cited by Bell (2004, p 47).
[1079] Tony Cole, cited in Kelly (1994, p 89).
[1080] Martin and Hawkins (1992, p 5).

were given a rebate of fuel excise. Keating conceded there would be higher inflation due to the depreciation but would be arguing for this to be discounted from wage indexation. He called it a 'budget for growth'.[1081] The public was told to 'set their sails for growth'.[1082] Keating talked up the economic policy; 'if we were providing these policy settings and outcomes in western Europe, they'd be lighting candles to us in the cathedrals'.[1083]

In May 1986, Keating made his famous 'banana republic' statement about the current account of the balance of payments in a radio interview:

> If…Australia is so undisciplined, so disinterested in its salvation and its economic well-being that it doesn't deal with these fundamental problems, then the fallback solution is inevitable because you can't fund $12 billion a year in perpetuity every year, and then the interest on the year before that, the only thing to do is to slow to a canter. Once you slow growth under 3 per cent, unemployment starts to rise again. And then you have really induced depression. Then you have gone. You know, you are a banana republic.[1084]

The Australian dollar fell US 4 cents in response. At a cabinet meeting on 28 July 1986, Keating had a portable Reuters screen on the table in front of him and, as Bob Hawke recalled:

> …he began calling the drop in the dollar like a referee calling the count on a boxer who's hit the canvas. It had been at 63 cents, then it went through 60, 59, 58…It finally stopped at 57.15. We felt like stunned mullets. It was very depressing.[1085]

[1081] *Hansard*, 20 August 1985, p 71.

[1082] Kelly (1994, p 205). Edwards (1991, p 5) characterised the focus of economic policy in the mid-1980s as 'to use the depreciation as the engine of growth through a rapid rise in exports, while domestic demand was contained through tight wages, budget and monetary policies'.

[1083] Interview, *Australian Financial Review*, 30 September 1985, p 10.

[1084] D'Alpuget (2010, p 142). The interview has been classed as one of the 17 'turning points in Australian history'; Broomhill (2009). Keating recently referred to the line being 'blurted out' but he had used the phrase in a speech overseas earlier that was little reported; O'Brien (2015, pp 242, 244).

[1085] D'Alpuget (2010, p 149). At one point in the mid-1980s the real exchange rate reached its low point in the twentieth century; Kelly (1994, p 196). In December 1986 Standard and Poors cut Australia's credit rating from AAA to AA+.

The Reserve Bank rarely intervened in the foreign exchange market since the float. Keating believed the Bank 'were always in the virility business [of making a rate]. And I take a large measure of the personal responsibility for knocking that out of the Bank'.[1086]

Macfarlane (2006, p 50) argued that one result of the 'banana republic' remarks was that 'the climate of opinion was such that the government was able to take some quite tough decisions that might have been more difficult in other circumstances'. Tingle (2012a, p 10) commented that Keating and Hawke 'persuaded voters not only that they were not entitled to regular pay increases, but that they needed to accept [real] pay cuts to lower Australia's inflation rate'.

The 1986 budget followed a collapse in export earnings as commodity prices fell. Australia needed to 'invest more and consume less' so the government both restrained its own spending and adopted policies 'designed to restrain the growth of private consumption'.[1087] While merely maintaining existing programmes would have seen outlays up by a real 2½ per cent, they were held to no growth.[1088] The Medicare levy was increased, 2,000 public servants cut, tax cuts delayed, sales tax increased and bank accounts debit tax and petrol excise introduced. Keating admired the 'commendable income restraint' of the unions.[1089]

The May 1987 economic statement included means testing family allowances, cuts to defence spending, and asset sales such as long-term leases for international airports. With the capital gains and fringe benefits taxes succeeding in strengthening the income tax base, the budget deficit was cut by $4 billion.

While Kelly (994, p 363) viewed the 1987 budget as Keating 'in a holding pattern' showing 'masterly inactivity', the *Daily Mirror*'s headline was 'Keating's brilliant budget' and Keating himself referred to a '24 carat budget'.[1090] To retain the element of surprise, and so ensure a positive reaction from the financial markets, Keating had not

[1086] Interview with Keating cited in Bell (2004, p 92).
[1087] *Hansard*, 19 August 1986, p 260.
[1088] *Hansard*, 19 August 1986, p 261. The decision was taken in late July as the dollar plummeted; Kelly (1994, pp 220-1).
[1089] *Hansard*, 13 August 1986, p 263.
[1090] Edwards (1996, p 313).

even told the finance minister that the budget envisaged a surplus.[1091] Another economic statement with further spending cuts followed in May 1988.

The late 1980s saw an asset price boom. As Ian Macfarlane (2006, p 53) saw it, 'the more borrowing increased, the more asset prices rose; the higher asset prices were then used as collateral for further borrowing'. The boom in house prices was 'associated with the re-introduction of the ability to negatively gear investment in residential property'. The asset price boom was accompanied by an 'associated company takeover frenzy [and] the surge in bank lending … [due to] rapid financial deregulation, the persistence of high inflationary expectations, the rise in business profitability and a generally supportive international environment.' As a result, 'the economy was clearly vulnerable to any contractionary shock'.[1092]

When speculating on asset price rises, observed Macfarlane (2006, p 52), 'the best way of doing so was to maximise the use of debt, the interest on which was tax deductible'. These speculators, often but inaccurately referred to as 'entrepreneurs', became household names.[1093] They were famed for their high salaries and extravagant lifestyles. For a time, they were very successful as 'genius is leverage in a rising market'.[1094] But as Keating put it 'there was a lot of spivvery'[1095] and the paper empires of most of these spivs collapsed with many ending up in gaol or on the run. Their collapses were to contribute to the 1990 recession. As business journalist Trevor Sykes (2006, p 9) put it 'never before in Australian history has so much money been channelled by so many people incompetent to lend it, into the hands of so many people incompetent to manage it'. Bernie Fraser (1990b, p 4) commented that 'most bankers concede that a lot of common sense went out the door during the latter years of the 1980s, along with a lot of their money'.

The asset price boom provided a 'false dawn'[1096], which led Keating to claim victory prematurely. Delivering the first budget in the new parliament house (and the one Keating hoped would be his last before assuming the prime ministership), Keating proclaimed the

[1091] Bell (1997, p 29).
[1092] Macfarlane (2006, pp 51-53). He had earlier described the rise and fall in asset prices in Macfarlane (1990, pp 28-29).
[1093] Macfarlane (2006, p 52) refers to Alan Bond, Laurie Connell, John Elliott, John Frederich, Abe Goldberg, Russell Goward, George Herscu, Ian Johns, Bruce Judge, Christopher Skase, John Spalvins and Brian Yuill.
[1094] Quiggin (2012, p 217).
[1095] Keating interviewed by Kerry O'Brien (2013). At the time, however, he said 'I like all the goers'; Toohey (1994, p 242).
[1096] Kelly (1994, p 366).

1988 budget as 'the one that brings home the bacon'[1097] by 'lifting the yoke of debt from our necks'.[1098] The centrepiece was large income tax cuts which Keating aimed to use to replace a wage increase. Family allowances were also increased and some sales taxes were cut.

The April 1989 economic statement announced further income tax cuts and increases in family allowances (which would henceforth be indexed to the CPI) in exchange for wage restraint; 'the very essence of reason and order'.[1099] A programme of award restructuring was announced.

In his 1989 budget Keating was aiming for the third surplus in a row and real cuts in government spending for the fourth year in a row. Superannuation was restructured and would be preserved when people switched jobs. The pension was lifted to 25 per cent of average earnings. The taxation and social security income testing systems were integrated. Keating recalled the 1989 budget as about 'holding the game together', trading off tax cuts to maintain wage restraint.[1100]

In February 1989 Keating had described the economy as 'the glass is now full and the effervescence is spilling over and that effervescence is the current account and inflation'.[1101] He now called the current account deficit the 'gap which must be closed' and promised the full force of this government's resolve will be directed to this end' by 'bringing high demand down to a more reasonable level'.[1102]

In the approach to the 1990 election, Hawke mused about a scheme to provide taxation relief for mortgagees. Keating successfully argued against the scheme, which he dismissed as mere 'embroidery', on the grounds that 'voters would see the money as an admission that Labor had hurt them and that it no longer had faith in its own policies', and that it would mean interest rates needed to stay higher for longer.[1103]

[1097] Keating to the media, cited by Carew (1992, p 245), Day (2015, p 305), Kelly (1994, p 441) Megalogenis (2012, p 187) and Walsh (1995, p 193).
[1098] *Hansard*, 23 August 1988, p 183. Privately he referred to it as 'the most important budget in the nation's history'; Kelly (1994, p 445).
[1099] *Hansard*, 12 April 1989, p 1496.
[1100] O'Brien (2013).
[1101] *Australian Financial Review*, 17 February 1989, p 2.
[1102] *Hansard*, 15 August 1989, pp 53 and 55.
[1103] Bowen (2015, p 322), Megalogenis (2010, p 19), Tate (2014).

Monetary policy in the 1980s

Keating consulted Hawke, but not cabinet, about his discussions on monetary policy with the Reserve Bank.[1104] At the Economic Summit Keating (1983, p 26) remarked 'we do not eschew the use of soundly based targets for the growth of the money supply' and in the 1984 budget Keating announced an M3 target of 8 to 10 per cent while commenting 'the Government will pay increased attention to broader monetary aggregates'.[1105] By February 1985 he set aside the target, referring to the 'enormous upheaval in the relationship between the monetary aggregates and the GDP as a result of this government's historic deregulation of the financial system'.[1106]

Around the world, partly reflecting the increased availability of credit following financial deregulation, 'the previously estimated econometric relationships between movements in the money stock and in nominal incomes increasingly came apart at the seams'.[1107] As the Bank of Canada's governor put it, 'we didn't abandon the monetary aggregates, they abandoned us'.[1108]

In May 1985, with monetary targets abandoned and the exchange rate no longer a potential anchor, the Reserve Bank devised the 'checklist'. As expounded by Reserve Bank governor Bob Johnston, the checklist included the balance of payments, asset prices, inflation, interest rates, the exchange rate and monetary aggregates and a vague reference to the 'state of the economy'.[1109] The following governor Ian Macfarlane later

[1104] Kelly (1994, p 368). Edwards (1996, p 251) commented that while Keating was treasurer, 'there was virtually no cabinet discussion of monetary policy'. John Dawkins recalled 'there have been some discussions over the years about the general stance of monetary policy, but the individual decisions, as far as I know, have been taken by the prime minister and treasurer'; *Sydney Morning Herald*, 9 August 1991, p 4. Peter Walsh suggested that one reason Keating kept economic policy discussion out of cabinet was that he 'deep down always recognised that his conceptual grasp of economic issues was weaker than Ralph Willis and in a serious cabinet discussion that would become apparent'.

[1105] *Hansard*, 21 August 1984, p 70.

[1106] He added that the Government rejected what he described as the Opposition's policy of 'mindlessly, foolishly and irresponsibly chasing a fictitious and cosmetic number, leading to a credit squeeze'; *Hansard*, 26 February 1985, p 197. The decision had the support of the Reserve Bank; Cornish (2010, p 67). Treasury was more inclined to keep setting targets, perhaps because it meant retaining more power in Treasury rather than increasing the discretion of the Bank; Guttmann (2005, especially p 240).

[1107] Goodhart (1989, p 298). While financial innovation and deregulation were important parts of the story, this was also an example of 'Goodhart's Law'; 'any observed statistical regularity will tend to collapse once pressure is placed on it for control purposes'; Goodhart (1975, p 5).

[1108] Governor Bouey, cited by Macfarlane (1997, p 26).

[1109] Johnston (1985, p 812 and 1987a, p 6). The exact list varied.

conceded the Bank 'floundered around with the checklist which just brought ridicule on us'.[1110] In Macfarlane (1998, p 10) he provided the following critique:

> Its problem was that it did not have a sufficiently well thought-out economic rationale or any criteria for determining which indicators were more important. In particular, it failed to distinguish between the instrument of monetary policy, intermediate targets and ultimate targets …They were all in there, along with at least one variable that did not fit into any of these categories. The checklist was introduced in haste – barely four months after the end of monetary targeting. It had not undergone close economic analysis within the Bank, and had not been exposed to prior public scrutiny.

A domestic monetary expert described the checklist as 'a piece of political subterfuge of which Sir Humphrey Appleby would be proud' and a global monetary expert said its detractors would see it as 'a reversion to a muddled discretion'.[1111] Around 1987 the checklist was quietly abandoned, leaving the Bank with a purely discretionary policy, but it started research on an alternative anchor for policy.[1112]

The interbank cash rate dropped from around 16 per cent in 1986-87 to below 12 per cent by September 1987.[1113] Bernie Fraser (1992, p 6) opined 'in hindsight, it can be argued that the easing went too far'.[1114] The global stock market crash of October 1987 led the Bank to lower rates a little further and they were still below 11 per cent in March 1988. Treasury, the Bank and the BIS shared the view in early 1988 that 'monetary conditions post the stock market crash should be left accommodating'.[1115]

[1110] Bell (2004, p 6).

[1111] Harper (1990, p 279) and Goodhart (1989, p 340).

[1112] Cornish (2010, p 69). It was perhaps understandable then that Keating would believe 'this is all bulls__t about the science of monetary policy'; Edwards (1996, p 320) relating a conversation with Keating.

[1113] Kelly (1994, p 371) suggests three reasons why the Reserve was easing; concerns about high interest rates generating a recession, to reward fiscal rectitude and to weaken the Australian dollar to prevent Australian competitiveness being eroded.

[1114] Fraser (1992, p 6).

[1115] *Hansard*, 11 March 1991, p 1644. The Reserve Bank (1988, p 14) explained 'emerging misgivings about whether the general settings of policies had become too accommodating were put aside by the October share-market crash'. Keating refers in O'Brien (2013) to the Bank for International Settlements warning of a market implosion and Love (2008, p 157) reports that Bob Johnston returned from a BIS meeting 'convinced we were going back to 1929 conditions'. With the benefit of hindsight, the former deputy

Like most policymakers and commentators, the Bank was surprised how little impact the stock market crash had on the real economy. The Bank decided there should be no further loosening and began to tighten in response to an asset price bubble being pumped up by an over-expansion of bank lending.[1116] While the Bank has pointed out it moved earlier and more decisively than most of its international peers, it still moved slowly.[1117]

At this time the Bank had not started its practice of announcing changes in its preferred cash rate, but 'snugged' up rates. The Reserve Bank sometimes even seemed to deny it used the overnight interest rate as an operating instrument. Governor Johnston (1985, p 810) referred to the 'assertion that the Bank is "interest rate targeting". This is not so. The Bank's day-to-day actions are in terms of quantities and are targeted to affect quantities at the end of the transmission chain'. Deputy Governor John Phillips (1985, p 12) described the Bank's response to a need to tighten monetary conditions as being 'more sparing in providing cash to the market on days when there was a cash deficit' but 'that does not mean we have an interest rate objective although interest rates are important indicators'. Grenville (1997, p 133) described such comments as an approach which 'did nothing for transparency of policy'.

Asked in April 1988 whether monetary policy was being tightened, Keating referred to seasonal factors.[1118] By denying policy was being tightened, Keating reduced the effectiveness of a tightening he later agreed had indeed commenced around April 1988.[1119]

It is generally agreed with the benefit of hindsight that the Bank should have moved rates up faster and further in 1987 and 1988.[1120] But it is a matter of some debate whether at

governor of the Bank regarded the delay in raising rates as a 'lost period that in retrospect was fairly costly'; Spencer and Chubb (1993).

[1116] Cornish (2010, pp 68-69).

[1117] Tingle (1994, p 324). The Reserve Bank's John Phillips (2001, pp 65-66) agrees that with hindsight it was a mistake not to increase interest rates sooner.

[1118] *Hansard*, 21 April 1988, p 1967 and responses to questions at a press conference; see Tingle (1994, p 29). Tingle (1994, p 41) claims Keating again denied the Bank was tightening in October 1988 but Fraser (1994c, p 7) says this account 'does not accord with the facts as I recall them'. Walsh (1991, p 11) believes 'the Government's refusal during 1988 to publicly acknowledge that policy had been tightened extended the time lag' before the policy became effective. Keating claims the Bank insisted on not announcing publicly the tightening; Edwards (1996, p 329). Johnston later accepted some of the blame, admitting that he had encouraged this lack of transparency; Kelly (1989c, p 13 and 1994, pp 489-490).

[1119] *Hansard*, 11 March 1991, p 1644. Kelly (1994, p 383) suggests that the NSW election was a factor in delaying or obscuring the tightening but Keating rejects this.

[1120] This view is now shared by Keating (1991b, p 11), Bob Johnston (1989, p 19), and Don Russell –cited in Gordon (1996, p 118.). Hawke (1994, pp 472-3) describes this as 'the worst mistake of my time in office'.

the time Keating had been pushing the Bank to raise rates faster.[1121] Keating later claimed when he met with the Bank on 30 March 1988 he put the view that policy should be tightened 'but did not push it'.[1122] He has more recently claimed that he considered issuing a formal instruction to the Bank to push up rates further in 1988 but was dissuaded by Treasury and was concerned about eroding perceptions of the Reserve Bank's independence.[1123] But at the time he proclaimed 'at no stage in my three years have I been at difference with the central bank about monetary policy – at no stage'.[1124] Senior Reserve Bank officials claim there was agreement between Keating and the Bank on interest rate decisions.[1125] Don Russell (2005, p 17) argued that 'Keating was on the right side of the argument…when the authorities were slow in lifting rates in 1988'.

Some poorly-chosen (admittedly supposedly off-the-record) words by Keating in 1990, that he had the Bank 'in my pocket', and an earlier remark at a press conference in February 1989 that 'they do what I say', fuelled concerns that Fraser would be soft on inflation.[1126] In the context, the remarks were obviously hyperbole.[1127] While Keating never repeated the remarks the media did incessantly and Fraser was dismayed by the

[1121] Tingle (1994, p 25) calls this 'one of the great controversies of the recent economic debate'. Watson (2002, pp 79-80) says 'it is not as clear as one might expect' just who was responsible for hiking rates and keeping them high'.

[1122] Kelly (1989c, p 13). Keating said 'I actually argued against the Treasury and the Reserve Bank to increase interest rates in January 1988 and again formally in March 1988'; *Hansard*, 11 March 1991, p 1644. Keating (1991b, p 11) said 'with the benefit of hindsight…I would have also have been more insistent…to lift interest rates earlier and harder'. Kelly (1994, pp 375-7) says Keating was in the vanguard internationally in recognising that the share market crash was having only a minor impact, but Treasury and the Bank were cautious. Tingle (1994, p 27) reports Keating told colleagues at the end of March that he had finally convinced the Bank to lift rates. Russell recalls the Bank agreeing to 1 per cent, but bank officials recall Johnston not being clear what was agreed; Edwards (1996, pp 327-8). The rate increase did not occur despite Russell chasing it up every day.

[1123] Keating interview with Kerry O'Brien (2013).

[1124] Press conference on 5 April 1990, referred to in *Hansard* 16 Oct 1990, p 2913.

[1125] Ian Macfarlane (2006, p 65) argued that Keating, Treasury and the Bank agreed on the need to raise interest rates to the level they reached in 1990. Kelly (2009, p 111) believes that 'Keating and the Bank had been in broad agreement on the monetary tightening of the late 1980s'. Bob Johnston (1989, pp 18-19), in a valedictory address, claimed 'no matter of any consequence has proceeded without agreement' between the Bank and Keating and 'as policy was modified in response to the unfolding events, the Bank and the Government were not seriously at odds'. Bernie Fraser, interviewed in Bell (2004, p 122), referred to the 'very few' times in his seven years as governor when the treasurer disagreed with the Bank over interest rates. This view is shared by other writers, such as journalist Paul Kelly's (1994, pp 383, 488) and John Edwards (1996, p 394).

[1126] Fraser (1996, p 15).

[1127] 'I walk around with the world financial markets as much in my pocket as any finance minister has ever had them anywhere in the world. Anywhere. I walk around with organised labour. I walk around with the central bank and the most committed bureaucracy in the history of the country, an interested press and a conscientious electorate'; Keating (1990, p 7). He contrasted this with what shadow treasurer Reith could do.

impact on the Bank's reputation.[1128] As Fraser (1994c, p 4) later commented 'too much emphasis is placed on what Keating has said, rather than on what he has done'.

The 1990 recession

Over the course of 1990 it became evident that the economy was entering a recession. Treasury (but not the Reserve Bank) still believed it would be mild.[1129] In his budget Keating said the economy 'paused for breath'.[1130] Ken Henry (2012) has reflected 'my recollection of that period of the early 1990s recession is that Treasury stood on the sidelines'. Garnaut (2013, p 73) believed 'while recession should be expected when short-term interest rates approach 20 per cent and the terms of trade are falling, its arrival surprised the government and was hardly anticipated in the media or by big business'. Pitchford (1993, p 102) reflected 'the severity of the 1990-92 recession appears to have come as a surprise'. Recently Keating, interviewed in Megalogenis (2015), has said 'in hindsight we could have had fiscal policy more accommodating'.

In the 1990 budget Keating said 'the economy has slowed…economic policy has worked and is working'.[1131] More bluntly, and politically unwisely, he referred to 'the recession we had to have' in November 1990.[1132] This was a remark that would haunt him and his

[1128] Interview cited in Bell (2004, p 116). Fraser (1996, p 15) said 'I believe Mr Keating regretted being associated with those throwaway lines'. But while Keating told Fraser he regretted the comments, he did not publicly withdraw them; Kelly (2009, p 109). In his interview with Kerry O'Brien in 2013 he admitted he 'could have chosen the words better'. But there are a number of other instances where Keating downplays the independence of the Bank. In Keating (1991a, p 18) he says the Bank was only 'consulted and involved with government decision-making'. Keating said he was 'prepared to wear the responsibility for the policy settings' but 'the notion that appointed officials can do what elected governments cannot do is nothing more than gibberish'. In McMullin (1991, p 419) he is quoted as saying 'we run the place, we run the departments, we run the policy'. In an interview much later, he said 'let's not have any of this naivety that the person who had to stand in the marketplace to have themselves elected, and carry the ultimate responsibility for the economy, was in some way subordinate to someone he appoints to the central bank. That is not real. It's political nonsense'; cited in Bell (2004, p 113).

[1129] Keating interview with Kerry O'Brien (2013).

[1130] *Hansard*, 21 August 1990, p 1158.

[1131] *Hansard*, 21 August 1990. p 1153. He described the 1990 budget as giving 'the kind of outcome the Government was seeking, delivered without the misery and despair of high unemployment and a savage recession'.

[1132] Carew (1992, p 283), Megalogenis (2012, p 209). While Hawke disputes this, Keating says he had cleared the remark with Hawke before he made it; interviews in Spencer and Chubb (1993), O'Brien (2013) and Bramston (2016, p 349). As Megalogenis (2006, pp 11-12) observes, subsequent revisions have shifted the second quarter of falling real GDP that prompted this remark from 1990 to 1991. On the latest ABS numbers, two consecutive quarters of falls in real GDP, which the media often use as their indicator of recession, does not occur until the March and June quarters of 1991. Keating later became somewhat repentant in his comments about the period more recently; referring to a 'policy mistake' of 'a lacerating recession which bore down heavily on people who deserved better' in Keating (1999, p 193).

critics continued to fling it in his face. Bowen (2015, p 323) revealed that Keating regarded this as the one thing he said as treasurer that he regretted.

In February 1991 Keating referred to wanting to 'snap the inflation stick',[1133] perhaps because by then he could foresee a fall in inflation and wanted to take the credit.[1134] Keating himself argues his structural changes created the low inflation environment prevailing since the 1990s, 'not a bit of shifty management up the top of Martin Place', although he concedes 'that helps'.[1135]

Keating budgeted for a surplus of over $8 billion. There were income tax cuts but pharmaceutical charges were increased, and there were a number of economically sound but unpopular measures: an assets test was applied to family allowances, pensioners' saving accounts over $2,000 would be deemed to earning 10 per cent interest and the First Home Owners Scheme was abolished.

Keating claimed the budget would 'de-spiv' Australia.[1136] But he and Treasury badly underestimated the number of others, such as small business owners, that it would also ruin.[1137] In terms of GDP the recession was milder than in the early 1980s but a number of financial institutions failed.[1138]

Monetary policy in the early 1990s

The cash rate peaked around November 1989 and then was steadily reduced. In January 1990 Keating and the Bank agreed to cut interest rates with the Board holding a special

[1133] 'I don't just want to bend inflation a little bit and see it spring back, I want to snap the inflation stick and bring Australia back into the community of its OECD partners'; *The Australian,* 23 February 1991, p 1. He also downgraded the importance of the current account deficit, arguing 'to the extent we achieve and maintain a low inflation path we can diminish, to an extent, our concern with the current account deficit because we will have more confidence that investment and saving decisions are rational and efficient'. In private he now described the 'twin deficits' approach (the argument that the current account deficit of the balance of payments could be eliminated by reducing the government's budget deficit) as 'utter crap'; Edwards (1996, p 375).

[1134] It was likely the only chance he would have to do so; as Macfarlane (2006, p 70) said,' no country with an entrenched inflation problem has significantly reduced inflation without it occurring in the context of a recession'

[1135] Keating interview cited in Bell (2004, p 97).

[1136] Cited in Bell (2004, p 73), Megalogenis (2006, p 20) and Tingle (1994, p 109).

[1137] Watson (2002, p 101).

[1138] Macfarlane (2006, pp 63-64) lists the State Bank of Victoria, the State Bank of South Australia, the largest credit union (Teachers Credit Union of WA), the second-largest building society (Pyramid), several merchant banks (Tricontinental, Rothwells and Spedleys), a mortgage trust (Estate Mortgage) and a friendly society (Order of the Sons of Temperance).

meeting on 22 January and a public announcement of the cut by the Bank. It was seen in some quarters as a political decision with an eye to the 1990 election.

From January 1990 the Reserve Bank announced an explicit target for the cash rate. This was lowered in fifteen steps (many of 1 per cent at a time) to 4.75 per cent by July 1993 as inflation came under control and the extent of the recession became apparent. Reserve Bank governor Bernie Fraser observed 'almost every one of these reductions was criticised by the Coalition and by media commentators'.[1139] But in hindsight, many economists would agree with Garnaut (2013, p 49) that 'monetary policy was tightened too late to stop the emergence of boom conditions, and then excessively and for too long so that it precipitated a deep recession'.

As with the increase in rates, there is disagreement about Keating's role in their reduction. As noted above, Macfarlane argues that Keating, Treasury and the Bank agreed on the timing of interest rate moves and Keating claimed at the time to have had no differences with the Bank.[1140] Indeed he sometimes spoke as thought the interest rate reductions were his initiative alone; 'the Government has decided to see rates come down because the economy is slowing'.[1141]

As early as mid-1990, however, there were reports that Keating was pushing the Bank to cut rates faster, while publicly trying to maintain confidence by saying there was no

[1139] Costello and Coleman (2008, p 47) describe the Coalition's criticism of interest rate cuts as 'a rare double – wrong on the politics and wrong on the economics as well'. See also Megalogenis (2012, p 211). See also, Bell (2004, p 73), Kelly (1994, p 495) and Maley (2009, p 24). Tingle (1994, p 322) concludes 'monetary policy in the late 1980s and early 1990s was not unduly influenced by politics'.

[1140] Macfarlane (2006, p 65). Ross Garnaut's (2013, p 50) view is that 'perceptions did not vary much across the senior echelons of the official family'. Bernie Fraser's (1992, p 7) recollection is that 'at the time I recall few people arguing that the tightening in 1988/89 had gone too far, and even fewer suggesting that the monetary easings which commenced in January 1990 should have been started earlier or pushed harder', but he did not say whether the treasurer was one of the few. John Phillips said the decision to cut rates was 'very much an initiative of the Bank's' while Keating said it was a decision taken by him and Fraser; Kelly (1994, p 557).

[1141] *Hansard*, 15 October 1990, p 2809.

urgency.[1142] Keating claims it was his commitment to central bank independence that stopped him from directing the Bank to cut rates.[1143]

Even if with hindsight the Bank might have lowered rates more promptly, Cornish (2010, p 71) assessed 'there is no evidence to suggest that it deliberately set about to create a recession for the purpose of eliminating inflation'.[1144] But as Ian Macfarlane put it, 'once it was apparent that it was going to happen, it was reasonably quickly realised that there was an opportunity to achieve something of lasting value out of the unfortunate events'.[1145]

In the 1988 budget Keating had declared 'the balance of payments deficit is Australia's number one economic problem'.[1146] In 1990 Keating criticised then RBA deputy governor John Phillips for saying monetary policy was not the right tool to address the current account, referring to the 'erroneous notion…that monetary policy is not an effective [short-term] weapon for correcting the balance of payments', adding 'whatever

[1142] Bell (2004, p 64). Shortly after he said 'with the benefit of hindsight…I should have been even more insistent than I was against Treasury and Reserve Bank advice in getting interest rates down more quickly. I had to argue the case for lower interest rates in front of the prime minister in his office with members of his staff and his department'. He went on to argue that 'officials…are too slow in lifting rates and too slow in getting them down. Too flat-footed altogether'; Keating (1991b, p 11). Bramston (2016, p 323) referred to an RBA minute which observed 'the Treasurer expressed a greater degree of urgency… than the Governor'. Responding to a question at a press club address in 1993 Keating said 'I would have brought the rates down much more rapidly, but I could only do it by dragging the Reserve Bank along with me…monetary policy is actually decided by an appointed board'; *The Age*, 12 March 1993, p 10. Reflecting back in 2001, Keating said the Bank was 'far too slow on the way down'; interview reported in Bell (2004, p 73). Similarly, Don Russell recalls 'we were arguing very strongly through that period that interest rates had to be brought down…the monetary authorities…didn't pick the impact of collapsing asset prices in the downswing'; cited in Gordon (1996, pp 117-8.) Keating has attributed this to 'Bernie's desire to build unison in the Bank'; Love (2008, p 159) and Maley (2009, p 24), with one businessman on the board reluctant to go along with rate cuts.

[1143] Keating reflected 'when a government uses the *Reserve Bank Act* and tables in the House of Representatives an instruction to alter monetary policy, then the Bank's standing as an independent vehicle is finished. Despite what I sensed then, that his policy change was going to do me in, I wasn't prepared to do that: I'd spent a decade trying to build the Bank, to take it from the bond-selling agent it was to the stand-alone institution of quality it is today. I couldn't pull the carpet straight from under them'; cited in Love (2008, p 174). Don Russell (2005, p 17) argued 'the precedent would have been dreadful' if Keating had instructed the Reserve Bank.

[1144] Cornish (2010, p 71).

[1145] Macfarlane (2006, pp 70-71) noted that 'in the United States, the Volcker deflation of the early 1980s is viewed, at least by the economics profession, as a successful example of economic policy, which yielded long lasting benefits despite its short-term costs. In Australia, however, the equivalent disinflation of the early 1990s tends to be viewed as a monetary policy mistake'.

[1146] *Hansard*, 23 August 1988, p 143.

the theoretical analysts may think, what matters is what the international markets think – and their message is clear'.[1147]

Keating had referred to a 4 per cent inflation objective, getting Australia's inflation rate back to the average of its peers through a wage/tax trade-off, in his 1988 budget speech.[1148] His failure to achieve it may have been one factor turning him against adopting inflation targeting.

Keating wanted to reduce inflation as it was 'the monkey on the back of working Australians…that drives up interest rates and cuts their savings'.[1149] But as Bernie Fraser observed, 'people generally felt that inflation is bad but, for the most part, not so bad that they want the authorities to get too serious about eliminating it'.[1150] In 1990 Fraser suggested that an inflation rate that met the Greenspan criterion of being low enough to 'not materially enter business and household financial decisions' would be less than half the then current rate of 6-7 per cent and that 'an inflation rate of around 2 per cent over the medium term might be thought of as constituting price stability', but it was 'not for the Bank to unilaterally announce any explicit medium-term objective'.[1151]

The Reserve Bank of Australia, like many other central banks, gradually came to the view that a form of inflation target might be the best form of nominal anchor for monetary policy.[1152] The question got tangled in politics though, when John Hewson, a former Bank officer and Howard adviser now opposition leader, adopted a 0-2 per cent target as his policy. While the Bank regarded this as too strict, it was hard to argue for a milder target without being seen to be either siding with the thrust of the opposition policy or criticising

[1147] Phillips (1990, p 17) said 'monetary policy is **not** primarily about resolving, in any structural sense, Australia's balance of payments problem…monetary policy is not an effective weapon to fight a balance of payments problem'. An abridged version of Keating's response is given in Tingle (1990, pp 1-2).
[1148] Success in these areas will secure for Australia an inflation rate of 3 to 4 per cent in 1990. This will put us back with the rest of the world, an achievement which has eluded us for a generation'; *Hansard*, 23 August 1988, p 185.
[1149] Keating interview cited in Bell (2004, p 55).
[1150] Fraser (1990a, p 20).
[1151] Fraser (1990a, pp 20, 24-25).
[1152] The Bank and Treasury suggested a formal inflation target of say 3 per cent in early 1991; Edwards (1996, p 403). Ian Macfarlane recalls that he, Steve Grenville and Glenn Stevens had been supportive of some form of inflation target from the late 1980s, albeit not as narrow and demanding a target as that advocated by John Hewson; Maley (2009, p 25).

the specifics of it.[1153] In the event, the Reserve Bank gradually evolved an inflation target, reflected in a series of speeches from 1992 to 1994.[1154]

Keating was critically involved in the evolution of the Reserve Bank into an institution being perceived as independent of government and responsible for monetary policy. Former Reserve Bank Governor Macfarlane later recalled Keating saying he 'loved this institution'.[1155] Keating reflected 'I saw my job as being to create a new institution. I wanted a Reserve Bank able to stand on its reputation and to assist in the fight against inflation'.[1156] Bernie Fraser has admitted 'we needed to be a bit political to achieve independence and to keep it, but we got to the point where everybody…accepted the Bank was best placed to make those decisions'.[1157] As Ian Macfarlane put it, 'if you don't like how monetary policy has turned out, if you think it is a terrible mess, blame Martin Place'.[1158]

Microeconomic reforms

While once calling himself 'by and large, a macroeconomic person'[1159], Keating also undertook a lot of microeconomic reform as treasurer; as he put it to 'clear all the bloody crap out of the pipes'.[1160] Changes were introduced 'to make markets more competitive and so put pressure on firms and their workforces to meet global best practice. They were also designed to make businesses confront market realities by improving their commercial performance rather than appealing to governments for some form of protection'.[1161] Keating later reflected 'we had productivity coming out of the very pores of the skin of the economy, through airlines, electricity, wharves, telephones, cars'.[1162] Indeed so much change eventuated that he once commented 'if you walk into any pet

[1153] At times Bernie Fraser was quite outspoken in criticising opposition policy, most notably when he said 'I won't go just to appease some dickhead minister who wants to put Attila the Hun in charge of monetary policy'; *Sydney Morning Herald*. 23 November 1991, p 1.
[1154] Fraser (1992, 1993a, 1993b, 1994a, 1994b).
[1155] Macfarlane, speaking in 2006; Kelly (2009, p 109).
[1156] Interviewed in 2005, in Kelly (2009, p 114).
[1157] Interviewed in 2008, in Kelly (2009, p 109).
[1158] *Australian Financial Review*, 25 May 1992, p 5; Bell (2002, p 120); Tingle (1992, p 1).
[1159] Keating in an interview with Henderson (1990, p 181).
[1160] Keating cited in Ramsey (1987, p 25).
[1161] Macfarlane (2006, p 44).
[1162] Love (2001, p 122).

shop in Australia, what the resident galah will be talking about is microeconomic policy'.[1163]

Keating adamantly rejects those who feel his embrace of deregulation and market forces was a rejection of Labor values[1164], arguing 'in truth, it's where Labor reclaimed its future and where it underpinned...its commitment to egalitarianism' by enabling strong growth in employment and improving real incomes for working families.[1165] To Keating the emphasis on economic growth and job creation put them 'completely in concert' with the Curtin-Chifley tradition.[1166] Keating argued that the aberration was the 1950s and 1960s, which he characterised as 'that long dark period when the party was uncertain as to whether it was a party of dogma and ideology or a party of economic progress and practical social reform'.[1167] Johnson (1989, p 95) assesses the reality as lying between the positions of Keating and his critics; that while the Hawke-Keating government was more right-wing than the preceding Labor governments, it nonetheless did not break decisively with the traditions of those governments, which 'all stressed the common interest all sections of the Australian community had in a healthy capitalist economy'.

Structural adjustment

Along with the float, Keating regards tariff reform as the key reform of his time as treasurer.[1168] The May 1988 economic statement saw the first major tariff cuts announced since Whitlam in 1973. Tariffs were cut to 25 per cent for textiles, clothing and footwear, motor vehicles to 15 per cent and others to 5 per cent. The average tariffs on manufactures were reduced from 23 per cent in 1980-81 to 13 per cent by the mid-1990s.[1169]

The Hawke Government was notable for a series of industry restructuring plans led by industry minister John Button; the Steel Plan (1984-1988), Shipbuilding Plan (1984-1989), Car Plan (1985-1992), Heavy Engineering Adjustment and Development

[1163] Tingle (1994, p 58).
[1164] Johnson (1989, pp 92-93) gives Nugget Coombs and Nick Bolkus as examples of critics making this case.
[1165] Keating interviewed in Kelly (2001, pp 87-88).
[1166] Keating (1987, p 173), Johnson (1989, p 94).
[1167] Keating cited in Johnson (1989, p 94). He added that the Whitlam Government was 'the bridge between the Curtin and Chifley administrations and the Hawke Government'.
[1168] Interview with Paul Kelly (2001, p 90). Treasury secretary Tony Cole and adviser Don Russell were influential on Keating in pushing for lower tariffs while Ross Garnaut was an influential advocate in Hawke's office; Leigh (2002, pp 500, 504).
[1169] In 1970-71, prior to the Whitlam Government's tariff cuts, the average manufacturing tariff had been 36 per cent; M Keating and Dixon (1989, p 48).

Program (1986-1989) and Textiles, Clothing and Footwear Industries Plan (1986-1996).[1170]

Competition policy and privatisation

Following a report by a committee chaired by Fred Hilmer, the Council of Australian Governments agreed to the National Competition Reform which led to privatisation of many state-owned enterprises.

Keating and Hawke had discussed privatising the Commonwealth Bank at least as early as 1987 but sentiment within the Labor Party was then against it.[1171] Initially 30 per cent of it was sold, with the funds used to absorb the troubled State Bank of Victoria.[1172] While at the time it was said there would be no further sales, a further 20 per cent was sold in 1993 and the remaining half in 1995.

Some government operations were 'corporatised'; with commercial practices adopted, managers (often recruited from the private sector with higher salaries) given more discretion and community service obligations being clarified and either paid for directly out of the budget or through expected rates-of-return.[1173]

A common view is that 'once you have put competition and corporatisation in place, privatisation is almost inevitable'.[1174] But privatisation was politically difficult for the government. It ran counter to the ALP platform and Hawke (1985, p 9) himself had described it in 1985 as 'the height of irrationality…based on a blind and mindless commitment to a narrow, dogmatic and discredited ideology'. But Keating was able to argue successfully that modern Labor wanted government to 'steer the boat' rather than

[1170] Capling and Galligan (1992), Leigh (2002, p 497).
[1171] As Bill Hayden put it, 'it's in our history, it's the psyche of our party and if there is going to be any debate, all these things must be handled very tenderly in respect for the feelings and history of our party and its traditions'; cited by Carew (1992, p 240) and S Martin (1999, p 238). After the decision was taken, John Button recalls 'in the Labor branches it was like the abolition of the Latin mass' and Graham Richardson recalls 'the branches…went completely berserk'; interviews cited in S Martin (1999, p 248).
[1172] This was the main stated reason but S Martin (1999, p 243) believes it was partly used as 'cover' for Keating's privatisation agenda. In interviews by Goldfinch (2000, p 190) Keating was seen overwhelmingly as the driver of the privatisation of the Commonwealth Bank (and Qantas), with Hawke, Beazley and Willis playing smaller roles.
[1173] Goldfinch (2000, p 190).
[1174] Mike Keating, quoted in Goldfinch (2000, p 190).

'row the boat'.[1175] The privatisation of the Commonwealth Bank paved the way for other privatisations, such as Qantas and Telstra under the Keating and Howard governments.

Superannuation and retirement incomes

In his 1983 ministerial statement Keating announced tax reforms to superannuation to encourage annuities rather than lump sums. He also imposed an income means test for the age pension for those over 70 years.

The expansion of the coverage of the superannuation system was a joint project of Keating and ACTU secretary Bill Kelty, a trained economist with whom Keating formed a close bond.[1176] Kelty was initially surprised when Keating suggested superannuation could be expanded to the whole workforce[1177] but in September 1985 the ACTU agreed to a 2 per cent real wage cut in exchange for a 3 per cent employer contribution into an industry fund.

Tax reform

Initially, and briefly, under the Hawke government tax policy was the responsibility of the finance minister but it was moved back to Treasury in June 1983. Keating inherited a tax system largely unchanged since the 1940s and characterised by growing tax avoidance and evasion and a 'growing disrespect for the tax system'.[1178]

The Hawke government indicated its desire to replace the various mining taxes and royalties with a resources rent tax in 1984 but the scheme was restricted to offshore petroleum in the face of opposition from state governments.[1179]

Taxation became an important issue during the 1984 election campaign and to defuse it Hawke gave a 'fiscal trilogy' commitment; to reduce the budget deficit, not increase Commonwealth taxation as a per cent to GDP and keep government spending growth

[1175] Carew (1990, p 22), Marks (2014, p 44).
[1176] Keating appointed Kelty to the Reserve Bank board in 1987. Keating (1987, p 13) said the superannuation initiatives made 'most other social reforms look limp by comparison' and that 'it was Bill and I who really got the show on the road'; St Anne (2012, p 49). Kelty returned the compliment saying 'unless we had Paul Keating we would not have got it'; St Anne (2012, p 70).
[1177] Keating, interviewed by O'Brien (2013).
[1178] Fraser (1989, p 18) who notes this was 'not only eroding the revenue base but also resulting in more and more resources being attracted to ventures because of their tax-induced rewards, rather than their economic returns'.
[1179] Smith (1993, p 89).

below the rate of economic growth.[1180] As a way of deferring taking hard positions in the midst of the campaign, Hawke announced that a tax summit would be convened after the election. Hawke had not discussed this idea with Keating before he announced it, which annoyed the treasurer mightily.[1181]

The National Taxation Summit was held in July 1985, to which the government presented three options. All involved widening the income tax base to encompass capital gains and fringe benefits. Option B in addition proposed rationalising and widening the consumption tax base and cutting income tax for low income earners. The government's preferred Option C replaced the wholesale sales tax with a broad based 12.5 per cent consumption tax, funding large income tax cuts and increased social security payments. For differing reasons, none of the interest groups at the Summit would support Option C and business groups did not support any of the options.[1182] Hawke abandoned Option C in what Edwards (1996, p 277) called 'the bitterest blow of Keating's career'. Bongiorno (2015, p 178) believes 'Keating never fully forgave him'. Nonetheless the summit did support tax reform in principle and Keating was able to use it as the basis for a reform package. Keating used the metaphor of the 'tax cart' and referred to the difficulty of keeping Hawke in it.[1183] As Keating put it at the time, 'it's a bit like Ben Hur. We have crossed the line with one wheel off, but we've crossed the finish line'.[1184] He has more recently referred to the Tax Summit as 'an abortive event'.[1185]

In September 1985 a package of tax reforms was announced, including a fringe benefits tax and capital gains tax.[1186] The company tax rate was lifted to match the highest income

[1180] PM's press release 31 October 1984. The trilogy was developed in consultation with the Department of Prime Minister and Cabinet but not with Keating or Treasury. Stone (1984) did not believe they could be achieved.

[1181] O'Brien (2015, pp 205-6). Keating later called the Summit 'the antithesis of political efficiency' as there is 'nothing worse than making tax policy in public'; Spencer and Chubb (1993), Boston and Uhr (1996, p 56), O'Brien (2015, p 206).

[1182] Smith (1993, pp 113-4). Mathews (1985, p 416) is critical of the Business Council for failing to support Option C, which was very close to what they had advocated in a submission to EPAC. He described the opposition to capital taxes as 'one of the worst examples of political opportunism and special pleading'.

[1183] Keating interviewed in O'Brien (2013), Kelly (1994, pp 162-3).

[1184] Keating, 4 July 1995, cited in Kelly (1994, p 155) and Richardson (1994, p 182).

[1185] Keating, quoted in *Australian Financial Review*, 2 January 2013, p 16.

[1186] The capital gains tax was on real capital gains, and excluded the family home and existing assets. The tax arrangements applied to realised gains and losses on assets acquired after 19 September 1985. An averaging system was also in place to reduce the impact of the progressive income tax on realised gains accrued over a period of years. Reinhardt and Steel (2006) place the tax changes in historical perspective. Howard described the fringe benefits and capital gains taxes as 'anti-incentive' taxes; *Hansard* 14 May 1987, p 3256. Hawke had left Keating to negotiate the package through the full ministry, an episode Keating referred to as a 'low point' in their relationship; O'Brien (2013).

tax marginal rate which was reduced to 49 per cent. The marginal income tax rate on average earnings dropped from 46 to 40 per cent. Concessional expenditure rebates were replaced. A national identification scheme called the Australia Card was proposed to aid compliance, and when it was blocked by the Senate much of its goals were achieved by the introduction of a tax file numbering system.[1187] The wholesale sales tax was rationalised into three rates. Various industry concessions were abolished. Full dividend imputation was introduced to remove the 'double taxation' of dividends.[1188] Provisional tax payments were shifted from annual to quarterly. Public finance expert Russell Mathews (1985, p 424) opined that the changes 'probably represent the most far reaching and politically courageous shift in the direction of taxation policy ever attempted in Australia'. Keating looked back on the 1985 package as 'broadly the shape of the Australian tax system' today.[1189]

Keating removed negative gearing which he called an 'outrageous rort' in July 1985 and drew attention to comparable countries which only allowed interest to be deducted from the rent earned on the property.[1190] But, bowing to political pressure, he restored it in September 1987, in an attempt to help re-elect the NSW Labor Government, a move Bramston (2016, p 292) revealed Keating now regards as a mistake.

The May 1988 economic statement slashed the company tax rate from 49 to 39 per cent by reducing concessions such as accelerated depreciation and R&D tax concessions and requiring gold miners to pay tax. Dividend imputation was extended to superannuation funds but a 15 per cent tax was placed on them.

Keating's marketing of his tax reforms was damaged by the embarrassing revelation in 1986 that he had been late lodging his own tax returns.[1191] While conceding this was 'a

[1187] The idea of the card had emerged from the Tax Summit and was the trigger for the 1987 double dissolution election. But despite winning the election, growing public opposition and the likely inability to get the required regulations through the Senate led the Government to drop the plan; Bongiorno (2015, pp 238-240).

[1188] This was one of the few suggestions from business at the Tax Summit. As Keating recently put it, he wanted 'to create a better and more profitable tension between managers and owners, between managers and shareholders. Where formerly capital gains were tax free and dividends taxed twice there was no incentive for managers to pay dividends'; Anderson (2015, p 20).

[1189] Keating, quoted in *Australian Financial Review*, 2 January 2013, p 16.

[1190] Megalogenis (2012, p 191).

[1191] Kelly (1994, p 225), Carew (1988, pp 166-8).

mistake', his explanation was that he was 'painting the big picture and I may splash a bit of paint'.[1192]

The accords

Keating's view upon becoming treasurer had been that Australia 'had flawed wage arrangements which meant that, whenever activity picked up in any major or substantial way, wages accelerated to the point where profits and employment collapsed'.[1193]

The government's initial response to this problem was to agree a prices and incomes 'accord' with Hawke's former colleagues at the Australian Council of Trade Unions embodying wage restraint in exchange for improvements in the 'social wage'.[1194] While initially unenthusiastic about the accord,[1195] Keating later became an 'Accord zealot'.[1196] Former Reserve Bank governor Ian Macfarlane (2006, p 40) offers this assessment of the Accord; 'although the Accord had many critics, and they made some good points about its unintended side effects, it did succeed in its central task of restoring strong employment growth and lowering unemployment'.[1197] It did this by reducing real wages as a cost to business while tax and social welfare policy ensured that real household incomes were maintained.

By 1991 Keating believed the accords with their focus on centralised wage fixation were outliving their usefulness. He and Bill Kelty agreed the system had to develop towards enterprise bargaining, with the Australian Industrial Relations Commission restricted to

[1192] Carew (1990, p 45) and Carroll (2010, p 57).
[1193] Keating (1991a, p 17).
[1194] For example, Keating said the income tax cuts in the 1984 budget 'will assist in the quest for continuing income restraint and to that extent will underpin the Prices and Incomes Accord'; *Hansard*, 21 August 1984, p 62. Johnson (1989, p 97) sees the accord as attempting to enshrine this principle, which the Whitlam Government had failed to promote successfully. The initial accord was generally seen as primarily the work of Willis, Kelty and Hawke; but by Accord Mark VI in 1990, Keating and Kelty were seen as the major influences; Goldfinch (2000, pp 154, 179).
[1195] Keating initially had 'severe doubts' about the Accord; Kelly (1994, p 68). He told Kelty he 'didn't think much' of incomes policies; Megalogenis (2012, p 168). Keating was worried that such agreements 'had broken down in every other place in the world they'd been tried'; interview with Kerry O'Brien (2015, p158). Willis was blunter saying Keating 'thought [the Accord] was a load of crap basically because he had never been involved and his department was very sceptical'; Goldfinch (2000, p 156). See also Day (2015, p 232). In what was first seen as a gaffe, but later as refreshing honesty, during the 1983 election campaign Keating admitted he was not absolutely sure the prices and incomes accord would work; Day (2015, p 220), Ellis (1983, p 116), Haupt and Grattan (1983, p 108), Kelly (1985, p 409), Summers (1983, pp 162-5).
[1196] Kelly (1994, p 73). In Keating (1992, p 150) he said strong economic growth could not be achieved 'without the lower interest rates and low inflation which an incomes policy alone can harmoniously provide'.
[1197] Macfarlane (2006, p 40).

providing a safety net.[1198] But constructing the new system would take place after Keating had ceased to be treasurer.

Mounting leadership frustrations

Keating was never modest about his ambitions; 'if you're not going to get the big job, there's not much point in staying'.[1199] But despite their personal rivalry Keating and Hawke were mostly able to work effectively together for many years.[1200] After the 1990 election Keating became deputy prime minister in name as well as substance (allowing him to act as prime minister in May 1990). Keating felt he had been effectively leading the government for five years.[1201]

By 1986 some of Keating's pleasure in the exercise of power had 'diminished with familiarity' and was replaced by the 'enjoyment of beautiful things'.[1202] He broadened his interests by developing a friendship with historian Manning Clark.[1203] By late 1987 Keating was clearly the successor to the Labor leadership and impatient to take over. But Labor then had a history of sticking even with unsuccessful leaders[1204] and Hawke had won three elections. Keating began to talk about leaving politics for what he called 'the Paris option'.[1205] Hawke goaded him the day after the August 1988 budget by publicly saying he may stay prime minister for another six years and that Keating could be replaced.[1206]

[1198] Edwards (1996, pp 418-421).

[1199] Keating, cited by Carew (1990, p 35). In 1985, though, he claimed that 'journalists have attributed more ambition to me than I have myself'; Carew (1990, p 36).

[1200] As Megalogenis (2010, p 32) put it, 'the argument between these two giants is about who deserves the greater credit for what economists and political scientists around the world agree is the Australian miracle.' Yet as early as November 1985, Gareth Evans recorded in his diary that the Hawke-Keating relationship was 'a marriage of convenience and no more'; Evans (2014, p 223).

[1201] Keating cited in Gordon (2014, p 5).

[1202] Edwards (1986, p 22). Gareth Evans recorded in his diary on 30 January 1985 that Keating reflecting on the prime ministership told him 'of course I'll have a go if it comes along, and particularly if I have to keep out people like Dawkins who would make a real mess of the country. But I don't really give a stuff anymore and I would just as soon be up there making a squillion and talking about antiques'; Evans (2014, p 51). One reflection of the frustration was that, according to the Reserve Bank's John Phillips, from 1987 Keating 'stopped listening as closely to people'; Love (2001, p 82).

[1203] Day (2015, pp 305-6, 342); McKenna (2011, pp 609-611).

[1204] Evatt and Calwell had both been retained for a third election after losing two (and both lost the third as well). Whitlam was retained after the heavy loss in 1975.

[1205] Keating told Bob Carr in 1990 he might resign in the middle of the term if Hawke did not retire; Bob Carr's diary entry, 18 September 1990, cited in West and Morris (2003, p 208). But Day (2015, p 419) doubts Keating would have relocated to Paris as he loved Australia.

[1206] Carew (1992, pp 246-7), Gordon (1996, p 76), Kelly (1994, p 443); Tingle (1994, p 39). That evening, under prompting by Richardson, Hawke tried to dismiss the remarks as a joke; Gordon (1996, p 82).

In an attempt to resolve simmering leadership tensions, in November 1988 Keating and Hawke made the 'Kirribilli agreement' with Bill Kelty (Keating's nominee) and businessman Sir Peter Abeles (Hawke's nominee) as witnesses. This committed Hawke to an orderly handover of the leadership before the 1993 election.[1207]

In December 1990, in a supposedly off-the-record address the day after the death of Treasury secretary Higgins, Keating vented his frustrations, claiming Australia had never had a great leader.[1208] Hawke was offended by this slight, not only to himself but to his idol Curtin, whom Keating referred to as a 'trier'. In January 1991 Hawke told Keating he was reneging on the Kirribilli agreement. According to Gordon (1996, p 115), Hawke had made remarks in private suggesting he was already planning to renege on the agreement before Keating's speech. It was becoming clear that the party would soon have to choose between them.[1209] As Bramston (2016, p 360) put it, 'an irresistible force was about to meet an immovable object'.

In May 1991 Keating overtook Ben Chifley to become the longest-serving Labor treasurer. Shortly thereafter he challenged Hawke, after making public the Kirribilli Agreement. In launching his challenge, Keating promised 'dare I say it, a touch of

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Ramsey (1988, p 33), Watson (2002, p 81), and Bob Collins in Spencer and Chubb (1993), say Keating was 'driven to fury' by Hawke's remarks. Hawke had discussions with senior colleagues about moving Keating in a reshuffle to set Beazley up as a successor as prime minister; O'Brien (2015, pp 332-3).

[1207] Bowen (1991, p 32:3) said that Keating claimed there had been an earlier unwitnessed agreement in mid-1988. There are also reports of an understanding between them as far back as 1980 that, in exchange for Keating's support, Hawke would only serve five years as prime minister then hand over to Keating; Edwards (1996, pp 152-3) and Hawke (1994, p 438) present differing recollections of this conversation.

[1208] The speech, dubbed the 'Placido Domingo speech', was later printed as Keating (1990). Keating denies any lingering influence from Jack Lang's views in his attitude to Curtin, as suggested by Hawke (1994, p 499); Watson (2002, p 12). There were reports that in the speech he had also dismissed Chifley as 'a plodder' (eg *Australian Financial Review*, 10 December 1990, p 17) but Gordon (1996, p 279) denies that Keating referred to Chifley at all and there is no reference in the written version or in the account by Lewis (2014, p 88). In Keating (1987, pp 172, 176) he had referred to Chifley and Curtin as 'giants' leading a 'triumphant' government but said the party in the 1950s and 1960s had 'reduced the light on the hill to a smouldering incandescence'. In Keating (1992, p 143) he called Chifley 'one of the great men in Australian history'. But he later told Paul Kelly (2001, p 96) that Chifley was 'goodhearted but flatfooted' and told journalist George Megalogenis (2006, p 233) that Chifley was 'a very modest performer' who 'simply squandered the Curtin inheritance'. Carr (1979, p 83) classes Keating as an admirer of Curtin. In another phrase taken as a slight to Hawke, Keating said that leadership 'is not whether you go through some shopping centres, tripping over TV crews' cords'. While the vivid language is often attributed to Keating's shock at Higgins' unexpected collapse and death, Keating had made many of the points in a call to journalist Laurie Oakes the day before Higgins' death; Oakes (1996).

[1209] One wit remarked it was a choice between an egomaniac and a megalomaniac; Day (2015, p 344).

excitement'.[1210] He lost the first challenge by 44-66 and went to the backbench where he gave a strong speech on superannuation advocating a goal of 12 per cent contributions by 2000[1211] and criticised Hawke for conceding control of some of the revenue base to the states. Keating started to plan his retirement from politics but after the government floundered in his absence, Keating won a second challenge in December by 56-51.[1212]

Howard and Keating's evolving economic philosophies

Howard came to the treasurer's job without a strong economics background. Indeed, he had long held some scepticism about economists. He believed 'economic advice is far more a question of assertion than fact, because economics is a very inexact science'.[1213]As treasurer, asked in parliament why an advertisement for his advisor said that formal economics training was not essential, Howard replied 'I belong to that school of thought which does not necessarily believe that economic expertise is coincidental with formal economic training'.[1214] In his early days one minister reportedly said that (Howard's predecessor) Lynch used economic jargon because he understood it while Howard avoided it because he possibly didn't.[1215]

While Treasurer, Howard's economic thinking evolved in response both to the economic difficulties of the mid-1970s and the need to craft a political persona once he started to position himself as a leadership successor to Fraser.[1216] He 'became progressively drier' in his stance on economic issues but always leavened with pragmatism.[1217] Howard

[1210] Carew (1992, p 292), Day (2015, p 344), Kelly (1994, p 635); Richardson (1994, p 320). Keating has remarked that even leaders in decline tend to be stuck to their seat and 'you either put the sword through them or let the people do it'; cited in Brett (2007, p 24).
[1211] *Hansard*, 25 July 1991. As prime minister he advocated an increase to 15 per cent.
[1212] As Keating put it, Hawke failed to 'get the zing back in the thing'. Keating believed 'he was in the coffin' but the Hawke supporters 'forgot to put the nails in the lid'; Spencer and Chubb (1993).
[1213] Cited in McGregor (1982, p 16).
[1214] *Hansard*, 30 April 1981, p 1805. On becoming prime minister, he said his experience as treasurer led him to believe 'if you only listen to Treasury and official advice on the state of the economy you don't always get the full picture'; Savva (1996, p 3).
[1215] Schneider (1980, p 103).
[1216] Errington (2008, p 221).
[1217] Grattan (2010, p 445). He was influenced by the 'dry' MPs such as Bert Kelly, John Hyde and Jim Carlton. Kelly (1994, p 102) describes Howard's conversion to an economic reformer as 'slow but decisive'. Brandis (2008, p 60) refers to Howard's gradually becoming increasingly attracted to 'dry' economic views, but without any sudden epiphany. Howard once described himself as 'the most conservative leader the Liberal Party has ever had' but at other times referred to a mix of social conservatism and economic liberalism; but others have characterized him as pragmatic and opportunistic rather than ideological; Rundle (2001, especially p 14). His chief of staff Arthur Sinodinos has contrasted the evolution of Howard's views with his own; 'because I was trained as an economist probably I was more market oriented to begin with than he would have been'; cited in Rhodes and Tiernan (2012, p 53).

'concedes as treasurer his conversion to the economic rationalist cause was a gradual one'.[1218] When first appointed Howard was a protectionist, criticising tariff cuts as 'exporting jobs'.[1219] He later was pushing, albeit ineffectively, in cabinet for tariff cuts. As Peter Reith, who knows him well, wrote in his diary, 'Howard may be rational by most standards but he is no economist and certainly not an economic rationalist'.[1220]

Keating, by contrast, was more enthusiastic. With his love of 'the big picture', Keating 'embraced economic rationalism as if it were a Mahler symphony'.[1221] But he leavened it with social responsibility, reflected in his description of his private office as 'a mixture of econocrats and bleeding hearts'.[1222]

Keating and Howard as prime ministers

Keating contemplated being treasurer as well as prime minister[1223] but, after deciding against that, opted for the 'energy, flair and weight' of John Dawkins rather than take the 'safe and easy option' of leaving Ralph Willis in the position.[1224] He decided to 'govern boldly rather than try to court popularity'[1225] and led Labor to victory in 1993.[1226] As prime minister, Keating's achievements included building up a national superannuation scheme, labour market reform, the Mabo legislation recognising the land rights of indigenous people, establishment of APEC and legislation protecting endangered species. He raised the issue of Australia becoming a republic. But in 1996 he was, as Millmow

[1218] Henderson (1990, p 157). Jim Carlton believes Howard was only converted to a 'dry philosophy' after he became treasurer; O'Brien (1985, p 90). Grattan (2010, p 445) regards Treasury and Hewson as the major influences. Howard looking back on his record as an economic reformer included the caveat of 'particularly my time from the early 1980s' in an interview cited by Kelly (2001, p 243), implicitly conceding his early record as treasurer was less reforming.

[1219] *Hansard*, 4 November 1977, p 2899. Howard (2014, p 599) concedes he entered parliament supporting the status quo on tariffs. In 1976 he argued that 'the Australian community happens to be interested in jobs and a strong manufacturing industry' and quoted Fraser's promise to 'give Australian industry the protection it needs'; *Hansard*, 7 June 1976, pp 2959-60.

[1220] Peter Reith's dairy entry, 1 August 1996, reprinted in Reith (2015, p 96).

[1221] Ryan (1999, p 249).

[1222] Keating, 1993, cited by Watson (2002).

[1223] Don Russell persuaded him against the idea; Bramston (2016, p 410), O'Brien (2013). Some colleagues warned him that taking on both jobs from 1945 to 1949 drove Chifley to an early death. Hawke had laughed at this suggestion when Keating made it in 1988; Hawke (1994, pp 450-1). Yet Keating suggested to Mark Latham he be both opposition leader and shadow treasurer; Latham's dairy 13 December 2003, in Latham (2005, p 255). Given the problems caused by the 1993 budget Keating now apparently regrets not taking both jobs; Bramston (2016, p 519).

[1224] Edwards (1996, p 459). He had long before promised Dawkins the job; Day (2015, p 308).

[1225] This was how he advised Queensland premier Anna Bligh to govern when she similarly faced the prospect of taking over a long-serving Labor government; cited in Bligh (2015, p 177).

[1226] He described this as 'the sweetest victory of all…for the true believers…[who] kept the faith'.

(2005) put it, '…banished from office by an electorate unappreciative of the new streamlined and reformed economy he had designed and instituted'.

Keating's defeat brought to the Lodge the indefatigable Howard. After the defeat of the Fraser government in 1983, a 'spent and exhausted'[1227] Howard had been beaten by Peacock for the leadership but continued as deputy leader and was shadow treasurer.[1228] Peacock felt that Howard was disloyal[1229] but when the party would not drop Howard from the deputy's position, Peacock resigned the leadership. Howard was elected leader but, in part due to a bizarre short-lived campaign by Queensland premier Bjelke-Petersen to become prime minister, Howard was defeated by Bob Hawke at the 1987 election. Howard retained the leadership after the election, but his popularity slumped[1230], and he was overthrown in 1989, with Andrew Peacock returning to the leadership. After Peacock lost the 1990 election, Howard was defeated 30-47 for the leadership by John Hewson, who appointed him shadow minister for employment and industrial relations. Hewson lost the 1993 election, but beat Howard to retain the leadership. When confidence in Hewson's leadership waned, the party turned to Alexander Downer instead. But after Downer's leadership also faltered, the party turned back to Howard, 'the last man standing', who was elected leader unanimously in January 1995.

Howard led the coalition back into government in 1996 and became Australia's second longest-serving prime minister, achieving his long-held ambitions of introducing a goods and services tax and reforming industrial relations. Howard is generally regarded as having a better record on economic reform as prime minister than as treasurer. He governed with a mix of ideology, most manifest in his controversial industrial relations reforms and the introduction of a GST, and pragmatism, demonstrated in expansions of family welfare payments. But to his critics, Howard squandered the revenue from the resources boom and delayed action on climate change.

[1227] Henderson (1995, p 43).

[1228] Howard initially wanted a different shadow portfolio but was persuaded to keep Treasury; Howard (2010, p 140). As well as personalities, the Howard-Peacock rivalry reflected a conflict between conservative NSW free traders and more socially progressive Victorian protectionists that went back to before the formation of the first Liberal Party in 1909.

[1229] Fraser (1987, p 80). Fraser and Simons (2010, p 618) claim Howard was saying in early 1985 'my people will get rid of' Peacock.

[1230] The *Bulletin* of 20 December 1988 famously asked on its cover; 'Mr 18%. Why on earth does this man bother?' as only 18 per cent of voters preferred him to Bob Hawke as prime minister, although the accompanying article actually gave him 'an excellent chance of winning the next election'.

Keating and Howard after parliament

After resigning from parliament shortly after the election loss, Keating took on the role of public intellectual, making speeches on politics, economics, foreign affairs, architecture and town planning.[1231] He was also involved in some investment banking.[1232] and took an active interest in the Barangaroo development in Sydney, which he envisaged as a global financial centre.[1233] He declined to publish his memoirs, regarding most as unreliable and self-serving and remarking 'if you're any good, someone else will write about you'.[1234]

There were some difficult times. Following the 1996 election Labor seemed to distance itself from the Keating record of economic reform and called for a freeze on tariff reductions.[1235] Keating and Annita separated. Keating reportedly mused about making a political comeback but felt Labor's ineffective campaigning had left him too associated with unpopular high interest rates.[1236]

Keating (2004, pp 499-501), with remarkable prescience, forecast that the global economic buoyancy induced from new digital technology would soon run its course and warned that risk premia in financial markets had unduly narrowed, concluding with his advice: 'don't be exposed in or after 2007. It could be dangerous'. In December 2013 the 30th anniversary of the float was commemorated by Keating addressing the Labor caucus

[1231] Many of his speeches are compiled in Keating (2011). His book on foreign affairs, Keating (2000), has been translated into Chinese and Japanese. He was appointed a Visiting Professor of Public Policy at the University of New South Wales.

[1232] He commented 'there's a lot of cleverness in it; I enjoy that. And there's an honest dollar to be earned'; Love (2008, p 220). He also served on the international advisory board of the China Development Bank.

[1233] Clark (2012).

[1234] Day (2015, pp vii, 475 and 541). It is not a reflection of any lack of confidence in his ability to write one; launching Megalogenis (2006), Keating (2006, p 46) commented 'would I write a better book? Well of course I would. I write better than George and I know more'. He recently remarked 'it was one thing reforming the country for these people. But needing to entertain them 25 years later I will not do'; *Australian Financial Review*, 28 August 2014, p 56.

[1235] Forman and Way (1997, p 40). Party elder John Faulkner called this 'a massive, massive mistake'; McKew (2013, p 4), Kelly (2014, p 54). Keating lamented, 'fundamentally the Labor Party never believed in the model…[and so] the Labor Party has given up the middle-class, middle-ground, sole-employer, self-employed, small business voter that Bob Hawke and I generated for it'; Hartcher (2005, p 34). It was not until 2006 that Labor tried to 'bring him in from the cold' and 'take head-on the accusation that Keating's record was worse than the Coalition's'; Hartcher (2007a, pp 37 and 40). But he lamented that Labor had created a new society and must be open to its beneficiaries; Kelly (2014, p 52).

[1236] Keating reportedly said to ALP National Secretary Tim Gartrell in 2006 'because of you guys I'm now Mr 17 per cent…and you've f___ed my comeback'; Carroll (2010, p 129). But he denied any such thoughts in Hartcher (2005, p 35), claiming 'I took that decision in 1996 [to leave parliament] and I've been happy with it'.

and he received a standing ovation. He now talks every few days to Labor's shadow treasurer Chris Bowen.[1237]

In 2007, Howard lost the election and became only the second prime minister to lose his own seat. In enforced retirement he made an unsuccessful attempt to lead the International Cricket Council. Unlike Keating, Howard chose to write his memoirs and they sold very well. He then wrote an account of the 'Menzies Era'. In 2012 he received the Order of Merit from the Queen.

Synkrisis

Keating and Howard took very different lessons from their upbringing and the challenges faced by their families in post-war Australia. To Howard the problems were due to ill-judged government interventions such as petrol rationing. To Keating the problems were caused by a cosseted banking system and subject to government amelioration. While their upbringing was not dissimilar, Howard mixed more with the sons of the middle class and Keating with the working class. These factors reinforced the leads given by their parents and made it inevitable that Howard would make his political home in the Liberals and Keating in Labor.

As treasurers they both started out with the goodwill of their prime ministers and in both cases the relationship was strained by the end, with Keating resigning and challenging Hawke for the leadership and Howard also contemplating resignation. Keating was more fortunate in that Hawke was more willing to use up political capital in defending a reformist treasurer. Keating also had talented and progressive cabinet colleagues whereas Howard faced many agrarian conservatives. But Keating also made his own luck, pushing reform much more vigorously than did Howard both internally in cabinet and to the public. As a result, while both are recalled as successful politicians, Keating is generally viewed as a better treasurer than prime minister while Howard is recalled as a better prime minister than treasurer.

[1237] Clark (2015, p 18).

Chapter Eight: The Australian treasurers as a class

Introduction

The eight treasurers singled out for detailed discussion in the previous four chapters both share many characteristics with and have some differences from the other thirty-one treasurers. One major distinction is their longevity of tenure; three of the four longest-serving treasurers are included among the eight chosen for close study. They were precocious; the majority entering parliament by 30 or younger. It will be argued in a later chapter that the eight selected also include a majority of the most successful and admired treasurers. They were also more politically successful and powerful than the average parliamentarians of their era and all but one also served as prime minister.

Table 8.1: Comparison of selected treasurers with others

Age at which first…	Elected to state parliament	State minister	Elected to federal parliament	Federal minister	Treasurer
Andrew Fisher	30	37	38	41	46
Joseph Cook	30	33	40	48	59
Ted Theodore	24	30	42	44	44
Joseph Lyons	29	34	50	50	52
Ben Chifley	na	na	43	45	56
Arthur Fadden	37	na	42	46	46
Paul Keating	na	na	25	31	39
John Howard	na	na	34	36	38
Others (median age)					
1901-1958	*na*	*na*	*40*	*45*	*46*
1959-2016	*na*	*na*	*35*	*43*	*52*

Among features they share with other treasurers are all being men, and mostly from an Anglo-Saxon background. The eight selected treasurers are wider read (even if not formally qualified) in economics and finance than the typical parliamentarian. Their key features are summarised in Table 8.2.

Table 8.2: Biographic data on the Australian treasurers

	Born	Occupation	State	Appointed	Years	Budgets	Died
George Turner	8.08.51	lawyer	Vic	1.01.01	4.5	4	13.8.16
Chris Watson	9.04.67	union official	NSW	27.04.04	0.3	0	18.11.41
John Forrest	22.08.47	surveyor	WA	5.07.05	5.3	6	2.09.18
William Lyne	6.04.44	farmer	NSW	30.07.07	1.3	2	3.08.13
Andrew Fisher	29.08.62	miner	Qld	13.11.08	4.8	4	22.10.28
William Higgs	18.01.62	printer/editor	Qld	27.10.15	1.1	1	11.6.51
Alexander Poynton	8.08.53	miner	SA	14.11.16	0.3	1	10.01.35
William Watt	23.11.71	accountant	Vic	27.03.18	2.3	1	13.09.46
Joseph Cook	7.12.60	miner	NSW	28.07.20	1.4	2	30.07.47
SM Bruce	15.04.83	businessman	Vic	21.12.21	1.1	1	25.08.67
Earle Page	8.08.80	doctor	NSW	9.02.23	6.7	7	20.12.61
Edward Theodore	29.12.84	union official	NSW	22.10.29	1.6	1	9.02.50
James Scullin	18.9.76	grocer	Vic	9.07.30	0.6	1	28.01.53
Joseph Lyons	15.9.79	teacher	Tas	6.01.32	3.7	3	7.04.39
Richard Casey	29.8.90	businessman	Vic	3.10.35	3.6	4	17.06.76
Robert Menzies	20.12.94	lawyer	Vic	26.04.39	0.9	1	15.05.78
Percy Spender	5.10.97	lawyer	NSW	14.03.40	0.6	0	3.05.85
Arthur Fadden	13.04.94	accountant	Qld	28.10.40	9.9	10	21.04.73
Ben Chifley	22.09.85	train driver	NSW	7.10.41	8.2	9	13.06.51
Harold Holt	5.08.08	lawyer	Vic	10.12.58	7.1	7	19.12.67
William McMahon	23.02.08	lawyer	NSW	26.01.66	3.8	4	31.03.88
Leslie Bury	25.02.13	economist	NSW	12.11.69	1.4	1	7.09.86
Billy Snedden	31.12.26	lawyer	Vic	22.03.71	1.7	2	27.06.87
Gough Whitlam	11.07.16	lawyer	NSW	5.12.72	0.0	0	21.10.14
Frank Crean	28.02.16	accountant	Vic	19.12.72	2.0	2	2.12.08
Jim Cairns	4.10.14	academic	Vic	11.12.74	0.5	0	12.10.03
Bill Hayden	23.01.33	policeman	Qld	6.06.75	0.4	1	
Phillip Lynch	27.07.33	businessman	Vic	11.11.75	2.0	2	19.06.84
John Howard	26.07.39	lawyer	NSW	19.11.77	5.3	5	
Paul Keating	18.01.44	union official	NSW	11.03.83	8.2	8	
Bob Hawke	9.12.29	union official	Vic	3.06.91	0.0	0	
John Kerin	21.11.37	economist	NSW	4.06.91	0.5	1	
Ralph Willis	14.04.38	union official	Vic	9.12.91	2.3	2	
John Dawkins	2.03.47	union official	WA	27.12.91	2.0	2	
Peter Costello	14.08.57	lawyer	Vic	11.03.96	11.7	11	
Wayne Swan	30.06.54	academic	Qld	3.12.07	5.6	6	
Chris Bowen	17.01.73	union official	NSW	27.06.13	0.2	0	
Joe Hockey	2.08.65	lawyer	NSW	18.9.13	2.0	2	
Scott Morrison	13.05.68	manager	NSW	21.9.15		2 so	

Who becomes a treasurer?

An examination of over 2,000 post-war cabinet ministers in western Europe showed that they differed markedly from the population as a whole, being disproportionately male, over 50, university educated and having been lawyers, teachers or civil servants.[1238] The prominence of lawyers in the cabinets of the English-speaking countries has been noted by many writers since the time of de Tocqueville in the 1830s.[1239] De Tocqueville opined that 'democracy is favourable to the political power of lawyers' which has been attributed to their high status and income, ability to work part-time and skills in advocacy.[1240] Similar patterns can be found among Australian ministers[1241] and treasurers; Table 8.3.

Table 8.3: Comparison of treasurers with parliamentarians and the public

	Treasurers	Members of House of Representatives	Adult population
	1901-1949	Dec 1925	1921 census
% female	0	0	49
% aged 50 or over	51	57	27
% with university degrees	27	15	<1
% lawyers	12	12	<1

	Treasurers	Members of House of Representatives	Adult population
	1950-2016	Sept 1985	1981 census
% female	0	5	51
% aged 50 or over	48	39	36
% with university degrees	74	61	4
% lawyers	49	20	<1

Sources: ABS; *Parliamentary Handbook*, 5th, 23rd, 44th issues; *Australian Dictionary of Biography*.

[1238] Thiébault (1991, pp 19-20). Blondel (1985 and 1987, p 117) reaches a similar conclusion globally, although with the addition of the occupation 'army officer'.

[1239] See, for example, Lasswell (1948, pp 35, 137), Blondel (1985, p 49 and 1987, p 117), *Economist* (2009, p 63), Kerby (2009, p 598) and Ludwig (2002, p 3). Lawyers are particularly dominant in the United States; Pedersen (1972, p 25). By contrast the politburo in China is predominantly composed of engineers, civil servants are more common in South Korea and doctors in Brazil; *Economist* (2009, p 63). An extreme case of recruitment from a narrow base was Eden's British cabinet in the 1950s, over half of whose members came from the one school, Eton; Berlinski, Dewan and Dowding (2012, p 64).

[1240] Cited by Pedersen (1972, p 31).

[1241] Encel (1974, pp 159 and 166) notes the preponderance of lawyers among ministers.

While Australia has had a female prime minister, there has been no female treasurer.[1242] Female ministers have tended to be disproportionately allocated to the 'caring' portfolios such as education (Ryan, Vanstone, Bishop, Gillard, Ellis), health (Lawrence, Paterson, Roxon, Ley), family and community services (Vanstone, Patterson, Macklin), housing (Rankin, Plibersek), social security (Guilfoyle, Newman) and social inclusion (Gillard, Plibersek), rather than defence, foreign affairs or the economy.[1243] Julia Gillard had been spoken of as a potential treasurer, and Rudd had indicated to her she could have claimed the post as deputy leader, but she chose not to do so, partly as she saw the merit of uniting the party after the leadership change by not moving Beazley supporter Swan, and partly because she was more interested in her existing area of industrial relations.[1244] European cabinets have also tended to be predominantly male although there has been a substantial representation of women in the Nordic countries. Women tend to be more represented in countries with proportional representation electoral systems.[1245] As in Australia, in other European and American countries women are also concentrated in 'domestic portfolios'.

Dalvean (2012, p 6) notes those entering parliament younger are more likely to achieve cabinet rank. This may be because they accumulate more parliamentary experience or because those entering parliament young are unusually focused, talented and ambitious. Members in safe seats are also more likely to become a cabinet minister.[1246] This is also true of treasurers; Theodore is the only sitting treasurer to lose his seat whereas two prime ministers, Bruce and Howard, have suffered this indignity. The direction of causation between the safety of a seat and its incumbent's chance of entering cabinet is unclear. It may be that members in safe seats need to devote less time to local campaigning and so are more able to advance their ministerial careers. It may be that parties find safe seats for their most talented recruits. Or it may be that the status and name recognition from

[1242] Holt (2001, p ix) notes the same is true of the UK. He nominates Barbara Castle in the 1960s and Margaret Thatcher in the 1970s as plausible possibilities for the role. Dell (1996, p 361) also discusses Barbara Castle as a possible chancellor and opines that she was one of the most effective cabinet ministers of the time.

[1243] There has been only one female foreign minister (Julie Bishop, who was able to claim it as deputy Liberal leader), two finance ministers (Guilfoyle, Wong), one defence minister (Payne) and no industry minister.

[1244] Gillard (2015, p 338).

[1245] 'The literature on established democracies has long suggested that the most women-friendly electoral systems are list-proportional representation' as in such systems 'parties have an incentive to broaden their overall electoral appeal by making their candidate list as diverse as possible'; Reynolds (1999, p 555).

[1246] Dalvean (2012, p 68).

being a cabinet minister, or the opportunity for pork-barrelling, tends to render a seat safer than it would otherwise be.

As well as expertise and competence (and loyalty), in selecting a cabinet the prime minister will need to bear in mind the need for a balance between members and senators. Most prime ministers have strived to keep at least one representative from each state in the cabinet. Labor prime ministers need to balance the left and right (and sometimes centre) factions and at times sub-factions while a coalition prime minister has to balance Liberal and National party representation.[1247] Most modern prime ministers will strive to have a proportion of female cabinet ministers. Seniority is also recognised. These factors constrain the choice of cabinet members and sometimes result in the exclusion of potential ministers who would qualify on purely merit considerations. Given the importance of the Treasury portfolio, these considerations will, arguably, less affect the selection of a treasurer than filling other posts.

The most common pre-parliamentary occupations of Labor treasurers has been trade union officials (Watson, Theodore, Keating, Willis, Dawkins, Bowen) while the most common occupations for non-Labor treasurers have been lawyers (Turner, Menzies, Spender, Holt, McMahon, Snedden, Howard, Costello, Hockey) and business people or managers (Bruce, Casey, Lynch, Morrison). As shown in Table 8.2, there has been a range of other professions such as miners (Fisher, Poynton, Cook, Theodore), accountants (Watt, Fadden, Crean), policemen (Cairns, Hayden), academics (Cairns, Swan), economists (Bury, Kerin), one farmer (Lyne), one grocer (Scullin), one schoolteacher (Lyons), one doctor (Page), one surveyor (Forrest), one newspaper editor (Higgs) and one train driver (Chifley). The overrepresentation of lawyers is not surprising given their overrepresentation in parliament as a whole, as illustrated in Table 8.3.[1248]

Enel's (1961, p 101) comparison of the occupations of fathers of ministers with those of business leaders and officials and the general public, as at 1947, found that professionals and farm-owners were overrepresented among ministers' fathers.

[1247] In some countries, a balance of ministers from religious, language or ethnic backgrounds is also important but this has not been an issue in Australia.

[1248] Dalvean (2012) notes that those members with law degrees are more likely to become cabinet ministers.

Unsurprisingly given the distribution of the population, most treasurers have come from New South Wales and Victoria, as shown in Table 8.2. Only two have come from Western Australia (Forrest and Dawkins), only one from Tasmania (Lyons) and one from South Australia (the short-serving Poynton). Five came from Queensland (Fisher, Higgs, Fadden, Hayden, Swan).[1249] These nine represent less than a quarter of the treasurers; whereas the smaller four states have accounted for a third of Australia's population and a higher proportion of MPs. It seems unlikely this represents a conscious bias. More likely is that, especially before modern transport and communications, it was harder for politicians from more remote areas to 'network' as effectively and therefore harder for them to press their claims to a senior portfolio. Most treasurers have represented capital city seats. The main exceptions are the Country Party treasurers (Page and Fadden) and Lyons.

In the corporate world, Sinclair and Wilson (2002, chapter 2) noted that leaders disproportionately have missing fathers, are first born in their families and as a child or teenager moved between countries or at least states. Simonton (1987, p 20) observed that in the US 'both presidents and vice-presidents tend to be first-born children'. Blondel has developed this point, arguing that first-born sons are best suited to leadership in situations of expansion while younger sons are better suited to dealing with societal problems requiring compromise (and the youngest child 'may be the natural champion of the oppressed').[1250] Among the longer-serving Australian treasurers, Chifley, Fadden, Holt and Keating were the eldest child, Fisher and Costello the second, Forrest and Page were around the middle of large families while only Howard was the youngest.

It has been observed of both Australian and British prime ministers that an unusually high proportion lost a parent in childhood or early adolescence, or suffered other early emotional deprivation, a phenomenon sometimes called the 'Phaethon (or Phaeton) complex'.[1251] Paxman (2002, p 36) remarked of UK prime ministers that many experienced 'a childhood deprived of affection, unusual sensitivity, an outstanding mentor, extreme self-discipline, an overdeveloped religious sense, aggression and timidity, overdependence on the love of others'. Grattan (2013, p 13) noted this has meant

[1249] While representing a NSW electorate, Theodore was a former premier of Queensland.
[1250] Blondel (1997, pp 118-9) and Stewart (1977).
[1251] Berrington (1974), Fricke (1990, p 4), Grattan (2013, p 13), Iremonger (1970, especially pp 308-9), Leigh (2015, p 90), Paxman (2002, pp 34-35).

they have been ‘forced to become adults before their time, assuming responsibilities and making decisions’. Fricke (1990, p 4) suggested that this manifests in a reckless desire to attract attention.

Among the longer-serving Australian treasurers, there is no pattern of losing parents young, although Chifley grew up on his grandfather’s farm and did not spend much time with his parents. What was common among the early treasurers was parental illness or financial difficulties forcing teenagers or young men to assume responsibility for providing for their families. This was true to varying degrees for Fisher, Cook, Page and Lyons. Forrest had a stable upbringing but showed exceptional leadership skills early on, successfully leading expeditions across vast distances in the uncharted West Australian desert. Theodore also left home early and travelled around the country working as a miner.

Training for treasurers

As noted above, few treasurers have had relevant formal qualifications.[1252] In this they are like ministers in general. Tiernan and Weller (2010, p 42) find 'analysis of the educational background of ministers reveals little relationship between the type of degree and the portfolio held'. Australia shares this preference for the ‘amateur’ in cabinet ministers with the UK, Ireland, Italy and New Zealand whereas in much of western Europe and the United States at least a significant number of cabinet ministers are appointed for their expertise.[1253]

Treasurers have generally had previous ministerial experience, the exceptions being after their parties have had long periods in opposition. Junior ministries, particularly within the Treasury portfolio, may act as an apprenticeship. Among recent treasurers, Hockey served as minister for financial services and small business. Bowen held both those ministerial

[1252] This has been particularly the case on the conservative side of politics. Joseph Lyons once remarked 'those who give their lives to the study of economics rarely become tory or conservative’; *Hansard*, 13 March 1931, p 232. It is also the case in the United Kingdom. Harold Wilson had a first in PPE from Oxford, worked as a research assistant to Beveridge, was an economist/statistician in the public service and had been an economics fellow, and after entering parliament was the youngest cabinet minister in over a century. Yet Atlee overlooked him for the chancellor’s post in 1950. More fortunate was Nigel Lawson, another PPE graduate from Oxford, who had been tutored there by Keynes’ pupil and biographer Roy Harrod, and went on to be a financial journalist, who was appointed chancellor by Margaret Thatcher.
[1253] Blondel (1993a, p 327). Larsson (1993, p 220) observes that In the UK and Ireland only a minority of the politicians holding the treasury portfolio had specialist knowledge in economics whereas in France, Germany and the Netherlands the majority did so.

posts as well as assistant treasurer and minister for competition policy. By contrast Keating, Costello and Swan lacked ministerial experience.[1254]

A survey of European ministers found that 70 per cent believed that experience as junior ministers aided their performance as cabinet ministers and they rated it more useful than a technical background in the subject matter of their department.[1255]

Among earlier treasurers, Casey, Spender, Fadden, Bury and Lynch had all been assistant treasurers (the exact title differed) before taking on the substantive role.[1256] Using an assistant treasurership as an apprenticeship had been suggested to Menzies by Copland.[1257] But the majority of assistant treasurers do not make the transition. Those who were assistant treasurer to a treasurer who was also prime minister (Richard Casey, Walter Massy-Greene, Percy Spender, Hubert Anthony, Nelson Lemmon) were likely to have more responsibilities delegated to them.

A period as acting treasurer can also help prepare a junior minister for being treasurer. Hayden, who was a particularly active acting treasurer during six stints, stands out as someone who made the most of the opportunity before becoming treasurer himself. Watt, Cook, Lyons, Casey, Menzies, Spender, Bury, Dawkins, Willis and Hockey all served as acting treasurer before taking on the substantive role. Some prime ministers (Bruce, Menzies, Holt, McMahon – all previous treasurers) preferred to take on the role themselves when their treasurer was away. Since the finance ministry was split off from Treasury in 1977, it has been common for the finance minister (eg Robinson, Guilfoyle, Fahey, Tanner, Cormann) to act as treasurer.

Blondel notes 'specialist [parliamentary] committees…are providing potential…ministers with a substantial degree of expertise'.[1258] Service on the House economics committee may also provide a useful introduction to the issues faced by future treasurers. The three most recent treasurers (Bowen, Hockey and Morrison) all served on this committee, but none of their predecessors.

[1254] Keating had been minister for northern Australia in the Whitlam Government for three weeks before it was dismissed.
[1255] Blondel (1993b, pp 190-1).
[1256] SM Bruce was uniquely assistant treasurer after being treasurer.
[1257] Copland suggested to Menzies 'you should take the treasury yourself for at least a few months, with an assistant treasurer who could be trained to take over the Treasury himself'; Harper (2013, p 219).
[1258] Blondel (1993a, pp 324, 329).

The immediate previous job of almost all Australian treasurers has been shadow treasurer or another ministry and prior to that they were mostly parliamentary backbenchers. As Rose (1987, p 80) remarked, parliamentary experience, while undoubtedly useful for a ministerial role, 'does not lead naturally to the work of a minister, as primary school leads to secondary school'.

There have only formally been 'shadow treasurers', as the Opposition's principal spokesperson and putative nominee for the treasurer's job is called, since Whitlam became opposition leader in 1967.[1259] There were of course front benchers who specialised to some extent in economic or financial matters before this and former treasurers still on the front bench would often be approached by the media to comment on economic issues. As shown by Table 8.4 only seven (shown in bold) of the 25 shadow treasurers have gone on to become treasurer.

There is not much on-the-job training for ministers provided by their predecessors. As one British minister noted, even when the transition is within the same political party, the 'outgoing minister is either so anxious to get on with the new ministerial job…or so despondent at being sacked'.[1260] In the few cases when treasurers or prime ministers have tried to train a future treasurer they have lost office or the protégé has lost their seat (or died) before the transition can be implemented.[1261] Spender, Holt and Willis are arguably the only examples of 'trained' treasurers.

[1259] There had been one earlier instance of a 'shadow minister' in Australia when in 1921 caucus assigned responsibility for speaking on financial matters to Frank Anstey.

[1260] Former UK minister Lord Crowther-Hunt in Kellner and Crowther-Hunt (1980, p 212). As Table 3.2 shows, most incoming Australian treasurers' predecessors have been either from the other side of politics or have been demoted.

[1261] Charles Frazer and John Dedman were protégés of Fisher and Chifley but never became treasurers.

Table 8.4: Shadow treasurers

Frank Crean[1262]	Feb 1967	5 Dec 1972
Billy Snedden*	5 Dec 1972	14 June 1974
Phillip Lynch	14 June 1974	11 Nov 1975
Bill Hayden*	11 Nov 1975	13 Dec 1975
Chris Hurford	27 Jan 1976	29 Dec 1977
Bill Hayden* (economic management)	2 June 1977	29 Dec 1977
Ralph Willis	29 Dec 1977	14 Jan 1983
Paul Keating	14 Jan 1983	11 Mar 1983
John Howard*	16 Mar 1983	5 Sep 1985
Jim Carlton	9 Sep 1985	14 Aug 1987
Andrew Peacock	14 Aug 1987	12 May 1989
John Hewson	12 May 1989	11 Apr 1990
Peter Reith	11 Apr 1990	7 Apr 1993
Alexander Downer	7 Apr 1993	26 May 1994
Peter Costello	26 May 1994	11 Mar 1996
Gareth Evans	20 Mar 1996	19 Oct 1998
Simon Crean	20 Oct 1998	25 Nov 2001
Bob McMullan	25 Nov 2001	2 Jul 2003
Mark Latham	2 Jul 2003	8 Dec 2003
Simon Crean	8 Dec 2003	26 Oct 2004
Wayne Swan	26 Oct 2004	3 Dec 2007
Malcolm Turnbull	6 Dec 2007	22 Sept 2008
Julie Bishop	22 Sept 2008	16 Feb 2009
Joe Hockey	16 Feb 2009	18 Sept 2013
Chris Bowen*	18 Oct 2013	

*Former treasurer. Source: compiled from *Parliamentary Handbooks*, various issues.

[1262] Whitlam (1985, pp 212-3) comments that Crean had been 'vaguely accepted' as effectively the shadow treasurer for a decade before this.

Comparison of actual with potential treasurers

A number of prominent politicians who themselves greatly desired to be treasurer, had some parliamentary support, took more interest in economics and finance than most members and were mentioned by political commentators as possible treasurers are listed in Table 8.5.

Table 8.5: Potential Australian treasurers

	(In federal parliament)	
George Edwards	(1901-1906[1263])	Expert on currency matters
Charles Frazer	(1903-1913)	Fisher protégé; acting treasurer
King O'Malley	(1901-1917)	Financier; central banking advocate
Frank Anstey	(1910-1934)	Monetary radical; finance spokesperson
Walter Massy-Greene	(1910-1938[1264])	Banker; assistant treasurer
Harry Gullett	(1925-1940)	Journalist, historian, trade minister
Bertram Stevens	Unsuccessful bid in 1940	NSW treasury official, treasurer and premier; early Keynesian and planner
Charles Hawker	(1929-1938)	Studied economics; minister for markets
John Curtin	(1928-1945[1265])	Monetary radical; journalist
John Dedman	(1940-1949)	Chifley protégé; studied economics
Tom Burke	(1943-1955)	Chifley protégé
Nelson Lemmon	(1943-1949[1266])	Chifley protégé
Arthur Calwell	(1940-1972)	Victorian treasury official
William Wentworth IV	(1949-1977)	Economist
Harry Edwards	(1972-1993)	Professor of economics
John Stone	(1987-1990[1267])	Treasury department head
John Hewson	(1987-1995)	Economist; professor; shadow treasurer
Mark Latham	(1994-2005)	Economist; shadow treasurer
Malcolm Turnbull	(2004-)	Lawyer; banker; shadow treasurer

[1263] Edwards was member for South Sydney from 1901 until he retired in 1906. He briefly returned to parliament as member for North Sydney in April 1910 but died in February 1911.
[1264] Massy-Greene was MHR for Richmond 1910-1922 and senator 1923-1925; 1926-1938.
[1265] Curtin was MHR for Fremantle 1928-1931 and 1934-1945.
[1266] Lemmon was MHR for Forrest in WA from 1943 until defeated in 1949. He returned to parliament as MHR for St George in NSW in 1954 but was defeated again in 1955.
[1267] Stone resigned from the Senate and stood unsuccessfully for the Queensland House of Representatives seat of Fairfax.

This group of ‘couldabeen’ treasurers share many of the characteristics of the actual treasurers; being male, Anglo-Saxon and educated, but collectively are more trained in economics. The reasons they did not become treasurer are varied. Curtin, Calwell, Hewson, Latham and Turnbull were all promoted to party leader while in opposition (although only Curtin and Turnbull went on to become prime minister). Of the others, some died young (Edwards in an accident, Frazer from a sudden illness, Hawker in a plane crash); Stevens was unable to find a winnable federal seat; Massy-Greene, Dedman and Lemmon lost their seats; and while O’Malley, Anstey and Wentworth all had enough party support to serve as ministers they were seen as too radical or eccentric for their prime minister to entrust them with the Treasury.

The main general contrast between the actual and the potential treasurers is that the former as a group are more politically adroit, confirming the view that this is regarded as more important than economic expertise.

Conclusion

There are some characteristics more common among those who aspire to and/or achieve the office of treasurer then among their parliamentary peers (political experience and savvy, education, representing NSW or Victoria and capital cities, and masculinity) but training or preparation is not one of them.

Chapter Nine: The Treasury and its relations with treasurers

The Department of the Treasury

In countries with a Westminster tradition, Treasury is always an important department. A UK study claimed their Treasury was 'unquestionably the most important department of central government'.[1268] It has even been described as 'God at the cabinet table'.[1269] In its earliest days Alfred Deakin referred to Australia's Treasury as 'one of our greatest and most important departments'.[1270] Treasury has been called the 'most influential of Australia's federal departments…beyond dispute' by Weller (1977b, p 1) and 'able to sway decisions one way or the other through its monopoly over advice, intellectual power and bureaucratic ruthlessness' by Wanna (2002, p 99).

Such praise may have contributed to Treasury's reputation for arrogance, something it shares with many European treasury departments.[1271] The department has also had a reputation within the bureaucracy for only offering one option to ministers and holding

[1268] Chapman (1997, p 11). Hugh Dalton (1962, p 17), UK chancellor of the exchequer 1945-1947, described the British Treasury as one of 'the two most powerful and Olympian departments'. Chancellor Darling (2011, p 169) reflected 'the Treasury has always had a high self-regard. It sees itself as the big beast of Whitehall, patrolling the corridors of governments of whatever political hue, fiercely guarding the economic stability of the country'. UK studies of government departments have concluded 'Treasury is the mightiest'; Paxman (2002, p 198). More poetically It has been called 'a uniquely powerful department – monolithic, mysterious and sometimes a little menacing'; Roseveare (1969, p 10). In its commitment to fiscal responsibility, it has even been called 'the Day of Judgement institutionalised'; Simon Jenkins (1995, p 223). It has long been said to have demanding standards; a member of the Royal Commission on Civil Establishments in 1888, cited in Kynaston (1980, p 58), claimed 'the Treasury are not satisfied with an ordinary first-class man, but they want a double first-class man of Balliol'. But it has been acknowledged as hard-working; Michael Heseltine once remarked that 'the Treasury never sleeps'; cited in Hennessy (1989, p 392). Keynes (1918, p 297) regarded the UK Treasury's role as 'one of the most splendid parts of our constitution' and its prestige allowed it to deploy the weapons of 'precedent, formalism, aloofness and even sometimes obstruction by the process of delay'. Stanley Baldwin once said that 'there are three groups that no British prime minister should provoke: the Vatican, the Treasury and the miners'; cited by FitzSimons (1998, p 135).

[1269] This view within government is based on its ability 'to sway decisions one way or the other through its monopoly over advice, intellectual power and bureaucratic ruthlessness', according to Wanna (2002, p 99).

[1270] *Hansard*, 20 August 1912, pp 2348-2349.

[1271] Larsson (1993, p 213) observes 'treasury officials tend to believe that they are the elite of the civil service and that they therefore would run other departments far better and more efficiently'. Shann (1987, p 25) suggests 'sometimes wrong, always certain' as an epitaph for Treasury.

entrenched views.[1272] The department has tended to stress 'loyalty' and the need to present 'a united front'.[1273] A royal commission referred in 1976 to the 'widely held view that the Treasury…approaches its task of informing and advising the treasurer with…some would say almost doctrinal force'.[1274] Weller (1977b, p 91) accused Treasury of inappropriately pushing its own views into the broader community; 'Treasury has always been able to get its 'line' out to those who will listen, especially to key economic writers in the newspapers, and this 'line' has sometimes departed from that of the government or even the treasurer himself'.

Treasurers are often criticised for being too close to, and reliant on, their departments.[1275] As a European academic observed, 'it is truly difficult to know who 'socialises' whom in the interchange between ministers and treasury officials'.[1276] There are good reasons why treasurers may be reliant on their departments. Most treasurers lack economic training or relevant business experience, while since Roland Wilson's appointment in 1951 all Australian Treasury secretaries have had economics degrees. Furthermore, treasurers may want to use the department as a scapegoat; 'it may appear safe to follow departmental advice. If that advice appears later to be misconceived, the relevant department officers can be blamed.'[1277]

As observed in Chapter 3, the tenure of treasurers is less than half that of their department heads. Since federation there have been 39 treasurers but only 17 Treasury secretaries. And a much higher proportion of the secretaries have left the position by retiring after a long tenure; compare Tables 3.2, 8.2 and 9.1.[1278] At one extreme Sir Frederick Wheeler remained as secretary while Snedden, Whitlam, Crean, Cairns, Hayden, Lynch and

[1272] Weller and Grattan (1981, pp 62, 81). Ian Castles commented 'the presentation of a single view by Treasury, as if it were the only possible view that an intelligent person could take…upset the prime minister'; Weller (2001, p 92).
[1273] Weller (1977b, p 9).
[1274] Royal Commission on Australian Government Administration (1976, p 366). Wanna (2002, p 100) notes it has been easy to demonise Treasury as a 'bully department'.
[1275] On closeness, a UK chancellor went so far as to claim ''the relations between a minister and his secretary are, or at least should be, among the finest that can exist between two individuals. Except the married state, there is none in which so great a confidence is involved, in which more forbearance ought to be exercised, or more sympathy ought to exist'; Disraeli in *Endymion* (1880), cited approvingly by a later chancellor Hugh Dalton (1962, p 16). On reliance, as far back as 1690 the British Chancellor admitted to the Commons while going through some complicated figures that 'a man of better understanding than I may not understand my trade, but it may be explained to him by his officers'; cited by Kynaston (1980, p 6).
[1276] Larsson (1993, p 221).
[1277] Anonymous (2000).
[1278] Spry (2000, p 10).

Howard were successively treasurer. Treasury secretaries traditionally stayed in the post until retirement, by when they were often in poor health, although Harry Sheehan and Bernie Fraser served as governors of the central bank after being Treasury secretary. In recent years there has been more turnover. Chris Higgins died young after one year in the job, Tony Cole was transferred, Ken Henry retired early while Martin Parkinson was dismissed by Tony Abbott only to be resurrected as head of Prime Minister & Cabinet by Malcolm Turnbull.

Table 9.1: Treasury secretaries

	Date appointed	Length of tenure	Reason left post
George Allen	1 Jan 1901	15 yrs, 2m	Retired
James Collins	14 March 1916	10 yrs, 3m	Retired
James Heathershaw	3 August 1926	5 yrs, 2m	Ill health
Harry Sheehan	29 April 1932	5 yrs, 9m	Appointed CB governor
Stuart McFarlane	24 March 1938	9yrs,10m	Appointed to IMF/WB
George Watt	23 Nov 1948	2 yrs, 4m	Retired
Roland Wilson	1 April 1951	15 yrs, 6m	Retired
Richard Randall	28 Oct 1966	5 yrs	Retired
Fred Wheeler	1 Nov 1971	7 yrs, 2m	Retired
John Stone	8 Jan 1979	5 yrs, 6m	Resigned
Bernie Fraser	19 Sept 1984	5 yrs	Appointed RBA governor
Chris Higgins	19 Sept 1989	1 yr, 4m	Died
Tony Cole	14 Feb 1991	2 yrs, 1m	Transferred to DHHLGCS
Ted Evans	24 Mar 1993	8 yrs, 1m	Retired
Ken Henry	26 April 2001	9 yrs,10m	Retired
Martin Parkinson	7 March 2011	3 yrs, 9m	Dismissed
John Fraser	15 Jan 2015		

Main source: Treasury (2001). CB: Commonwealth Bank; RBA: Reserve Bank of Australia; IMF/WB: International Monetary Fund/World Bank executive director; DHHLGCS: Department of Health, Housing, Local Government and Community Services.

The longest serving Treasury secretary was the brilliant Sir Roland Wilson, a Rhodes scholar with doctorates from both Oxford and Chicago, who held the post from 1951 to 1966. This was during the heyday of secretaries as 'permanent heads' of the department.[1279] This status helped them give the 'frank and fearless advice' for which they were renowned. More recently, secretaries have been on contracts and the emphasis has switched to 'responsiveness'.[1280] One former department head, cited in McAuley and Lyons (2015, p 263), even suggested the term 'public servant' would be more accurately replaced by 'ministerial servant'.

Treasury's initial role as bookkeeper

In Australia Treasury started at Federation as a book-keeping department, 'the government's accountant'.[1281] Treasury followed 'Gladstonian principles',[1282] in accord with treasurers who shared the Gladstonian tradition of fiscal conservatism.[1283] The

[1279] This nomenclature was dropped in 1987.

[1280] M Keating (2003, p 369) notes the symbolic importance of the amendments to the *Public Service Act* by the Hawke Government which inserted the words 'under the minister' to the description of secretaries' responsibility for managing their departments. Further amendments in 1999 required public servants to be 'responsive to the government'; McAuley and Lyons (2015, p 263). While these terms have subsequently been removed from the act, 'under the minister' is still in the regulations and used by ministers and their staff when dealing with secretaries. Weller and Wanna (1997) observe that permanence was effectively removed in 1984 when the 'permanent heads' were also symbolically retitled 'departmental secretaries' and in 1993 they were put on limited term appointments (with incumbents offered a 20 per cent pay rise if they agree to the change in terms). The standard term was reduced to three years under the Howard Government (with exceptions) but restored to five under Rudd. Security of tenure was demonstrated to no longer hold after the incoming Howard Government in 1996 dismissed six secretaries. There is now a presumption that most departmental secretaries will only head a department for (at most) five years, although there are sometimes decisions to reappoint them. For an illustration of how appointment processes can operate in practice, see Podger (2007b). The use of performance pay tends to increase the focus on responsiveness to the government, particularly on issues prominent in the media, to the possible detriment of longer term capacity development; Podger (2007a, pp 499-500, 2007b, p 143). M Keating (2003, p 377) noted 'there is increasing concern that public servants now feel less able to give frank and fearless advice' and 'the balance may have swung too far in favour of responsiveness'. Podger (2005, p 10) sympathises with this view, observing, 'I doubt there are many today, however, who would argue that the APS needs to shift the balance further towards responsiveness'; see also Podger (2009, pp 29, 156). This view is also shared by some former prime ministerial chiefs of staff; Rhodes and Tiernan (2014, p 146). For a contrary view, see Shergold (2004, p 10).

[1281] Wanna (2002, p 102). In a similar vein Blainey (2016, p 274) refers to Treasury as 'little more than the government's department of accounting'.

[1282] Crisp (1961, p 316). As was said of the UK Treasury in the nineteenth century, the 'main functions were prudent housekeeping'; Chapman (1997, p 56).

[1283] Wanna, Ryan and Ng (2001, pp 5-6). Gladstone had a 'desire for strict accounting and accountability' and has been described as 'the epitome of Victorian parsimony'; Chubb (1952, pp 32, 34). He famously referred in 1879 to the 'saving of candle-ends and cheese-parings', as the mark of a good chancellor; cited by Hirst (1931, p 243) and Bridges (1950, p 6). Roseveare (1969, p 186) refers to 'the Gladstonian tradition of rigid economy'. The man Gladstone appointed as his chancellor, Robert Lowe, once claimed his qualification for the job was 'I possess the faculty for saying No as well as anyone, and in that and not in

treasurers, like their overseas counterparts, 'took the ups and downs of the trade cycle almost like acts of God and no more tried to claim credit for the good years than to accept blame for the bad ones'.[1284]

Upon appointing **George Turner** as Australia's first treasurer, the first prime minister Edward Barton explained 'the treasurer will superintend all matters relating to customs and finance, commonwealth loans, the taking over of state loans and cognate matters'.[1285] Treasury was the smallest of the original seven departments. Using personnel seconded from state treasuries, Turner set to work before his department was formally established. George Allen,[1286] with whom Turner had worked at the Victorian Treasury, was appointed Secretary of the Treasury in July 1901 with four other staff.[1287] By January 1902, Treasury had taken on another four staff and all bookkeeping functions were then performed in-house. By 1903 staff had reached twenty, and it including four future secretaries.[1288] This may be a tribute to the initial recruitment process and it meant the successive secretaries could draw on long experience. But it was also a sign of insularity and may have discouraged innovation and fresh thinking.

Turner described Treasury's work as 'being chiefly ledger keeping and the inspection of accounts'.[1289] In this they were quite rigorous; in the 1901-02 Budget, government expenditure was budgeted to the pound as £3,777,207.

While Barton and Deakin had been minister for external affairs as well as prime minister, **Chris Watson**, the first Labor prime minister, chose instead to be treasurer[1290] and thereby gave more status to the department.

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super finance lies the real secret of financial prosperity'; cited in Winter (1976, p 244). He expressed his agreement with a Treasury official of the era who believed that 'a great part of the good we do in the world might properly be measured by the evil we prevent' and was delighted when the chancellor of the University of Oxford, presenting him an honorary degree, called him 'frugalissimus'; cited in Winter (1976, pp 255, 285). In New Zealand the treasury official had the image of the 'abominable no man'; McKinnon (2003, p 17).

[1284] Former UK chancellor, and biographer of chancellors, Roy Jenkins (1998, p 8).

[1285] Reported in *Sydney Morning Herald*, 31 December 1900, p 7.

[1286] See Anonymous (1909b), Cunneen (1979) and Treasury (2001, p 14) for short biographical essays on Allen.

[1287] Allen had said of the department's staffing needs prior to his appointment 'if the office chosen had one or two clerks who understood accounts and another good man to keep the correspondence, that would do very well'; Treasury (2001, p 8).

[1288] Together with Allen, they provided almost fifty years of leadership; Treasury (2001, p 18).

[1289] *Hansard*, 23 January 1902.

[1290] He purportedly had first asked George Turner, the treasurer in the Barton and Deakin governments to stay on; Hawkins (2007a, p 122).

Allen reportedly was closely involved in drafting budget speeches for the early treasurers.[1291] **William Lyne** is reported as having driven Allen hard.[1292] **Andrew Fisher** took him along as adviser to the 1911 Imperial Conference. **John Forrest** apparently relied heavily on him, commenting 'Allen does all the written work'.[1293]

Allen continued as secretary under Turner's five successors until 1916, through multiple changes of governing party – Protectionist, Labor, Free Trade and Liberal – establishing a pattern of incoming governments respecting the impartiality of the Treasury department by retaining the secretary that endured until 2013. Staff numbers grew but Treasury remained a small department.

Table 9.2: Treasury: number of employees

1901	5	1976 (a)	1,480
1903	20	1976 (b)	640
1927	45	1986	504
1936	55	1996	537
1959	326	2011	1,018
1970	668	2016	844

(a) Before Finance was split off; (b) after Finance was split off.

Sources: Treasury (2001); Treasury, *Annual Reports 1985-86*, p 39*; 2015-16*, p 54.

In 1910 Treasury became responsible for the note issue, which had formerly been handled by the private banks. It maintained this role until it was transferred to part of the Commonwealth Bank in 1920. The first potential challenge to Treasury's hegemony over financial advice to the government came with the establishment of the prime minister's department in 1911.[1294]

[1291] Culleen (1979).

[1292] It was claimed that Lyne's first budget speech 'is still remembered with horror' by Treasury officials for the speed with which it needed to be prepared. It was claimed Lyne 'stormed and commanded and drove, so that, by sitting up late at night and working hard all day, the Treasury was able to produce within ten days the famous budget speech which accompanied the tariff'; *Punch*, 16 September 1909, p 428.

[1293] Crowley (2000, p 359).

[1294] For a history of this department, which in practice did not become a major challenger until the 1960s, see Weller, Scott and Stevens (2011).

Allen's successor James Collins[1295] was also a key adviser and more intellectual, reading widely on finance and studying in the US and Canada in 1908 and 1915, and with Allen relying on him, Collins was regarded as the 'dominant force' in Treasury matters for over a quarter of a century.[1296] In 1927 Treasury moved from Melbourne to West Block, near Parliament House, in Canberra.

Under **Earle Page** as treasurer and Bruce as prime minister, Treasury's influence was enhanced. Treasury officials had proposed a change to cabinet procedures so that 'the [Cabinet] Secretary will not place questions on the list of waiting subjects until they have been discussed in their financial aspects between the Department and the Treasury.' Bruce softened the stance to 'it would greatly facilitate Cabinet business if, before submitting questions for Cabinet decision, they have been discussed between the Department concerned and the Treasury.'[1297]

Treasury's monopoly over financial advice to government came under another challenge during Page's treasurership, when prime minister Bruce produced a bill to establish a Bureau of Economic Research in 1929.[1298] The proposal could be interpreted as suggesting 'Treasury was viewed not as a policy-making body but as an agency to manage the accounts'.[1299] But before it could be established, incoming prime minister Scullin, who regarded economists as 'unworldly', abandoned the idea.[1300]

Treasury and the depression

A big change for Treasury was the appointment of **Edward Theodore** as treasurer in 1929. Depression chronicler Boris Schedvin (1970, p 119) wrote that 'whereas most inter-war treasurers were content to 'approve' a recommendation or otherwise, Theodore

[1295] See Page (1981) and Treasury (2001, p 20) for brief biographical essays on Collins. Hugh Armitage from the Commonwealth Bank recalled in 1949 that Collins was 'a man of very great ability but this was unfortunately marred by his egotism, conceit and vanity'; RBA archives SA-65-84.
[1296] Treasury (2001, p 20). He also represented Australia at the International Finance Conference in Brussels in 1920.
[1297] Cited by Weller (2007b, p 55).
[1298] *Economic Research Act 1929*. Edwards (1965, p 156); Castles (1997a); Marshall (1987, pp 401-5). The Bureau's establishment was supported by a British Economic Mission to Australia, which Bruce had also organised; *The Economist*, 1 June 1929, pp 1201-2. It was also supported by the Brigden report economists; Harper (1989, p 21). Pearce was a strong supporter according to his biographer; Heydon (1965, p 98).
[1299] Marshall (1987, p 404).
[1300] Castles (1997a, p 28), Millmow (2004, p 148). Sawer (1956) says the British advisers who had suggested the Bureau suspected that Labor opposed it on the grounds the Bureau would likely criticise protectionism.

examined every clause in detail and commented extensively on any provision that needed alteration or clarification'. By the late 1920s the Treasury secretary was James Heathershaw[1301], an accountant who, partly due to illness, could not play a strong role in developing economic policy responses to the depression.[1302]

As noted in Chapter 5, Theodore had 'a firmer theoretical grasp of the situation than his senior Treasury officials'.[1303] As well as extensive reading of the works of Keynes, Hobson and others, Theodore held discussions with economists outside Treasury such as Irvine and Giblin in developing his proto-Keynesian ideas. But, as discussed in Chapter 5, Theodore was prevented by the Senate and the Commonwealth Bank board from implementing his ideas

Heathershaw's deputy Harry Sheehan[1304], also an accountant but with more relevant experience and better health, could make a larger contribution and succeeded to the secretary's role in 1932.[1305] Treasury at this time was, however, still dominated by accountants and clerks facing the 'round eternal of the cash-book and the journal'.

The Depression inevitably led to an increased role for Treasury, in part at the expense of state treasuries, through the growth in importance of the Loan Council for which Treasury provided the secretariat.

Joseph Lyons as treasurer often sought advice from Stuart McFarlane, known ironically as 'Sunshine' or more aptly as 'Misery Mac' for his gloomy manner, whom he promoted to secretary in 1938.[1306] Sheehan left Treasury to become governor of the Commonwealth Bank, leading to a 'more harmonious' relationship between the two organisations.[1307]

[1301] See Page (1983) and Treasury (2001, p 28) for brief biographical essays.
[1302] Schedvin (1970, p 88); Treasury (2001, p 28); Page (1983, p 250).
[1303] Schedvin (1970, p 119). Souter (1998, p 265) and Johnston (1987, pp 60-61) hold similar views. As noted in Chapter 5, the only official in government service with economic expertise had been the statistician Wickens and he was unavailable from February 1931; Coleman, Cornish and Hagger (2006, p 120).
[1304] See Cornish (1988b) and Treasury (2001, p 35) for short biographical essays.
[1305] Cornish (1988b) describes Sheehan as 'the Treasury's chief adviser to the Commonwealth government' during the depression' and the architect of the plan Lyons took to caucus in October 1930. Schedvin (1970, p 88) and Treasury (2001, p 35) also refer to him as the Government's chief economic adviser at this time. He was appointed governor of the Commonwealth Bank in 1938. Theodore suggested his 'devotion to duty and great ability' entitled him to be Heathershaw's successor; Cornish (1988b). In 1933 he was chief financial adviser to Bruce at the World Monetary and Economic Conference.
[1306] White (1987, p 137). See Cornish (2000) and Treasury (2001, p 46) for short biographical essays.
[1307] Treasury (2001, p 35). His successor Armitage recalled that Sheehan's lack of knowledge of banking at the time of his appointment to the Commonwealth Bank caused him great stress and contributed to an early death; Armitage reminiscences, 1949, RBA archives RBA SA-65-84.

Treasury officials again attempted to enhance their influence over cabinet deliberations. Lyons wrote to his ministers; 'I would be glad if Ministers would be good enough to submit all such proposals [involving expenditure] to the Treasury before they take the form of submissions to Cabinet'.[1308] Millmow (2010b, pp 177-8) observed that Lyons delegated much of the Treasury work to the assistant treasurers and was said to have only set foot in Treasury once in 18 months.

Treasury and the influence of Keynes

When **Richard Casey** became treasurer in 1935, having earlier served as assistant treasurer, Treasury again had a more active treasurer. Unlike most members, who lived in their electorates, the Caseys based themselves in Canberra, moving to a 'resident minister's house' in Yarralumla.[1309] This allowed Casey to 'sit on the doorstep of the Treasury and made their lives a misery'.[1310]

Casey wanted to improve the quality of economic advice he received and kept in touch with academic economists. 'Unimpressed with the Treasury's expertise, he longed for an economic secretariat to service cabinet'.[1311] Casey appointed an economics graduate, Ian Potter, as his personal secretary and the brilliant Roland Wilson as his economic adviser; 'besides knowing all the economic nonsense…has a good head, good judgement and general balance'.[1312]

As prime minister, Lyons established a committee of economists in December 1938 chaired by Giblin, which was known as the 'F&E'.[1313] Its initial membership was Giblin, Melville and Wilson, who were later complemented by Brigden, Copland and Coombs. It was initially located in the Defence Department but transferred the next year to Treasury. Their initial task was considering the implications of disruptions to overseas trade in the event of war and appropriate responses. Giblin had joined Treasury as a statistician in 1930 and was involved in the recruitment of economists such as Roland

[1308] Cited by Weller (2007b, p 55).
[1309] Langmore (1997); Millmow (2007a).
[1310] Cited by Hudson (1986, p 86).
[1311] Hudson (1986, p 213).
[1312] Millmow (2004, p 171) and Casey to Bruce, 20 February 1935, cited by Millmow (2010b, pp 169-70).
[1313] The Financial and Economic Committee, to give it its full name, is described in Maddock and Penny (1983), Butlin (1955), Millmow (2010b, pp 259-63) Treasury (2001, pp 44-45) and Whitwell (1986, pp 65-79).

Wilson.[1314] This increasing role for economists attracted some favourable comment overseas, with Australia called the 'utopia of practical economists' and the land where 'the plans of the Economic Men have been put in place'.[1315]

Reflecting the growing influence of Keynes, in 1937 Casey argued that to 'expand public works in depression and contract them in better times was the broad advice given by economists', with which he agreed.[1316] Millmow (2010b, p 3) argued that 'the first threads of comprehensive economic management in Australia came with the 1939-40 budget, which put into circulation the Keynesian technique of estimating the inflationary gap'. It has been observed that 'Australian economists were ahead of their counterparts elsewhere in adopting Keynes' insights into demand management'.[1317]

Upon becoming prime minister in 1939 **Robert Menzies** initially also took over as treasurer. He established an Economic Cabinet, which he chaired, in December 1939 but it appears to have fizzled out around May 1940.[1318] **Percy Spender** as assistant or acting treasurer gradually assumed the substantive duties of treasurer and took the formal title in March 1940.[1319]

A man of whom his biographer believed 'economics, generously defined, remained a preoccupation'[1320], Spender was arguably Australia's first Keynesian (assistant) treasurer.

[1314] Treasury (2001, pp 36-37). The Commonwealth Bureau of Census and Statistics (from 1974 the ABS) was moved to Canberra in 1928 and administratively to the Treasury portfolio in 1932 and the Commonwealth Statistician was often also an important economic adviser to the government.

[1315] Goodwin (1974, pp 235-7). See also Millmow (2010b, pp 21-22, 156).

[1316] *The Age*, 24 September 1937.

[1317] Millmow (2015c, p 53). In the UK arguably the first budget based on an overview of the country's resources was that of Kingsley Wood in 1941, which was influenced by Keynes; Jenkins (1998, p 399), Kynaston (1980, pp 147-8). Stafford Cripps' biographer argues his explicitly Keynesian deflationary budget of 1948 makes him 'the first modern chancellor'. Cripps described in his budget speech that the 'new task of chancellors is not merely to balance the budget, it is a much wider one – to match our resources against our needs so that the main features of our economy may be worked out for the benefit of the community'; Bryant (1997, p 417). Joan Robinson (1959, p 1) pithily puts Keynes in the context of other great economists; 'Marx seeks to understand the [capitalist] system in order to hasten its overthrow. Marshall seeks to make it acceptable by showing it in an agreeable light. Keynes seeks to find out what has gone wrong with it in order to devise means to save it from destroying itself'.

[1318] The Economic Cabinet's terms of reference and a description of its history is given in Hasluck (1952, pp 424-435). It comprised the prime minister, treasurer, minister for supply, postmaster-general and others with two assistant ministers and Sir Ernest Fisk as secretary later added; Crisp (1978, p 376). It was not a success as it was hard to isolate purely economic matters from other cabinet business.

[1319] Spender (1968, 1972, p 46) felt he was 'in full charge of Treasury throughout' and his wife concurred; 'it was common knowledge that the Prime Minister, who was then also the Treasurer, had given him a more or less free hand'; J Spender (1968, p 5).

[1320] Lowe (2010, p 15). Harper (2013, p 235) cites Copland as describing Spender as having 'taken his economic advisers literally' and adopting 'an economist's approach'.

Spender (1972, pp 42-43) recalled how as assistant treasurer he was presented by the Treasury secretary with his 'sums', estimates of government spending based on existing programmes and revenue based on existing rates of tax, but no indication of how the economy should be organised for war. Spender instead pushed the recommendations of the F&E committee of economists against Treasury advice and injected funds into defence-related projects that would soak up unemployment, initially funded by central bank credit, then from borrowing and then from taxation.[1321] Unsurprisingly, Spender (1972, p 44) reported that this was 'hardly pleasing' to McFarlane.

Bowen (2015, pp xiii-xiv) commented that Spender had started the process of developing the economic expertise within Treasury, but he also sought advice outside it, notably from Giblin and the F&E. Prior to 1938-39 'one gathered that the general level of economic activity had an effect on budget totals but hardly the reverse'[1322] and this started to change during Spender's brief reign. In 1939 economists Fred Wheeler and 'Nugget' Coombs joined Treasury. Menzies (1942, p 6) reflected that 'in the economic history of the last fifteen years nothing will be more notable than the rise in influence and authority of the professional economist'.

The years from 1939 to 1941 were unstable ones for Treasury with five different treasurers. Menzies' next treasurer **Arthur Fadden** was not temperamentally compatible with McFarlane.

The spread of Keynesian ideas accelerated under **Ben Chifley**,[1323] who 'liked being surrounded by clever people who could do things'.[1324] Under Chifley's 'tender care…the predominance of the Treasury in formulating economic and fiscal policy became increasingly marked', according to Encel (1974, p 197).[1325] In 1945, for the first time, the government published statistics on national income and expenditure.

Crisp (1961, p 322) observed that Treasury became more Keynesian as more economists joined the department, the most talented of whom could rise quickly as a large proportion

[1321] Coleman, Cornish and Hagger (2006, p 185); Millmow (2010b, p 263); Cornish (1993a, p 47); Watts (1983, p 259).
[1322] Crisp (1961, p 321). Spender thought McFarlane failed to understand Keynesian economics; Cornish (2000).
[1323] Encel (1974, p 197).
[1324] Russell (2003, p 10).
[1325] Encel (1974, p 197).

of the staff were World War I veterans reaching retirement. Indeed King (1997, p 298) suggested that 'by 1945 there was no more totally Keynesian economic profession in the world' than in Australia.

Treasury in the long boom

Chifley worked well with Treasury secretary McFarlane and his successor George Watt[1326] and also dealt with more junior officers. By one account Fred Wheeler, one of the first economists recruited to Treasury, in 1939, was the 'man on whom Chifley mostly relied'.[1327] In 1950 he referred to having assembled 'a group of outstandingly able officers'.[1328] As well as his advisers within Treasury, during his first fortnight in the portfolio Chifley solicited briefings from leading economists such as 'Nugget' Coombs, Copland, Giblin and Melville.[1329]

In 1946 Treasury was re-organised, with eleven sections rearranged into five divisions, including one devoted to economic policy. While initially the economic policy division only had five officers, they were all trained economists and Whitwell (1986, p 7) observed they 'formed the nucleus of economic expertise within the department'. Staff numbers rose steadily over the long boom of the 1950s and 1960s and into the 1970s, both at the top (Table 9.3) and overall (Table 9.2).

Table 9.3: Senior staff of Treasury

	1946	1968	1984
Secretary	1	1	1
Deputy secretary	1	2	3
First assistant secretary	1	5	7
Assistant secretary	5	13	23

Source: derived from Whitwell (1986, p 7); *Treasury Annual Report 1983/84*, p 30.

[1326] See Treasury (2001, p 56) and Nethercote (2012) for brief biographical essays.
[1327] Treasury official and later secretary G Watt, cited in Howard (1978, p 148). Wilson was less influential due to his 'icy demeanour'; Howard (1978, p 416).
[1328] Crisp (1960, p 257).
[1329] M Howard's (1978, p 147) interviews 'thoroughly and vividly verified' that Chifley was 'a minister thriving on consultation of a rich network of political and departmental contacts'. John Howard (2014, p 102) suggests Chifley established 'contacts with professional economists as well as Treasury boffins'.

As well as being treasurer, from December 1942 to February 1945 Chifley was minister for post-war reconstruction, a new department headed by Nugget Coombs and including a number of talented progressives.[1330] The new department developed a strong economic team and Chifley intended if he won the 1949 election to relinquish the Treasury portfolio but bring this economics unit into the Prime Minister's Department.[1331] But in the event Chifley lost the election and the incoming prime minister Menzies did not share his interest in economics so the economics unit was left to wither.[1332]

On Watt's retirement, Fadden appointed the first economist as secretary, Roland Wilson.[1333] As his hometown newspaper presciently put it, 'it is a good bet that…all his successors will be economists'.[1334] Wilson was 'the epitome of the "good Treasury man"; confident, authoritative, resolute, academically gifted, coldly logical, acerbic and quick-witted'.[1335] Wilson's wife opined that his relationship with Fadden was the 'closest ever experienced between a minister and a secretary' as 'each appreciated the other's strengths'.[1336] Fadden also had a warm relationship with Wilson's deputy Richard Randall. But Fadden remained a 'shrewd assessor' of their advice.[1337] Fadden also got on

[1330] 'Long-haired men and short-skirted women', as Chifley joked; Crisp (1960, p 187). The staff of the department are listed in *Hansard*, 26 April 1945 pp 1153-6, and include a number of prominent economists and intellectuals such as Coombs, Crawford, Crisp, Firth, Nimmo, Swan and Tange, then mostly in their 30s or late 20s. Mamchak (1980) describes the origin and work of the department with special reference to its role as an economic planner. Most of its administrative staff came from the reconstruction division of the Department of Labour and National Service.

[1331] Lee (1995, p 127); Weller (2007b); Weller, Scott and Stevens (2011, p 45).

[1332] Another factor was that Treasury was now under a Country Party minister and Menzies wanted to maintain a harmonious coalition government; Whitwell (1986, p 19). Things could have turned out differently if Trevor Swan, who moved from Post-War Reconstruction to head the new Economic Division in the Prime Minister's Department had not left for an academic post after a few months.

[1333] See Cornish (2002) for a biography of Wilson; Coleman, Cornish and Hagger (2006) for a joint biography of Wilson and three of his peers; Castles (1997b, 1997c), Cornish (2007c, 2015b), Farquharson (1996), Hetherington (1965), Treasury (2001, p 57) and Weller (2001, pp 183-188) for shorter sketches; and Wilson (1984) for his own reflections. Weller (2001, p 1) referred to Wilson as 'perhaps the most influential public servant in federal history'. Keynes had 'the greatest respect for his wisdom'; Cornish (2015b, p 125).

[1334] *Launceston Examiner*, March 1951, cited by Cornish (2002, p 30).

[1335] Whitwell (1986, p 23). Wilson was a strong personality; the formidable 'Black Jack' McEwen, an opponent of Treasury as trade minister, once remarked to Wilson 'you don't terrorise easily'; Golding (1996, p 12). A leading financial journalist called Wilson 'the outstanding public servant of his generation'; cited by Cornish (2002, p 24). Hasluck (1997, p 56) described Wilson as the 'power behind the throne' on fiscal policy, helped by the 'scientific detachment' he displayed when addressing cabinet.

[1336] Arklay (2014, pp 64, 140).

[1337] Cribb (1996). Hasluck (1985, p 189) said Fadden 'was not a slave of the Treasury'. Coombs (1981, p 132) judged that Fadden 'greatly admired Roland Wilson's capacity, and depended heavily on his judgement, but he found Roland too cold and unyielding for a wholly satisfactory partner. Indeed, it could almost be said that he was a little afraid of Wilson's razor-sharp intellect, his intolerance of human frailty, and his acid tongue'. Fadden's preference, therefore, was to be accompanied by deputy secretary Randall on his overseas trips. Fadden was not however so overawed by Wilson as to be above a practical joke,

well with Nugget Coombs at the Commonwealth Bank.[1338] He provided an alternative prospective to the Treasury, which tended to be more pro-growth and longer-term, while the Bank was generally concerned about fine-tuning the economy to avoid the short-term risk of inflation.[1339] Treasury was criticised by Whitington (1964, p 151) as 'ultra-conservative, essentially cautious and almost timid during the fifties'. In January 1956, dissatisfied with Treasury advice, Menzies established an advisory committee of business leaders and academics. Treasury had opposed the powerful new Department of Trade created in 1956.[1340]

Fadden's successor **Harold Holt** was pleased to be reunited with Wilson, who had been his departmental secretary in the Labour portfolio around two decades before. Wilson was 'a source of strength for him'[1341], although one cabinet colleague has suggested Holt 'perhaps succumbed too much to orthodox Treasury advice'.[1342] Holt's tenure coincided with the peak of both Treasury's power and that of the public service 'mandarins'. Other

once planning to leave a fish in his hotel bed; Fadden (1969, p 141). He was once heard at a premiers' conference telling Wilson 'will you keep your f…ing mouth shut?'; Cameron (1985, p 188). Fadden had dubbed Wilson, Randall and Commonwealth Bank governor Nugget Coombs as among the 'seven dwarves' when they had worked for Chifley; Arklay (2014, p 140), Barry Jones, *Hansard*, 24 November 1997, p 11148. Millmow (2015a, p 5) is more sceptical of Fadden's contribution, suggesting 'it was Treasury that ran the show with officials like Roland Wilson and Richard Randall pulling the strings. All Fadden had to do was to sign off on the budget'.

[1338] Arklay (2010, p 263) and Coombs (1981, p 131). While Menzies was urged to drop Coombs on the grounds he was too close to the former Labor government, Menzies replied that 'I have any number of people around me who will tell me what they think I want to hear. I need to have access to people who will tell me the opposite' and Fadden held a similar view; Jones (2006, p 514). Fadden reportedly rang Coombs after the election to say 'don't take any notice of all that bull---- I was talking during the election; we'll be needing you'; Souter (1998, p 411). A then fellow Country Party member recalls asking Fadden in 1949 why he kept Coombs on and being told 'Nugget has changed his attitude and is most helpful. We get along very well and he knows which side his bread is buttered'; Russell (1976, p 65).

[1339] Cornish (2007b, p 231).

[1340] McEwen and Jackson (1983, p 49).

[1341] Nugget Coombs (1981, p 270). It was said of Wilson that 'no other senior public servant was so deeply respected by officers of his own department. They regarded Treasury as the senior department in intellectual power, and Wilson as the man responsible for elevating it to that position'; Whitington (1964, p 153). A future treasurer called Wilson 'probably the most able and cleverest man the public service has ever employed'; Bury (1975). Wilson was known for his formidable intellect and wit; see Cornish (2015b) and recollections of Treasury colleagues in Treasury (2001, pp 57-59). Whitington (1964, p 153) tells of Menzies asking Wilson for an opinion on an economic report. Wilson replied it was written by a 'bloody fool', which was embarrassing as the author had been Menzies himself.

[1342] Downer (1982, p 68). Schedvin (1992, p 296) suggests Holt was 'not well versed in the wider economic issues and was heavily reliant on Treasury'. McFarlane (1968, p 7) agrees. Coombs (1981, p 268) said Holt 'relied strongly upon' Wilson. John Howard (2014, p 360) describes Holt as 'by temperament happy to follow most of the advice he was given'. According to Weller and Cutt (1976, pp 99-100), Holt often just read out a Treasury brief at cabinet without comment.

than Wilson, Holt's main advisers were Treasury deputy secretaries Richard Randall[1343] and Lenox Hewitt.[1344]

As in the UK, the early 1960s was a time when interest grew in Australia in longer term economic planning, although there was never any enthusiasm for it within Treasury.[1345] In 1963 a committee was appointed to examine longer run economic issues. It was headed by Sir James Vernon, managing director of the Colonial Sugar Refining Co.[1346]

The report was given to the government in May 1965. In September Holt was explaining their failure to release it on the grounds it would be 'quite unsatisfactory…to table the report without first having taken time to study it closely'.[1347] When its voluminous report was finally tabled some days later, Menzies was dismissive, declaring it had exceeded its brief by commenting on policy, and taking especial opposition to its support for a degree of economic planning.[1348] Through Holt, Treasury had sent cabinet highly critical submissions about the Vernon Report, in Whitwell's (1986, p 167) view effectively a 'demolition job', which may have been motivated by concerns that the Report's recommendations could have established alternative sources of economic advice to Treasury.[1349] Wilson had also opposed a proposal by Coombs for the Australian National University to produce regular reports on the Australian economy.

[1343] Randall, a 'quiet, reserved, taciturn man, had passed up opportunities to head other departments to stay in Treasury; Whitington (1964, p 154). See Cornish (2007b, 2012), Fitchett (1966), Whitwell (1986, p 145) and Treasury (2001, p 64) for short biographical essays.

[1344] The upper ranks of Treasury were remarkably stable, with Wilson (appointed secretary back in 1951) and Randall holding their posts for the whole seven years Holt was treasurer.

[1345] Whitwell (1995, pp 176-7; 1996, pp 139-40). The conservative government in the UK established the National Economic Development Council. Treasury (1962, pp 26-32) publicly set out the Department's disdain for formal economic planning.

[1346] Menzies' preference for chair had been Sir John Crawford, former head of the Department of Trade. Crawford (1962, p 189) had publicly recommended a 'public inquiry into the requirements of growth in the next decade'. Wilson, however, persuaded Menzies against it. Crawford was vice-chair but in effect still the principal author; Cornish (2015b).

[1347] *Hansard*, 16 September 1965, p 964.

[1348] *Hansard*, 21 September 1965, pp 1078-87. In his statement, Menzies proclaimed 'the Committee…predicated a degree of planning and direction of the economy which in our opinion would not either be appropriate or acceptable…the Committee has also suggested the formation of an Advisory Council on Economic Growth…we unhesitatingly reject this idea'. Earlier Holt had been sufficiently open to the idea of planning to talk to the Italian finance minister in the context of 'recent Australian discussion about the possibilities of a greater degree of national planning' in Australia; Holt's diary, 5 September 1962, NLA MS 8431. At the end of his tenure as treasurer, Holt took pride in 'the new division we have established in Treasury to take a longer look forward in economic matters'; interview in *The Age*, 21 January 1966, p 3. Holt did not speak in the parliamentary debate on the Report.

[1349] Martin (1999b, pp 530-4), Corden (1968, p 54), Whitwell (1986, pp 164-8) and Howard (2014, p 602). A potential supporter of the report, McEwen, was out of the country when it was released; McEwen and

William McMahon was the first treasurer with an economics degree and was 'fascinated' by economics.[1350] He commented while treasurer: 'I had always felt I was cut out for the life. I was born in a financial and economic mould. I trained myself for it. No one does more work in the Treasury. I know it backwards…I speak the lingo'.[1351] Reid (1971, p 126) reported that McMahon 'fought relentlessly to maintain Treasury's influence, prestige and power'. But the greatly respected Wilson resigned in part because he could not abide McMahon and Randall became secretary.[1352] Views differ about McMahon's willingness to dispute and reject Treasury advice.[1353] He talked to as many as a hundred Treasury officials in the course of preparing the budget but this reflected indecisiveness as much as rigour.[1354]

Under McMahon, Treasury had its first major reorganisation since the Second World War, in November 1969, with an additional three divisions (Overseas Economic Relations, Financial Institutions and Defence & Works) added to the existing five to reflect the expansion in the department's responsibilities.[1355] Around this period Treasury also moved into its own office building in Parkes Place where it still resides.

By the 1960s, even Milton Friedman was conceding at least some Keynesian ideas, saying that 'in one sense, we are all Keynesians now'.[1356] The Keynesian approach had entered the public mainstream too. As Blondel (1987, p 197) puts it, 'modern political leaders do not choose to be concerned with the continuous improvement of their societies: they *have*

Jackson (1983, p 66). Fellow minister Peter Howson (1984, pp 166-7) recorded 'very firm disagreement with conclusions' in Holt's cabinet submission, which Howson interpreted as part of the battle between Treasury and Trade. Whitwell (1990, p 129) believes there was 'an important element of departmental rivalry and retaliation involved in Treasury's discrediting of the Vernon Committee'.

[1350] Rodan (1977, p 223) and Reid (1969, p 31). His wife recalled 'he loved the world of economics'; Mitchell (2007, p 46).

[1351] Interview cited in Williams (1968, p 2).

[1352] Cornish (2007c, p 314). Relations between McMahon and Treasury could be strained by McMahon's attitude. He once rang treasury secretary Wheeler after midnight requesting information. Wheeler rang McMahon back at 2.30 am and when McMahon asked why he was being called at such an hour, Wheeler replied that McMahon had said he needed the information as soon as possible; Brown (2002, p 107).

[1353] McEwen and Jackson (1983, p 79) describe him as 'always been very willing to accept the guidance of his treasury advisers', while Frame (2005, p 161) suggests he would dispute it. John Howard (2014, p 503) judges that McMahon 'respected Treasury advice but was not as dependent on his department as had been Holt'. Sonia claimed 'I changed the budget once. I didn't think there was enough in there for mothers and families and I convinced him to give them more money'; Mitchell (2007, p 25).

[1354] *Canberra Times*, 11 March 1971, p 2.

[1355] Treasury (2001, p 66).

[1356] Friedman was cited in *Time*, 31 December 1965, as saying 'we are all Keynesians now'. In a letter to *Time*, 4 February 1966, he clarified that his full statement was 'in one sense, we are all Keynesians now; in another, nobody is any longer a Keynesian'.

to take this concern on board or they may not stay in office. The population often demands that their lot be improved and, even if they do not, the leaders themselves believe and are repeatedly told by others that it is their duty to achieve social and economic progress'.[1357] A 1975 review concluded 'governments are now generally expected to lead, to coordinate, to assist and to regulate many facets of economic life'.[1358] This is not to say that there were no doubters about how much influence the treasurer wields. There is a peculiar irony in the fact that although governments are expected to be effective and responsible economic managers, they are nevertheless not in total command of the economy, have limited knowledge of what they are doing, and often even less idea of the consequences of their actions.[1359]

Leslie Bury was the first professional economist to become treasurer and the only treasurer to have previously been a Treasury employee.[1360] Bury (1975) described Randall as having been 'a friend for thirty years'. Unusually (possibly uniquely), Bury worked from his office at Treasury rather than in a ministerial office in Parliament House. But unfortunately all this was not enough to guarantee success as, by the time he held the post, coronary arteriosclerosis and hypertension was affecting his energy and mental sharpness.[1361] MacCallum (1971) said that 'Treasury despaired of him early as he lost too many cabinet fights'.

Gorton, the prime minister, however, had a dislike of Treasury which he regarded as 'conservatively sterile' and an 'obstructive and slow moving' organisation which intervened to prevent worthwhile initiatives in areas such as education. Gorton appointed a disgruntled former Treasury deputy secretary Lennox Hewitt to head his department, who established a revitalised economic division.[1362] Gorton insisted that he and Hewitt

[1357] Blondel (1987, p 197).
[1358] Task Force on Economic Policy (1975, paragraph 1.5).
[1359] Davis, Wanna, Warhurst and Weller (1993, p 225).
[1360] Former prime minister George Reid had worked in the NSW treasury, and became NSW treasurer. Paul Hasluck, Alexander Downer and Kevin Rudd served in the department of foreign affairs before becoming the minister, and Billy Snedden served in both the immigration and attorney-general's departments before becoming minister for both, but such transitions have been most uncommon. John Stone entered parliament with the intention of becoming treasurer but his career ended when he failed to make the transition from the Senate to the lower house. Mark Latham, an aspiring (and shadow) treasurer, had hoped to be an economist at Treasury during his early years at university, but achieved neither; Duffy (2004, p 49).
[1361] Millmow (2010a, p 11), Peter Howson's diary entries for 24 November 1970 and 1 February 1971, in Howson (1984, pp 676 and 690), and Hasluck (1985, pp 100-101).
[1362] Reid (1971, pp 119, 123).

were closely involved in preparation of the budget. But when Gorton's successor McMahon replaced Hewitt with Bunting, the economic division ceased to a significant rival to Treasury.

Bury's replacement **Billy Snedden** was regarded by most commentators as 'a competent follower of departmental advice' but not a driver of innovative policy or a champion of reform.[1363] Snedden recalled Randall as having 'really lost his drive' as secretary by the time Snedden became treasurer.[1364] In September 1969 the highly regarded deputy secretary Maurice O'Donnell died of a heart attack.[1365] This removed the likely successor to Randall and instead Fred Wheeler[1366] returned to Treasury after an almost 20-year absence.[1367] In November 1971, with Snedden's support, John Stone was appointed Deputy Secretary (Economic), setting the tone of Treasury analysis for the 1970s and early 1980s.[1368] Snedden regarded as 'marvellous' being able to get a number of Treasury officers together to debate issues.[1369] But after his term as treasurer, Snedden seemed a little disillusioned. During a 1974 interview, he said 'we'll abandon the idea that all wisdom is in a four-storey building on the banks of Lake Burley Griffin'.[1370]

The 1972 budget sowed the seeds of future troubles as it tried to stimulate the economy for electoral reasons and added to an emerging inflationary impetus that the mid-1970s oil shock would greatly exacerbate.[1371]

Treasury gradually developed a system of forward estimates so it could better predict budgetary outcomes and emerging pressures, with varying degrees of input from the

[1363] Tiver (1978, p 247); Oakes and Solomon (1974, pp 65, 74 and 75). Snedden's own view was that he 'liked to be the man in charge and was not a passive recipient of departmental advice'; Snedden and Schedvin (1990, p 250).
[1364] Snedden and Schedvin (1990, p 113).
[1365] McMahon (1973, p 15) recalled O'Donnell as 'probably the most intelligent public servant, certainly in financial matters, that I had the good fortune to be associated with'.
[1366] See Hancock (2015), Hawkins (2007b), Farquharson (1994) and Treasury (2001, p 75) for short biographical essays.
[1367] Wheeler had been groomed by Chifley as a future secretary; Horsfall (1974, p 58). He had been acting treasury secretary; Treasury (2001, p 75). But he was passed over in favour of the brilliant Roland Wilson and left for the International Labour Office in Geneva until returning to Canberra in 1960 to chair the Public Service Board. Snedden had argued for John Stone, whom he knew from their days together at the University of Western Australia, to get the job but McMahon rejected this idea; Kelly (1978, p 9). Jack Garrett, the other deputy secretary, did not have a strong economics background. McMahon had offered the job to Bunting who declined it; Snedden and Schedvin (1990, p 117).
[1368] Snedden (1983, p 13:10) called Stone 'the intellectual force in the department'.
[1369] Snedden (1983, p 13:8), Snedden and Schedvin (1990, p 125).
[1370] Interview by David Frost, cited in Oakes and Solomon (1974, p 432).
[1371] Hawker, Smith and Weller (1979, p 253).

spending departments.[1372] These began as informal estimates in 1965, became more formalised in 1971 and were first published in the 1980s.

As macroeconomic management became a more important part of its role, Treasury developed econometric models of the economy to assist in its forecasting and analysis.[1373] Chris Higgins, later to be Treasury secretary, was heavily involved in this work as he had done his PhD under modelling pioneer and Nobel Laureate Lawrence Klein.

Treasury goes neo-liberal

In the 1970s the Treasury moved away from Keynesianism towards 'neo-liberal' or 'neoclassical' thought, emphasising a greater role for market forces and wanting to reduce the size of government.[1374] This was perhaps most clearly expressed in its 1973 paper *Economic Growth: Is It Worth Having?*, which argued that any apparent problems attributed to economic growth were in fact manifestations of a failure to allow market forces to operate.

But around the same time the political pendulum was swinging in the opposite direction with the 1972 election bringing back to government a Labor Party committed to a programme of expanding the public sector. This raised the risk of a serious clash between Treasury and the government. The risk was increased because some incoming ministers suspected that after 23 years since the fall of the Chifley Government the public service had become too used to working for the Liberals.

Treasury had an initial victory. While briefly serving as both prime minister and treasurer in the 'duumvirate', **Gough Whitlam** split the department of trade and industry, reducing the power of this rival to Treasury.[1375] But it was not to last.

The new treasurer, **Frank Crean**, had been effectively the shadow treasurer for most of Labor's time in opposition and was respected for his knowledge and calm temperament but did not prove to be tough enough.[1376] Coming into the job, Crean (1983, p 7:10) had been 'always very highly impressed by the calibre both of Treasury staff and the Reserve

[1372] Wanna, Kelly and Forster (2000, pp 54-68).
[1373] Hawkins (2005) contains a brief history.
[1374] Such views had been reflected in the 1960s in some Treasury publications written by John Stone's Economic and Financial Surveys Branch.; Whitwell (1986, p 156).
[1375] Hocking (2012, p 36).
[1376] Hawkins (2013).

Bank'. Crean (1993, chapter 14) expressed sympathy for Treasury as 'everybody's favourite whipping boy'. Initially Crean worked well with Treasury but over the course of 1974 relations with the government soured, reflecting policy differences, a view that Treasury was not keeping the Government sufficiently informed and the monolithic nature of the department's advice.[1377] Treasury was cut out of the process of developing the policy of a 25 per cent across-the-board tariff cut and their arguments against it were rejected.[1378] Crean gradually became estranged from Treasury and 'failed to argue strongly or effectively for his department's views'.[1379] Later he was reputedly dissociating himself from their views, claiming that papers brought before cabinet were the department's views not his own.[1380] In particular he gave little support to the Treasury recommendation in July 1974 for a 'short sharp shock'. Treasury made some attempt to reflect the government's views about the unacceptability of allowing higher unemployment to dampen inflationary pressures. For example in one submission to cabinet the phrase 'some unemployment will emerge' in an early draft was replaced with 'we will experience difficulties in the labour market'.[1381] But Treasury was regarded as using euphemisms tactically to cover its reluctance to change its policy recommendations and it was accused of flatly refusing to present alternative options or even educate ministers in why Treasury's option was preferable to alternatives.[1382] By the time of the 1974 budget Treasury was regarded as sulking, preparing only a perfunctory draft of the budget speech and not helping explain it to the press.[1383]

In October 1974, Whitlam decided that as **Jim Cairns** was effectively determining economic policy through his influence in cabinet, he should bear responsibility for it by being appointed treasurer. Asked after his appointment 'do you think it will be your job to convert Treasury?', Cairns replied 'it will certainly be to make clear to Treasury what

[1377] Nethercote (2013, p 140) and Freudenberg (2009, p 285). Barrett (2001, p 200) exaggerates, however, when he refers to 'a total lack of co-operation between economic bureaucrats and the Government's free-spirited ministers'.
[1378] The policy was developed by a committee of Rattigan from the Tariff Board, Taylor from PM&C, Harris from Overseas Trade and two academic consultants at PM&C, Gruen and Brogan; Whitwell (1993, pp 43-44).
[1379] Freudenberg (2005, p 169 and 2009, p 309); Whitlam (1985, p 210); Edwards (1975, p 5).
[1380] *Australian Financial Review*, 27 August 1974, p 3; Hawker, Smith and Weller (1979, p 268).
[1381] Hawker, Smith and Weller (1979, p 262).
[1382] Oakes and Solomon (1974, p 541); Hawker, Smith and Weller (1979, p 262). The latter add that 'there was considerable debate within the Treasury about the wisdom of the "short sharp shock" 'but this was not reflected in advice to the treasurer where a monolithic view was put.
[1383] Freudenberg (2005, p165), Menadue (1999, p 123).

the policy of the government really is'. Then asked 'do you think Treasury has failed in that in the past?' he replied just 'yes'.[1384]

It has been claimed that Cairns' appointment as Treasurer was not popular within Treasury and the November 1974 mini-budget 'marked the virtual eclipse of Treasury as a source of economic advice'.[1385] Cabinet colleague Clyde Cameron (1985, p 276) revealed that Cairns would sometimes table a Treasury paper in cabinet and then argue against it. Feelings of 'sullen resentment'[1386] by some Treasury officers would not have been improved by Cairns' criticisms of the department.[1387] Some senior Treasury officials reputedly held 'background briefings' for journalists where they would push Treasury's preferred approach and criticise the government's proposals.[1388] Some are alleged to have started leaking information to the Opposition, using the pseudonym of Mr Williams.[1389]

Wheeler's position came under threat. Initially, Whitlam had shared Crean's high regard for his 'capacity and integrity'.[1390] But by 1974 Whitlam wanted to replace Wheeler with John Menadue, who declined[1391], or Lenox Hewitt[1392] whom Crean rejected. Whitlam dropped the idea, deciding it would damage the government's already poor relations with

[1384] Ormonde (1981, p 187). Much later Cairns was asked if he had success with Treasury. He replied 'No. None at all. Treasury had a lot of success with me. They were instrumental in getting rid of me in very quick time, really'; interview for *Australian Biography*, 25 May 1998. Cairns' closest friend in politics, and fellow minister, Tom Uren (1994, p 246) remarked 'in the end it was Treasury and the responsibility of being treasurer that destroyed Jim. He was up against Canberra mandarins who were protecting their domain and whose influence within conservative political forces was enormous'. Cairns himself later regarded taking on the treasurer's job as 'a mistake. I should have known, for whatever were the limitations on being in government, on being a minister, they would be much more severe on being treasurer'; Bowman and Grattan (1989, p 74).

[1385] Strangio (2002, p 291). Similar sentiments are expressed in Freudenberg (1977, p 307). Treasury's influence was weakened when a document they presented to cabinet appeared to have an incorrect or misleading number for the budget deficit; Hocking (2012, p 167); Hawker, Smith and Weller (1979, pp 267-8).

[1386] Freudenberg (1977, p 307).

[1387] *The Age*, 22 November 1974.

[1388] Hawker, Smith and Weller (1979, p 260).

[1389] Freudenberg (1977, pp 307-8), Killen (1989, p 230), Menadue (1999, p 145). Henderson (2015, p 293) claims that Mr Williams was actually catholic activist BA Santamaria. Apparently Treasury officers were using Santamaria as a conduit.

[1390] Crean (1983, p 7:13). Looking back much later Whitlam (1985, p 184) himself said 'I believed that the Australian Treasury could be relied on for loyal, disinterested and frank expert advice. I shared that mistake with my immediate predecessor and my immediate successor'.

[1391] Weller, Scott and Stevens (2011, p 84).

[1392] Hewitt was a former Treasury officer married to a school friend of Whitlam whose intellect he admired; Hall (2003, chapter 2, pp 14-15).

Treasury.[1393] While Cairns thought Wheeler 'hasn't the kind of philosophy that I would like to see running a department like Treasury', he thought this was true of Treasury as a whole and did not want to move against Wheeler until he had got to know him better.[1394]

A factor complicating virtually all Cairns' term as Treasurer was his involvement in the possible raising of a foreign loan from unorthodox sources for major resource developments. Wheeler, always uncomfortable with what he termed Labor's 'instant coffee' decisions, strove mightily to warn Cairns of the folly of what became known as the 'Khemlani Loans Affair'.[1395] Cairns felt 'that the Treasury line was too timid and conservative'.[1396]

It has been claimed that 'the Whitlam era marked the end of the Treasury's unrivalled dominance of economic advice', with rival sources of advice established in the Department of Prime Minister and Cabinet, the Department of Labour and the new Department of Urban and Regional Development and Nugget Coombs and academics such as Fred Gruen, Eric Russell, Geoff Harcourt and Trevor Swan also influential.[1397] One view was that 'Cairns and other ministers were being forced to go to outside experts

[1393] Crean (1983, pp 16:5-6); Hocking (2012, p 130); Menadue (1999, p 124). Whitlam had contemplated but decided against setting up a new economic policy department leaving Wheeler as permanent head of a one-man Treasury.

[1394] Cairns, interviewed in *Nation Review*, 25 July 1975, retained among the Wheeler papers in the National Library (MS 8096).

[1395] On 7 March a Melbourne businessman, George Harris took from Cairns' office a letter offering a 2.5 per cent commission on any foreign loan he arranged. The departmental liaison officer found a copy of a letter and sent it to Treasury. Wheeler forwarded the letter to his frequent lunch partner Clarrie Harders, the head of the Attorney-General's Department, for a legal opinion and asked Scotland Yard for information on Khemlani. The Solicitor-General later described Wheeler's actions as 'not consistent with responsible government'; *The Age*, 21 December 1978, p 9. Wheeler's actions reputedly annoyed Prime Minister Whitlam. In late 1974, Whitlam is supposed to have told Wheeler 'Fred, you are on the skids'. Wheeler is supposed to have replied 'I wish to inform you of facts, your ignorance of which will bring you down'; Brown (2002). Whitlam offered Wheeler the job of Reserve Bank Governor in 1975, but Wheeler declined, although accounts vary of his reasons; Nethercote (2013, p 141). According to Schedvin (1992) he 'refused' as he did not want the more interventionist Lenox Hewitt appointed Treasury Secretary, whereas in other accounts he declined for family reasons.

[1396] Cairns (1976, p 94). A later Labor treasurer, Chris Bowen (2015, p 218) argues Cairns 'deserves the lion's share of the blame' for the loans affair as 'the treasurer must ensure that full economic rigour is applied to all decisions'. Sexton (2005, p 63) says that 'rapport between treasurer and Treasury was non-existent'.

[1397] Edwards (1975, p 5), Whitwell (1993, p 43). Oakes and Solomon (1974, p 541) also refer to Cairns consulting Henderson, Wheelwright and Snape in an effort to get a broader range of views. In November 1974 Whitlam established an Economic Council as a formal alternative source of advice. Hawker, Smith and Weller (1979, pp 258, 268-9) refer to Cairns and Hayden having discussions with economists outside Treasury and cabinet appointing a committee, chaired by Nugget Coombs and including Wheeler, the taxation commissioner and three other outside economists, on possible tax measures to restrain inflation and encourage saving and investment.

because the Treasury, stubbornly intransigent, flatly refused to present the government with alternative options to its "horror budget" recommendations aimed at creating unemployment'.[1398] Whitlam and Cairns successfully put forward to the Labor Party's national conference a proposal to establish a Department of Economic Planning[1399] as a rival to Treasury but Cairns lost the treasurer's job before the new department could be established. Incoming treasurer **Bill Hayden** was not supportive and the Whitlam Government was dismissed not long after.[1400]

Hayden's appointment in June 1975 led to 'a degree of reconciliation' between the Government and Treasury.[1401] Hayden 'had regard for Wheeler'[1402] and Wheeler 'regarded Hayden highly'.[1403] Hayden was seen as a more influential treasurer than Crean[1404] and Weller and Cutt (1976, p 26) believed he had 'respect for Treasury's competence'. Hayden was a treasurer with his own economic ideas, and he liked to test them with Treasury and other advisers.[1405]

But Hayden was frustrated by Treasury's monolithic views, once observing tartly 'I've never before seen a group of economists to be so much in agreement as you seem to be'.[1406] Hayden was the first treasurer to have an economist on his ministerial staff, retaining Dr Peter McCawley who had worked for him when Hayden was minister for social security.

By this time, Treasury's views had evolved considerably from its post-war advocacy of Keynesianism. Lowering inflation was prioritised over full employment, balancing

[1398] Oakes and Solomon (1974, p 541).
[1399] Whitlam favoured Lenox Hewitt to lead it, while Cairns had in mind his former student, Cambridge academic Geoff Harcourt, neither of whom would have pleased senior Treasury officials.
[1400] Hocking (2012, p 199). Whitlam (1972, p 271) had committed in his 1972 policy speech 'to setting up economic planning machinery'. Crean had commented soon after the 1972 election that 'we're believers in economic planning'; Luck (2005, p 12).
[1401] Whitwell (1993, p 44 and 1996, p 215). Stekete (1975, p 11) reported 'Treasury's elation' over the appointment and that Hayden 'knew senior economists in the department personally' and 'his economic knowledge is respected'. Don Russell (2003, p 8), then a junior Treasury officer, recalls 'Hayden appeared to immediately appreciate that involving the Treasury would not only help stabilise the Whitlam Government but would also make it easier to achieve the government's policy goals'.
[1402] Reid (1976, p 254).
[1403] Murphy (1980, p 131).
[1404] Jolley (1978, p 17).
[1405] Steketee (1975, p 11) observed 'to pave his way in cabinet he prefers a well-reasoned argument…he is prepared to listen to any logical piece of advice'. Murphy (1980, p 67) says he engaged in a 'voracious, if eclectic, search for knowledge'.
[1406] Murphy (1980, p 129).

budgets was seen as preferable to using them counter-cyclically and microeconomic reform was accorded greater emphasis.[1407]

The dismissal of the Whitlam Government brought Malcolm Fraser to the prime ministership (confirmed by the 1975 election) and **Phillip Lynch** as treasurer. Lynch was regarded as being heavily influenced by his department.[1408] It was said that 'Lynch learnt the best part of his economics from Treasury briefing notes'.[1409] In 1976 Lynch's economics adviser observed that Lynch 'tended to argue the Treasury line in general policy discussion'.[1410] As Wheeler's retirement approached, Fraser chose John Stone[1411] as successor, a man for whom Lynch had 'an enormous regard'.[1412] Some viewed Stone as 'the archetypal representative' of the 'conservative tight-fisted and humourless' Treasury.[1413]

Initially relations between treasurer and Treasury were much improved over what they had been for much of the Whitlam government.[1414] But this was not to last; soon, Whitwell (1986, p 229) stated, 'relations between the Fraser government and the Treasury were less than harmonious'. Fraser was frustrated at the tardiness with which Treasury responded to his requests for information.[1415] He was also displeased with Treasury over alleged leaking of discussions about devaluation.[1416] The department also annoyed him with an obdurate opposition to his support for immediate introduction of tax indexation.[1417] These were factors behind Fraser's decision to set up a small

[1407] Wanna (2002, p 100).
[1408] Snedden (1986, p 46:16) called him 'basically the receiver of instruction and briefs from the Treasury…a great repeater of words'. Clyde Cameron (1990, pp 115, 139) thought Lynch was 'like a clockwork toy, in that Treasury would wind him up and he would go on chattering away until the spring was unwound'. Wallace (1993, p 108) instead saw Treasury as Lynch's 'natural ally' in fighting for tougher economic measures.
[1409] Buckley (1991, p 206).
[1410] Jolley (1978, p 218).
[1411] See Treasury (2001, p 88) for a short biographical essay.
[1412] Buckley (1984, p 39).
[1413] Yeend, cited in Schneider (1980, p 56).
[1414] Wanna, Kelly and Forster (2000, p 101).
[1415] Ayres (1987, p 311); Kelly (1978a, p 2); Wanna, Kelly and Forster (2000, pp 90 and 101); Weller (1989, pp 231-3).
[1416] Howard (2010, p 95) and Whitwell (1986, pp 229-230). David Kemp, then a senior adviser in Fraser's office, claims when Fraser decided to devalue Treasury would not draft a speech for him; cited in Rhodes and Tiernan (2014, p 69). Fraser was also annoyed by Stone's Friday night drinking sessions with journalists; Lewis (2014, p 76).
[1417] Whitwell (1986, p 229).

'anti-Treasury'[1418] within his own department and to split off the expenditure control aspects of Treasury (and over half its staff, including the senior deputy secretary) into a new Department of Finance in November 1976.[1419] Another motivation for the split was a view that it would assist in the task of cutting government spending, and improving its efficiency, to have a department focused on it.[1420] Lynch disapproved, reportedly called it 'a rat act'.[1421] A common argument for splitting the jobs was a feeling that the job of treasurer was very onerous but Fraser did not use this argument as Lynch initially retained ministerial responsibility for both departments.[1422] Many felt it would have made more sense for the department with expenditure control functions to have inherited the Treasury moniker (as this was essentially the role of Treasury at Federation) and a new title such

[1418] Wentworth (1987, p 17:10). Ian Castles, a former Treasury economist, attracted economic talent to PM&C as he was seen as an attractive mentor and boss; Weller (2001, p 59), M Keating (2014, p 22).

[1419] Kelly (1985, p 62) called it 'a lesson in power politics' to Treasury's senior officers. O'Brien (1985, p 24) interprets the split as Fraser trying to reduce the power of Lynch and Stone. Interviewed in 1997 Fraser described it as 'cutting them down to size'; cited in Wanna, Kelly and Forster (2000, p 114). Similar attempts to split monitoring of expenditure from treasury departments or establish rival sources of economic analysis have occurred in a number of European countries. UK Prime minister Harold Wilson established a department of economic affairs in 1964 with a long term focus on economic management, which was a rival to the chancellor, a move cynics interpreted as trying to divide the power of his two most dangerous rivals. The new department was to have a longer-term focus, but Treasury successfully saw it off and it was wound up in 1969. Wilson's successor Jim Callaghan thought about splitting Treasury to ease the workload (or cynics suggested reduce the power) of chancellor Denis Healey but Healey successfully resisted. Healey's chief secretary Joel Barnett (1982, p 113) argued 'it seemed bad for a chancellor, in his overall control of the economy, to have removed from his direct control so important a part as the whole of public expenditure'. Some other European counties also have economics ministers in addition to finance ministers. There have generally been three reasons for their creation: as a counter to the finance minister, to reduce the load on the finance minister or to solve a problem of allocating portfolios in a coalition government; Larsson (1993, p 215).

[1420] Kelly (1978a, p 22). The idea of the split had first been proposed in a paper for the Coombs Royal Commission on Public Administration by Stuart Harris, Ian Castles and Bob Gregory; Task Force on Economic Policy (1975, paragraphs 11.38 and 11.51). The Commission had, however, rejected the suggestion arguing that 'an attempt to divide responsibility for economic policy from that for the formulation of the budget would either fail (as it did in the United Kingdom) or greatly weaken the effectiveness of economic policy'; Royal Commission on Australian Government Administration (1976, p 304). Fraser and Lynch first discussed the idea soon after the 1975 election but took no decision then. Ian Castles advocated the split to Fraser, drawing on Canadian experience; Podger (2010).

[1421] *Australian Financial Review*, 6 July 1984, p 40; Buckley (1984, p 40). Former treasurer Billy Snedden (1986, p 47:9) described it as a 'piece of stupidity'.

[1422] Lynch described the treasurer being responsible for both departments as 'an essential part of the new arrangement'; *The Australian*, 24 November 1976, p 9. Wheeler referred to the common minister in a memo of 6 December 1976 implying it was a permanent arrangement; quoted in Weller (1977a, p 35) and Hancock (2015, p 206). Fraser may have felt it necessary to at least temporarily allow Lynch to head both departments to avoid any impression that the move was an implicit criticism of Lynch and to prevent him strongly opposing the split. It also avoided the need for a reshuffle prior to the 1977 election. Fraser announced an assistant minister would be appointed but intended to appoint a separate finance minister after the following election; Wanna (2002, p 109), Wanna, Kelly and Forster (2000, pp 104, 119) and Weller (1977a, p 37).

as Department of Economic Affairs introduced for the department responsible for policy advice, but Wheeler was not willing to give up the venerable Treasury name.[1423]

Lynch hired John Hewson from the Reserve Bank as an advisor as 'Lynch had an acute need for advice that was a counter-balance to the Treasury line, with much of which he disagreed'.[1424] Stone (2007, pp 14-15) regarded Fraser's views, which often conflicted with those of Lynch and Treasury, as just wrong.

Lynch's successor **John Howard** was reportedly suspicious of Treasury when first appointed.[1425] Kelly (1989b, p 8) believed he 'always maintained a sense of distance between himself and the department'. But this did not stop him respecting the expertise of Treasury, which he regarded as 'the best concentration of brains in the federal bureaucracy'.[1426] Howard was Wheeler's seventh treasurer as secretary and he had dealt with two more as a senior Treasury officer. John Stone was the dominant personality in Treasury, initially as deputy secretary and from 1979 as secretary, to the extent that the era was referred to by some as the 'Stone age'.[1427] Over time Howard's relations with Stone, and Treasury more generally, deteriorated, as Treasury material appeared in the media and Treasury's advice was not heeded in the preparation of the 1982-83 budget.[1428] Howard publicly rebuked Stone for comments on a resources rent tax.[1429] Treasury has always wanted to be the primary (or even sole) source of economic advice to treasurers. John Stone was particularly critical of the role of ministerial advisers such as John

[1423] Contemporary Treasury office Ron Gilbert in Treasury (2001, pp 77-78.
[1424] Abjorensen (1993, p 70).
[1425] Wallace (1993, p 117).
[1426] Howard (2010, p 102). He refers to John Stone as 'the brightest public servant with whom I ever dealt'. Treasury reportedly regarded Howard as smart 'but unable to promote a broad economic philosophy and sell it to cabinet'; cited in McGregor (1982, p 16). On becoming prime minister, he said his experience as treasurer led him to believe 'if you only listen to Treasury and official advice on the state of the economy you don't always get the full picture'; Savva (1996, p 3).
[1427] Fraser and Simons (2010, p 526), Kelly (1978b), Whitwell (1986, p 4). Shann (1987, p 26) argued that 'internal debates were dominated by John Stone's powerful personality'.
[1428] Whitwell (1986, pp 237-8). Kelly (1985, p 444) says that by the time of the 1983 election 'Treasury was utterly relieved to be rid of Howard'. When later prime minister Howard observed that the public service was then working more co-operatively with the government than it had when he was treasurer; Howard cited by Podger (2005, p 10) and Howard (1998, p 4). Gittins (2015, p 128) comments 'perhaps because Treasury secretary John Stone was so bombastic – you could be honest and do it his way or utterly unprincipled and do it some other way – Howard had a pretty adversarial relationship with his department'. Bongiorno (2015, p 15) observed that Stone's relations with Fraser and Howard had become so toxic that the future Nationals senator voted Labor in 1983.
[1429] McGregor (1982, p 16) refers to a newspaper headline 'Howard carpets treasury boss'.

Hewson[1430] and the way Howard would be stymied by Fraser in cabinet.[1431] The Reserve Bank increased its influence due to its 'proven pragmatic policy judgement'[1432] and an Economic Panel of independent economists was established.[1433]

Russell's (2003, p 8) assessment was that Stone 'saw himself as an important player on the national stage but had none of [his predecessor] Fred Wheeler's reassuring style with ministers'. While 'critics say he is too reluctant to reject the advice of his bureaucrats'[1434], Howard says he did not just follow Treasury's advice; 'a lot of decisions I made as a mixture of economic and political considerations'.[1435] Stone believes Howard's 'performance as treasurer had…suffered from his distrust' of Treasury.[1436]

A change of government brought the dynamic **Paul Keating** to the job of treasurer. For Keating, 'Treasury was magic'[1437] and unlike many of his predecessors he would often make the short walk from Parliament House to the Treasury building and worked in the building during the preparation of major statements. 'Keating's personal style was conducive to building a close, personalised style with his bureaucrats.'[1438] He said 'the Treasury is a department of principle. I have fought for them.'[1439] Soon after becoming treasurer Keating replaced Willis' key advisor, John Langmore, who was critical of Treasury, with staff such as Tony Cole seconded from Treasury itself.[1440] Soon after

[1430] Howard (2010, p 104). Stone resented Hewson sitting in on his meetings with Howard and giving Howard his opinion without Stone being able to respond; Barnett and Goward (1997, p 137). He termed advisors such as Hewson 'meritricious players who flit across the private ministerial advisory stage'; Michelle Grattan, *The Age*, 25 November 1982, p 3; Guttmann (2005, pp 160-1). At this time Howard and Hewson, with similar backgrounds were also good friends; Errington and van Onselen (2007, p 74); Howard quoted in Masters (1990b, p 10).

[1431] Gittins (2015, p 128).

[1432] John Hewson, *Business Review Weekly*, 2 April 1983, p 19. Howard being based in Sydney where the Reserve Bank has its head office may have also been a factor.

[1433] As at April 1981 it comprised Messrs Drane, Gates, Hogan, Jolley, Norman, Sharp and Snape. Jolley who had been Lynch's personal economic adviser, worked for the Victorian Chamber of Manufacturers and the others were academics.

[1434] Samuel (1978, pp 48-50). Fraser claimed that Howard followed the Treasury line more closely than had Lynch; Boxall and Gillespie (2013, p 111).

[1435] Cited in McGregor (1992, p 16).

[1436] Stone (2013, p 46).

[1437] Kelly (1994, p 69). Watson (2002, p 568) observed 'he loved budgets'.

[1438] Gruen and Grattan (1993, p 52). Keating would often talk directly to Stone's deputies; Goldfinch (1999, p 17).

[1439] *Hansard*, 23 October 1986, p 2653. He once described Treasury officers as 'hard-working, committed, earnest Australians working in the public sector for some decent altruistic outcomes'; Carew (1990, p 60).

[1440] Keating dismissed Langmore as a 'colossal fool' and 'a true believer of the mixed-up orthodoxy of the 50s and 60s'; Spencer and Chubb (1993). Langmore's critique of Treasury is in Langmore (1988). He was elected to parliament in 1984 and was a backbencher in the Hawke and Keating governments.

Keating ceased being treasurer he said 'I have had the highest regard for Treasury and it was a privilege to have it serve me'.[1441]

The attraction was mutual. Treasury liked having a treasurer who won debates on economic reform in cabinet.[1442] As former Treasury deputy secretary David Morgan observed, 'Treasury got more of its agenda up in the decade of the Hawke-Keating Government than for the rest of the post-war period combined'.[1443] Former secretary Bernie Fraser (1991, p 261) recalled the second half of the 1980s as 'a rare period of sustained rational decision making under a treasurer committed to delivering real reforms rather than mouthing good intentions…a period when the Treasury was much more persuasive with ultimate decision makers than it had been for some time'. In preparing for the tax summit, for example, Kelly (1989b, p 8) reported Treasury 'responded beyond the call of duty for a minister who fought with a passion it had never seen before for the policies in which it had long believed'. Interviews with experts suggested that Treasury was seen as by far the most influential institution in contributing ideas to economic policy in the 1980s.[1444] The pace of financial deregulation picked up; Table 9.4.

There was consideration of reuniting Treasury and Finance but Weller, Scott and Stevens (2011, p 111) believed by then Treasury could see merit in having two powerful economic ministers in the cabinet so the idea lapsed. It has not been revived since and the two departments and ministers have generally worked harmoniously. Often the finance minister has been a senator (Walsh, Minchin, Wong, Cormann), allowing the treasurer and finance minister to represent each other in the other house. When the treasurer is overseas the finance minister is often the acting treasurer. Nearly all the secretaries of the finance department have previously worked in Treasury.

[1441] Keating (1991b, p 11). He said Treasury was 'served I think by great people'; Gruen and Grattan (1993, p 55). He paid similar compliments at the Tax Summit; Kelly (1994, p 172).

[1442] Edwards (1996, p 233), Gruen and Grattan (1993, p 52). Mills (1993, p 205) calls Keating 'the strongest advocate Treasury has ever had, both in cabinet and in the broader community'. Gittins (2015, p 128) writes 'Treasury loved Keating and gave him great loyalty because he could win debates in cabinet'. Stutchbury (1990, p 58) commented that Treasury 'was keen to support a treasurer with political clout in cabinet'.

[1443] Spencer and Chubb (1993), Toohey (1994, p 152).

[1444] It was followed by the OECD, Reserve Bank and ACTU; Goldfinch (1999, p 5).

Table 9.4: Chronology of Financial Deregulation in Australia

Feb 1972	Maximum interest rates on overdrafts and housing loans over $50,000 removed. (This was raised to $100,000 in February 1976.)
Sept 1973	Interest rate ceiling on certificates of deposit removed.
Dec 1979	Tender system for Treasury notes introduced.
Dec 1980	Interest rate ceiling lifted for bank deposits.
June 1982	System of credit directives (quantitative lending guidelines) abolished.
Aug 1982	Tender system for Treasury bonds introduced.
Dec 1983	Australian dollar floated.
Apr 1984	Stock exchange deregulated.
Aug 1984	Trading banks allowed to pay interest on cheque accounts.
Feb 1985	Government announced entry of 16 foreign banks.
Apr 1985	Interest rate ceilings (other than for home loans < $100,000) abolished.
Apr 1986	Interest rate ceiling abolished for new home loans.
Aug 1988	Statutory reserve deposits requirement abolished.
Aug 1988	Removal of distinction between trading and savings banks.
Aug 1996	Authorised short-term money market dealers abolished as part of move to real time gross settlement for high-value payments.

Sources: derived from Carew (1998, pp 9-36), Grenville (1991) and Battellino and McMillan (1989, pp 23-29).

Keating had four Treasury secretaries during his term as treasurer.[1445] To the surprise of many, Keating initially retained John Stone as Treasury secretary[1446] until Stone resigned

[1445] This contrasts with the general pattern of secretaries lasting longer than treasurers.

[1446] According to Stone (2012, p 21 and 2013, p 45), Keating was initially planning to replace Stone with Chris Higgins, but Higgins advised Keating to retain Stone. Stone's account is challenged in Bramston (2016, p 193). According to Gruen and Grattan (1993, p 53), 'Stone, initially, was privately full of praise for his new master. Inevitably, however, it was a relationship that could not last', given Stone's strong views (such as his opposition to floating the dollar) and insistence that the department present a single position

in August 1984. Stone was succeeded by Bernie Fraser[1447], who referred to 'a period of genuine cooperation between Treasury and the government of the day' which contributed to a number of reforms which 'penetrated social as well as economic blackspots'.[1448] Keating and Fraser were close and Keating's 'regard for Fraser was immense'.[1449] But his appointment was supported by both Howard and Stone.[1450] After Keating appointed Fraser the Reserve Bank governor in 1989, he promoted Chris Higgins to Treasury secretary, 'a man of great talent…[whose] overriding passion…was public policy'.[1451] After Higgins' untimely death in December 1990, Tony Cole[1452] was shifted from the Productivity Commission to head Treasury.[1453] Under Fraser, Higgins and Cole, Treasury's views became less monolithic and would present 'an acceptable second best' if the government resisted Treasury's initial preference.[1454]

The Keating tenure saw Treasury become, in Wanna's (2002) phrase, a 'handmaiden to the market'. Paul Kelly regards this as the end of the 'Australian settlement'. During this era, the treasurer's job came to encompass microeconomic reform as well as macroeconomic management. As a former UK chancellor put it, borrowing Isaiah Berlin's terminology 'macro-economic policy is the province of the hedgehog and micro-economic policy that of the fox…macro-economic policy is one big thing, whereas

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on every issue. Keating's office believed Stone should be removed but Keating resisted, arguing that 'a demonstrable bloodletting on the first and best known person abroad in Australian finance was not smart'; interview with Paul Kelly (2001, p 97). As Boston and Uhr (1996, p 49) observed 'the incoming Labor government cleverly resisted any temptations to purge the bureaucracy'. Day (2015, p 227) believes Keating wanted to reassure international financial markets that the incoming government would be more stable than the previous Labor government. As Keating said in his interview with O'Brien (2013), 'the last thing we needed to look like was the Beverly Hillbillies arriving again'.

[1447] See Treasury (2001, p 90) for a short biographical essay and Kelly (1994, pp 274-5) and McGregor (1991) for profiles.

[1448] Fraser quoted in Treasury (2001, p 90).

[1449] Keating was the only outside invitee to Fraser's wedding according to Ian Macfarlane; Kelly (2009, pp 109-110).

[1450] Kelly (1989a, p 21). Hawke and other ministers preferred Higgins but Keating chose Fraser; Kelly (1989b, p 8). Before making his choice, Keating asked both to write an essay on their policy views and the role of the secretary; Edwards (1996, p 257). Fraser said of Keating in an interview 'I have a pleasant feeling being around him. There's something that clicks'; McGregor (1991, p 39). Hawke and cabinet's preference had been Chris Higgins; Kelly (1989b, p 8 and 1994, p 274). Kelly (1989a, p 26) says Fraser has been 'more successful than any predecessor for several decades' in achieving Treasury's policy agenda.

[1451] Keating (1991a, p 6). Higgins is profiled in Edwards (1996, pp 364-8), Fraser (1991), M Keating (2007), Kelly (1989b, p 8) and Treasury (2001, p 100).

[1452] Treasury (2001, p 104) provides a short biographical essay.

[1453] Keating mused about appointing his senior adviser Dr Don Russell, a former treasury officer, to head Treasury; 'an idea that filled the senior echelons of the department with horror'; Tingle (1994, p 310). Russell declined the offer, preferring to stay in the Treasurer's office; Bramston (2016, p 368) and Wallace (1992, p 5). He did eventually become a departmental secretary, but of the industry department in 2011.

[1454] Gruen and Grattan (1993, p 53) and Fraser interviewed in Kelly (1989).

micro-economic policy consists of a myriad of for the most part relatively small things, which cumulatively become very important indeed'.[1455]

With deregulation, treasurers are increasingly being judged minute-by-minute by markets. Globalisation reduces the scope for them to affect Australian economic conditions.[1456] Wages are no longer centrally set, there are few tariffs left to cut, the currency has been floated and is determined by global dynamics, interest rates are set by the Reserve Bank and the market, and decisions about investment in Australia are increasingly made in head offices overseas.

The Economic Planning Advisory Committee was established in 1983 but while it did some useful research it had little influence on policy.[1457] After the 1987 election, the Industries Assistance Commission was moved from the Industry portfolio to the Treasury portfolio, seen as a victory for Treasury and a broadening of the treasurer's role from macroeconomic policy to also encompassing microeconomic reform.[1458] Over Stone's objections, Keating replaced the National Income Forecasting Committee with the Joint Economic Forecasting Group with a wider membership including Barry Hughes from Keating's office. Keating successfully fought in cabinet against regularly presenting detailed Treasury forecasts to cabinet, arguing that if they got out pessimistic forecasts would be self-fulfilling.[1459]

Colebatch (2015, p 11) thought 'one of Keating's greatest weaknesses was his habit of relying on officials to guide him'. Cabinet colleague John Button (1988, p 324) recalled Keating once telling him 'Treasury writes the book and I speak it'. But while initially he relied on Treasury for guidance as 'that was where the intellectual strength was'[1460], over time 'the balance changed' and he began to guide them.[1461] When he decided to float the

[1455] Nigel Lawson (2004, p 123), UK chancellor of the exchequer 1983-1989.
[1456] As Tingle (2012a, p 9) puts it, 'our post-deregulation politics has been dominated by politicians reluctant to admit that one implication of opening up the economy is that they don't have quite as much control as they once did'.
[1457] Goldfinch (2000, p 143). In 1996 EPAC was merged with the Industry Commission and the Bureau of Industry Economics to form the Productivity Commission, but the EPAC role of bringing together business, the unions and government to work on economic issues was lost.
[1458] Weller (1989, p 208). Capling and Galligan (1992, p 152) claim industry minister Button did not oppose the move.
[1459] Gareth Evans' diary entry, 17 April 1985, in Evans (2014, p 97).
[1460] Cited by Hamilton (2006, p 10).
[1461] Treasury officials cited in Campbell and Halligan (1992, p 25). His chief economic adviser, Tony Cole, remarked that Keating initially 'was quite nervous about whether he had a really good understanding of

dollar, and his rejection of Stone's advice appeared correct, it built up Keating's confidence.[1462] Keating became, and was perceived to be, the driving force of economic policy.[1463]

When Keating resigned as treasurer, Hawke appointed **John Kerin**. He was popular with the department[1464], notwithstanding earlier joking that his definition of waste was an 'empty seat on a bus full of Treasury economists going over a cliff'.[1465] Kerin commissioned Treasury to develop a model that could quantify the price, revenue and distributional impacts of changes in indirect taxes. Ken Henry was in charge of the task, which Treasury undertook professionally if somewhat reluctantly knowing it would be used to criticise rather than develop indirect tax reform.[1466]

Once Keating became prime minister he appointed **John Dawkins** as his treasurer. When appointed, Dawkins told its senior officers he was impressed with them, but Gruen and Grattan (1993, p 56) reported that 'Treasury detected an initial note of suspicion' and the relationship was not as 'chummy' as it had been with Keating. Dawkins wanted Treasury to be more of a 'generator of ideas', particularly on industry policy.[1467] He thought it needed to catch up with 'post rationalist reality'.[1468] Dawkins replaced Cole as secretary with Ted Evans, in what the treasurer described as a reflection of his 'longstanding belief in regular rotations of senior bureaucrats' but others suggested was related to indiscreet

economics' but 'his natural feel for what was wrong with the economy was remarkably good'; St Anne (2012, p 53).

[1462] Ross Garnaut, quoted in D'Alpuget (2010, p 63); Megalogenis (2012, p 159).

[1463] In a series of interviews asking who contributed ideas to economic policymaking, Keating received the most nominations (by 22 interviewees), followed by Hawke's economics adviser Professor Ross Garnaut (14), ACTU secretary Bill Kelty (12) and Hawke (9). The most influential institutions on economic policy were seen as Treasury, the ACTU, Department of Prime Minister and Cabinet and the Reserve Bank in that order and the most influential individuals Keating, Hawke, Kelty and Bernie Fraser; Goldfinch (2000, pp 45, 124 and 127). A Treasury insider said 'we have a strong treasurer who's the de facto prime minister…everyone in the Treasury likes the treasurer' while another remarked that Keating's ability to get his way in cabinet put Treasury in a 'very powerful position'; Campbell and Halligan (1992, p 24). Former minister Jim McClelland (1989, p131) argues that 'the innovative and…unorthodox policies espoused by Keating and sold by him with great skill and ruthlessness to his colleagues and to the public originated, not in Keating's clever brain, but in the highly competent and informed think-tank that is the Treasury'.

[1464] Grattan (1991, p 11) and Gruen and Grattan (1993, p 55) claim Treasury regarded him as the best replacement for Keating available.

[1465] Grattan (1991, p 11) and Tingle (1991, p 4).

[1466] Tingle (2012b, p 47).

[1467] Interview in *Australian Financial Review*, 27 April 1993.

[1468] *Sydney Morning Herald*, 25 February 1993.

public remarks by Cole.[1469] Keating and his department devised the *One Nation* stimulus package, about which Dawkins reflected that 'neither I nor the Treasury was genuinely consulted'.[1470]

With the defeat of the Keating Government, **Peter Costello** took over for what proved to be the longest tenure of any treasurer. Costello early on said of Treasury 'its power and influence is overstated and its culpability is overstated'.[1471] In February 2001 Costello appointed Ken Henry[1472] secretary of Treasury, having been impressed by Henry's work in designing the tax package and being unconcerned with Henry having spent five years in Keating's office. Treasury gradually increased its influence, picking up responsibility for business law and consumer affairs and the Government Actuary.

Costello claimed 'I had big fights with Howard, all the time. Big fights.'[1473] One manifestation was Costello telling Treasury not to comply with requests to send information to the Department of Prime Minister and Cabinet

In the latter part of Costello's tenure 'Treasury's role as a chief source of strategic and economic policy advice was considerably diminished' and Ken Henry complained the department was left out of major policy debates such as the $10 billion water package.[1474]

Treasury and the global financial crisis

The defeat of the Howard Government brought **Wayne Swan** to the treasurer's role. Swan regarded Treasury as 'the engine room of the federal bureaucracy'[1475] and he made a good start in his relations with Treasury, attending the department's Christmas drinks in 2007 and chatting with junior staff, a practice of some previous treasurers but something Costello did not do. Swan had very good relations with treasury secretary Ken Henry

[1469] *Canberra Times*, 30 March 1993, p 2. Dawkins reportedly viewed Cole as too ideological and was annoyed by Cole suggesting during an election campaign that government finances were unsustainable; Wanna (2002, p 117).
[1470] Kelly (2009, p 54), Bramston (2016, p 446).
[1471] Eccleston (1996).
[1472] Treasury (2001, p 116) provides a short biographical sketch.
[1473] Costello was speaking in 2008; Hartcher (2009, p 104).
[1474] Wanna (2011, p 354).
[1475] Taylor and Uren (2010, p 24). As shadow treasurer Swan referred to 'Treasury – a department I have a great deal of respect for' which 'for the last quarter century…has brilliantly and constructively contributed to the debate about economic reform in Australia'; Swan (2007b, p 5 and 2007a). As shadow treasurer he had called Treasury the 'talent bank of the federal government' and criticised the Howard Government for having disengaged from it; Dusevic (2007, p 81).

during the GFC and took his advice to 'go early, go hard and go households' with an economic stimulus package that was 'timely, targeted and temporary' and mostly spending rather than tax cuts. Treasury attracted some controversy for its public defence of the stimulus packages but believed it was right to defend them publicly both to protect its own reputation and to shore up business confidence.[1476]

Rudd and Swan appointed Henry to chair an inquiry into the taxation system.[1477] When Henry retired, Martin Parkinson returned to Treasury as the new secretary after a period as secretary of the climate change department.

In Swan's first term as treasurer, opposition leader Malcolm Turnbull was able to put Rudd and Swan under pressure as he had a mole inside Treasury reporting to him on government plans before they were announced. This came to a head when he called for Swan to resign on the grounds that a leaked Treasury email purported to show he and Rudd had made misleading statements about preferable treatment for a Brisbane car dealer under a government finance scheme. But when the email was found to be a forgery, it was instead then Turnbull who was under pressure. After the Liberals' mole, Godwin Grech, was outed during this incident the leaks from Treasury dried up.[1478]

Joe Hockey became treasurer after the defeat of the Rudd government. Relations with Treasury got off to a poor start when incoming prime minister Tony Abbott sacked Parkinson without telling Hockey, let alone consulting him about it.[1479] Parkinson's replacement John Fraser had worked in Treasury many years before but had spent the intervening years working for an international bank. Hockey had some differences with the secretary, once dismissing claims of a housing bubble as 'lazy analysis' despite Fraser saying that Sydney's housing market was 'unequivocally' in a bubble.[1480]

Hockey took much of the blame for the unpopular 2014 budget and was replaced by **Scott Morrison** when Abbott was replaced by Malcolm Turnbull in 2015. Under Turnbull's

[1476] Wanna (2011, p 354).
[1477] Henry was likely disappointed at the delay in releasing the eponymous tax review and that so few of the recommendations were enacted.
[1478] Personal recollection, Cassidy (2010, pp 12-19), Stuart (2010, pp 124-127), Taylor and Uren (2010, pp 171-176).
[1479] Hockey only found out when Parkinson told him and Hockey would have preferred to keep Parkinson; King (2014, pp 284-5).
[1480] *Australian Financial Review*, 5 June 2015, p 5; *Canberra Times*, 17 September 2015; *Senate Economics Committee Estimates Hansard*, 1 June 2015, p 35.

leadership a number of reforms ruled out on political grounds by Abbott were temporarily put back on the table but not for long.

Conclusions

Treasury (2001, p 112) itself has summed up its history as 'Treasury shifted its focus from accounting to economics' and is now 'directed to three policy outcomes: a sound macroeconomic environment, well-functioning markets and effective government spending and taxation arrangements'.

Another important change is to the contestability of information. While in the mid-20th century only the Treasury had the information and skills required to forecast the Australian economy, this ability is now also claimed by the Reserve Bank, numbers of private banks, think tanks and gun-for-hire modellers at the beck of any interest group. Ministerial offices now often provide alternative advice to treasurers with the advantage of propinquity against Treasury's much larger staff numbers.

Treasury has evolved as a policy-making department – broadening its role and outlook but constantly focused on the economic consequences. Treasurers brought different skills, backgrounds and political acumen to the role of the government's chief economic spokesperson. In general their relationship with their department played a large role in their perceived effectiveness and historic assessments of their performance.

A lesson from this chapter is that the relationship with Treasury is probably second only to that with the prime minister for a treasurer. It is notable that periods when relations with Treasury broke down (such as under Cairns, and the latter stages of the tenures of Lynch, Howard and Costello) were soon followed by the treasurer losing their post. By contrast periods of good relations (such as Fadden and Holt with Wilson, Chifley with McFarlane, Keating with Fraser and Higgins and Swan with Henry) tend to be times when treasurers are able to achieve their goals, be they smooth management of the economy or dynamic reforms. The following chapter puts the historical discussion from this chapter of how the roles of Treasury and treasurers have varied over time into a more theoretical framework.

Chapter Ten: Analysing the job of Australian treasurer

Introduction

This chapter adapts the political science literature reviewed in Chapter 2 on the indicators of a successful treasurer and what qualities or circumstances may lead to that success to the case of the Australian treasurers in the light of the discussion in the intervening chapters. It starts by presenting various indicators of successful treasurers, examining the historical impact of treasurers and their stewardship of the economy, but noting how imperfect are these measures. The importance of timing is stressed, along with the manner in which treasurers are either overwhelmed by crises or seize opportunities they provide. The Australian treasurers are then classified according to the typologies identified in the literature review, adapting them where necessary to Australian circumstances. In particular, it adapts Skowronek's model of 'political time' to analyse how the Australian treasurer's role has evolved over time.

What indicates a successful treasurer?

Chapter 2 described the difficulties in assessing what makes a successful treasurer. In the absence of experts' polls, the impact of leaders is often assessed by criteria such as reputational studies including internet searches, the length of entries in encyclopedia or scholarly dictionaries of biography, and the extent of media commentary and biographical interest.[1481] These are, of course, necessarily imperfect measures as they will be affected by many factors other than the subject's role as treasurer.

Using these criteria for treasurers requires distinguishing those who were also prime minister (ranked in Table 10.1) from those who only served as treasurer (ranked in Table 10.2) as prime ministers tend to attract much more attention. Tables 10.1 and 10.2 compare the numbers of internet searches *made in Australia*[1482] over the decade 2007 to

[1481] Ludwig (2002, p 275), Riall (2010, p 384).

[1482] This is done to reduce the extent to which the results are contaminated by searches for homonyms of Australian treasurers, such as UK prison reformer John Howard, the English actors Chris Bowen and Paul Keating, and the Irish writer Peter Costello. There is still a problem of searches for the recent federal politician John Forrest being attributed to those of the treasurer of a century ago of the same name.

2016 and it is immediately apparent that (with the anomaly of Holt) the internet searches are dominated by the more *recent* treasurers.

Table 10.1: Ranking of treasurers who were also prime minister

Google searches (average = 100)	*Australian Dictionary of Biography* ('000 words)	Books on subject listed in National Library of Australia catalogue*	Columns in *Oxford Companion to Australian Politics*	Lines in *Dictionary of World Biography*
Holt (225)	Chifley (6.9)	Menzies (23)	Menzies (4)	Chifley (43)
Howard (221)	Bruce (6.3)	Whitlam (20)	Chifley (4)	Whitlam (41)
Whitlam (199)	Menzies (6.1)	Hawke (16)	Whitlam (2)	Hawke (31)
Menzies (183)	Watson (4.5)	Keating (11)	Howard (2)	Bruce (26)
Keating (155)	Holt (4.5)	Fisher (5)	Hawke (2)	Howard (26)
Hawke (110)	Fisher (4.4)	Lyons (5)	Keating (2)	Fisher (24)
Chifley (101)	Lyons (4.0)	Chifley (4)	Lyons (1)	Menzies (22)
Fisher (47)	Page (4.0)	Bruce (4)	Fisher (1)	Lyons (21)
Others (<30)	Scullin (3.3)	Howard (4)	Bruce (1)	Keating (15)
	Cook (3.0)	Holt (3)	Scullin (1)	Holt (15)
	Others (<3)	Others (<3)	others (<1)	Others (<15)

Sources: derived from Google trends, various volumes of *Australian Dictionary of Biography*, Galligan and Roberts (2007), Jones (2016) and National Library of Australia website, May 2017. * Excluding foreign language books and those written by the treasurer himself. For Holt and Whitlam it excludes books just about their disappearance and dismissal.

Table 10.2: Ranking of treasurers who were not prime minister

Google searches	*ADB* ('000 words)	Books in National Library	Columns in *OCAP*	Lines in *DWB*
Hockey (255)	Forrest (5.8)	Forrest (4)	Forrest (1)	Theodore (22)
Swan (142)	Theodore (4.0)	Cairns (3)	Cairns (1)	Casey (22)
Costello (114)	Casey (3.7)	Theodore (2)	all others (0)	Cairns (14)
Morrison (114)	Watt (3.1)	Hayden (2)		Forrest (11)
Bowen (85)	Turner (2.2)	Costello (2)		Hayden (9)
Forrest (65)	Lyne (2.1)	all others (0 or 1)		Costello (8)
Hayden (12)	Spender (1.9)			all others (0)
Others (<10)	Snedden (1.5)			
	others (<1.5)			

Sources: as for Table 10.1.

John Howard was one of the most searched for names but these searches were presumably mostly concerned with his role as current or recent prime minister. Next was Gough Whitlam for whom searches surged after his death. Similarly, among those treasurers not prime minister the most common searches were for the recent treasurers Peter Costello, Wayne Swan, Joe Hockey and Scott Morrison. The strength of this 'presentism' suggests these rankings are of little use in comparing the performance of recent treasurers with the earlier treasurers.

By contrast comparisons of books about or entries on former treasurers are biased towards *earlier* treasurers. The *Australian Dictionary of Biography* does not include entries on people until after they have died. The longer ago a treasurer held office, the more time there has been for books to be written about them.

Taking into account the various measures in Tables 10.1 and 10.2, the most prominent treasurers are those such as Menzies, Chifley, Whitlam, Hawke and Howard who were also prime minister (and in two cases only treasurers for a day or a fortnight). Among the other treasurers, Forrest attracts attention more for his exploits as an explorer and long-serving premier of WA than for being treasurer; Casey and Hayden were foreign/external affairs ministers and governors-general longer than they were treasurer; and Cairns and Theodore may both been written about more for personal scandals than for their economic records.

Treasurers and the importance of timing

The importance of timing was noted in Chapter 2 where it was observed that it helps to come into the job in a new government.[1483] Hockey had the advantage of coming into office when the budget had been ravaged by the need to address the global economic crisis but was unable to match his rhetoric about restoring the budget to balance by either benefiting from a more benign global environment or selling harsh fiscal medicine.

Entering office during a recession also allows credit to be claimed when the economy recovers, even when as with Lyons in the early 1930s and Keating in 1984 it partly reflected the breaking of a drought.

[1483] As Dell (1996, p 109) puts it in the UK, 'it does a new chancellor no harm to be seen rectifying the omissions of his predecessor'. Ruth Richardson (1995, p 76), a New Zealand finance minister, remarked 'a crisis inherited from your predecessor can give you a flying start in terms of impetus and goodwill'.

The least favourable circumstances under which to become treasurer are when the global conditions deteriorate soon *after*. Labor treasurers have been particularly unfortunate in this respect, with Theodore, Crean and Swan all facing global recessions or depressions and Fisher and Chifley world wars. (Fadden faced a year of World War II in his first stint and the terms of trade swings resulting from the Korean War early in his second but thereafter had generally benign international conditions.)

It was also observed that it is difficult to follow a treasurer of the same party. Keating maintained his interest in economics as prime minister, driving the *One Nation* package to the frustration of his treasurer Dawkins.[1484] This problem was also faced to varying degrees by Page, Casey, Spender, Holt, McMahon, Hayden and Willis while Poynton, Kerin and Bowen were only spared it by their short terms. Such treasurers need to justify reforms in terms of a response to changed conditions. Cairns had this opportunity when he succeeded Crean at the time of the mid-1970s recession, but was not up to it. Hayden took the opportunity to make some changes but was out of office before he had time to make a real mark.

On the other hand, as also noted in Chapter 2, it can be an advantage in coming into the office after the prime minister has sacked your predecessor as a prime minister's judgement will be questioned if they sack a second treasurer. This certainly strengthened Bill Hayden's position as Gough Whitlam had removed his two predecessors. It probably also strengthened the position of John Dawkins and is likely to make it easier for Scott Morrison to retain the post.

Assessing the managerial record of treasurers

Part of being a great treasurer is good stewardship. As noted in Chapter 2, assessing the record of treasurers as economic managers is fraught with difficulty. Firstly, there is the question of the extent to which economic decisions are truly made by the treasurer himself rather than the prime minister, cabinet or central bank. Secondly, the global economic circumstances matter greatly. A treasurer such as McMahon could point to good economic outcomes but global economic conditions were unusually smooth for him. By contrast Theodore/Scullin faced the great depression and Swan the global financial crisis.

[1484] As Keating, himself remarked, 'it is very difficult being treasurer to a prime minister who had been Labor's longest-serving treasurer and an active one'; O'Brien (2015, p 653).

Thirdly, there are questions about whether a treasurer's performance on say unemployment should be measured as the *average* rate over their tenure (which makes it hard for a treasurer such as Lyons who inherited very high unemployment to look good) or the *change* over their tenure (which makes it hard for a treasurer such as Holt who inherited very low unemployment and inflation rates to look outstanding).

With these caveats in mind, tables 10.3 and 10.4 provide some summary information on economic records. Theodore, treasurer during the global great depression, unsurprisingly had the worst economic legacy. Matters gradually improved under the Lyons governments but unemployment stayed high until the War. Focusing on unemployment, the legacies of Chifley (especially considering he had to deal with the demobilisation of soldiers after World War II) and Fadden explain why they are held in high regard. Fadden handed over a very low inflation rate but this disguises that during his tenure inflation had briefly hit an all-time high. A benign global economy helped Holt leave a good record. The OPEC oil shocks and a wages surge led to a jump in inflation during the Whitlam government. While the unemployment rate at the time seemed high, it now looks quite moderate. Howard's legacy of both high unemployment and high inflation and no progress in repaying public debt looks distinctly unimpressive. Keating 'snapped the inflation stick' (in his words) but the early 1990s recession wiped out the gains he had earlier made on unemployment. He would argue that the reforms he instituted contributed to the subsequent strong sustained economic growth which saw unemployment fall during Costello's long tenure. Costello's record is bolstered by the mining boom and measures of structural balances indicate that the underlying fiscal balance was nowhere as strong as the budget surplus in 2006-07 might suggest. Notwithstanding the 'debt and deficit disaster' rhetoric Hockey employed against Swan he left more debt himself.

Table 10.3: Economic legacy of treasurers

	Final year	Unemployment rate (end-year)	Inflation (end-year)	Budget balance (% to GDP)	Public debt (% to GDP)
Earle Page	28/29	7	2	-1.3	44
Ted Theodore	31/32	20	-5	-0.3	57
Lyons/Casey	38/39	9	3	-0.3	38
Ben Chifley	48/49	1	11	0.2	85
Arthur Fadden	57/58	2	0	-1.0	32
Harold Holt	65/66	2	4	-1.2	30
Crean/Hayden	74/75	5	17	-3.5	21
John Howard	82/83	10	11	-2.5	20
Paul Keating	90/91	10	3	0.3	12
Peter Costello	06/07	4	2	2.5	5
Wayne Swan	12/13	6	2	-1.4	17
Joe Hockey	14/15	6	2	-2.4	23

Sources: RBA, Barnard (1987), Withers et al (1987), ABS, Budget papers (headline cash balance and CGS on issue).

In terms of economic growth, the most dramatic period is again around the 1930s depression. Most recent treasurers have recorded average growth in per capita incomes of around 2 per cent per annum, similar to that recorded in the long boom of the latter 19th century. Holt gets the gold medal among post-war treasurers for the strongest average growth. But for a fair comparison it is necessary to put the Australian performance in an international context. The 1930s depression and the 2008 global financial crisis meant that Theodore and Swan faced very harsh conditions, which led their peers in other countries to record very poor outcomes. It also shows that while the Australian economy grew well in the 1950s and 1960s it lagged behind the growth of its international peers. Indeed in terms of *comparative* performance the post-war era's best performer is Swan.

Table 10.4: Economic growth record of treasurers

(average annual percentage growth in real GDP)

	Years	Australia	Median of peers[1485]	difference
Long boom	*1879-1889*	*2.0*	*1.2*	*0.7*
1890s depression	*1890-1900*	*-1.0*	*1.9*	*-2.9*
Early treasurers	*1900-1922*	*1.1*	*1.1*	*0.0*
Earle Page	1923-1929	0.6	3.1	-2.5
Ted Theodore	1930-1931	-9.0	-5.2	-3.9
Lyons/Casey	1932-1938	4.4	1.8	2.6
Ben Chifley	1942-1949	-0.5	1.5	-2.1
Arthur Fadden	1950-1958	1.5	2.2	-0.7
Harold Holt	1959-1965	2.9	3.4	-0.5
Crean/Hayden	1973-1975	2.0	1.9	0.2
John Howard	1978-1982	1.2	0.9	0.3
Paul Keating	1983-1990	2.2	2.0	0.2
Peter Costello	1996-2007	2.5	2.2	0.3
Wayne Swan	2008-2012	2.6	0.5	2.1
Joe Hockey	2013-2015	2.6	2.2	0.4

Sources: IMF *World Economic Outlook*, April 2017; Maddison (2001).

Treasurers and crises

It was observed in Chapter 2 that great political leaders are often defined by their ability to deal with crises, raising the question of whether treasurers can best demonstrate their greatness by coping with economic crises such as global depressions.

The first world war hindered the ability of the reformist-minded treasurers Fisher and Higgs to implement domestic reforms. Chifley as treasurer in the second world war was in some ways similarly constrained, but in others was able to turn the situation to his own use, introducing controls on the banking system and taxation reforms as wartime

[1485] Peers are taken as Argentina, Canada, France, Netherlands, New Zealand, Sweden, United Kingdom and United States.

measures, which could then be adapted in peace, but would have been much harder to introduce in peacetime. Scullin has a poor reputation as a prime minister as he was viewed as being swamped by the Great Depression of the 1930s, but Theodore's reputation as treasurer is better as with hindsight he was seen as fighting (albeit unsuccessfully) for measures that would have enabled the Australian economy to cope better with it. Keating framed the current account deficit in the balance of payments as threatening to reduce Australia to a 'banana republic', and argued this made reforms more urgent.[1486]

Wayne Swan as treasurer may be the prime example among Australian treasurers of the axiom that people who are good at managing crises are better rewarded than those whose prescient management avoids them arising. He did not get much credit domestically for avoiding the recession which hit almost every comparable country during the global financial crisis (Table 10.4). History may treat him more kindly than contemporary commentators.[1487]

Chapter 2 posited as the key tasks for a treasurer facing a recession; explaining how the economic problem reflects external influences, devising a policy response such as an economic stimulus package, explaining why this is necessary, explaining how the policy worked to limit the rise in unemployment and developing better policy responses for future recessions. Swan (with prime minister Rudd and treasury secretary Ken Henry) was effective in the second of these tasks during the global financial crisis but weaker on the communication aspects. During the Great Depression Theodore had the intellectual ability and confidence for the tasks but was not able to implement his preferred approach (for reasons discussed in Chapter 5). Crean and Cairns floundered in the mid-1970s. Keating was effective at both delivering reforms and justifying them.

Typologies of treasurers

A number of typologies of treasurers were presented in Chapter 2. The first was arguably the most-cited by journalists and politicians themselves; Tony Benn's classification of *straight men, fixers* and *maddies*. Applying this to Australian treasurers; Fisher, Page, Theodore, Chifley, Cairns, Keating and Dawkins could be termed 'maddies', with their

[1486] As Goldfinch and 't Hart (2003, p 238) observe 'framing policy predicaments as crises provides potential momentum for policy reform'.

[1487] But set against this strong performance in his first term are the failures in his second term such as the mining tax and the repeated promises of a surplus.

desires to reshape the economic system, with most of the rest straight men. McMahon and Lynch (and maybe Morrison) could perhaps be classed as fixers.

The second, also informal, classification was from Sol Encel who classifies leaders as *larrikins* and *prima donnas*. Applying this typology to Australian treasurers could see Fadden, Keating and Dawkins as larrikins, and Bruce, Casey, Menzies, Spender, Keating and Costello as *prima donnas*. It is a bit early to say but arguably Hockey could be placed among the *prima donnas* with his 'in defence of' series of speeches in 2009 and 2010 and Morrison as a larrikin based on his 'whatever it takes' performance in the immigration portfolio.

It was argued in Chapter 2 that much of the academic literature on political leadership boils down to distinguishing two essential types; *managers* and *reformers*. This typology is applied to Australian treasurers in Table 10.5, with a third category added for the short-term treasurers who did not have time to demonstrate into which category they would fall.

Within the reformers category, those in italics and brackets are the frustrated reformers who wished to do more but were held back. The classic example would be Theodore, who certainly had aspirations to be transformational but his short and interrupted tenure, the impact of the Depression and the blocking of some of his measures by the Senate prevented him achieving much.

Howard claims to have wanted to do a lot more but been stymied by his prime minister Fraser while Costello makes the same claim about Howard as prime minister, but it should be noted both claims are contested.[1488]

For our longest-serving treasurer the table distinguishes between early and late Costello, as he started out reformist but became increasingly managerial as he tired of the job and his focus shifted to his aspirations to become prime minister.

[1488] On the former case, see Chapter 7.

Table 10.5: Basic classification of Australian treasurers

Managers	*(aspiring)* **Reformers**	**Short-term**
Turner	Fisher	Watson
Forrest	*(Higgs)*	Poynton
Cook	*(Watt)*	Scullin
Bruce	Page	Whitlam
Lyons	*(Theodore)*	Hayden
Menzies	Casey	Hawke
Fadden	Spender	Kerin
Holt	Chifley	Bowen
McMahon	Crean	
Bury	Cairns	
Snedden	*(Howard)*	
Lynch	Keating	
Willis	Dawkins	
late Costello	early Costello	
	Swan	
	(Hockey)	
	(Morrison)	

This reformer/manager split is sometimes cross-classified by whether the leader attempts to implement their approach through imposition or by building consensus. This leads to what Richardson, Gustafson and Jordan (1982) and Errington (2008) refer to as four differing 'policy styles'.[1489] The Australian treasurers included in the first two columns of Table 10.5 are allocated to their respective classifications based on whether they sought to impose policy or build consensus in Table 10.6.[1490] As with other examples of this style of classification, the *conservator-manager* category is the most common.

[1489] They use different terms for the four styles, and other terms are used for Table 2.3, but the concepts are similar.

[1490] Some of the treasurers who probably aspired to be reformers but were prevented are excluded.

Table 10.6: Policy styles of Australian treasurers

	Managers	Reformers
Impositional style	**Strong administrators** Forrest, Bruce, late Costello	**Transformational leaders** Page, Theodore, Chifley, Keating, Dawkins, early Costello, Swan
Consensus style	**Conservator-manager** Turner, Cook, Lyons, Menzies, Fadden, Holt, McMahon, Bury, Snedden, Lynch, Willis	**Concertation fixers** Fisher, Casey, Spender, Crean, Cairns, Howard,

Another approach to cross-classifying leaders discussed in Chapter 2 is James Barber's (1992) much-cited study of US presidents, which classifies them on two dimensions; their activity or passivity and whether they tended to have an 'upbeat' positive style or a more gloomy or reluctant negative attitude.

The Australian treasurers included in the first two columns of Table 10.5 are allocated to their respective classifications in Table 10.7. Those allocated to the negative row were usually there as a reflection of the frustrations they experienced during their terms as treasurers. None had a negative sentiment at the time they were appointed treasurer.[1491]

[1491] With the possible exception of Cook who was impatient to get to London as high commissioner.

Table 10.7: Applying Barber's framework to Australian treasurers

	Managers (passive)	Reformers (active)
Positive	Turner, Forrest, Bruce, Menzies, Fadden, Holt, McMahon, Bury, Snedden, Lynch, Willis, late Costello	Fisher (to 1913), Page, Theodore, Casey, Spender, Chifley, Howard, Keating, Dawkins, early Costello, Swan
Negative	Cook, Lyons	Fisher (1914-1915), Higgs, Watt, Crean, Cairns

One approach to assessing a reforming treasurer is the 'counterfactual'; asking the question of how different the country would have been if a particular treasurer had not held the post.[1492] Keating stands out as the treasurer who took the economy in directions that alternative treasurers from his party (most likely Willis) would likely not have taken, or at least have taken much longer to do. Chifley was in the Labor mainstream but probably pushed some policies (notably bank nationalisation) harder than would have an alternative Labor treasurer (most likely Forde) of the period. If Whitlam had appointed Hayden as treasurer earlier he would have been a stronger treasurer than Crean and more disciplined than Cairns. On the non-Labor side, Page pursued some idiosyncratic interests which an alternative (perhaps Massy-Greene) would not have taken up. Spender was an earlier convert to Keynesianism than alternative treasurers from his side of politics (perhaps Hawker) and it would have been interesting to see where he would have taken economy policy were he to have had a longer tenure.

Bramston (2011) identifies the following characteristics of successful leaders;

- Bold ambitions
- Courageously pursuing unpopular reforms
- Persistently making the case for change

[1492] Grint (2010, pp 3-4) says one definition of leadership is mobilising groups to do something they would otherwise not do.

- Determined
- Deep convictions
- Strategically recognising opportunities for reform
- Taking the public with you.

Keating probably best exemplifies these characteristics. He certainly pursued reforms with determination and was indefatigable in arguing for them with the press gallery. It is more arguable the extent to which he persuaded the public. Chifley shared many of the characteristics, although he egregiously failed to make the case for bank nationalisation to the public before announcing the policy. Howard demonstrated many of the characteristics while opposition leader and prime minister but was much more cautious as treasurer, in part because of his unusually low seniority in the cabinet at the time made him beholden to Fraser until the early 1980s. Theodore had many of the characteristics but his short interrupted and frustrated tenure limited his achievements.

Also discussed in Chapter 2 is the typology of Harold Lasswell who classified political actors as *agitators, administrators* or *theorists*. Among Australian treasurers, Cairns probably best fits the agitator type, with Page, Theodore, Keating, Dawkins, Swan and Hockey having some of the characteristics in a muted form as they gave speeches pushing ideas. As noted above, many treasurers fall into the administrator or manager character. It is not obvious that any are purely theorists.[1493] Theodore and, to a less extent, Fisher and Chifley read widely on economics without being formally educated on it and McMahon, Bury, Cairns, Hayden, Kerin, Dawkins, Willis, Swan, Bowen and Morrison studied economics at university.[1494]

Predicting the performance of treasurers

The strands of literature and typographies discussed in Chapter 2 were brought together by Skowronek to form a matrix which he applied to US presidents, classifying them as *reconstructive, disjunctive, articulative* and *pre-emptive*, an approach generalised by Laing and McCaffrie (2013) and 't Hart (2011b, 2014b). A similar analysis is applied to

[1493] Barry Jones (2006, p 416), never a treasurer, places himself in the theorist category as a minister. Indeed, being a theorist may have disqualified him from consideration for a more senior ministerial post.
[1494] In Hayden's case, he was an external student while an MHR. Cairns was more an economic historian than economist and while Swan started studying economics he switched to arts/law and concentrated on government.

Australian treasurers in Table 10.8, with some changes to the terminology. More treasurers fall into the *maintaining* and *innovative* cells than the others, suggesting that treasurers tend to suit their times. The innovative cell does include treasurers seen as among the best, such as Chifley and Keating, but also those such as Theodore who had good ideas but was unable to implement them and Cairns who critiqued the existing regime without being able to put anything in its place. The maintaining treasurers include many generally regarded as dull but competent. The complacent *Panglossian* treasurers, often following anachronistic policies that fail to respond to new challenges, tend to be among the less respected treasurers.

Table 10.8: Typology of Australian treasurers relative to the economic conditions they inherited

	Managers	Reformers
Benign economic conditions	**Maintaining** Turner, Menzies, Fadden, Holt, McMahon, Bury, late Costello	**Visionary** Fisher, Page, early Costello
Challenging economic conditions	**Panglossian** Cook, Lyons, Snedden, Lynch	**Innovative** Theodore, Chifley, Cairns, Hayden, Keating, Dawkins, Swan, Hockey

Successful reforming treasurers are those who in Skowronek's second typology, described in Chapter 2, are able to 'reset political time'. By analogy with Skowronek's model of US presidents presented in Table 2.4, a model of Australian treasurers is given in Table 10.9.[1495] The leadership types in the three rows of Tables 2.4 and 10.9 broadly correspond to the innovative, maintaining and Panglossian typology employed in Table 10.8.

[1495] Walter (2010a, p 342) has also applied Skowronek's concept of 'political time' to Australian politics, noting 'the sorts of leadership typically manifest at particular stages. Progressive reforms are always significant both in reacting to regime exhaustion and in initiating new directions (Deakin driven by his own financial failure in the 1890s, and driving 'new protection' in 1900-10; Coombs, Curtin and Chifley adamant that the miseries of the Depression would not be revisited and finding in Keynes the inspiration for post-war reconstruction; Hawke and Keating determined not to repeat Whitlam's mistakes and turning to

Table 10.9: Applying Skowronek's 'political time' model to Australian treasurers

	Accounting Classical	Premiers' Plan (austerity)	Keynesian (expansion)	Monetarism	Market	New Keynesian
	1900-1929	1930-1943	1944-1975	1976-1983	1984-2007	2008-2013
Constructing	Turner	Lyons	Chifley	Lynch	Keating	Swan
Managing	most early treasurers	Casey, Menzies	Fadden, Holt	Howard	Costello	Swan, Bowen
Collapsing	Scullin, Theodore		Snedden, Crean	Howard	Swan	

The table distinguishes six eras, drawing on the economic history reflected in the narrative of Chapter 9 and the four pairs of parallel lives covered in Chapters 4 to 7. In the first era, discussed in Chapter 4, the treasurer presided over a small accounting department, reflecting the Gladstonian traditions and classical 'laissez faire' economics. The second era started when the Premiers' Plan was adopted in response to the Depression. Despite the aspirations of the proto-Keynesian Theodore, the policies adopted by Lyons were largely conservative; see the discussion in Chapter 5. While Theodore had aspired to Keynesianism and Spender took the first steps, it was the *White Paper on Full Employment* that represented 'the crowning glory of Keynesianism'[1497] and ushered in the third, Keynesian era, described in Chapter 6, which continued after the war notwithstanding the return of conservative governments. The Keynesian era lasted until the OPEC oil shocks in the mid-1970s and the subsequent stagflation. The authorities then flirted with monetarism. This fourth era was short-lived. As discussed in Chapter 7,

market solutions rather than state provision as their alternative; finally, Rudd insisting that it is the task of social democracy to 'save capitalism from itself'.) Then there are the consolidators, often from Opposition parties but demonstrating the hold of the 'consensus' (Fisher and Hughes following Deakin; Menzies in the post-war period; early Howard following Hawke and Keating). Finally, there are those who must try to deal with regime exhaustion, or with the internal contradictions that bring a consensus down (Scullin and Lyons in the 1930s; Whitlam and Fraser as the long post-war boom ended; Howard in the last stages of his government).

[1496] Theodore was trapped in a collapsing system by his inability to pass legislation through the Senate or have the Commonwealth Bank cooperate with his policies. He was certainly not complacent about the challenges he faced and if he had his way would have started the Keynesian era much earlier.

[1497] Millmow (2015c, p 61).

the emphasis on monetary targeting was reduced until it was finally abandoned in 1985 as the disconnect between monetary aggregates and GDP was exacerbated by the effects of financial deregulation and the growing availability of credit cards. The Keating treasurership was associated with the advent of the fifth ‘market era’ or ‘economic rationalism’, discussed in Chapter 7. The global financial crisis saw the start of a sixth ‘new Keynesian’ era with a large economic stimulus package successfully warding off a severe recession. As shadow treasurer and during his first year as treasurer, Hockey opposed this approach but by his second budget was reintroducing stimulus for small business and appeared unperturbed by projections of larger budget deficits than those he inherited. Morrison has shifted the priority from reducing the deficit to providing tax cuts for business.

Chapter Eleven: Conclusions on what makes a successful treasurer

The job of treasurer has changed greatly over time. There has been one important respect in which the job has been reduced from that faced by the earliest treasurers. The review of government spending is now the province of the finance minister. But in many respects the job is broader and more demanding and so the level and range of skills required to be judged a success in it has increased.

Since the Keynesian revolution, the treasurer has been held responsible for the state of the economy. A century ago there were no published data on Australia's GDP and treasurers then would not have been expected to be judged on its growth had there been such data. Recessions then were seen as like droughts, something out of the control of the treasurer and probably self-correcting, to be endured rather than cured.

As well as the public's expectation of vigorous economic growth and low unemployment, the treasurer is squeezed by public opinion which wants a contradictory mix of lower tax (at least on themselves), increased government spending (on individual areas such as health and education even if not in total spending) and a lower budget deficit (to the extent they have been convinced by treasurers like Costello that this is a sign that the budget is well-managed). At the same time, elite opinion, and the opinion of many in the party room that may determine whether their future career is upward to the prime ministership or back to the backbench, as well as their own satisfaction, pushed treasurers to reform the system to make the economy healthier in the longer term.

A treasurer may be regarded as 'good' if they can succeed in the first, managerial, role but to be regarded as 'great' a treasurer needs to achieve as a reformer as well. There are many qualities needed to achieve such greatness. Treasurers (like prime ministers) need a measure of luck and good fortune. But three key features stand out as crucial to making a treasurer's reputation.

Firstly, to be effective a treasurer needs immense political skills. These involve negotiation and communication skills to frame arguments about economic challenges in such a way that the current treasurer avoids blame and stakeholders and the community accept the need for the treasurer's reforms even if they involve some short-term pain. The range of stakeholders with whom treasurers need to engage has expanded over time. It

includes business (especially important for treasurers from the Liberal Party and its predecessors), the trade unions (especially important for Labor treasurers), rural lobby groups (especially for the Country Party treasurers Page and Fadden) and community organisations. When, as has increasingly been the case in recent decades, the government does not control the Senate, the treasurer needs to be persuasive and accommodating to the minor party and independent senators. Increasingly important since financial deregulation has been keeping investors in financial markets, both domestic and foreign, on side. Bank economists provide a running commentary on each piece of economic data released. Maintaining the confidence of foreign bond holders, and the ratings agencies on which they place (or misplace) trust, requires treasurers to engage in roadshows in the world's financial capitals (originally London and New York, but now also Tokyo, Hong Kong, Singapore and Shanghai).

Treasurers need to be good media performers and here too the demands are becoming ever greater with an expansion of media outlets, the advent of 24-hour news channels and the proliferation of social media. As opposition parties have become more sophisticated in media monitoring, the cost of a slip-up in a media appearance has become higher. Media performance encompasses how televised interviews or appearances on talkback radio are handled. Media management also involves advocacy with leader and opinion writers in private to shape their views.

A particular challenge arises when an economy is entering a recession. The treasurer must then make a fine judgement about when, and how much, to change their rhetoric from 'business as usual' to 'crisis management'.[1498] Adopting the language of recession too early risks a self-fulfilling prophecy.[1499] Leaving it too late risks perceptions of denial or being 'out of touch'. The task is complicated by generally outdated and inconsistent economic data, and economic forecasts which tend to be least accurate around turning points.[1500]

Treasurers also need to maintain the support of their party room. On various issues the Labor caucus caused problems for treasurers as diverse and distant in time as acting treasurer Lyons in the 1930s, Cairns in the 1970s and Dawkins in the 1990s. While Liberal

[1498] 't Hart and Tindall (2009, p 3).

[1499] John Major (1999, p 166) admits that as chancellor in 1990 he 'suspected that recession might also be on the cards' but 'no advantage could accrue to anyone from a forecast that could only make it more likely'.

[1500] See, for example, Macfarlane and Hawkins (1983). An unnamed Treasury secretary once referred to a claim of precision for economic forecasts as 'a lot of bulls—t'; Weller (1989, p 215).

treasurers have more autonomy in the short-term, if the party room comes to the view that the treasurer's performance is a drag on public support for the government then the tenure of the treasurer may be brief, Hockey being a recent example.

They also need the support of the prime minister. They cannot do the job alone not steer government policy purely from the treasurer's office. Treasurers tend to be most effective when they work in harmony with a supportive prime minister, a relationship recently dubbed a 'political tandem'.[1501] The combinations of Curtin/Chifley and Hawke/Keating, to a lesser extent Bruce/Page, and in their early days Howard/Costello and Rudd/Swan, have been particularly productive of economic reform. By contrast treasurers such as Watt, and to a disputed extent Howard, were held back by prime ministers who were unsupportive.[1502]

The other crucial relationship, as highlighted by Chapter 9, is with the Treasury. Successful treasurers build an effective relationship with the department, harnessing it to both develop and accomplish the treasurer's agenda. Effective treasurers find ways to build an effective 'tag team' with their departmental staff who have much technical expertise but often lack political acumen. Once (and aspiring future) treasurer Chris Bowen (2015, p xiii) has opined that 'a good treasurer will neither be a captive of the Treasury nor ignore it'. As his predecessor, Frank Crean was fond of saying, Treasury officials should be 'on tap, not on top'.[1503]

The third key element in determining the success of a treasurer is a matter of timing. A treasurer arriving in office when exogenous factors such as the global economy and seasonal conditions are about to turn favourable is well placed to garner a good if undeserved reputation. A reforming treasurer is more likely to be successful if they take office at a time when the prevailing orthodoxy is under question. A purely managerial treasurer is more likely to be successful if they enter office at a time when economic conditions have been benign and so there is little appetite for change.

Some potentially good treasurers have found it impossible to make effective headway because of the unfavourable economic circumstances they inherited when appointed to the job - Theodore is perhaps the most unfortunate featured in this study, although others

[1501] Strangio, 't Hart and Walter (2015).
[1502] This is a lesson that Charlton (2015, p 68) highlights from Bowen (2015).
[1503] It was a line first coined in the UK by Professor Harold Laski; Crean (1993).

have been similarly unfortunate such as Fisher in his third term and Higgs (hindered by World War I), the three Whitlam government treasurers (who faced the OPEC oil shocks) and Swan (who faced the Global Financial Crisis – the first time since the Great Depression that global output contracted). Some treasurers facing unfavourable circumstances, however, turned adversity into opportunity and built their reputations on dealing with crises - Chifley and perhaps Keating.

List of Abbreviations and Acronyms

ABS	Australian Bureau of Statistics
ACTU	Australian Council of Trade Unions
ALP	Australian Labor Party
ANU	Australian National University
ANZ	Australia and New Zealand (bank)
ANZSOG	Australia and New Zealand School of Government
AWU	Australian Workers' Union
BCE	Before Common Era
BIS	Bank for International Settlements
CPI	Consumer Price Index
CSIRO	Commonwealth Scientific and Industrial Research Organisation
F&E	Financial and Economic Committee
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GNP	Gross National Product
GST	Goods and Services Tax
MHR	Member of the House of Representatives
MLA	Member of the Legislative Assembly
MLC	Member of the Legislative Council
MP	Member of Parliament
MS	Manuscript held in the NLA
NAA	National Archives of Australia
NLA	National Library of Australia
NSW	New South Wales
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum-Exporting Countries
PM&C	Prime Minister and Cabinet (department)
R&D	Research and Development
RBA	Reserve Bank of Australia
SRD	Statutory Reserve Deposit
UAP	United Australia Party

Dramatis personae

* indicates an entry is available in the *Australian Dictionary of Biography*.

Italics indicate cross-references.

Tony **Abbott** (1957-) has been an MHR since 1994 and was Australian prime minister (2013-2015).

Peter **Abeles** (1924-1999) was a business leader best known as managing director of TNT transport and friend of *Bob Hawke* who served on the Reserve Bank board.

Konrad **Adenauer** (1876-1967) was German chancellor (1949-1963) and negotiated Germany's entry into NATO and the European common market.

Saud **Al Faisal** (1940-2015) was a member of the Saudi royal family and Saudi Arabia's foreign minister (1975-2015).

*George **Allen** (1852-1940) was Treasury secretary (1901-1916).

Ammonius of Athens (c100) was a Greek philosopher and teacher of *Plutarch*.

Amyntianus was a biographer of Alexander the Great.

*Frank **Anstey** (1865-1940) was a radical Labor politician, known for his books attacking the 'money power', and a minister in the *Scullin* Government.

Doug **Anthony** (1929-) was an MHR (1957-1984) and deputy prime minister (1971-1972 and 1975-1983).

Appianus of Alexandria (c100-c165) was a Greek historian who wrote a history of Rome.

Humphrey **Appleby** was a fictional high ranking civil servant in the UK comedy series *Yes, Minister*, known for his devious manipulation of his minister and prolix language.

*Hugh **Armitage** (1881-1963) was chief accountant (1916-1921), deputy governor (1927-1941) and governor (1941-1948) of the Commonwealth Bank of Australia.

Wystan Hugh **Auden** (1907-1973) was an Anglo-American poet and friend of Keynes.

Augustus (63 BCE–14), formerly known as Octavian, was the first Roman emperor.

Newton **Baker** (1871-1937) was US secretary of war (1916-1921).

*Edmund **Barton** (1849-1920) was MHR (1901-1903), Australia's first prime minister (1901-1903) and a justice on the High Court (1903-1920).

Kim **Beazley** Jnr (1948-) was MHR (1980-2007), a senior minister in the *Hawke-Keating* Government and leader of the opposition (1996-2001 and 2005-2006).

Kim **Beazley** Snr (1917-2007) was MHR (1945-1977) and education minister in the *Whitlam* Government.

Tony **Benn** (1925-2014) was a British Labour MP (1950-1960, 1963-1983 and 1984-2001), writer and diarist.

Isaiah **Berlin** (1909-1997) was a writer and professor of political theory (1957-1967) at Oxford University.

Joh **Bjelke-Petersen** (1911-2005) was the longest-serving premier (1968-1987) of Queensland who launched a quixotic but doomed 'Joh for prime minister' campaign in 1985-1987.

*John **Bigge** (1780-1943) was a British lawyer who conducted a royal commission into the effectiveness of transportation in Australia in 1819 and was critical of Governor Macquarie.

Eugene **Böhm-Bawerk** (1851-1914) was professor of economics (1880-1889) at Innsbruck University and Austrian finance minister (1893, 1896-1897 and 1900-1904).

*Henry **Boote** (1865-1949) was a Labor writer and founded with *Andrew Fisher* the Gympie *Truth*, which he edited. He later edited the Brisbane *Worker* and *Australian Worker*.

James **Boswell** (1740-1795) was a Scottish writer and a friend and biographer of *Samuel Johnson.*

Chris **Bowen** (1973-) was Australian treasurer in 2013 and author of a collective biography of twelve treasurers, and is currently Australia's shadow treasurer.

*Edward **Braddon** (1829-1904) was Tasmanian premier (1894-1899), responsible for the Australian constitution initially requiring ¾ of customs revenue being returned to the states.

*James **Brigden** (1887-1950) was professor of economics at the University of Tasmania and public servant who contributed to a number of economic inquiries.

*Stanley Melbourne **Bruce** (1883-1967) was MHR (1918-1929 and 1931-1933), Australian treasurer (1921-1923) and prime minister (1923-1929) and assistant treasurer (1932-1934).

*Wallace **Bruce** (1878-1944) was a businessman and lord mayor of Adelaide (1925-1927) who chaired a committee on economic policy in 1932.

Edmund **Burke** (1729-1797) was a British Whig MP who argued that MPs should be representatives not delegates.

*Tom **Burke** (1910-1973) was a Labor MHR (1943-1955) who aspired to be treasurer.

*Leslie **Bury** (1913-1986) was an economist who uniquely both worked in the Australian Treasury (1949-1951) and was Australian treasurer (1969-1971).

John **Button** (1932-2008) was a senator (1974-1993) and industry minister in the *Hawke-Keating* Government.

Jim **Cairns** (1914-2003) was a Labor MHR (1955-1977) and Australian treasurer (1974-1975).

*Arthur **Calwell** (1896-1973) was a Labor MHR (1940-1972), minister in the *Curtin-Chifley* Government and leader of the opposition (1960-1967).

*Archie **Cameron** (1895-1956) was an MHR (1934-1956) serving as leader of the Country Party, and Speaker (1950-1956).

*James Keith **Campbell** (1928-1983) was an accountant and chairman of home builders LJ Hooker, who chaired an inquiry into the Australian financial system, reporting in 1981.

Bob **Carr** (1947-) was a journalist, diarist, NSW premier (1995-2005), Labor senator (2012-2013) and foreign minister (2012-2013).

Jimmy **Carter** (1924-) was governor of Georgia (1971-1975), US president (1977-1981) and won the 2002 Nobel Peace Prize.

*Richard **Casey** (1890-1976) was an MHR (1931-1940 and 1949-1960), Australian assistant treasurer (1933-1935), treasurer (1935-1939), life peer and governor-general (1965-1969).

Gustav **Cassel** (1866-1944) was professor of economics at Stockholm University (1904-1936) and adviser to the League of Nations.

Ian **Castles** (1935-2010) worked in Treasury and was Australian Statistician (1986-1994) and secretary of the Department of Finance (1979-1986).

*James **Catts** (1877-1951) was an MHR (1906-1922) and a supporter of King O'Malley's plans for a Commonwealth Bank.

*Ben **Chifley** (1885-1951) was MHR (1928-1931 and 1940-1951), Australian treasurer (1941-1949) and prime minister (1945-1949).

Jean **Chrétien** (1934-) was Canadian finance minister (1977-1979) and prime minister (1993-2003).

Marcus Tullius **Cicero** (106BCE-43BCE) was a famous Roman orator, senator and consul.

*Manning **Clark** (1915-1991) was professor of Australian history (1949-1980) at the ANU and author of the controversial six-volume *A History of Australia*.

Tony **Cole** (1947-) was principal private secretary (1983-1985) to treasurer *Keating* and secretary (1991-1993) of the Australian Treasury.

*James **Collins** (1869-1934) was deputy secretary (1901-1916) and secretary (1916-1926) of the Australian Treasury.

*Rex **Connor** (1907-1977) was an MHR (1963-1977) and minister for minerals and energy (1972-1975) in the Whitlam Government.

*Joseph **Cook** (1860-1947) was Australian treasurer 1920-1921 and prime minister 1913-1914.

Herbert 'Nugget' **Coombs** (1906-1997) was an economist, governor of the Commonwealth Bank (1949-1960) and the first governor of the Reserve Bank of Australia (1960-1968).

*Douglas **Copland** (1894-1971) was professor of economics at the University of Melbourne, vice-chancellor of the ANU and chaired the committee which formulated the Premiers' Plan.

Peter **Costello** (1957-) was MHR (1990-2009) and the longest-serving Australian treasurer (1996-2007).

Frank **Costigan** (1931-2009) presided over a royal commission into organised crime.

Frank **Crean** (1916-2008) was MHR (1951-1977), a long-serving (initially unofficial) shadow treasurer and Australian treasurer (1972-1974).

Simon **Crean** (1949-) was the son of *Frank Crean*, MHR (1990-2013), minister assisting the treasurer (1990-1991) and shadow treasurer (1998-2001 and 2003-2004).

Anthony **Crosland** (1918-1977) was a lecturer in economics at Oxford University, British Labour MP (1945-1974), UK foreign secretary (1976-1977) and author of *The Future of Socialism*.

*John **Curtin** (1885-1945) was MHR (1928-1931 and 1934-1945), leader of the opposition (1935-1941) and prime minister of Australia (1941-1945).

Hugh **Dalton** (1887-1962) was a British Labour politician and economist, a friend of *Keynes* and UK chancellor of the exchequer (1945-1947).

Fred **Daly** (1912-1995) was MHR (1943-1975) and a minister (1972-1975) in the *Whitlam* Government.

John **Dawkins** (1947-) was a Labor MHR (1974-1975 and 1977-1994) and Australian treasurer (1991-1993).

*Anderson (also known as Andrew) **Dawson** (1863-1910) was Queensland premier in 1899, leading the world's first Labor government, senator (1901-1906) and a minister (1904).

*Alfred **Deakin** (1856-1919) was a journalist and lawyer, MHR (1901-1913) and Australian prime minister (1903-1904, 1905-1908 and 1909-1910).

*John **Dedman** (1896-1973) was a Labor MHR (1940-1949), minister in the *Curtin-Chifley* (1941-1949) Government and aspired to be treasurer.

Demosthenes (384BCE-322BCE) was a great Athenian orator.

*Warren **Denning** (1906-1975) was a journalist and historian.

Dionysius (c430BCE-367BCE) was a poet and the ruler of Syracuse.

Benjamin **Disraeli** (1804-1881) was a novelist, British Tory MP (1837-1876) and chancellor of the exchequer (1852-1853) and UK prime minister (1868 and 1874-1880).

Titus Flavius **Domitian** (51-96) was a Roman emperor and consul.

Alexander **Downer** (1951-) was a Liberal MHR (1984-2008), leader of the opposition (1994-1995) and foreign minister (1996-2007) in the *Howard* Government.

*Edward **Dyason** (1886-1949) was an economist and stockbroker who served on a number of government committees.

George **Edwards** (1855-1911) was MHR (1901-1906 and 1910-1911).

Harry **Edwards** (1927-2012) was a professor of economics (1962-1972) and MHR (1972-1993).

*Ulrich **Ellis** (1904-1981) was a journalist and activist, who worked for *Earle Page* and *Arthur Fadden* and helped them write their memoirs.

Ralph Waldo **Emerson** (1803-1882) was an American essayist and poet.

Sol **Encel** (1925-2010) was professor of sociology (1966-199) at the University of New South Wales.

Epaminondas (?-362BCE) was a victorious Theban general with a vision for a federated Greece.

Ludwig **Erhard** (1897-1977) was an economist and German minister for economic affairs (1949-1963) and chancellor (1963-1966).

Saul **Eslake** (1958-) was chief economist (1995-2009) with ANZ and since 2012 has been chief economist with Bank America-Merrill Lynch.

Eumenes of Cardia (c361BCE-316BCE) was a secretary to Alexander the Great and satrap of Cappadocia.

Gareth **Evans** (1944-) was a Labor senator (1978-1996) and MHR (1996-1999), a cabinet minister (1983-1996), shadow treasurer (1996-1998) and is now Chancellor of the ANU.

Ted **Evans** (1941-) was deputy secretary (1984-1989) and secretary (1993-2001) of the Australian Treasury.

*Herbert 'Doc' **Evatt** (1894-1965) was a High Court judge, MHR (1940-1960), simultaneously attorney-general and external affairs minister (1941-1949) and opposition leader (1951-1960).

Fabius Maximus Verrucosus (c275BCE-203BCE) was a Roman consul and dictator, famous for wars of attrition.

*Arthur **Fadden** (1894-1973) was MHR (1936-1958), Australian treasurer (1940-1941 and 1949-1958) and prime minister (1941). He brought down the 'horror budget' in 1951.

*William **Farrer** (1845-1906) was a wheat breeder who developed the Federation breed, which reduced losses from rust and parasites.

*James **Fenton** (1864-1950) was an MHR (1910-1934) and acting prime minister (1930).

*John **Fihelly** (1882-1945) was deputy premier and treasurer of Queensland.

*Andrew **Fisher** (1862-1928) was a Labor MHR (1901-1915) and Australian treasurer and prime minister (1908-1909, 1910-1913 and 1914-1915).

*Frank **Forde** (1890-1983) was a Labor MHR (1922-1946) and Australian prime minister briefly in 1945.

*John **Forrest** (1847-1918) was a famous explorer, premier of Western Australia (1890-1901), MHR (1901-1918) and Australian treasurer (1905-1907, 1909-1910, 1913-1914, 1917-1918).

Bernie **Fraser** (1941-) was deputy secretary (1984) and secretary (1984-1989) of the Australian Treasury and governor (1989-1996) of the Reserve Bank of Australia.

John **Fraser** (1951-) was deputy secretary (1990-1993) of the Australian Treasury and has been secretary since January 2015.

Malcolm **Fraser** (1930-2015) was MHR (1955-1983) and Australian prime minister (1975-1983).

*Charles **Frazer** (1880-1913) was MHR (1903-1913), postmaster-general (1911-1913) and acting treasurer (1910, 1911).

Milton **Friedman** (1912-2006), professor of economics (1946-1977) at Chicago University, visited Australia in 1975 promoting markets and monetarism and won the 1976 Nobel Prize.

*John **Garvan** (1873-1927) was chair (1924-1925) of the Commonwealth Bank.

*Henry **George** (1839-1897) was an American journalist and political economist who advocated a tax, possibly the only tax, on land values and visited Australia in 1890.

George **Gibbons** (1887-1954) was a Labor MHR (1929-1931) and put the Gibbons-*Theodore* plan to caucus.

*Lyndhurst **Giblin** (1872-1951) was an economist, Tasmanian MLA (1913-1916), served on numerous government committees and wrote a history of the Commonwealth Bank.

*Robert **Gibson** (1863-1934) was chair (1918-1921) of the Federal Economies Commission and when chair (1926-1934) of the Commonwealth Bank in the Depression clashed with *Theodore*.

Julia **Gillard** (1961-) was a Labor MHR (1998-2013), Australia's first female deputy prime minister (2007-2010) and first female prime minister (2010-2013).

William **Gladstone** (1809-1898) was chancellor of the exchequer (1852-1855 and 1859-1866) and prime minister (1868-1874, 1880-1885, 1886 and 1892-1894) of the UK.

Johann **Goethe** (1749-1832) was a German poet, dramatist and politician.

John **Gorton** (1911-2002) was a senator (1959-1968) and MHR (1968-1975) and Australian prime minister (1968-1971).

Germaine **Greer** (1939-) is an Australian feminist writer and academic.

Theodore **Gregory** (1890-1970) was professor of economics (1927-1937) at the University of London and a member of the Niemeyer mission to Australia in 1930.

Andrei **Gromyko** (1909-1989) was a Russian politician and diplomat, serving as foreign minister of the Soviet Union (1957-1985) and president (1985-1988).

*Littleton **Groom** (1867-1936) was an MHR (1901-1929 and 1931-1936), held a number of ministerial portfolios and was Speaker (1926-1929).

*Harry **Gullett** (1878-1940) was a farmer, historian and MHR (1925-1940) who held a number of ministerial portfolios.

Keir **Hardie** (1856-1915) was a British MP (1892-1893, 1900-1915) and first parliamentary leader (1900-1911) of the Labour Party, who was friends with *Andrew Fisher* in Scotland.

Bob **Hawke** (1929-) was president of the ACTU (1970-1980), a Labor MHR (1980-1992), treasurer for a day in 1991 and Australian prime minister (1983-1991).

*Charles **Hawker** (1894-1938) was an MHR (1929-1938) who spoke often on economic matters and was minister for commerce and markets in 1932.

Bill **Hayden** (1933-) was MHR (1961-1988), acting Australian treasurer (1973, 1974, 1975), Australian treasurer (1975), opposition leader (1977-1983) and governor-general (1989-1996).

Frederich von **Hayek** (1899-1992) was an Austrian Nobel laureate in economics (1974) and advocate of the free market who was a major influence on Margaret Thatcher.

Denis **Healey** (1917-2015) was a British MP (1952-1992), chancellor of the exchequer (1974-1979) and deputy Labour leader (1980-1983).

Ted **Heath** (1916-2005) was a British MP (1950-2001) and UK prime minister (1970-1974).

*James **Heathershaw** (1871-1934) was Australian Treasury secretary (1926-1932).

Ken **Henry** (1957-) was secretary (2001-2011) of the Australian Treasury.

Herodotus of Halicarnassus (c485BCE-c425BCE) was arguably the Western world's first historian and wrote mainly about the Persian War.

John **Hewson** (1946-) was an adviser to Australian treasurers *Phillip Lynch* and *John Howard*, Liberal MHR (1987-1995), shadow treasurer (1989-1990) and opposition leader (1990-1994).

*Chris **Higgins** (1943-1990) was deputy secretary (1984-1989) and secretary (1989-1990) of the Australian Treasury.

*Henry **Higgins** (1851-1929) was a lawyer, MHR (1901-1906), attorney-general (1904), high court judge (1906-1929) and president of the Arbitration Court (1907-1920).

*William **Higgs** (1862-1951) was a senator (1901-1906), MHR (1910-1922) and Australian treasurer (1915-1916).

Fred **Hilmer** (1945-) is a businessman, vice-chancellor (2006-2015) of the University of New South Wales and chair (1992-1993) of the National Competition Policy Review Committee.

John **Hobson** (1858-1940) was a journalist who promoted the theory of under-consumption, which led him to call for redistributive taxation, and a precursor of *Keynes*.

Joe **Hockey** (1965-) was a Liberal MHR (1996-2015), minister for financial services (1998-2001), shadow treasurer (2009-2013) and Australian treasurer (2013-2015).

*Jack **Holloway** (1875-1967) was a trade unionist and defeated sitting prime minister *Bruce* in 1929, held a number of ministerial portfolios and served as acting prime minister in 1949.

*William **Holman** (1871-1934) was NSW premier (1913-1920) and MHR (1931-1934).

*Harold **Holt** (1908-1967) was MHR (1935-1967), Australian treasurer (1958-1966) and prime minister (1966-1967).

Richard **Holt** is a British economist who has worked in the City of London and writes on British economic policy.

John **Howard** (1939-) was a Liberal MHR (1974-2007), Australian treasurer (1977-1983), shadow treasurer (1983-1985) and prime minister (1996-2007).

*Billy **Hughes** (1862-1952) was Australia's longest-serving MHR (1901-1952), an Australian prime minister (1915-1923) and held a number of ministerial portfolios.

*Robert **Irvine** (1861-1941) was a radical professor of economics (1912-1922) at the University of Sydney and adviser to *Theodore*.

*William **Irvine** (1856-1922) was a vigneron and MHR (1906-1914)

Roy **Jenkins** (1920-2003) was a UK MP (1948-1977 and 1982-1987), chancellor of the exchequer (1967-1970) and author of a collective biography of UK chancellors.

Andrew **Johnson** (1808-1875) was governor of Tennessee (1853), US senator (1857-1862 and 1875), vice-president (1864-1865) and president (1865-1869) after the assassination of Lincoln.

Bob **Johnston** (1924-) was governor of the Reserve Bank of Australia (1982-1989).

Barry **Jones** (1932-) was a quiz champion, teacher, writer, Victorian MP, Labor MHR (1977-1998) and science minister (1983-1991).

Richard **Kahn** (1905-1989) was professor of economics (1951-1972) at Cambridge University. A protégé of *Keynes,* he also worked closely with *Joan Robinson* and developed the multiplier.

Paul **Keating** (1944-) was MHR (1969-1996), briefly minister for northern Australia (1975), shadow treasurer (1983), Australian treasurer (1983-1991) and prime minister (1991-1996).

Bill **Kelty** (1948-) was ACTU secretary (1983-2000) and an architect of the Accord.

John **Kerin** (1937-) was an MHR (1972-1975 and 1978-1993) and Australian treasurer (1991).

John Maynard **Keynes** (1883-1946) was a British economist best known for his *General Theory*, which led to the widespread adoption of countercyclical macro-economic policies.

Harry **Knight** (1919-2015) was deputy governor (1968-1975) and governor (1975-1982) of the Reserve Bank of Australia.

Nikolai **Kondratiev** (1892-1938) was a Russian economist who identified 'long waves' in economic data.

*Jack **Lang** (1876-1975) was NSW premier (1925-1927 and 1930-1932) and advocate of the radical 'Lang Plan' during the Depression. He met regularly with the young *Paul Keating*.

John **Langmore** (1939-) was adviser to *Ralph Willis* and a Labor MHR (1984-1996).

Harold **Lasswell** (1902-1978) was an American political scientist and professor of law at Yale University.

*John **Latham** (1877-1964) was MHR (1922-1934), leader of the opposition (1929-1931), attorney-general (1925-1929 and 1932-1934) and chief justice (1935-1952).

Mark **Latham** (1961-) was a Labor MHR (1994-2005), shadow treasurer (2003) and leader of the opposition (2003-2005), columnist and author.

Nigel **Lawson** (1932-) was a British Conservative MP (1974-1992), financial secretary (1979-1981) and chancellor of the exchequer (1983-1989).

*Nelson **Lemmon** (1908-1989) was a Labor MHR (1943-1949 and 1954-1955) and a protégé of *Ben Chifley.*

David **Lloyd George** (1863-1945) was a British MP (1890-1945), chancellor of the exchequer (1908-1915), prime minister (1916-1922) and took an expansionary policy to the 1929 election.

*Robert **Lowe** (1811-1892) was a lawyer and NSW MLC before returning to England, entering the Commons (1852-1880) and serving as chancellor of the exchequer (1869-1873).

*Phillip **Lynch** (1933-1984) was a Liberal MHR (1966-1982), minister assisting the treasurer (1969-1971), Australian treasurer (1975-1977) and Reserve Bank board member (1983-1984).

*William **Lyne** (1844-1913) was premier of NSW, approached to be the first Australian prime minister (but could not gather enough support), MHR (1901-1913) and treasurer (1907-1908).

*Enid **Lyons** (1897-1981) was the wife of *Joseph Lyons* and later first female MHR (1943-1951), first female minister (1949-1951) and a magazine columnist.

*Joseph **Lyons** (1879-1939) was Tasmanian premier (1923-1928), MHR (1929-1939), Australian treasurer 1932-1935 and prime minister (1932-1939).

Niccolò **Machiavelli** (1469-1527) was a Florentine diplomat and author of *The Prince*, a cynical guide to statescraft largely based on his observations of Cesare Borgia.

Ian **Macfarlane** (1946-) was Reserve Bank of Australia deputy governor (1992-1996) and governor (1996-2006).

William **Mahony** (1877-1962) was a Labor MHR (1915-1927) who controversially resigned allowing *Ted Theodore* to enter parliament.

*William **Maloney** (1954-1940) was a doctor and Labor MHR (1904-1940) where he was a strong supporter of old age pensions and *King O'Malley's* plans for a Commonwealth Bank.

Paul **Martin** (1938-) was Canadian finance minister (1993-2002) and prime minister (2003-2006).

*Walter **Massy-Greene** (1874-1952) was an MHR (1910-1922) and senator (1923-1925 and 1926-1938) and assistant treasury minister (1932-1933).

Russell **Matthews** (1921-2000) was a professor of accounting (1964-1986) at the ANU and expert in fiscal federalism who served on the Commonwealth Grants Commission (1972-1990).

William **McAdoo** (1863-1941) was US treasury secretary (1913-1918) who introduced the Federal Reserve system and US senator (1933-1939).

*William **McCormack** (1879-1947) was Queensland premier (1925-1929) and a close associate of *Ted Theodore.*

*John **McEwen** (1900-1980) was briefly prime minister in 1967-1968 and held a number of ministerial portfolios during a long period as MHR (1934-1971).

*Stuart **McFarlane** (1885-1970) was Australian Treasury secretary (1938-1948).

*Thomas **McIlwraith** (1835-1900) was Queensland premier (1879-1883, 1888 and 1893).

*William **McMahon** (1908-1988) was a long-serving Liberal MHR (1949-1982), and served as treasurer (1966-1969) and prime minister (1971-1972) of Australia.

*John **McPhee** (1878-1952) was Tasmanian premier (1928-1934).

Leslie **Melville** (1902-2002) was a professor of economics (1929-1930), the Commonwealth Bank's first economist and served on the Reserve Bank board (1960-1963 and 1965-1975).

*Robert **Menzies** (1894-1978) was Victoria's deputy premier (1932-1934), MHR (1934-1966), Australian treasurer (1939-1940) and long-serving prime minister (1939-1941 and 1949-1966).

*Denison **Miller** (1860-1923) was the first Commonwealth Bank governor (1912-1923).

*Richard **Mills** (1886-1952) was professor of economics (1922-1945) at the University of Sydney and a member of the royal commission into the monetary and banking systems.

James **Monroe** (1758-1831) was governor of Virginia (1799-1802 and 1809-1811), a diplomat, US secretary of state (1811-1817) and president (1817-1825).

Scott **Morrison** (1968-) has been an MHR since 2007 and is the Australian treasurer (2015-).

Jawaharlal **Nehru** (1889-1964) campaigned for Indian independence and was India's first prime minister (1947-1964).

Brendan **Nelson** (1959-) was MHR (1996-2009), minister and opposition leader (2007-2008).

Friedrich **Nietzsche** (1844-1900) was a German philosopher and writer.

Otto **Niemeyer** (1883-1971) was financial controller at the UK Treasury and adviser at the Bank of England who headed a controversial financial mission to Australia in 1930.

Birgitte **Nyborg** is a fictional Danish prime minister in the TV series *Borgen*.

*David **O'Keefe** (1864-1943) was a Labor senator (1901-1906 and 1910-1919), MHR (1922-1925) and Tasmanian MLA (1934-1943).

*King **O'Malley** (c1858-1953) was an MHR (1901-1917), minister and long-term advocate for a national central bank. He became the last survivor from the first federal parliament.

Alfred **Ozanne** (1877-1961) was MHR (1910-1913 and 1914-1917).

*Earle **Page** (1880-1961) was a long-serving MHR (1919-1961), leader of the Country Party (1921-1939), Australian treasurer (1923-1929) and briefly prime minister (1939).

Martin **Parkinson** was deputy secretary (2001-2007) and secretary (2011-2014) of the Treasury and is now secretary of the Department of Prime Minister and Cabinet.

Andrew **Peacock** (1939-) was MHR (1966-1994), minister assisting the treasurer (1971-1972), foreign minister (1975-1980), twice opposition leader, and shadow treasurer (1987-1989).

*George **Pearce** (1870-1952) was a long-serving senator (1901-1938) who held a range of ministerial portfolios and was acting prime minister for seven months (1916).

Pericles (c495BCE-429BCE) was an Athenian democratic statesman, great orator and general.

Phillip II (382BCE-336BCE) was King of Macedon and father of Alexander the Great.

*Jock **Phillips** (1911-1986) was an economist with the royal commission on the monetary banking system, Reserve Bank deputy governor (1960-1968) and governor (1968-1975).

John **Phillips** (c1930-2014) was deputy governor (1987-1992) of the Reserve Bank of Australia.

Philopoemen (c253BCE-182BCE) was a Greek general.

Ben **Pimlott** (1945-2004) was a British historian and biographer of *Hugh Dalton*.

William **Pitt** (the Younger) (1759-1806) was a British MP 1781-1806, chancellor of the exchequer (1782-1783, 1783-1801 and 1804-1806) and effectively prime minister.

Max **Planck** (1858-1947) was a German physicist and professor who developed the quantum theory and won the Nobel Prize in 1918.

Plutarch of Chaeronea (c46-126) was a Greek author, most famous for his *Parallel Lives* of Greek and Roman statesmen and a source for *Shakespeare's* Roman plays.

Ian **Potter** (1902-1994) was an Australian businessman.

Enoch **Powell** (1912- 1998) was professor of Greek at Sydney University (1937-1939), a UK MP (1950-1974 and 1974-1987) and financial secretary to the treasury (1957-1958).

*Alexander **Poynton** (1853-1935) was an MHR (1901-1922) and briefly Australian treasurer (1916-1917).

Christopher **Pyne** (1967-) is an MHR (1993-) and is the Australian minister for defence industry.

*Richard **Randall** (1906-1982) was deputy secretary (1957-1966) and secretary (1966-1971) of the Australian Treasury.

*George **Reid** (1845-1918) was NSW premier (1894-1899), MHR (1901-1909), leader of the opposition (1905-1908) and Australian prime minister (1904-1905).

Peter **Reith** (1950-) was MHR (1982-1983 and 1984-2001), shadow treasurer (1990-1993) and cabinet minister (1996-2001).

*Staniforth **Ricketson** (1891-1967) was a stockbroker and journalist who helped persuade his friend *Joseph Lyons* to defect from Labor to the conservative parties.

Graeme **Richardson** (1949-) was a Labor senator (1983-1994), power broker and cabinet minister (1988-1992 and 1993-1994).

Joan **Robinson** (1903-1983) was a professor of economics (1965-1971) at Cambridge University, an early supporter of *Keynes* and developed the concept of imperfect competition.

*William Sydney **Robinson** (1876-1963) was a businessman and financial journalist.

John **Rose** (1935-) was economic adviser (1977-1983) to *Malcolm Fraser* and director (1984-2000) of the Melbourne Business School.

Jean-Jacques **Rousseau** (1712-1778) was a French writer and philosopher famous for his concept of the 'social contract'.

Kevin **Rudd** (1957-) was MHR (1998-2013) and Australian prime minister (2007-2010 and 2013).

Bertrand **Russell** (1872-1970) was an English philosopher and mathematician who won the 1950 Nobel Prize for Literature.

Don **Russell** was principal adviser to treasurer *Paul Keating* (1985-1991), Australian ambassador to the US (1993-1995) and secretary of the industry department (2011-2013).

*Thomas J **Ryan** (1876-1921) was a lawyer, Queensland premier (1915-1919) and MHR (1919-1921), his early death preventing him becoming Labor leader as was generally expected.

Paul **Samuelson** (1915-2009) was professor of economics at MIT who worked in diverse fields of economics, wrote a textbook *Economics* (still in print) and later won the 1970 Nobel Prize.

*Edward **Shann** (1884-1935) was professor of history and economics at the University of Western Australia, wrote an economic history and served on many government committees.

Boris **Schedvin** (c1936-) was professor of economic history (1979-1991) at the University of Melbourne and author of a study of the Great Depression.

Cornelius **Scipio** Africanus (185BCE-129BCE) was a Roman consul and general and a patron of poets and philosophers.

*Harry **Sheehan** (1883-1941) was secretary of the Australian Treasury (1932-1938) and Commonwealth Bank governor (1938-1941).

Mary **Shelley** (1797-1855) was the author of *Frankenstein*, daughter of feminist writer *Mary Wollstonecraft* and second wife of poet Percy Shelley.

Adam **Smith** (1723-1790) was a Scottish economist, author of *The Wealth of Nations*, and professor of logic (1751) and moral philosophy (1752-1764) at Glasgow University.

*Billy **Snedden** (1926-1987) was a Liberal MHR (1955-1983), Australian treasurer (1971-1972), leader of the opposition (1972-1975) and Speaker (1976-1983).

*William Guthrie **Spence** (1846-1926) was a trade unionist and writer and MHR (1901-1919).

*Percy **Spender** (1897-1945) was MHR (1937-1951), Australian assistant treasurer (1939) and treasurer (1940), ambassador and president (1964-1967) of the International Court of Justice.

John **Spender** (1935-) was the son of *Percy Spender* and MHR (1980-1990).

*Bertram **Stevens** (1889-1973) was NSW premier (1932-1939) and aspired to become treasurer.

John **Stone** (1929-) was deputy secretary (1971-1979) and secretary (1979-1984) of the Australian Treasury and a National Party senator (1987-1990).

Lytton **Strachey** (1880-1932), an iconoclastic British biographer, wrote *Eminent Victorians*.

Gunnar **Sträng** (1906-1992) was Sweden's finance minister (1955-1976).

Wayne **Swan** (1954-) was shadow treasurer (2004-2007) and Australian treasurer (2007-2013).

Tacitus (c56-c118) was a Roman historian and praetor.

*Edward ('Red Ted') **Theodore** (1884-1950) was Queensland premier (1919-1925), Labor MHR (1927-1931) and Australian treasurer (1929-1930 and 1931-1932).

Alexis de **Tocqueville** (1805-1859) was the French author of *Democracy in America*.

Malcolm **Turnbull** has been a Liberal MHR since 2004, was shadow treasurer (2007-2008), opposition leader (2008-2009) and is now the Australian prime minister (2015-).

*George **Turner** (1851-1916) was Victorian premier (1894-1899 and 1900-1901), MHR (1901-1906) and Australia's first treasurer (1901-1904 and 1904-1905).

Giorgio **Vasari** (1511-1574) wrote a collective biography of Italian painters.

Eddie **Visbord** (1928-) was head of economics (1975-1979) and deputy secretary (1979-1986) in the Department of Prime Minister and Cabinet.

William **Wallace** (c1274-1305) was a Scottish nationalist leader who defeated the English army at Stirling Bridge before being defeated by Edward I at Falkirk.

Robert **Walpole** (1676-1745) was UK chancellor of the exchequer (1715-1717 and 1721-1742) and effectively prime minister.

*Eddie **Ward** (1899-1963) was a radical Labor MHR (1931 and 1932-1963) and minister in the *Curtin-Chifley* Government.

*Chris **Watson** (1867-1941) was an MHR (1901-1910) and treasurer and prime minister in 1904.

*George **Watt** (1890-1974) was Australian Treasury deputy secretary (1947-1948) and secretary (1948-1951).

*William **Watt** (1871-1946) was Victorian premier (1912-1913 and 1913-1914), MHR (1914-1929) and Australian treasurer (1918-1920) and acting prime minister (1918-1919).

William **Wentworth** IV (1907-2003) was an economist and Liberal MHR (1949-1977).

Fred **Wheeler** (1913-1994) was secretary (1971-1979) of the Australian Treasury.

Gough **Whitlam** (1916-2014) was Labor MHR (1952-1978), opposition leader (1967-1972 and 1976-1977), prime minister of Australia (1972-1975) and briefly treasurer (1972).

Walt **Whitman** (1819-1892) was an American poet.

*Charles **Wickens** (1872-1939) was Commonwealth Statistician (1922-1932) and served on a number of government committees and as a key economic adviser.

Ralph **Willis** (1938-) was MHR (1972-1998) and Australian treasurer (1991 and 1993-1996).

Roland **Wilson** (1904-1996) had two PhDs in economics and was the Commonwealth Statistician and the longest-serving secretary (1951-1966) of the Australian Treasury.

Mary **Wollstonecraft** (1759-1797) was an English writer, feminist and mother of *Mary Shelley*.

Virginia **Woolf** (1882-1941) was an English writer and feminist.

*John **Wren** (1871-1953) was a controversial businessman, claimed to have had dubious financial dealings with some politicians.

Major sources: *Australian Dictionary of Biography*, *Parliamentary Handbook (44th edition)*, Hornblower and Spawforth (1999), Jones (2016) and Treasury (2001).

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