

**THE AUSTRALIAN LABOR GOVERNMENT 1983 - 1993:  
STRATEGIES FOR MAINTAINING OFFICE**

**D a f r i**

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**This thesis is my own work  
and all sources used have been acknowledged**

~~D a f r i~~  
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## TABLE OF CONTENTS

|                            |     |
|----------------------------|-----|
| Title                      |     |
| Acknowledgments. . . . .   | i   |
| Table of Contents. . . . . | iii |
| Introduction. . . . .      | 1   |

### Part One

#### Background: Labor 1972 - 1982

|                                                            |    |
|------------------------------------------------------------|----|
| Chapter One: The Legacy of the Whitlam Government. . . . . | 7  |
| 1.1. Economic Mismanagement. . . . .                       | 7  |
| 1.2. Lack of Planning. . . . .                             | 11 |
| 1.3. Mode of Government. . . . .                           | 15 |
| 1.4. Relations with Trade Unions and Business . . . . .    | 21 |
| 1.5. Mass Media Management. . . . .                        | 24 |
| Chapter Two: Reconstructing Labor Under Hayden . . . . .   | 28 |
| 2.1. Restructuring the Party . . . . .                     | 28 |
| 2.2. Reforming Machine Politics. . . . .                   | 34 |
| 2.3. The Need For Economic Management. . . . .             | 39 |
| 2.4. Approaching the Unions . . . . .                      | 44 |

### Part Two

#### The Hawke - Keating Era: Labor 1983 - 1993

|                                                                       |     |
|-----------------------------------------------------------------------|-----|
| Chapter Three: Labor Under Hawke: The New Directions. . . . .         | 51  |
| 3.1.1. Managing the Cabinet . . . . .                                 | 51  |
| 3.1.2. Managing the Bureaucracy . . . . .                             | 57  |
| 3.2.1. New Policy Directions . . . . .                                | 62  |
| 3.2.2. Consensus Politics and the Accord . . . . .                    | 66  |
| 3.2.3. Embracing Business . . . . .                                   | 71  |
| 3.2.4. Managing Exogenous Shocks.. . . .                              | 76  |
| 3.2.5. Managing External Problems.. . . .                             | 79  |
| 3.2.6. The 1987 Share Market Crash . . . . .                          | 83  |
| 3.2.7. The Economic Impact of the Accord . . . . .                    | 86  |
| 3.2.8. Resilience of the Accord . . . . .                             | 90  |
| Chapter Four: Labor "New Politics" and Media Management . . . . .     | 94  |
| 4.1.1. The Rise of "New Politics" . . . . .                           | 94  |
| 4.1.2. The Franklin Dam Case . . . . .                                | 96  |
| 4.1.3. Hard Choices: Economic and Environmental Imperatives . . . . . | 99  |
| 4.1.4. "Green Strategy" in Progress . . . . .                         | 103 |
| 4.1.5. The Final Test: 1990 Election . . . . .                        | 104 |
| 4.1.6. Struggle for Second Preferences . . . . .                      | 106 |
| 4.2.1. Managing the Media . . . . .                                   | 110 |
| 4.2.2. Recruitment and Personal Relationships . . . . .               | 112 |
| 4.2.3. Material Distribution . . . . .                                | 114 |
| 4.2.4. The Use of Leaks . . . . .                                     | 119 |

4.2.5. Polling Tactics ..... 121

4.2.6. Exploitation of Personal Popularity ..... 125

**Chapter Five: The Struggle to Maintain Office:**

**Labor Under Keating ..... 130**

5.1. The Legacy of the Hawke Government ..... 130

5.2. The Politics of *One Nation* and *Fightback* ..... 133

5.3. The Selling of Policies ..... 138

5.4. Liberal Manoeuvres ..... 148

5.5. Keating vs Hewson ..... 152

5.6. Labor as the Winner ..... 155

**Conclusion**

**The Future of Labor: The "Natural" Party of Government? ..... 158**

**Bibliography ..... 170**

## INTRODUCTION

There has been much discussion and comment on the development of the Australian Labor Party in recent decades. From this there has emerged a basic agreement among commentators that the contemporary Labor Party is no longer the Labor Party in its original sense. The Labor Party today is even very different from the Labor Party, let us say, of the 1960s. Dean Jaensch (1989a: 21-22) insists that since the late 1960s the Labor Party has increasingly shifted to the model which Kirchheimer called a "catch-all" party. It is becoming progressively more pragmatic and responsive rather than expressive, and is placing much less emphasis on ideology, membership, organisational solidarity and expression. Since 1967, for instance, the Labor Party has been involved in considerable introspection and some changes, involving departures from traditional ideology and policy positions and fundamental changes to its internal structures and processes. These developments are still continuing. They received their initial momentum from the Whitlam government, which launched reforms in almost all sectors, and culminated in the period of the Hawke and Keating governments.

The validity of Jaensch's analysis can be seen clearly in the essential characteristics of the Hawke and Keating governments. In their roles as the functional agency or handmaidens of the Labor Party, the Hawke and Keating governments are becoming more and more pragmatic. Both governments have been electorally realist - placing the electoral contest above all other considerations. They have become more flexible than their predecessors - able to change with the moods of the majority rather than be bound by the preferences of a particular segment of society. They have been able to achieve "room to move", to react flexibly to shifts in majority opinion in the electorate and to attract support from strategic interests and groups within the electorate, so that the potential for maintaining their parliamentary majority is maximised. In short, the central focus of the Labor Party under Hawke and Keating has become electoralism. Its main and immediate objective is the struggle for power

or for office and the desire to maintain it as long as possible. Jaensch (1989a:158) states: "the foundation and focus of this struggle is the electorate - its moods, opinions, values, attitudes, desires, needs, wants, but above all its votes... [Their] keystone aim, by whatever means, is to win the votes of enough of the electorate to provide a majority of seats in the parliament". It is not surprising, therefore, that although the platform is still regarded as the party's document, the Hawke and Keating governments have considered themselves less and less bound by its strictures.

There are many things which have been done by the Hawke and Keating governments which reflect the changes in the Labor Party. Learning from previous mistakes, in particular the eclipse of the Whitlamism in style and substance, the Hawke and Keating governments set out to destroy the image of profligacy which, correctly or not, had emerged as synonymous with the Labor Party and to replace it with an image of a party and government which had the capacity to manage an economy, and was more professional, flexible and solid. In the policy field they have launched some new policy formulas. The most important among them being the introduction of the so-called "politics of reconciliation and consensus" as embodied in Accord. This consensus politics seems to have helped Labor politicians hold the middle class ground of politics, pushing their conservative opponents into the narrow confines of reaction, and making political opposition difficult for them. Furthermore, they tried to be more accommodative to the interests and needs of interest/pressure groups. The relationship with unions, environmental movements, media and other section of society, for instance, is enhanced. Internally, they also made some reforms in both party and government structure, and party and government machines and procedures.

There are four interrelated factors which have encouraged such change: a changing society, a changing economic and political situation, changing electoral circumstances, and changing leaders of the Labor Party itself. Economic growth, the development of technology, education, society and politics, domestic as well as international, has transformed Australian society very significantly. The decay of old

divisions especially that of class, for instance, have had important lessons for the Labor Party. Similarly, the rapid changes in the international political and economic environment has imposed a significant constraints on the Labor Party. Such changes have forced the Labor Party, like it or not, to change its view and strategy in its effort to win and maintain office. The rise of the new faces in Labor leadership, most of them reformists - such as Bill Hayden, Bob Hawke and Paul Keating - has also accelerated the opportunity and drive for change. There was a belief among the Labor Party leaders, especially among the proponents of change, that unless the Labor Party reformed itself, it might become entrenched as the "secondary" party in national politics, which could only occasionally and temporarily displace the primary federal party (the Liberal/National Coalition parties).

Theoretically, the Labor Party would be in trouble with the electorate if it did not adjust to changes, and in trouble internally if it did. On the one hand, if it changes, the party might be continue to lose its traditional base of blue-collar support. On the other hand it needed to do so to pick up more support from the middle class, white-collar, groups in society. For example, in order to appeal to a new strategic class (educated and white-collar workers) to win office and put its ideas into effect, the Labor Party was forced to change its political practice and indeed its very ideas, and it was called upon to adjust its policies and its internal workings in accordance with these changes (North & Weller 1980: 14). But such strategy, at the same time, could also create a negative electoral impact from the Labor Party's traditional base of blue-collar working class voters. So far, however, the Labor Party has been successful in maintaining office through five elections, which can be claimed to be a measure of its success in adjusting to changes. The 1980s period (till now) can be said to be the greatest period of Labor Party electoral success. It has created an historical record, from holding no governments at all in Australia in 1969 to winning federal election and holding almost all states, except Queensland and Tasmania, in 1983. And even though the economic situation was not objectively good, Labor won the next four federal elections in turn.

This thesis assess the strategic and management practices adopted by the Hawke and Keating governments in relation to their efforts to win and maintain office for as long as possible. Why and how the Labor Party under Hawke and Keating practiced those strategies and management which made them so successful, is a central question for this thesis. To what extent these constitute successes, particularly in relation to the internal affairs and the future of the Labor Party, is another important question which needs to be answered. It is the argument of this thesis that what distinguishes the Labor Party in the 1980s and before, is not merely the record of electoral success, but more important, that a transformation appears to be in process within it which has produced, for the first time, the Labor Party as the "natural" party of government.

This thesis is divided into two parts. Part one is background and comprises two chapters. Chapter one deals with the experiences of the Whitlam government. It assesses the flaws in the party as well as in government policy, approaches and attitude, particularly its economic and social policy. The Whitlam government's experiences provided an important source of learning for the Hawke and Keating governments.

Chapter two assesses what the ALP did after the Whitlam leadership, particularly during the period of Hayden leadership. This period was a chance for the ALP to review itself after the Whitlam experiences. The importance of this period lay less in the changes to the ALP structure and policy orientations than in the foundation for success which the party laid down for the following years.

Part two of this thesis comprises four chapters: three, four, five and six. Chapter three deals with the Hawke government's implementation of the ALP's new directions. It covers reform of public administration, bureaucracy and, most important, economic and social policy, as expressed in the Accord. The Accord was very important for the Hawke government not only in economic terms, but also in terms of political strategy. The success of Labor under Hawke leadership cannot be divorced from the Accord.

Chapter four discusses the electoral tactics and policies which the Hawke government employed to garner "green" support and to manage the media. As the elections from 1983 to 1990 were dominated by environmental issues we have to look at how the Hawke government exploited the green issue if we are to understand its electoral success. The media management of Hawke government was also decisive. The Hawke government was able to turn the media from its traditionally anti-Labor stance to one which was significantly pro-Labor.

Chapter five deals with the 1993 election. Following the loss of a popular leader Bob Hawke - and held during the deep economic recession and mounting unemployment - this election represented a difficult test for the ALP. It was the contest between Paul Keating and John Hewson, *One Nation* versus *Fightback*.

Chapter six provides a conclusion to the whole of the thesis and also forecasts the Labor Party's future. It addresses the question of whether the ALP could now be a "natural party of government".

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**Part One**  
**The Background: Labor 1972 - 1982**

## **CHAPTER ONE**

### **THE LEGACY OF THE WHITLAM GOVERNMENT**

The three years of the Whitlam government's office were characterised by deep and perennial economic crises and a series of political upsets and scandals. They were marked by high inflation, high interest rates, high unemployment, a wages explosion, flurries of divisive debate, proposals, counter proposals, disputes accompanied by press controversy, internal party wrangles, and ministerial changes. All of this has been interpreted as evidence of the Whitlam government's incompetence as a political and economic manager; a perception of incompetent economic management; poor management of the machinery of government; indiscipline and disorganisation within the Labor movement - both political and industrial - and poor management of the media and public perceptions of the government. These experiences, in turn, shaped the perception and orientation of the subsequent generation of Labor politicians and determined them to avoid such mistakes. This chapter describes and assesses those aspects of the Whitlam government experience which became relevant to the Hawke and Keating governments.

#### **1.1. Economic Mismanagement**

When the Whitlam government came into office in 1972, it did so on a wave of enthusiasm. The first months of government were conducted in an atmosphere approaching euphoria. Under the slogan 'It's time for new team, a new program, a new drive for equality of opportunity' (Singleton 1990: 10), it declared its commitment to economic planning and development; the restoration of full employment; price monitoring; industrial relations policy; urban and regional development; the husbanding of the continent's economic resources and natural environment; and massively increased governmental services.

The Whitlam government strongly believed that the economy would be tractable under its management. As Johnson argues, it assumed "that a capitalist economy

would function smoothly as long as it was properly managed, [and] that the high levels of economic growth necessary to Labor's plans for social reform, could be achieved" Johnson (1989:54); that "there were no fundamental contradictions between the government's plans and those of business" (Johnson 1989:56), and that a massive expansion of public expenditure would have no deleterious effects on the private sector. Nor did they believe that there was any fundamental contradiction between capital and labour. Rather, it was felt, following Keynes, the success of the one would benefit the other. Whitlam and other prominent Labor ministers consistently emphasised the common aims of government, industry and labour, and clearly outlined the traditional links they believed to exist between the Labor government and manufacturers (Johnson 1989: 55). As Whitlam summed up:

The program of social reform embarked upon by the present government cannot be achieved without a strong and growing private sector. Nothing could be further from the truth than that we are anti-business or hostile to business. We recognise the interdependence of all sectors of the economy (cited in Johnson 1989: 55).

Dr. Jim Cairns, the Party's most prominent economic spokesman, said:

Government policy is to bring together the collective experience, knowledge and ideas of public servants, industry, managers, unionists, academics, ecologists and the ordinary citizens who are the consumers of industry's products. The government intends to develop industry planning across the whole range of industry both secondary and primary, with all sections of the community - especially including trade unions and consumers' interests - participating in the planning (Cairns 1973).

Unfortunately, the government's performance failed to match its rhetoric. Some commentators found that the government's commitment to comprehensive planning was honoured more in the breach than the observance (Johnson 1989: 54). All of this planning, and the assumptions which underpinned most of the government's policies, were to prove problematic in practice. The Whitlam government firstly misjudged the strength of the recovery and subsequently aimed for an unsustainable level of economic activity. What became evident was that the Whitlam government's three years in office were characterised by a growing economic crisis, which overshadowed the party's proposals for reform. A number of key economic variables during the Whitlam years did provide something of a "scale shock" (McKinlay 1981: 37). The

high rate of inflation had not been experienced since the early 1950s, as it rose to 20 per cent in 1975. Unemployment was also on a scale unprecedented in the postwar period, reaching 4.5 per cent in 1975. So too the rate of increase in public sector outlays and receipts and, in particular, the scale of budget deficits were unprecedented. The Whitlam government did make some successful policy. Legal aid, increased educational funding, and a more independent foreign policy, modern divorce laws and Medibank were some of its landmarks (Solomon 1982: 321). However, these successes have been overshadowed by its ultimate failure. What went wrong?

The Whitlam government misunderstood the necessities of economic management, particularly in their first two years in office. One of the most fatal flaws of the Whitlam government was that it was too eager to implement what it claimed as to be a "mandate for social reform". It became trapped by its own program. The government tried to get many programs launched as quickly as it could without closely analysing the capacity of resources (economic and political) needed or available to support these. Determined to fulfil its election promises, the Whitlam government continued develop their new programs although its economic advisers argued against any increases in public expenditure (Weller and Smith 1977: 66-67). Everyone, from the Prime Minister down, was anxious to get on with the task of implementing the program and fulfilling the mandate. There was no careful consideration of what policies the government could institute and what programs it could launch in the existing economic situation. Within the ALP, this complaint was an echo of the more general complaint "too much too soon" (Freudenberg 1978: 285).

The relatively high level of unemployment in its early time in office reinforced Labor's sense of mission and its commitment to rapid implementation of its program. The consequent high level of inflation did nothing to encourage restraint, patience or caution either in Cabinet or Caucus. Even after the level of inflation had begun to attract critical attention, many ministers still regarded pressing on with their own plans as more important than making sure that these plans were founded on a firm economic basis (Weller and Smith 1977: 58). For example, although the government inherited

an inflation rate of 7 per cent, the highest since 1951, it placed its priority on getting unemployment down (Freudenberg 1977: 277-8).

Labor had an important reason for giving the priority to reducing unemployment. The party had a philosophical and constitutional commitment to protect full employment even of some cost in electoral support (Singleton 1990: 99). As Whitlam said "Labor would not put people out of work to cure inflation" (Lloyd & Clark 1976: 95). The problem was that it sought to trade-off inflation against employment: stability in the labour market had been achieved at the cost of higher inflation. This because Whitlam's understanding of economics and his policy prescriptions were based on the Phillips curve notion that there was a trade-off between unemployment and inflation, and so took for granted that unemployment could be dealt with by increasing expenditure and thus budgeting for deficits. As a result the Labor government's social aims and policies called for massive increases in public spending (Parker 1976: 13) without taking proper account of inflation. Whitlam ignored the fact that inflation itself was the central problem for his government.

It was suggested by some of Labor politicians at the time that Labor's program could not be achieved without expansion of public sector. However, sensible economic management during this period should in any case have required government to restrain its expenditure programs. But the Whitlam government had never fully resolved the question of the desirable size of the public sector, or of the level and type of taxation needed to finance it. Similarly, many observers argued that the impact of consequent recession (Emy, Hughes & Mathews 1993: 50) could be minimised if real wages had been reduced. Only by doing this, and at the same time imposing large increase in rates of taxation, could the Whitlam government have accomplished its programs without serious acceleration of inflation (Gruen 1976: 26-7). But the government was reluctant to dishonour its election promises not to increase taxation. This was why the Cabinet rejected Treasury advice for "a short sharp shock" to reduce inflation by dampening demand, which required both restraint of government expenditure and increased taxation, as well as restraint in wages growth.

Moreover, the Whitlam government worried that such prescriptions would cause unemployment and would constraint its program of social and urban reform (Singleton 1990: 30). However, when many of the government's spending programs were still in their initial take-off stage, the automatic increase in government revenue was not adequate to implement Labor's policies. The 1973 and 1974 budgets, for example, were a miscalculation in fiscal judgment merely providing an inflationary stimulus (Gruen 1976: 26-7).

The Labor "mix" of new programs annoyed too many privileged groups at the one time, allowing a broad opposition coalition of special interests to develop (Wilenski 1980:43). It underestimated the ease with which shifts (or foreshadowed shifts) in government policy - especially in sectors used to preferential treatment - could disturb and upset business interests and trade unions. For example, the economic growth that Labor needed to pay for its various programs relied upon a profitable and expanding private sector. But many of the reforms which would make a real and lasting change in the social structure were those that the business community, or particular parts of it, found most threatening and resulted, in the short term, in reduced business confidence and investment.(Wilenski 1980: 53). In sum, the Whitlam government did not anticipate the likely macro-economic effects of the large increases in federal government spending entailed by its programs.

## **1.2. Lack of Planning.**

The Whitlam government experience proved that the efforts to reduce high inflation and high employment by means of a Keynesian strategy of managing demand was no longer credible (Singleton 1990: 100). This period provided the lesson that Labor was no longer operating in a simple Keynesian world in which some reduction in unemployment could, apparently, always be purchased at the cost of some inflation (Emy, Hughes and Mathews 1993: 50). In fact, the use of an expansionary policy (in the form of larger budget deficits) as a means of reducing unemployment simply did not work. Indeed, these deficits were positively harmful: more inflation simply led to

more unemployment. The impact of deficit budgeting was more costly than Labor contemplated before coming to office. It not only exacerbated both inflation and recession, but also raised conflicts within government circles and wider sections of society. For instance, opposition to indefinite increases in wages and public spending came from the Treasury and the business world. Support for deficits came from radical ministers, the spending departments, and the trade unions. While unemployed and welfare beneficiaries were harmed by escalating inflation.

The Whitlam government did take action on some other fronts to solve the problem of inflation and unemployment. But the government's approach was not an integrated one. Beside tariff cuts (soon reversed through the imposition of import quotas), its main weapon of trying to curb price increases was through a Prices Justification Tribunal (Bentley 1973: 91). The government hoped "that moral suasion with state governments, unions, employers, and upper income groups and the operation of the Prices Justification Tribunal (PJT) would be sufficient to combat inflation" (McDonald 1985: 10). But the attempt at persuasion failed. The PJT did not work and was merely "window-dressing". It could not control prices as well as a system of price controls. The problem was that in many sectors of economy the government did not have sufficient constitutional powers to enforce the implementation of the PJT's rules (Bentley 1973: 88). The only form of sanction was a consumer boycott following wide publicity when a firm disobeyed the rules. Moreover it was difficult to obtain business and unions cooperation because they tended to argue one against another. When they as well as unions (and/or workers) did not like decision they have went outside the formal industrial relations system.

Some commentators saw the Whitlam government policy as failing in the intellectual effort that might conceive effectively radical reforms even within the basic assumptions of a non-socialist mixed economy. Gruen (1976: 18-19), for instance, described the economic policies of the Labor government, particularly from December 1972 to May 1974, as "a bit like the curate's egg - good in parts. And the bad parts contaminate the whole". He saw Labor's fiscal policy as "inept" and argued that it had

a crucial influence on subsequent developments. The Whitlam government failed to set the job of government to "get the setting right", that is, to remove such distortions as high budget deficits, inflation, high interest rates and real wages, and to increase the profitability of business activity.

Wages indexation was a perfect example of the Whitlam government's unwillingness or inability to accept economic realities. Many commentators expected that "if an equitable prices and incomes policy could be brought into operation the prospects of substantial economic recovery without a resurgence of inflation would have been maximised" (Willis 1980: 95). However, the Whitlam government lacked an appreciation of the importance of an incomes policy as a vehicle to combat inflation. Firstly, Whitlam doubted its effectiveness and viewed it as a not politically-wise-option (Bentley 1973: 91). Secondly, and more importantly, the Whitlam government failed to obtain consensus among a significant proportion of the community - in particular the trade unions, though also major business firms - for an incomes policy (Bentley 1973:49). The unions, for example, were determined to protect their wage interests (Singleton 1990: 29). This was the major factor which poisoned relations between the Whitlam government and the trade unions. This was compounded by the style of the Whitlam government, which tended to ignore consultation and had little apparent sympathy for union interests (Singleton 1990: 29). Whitlam's dominance over the government's policy, together with his "hefty contempt for the trade union movement" and the ACTU's determination not to be uncritically subservient to the government, set the tone of their relationship (Singleton 1990: 14). Yet, an incomes policy could not succeed without the voluntary co-operation of the trade unions.

Towards the end of its term of office, the Whitlam government retreated from its mildly progressive Keynesian approach to economic management towards a monetarist-oriented approach, which sought to control inflation by curtailing further public sector expansion and by the creation of further involuntary unemployment (Stilwell 1980: 125). This shift was institutionalised in the Hayden Budget of 1975. The budget focused on reducing inflation as more important than restocking the

economy, and fiscal and monetary policy became less expansionary (Jolley 1978: 104). But this attempt to rectify the existing economic problems was too late. The Whitlam government was defeated in the subsequent election.

Gruen (1976: 25) criticised Labor's dilettante method of decision making and a substantial deterioration in government handling of the economy, marked by a lack of discipline in the face of adversity and an inability to come to grips with the very difficult choices which were thrust on it. Although, increasing unemployment and inflation became the dominant economic and political problem for the Whitlam government, its responses to the problems tended to be *ad hoc*. For instance, it raised taxes and then cut them, cut spending and then raised it, tightened the money supply and then expanded it (*National Times*, 18-23 November 1974).

One commentator precisely and completely described the problem of the Whitlam government in handling the economy:

Labor arrived in office without an economic policy, a coherent arrangement that would consistently resolve the competing claims of ministers and community groups. There are 13 items in the Labor platform under economic planning, and not one of them has been relevant to the actual business of making economic policy. (*National Times*, 11 November 1974)

This account may suggest why, although a whole section of the ALP Federal platform is devoted to economic planning, the economic editor of *the Age* could write in February 1975 that:

The main weakness of the Labor government since it has been in office has been its inability to plan. Alongside its almost mystical commitment to planning has been an extraordinary degree of 'ad hocery' in making its economic decisions. (*The Age*, 5 February 1975).

Finally, there is another factor which might be able to explain the Whitlam government's economic mismanagement: that was Whitlam himself. Whitlam had no great interest in economics and gave his government no leadership in this area. He did not at the outset identify economic management as one of the government's most significant tasks (Weller 1977: 58-9). For him, monitoring the economy and making adjustments to it were mundane and mechanical tasks for lesser minds (McMullin 1991: 374-8). Whitlam himself recognised the truth that little in the platform or

policies as developed by 1972 prepared his government to deal with the unique economic problems it was to face (Whitlam 1985: 183). It was not surprising that Whitlam and most of his ministers used unemployment and inflation as "the only yard stick of the degree of slack in the economic system" (Gruen 1976: 19). This Whitlam view is different, for instance, from that of Bob Hawke who had a much better practical grasp of the economy. Hawke, in contrast to Whitlam, believed that good economic management was a fundamental component in the overall performance of a national Labor government (McMullin 1991: 348).

Bob Hawke and Paul Keating have their own words in describing the failures of the Whitlam government in handling the economy. In an address given in 1987 Hawke maintained that:

The problem of the Whitlam government was that the gap between ideals and outcomes grew to a chasm over that three-years period. The party was hungry for government, but when it is in government it failed to mature as a government. The ideals and objectives were constant but the economic growth upon which the 'program' was based, was disappearing. The task became not the distribution of wealth but its creation, but neither Whitlam nor his successor as Prime Minister seemed to recognised it. Over a decade later, ... we are reminded of Gough's success in refurbishing Labor and returning it into office; but we must also be struck by the vulnerability of any party which maintains a static of economic posture in rapidly changing times (cited in Emy, Hughes & Mathews 1993: 60).

Keating expressed his impression of the Whitlam government by saying: "While Labor's ideals must remain true to its basic faith, the means of achieving its objectives must adapt in a changing world. The mismatch of ends and means was a fatal flaw in the make-up of the Whitlam government" (Keating 1987: 3).

### **1.3. Mode of Government**

Soon after it was elected, to make the public service more attuned to Labor initiatives and to illustrate the Labor Party's new priorities, the government created new departments and reshuffled others. It established the department of Urban and Regional Development, separated the Department of Education and Aboriginal Affairs, and unified the four armed service departments within the Department of Defence. To provide jobs for the twenty-seven ministers elected by caucus, the Whitlam

government created several other small departments. It also expanded the number of private advisers in ministerial offices; established several commissions and committees of inquiry as instruments for extracting information and providing advice; and selected a number of permanent heads who were thought to be responsive to its program. Finally, the Labor government also established the Priorities Review Staff - comprising economists and social scientists drawn from the Reserve Bank and Universities - as a think tank for government (cf. North & Weller 1980: 64-66).

However, the three years of the Whitlam government were marked by apparently never-ending conflicts between the cabinet, the caucus and the prime minister (Kelly, 1976: 203); the problems arising from Labor's style of organisation and the assumptions underlying its approach to office. Some of its most damaging problems arose from the fact that Labor had difficulty in making good use of the central institutions of government (Hughes 1979: 23). There was a pattern of hostility and suspicion between politicians and public servants; there were also pervasive inter-departmental battles. Individual ministers differed in their awareness of the need for a strategic view, especially of their own department, and few tried systematically to coordinate departmental policy responsibilities with the overall course of government policy. As McMullin noted, "Strong-willed ministers taking their cue from the diumvirate, sometimes gave the impression of busily charging ahead with reforms in their own spheres without much regard for how the government was faring as a whole" (McMullin 1991: 344).

The damaging and destructive relationship between the government and the Treasury was a perfect example of the Whitlam government's lack of cohesion. In the budget sessions of Cabinet in August 1974, for instance, there was a battle between Whitlam and Crean as Treasurer versus Cameron, Cairns, Uren and Hayden. Whitlam's backing for the Treasury line was not enough to prevent the opposition led by Cameron, Cairns, Uren and Hayden from blocking the implementation of Treasury policy (Hughes 1979: 24). This damaging and destructive relationship arose partly from inter-departmental rivalry, partly from the failure of two successive Treasurers,

Crean and Cairns, to exercise effective political leadership; and partly from the reluctance of the cabinet and caucus to accept any economic advice on the deteriorating economy that was antithetical to traditional ALP attitudes (Jupp 1982: 123).

The role of the cabinet in tackling such difficulties was critical, but the functioning of the cabinet was a problem throughout Labor's period in office (Weller and Smith 1977: 59). The cabinet had a limited capacity to assess the government's overall position and to make adjustments in policies as circumstances changed (Kelly 1976: 59). Furthermore, although the Labor caucus set up a twenty-seven member cabinet and established a system of cabinet and caucus committees, Labor's approach to the opportunities and responsibilities of office continued to reflect Whitlam's own style rather than any sense of collective strategy. Whitlam put too low a value on the political advantages of consultation: he tended to "stamp his own imprint on his government's policy" (Singleton 1990: 13).

At the same time, the system of Cabinet committees was over-elaborated. By August 1974, there were 117 committees, commissions of inquiry, and task forces, (Reid 1976: 60) plus other non-public service advisers of various kinds in ministerial staffs, designed to delegate many decisions away from full cabinet to lighten its load. Whereas the committees meet frequently before the 1974 election, they met seldom thereafter. Gradually they were replaced in 1975 by a series of ad hoc committees selected by the Prime Minister (North and Weller 1980: 67).

The Labor government was conscious of the difficulties of working through the traditional bureaucracy. While there were important additions to the machinery of government, there was little change to the central bureaucracy itself. Although Labor's major reform program had to be carried out through the apparatus of the state, it gave low priority to reform of that apparatus. There continued to be a considerable adherence to the view of a public service equally able to serve both political sides. But all evidence went to the contrary. The conservative tendency of the public service presented Labor with serious problems at a number of levels. Most officials co-operated with Labor within the confines of their conception of the appropriate role of

government and of the public servant and according to their own values- which inevitably accorded more closely with those of their own socio-economic background than of those in the Labor Party (Wilenski 1980: 48). It was, moreover, symptomatic of Labor's larger failure to attain mastery over the bureaucratic machine which alone enabled the wheels of government to turn.

Worse still, senior public servants - including those occupying the all-powerful positions of permanent heads of departments - tended to think firstly of the interests of their own departments or the public service in general, rather than of the more abstract notion of the interest of the government both as a whole and as a political entity responsible to electorate (Sexton 1979: 32). Some of them were even clearly unsympathetic politically to Labor, and opposed any changes the government made. Yet Whitlam consistently failed to recognise this conflict of interests. He, at least in the first two years, refused to countenance either the structural changes in public service that were necessary if its major programs were rapidly to be implemented, or the changes in key personnel without which those structural changes could not be feasible (Sexton 1979: 5). For example, Whitlam refused to replace the most powerful and established permanent heads, a measure necessary for the success of the government's program implementation.

The Whitlam government's difficulties in maintaining a cohesive image were not helped when Caucus occasionally exercised its right to review or alter a cabinet decision. Whenever this occurred, or looked as if it might, the government's critics in parliament and the media quickly pounced, alleging that this was dramatic evidence that the government was in "crisis". This public image of instability was augmented by the practice of some ministers opposed to a particular cabinet decision of arguing for its reversal in caucus. Backbenchers were generally more aware that the helter-skelter approach to alleviating the neglect of decades led not only to some ill-considered decisions, but left no time for adequate consultation beforehand or explanation and promotion afterwards. Whitlam seemed not to grasp or care that while the dizzy pace

of change excited and exhilarated some voters, more were alarmed and alienated by it (McMullin 1991: 345).

Therefore, it is not surprising that almost everybody had some complaints - Ministers, Caucus members, departments, staff, party officials, State Premiers and state leaders, trade unions, industry organisations, women's groups and welfare organisations - about the co-operation between the political leaders (Freudenberg 1978: 277-83). One of the most common criticisms was that the cabinet was too large. The Caucus' decision to keep the number of ministers at twenty-seven, but not to divide these into small inner ministry (cabinet) of twelve or thirteen and an outer ministry, contributed significantly to inefficient and ineffective planning and decision-making processes. A cabinet of the whole ministry was unworkable and damaged the Labor's political management. It took too long to deal with the business. It was too large for effective policy-coordination (Lloyd and Reid 1974: 45). As a result it could not plan the government's political strategy.

In short, the need for new machinery to take the public service in the directions that Labor wanted to go was unquestioned. However, the cost of this excess was too high. First, Whitlam's action of creating several new departments and reshuffling and renaming the old ones to create a pool of portfolios sufficient to cover all contingencies in placing his 27 ministers was criticised as ridiculous. These steps were inefficient since they were as much to accommodate the personal interests and demands of the 27 newly elected ministers and their supporters in Caucus (the Parliamentary Labor Party), as to adapt administration to the needs of the party platform. Commentators generally agreed that there were "too many ministers for the posts" (Lloyd and Reid 1974: 57). And the reshuffled departmental functions and the creation of new departments effectively wrecked the party's pre-election plans for an orderly reconstruction of government services.

Secondly, ambition, coupled with the desire to get the new programs going on as many fronts as possible, discounted the need for coordination and cooperation. Some policy making or planning and field work overlapped or was divided. For example,

economic policy making was split between the Prime Minister, the Treasurer, the Minister of Trade and Secondary Industry, the Minister for Labour, and six or seven others - with no obvious central leadership. The Prime Minister, the Cabinet, the bureaucracy (and newer bodies such as the Priorities Review Staff), all failed to develop any overall coherence among the many desirable initiatives. Three main institutional advisers to the government - the Treasury, Labor's own economic advisers and its senior ministers, Whitlam, Cairns, Crean, Cameron, Hayden and Uren - all proceeded from different diagnoses of the economic problems to different solutions, and operated on different value systems. The cost was huge in confusion and votes. The Cabinet severed its relations with the federal Treasury. Treasurer Frank Crean was subjected to a cruel political execution by the Prime Minister. The relations between Cabinet and Caucus reached their nadir. Similarly, relations between senior figures in the Labor government became deeply embittered (Kelly 1976: 59).

Thirdly, the effect of these tendencies on the growth and use of the planning machinery was itself contradictory. Like other parts of the machine, planning and policy review units proliferated. But nobody took much notice of them, and then more were created to remedy the situation. Some of these creations, indeed, were no more than moves in the jockeying for power between ministers and major departments. In due course the Forward Estimates Committee of the Cabinet, after a few desultory meetings, faded away. The same fate overtook most of the other *ad hoc* cabinet committees the Prime Minister had established (Parker 1976: 9).

Fourth, any new organisation, even if created with the maximum co-operation from all the agencies concerned, takes at least six months to establish, and may take a year or more before it working smoothly. This view had become even more valid as the Whitlam government was the most inexperienced since Scullin became Prime Minister in October 1929. As with the Scullin Ministry, not a single member of the Whitlam government had ever held a national ministerial position, including the Prime Minister himself (Robertson 1974: 37).

Fred Gruen (1976: 27) comments on this:

Labor's cumbersome machinery of government - its 27 men cabinet with a possibility of reversal by a 90 member Caucus - would have made it very difficult for the government to agree on any order of priority, even if Labor had been convinced at the time that there was need for the establishment of such priorities. Individual members cared too much for their individual programs rather than to make decision in the interests of either the government as a whole or of its total aims.

While Kenneth Davidson (*The Australian* 2 June 1975) echoes Gruen's comments:

...the main trouble of the government in its first few months has not been the absence of planners in the bureaucracy, ...but the failure of its Ministers to act as a team. Irrespective of the quality of the bureaucracy, the ministers see themselves primarily as ministers out to get a big slice of the government expenditure cake to add to their power and prestige by extending their departmental influence.

In sum, the Whitlam government faced two basic problems: it could not secure meaningful control of the machinery of government, and it could not direct that machinery effectively towards its own priorities (Sexton 1979: 177). The Whitlam government failed to show any notion of the government as a single entity, with policies and priorities against which individual ministers and departments were required and, moreover, felt required, to test their own programs (Sexton 1979: 6). At this stage, the Whitlam government lacked an appreciation that its performance would be judged by the electorate as a unit; it failed to discuss political tactics or the effects of its decisions in electoral terms.

#### **1.4. Relation with Trade Unions and Business**

A successful Labor government should act in concert with those groups in society which were sympathetic to its goals. The most important of these is the trade union movement. There would be a greater chance of achieving Labor's goals if a Labor government and trade union movement were working together than if they were working at odds with one another. But the Whitlam government ignored this proposition. During its three years in office, the Whitlam government failed to maintain good communications and consultation with the trade unions (Whitlam 1985: 198). In much policy formulation the Whitlam government - outside of some limited areas of industrial relations policy - did little to consult the union movement, let alone

to seek its active support and involvement. Most decisions, particularly economic decisions, were made in the board rooms of companies or the government's own semi-independent statutory corporations (Catley & McFarlane 1974: 74). The trade unions were associated with government involvement rather than consulted (Singleton 1990: 13). As Freudenberg stated "to the extent that Whitlam had done or initiated so much of the work himself, and to the extent that the Platform now embraced a great many of his ideas, formulas and priorities, the policy speech was highly personal document" (Freudenberg 1977: 226). Therefore, it is not surprising that, at least from the trade union point of view, the policies of the Whitlam government reflected the priorities of the Federal Parliamentary Labor Party (FPLP), and in particular Whitlam, rather than those of the unions.

The problem was that the Labor government regarded workers' participation in policy-making with some suspicion rather than as an opportunity to qualify and restrict the degree of power that ownership of property traditionally carried with it. This explained why any limited moves by the government were regarded by workers as diversions from their primary interest in wages and conditions (Wilenski 1980: 53). The Whitlam government was not able (and did not try particularly hard) to increase the organised power of its supporters in the social and industrial structure.

As a result, the Whitlam government failed to persuade the trade union movement to accept the central organising concept of its program. The trade unions strongly supported efforts to increase spending on social welfare, health, education and other public sector commitments. They also supported the government's initial attempts to increase wages and its initially supportive interventions in the Arbitration Court. However, they were concerned about high unemployment and inflation and inconsistencies in economic policies (*The Australian*, 14 July 1975). The unions criticised government measures such as across-the-board tariff reductions almost as much business did, because of the effect of tariff cuts on employment (Johnson 1989: 84). They also opposed the referendums to give the federal government power over prices and incomes, and so guaranteed their defeat in December 1975 (Freudenberg

1977: 284). The increasing trade union dissatisfaction with the government was expressed farcically after the government's ignominious defeat in the Bass by-election. A wide-cross-section of union officials joined in the criticism, arguing that declining support from trade unionists had contributed to the defeat. Bob Hawke, then president of the ACTU, came out with a strong statement attacking Whitlam. In his view, Whitlam had treated the Labor Party like his personal property and had failed to acknowledge that Caucus was the supreme decision-making body in the party (*The Sydney Morning Herald*, 7 July 1975).

Similarly, by the end of its term of office, Labor seemed to have lost whatever ambivalent support it had originally enjoyed among some sectors of business. Business organisations, for instance, criticised Labor for failing to use wage reductions to deal with inflation, its inability to cut public spending sufficiently and to control the trade union movement. Faced with a deepening recession, business organisations increased their calls for further reductions in government expenditure, further cuts in wages and more substantial, but interference-free, forms of assistance to industry. They were disinclined to accept Labor's limited attempts to influence the nature and direction of investment. Despite its concessions to private enterprise, the level of Labor's commitment to the public sector and to improving lower levels of standards of living, was still such as to lead to conflict with business forces (Johnson 1989: 84). Businessmen also complained constantly that they were not having sufficient access to governmental policy creation. And finally, the criticism that government was not bothering clearly to explain its policies, or to develop clear policies in the first place, was also very common.

As a result, business become increasingly partisan in their criticisms of the Whitlam government. They seemed to be virtually united in opposition to the Labor government planning and in calling for the return of the Liberals. In March 1975, for instance, W.J. Henderson, the Director General of Associated Chamber of Manufactures (ACMA), came out explicitly in support of the Liberals. He argued that the general direction of policies outlined in the Liberal-Country Parties' National

Economic Program for 1975 should be supported by majority of manufacturers (Industry News 1975). Other business groups, such as ACMA, the Metal Trades Industry Association (MTIA) and the Australian Chamber of Commerce (ACC), mounted an anti-Labor campaign which played a major role in the Whitlam government's falling prospects (Johnson 1989: 76-77). Not all employer groups were as blatant in their support for the Liberals as the ACMA. However, it is clear that by December 1975 Labor had lost what little support it had from some sections of industry in 1972.

### **1.5. Mass Media Management**

By the end of its term in office Labor faced far more virulent media opposition than in 1973. In the beginning the Whitlam government was supported by some of the media. It entered office in 1972 with considerable support from the press, especially from Murdoch's *Australian* and the Melbourne *Age*. *The Australian* depicted Whitlam as a man of vision while arguing that McMahon was merely offering the same old policies that had failed in the past (Johnson 1989: 53). More than this, Murdoch provided substantial funds for the Labor party's campaign. However, in 1975 the media presented a united front against the Whitlam government. In this year, the government was subjected to relentless scrutiny by the media which, in turn, severely damaged Labor electorally. The media intensively reported every facet of the Whitlam government's performance in a year of extreme pressure.

Relations between Whitlam and Murdoch soured by 1975, and the *Australian* became hostile to the Labor. For instance, it made it quite clear how people should vote in the 1975 election. It argued that "the scandal-ridden government was responsible for record inflation, record interest rates, record unemployment and for transferring resources from the private to the public sector" (*The Australian*, 12 November 1975). Similarly, *the Age* - though it did denounce Kerr's dismissal of the Whitlam government as one of the most regrettable days in the political life of nation - during the election campaign in 1975 shifted its view arguing that "Sir John Kerr had

taken the only course of action open to him' (*The Age*, 12 November 1975). While the *Sydney Morning Herald* stated that "it was mistaken enough to vote Labor in 1974 since it returned to power a 'gang of one-eyed zealots seeing only the attraction of change, of an doctrinaire restructuring' of society, and blip to the economic imperatives governing the dynamism and stability of society" (*The Sydney Morning Herald*, 11 December 1975). Such comments were merely the culmination of an extremely vitriolic anti-Labor media campaign which had already been evident during "Morosi" and "Loans" affairs.

The Labor case was made more difficult by the fact that the government did not appear to have a good record as economic managers, particularly in managing inflation. The rapid growth of unemployment and inflation in Australia from the end of 1974 had been a major basis for news attacking Labor throughout the following years. Media investigations and revelations triggered crucial political events such as the dismissals of Deputy Prime Minister Jim Cairns and, the Minister for Minerals and Energy, Rex Connor, and the Morosi and Gair scandals.

Labor's media problems in the period 1972-1975 were in the main caused by matters unrelated to the policies of the government, for the most part by matters of personal conflict, scandals or the impact of its misconduct. This is not to say that those policies were not also unacceptable to sections of the media and would not have been the subject of attack in the absence of more lurid events. But it was suggested that the media's capacity for damage would certainly have been decreased if it had concentrated on issues rather than personalities (Sexton 1979: 274).

So, the Whitlam government lost the general elections 1975 because of its internal weaknesses (lacked of professionalism and skills to handle contemporary Government), the image it gave of confused incompetence, and its unimpressive handling of what was admittedly a complex and difficult economic situation which had produced inflation and unemployment on a scale unmatched since the Great Depression of the thirties. Labor's more considered and substantial but still controversial policy initiatives, and the activities of an emboldened and increasingly

ruthless Opposition, had generated widespread uncertainty and apprehension. The continued economic slowdown and increased political controversy began to alarm large sections of the electorate, particularly in the light of concentrated press and media criticism of the government and an extremely effective attack from the Opposition (Archer and Maddox 1979: 141). While the rapid escalation of inflation and the trebling of unemployment between 1974 - 75 were undoubtedly crucial in moving public opinion away from the ALP government, the general impressions of chaos and dissension were also extremely important (Jupp 1982: 125). Although relatively few people saw any basic threat to the established order, ALP governments frightened the electors. Many were alarmed by "the antic posturing, mutual disloyalty, and apparent incompetence of ministers, and by the random damage done to the existing economic mechanisms which Labor nevertheless assured would continue to sustain the population and its own programs" (Parker 1976: 17).

Whitlam himself has admitted that the Labor government would have been in serious trouble with or without the "coup" (or dismissal) by the Governor General (Whitlam 1985: 199). Sir John Kerr, in sacking the Whitlam government, provided a "coup de grace" to a government whose prospects were already poor. Ian McNair Anderson has established in his research that 63 per cent of all voters in the 1975 election believed that the state of the economy was more important than the dismissal of the Whitlam government. And more than a half of them accused the Labor government of economic mismanagement (McNair 1977: 94-100). Therefore, though Kerr's action was constitutionally questionable - and it has been seen as constituting the greatest political upheaval since federation in Australia - it gave the electorate an opportunity which the majority clearly welcomed (Parker 1976: 17).

It is true that the Whitlam government - like the other ALP federal governments before it - was plagued by an external crisis not of its own making. But there is little doubt that its own policies aggravated these afflictions - or, at any rate, that many electors thought so. But this only reinforced the cumulative impression left by the record outlined before and by matters not mentioned there; the fact that Whitlam had to

transfer or dismiss four of his most senior ministers for incompetence or worse; the apparent misuse of some ministerial patronage; the government's cynical (and inept) manoeuvre to gain control of the recalcitrant Senate by appointing one of its bitterest political opponents, Senator Gair, as Ambassador to Eire; the "Loans Affair" in which a minister sought to borrow "petro dollars" by unorthodox (and also inept) methods; and so on (Parker 1976: 17). It is not that non-Labor governments were exempt from such weaknesses, but that a Labor government can less easily afford them.

## **CHAPTER TWO**

### **RECONSTRUCTING LABOR UNDER HAYDEN**

The years 1972 - 1975 left their mark on the Labor Party. It was left scarred and somewhat disillusioned by the experiences of the Whitlam government, both by its electoral defeat and the tactics adopted to remove it from office and by its own failures to create the changes it hoped for in some areas. Learning from these experiences of failure, Hayden initiated a broadly based reform of the party: its structure, its machine politics and its policy orientation. These reforms were very important for Labor, not only because they represented significant changes in the Party's traditional structure and policy orientation but also because they became the basis for the re-development of Labor that followed. The reforms laid the ground work for the successes of Labor under Hawke and Keating from 1983 until today. This chapter assesses the nature and the extent of reform Hayden undertook within the ALP.

#### **2.1. Restructuring the Party**

The experiences of 1972-1975 did not immediately cause a rethinking within the Labor Party. After the trauma of 1975, debates on party structure seemed less important for Labor than denouncing Governor General Kerr's infamy and maintaining its rage. The Labor Party tended to believe that success in the future would depend more on the performance of the Fraser government than on convincing alternative economic programs or internal party reform. There was a belief among the party's leaders that with inflation and unemployment rising, Labor could wait for the pendulum to swing back to it and ensure Fraser's demise (Jaensch 1989b: 41). But this failed to occur. In the December 1977 election Labor was utterly defeated. Labor's vote, and share of seats, declined even further to a post-war nadir. The party won only one new seat, Capricornia, in Queensland. No new seats were won in Victoria or New South Wales, and once again the Labor Party won only one seat in Western Australia and none at all in Tasmania (see Weller 1977: 72). The defeat was as shattering as that

of 1975, and the more demoralising because it was unexpected and had been sustained at a time of consistent unemployment.

The 1977 defeat stimulated a wide-ranging self-assessment. Dean Jaensch saw the event as "the spark for attempt by the party to put its house into order" (Jaensch 1989a: 41). The experience encouraged the party to review its structure as well as its policy orientation. A majority of Labor leaders perceived the 1970s and the beginning of 1980s would be years of major change and problems in world. Therefore they must reassess Labor position; they must decide how Labor would meet these problems and what strategies would be needed. Such a reassessment was of particular importance for the Labor Party, not least because it was in Opposition and must, therefore, plan how to gain office as well as what it wanted to do in government. They were no longer optimistic that Labor would be elected to government simply through a "swing of the pendulum" or through public discontent with the Liberal-National Party Coalition government. In this context they did not believe that all they had to do was simply brush up the party's image and improve its public relations. Rather they believed that the party itself had to undergo changes affecting policy, structure, organisation and membership. As David Combe reminded them:

For the Australian Labor Party, memories of the past five years are all too clear. But while they remain so, we must learn from them. The time has come for us to desist from further self-indulgent, unhelpful superficialities, generalisations and recriminations. Rather we must now examine closely all of the assumptions previously made about Australian politics, the electorate and the party, and even the conventional wisdom which are held, often strongly (Combe 1978: 15).

This feeling that change was essential was shared by many throughout the entire structure of the party, and particularly by ambitious backbenchers and would-be candidates for parliament. However, there were some sections of the ALP, particularly those identified as *left*, which were reluctant to agree that any changes were necessary, or feared the direction that change might take. But they seemed too small to impose their will upon the supporters of change.

One of issues which had been debated was the need to reform the structure of Party. One effort to promote this idea of change and to provide some focus for it was

the establishment of a special committee of inquiry by the National Executive of the ALP in a meeting in January 1978. This Committee, later known as the National Committee of Inquiry (NCI), consisted of party members, academics, and members of parliament, and was headed by the Parliamentary Leader, Hayden, and the party President, Bob Hawke. The task of this committee was to examine and report upon, among other things, "the changing social economic and demographic structure, particularly in respect of aspirations for a better society" and "the most effective functioning of the party in terms of maximising the involvement and satisfaction of the party members and of communicating the policies and ideas of the party to the Australian community" (see National Committee of Inquiry 1979).

One of the most important things that the committee of Inquiry found was that the basic structure of the National Conference laid down in 1902 and had remained unchanged ever since. Given constant pressure for reform (since the "36 faceless" men incident), in 1976 Whitlam and federal secretary Cyril Wyndham had set out a program for reform. For the first time the number of delegates - which were only 36, coming in equal numbers from the six ALP branches (Lloyd 1983: 231) - were added to as the parliamentary wing of the party was granted formal representation in Conference: the four federal parliamentary leaders and the six state parliamentary leaders were given official membership. Further, the four federal parliamentary leaders were also granted membership of the Federal Executive. However, the NCI noticed that this reform did not affect the party's basic structure (National Committee of Inquiry 1979: 21).

The Committee argued that, although it had worked effectively for 76 years, the Conference was no longer appropriate. This was because the NCI had detected a changing trend in Labor's electoral base. It found that there had been a slow but steady decline in the proportion of blue collar workers voting for Labor since, at least, the 1960s (NCI, 1979: 18). Recognising this, there was an agreement that a Labor government could not depend solely on working class, let alone trade union, votes to win office. The Report noted that the continuing decline of the "blue collar element" in

the workforce made imperative a broadly based electoral strategy. Although the party still had to shore up its blue collar support, its appeals, and its policy expression, had to be wider. Hence, while pursuing the interests and the needs of blue collar workers, the ALP had to avoid alienating other groups essential to electoral success. Of these, the most significant were the white collar workers (Jaensch 1989a: 63). In terms of the specific focus of its report, the National Committee of Inquiry noted that:

In organisational terms, it is arguable that one of the greatest failures of the ALP has been its inability to attract affiliation in the growth areas of trade unionism, such as the technical, professional and white collar areas (NCI 1979: 86)

The Committee, therefore, noted the need for a larger, more national, more representative, and directly elected conference of the ALP. It believed that "larger, more national, more representative and more directly elected Conference would lessen the incongruity of a party with a democratic and national commitment being headed by such a small, indirectly selected and federalist Conference" (National Committee of Inquiry 1979: 21). For this reason, the Committee recommended that there should be a representative from each of the 124 Federal electorates, with another 124 delegates elected by trade unions affiliated with the party in more than one state. A federal component should be retained with a group of 40 delegates made up of six from each State and two from each Territory (including the state party leaders). The parliamentary party should be represented by twenty members of the Parliamentary Executive, but Federal parliamentarians should be excluded from selection as Federal electorate delegates. With two delegates from Australian Young Labor, the Committee recommended a total Conference of 310 delegates (see National Committee of Inquiry 1979, and see also Lloyd 1979: 232).

The Committee also paid special attention to the place and role of women within the party. It recognised the ALP's need for new strategies and new structures to achieve the high level of female support it should have. The following extract from the Committee of Inquiry indicates the changing attitudes to women within at least some sections of the party:

The ALP must recognise that it is not just 'a working men's party'...There is therefore a need for a critical consideration of attitudes to women and about women by both the party and the unions. It is time to consider whether we ought to project an image of a party which is less confrontationalist in political style, less urban, less industrial...This is not to say that policies ought to become more conservative, that the identification with working people ought to be blurred. We should present the party with more subtlety than has been the case in the past (ALP, 1979: 35).

There was a belief that if Labor could attract more women, especially younger women voters, then the benefits would be significant. The Committee stated that, if the same percentage of women as men had voted for the ALP at the 1975 and 1977 elections, the ALP would be in government at that time (NCI: 73). Therefore, the Committee recommended some new rules which established a minimum representation of women at all levels of the party (McMullin 1991: 399-3400). It suggested an affirmative action program within the party, suggesting positive discrimination in favour of women for a fixed period of seven to ten years based either on proportional representation or a blanket 50 per cent of offices to set aside for women (NCI 1979: 34-35).

Although the party did not adopt all of the recommendations of the Committee promptly (some of them were even rejected) the Committee had been a valuable agent in defining and analysing the flaws in party structure and recommending policy changes critical to Labor's electoral strategy (Hayden 1980: 241), including economic policy and the Party's relationship with trade unions. Its findings and recommendations were important factors in encouraging ALP reform in the following years. Its submission provided the basis for intense discussion throughout the Labor movement on the nature of electorate, and what the nature of the party should be in the future if it wanted to win office.

In the 1979 Conference the ALP agreed to double the number of delegates with additional positions going to the States in accordance with the number of House of Representatives Divisions in each. Thus the principle of equal representation of the States was breached for the first time in the party's history. Furthermore, to ensure balanced representation from each state, the delegates would be chosen by the

proportional representation method of voting. Finally, it was agreed to ensure that at least a quarter of delegates of state branches should be women (ALP 1981: 217).

At the 1981 conference, Labor moved even further by carrying out a major reform. It did not accept the initial proposal of the NCI for proportional representation based on total party membership, and replaced it with a system based on additional representation according to the total number of federal electorates in each state, thereby enlarging the conference to 99 delegates (Jaensch 1989a: 107). These consisted of seven from each state (including the parliamentary leaders), the four federal leaders, two from the Northern Territory and one each from the ACT and Young Labor. At this conference, too, the size of the National Executive was expanded, including representation by women. Further, the Conference even agreed to apply a principle that all delegates to the future Conference would be elected by proportional representation. According to this formula, the NSW would be represented by 24 delegates, Victoria 20 delegates, Queensland 15, SA 11, WA 11, Tasmania 9, ACT 2, NT 2, Federal leaders 4, and Young Labor 1.

The process of greater centralisation of the ALP was completed in the 1982 National Conference in Canberra. One of the important procedures adopted by the Conference was that "State Conferences cannot bind delegates to this or any future Conference as they would be selected by proportional representation" (ALP 1982: 4). This resolution opened the way for a wider re-organisation of the National Conference on the basis of cross-State factions (Lloyd 1983: 254). In this conference also the number and composition of representatives were increased, including the representation of women and trade unions, as were the extensive use of proxy delegates and an enlarged number of speakers.

This restructuring of the party organisation paid political dividends for Labor (Lucy 1979: 72). As a result of reforms made since the 1979 National Conference, the ALP became more centralised: a genuinely national and representative organisation, enshrining the representation of population rather than states (Wran cited in Lloyd 1983: 253). Although the principal organs still remained curious hybrids of both

federal and national elements, the reform of the party that occurred since the 1979 Conference has accelerated the movement to a national organisation. The Executive remained resolutely federal in its composition, but the conference went part of the way to adopting the structure of a national body (Lloyd 1983: 252). The presence of more delegates/representatives of state and national parliaments since the 1979 National Conference made the delegates less "faceless" and more representative.

## **2.2. Reforming Machine Politics**

According to the formal constitution and history of the ALP, the extra-parliamentary wing of the party was the supreme and ongoing authority in the party. Therefore, theoretically, its parliamentarians have been regarded by the ALP as the products and instruments of the Party organisation (Parkin 1983: 17). The problem was that, prior to 1970s, state branches of the ALP had often caused electoral damage for a national Labor Party in its drive for office. This was mainly because of the domination of the traditional Left in state branches. In the late 1950s and much of the 1960s, the traditional Left of the party, under the leadership of Joe Chamberlain, was a dominant force in the Executive, its influence out of proportion to its representation on the National Conference, to its strength in the Federal Caucus and to its factional strength in State branches (Lloyd 1983: 235). In 1970, for instance, 65 per cent of delegates of the Victorian ALP conference and 77 per cent of the NSW conference were left-dominated union representatives (Emy 1978: 628). Since the socialist left dominated the party's organisation they could exercise considerable influence, not only at the state level, but - as the state branches elect Federal Conference and Federal Executive - at the federal level as well.

Since membership in unions and in the ALP overlapped so much, not only among state and federal Labor parliamentarians but on the Federal Conference and Executive as well, and since they may well have different interests, the delegates could easily become identified with factional and doctrinal disputes which might have originated outside the ALP itself (Emy 1978: 630). Since disputes in the unions inevitably spilled

over into the ALP, inter-union disputes became intra-party disputes. For example, in the late 1960s, the ALP faced a major problem in the Victorian branch, which it had broken into three, almost independent, factions. These maintained their own organisations and fought bitterly for positions of power (Jaensch 1989a: 40). The same occurred in Queensland, when a small clique of trade union officials ran the local branch of the Labor party. As a result, the national party was weak, lacked coordination and cooperation, and sometimes even created internal disputes. Any division between the state branches and the federal machine could (or could be seen to) diminish the electoral chances of Labor. Thus, the domination of unions in the party organisation was seen a source of electoral liability.

Before the 1970s, it was very hard for the ALP to reform itself because of the relative autonomy of state branches and the weakness of the Federal machine. When the Federal leaders attempted to initiate a reform, they failed to do so because of very tightly organised cliques and control at the state level (Jupp 1982: 93). In this way, the ALP seemed to spend much of its time and energy in resolving disputes between its own members and it had little time left to devise national electoral strategies for gaining office. The party could not effectively and efficiently present a coherent face to the electorate. Until 1970, for instance, Labor's campaigns had been run by and from the states, with little co-ordination and often no co-operation among the states (Jaensch 1989a: 40). As a consequence, electoral campaigns were ineffective and inefficient in terms of gaining electoral support nationally.

To succeed in government, for example, the ALP needed people of ability and with a proven record. Yet too often the safe seats, those from which ministers would eventually be drawn, went to branch officials or simply members of the dominant faction who had little to offer to the party in government. The pre-selection of Bob Hawke as the Labor candidate for the safe seat of Wills was one good example of this case. Hawke was, according to the polls, the most popular political figure in the country, a man of proven record, great ability and experience, and inevitably an asset to the Labor party in its efforts to win office. Yet his selection was proceeded by a

bitter, though unsuccessful, campaign by the Socialist Left in Victoria (Weller 1980: 23).

Weller (1980: 23) assessed the Labor Party at the time as it was "primarily a large-self-perpetuating machine where positions of power in the organisation were prizes in themselves, not tactical positions designed to help win or retain government. Factions often used policy issues as tool rather than as ends". An individual's view on a policy was often determined by his or her factional alignment. As a result, it was hard for Labor to agree on how problems should be solved even if it could decide on objectives.

It was this kind of internal infighting which encouraged Whitlam to put together a coalition of forces to intervene in and reconstruct the Victorian branch in 1970-71. This attempt was successful, and federal Labor was able to shift the balance of power between the Left and the Right in the party. Since that intervention, the domination of trade union representatives has been reduced to a maximum 60 per cent in every state branch. This was followed with other cases - such as intervention in the New South Wales branch to secure proportional representation for the selection of National Conference and Executive delegates (Lloyd 1983: 236). It culminated in the reform of the Queensland branch in 1980.

This efforts by Whitlam to reform the party was not completed, however, until 1979. A number of issues were left unresolved by Whitlam. Inter-state co-ordination was still weak. States Secretariats had little regular contact with the federal office. For instance, the New South Wales branch was still reluctant to give any information to the National Secretariat. The national organisation seemed powerless to do much about the Queensland branch of the party. Proposals for a national conference based on federal electorates were still unapproved. Nonetheless, "the legacy of Whitlam years was that ALP looked more like a national party and less like a loose confederation of state organisations" (Jupp 1982: 112).

Reform was accelerated after Hayden became the leader in 1977. This reform arose partly because of increases in the size and composition of State delegations as

has been mentioned before. The importance of the reforming of the party's structure was not only in terms of increasing the number of delegates and the size of the Executive, but also in terms of the parliamentary wing playing a more influential role in the party policy making process. The changes were crucial in that they provided a greater opportunity for "majority rule" within the national party, and hence a potential for real and substantial increase in the powers of the national organs of the party. This did not mean the federal structure was ended, but it was a key development towards a national process (Jaensch 1989a: 107).

The effect of federal intervention in Victoria in 1970, and of the restructuring of other branches as well as other reforms and changes in the following years was to reduce the total domination of the party's National Conference and Executive by trade union officials without diminishing its dependence on union organisations for funds (Jupp 1982: 97). The function of the Executive, for instance, changed significantly; not only did it continue its traditional role of interpreting party policy between meetings of the Conference, but it also became much more closely involved in the administration of the party as well as increasingly engaged in the party's Federal election campaigns (Lloyd 1983: 236). The fact that each policy committee is appointed directly by the National Executive meant that these policy committees were more influenced by politicians. In other words, the quality of the Committee's work was very much a reflection of the commitment and calibre of the chairperson from the National Executive. As the work of Conference is very much determined by what policy committees put before it (Green 1981: 309), the power of committee appointment meant that it was more likely that the party's Conference would be dominated by the National Executive (Lloyd 1983: 242). As power groupings on the Executive tended to coalesce around the pragmatic Federal leaders, particularly Hayden, Hawke and Keating, the Executive could largely be steered in accordance with these leaders' wishes.

Following the establishment of a full time national office the role of the National Secretary /Secretariat was increased to include the responsibility for running national

campaigns. Since 1979, the National Secretary has also had a greater role in the party's policy and strategy planning. Now the National Secretary has had a central role not only in the general administration of the party, but also in the planning and co-ordination of election campaigns, co-ordination of research and media under-takings, public opinion polls, contact with relevant pressure groups within the electorate and with individual experts. The Secretariat also has a decisive influence over the policy image Labor presents to the electorate (Stephen 1980: 42). It has the potential to promote particular approaches, to down play others, and to emphasise those parts of party policy according to its idea of what the market will bear.

The rise of the "new" skilled machine politicians who had reached political consciousness during the 1950s and 1960s, has made the shift even faster. With the death or retirements of Jim Cairns, Rex Connor, Frank Crean, Bill Brown and Joe Chamberlain, younger leaders such as Bill Hayden, Bob Hawke, Paul Keating, John Button, David Combe and Mick Young came into prominence. These younger leaders were different from the old: they were more likely to have been university-educated, less likely to have been manual workers and more likely have had careers other than in the union movement.

The 1982 Conference, for example, was seen by commentators as a moment where politicians asserted their primacy in a way unprecedented in the party's history. It was the first time that all reports for platform changes were presented by parliamentary spokesmen or spokeswoman. A few years before it would have been unthinkable for National Executive members charged with responsibility for convening and chairing platform committee not to insist on their right to present the report of their committees (Combe 1982: 72). Hayden was able to influence the floor of the Conference decisively in order to keep the platform parameters as broad as possible. In this Conference, for example, he won a sequence of major policy victories such as wages and income policy, capital gains tax, uranium etc (Lloyd 1983: 253). Perhaps this predominance of parliamentarians explains why the ALP under the

Hawke government found it relatively easier to take a pragmatic approach to and consensus on some major policies.

Undoubtedly all of these changes contributed to the new revitalised image of the ALP after 1979. The Labor party appeared not to be as divided as it had been in the past. Certainly factional disputes still continued, but they rarely erupted into open conflict. Since then, too, the division between "machine" and "politicians" has been blurred, and the leadership coalition become dominant in the Conference: the role of politicians in policy-making is increasingly larger than the party's constitutional principles suggest (North and Weller 1980: 38, see also Jaensch 1989a: 130). Although the National Conference is theoretically the supreme policy-maker, most of its business is to approve or amend recommendations of the National Executive or the Policy Committees. As a result the ALP is more cohesive, efficient as well as effective both in managing its own internal organisation and in formulating a strategic policy. Further, while the Liberals have appeared fragmented and lacking in co-ordination, Labor's co-operation and co-ordination of state branches such as in campaign strategy have become more effective and efficient and fragmentation has been avoided.

### **2.3. The Need for Economic Management**

The defeat in the 1977 election also encouraged the ALP to review its policy orientation. Judging from public opinion polls, ALP analysts recognised that "two factors ... contributed most to Labor's loss: Whitlam's leadership and the party's lack of credibility as sound economic managers" (Singleton, 1990:70). David Combe, National Secretary of the ALP, reminded the party that the most important contributing factor in its defeat was the fact that the ALP were simply not believed by the electorate. "After two years, according to him, the ALP had not been forgiven by the electorate for what they had been persuaded by the Liberals and the media to believe were the incompetence, the crises, and the extravagances associated with the later part of the Whitlam government in office" (Combe 1978: 15).

In a speech at the Adelaide conference Hayden indicated his view on the major issues Labor was facing and the way he wanted to solve them. According to Hayden, there should be three key political objectives for Labor Party strategy for the 1980s: to win an election ( and this stage was top priority); to conduct an effective and enduring national government; and to provide a policy basis for the longer term success of the party (Hayden 1980: 237-238). For these aims to be realised, Hayden stressed, "Labor policy had to meet two essential criteria: to be electorally acceptable and to promote Labor's philosophical objectives" (Singleton 1990:109). Since Labor Party understood that its loss of economic management credibility was the main obstacle to its ability to develop successful electoral strategies, the ALP embarked upon a major re-evaluation of its economic policies. Hayden himself believed that sound economic management would be the "cornerstone of any successful Labor government in the future" , and that "if Labor could not manage the economy properly, then the reform proposals of a Labor government [could not] be implemented" (Hayden, 1980:240). In his view, Labor had lost in the past primarily because it was not seen as an economically responsible party.

Hayden reminded ALP members that "it was not possible to wind back the clock to the heady days of the early seventies, and Labor would not find its way back to office by trying to re-create the atmosphere and the issues of 1972". He argued: "We will not find our future in the past". Instead "Labor had to convince the electorate that it could manage scarce resources with more efficiency and compassion than the Fraser government " (cited in McMullin 1991: 394). Hayden continued: "Much and all as we may regret it, now is not the time for the visionary reform programs of earlier years. This is the period of the hard slog ... and the scope for reform will have to be won by hard work, by discipline, and by a common sense approach to policy" (quoted from Oakes 1979: 29). He outlined his objectives to delegates at the 1979 ALP National Conference:

First, and above all, we must demonstrate beyond doubt that we are competent economic managers. That competence and public's recognition of it is the absolute

essential underpinning of everything we want to do. Without it ... we might just as well pack our bags and give the game away (Hayden quoted in McMullin 1991: 394).

Some commentators interpreted this speech by Hayden as a sign of a new vision and policy approach by Labor for the future. Although Hayden also stressed the need to combine an image of economic responsibility with social reformism, many commentators saw this was the beginning of the enthusiasm and vision of 1972 being replaced by caution and pragmatism (Weller 1980: 90). *The Sydney Morning Herald* (29 September 1979) described it as the ending of Whitlamism, and said: “the speech may well prove a watershed in the affairs and thinking of Labor for it proclaimed a clean break with the past pro-reformist euphoria of the Whitlam era which ended in economic disaster; and it promised a commitment to pragmatic politics in line with public taste”. *The Australian Financial Review* (29 September 1979) referred to Hayden’s “low-key but effective imposition of economic rationality upon his own party”.

There was a long debate on whether the party should learn to manage capitalism more effectively or shift radically to the left. An argument underlying this debate was that if the ALP could manage capitalist system effectively and efficiently, as Singleton (1990:4) argues: “it would enable Labor to deliver its electoral promise of increased economic growth to generate employment and improve the standard of living of Australians - a promise that had its basis in Labor’s fundamental beliefs in social justice and equity”. Despite this, the ALP recognised that many Australian electors had also come to accept a general argument that the economic problems of the Australian economy were deep-rooted ones which are somehow connected with government spending, the money supply, wage levels, and the structure of Australian industry (McCawley 1977: 24-25). Therefore, if Labor could not move too far to embrace the capitalist system, at a minimum level it might devise acceptable explanations to justify public spending, might develop a consistent wages policy that was acceptable to the unions and industry and might create some alternatives to existing economic and fiscal

policies. An economist, Peter McCawley, acknowledged the problem and argued persuasively:

Unless Labor spokesmen are prepared to justify higher levels of government spending and taxation, then they had best abandon social welfare goals, because it is clear that the electorate is not prepared to finance government programs through credit creation and inflation. And if these goals are abandoned, why should the electorate vote Labor at all? ( McCawley 1977: 24-25).

As a result, by 1978 Labor's spokesmen stated that Keynesian policies in the absence of an incomes policy as brought about by the Whitlam government were not credible. They also could not accept the monetarist macro-economic alternative to a Keynesian approach combined with an incomes policy. Labor decided, therefore, to modify Keynesian demand management. To dampen any inflationary side-effects of economic recovery, it combined an incomes policy focused on wage and tax indexation.

Thus, Labor's economic policy had to produce economic growth while reducing unemployment and inflation ( Solomon 1982: 321). There was a belief that the key to electoral success was a credible economic policy containing stagflation. Apart from the need to tackle inflation and unemployment, this necessarily should produce the conditions for economic growth. In this context, Hayden (1980:240) states that: "Labor's cardinal principle would be economic prudence, and reforms would be made in strict accordance with the ability of the economy to sustain them".

Hayden worked hard to ground his ideas of economic management either into the party platform or in practice. At the 1977 National Conference, for example, Hayden pushed a new approach to economic policy. He fought to keep a more flexible and open policy choice and won in the face of determined opposition from the left and the unions. Hayden successfully demolished the left-wing, which sought to push the party into a greater commitment to government intervention in the economy; he supported a "more flexible economic platform" that would give a Labor government a free-hand (*National Times* 11-16 July 1977).

This effort by Hayden culminated in the 1979 National Conference. At this Conference the ALP successfully abandoned the old approach to the economy, and

charted new directions as it entered the 1980s. Compared with the earlier platform, the 1979 platform was expanded in its scope. It was full of explanatory passages and references to recent events, and most of the items were presented under the heading "Proposal for Reform". The introduction to Labor's proposals on the economy is worth quoting to give the flavour of the document. This document recognised the problems Labor was facing and indicated the will to solve them:

We no longer live in the relatively calm and quiescent economic world of the 1950s and 1960s. New forces are at work, both in Australia and elsewhere, generating more difficult economic problems, particularly with regard to unemployment and inflation...A Labor government will accept responsibility for achieving full employment and stable prices, but these will not be achieved simply or as matter of course. Broad-brush approaches, through monetary and fiscal measures alone, are not adequate in a situation where economic problems are becoming more complex and severe. We need detailed sectoral and regional consideration and planning of our economy. We need to look at the parts as well as the whole (ALP, 1979: 4).

There was still debate on the need to clarify the party's objectives. Change was important to clear away any ideological confusion, especially about the distinction between communism and democratic socialism that had contributed so much to the ALP's failure throughout the 1960s (Jupp 1982: 92). For decades the Labor Party's objectives were perceived, almost universally, to be synonymous with "nationalisation". This image was exploited by the non-Labor parties for electoral benefit by their continuing to label Labor as "socialist". This is, of course, was electorally damaging for the ALP.

In order to remove such an image, the 1981 conference agreed to rewrite the objectives of the party in the Labor platform. Gareth Evans - one of the main advocates of the altering the objectives - argued that change was needed because the objective was incomplete, misleading, lacking in contemporary relevance, and had for decades given ammunition to Labor's opponents without doing the party any noticeably redeeming good.

Evans admitted:

The notion that 'socialisation of industry, production, distribution and exchange means nationalisation is totally and permanently entrenched. 'Democratic socialism' is a term which is and always has been capable of encapsulating very precisely the kinds of principles which the Labor Party ought to be about, and it is

one - which properly explained - should not cause any embarrassment at all, electoral or other-wise to the party as a whole or any member of it (Evans 1982: 174).

He proposed the adaptation of a "fundamental objective" affirming Labor's dedication to the realisation of a society founded upon the principles and values of democratic socialism - "a society built upon liberty, equality and democracy".

Evans's view was shared by Hayden. Hayden wanted to omit the reference to democratic socialisation of industry, production, distribution and exchange, which had been the cornerstone of ALP objectives for some 60 years. He asserted, "there comes a point when sentiment has to give way to reason" (Hayden, 1980: ? ). As a result, in its 1981 National Conference Labor successfully re-wrote its "socialisation objective", by which a commitment to the socialisation of industry, production, distribution and exchange, written into the Federal platform in 1921 was interpreted moderately to be applied only to the extent necessary to eliminate exploitation (Lloyd 1983: 244, and Crisp 1985: 277ff). There was a clear resemblance to the old objective in the wording of new fundamental statement:

The Australian Labor Party is a democratic socialist party and has the objective of democratic socialisation of industry, production, distribution and exchange to the extent necessary to eliminate exploitation and other anti-social features in this field (cited in McMullin 1991: 400).

Although the ALP, at the beginning of 1980s, was still appealing to the working class - in that conferences and conventions were constantly sounding to familiar rhetorical mentions of the "working class", "working people", the "underprivileged", and so on - nonetheless, since 1979-81 Labor's appeal has been focused upon wider sections of society.

## **2.4. Approaching the Unions**

One of the most important steps Hayden took to realise his idea of economic management and planning was to approach the trade unions to gain their co-operation. Learning from Whitlam's experiences as well as the Fraser government's, Hayden recognised the importance of wages to national economic policy as well as to Labor

credentials in the electorate. As Singleton (1990:100) states: "The Whitlam government had failed to reduce high inflation and high unemployment by means of a Keynesian strategy of managing demand. While the Fraser government's "inflation-first" approach had relative success in containing inflation, it caused high unemployment.

At the time the community in general accepted that excessive wage increases were responsible for inflation and consequently for the recession. Labor under Hayden wanted to deal with this problem, as it would need to, if Labor did win office (Kelly 1984:69). But Labour would need a wages policy to deal with inflation and unemployment at the same time. As Kelly states, this intellectual approach sprang from the necessity to for Labor to have "a mechanism to prevent a wage explosion during periods of economic growth" (Kelly 1984:73). It was central to the ALP's claim that it could not only manage economy better than the Coalition, but it alone could reduce unemployment without increasing inflation. Hayden believed that an incomes policy was a precondition of Labor's effort to promote short-term employment growth, improve profitability and contain inflation as well as build a harmonious industrial climate. As Kelly (1984:74) argues, "if the next Labor government failed due to a wage explosion - thereby repeating the fate of the Whitlam government - the long-term damage to the party would be catastrophic". The decision by the ALP in 1979 to fight stagflation with incomes policy brought the latter to the top of the party's agenda (Singleton 1990: 126).

Hayden was aware that Labor could not proceed unilaterally. An incomes policy could not work without co-operation from the unions (Singleton, 1990:118). As Kelly states: "Labor's ties with the trade unions movement meant its wages policy had to be broadly consistent with the aspirations of the trade unions" (Kelly 1984: 69). This was in the line with Hayden's strategy to seek maximum electoral advantage but at the same time to remain within the broad limits of Labor's basic objectives and traditional area of support. The ALP saw that an arrangement with the union was necessary if a Labor government was to pursue expansionist policies in line with the economic

objectives of the unions. For the ALP, such agreement offered a Labor government a way of managing their relationships with the unions and provided the basis for an alternative expansionary economic policy whilst containing fears of an outbreak of wage inflation. The fact that the Australian government lack the constitutional power over prices and incomes reinforced the ALP's idea of cooperating with the unions to obtain support for a voluntary accord on prices and incomes. In this regard, a commentator suggested:

Planning must be conducted in a democratic fashion, not merely because that is the political philosophy to which we subscribe, but because planning is unlikely to be effective unless those whose lives are being influenced are genuinely consulted and become part of the decision making process. Genuine democratic economic planning of this kind is not an easy task, but it is vital for our future (Ironmonger 1977: 290).

The ALP also needed cooperation with the unions as part of its electoral policy. Good co-operation with the unions in incomes policy would not only ensure the success of Labor's economic strategy, but would also, it was believed, help the ALP's image in the electorate. Close cooperation with the unions through an accord implied that Labor, at least in appearance, had been able to reform those attitudes of the unions which had made them unpopular in the past. Cooperation with the ALP offered the unions a method of achieving their industrial and social goals in a less adversarial fashion. Such an arrangement showed that the ALP relationship's with the unions could be positive and more electorally fruitful. In the past the ALP's close relationship with the union movement had often been an electoral liability for Labor. Trade unions were seen by the community as having "too often sacrificed the cause of national economic progress on the altar of short-term sectional interest. They blamed the unions' demands, (often accompanied by strike action) for wages rises which exceeded profitability, for resisting technological change and insisting on outdated employment practices, all causes of retarded productivity and growth" (Kelly 1984: 74) as well as unemployment and inflation.

Thus, as Kelly states: "Labor's [close] ties with the unions were to be revitalised and used as an electoral asset" (Kelly 1984:74) and not discarded as electoral

liabilities. Hayden believed that an agreement with the trade unions which allowed an “understanding over the issue of wages and prices” would be “electorally saleable” (Singleton, 1990:132). Such an agreement would mean that Labor campaign on the basis that it had support and arrangements with the unions (Singleton, 1990:132). An incomes agreements would show the electorate that Labor, with the co-operation of the trade unions, had the capacity to manage the economy effectively (Singleton, 1990:126).

Unlike Whitlam who was pessimistic about the prospect for any agreement with the trade unions, Hayden had a more positive view of co-operation with the unions. He believed that cooperation with the ALP was the only alternative for the unions to the Fraser government’s use of the “blunt, unselective tool of monetary and fiscal policy which bears so unfairly on those least able to bear it” (Hayden quoted in Singleton 1990: 110). As a result, the ALP gave priority to a co-operative arrangement with the trade unions (Singleton 1990:111). Hayden called for a consensus based prices and incomes accord, with the unions in return given a more direct voice on other matters of economic policy affecting trade unionists. Hayden revived and intensified discussions and negotiations with the Australian Council of Trade Unions (ACTU) through ALAC, the formal body for co-operation, consultation and consensus between the peak union councils and the ALP.

This initiative of Hayden’s was matched by the trade unions. Escalating unemployment and inflation in 1982 had a significant effect on union behaviour. It changed the way the unions were thinking in protecting and securing their interests. The emphasis on economic self-interest that had dominated the unions’ wage behaviour in the late 1970s and early 1980s was now tempered by a new awareness of the need to protect low income earners from inflation and maintain socially disadvantaged groups via an adequate social wage. To obtain this new objective, the unions needed a Labor government in office, because only Labor could serve their interests properly, while the ALP needed the unions’ cooperation to establish sound economic management as well as a political image necessary for it to win office. This

change in both the ACTU's and the ALP's attitudes and emphasise oiled the process of negotiation between the two on an integrated income policy.

Certainly, there were a lot of obstacles faced by the ALP during the process of negotiation and discussion. However, through a series of intensive negotiations - which sometimes produced tension - Hayden was able to break the barriers to a substantial co-operative agreement on incomes policy. In 1980 for the first time, the two wings of the labour movement - the ALP and the ACTU - reached an agreement on the need to have a common approach to economic issues as they produced a joint statement for a comprehensive economic policy. Later on in June 1982, this agreement was followed by the release of the Draft of a Discussion Paper on Economic Policy which became the basis for the Accord.

This co-operation represented a major change in the relationship between the federal Labor Party and the union movement (Castles 1982: 382). In the past there had been relatively few formal ties between federal Labor governments and the ACTU. Both sides relied on established formal and informal relationships within the Labor movement as a basis for government - union understanding. However, as events under the Whitlam government showed, broad agreement on common goals was not sufficient to prevent major policy differences between the unions and a Labor government.

To conclude, Labor under Hayden's leadership, was able to develop its new image. Under Hayden Labor seemed more cohesive, effective and efficient. Its structure had been reformed in the direction of more comprehensive representation, a greater possibility for women's involvement and more centralisation in decision-making as well as increased appeal to the electorate. Labor's credentials as an economic manager were also improved significantly through the party's new policy orientation, which stressed economic matters more heavily. As a result, though the ALP failed to win office in 1980, Hayden successfully took the ALP to the brink of electoral success (Kelly 1984: 67). In the 1980 election, for example, the ALP's performance marked the beginning of recovery from the traumas and disasters of the

second half of the 1970s. The ALP had gone close to bridging the gap in the popular vote - opened up in 1975 and maintained in 1977 - by winning 49.6 per cent of the two-party preferred vote in the election of 18 October 1980, a swing of 4.2 per cent to the ALP over 1977. It won thirteen House of Representatives seats from the Government, the largest number of seats won since the election of 1969. The election had also cost the Fraser government its majority in the Senate, where a combination of Labor and Australian Democrat Senators would henceforth control the Upper House (McKinlay 1981: 158, see also Bewett 1981: 2). It was a remarkable result for Labor, particularly given media expectations prior to the election campaign.

But the most important of all was that Hayden had successfully laid the foundation for Labor's success in the future. First of all, he successfully laid the basis of the ALP - ACTU integrated Prices and Incomes Policy (the Accord) which was so central to the political and economic strategy of the Hawke government. Although the final agreement and statement was reached under Hawke's leadership, the Accord would not have been possible without Hayden's leadership. It was Hayden, together with Ralph Willis and Bob Hawke, who made possible the production of this politically viable arrangement. He successfully championed the Accord from mid-1979 onwards by encouraging consultation and co-operation with the ACTU, a process that assumed greater importance with each passing years (Kelly 1984: 72).

## **Part Two**

### **The Hawke - Keating Era: Labor 1983 - 1993**

## **CHAPTER THREE**

### **LABOR UNDER HAWKE: THE NEW DIRECTIONS**

The success of the ALP in the federal election of 1990 reinforced the claim that the Hawke government was the most successful Labor government in Australian political history. Being elected on four successive occasions at the federal level, and through a period of major political, economic and social challenge, constitutes a record for the ALP. This success was possible only because of the Hawke government's political skills. Prominent among these was its capacity to manage economic problems while simultaneously from that economic managerial capability securing political and electoral benefit. This chapter assesses the political skills of the Hawke government, with particular attention to means by which the Hawke government used the Accord and its consensus politics for economic and political advantage. The management of Cabinet and bureaucracy will be assessed on the assumption that they contributed significantly to the successes in economic and political management.

#### **3.1.1. Managing the Cabinet**

There is no doubt that an efficient Cabinet is an important element in the success of any government. Although there is no single criterion for a government's success, it is generally accepted "that management of Cabinet is a precondition of efficient policy making" (Weller, 1990:16). As Weller (1990: 16) argues..."if Cabinet is not well organised and run, as for example, its ministers publicly disagree or are seen to be divided, then it could not work effectively and efficiently". An inefficient Cabinet means the image of the government will soon decline, and in turn, electoral support will erode.

The Hawke government was well prepared in establishing, running and managing its machinery of government. The experience of the Whitlam government

provided a good lesson for the Hawke ministry on how Cabinet *should and should not be run* and on the need for professionalism and internal party discipline (Gerritsen 1986: 47). “ As Jaensch (1989:164) states, “Hawke, from the beginning of his government, asserted a prime-ministerial authority which previous Labor leaders were unable to effect”. Hawke's first step was to convince Caucus of the desirability and necessity of dividing its ministry into two divisions: an inner Ministry (Cabinet) and an outer Ministry (Jaensch 1989a: 164). Although the Caucus retained the right to elect the ministry, the Cabinet ministers were chosen by the Prime Minister (Campbell and Halligan 1992:17). On the one hand, this decision broke the precedent set by the Whitlam government and earlier Labor governments to the effect that Cabinet comprised the whole Ministry. On the other hand, the fact that the Prime Minister was able to select those who would form the Cabinet meant that he got a crucial and additional power over his ministers.

In addition, the Hawke government applied Cabinet discipline through so-called collective responsibility or Cabinet solidarity. Hawke recognised that the application of discipline was important for the cohesion ( or the appearance of cohesion) within the government and, particularly, the parliamentary party. As Jaensch (1989a: 148) states: “Discipline was necessary to ensure that the government's programs would have some chance in a hostile environment”. The Hawke government might allow its component parts to disagree or to argue, but in the final analysis, discipline enforced cabinet and parliamentary party cohesion. There was an argument that “if the smaller Cabinet were to achieve the objective of greater cohesion and discipline, then solidarity had to be maintained by all Cabinet ministers at all times” Weller, 1990:22). Thus Cabinet ministers had to vote for Cabinet decisions in Caucus. And everyone was bound to defend Cabinet decisions in public (Weller 1990: 22-23).

The decision to divide the Cabinet into an inner and an outer Ministry and the application of cabinet solidarity was a crucial step in controlling not only the Cabinet, but also the parliamentary party as a whole. This decision made power more centralised and enhanced the prime minister's authority (Campbell and

Halligan 1992: 17). It was essential for effective decision-making. The practice of these principles enhanced cabinet authority within the party arena (Campbell and Halligan 1992: 17). As a result, during the Hawke government years the Cabinet dominated Caucus (Gruen and Grattan 1993:5). Caucus thus retained its increasingly symbolic check on the official policy of the government, but under this new managerial style, the senior ministers' authority was almost untrammelled (Gerritsen 1986: 51). "The Cabinet has been a bulwark against a recalcitrant Caucus" (Gruen and Grattan 1993: 3).

Despite arguments that factionalism has created some rigidities in the party, the post 1983 development of factionalism has also contributed substantially to the stability of the Hawke government. The factional system has become an effective strategy for reducing opposition within the party and enhancing consensus. According to McAllister (1991: 223) organised factions could absorb the dissatisfaction of traditional supporters, unhappy with changing appeal of the party or policies. As the traditional social bases of the ALP contracted, it was argued, the electoral imperative forced it to broaden its appeal to a wider range of social groups. One consequence of this was to divide party activists as they became dissatisfied with the party's message. The institutionalization of highly organised political factions in the ALP was one means of adapting to this change, producing minimal disruptions to the party. In this context factions acted as integrative mechanisms, reconciling parts of the organisation to necessary political change. The existence of organised factions ensured policy platforms were fought out within the party through formal, organised procedures, rather than through fragmentation. Through this system ideological differences could be channelled so that any opposition to the government decision could be contained in private. If there were any conflict or differences between the ministry and the party, they tended to be negotiated between the ministers and factional leaders. Organised competition between party factions thus replaced intra-party rivalry, personal intrigue, and their ultimate consequence, fragmentation. The fact that faction system under the Hawke government were open,

policy-oriented groups, as distinct from the situation in the mid 1950s where factions enjoyed no organisational legitimacy, and were based as much on patronage as ideology, supported the argument that faction system accommodative rather than disruptive (McAllister 1991: 211).

The application of collective responsibility to Caucus debate and the formalised development of the consensus-seeking faction system has reduced the influence and involvement of the caucus as a whole in policy making. In the case of National Conferences of the ALP, ministers would support the government position and argue fiercely for the effectiveness of existing policy. As a result, Caucus dissent was limited. This was in contrast to the Whitlam government, when Cabinet became divided, poorly organised and ineffective as a forum for decision-making (Weller 1990: 16). The ability of the ALP to resolve conflicting issues such as the future of uranium mining in the 1990s is an example of the efficiency of the factions.

McAllister (1991: 223) furthermore identified the fact that organised factions (though this role is less significant than their integrative organisational one) also played a significant electoral role: the factional system enabled the party to present a broader policy appeal to voters at elections while still retaining a common party label. Organised and institutionalised factions in the ALP thus permit it to broaden its political appeal to win votes, while more successfully integrating a diversity of internal interests among its members.

This McAllister argument supports Gerritsen's view that one of the factors contributing to the success of the Hawke government was the fact that it could combat the ambiguities and uncertainties of the policy field by formalising what he called "a strategic elite-led policy system" (Gerritsen 1986: 51). Under this system, the Prime Minister and the Cabinet (or the relevant committee of cabinet and other ministers), together with various advisers and faction leaders constituted the group that, through strategic calculation, fashioned the policy of the government. The importance of the faction leaders was that at all times political/electoral factors were part of the decision-making process. The application of the committee system

ensured wide involvement by all ministers in decision- making. This was made possible because the ministers outside cabinet were members of those committees in which their departments had a policy interest (Weller 1992: 12). Unlike the Whitlam government - which had its ad hoc “kitchen cabinets”, with fluctuating memberships and the system revolving around Whitlam - Hawke was “first among equals” and the chairman of the Cabinet (Gerritsen 1986: 51).

Further Gerritsen argues that this type of decision making system was an efficient mechanism for engaging in sort of pragmatic politics required to maintain office (Gerritsen 1986: 52). While the Whitlam government was hampered by an inefficient traditional ALP decision making mechanism, the Hawke government’s strategic elite model, made the most of Labor policy to manipulate its politico-economic environment. For instance, the government...”was able to reverse entrenched, electorally unpopular ALP policy, as over uranium” (Gerritsen 1986: 51). In addition, since the decision-making process was controlled by certain people, well-known to the electorate, this strengthened the image that the government was really controlling the decision-making process.

This new machinery of the Hawke government was more than just a reaction to the perception that confusion pervaded the Whitlam government. According to Gerritsen it was a rational adjustment to the electoral requirements of making policy (Gerritsen 1986: 51). This was a result of the Hawke government’s efforts to secure predicability and stability in Government decision-making. It recognised the problem that the electorate abhors uncertainty. It was also a part of a strategy to restructure the parliamentary ALP policy making process to avoid the perceived failures of the Whitlam government. Thus, the Hawke government was better equipped for long term survival than was its predecessor (Gerritsen 1986: 52). It was the Hawke government’s strategic elite-led policy system that made it much more politically formidable than its predecessors.

The fact that the ministers of the Hawke government showed themselves to be tremendously competent, disciplined, and energetic managers of their departments -

together with the policy community's perception that the Hawke cabinet was the most talented and solid cabinet in modern Australian history - enhanced the popular perception that the Hawke government was superior on the basic criteria of successful government: leadership, unity, policy credibility and political professionalism. This does not mean that there were no tensions or conflicts among the three semi-official factions of the Labor Party, or between the Cabinet and the Caucus; there was in fact constant and continuing tensions and conflict (as seen in the MX missile crisis of 1985). However, unlike during the Whitlam government, such tension and conflicts were manageable and did not cost the Hawke government too dearly politically.

Finally, the figure of Hawke himself was another factor contributing to the effectiveness of his Cabinet. Hawke was regarded as an excellent Cabinet chairman. He played a more conciliatory role in Cabinet than Whitlam, controlling the meetings and giving direction to the discussion, but still giving great scope for autonomy for his ministers. Generally Hawke was concerned to conciliate, to identify the points of difference and then to reach an agreement. He was concerned as much, and at times more, with the process of decision-making as he was with the particular outcomes. Hawke also avoided the use of votes in Cabinet. He tended to seek to extend his consensual approach into Cabinet and always tried to ensure that decisions were made through consensus. Therefore, most decisions in the Hawke government were collective. Nevertheless, Hawke himself did not hesitate to discipline his ministers. The resignations of Mick Young and John Brown are examples of the casualties of the Cabinet discipline applied by Hawke. Only occasionally were there times when Hawke made a decision outside the Cabinet arena and tried to manipulate processes to that end. The MX commitment and Gulf War commitment are two such examples (Weller 1990: 24-25). This approach explains the predicability and continuity of Cabinet procedures under Hawke's leadership.

Weller (1990: 25) describes the Hawke Cabinet, in some respects as "the delight

of constitutional theorists, and as more readily fitting models of Westminster cabinets than many of its predecessors". It reverted somewhat to the Chifley model - one described as a "co-operative consultative style of decision making" (Hawker 1979:61). "It works as *a cabinet* , with collective decision making, established and predictable procedures, and the development of a consensus". (Weller 1990: 25).

Gruen and Grattan share other commentators' view that one of the factors contributing to the success of the Hawke government was its capacity to control the party, in particular the parliamentary party. According to them, the ALP under the Hawke government seemed to be far more flexible and compliant, willing to be persuaded and led. The Cabinet and caucus members were ready to accept the need for more discipline and less self-indulgent behaviour. "Only rarely did it become a fetter on what the government wanted to do" (Gruen and Grattan 1993: 3). This was why the Hawke government's Cabinet was much more stable than those of its predecessors, particularly that of Whitlam.

### **3.1.2. Managing the Bureaucracy**

In order to implement its programs and policies effectively and efficiently, a government needs an effective, efficient and responsive bureaucracy. An ineffective and inefficient as well as rigid, unresponsive and divided bureaucracy not only will vitiate program implementation, but also, in turn, create political trouble for the government. Therefore, it has become generally accepted that new governments had every right and concern to expect the bureaucracy to be cooperative rather than obstructive or apathetic. This expectation was implemented during the Hawke government.

The experiences of both the Whitlam and the Fraser governments had taught the Hawke government some important negative lessons about how relations with the Public Service should not be conducted. The Whitlam government had both distrusted and been distrusted by its bureaucrats. For its part, the bureaucracy was suspicious of the brash and expanded ministerial staff of the Whitlam ministers.

Moreover, the Whitlam government lacked policy co-ordination, and some senior bureaucrats did not necessarily follow the will of Cabinet or the will of the Prime Minister (Thomson 1989: 214). Some senior bureaucrats were appalled at the short-cut style of administration of that Labor government. The morale of bureaucracy was very bad. The bureaucracy turned on the Whitlam government in ways great and small, including leaking to the media with extremely damaging results (Gruen and Grattan 1993: 40). During this government - as well as during the Fraser government - there was a mutual suspicion between ministers and the public service. Some Whitlam ministers, for instance, believed that elements in public service were deliberately attempting to sabotage the government (Thomson 1989: 216). During the Whitlam years, the public service had been presented as the “pacesetter” for the Prime Minister's vision. Under Fraser, the public service was seen as a parasite (Thomson 1989: 215).

The Hawke government recognised the necessity to avoid the mistakes that both Whitlam and Fraser had made, if it wanted a successful working relationship with the public service (Thompson 1989:219). Therefore, unlike its predecessors, the Hawke government viewed the bureaucracy in a more positive and less confrontationist way. For Hawke, the bureaucracy was seen as an instrument for achieving its over-riding goals: macro economic reform; deregulation of market forces; managerialism; an export re-orientation; debt reduction (Wiltshire 1990: 39), and (more importantly), burnishing its image as a competent, efficient , stable and unified government. Nevertheless, the Hawke government was also aware that to achieve this objective, it had to launch some reforms of the public service. Attempts to codify these were made long before the Hawke government was elected. When the Labor Party was in opposition, it had been acutely conscious of the need to prepare effectively for government, as can be seen in the paper entitled “Labor and the Quality of Government” (Gruen and Grattan 1993: 41).

The first wave of reforms to the Australian Public Service was made in June 1984 when the government passed the Public Service Act (1984). The aims of all

these reforms were to improve the responsiveness of the public service to governmental priorities, enhance its efficiency and increase its concern with issues of equality within its own workforce and in the delivery of government services (Thomson 1989: 221). To this end the government strengthened the power of the ministers over the public servants.

The abolition of what used to be called the “second division” and its replacement with a Senior Executive Service (SES), removing central personnel agency functions from the Public Service Board, granting Department secretaries virtual autonomy on organisational matters (provided they stayed within the frameworks set by the budget and positions classification guidelines established by the Public Service Commission) and consolidation of administrative appropriations into larger program votes, effectively enabling secretaries to transfer funds across the range of functional input, were just some of the formal changes that the Hawke government made in its first term of office (Thomson 1989: 221).

The government also made other changes - greater openness in recruitment for senior executives; re-focused public service management attention on outputs rather than on process; and an innovative approach to organisational change, and in particular, a move towards less hierarchical structures. The government accepted the need for equality, fairness and representativeness in the public service. It also accepted and institutionalised the Ombudsman, Freedom of Information, the Administrative Appeals Tribunal and the Administrative Review Tribunal. Finally, in order to change the norms of the bureaucracy and strengthen the career service's capacity for policy formulation and implementation, the government made a fundamental change through the creation of a senior executive service (Thomson 1989: 222).

In order to lessen the potential tension between ministerial staff and career bureaucrats, the Hawke government assimilated the former into the fabric of ministerial government. This proved a success. Creating a panel to screen the applications for ministerial staff positions ensured that the Prime Minister could

control appointments to some extent (at least in the first few years of government), and that unsuitable choices were discouraged (Thomson 1989: 223).

The reforms outlined in the Public Service Act 1984 endorsed an active role for the Public Service in Australia's future policy programs construction and delivery. Even more fundamentally, it was concerned to define efficiency, effectiveness and equality in terms of greater accountability, and to usher in an educated, innovative administration that was responsive to community needs and the establishment of fair and professional standards of management and employment (Public Service Board 1984:3-4; Dawkins 1984: 2151-8).

In 1986-87, the Hawke government once again reformed the Public Service. Unlike the previous reforms, however, the 1986-87 reforms were more reactive than reforming. The Hawke government's initial reforms were mainly aimed at reaffirming and strengthening ministerial responsibility and control. Through this, it hoped every department could meet its goals and objectives (Dawkin 1984: 61). The latter reforms emphasised the need to accommodate more effectively the notion of "managerialism" (Gruen and Grattan 1993: 43). These were a direct response to the economic crisis of mid 1986, the \$ 1000 million blow-out in the budget deficit and Treasurer Keating's 'banana republic statements' (Thomson 1989: 224). Given the serious economic problems at the time, the government concluded that it had no choice but to cut back the public service and make it more efficient. Thus, according to Campbell and Halligan, under this framework, "there is a shift from administration to management, from a process orientation to a performance orientation and from central-agency control of transactions to managing for results" (Campbell and Halligan 1992: 165).

Some important reforms at this stage were that the government gave the Public Service Commission the power to transfer SES staff within the public service in the quest for efficient management of the Service. It also gave departmental secretaries more power to remove inefficient staff, and to switch monies between wages and other administration expenses. In addition, it abolished the right of appeal over

promotion of all, except junior, staff. The government created new redeployment and retirement procedures to facilitate the staff cuts. And finally, the government established an Efficiency Scrutiny Unit to systematically scrutinise public sector operations, and report directly to the Prime Minister (Thomson 1989: 225).

In 1987, the Hawke government restructured its Public Service yet again. Twenty six of the existing twenty-seven departments were changed into sixteen “mega departments”. It was argued that the government's objective in combining departments was that to gain a more rational use of limited resources ( Campbell and Halligan 1992: 180). It changed the ministry into a two-tier structure and amalgamated departments to achieve economies of scale by removing perceived competition, overlap and duplication. And finally the government abolished the Public Service Board, and gave its functions to individual departments and to a Public Service Commission (Thomson 1989: 227).

There is a general agreement that such a mega departments system has been productive (Gruen and Grattan 1993: 45). Codd (1990: 8-9) argued that these changes brought a range of benefits for the Hawke government. It enhanced ministerial control, produced better coordination and decision making processes, a broader perspective and greater scope of advice, and more coherence in policy advice and program development. It also allowed greater scope for delegation to portfolios, reduction in overlap and duplication, greater flexibility in operation and potential stability in machinery of government. The amalgamation of Foreign Affairs and Trade is one of the examples of this claim. Such a new structure has given a more practical edge to the needs of Australia in facing the problem of internationalising its economy.

In sum, despite some criticism that it had politicised the public service, the Hawke government largely achieved its aim of establishing an effective, efficient and harmonious working relationship with the bureaucracy. The government established strong political control over the bureaucracy (Campbell and Halligan 1992: 204). This, as a result, has contributed to the achievement of administrative

efficiency and improvement in budget processes, and enhanced policy co-ordination (Thomson 1989: 227). Contrasting the Hawke government with the previous governments, Campbell and Halligan noted that the Hawke government ministers had more control over the APS than had their predecessors. In their view, “the bureaucrats under the previous governments really were making recommendations and policy suggestions, but with this government that’s not so... the ministers tell you what they want” ( Campbell and Halligan 1992: 204). This means the policy capacity of the ministerial office was stronger than before, and there was a reduction in the capacity of senior bureaucrats to exert an improper degree of influence upon government policy. The political directions emanated from the political executive and the minister’s office, not from the department. “Far from bureaucrats dominating the scene and stage... the ascendancy has been really well and truly in the political corner” (Campbell and Halligan 1992: 204).

This argument of Campbell and Halligan has been supported by Pusey. In his research Pusey found that a considerable majority of senior executive service (SES) officers he interviewed had a great respect for the competence of the Hawke government. Although senior public servants often resented the “politicisation” of particular issues and problems, they nonetheless welcomed strong ministerial leadership. They believed that strong ministers and an effective, strongly-led and united cabinet were the indispensable first conditions of good government. Poor leadership, in contrast, was seen as the factor that most threatened the consistency and coherence of policy and management; strong control was judged the best bulwark against such problems (Pusey 1991: 66-67). It was in this respect that the Hawke government has been judged positively not just by the bureaucracy but by the Australian electorate as a whole.

### **3.2.1. New Policy Directions**

One of the worrying features of the Australian economy that the ALP government identified was the tendency of the Australian system to suffer wage

explosions whenever the level of demand in the economy increased significantly. Such above-average money increases seemed to lead to large surges in inflation and unemployment (Gruen and Grattan 1993:116). Ross Gittins, an economic columnist from *the Sydney Morning Herald*, recognised this problem - arguing that “every time our economy begins to climb out of recession and build up some steam there seems to be an explosion of wage demands which set the inflation rate off again” (cited in Stilwell 1986: 26).

This trend actually began after the election of the Whitlam government in 1972, and has been associated with the public perception that the Whitlam government was incompetent at economic management. The fundamental criticism of economic policy during the Whitlam years concerned the emergence of a series of “imbalances”, which were responsible for the deteriorating performance of the Australian economy. Amongst these imbalances were increased government deficits, a larger public sector, and higher inflation rates. Outstanding among these was so-called “real wage overhang”: the increase in the share of national income going to wages and the consequent high inflation and decline in the proportion accruing to profits (Gruen and Grattan 1993: 97).

When the Fraser government replaced the Whitlam government it made attempts to solve these difficulties. Prominent among these was the so-called strategy to “fight inflation first”. This involved the use of a wide variety of economic weapons such as restrictive fiscal, and monetary policies, an overvalued exchange rate as an anti-inflationary device, and submissions to the Arbitration Commission advocating real wage reductions. Unfortunately, these policies failed to solve the problems. From 1978 onwards the Fraser government's industrial and wages policies seemed conspicuously fruitless. This period was marked by the collapse of centralised wage fixing, the end of wage indexation and a wages explosion following the 1981-82 federal budget (see Davis 1989: 79).

As a result, when the Hawke government came to office in March 1983, Australia was almost at the bottom of the then worst economic recession for decades.

For the first time since the Great Depression of the 1930s unemployment broke the 10 per cent barrier, and economic activity had declined to a substantially lower level than at any time in the previous two decades (Gruen and Grattan 1993: 98). Inflation was 11 per cent when the Hawke government came to office. Unemployment rose unevenly from 5 per cent in 1975 to 10.3 per cent in mid-March 1983, while employment growth plummeted to minus 2.2 per cent and Gross Domestic Product (GDP) growth rate was also minus 1.0 per cent (see Stilwell 1993: 78). There is no doubt that one of the most important factors which contributed to Fraser's loss in the 1983 election was this wages explosion, which contributed to a severe bout of domestic stagflation (Kelly 1992: 50).

Thus Fraser, who had exploited the political benefits of Whitlam's failures, was felled by the same process in the 1983 election. His government had fallen at the same hurdle as the Whitlam government - its inability to hold together Australia's traditional system of centralised wage fixation, its craft union structure and strong demand conditions (Kelly 1992: 51). Like the Whitlam government, the Fraser government misjudged the essence of the economic problems of its time and preferred to concentrate on the symptoms instead of the causes (Kelly 1984: 428). The Fraser government left office having failed to find a method of securing sustained low-inflation growth. It failed to apply an appropriate wages strategy to handle the resources boom expectations which it had created (see Walsh 1991: 36). At times the Fraser government deflated the economy to get inflation down; but when growth took off it was unable to thwart a wage-price spiral.

The experiences of the Whitlam and Fraser governments encouraged the Hawke government to define politics largely in terms of careful economic management. It recognised that political difficulties faced by the Whitlam and Fraser governments were not political problems in their own right, but rather obstacles to the solution of or the impact of economic problems (Pusey 1991: 43-44). Therefore the Hawke government decided that "it would not have to confer a fixed program priority over the requisites of economic management" (Gerritsen 1986: 47). A stimulating article,

written by Gareth Evans in 1986, encapsulates neatly some of the lessons which the Whitlam government provided for the Hawke government. Evans argues that the Whitlam government had to “bear responsibility for the sheer inattention to economic discipline that was evident in the higher reaches of the Cabinet at least until the government’s last few months in office”. “The Whitlam government’s experience” ... “is certainly evidence that it is impossible to govern successfully in a difficult economic climate without a primary pre-occupation with economic management” (Evans 1986: 172).

In contrast to Whitlam, who insisted that economic difficulties were no excuse for avoiding reform, Hawke himself shared Hayden’s (1980: 240) view that sound economic management had become the principal factor in the ALP’s electoral strategy and the cornerstone of a successful Labor government. Hawke regarded economic management as paramount (McMullin 1991: 414), and recognised its importance for his political future. Failing to manage the economy properly, he believed, could have terminal consequences for the ALP, as was the case during the Whitlam and Fraser governments (Kelly 1992: 61). He argues “it didn’t matter what we achieved in the area of social reform or international relations, the government would live or die according to what it achieved in the economic field” (Hawke cited in *National Times* 15-20 March 1976). This means, like other political parties, Labor would henceforth have to contest elections primarily on its capacity to manage the economy and solve economic problems (Maddox 1985:223). As a result, almost all areas of policy under the Hawke government were correlated with the idea of promoting sustainable economic growth (Stutchbury 1990: 54).

Unlike the Whitlam government, which did not seem to see the connection between wages and inflation and unemployment, the Hawke government regarded wages control as a essential for sustained economic recovery. The Hawke government saw incomes policies as the best way to solve the economic problems affecting Australia. It believed that income policies could control inflation whilst simultaneously enabling fiscal and monetary policies to encourage the smooth

conduct of economic activity and employment. The argument was that the government would be able to stimulate economic growth through considered fiscal and monetary stances if the trade unions would agree to restrain real wage increases. This would avoid the previous episodes of wages-led inflation. Also, it would ensure that the profit share of national income was boosted. This, in turn, would elevate business investment in new productive capacity and sustain the initial growth kick-start from fiscal policy (Stutchbury 1990: 55). However, since the basic efficacy of an incomes policy requires wage restraint, then it cannot be attained without the voluntary support and co-operation of trade unions. Therefore, the ALP needed an agreement with the ACTU to achieve substance and credibility in the key element of its electoral strategy: its capacity to deliver economic recovery through the medium of an incomes policy (Singleton 1987: 4).

### **3.2.2. Consensus Politics and the Accord**

As was mentioned in chapter one, during the Whitlam governments' period in office there were conspicuous grounds for policy and public friction between the political and industrial wings of the labour movement. This problem re-emerged during the Fraser government years. Like the Whitlam government before it, the Fraser government never achieved a harmonious relationship with the unions. The issue of wages become one of most important factors causing conflict between the unions and the government (Singleton 1990: 55). On this critical issue, Fraser's predilection for confrontation made any viable trade-off or accord with the trade union movement impossible (Kelly 1984: 428). The unions were uncomfortable with the Fraser government's inflation-first strategy, which suggested that a high level of unemployment sustained for considerable period was necessary to block unions from seeking excessive wage increases and thus to dampen inflationary expectations (Hughes 1979: 40). As a result, the unions opposed every policy the government proposed because they believed that such moves adversely impacted upon the living standards of union members. For instance, they attacked the cut in federal funds for

housing; the privatisation of the Medibank scheme; a reduction of education expenditure; and taxation on most welfare benefits (Sheehan 1980: 124). The lack of voluntary support and co-operation of the unions (not only because they did not have the constitutional power to control them) caused the Fraser and the Whitlam governments to fail to control wages and price increases.

Unlike Whitlam and also Fraser - both of whom had regarded the unions negatively and therefore kept them at a distance - Hawke viewed the unions more positively, seeing them as having the capacity to assist Labor's economic management. As the then-ACTU President, Hawke knew the problems the unions had produced for both Whitlam and Fraser, and how the power of the unions was firmly established in Australia. Hawke realised how potentially damaging the negative relationship he knew the Fraser government and the unions had had and was determined to avoid that in his administration (Kelly 1992: 61). From the early stages of his government Hawke adopted the basic position that a successful Labor government had to be based on the trade union movement. In this Hawke's interest was not only limited to making the unions more cooperative but he wanted a more positive relationship between the unions and his government. Hawke saw industrial relations as an extension of the predominant political relations at any given time (Carney 1988: 66). He recognised that every industrial issue contained a good deal of politics (Lewis and Spiers 1989: 202). Learning from the Whitlam and Fraser governments, Hawke was aware that the politics of 1980s would be very much centred on industrial relations. Therefore, he believed that benefits for the unions had to be achieved through the political process, not by unions taking industrial action. Since the strategy had to be political, not industrial, this meant the unionism had a vested interest in helping Labor govern in the national interest and staying in office (Kelly 1992: 283).

Seeking to avoid the style and the economic management practices of both the previous Whitlam and Fraser governments, the Hawke government offered a new direction in government, *reconciliation and consensus*. Central to the consensus

strategy was the open recognition by the Hawke government that there was a large degree of mutual interest among the major participants in the Australian social and economic system (Hawke 1984: 39). By consensus, the Hawke government signalled that it would base its strategy for managing the economic and social problems of recession and recovery on a close association, instead of confrontation, with the organised trade union movement, and at the same time, seek to accommodate business and harmonise the relationship between capital and labour (McEachern 1986: 25). In other words, the Hawke government expressed its intention to embrace and consult with these community interests, hoping to gain their acceptance and the support of government policies designed to produce economic recovery (Singleton 1985: 12). Labor's consensus politics, therefore, was a product of a process of a revision in thinking and policy decision-making engendered in response to perceived past Labor policy-making failures, the confrontationist style of the Fraser government, and existing economic and political problems.

The chief instrument of consensus was the Prices and Incomes Accord. The Accord was an agreement (or a compact) for a partnership in office that was reached between the ALP and the ACTU just prior to the federal election of March 1983. The document covered every area of domestic concern such as the economy, industrial relations, tax, welfare, foreign investment, health, education, industry and immigration issues. But the primary objective of the Accord was to thwart a wages breakout during periods of strong economic growth and thereby deliver sustained growth. Therefore, wages policy became the heart of the Accord and the principal device whereby the Hawke government and unions sought to reconcile their goals:

A mutually agreed policy on prices and incomes in Australia for implementation by a Labor government ... offers by far the best prospect of enabling Australia to experience prolonged higher rates of economic and employment growth, and accompanying growth in living standards, without incurring the circumscribing penalty of higher inflation, by providing for resolution of conflicting income claims at lower levels of inflation than would otherwise be the case (Accord: 2).

The economics of the Accord was very different from the Fraser government's "restrictionist" or "monetarist" policy approach. The stagflation of the 1970s implied

that attempts to secure full employment, would be accompanied by accelerating inflation. To decrease inflation, therefore, the government had to slash the growth of the money supply. The method used was to cut the public sector call on capital markets by winding back the government's budget deficit. The macro-economics behind the Accord abandoned these diagnoses and prescriptions. Instead it maintained that fiscal policy was the best device to apply to cyclical demand management. An expansionary fiscal policy, the Accord held, was required to kick-start the economy. The Hawke government saw inflation mainly as the consequence of interest group struggles for income shares. This, it thought, could be resolved by a political agreement with the economic actors, particularly the unions, rather than by forcing up unemployment (Stutchbury 1990: 56). Therefore, unlike the Fraser government's wage freeze - which was perceived as a unilateral imposition - the Labor Accord would build consensus into the process and limit the socially divisive consequences of wage restraint over time (McEachern 1991: 40).

The Accord can thus be seen as a documentary set of policies determined by the ACTU and the Government and directed at stimulating economic recovery and reducing unemployment and inflation through a comprehensive prices and incomes policy and through full wage indexation imposed via a centralised wage-fixing system. In return, an incoming Labor government was to implement "social wage" improvements to social security benefits and a range of other helpful policies designed to promote union objectives (Singleton 1987: 1).

It is clear, however, that the Accord was not only the basis of Labor's credentials for sound economic management (a comprehensive incomes policy for achieving economic growth, low inflation and low unemployment) but was also, as Hawke himself recognised, "encompasse [d] a spectrum of economic, industrial and social policies and provides a framework for continuous consultation and co-operation between the government and the trade union movement" (Hawke 1984: 40). And more importantly, it was a fundamental political instrument and the basis for the Hawke government's electoral strategy. Politically, the importance of the Accord

was that it has created a close, interdependent relationship between the government and trade unions. For the government, the Accord provided a way to handle the demands of the organised unions in manageable trade-offs, vital to winning elections. First, by entering into an agreement with the ACTU, which linked economic growth and recovery to consensus, the ALP hoped to convince the electorate of its capacity to govern Australia through the difficult economic time ahead. Second, through the Accord, the Hawke government indicated that it had a capacity to handle one of the main actors in Australian political and economic life, the unions. This signalled that the Hawke government was able to reconcile three different set of interest: the essentially economic self-interest of the unions, a sound national economic policy and its own electoral drive.

For the unions, the Accord provided a formal channel to the political, economic and social policies-making process. In return, the union movement offered industrial discipline and wage restraint. Thus the Accord was both the product and tool of closely related objectives within the political and industrial wings of the labour movement, the instrument for achieving their disparate but interrelated economic, electoral and philosophical objectives (Willis 1979: 6). It incorporated a policy process, the willingness of the trade unions and the government to negotiate their differences and to pursue policy solution in Accord. In this sense, the Accord, to borrow Gerritsen's words, comprises "a set of attitudes which make possible a "bargained bilateral" relationship between the government and the unions" (Gerritsen 1986: 49). Gruen and Grattan saw the Accord in even broader terms: "as a relationship between the Labor government and the union movement - as a process both for making deals and for settling problems as far as possible to the mutual benefit of two parties" (Gruen and Grattan 1993: 111).

The Accord - together with the personal popularity of Bob Hawke - provided a the basis for a very marketable package - a charisma-led recovery, with co-operation from the union movement (Stilwell 1986: 24). The Hawke government cleverly turned the special relationship with trade unions to its political advantage. The co-

operation of the trade unions was presented to the electorate as evidence that the Hawke government could work constructively with the unions in contrast to Whitlam's dismissive style and Fraser's confrontationist stance towards the unions (Singleton 1990: 126).

### **3.2.3. Embracing Business**

The Hawke government was aware that the Accord was only one element - and an insufficient one in that - in shaping its policies and electoral strategies. It recognised that it was important to co-opt business groups into line with the Accord principles, if even part of the Accord was to be implemented successfully (Teicher 1987: 20). Experience indicated that to achieve a successful prices and incomes policy, it is not enough merely to get support from the unions, but at a minimum the support of business is needed as well. Labor politicians recognised the reality of the social and economic dispersion of power in which organised business (with organised unions) was one of the major players. Business' relationship with the government is pivotal to the workings of the political and economic process. Business, together with labour and government, had sources of potential power at their disposal (McEachern 1991: 11). Therefore, in order to advance its broader political program and, more importantly, to get the business support necessary for maintaining office, the government needed to be more accommodating towards the needs and claims of business (McEachern 1991: 10). At the minimum level, it had to be able to avoid intense, united business bitterness which could frustrate its efforts to be seen as "a good economic manager" (McEachern 1991: 7).

The need for cooperation with business was also exhibited in the government's effort to undermine the image of the perceived interventionist style of the Whitlam government. There was a recognition that the economic disarray surrounding the descent of the Whitlam government was partly sustained as impact of inappropriate government intervention in the economy. Such interference, whether failed or successful, was seen at the very least as fuelling business hostility and opposition to

almost every government policy. If continued, this, in turn, would make it difficult for a government to devise strategies for re-election. Therefore, if the Hawke government wanted to seek economic restructuring without recourse to massive state interference (which would lead to active opposition by business), then the government would need to tailor its actions to projects endorsed by or at least acceptable to private firms and sectors (McEachern 1991: 7).

For this reason, the Accord was cemented at the National Economic Summit in May 1983. The Summit was attended by representatives of the union movement, state governments, business groups and consumer and welfare organisations. Despite a lot of criticism and debate prior to it, the Summit was widely regarded as a tremendous success. The Summit participants released a Communique which formalised the new agreement and was much more comprehensive in terms of the incomes groups covered by the arrangements, and instruments set and the objectives to which they were assigned than the original Accord document (Lloyd 1985: 16). It added a number of details; proposing a return to a centralised system of wage fixing based on the Arbitration Commission and agreeing that “income of the employed should increase in line with increases in productivity”. It agreed to a prices surveillance instrument, supported an active government industrial development policy; committed the government to a reform of the taxation system; and indicated a number of areas where the government could improve the “atmospheric conditions” for private business - that is, by making compromises which would increase the profitability of some sectors (such as through improved transport and infrastructure and export incentives). But, most important, was the fact that the Summit Communique enunciated a new set of principles for policy making based on an effort to derive a national consensus from a framework of (albeit symbolic) tripartite consultations. For this aim it supported the establishment of an independent representative economic advisory body, called the Economic Planning Advisory Council (EPAC) (Lloyd 1985: 16).

The Summit was significant in attempting to move from a bipartite agreement

(statement of Accord) to a *tripartite* agreement. It was a brilliant strategy launched by the Hawke government for co-opting the representatives of business groups - although not as clearly organised as the trade unions in terms of a single peak council - to get involved in the decision-making process. It was a vehicle whereby the government was not only able to flesh out the details of the economic strategy to be used and refine the terms of the original Accord document (McEachern 1991: 24) but also to co-opt business into a broader recovery strategy. It secured compliance of business with the government's economic model, the Accord, and at the same time it established new positive image among the business groups that it was a "business government" (Kelly 1992: 68). This resulted in some significant changes in the nature of business's commitment to the government policy. At the very least, it meant the government had minimised the likelihood of criticism from business on most of those elements in the Accord which indicated the government's potential for intervening in the economy.

The fact that the Summit endorsed a communique which contained all the Accord features, although it made no formal commitment to the Accord itself, indicates the tremendous success of the government's strategy. Since the communique was ratified by all of the participants, except the representative of the Queensland government, the Summit reflected a major achievement in consensus policy making which made a clear break from previous methods of policy making. "The upshot was a liberating circuit-breaker which banished the disintegrating confrontation of the Fraser era and ushered in Hawke's consensus-based approach" (McMullin 1991: 418). Thus, in Kelly's view, the Summit, in its atmospherics, repudiated the class bias of ALP politics: "It was a political idea which Hawke used as a substitute for Labor ideology of class conflict; which he, along with most the modern ALP, repudiated" (Kelly 1992: 272). The Hawke government succeeded in establishing what Katherine West describes as a style of government based on the three major power blocs in Australia society: government, big business and unionised labour (West 1984: 3). This approach has made it easier for the

government to manage and control community politics.

The Summit was an example of coalition-building in action - the virtuoso performance of an essential political task - and the coalition Hawke built extended far beyond his base within the ALP. It is undoubtedly the case that the Summit was the transparent proof of Hawke's intention to translate his influence as an election winner into a central policy role. This, in turn, laid the foundations for Labor's continuing political domination at the federal level. As Mills (1993: 37) insisted, "while the Summit fulfilled Hawke's deep yearning to bring balm to a troubled nation, it was also the vehicle of his own ambition to exercise personal political supremacy, in the Labor Party and in the nation".

The Hawke management style provided economically more favourable results than did Fraser's. Many business executives believed that they had been able or would be able to achieve company goals they could not achieve under preceding governments. The business community saw the Hawke management style as the best hope Australia had to prevent further decline in the Australian economy and to increase international competitiveness (West 1984: 8). They shared the Hawke government's primary concern for increased growth and reduced inflation. Economic success (and the weakness of the conservative forces in politics) enhanced the position and image of the Hawke government (McEachern 1986: 26). The fact that the Accord has not only benefited both the government and the unions, but also business as well made many companies were generally happier with the Hawke government than with the preceding Whitlam or Fraser government styles of economic management (West 1984: 9).

The Hawke government's more conciliatory - compared with Fraser's more polarising - approach to political and economic problems has also enhanced this business community view (West 1984: 9). The fact that the Hawke government rhetorically defined private business as an ally and not an enemy and attempted to have business support in managing a response to the recession enhanced the positive attitude of business towards the government. The Hawke government never blamed

business for the recession it subsequently faced. Instead it repeatedly acknowledged that a healthy private business sector was an essential part of its recovery strategy. At the formal level, the Accord indicated the government's desire to use it as a means for restoring the conditions for private sector profitability. For example, it clearly facilitated business investment and profitability through increased private profit shares.

Thus, business reluctance to criticise the government was not necessarily based on approval for the government's consensus-based policy, but rather on a grudging recognition of some of the benefits that business could gain from it and substantial doubts about the electoral and policy viability of the Coalition parties. It seemed that there was no other choice for business, but to co-operate with government-led policy. "Given government offers of co-operation and a trade union movement willing to talk in friendly terms, what else could be done?" (McEarchern 1991: 87). With a newly-elected, popular, pragmatic Labor government supported by ACTU and a demoralised opposition, stark business hostility was like to prove counter-productive. As the then Director General of the Confederation of Australian Industry, Bryan Noakes (1988) acknowledged:

We had a government which had just won an election with a very large majority, which had a contract with the trade union movement - a written contract - which tied it hand and foot. Our task, as we see it, is to work with government, not against government in the general sense, but to work with governments to the extent that we can in an attempt to get the best results possible for our membership under given set circumstances and I believe we did that in the economic summit. That does not mean to say we liked it ... but we had to live with the political reality of a new government with a large majority and written contract with the trade union movement (cited from Carney 1988: 66-67).

To enhance its image and position necessary to capture conservative votes, Hawke deliberately and successfully used the rhetoric of social order, the language of consensus and patriotic appeals to national solidarity (West 1984: 2). The failure of the Fraser government's confrontationist style was used to discredit the Opposition, and at the same time to establish a new image for Hawke's leadership. Hawke's leadership style appeared to share responsibility for the political and

economic program the ALP would have undertaken in any case. Here, the notion of consensus was used in its broader meaning: a sense of responsibility on the part of its main actors for any of its policies (West 1984: 11). This was very important, particularly in preventing damaging business criticism of the kind that would attack the political credibility of the government as well as its electoral image. By linking economic recovery and consensus, the Accord minimised criticism from the opponents of the Hawke government's electoral strategy. If the opponents criticised the government's grand plan, then it could be alleged that they were opposed to economic growth and recovery, that they were divisive, and antipathetic to long-term survival needs of Australia (Dabscheck 1989: 45). As a result, the natural political hostility felt by many sections of business to the Labor government could be contained (Pemberton and Davis 1986: 55). This, in turn, gave the Hawke government flexibility in arranging and re-arranging its priorities with little serious opposition (Pemberton and Davis 1986: 6).

The electoral success of the Hawke government was not simply the product of business support for it, but the Hawke government never faced united, public and virulent business opposition whenever it went to an election. As with the unions, it seemed that the Hawke government succeeded in managing the relationship with business more effectively than any of its predecessors. It succeeded in garnering support from some sections of business, neutralised or contained the suspicions of others, and profited from divided and uncertain business support for its political opponents. Certainly, this was not an accidental product of circumstances but the result of the Hawke government's political skills and calculation (McEachern 1991: 152).

#### **3.2.4. Managing Exogenous Economic Shocks**

Besides the tendency of the Australian system to produce wages explosions, one of Australia's most serious and intractable economic problems is the continued poor performance of its balance of payments. Although Australia has traditionally been a capital-importing country which runs persistent current account deficits, during the

1980s the size of these deficits increased dramatically, resulting in a substantial build-up of Australia's foreign debt. This trend had actually begun long before the Hawke government came to office. However, the problems became more serious after that.

One of the most influential economic decisions of 1980s was the floating of the Australian dollar and the deregulation of the financial system, announced by Paul Keating in December 1983. The aim of this float was to expose Australia to the anti-inflationary discipline of overseas forces (Kelly 1992: 77) which resulted from a capital inflow crisis in October 1983. This crisis became worse in December, resulting in too much speculative capital inflow. This capital inflow crisis undermined government efforts to contain inflation through the Accord. Furthermore, since that capital inflow was not equity capital but debt capital (borrowed funds), it actually increased the Australian foreign debt. The crisis made it obvious that the international markets - notwithstanding the managed exchange rate - were able to disrupt domestic interest rates and the money supply. It was clear that the existing managed exchange rate system could no longer halt massive capital flows boosted by speculators to force the Australian dollar upwards or downwards for their own profit (Kelly 1992: 80-81).

The ideas underpinning financial deregulation were a belief in markets, a faith in competition and a conviction that the economy must be internationalised. This was a fundamental shift in Labor politics (Kelly 1992: 93). The argument behind this strategy was that since the future was unpredictable and the Australian economy could not escape from the impact of international market development, then the best tactic was to stake national progress on the market rather than on failing regulatory mechanisms (Kelly 1992: 77). In other words to let the speculators speculate against each other, rather than the Reserve Bank. Thus financial deregulation was driven by the change in the world economy and the growing international isolation of financial markets (Kelly 1992: 91). The centrepiece of this deregulation consisted of four main reforms: "surrounding official control of the exchange rate; abolishing

exchange control over movement of capital inside and outside Australia; deregulation of interest rates; and foreign bank entry” (Kelly 1992: 76).

The Hawke government soon saw financial deregulation as a fundamental element of its economic strategy. Keating described the financial system as “the economy’s main artery; improve its efficiency”, he believed, and “the body functioned better”. For him, financial deregulation was a basis for achieving economic growth, for improving economic efficiency and for maintaining anti-inflationary discipline. Thus, it was believed that deregulation meant a more efficient financial sector and that market forces, not official intervention, would better direct capital to achieving a more efficient economy. Labor drew a new equation: deregulation would promote growth and help to reduce inflation (cited from Kelly 1992: 92).

As stated by Kelly (1992:77), “Financial deregulation in tandem with the ALP-ACTU Accord came to be the twin pillars of Labor’s unusual economic management model...they provided the ingredients for Labor’s 1980s growth strategy”. As Kelly also argues: “The mixture of the float and the Accord, meant that while the government let the financial markets operate on market forces, the labour market still relied on political agreement. The float was to secure a major depreciation, while the Accord was to achieve wage restraint to retain the competitive advantages of the depreciation. This, in turn, would supposedly attack and eradicate the balance of payments weakness and the constraint it imposed on growth and employment” (Kelly 1992: 93).

But more importantly, states Kelly, “the float transformed both the economics and politics of Australia. For the Labor Party, the move to financial deregulation was a step of historic dimensions. Philosophically and methodologically, financial deregulation was a convincing break with ALP dogma” (Kelly, 1992:76). Throughout its history the Labor Party had sought to develop the capitalist economy through the intervention of the state. The float “signalled the dissolution of the old Australia - regulated, protected and introspective, and harnessed the Australian

economy to international marketplace” (Kelly 1992: 76). By means of the float, the Hawke government sought to improve the economy by unleashing the weapon of the market. Through the Accord and financial deregulation the Hawke government had put in place a remarkable affiliation of organised labour and capital markets.

The political impact of the float was almost greater than its monetary effects. Most important, it locked in a de facto alliance between the government and the financial markets. The liberalisation of capital movements has given the business community greater leverage over economic policy settings (Gruen and Grattan 1993: 139). The dismantling of controls on capital movements meant that economic policies became more favourable to business interests. It made Keating the hero of the markets. For a while Labor became the fashion within the financial sector and even in sections of the corporate sector. The float turned politics upside down because Labor displayed courage where the Liberals had “squibbed the issue” the previous year. In electoral terms, the float was used by Labor to clinch what was supposedly Liberal terrain - it pushed non-Labor to the right. The Hawke government practised its skills in torturing the Liberals. In fact, it mocked them for the decade as the deregulators who had been too scared to deregulate. It was the Labor government which had delivered for finance, business and markets. “It never let the Liberals or the markets forget” (Kelly 1992: 94). Finally, it brought the Opposition into disrepute among its own supporters because Labor had shown more faith in market forces than the Liberals (Kelly 1992: 77).

### **3.2.5. Managing External Problems**

As stated by Gruen and Grattan (1993:101), “during early 1985 increasing economic and political problems emerged, including a growing awareness that Australia faced deep external problems. After June 1985 Australia's terms of trade declined quite sharply - by about 10 per cent, compared with a long term average decline of about 1 per cent per annum”. The Australian dollar plummeted in value by about 30 per cent in the first half of that year. By early 1986 it was obvious the crisis was more serious than had been foreseen. In 1986, the current account deficit blew

out to 6 per cent of GDP as compared with 4.5 per cent in 1985 (Kelly 1992: 197). In mid-May 1986, the Hawke government came face-to-face with its fundamental political dilemma of the 1980s. This engendered a sense of economic crisis. On a talk-back radio program, Keating warned the nation that if the situation were not addressed, then Australia faced the risk of becoming a “banana republic” (cited from Singleton 1990: 166).

Kelly (1992:200) states that “there were three factors responsible for the rapid deterioration in the current account deficit - the resources boom, excessive domestic spending, and the terms of trade decline - [but they] merely reflected deeper structural issues. In the first place, many commentators saw the existing current account deficit to be the result of [Australia’s] failure to move towards a more diversified export base with more raw materials processing. Australia was forced to face the realities of international trends in 1986, when the terms of trade for raw materials, including petroleum, fell to the lowest levels in recorded history. The two further underlying issues for Australia at the core of its current account deficit crisis were its lack of international competitiveness and its inability to generate higher national savings to reduce its call upon overseas saving”. The problem was that strong domestic growth was spilling into a level of imports which Australia was unable to finance through its exports.

Kelly also states that “the 1986 crisis was quite different from the expectations of 1983, when Hawke came to office to end Australia’s recession through a new compact with the unions. The crisis generated awareness within the government that the recovery it had made contained a nasty shock. The crisis, to some extent, revealed the structural and competitive deterioration of the economy namely poor productivity, reliance upon raw materials exports, and inadequate national savings to fund investment. This legacy of decades confronted Labor with electoral and philosophical challenges as severe as any in its history” (Kelly 1992: 219). On the one hand, the crisis represented a “confluence of short-term economic policy and long-term cultural traditions” (Kelly, 1992:196). Once again, the crisis was a

warning and an admission that Australia's underlying institutions and ideas (protection, regulation, introspection, arbitration and commodity reliance) drastically required drastic (Kelly 1992: 197). The crisis required an assumption of responsibility in government if the Hawke administration was to sustain the claims to sound economic management that was the basis of its electoral strategy (Singleton 1990: 166).

Confronting ways of addressing the current account deficit crisis while avoiding a recession, forced the Hawke government to change Labor's traditional policies dramatically. As a result, the Hawke government moved decisively towards a free market economic rationalist agenda which flew in the face of ALP policy tradition. Further, the government moved from public sector expansion to contraction (Kelly 1992: 211).

This inaugurated a new era in Australian economics and politics which was to endure far into the 1990s (Kelly 1992: 196). Firstly, government, through the framework of the Accord, persuaded the ACTU and the then Arbitration Commission to reduce the rate of money wage growth below the rate of the growth of prices. Under the terms of the original Accord, the increase of 2 per cent in inflation would have meant a corresponding increase in award wages. But the government recognised that such an increase would in turn increase labour costs (costs of production), which would undermine the international competitive advantage of Australian products. This, in turn, would increase the balance of payments deficit. Therefore, the government needed to offset the rising costs of production. As a result, after a considerable period of negotiation, the Accord was renewed to become the Accord Mark II. Under this new formula, the ACTU agreed with the government proposal to a 2 per cent discounted wage indexation in order to prevent a debilitating upward spiral of costs and prices as the effect of the dollar's depreciation took hold. In addition, a national productivity-based pay rise was deferred. This was subsequently awarded as a 3 per cent employer contribution to superannuation (though the Arbitration Commission disallowed this in 1987).

Promised tax cuts were also deferred until later in the year. Thus, the Accord Mark II was designed to cut real wages in order to hold the competitive gains from depreciation (Kelly 1992: 206). This first re-negotiation of the Accord was highly important. It broke down the previous commitment to full wage indexation and showed how much the government was concerned to accommodate employers' and the nation's interests (Stilwell 1993: 72).

Later on, Accord Mark II was re-negotiated, in response to the continuing deterioration in Australia's balance of payments during 1986. It was already clear that the dramatic fall in Australia's terms of trade was swamping the effects of the two per cent previous wage discounting (Stilwell 1993: 73). It also became apparent that wage indexation was inappropriate in the present economic climate and that the problem of restrictive work practices had to be addressed. Further, there was a recognition that full wage indexation was incompatible with redressing the balance of payments slump. Put simply, the depreciation would make or break the Accord as wages policy. Therefore, while the government slowed the economy moderately by tightening both monetary and fiscal policy, a further discounting of wage indexation was important to reduce real wages so that Australia's international trade competitiveness would be increased while at the same time it acted as a 'circuit breaker' on the domestic wage-prices spiral. The result was Accord Mark III. Under this new formula, the ACTU and government agreed to implement a two-tier wage system to replace wage indexation. The arrangements established in the National Wage Case of March 1987 involved a first-tier increase of \$ 10 per week in award wages and salaries, while giving agreement to a further wage increase of up to four per cent of existing wages and salaries. But to achieve this four per cent, there would be guidelines involving the elimination of restrictive work practices. Therefore, this Accord Mark III, as many employers recognised, involved a further shift away from a cost-of living criterion towards a productivity-based criterion for the determination of wages.

This strategy proved a success, at least temporarily. In spite of the economic

slowdown the budget deficit was further reduced, by more than \$ 2 billion in 1987-88. Although unemployment increased marginally (from 7.6 per cent in June 1986 to 8.5 per cent in March 1987), as the result of the economic slowdown and a commodity price recovery driven by an unexpected rebound in international economic activity, the current account deficit was reduced from over 6 per cent of GDP in 1985-86 to 3.7 per cent two years later (Gruen and Grattan 1993: 102). The government reined in its budget deficit and ran budget surpluses for three years after 1986-87; the size of the government was reduced, and so was inflation.

The improving economy from 1986 to 1987, enhanced the perceptions of the competence of government, in particular of Treasurer, Paul Keating. The Hawke government proved its claim to be a sound economic manager. It showed it could handle a the “banana republic” crisis with both discipline and competence. This success provided the opportunity for the government to call an early election in July 1987. “Capitalising on politically debilitating feuding within the Opposition Liberal and National Parties, the government was returned to office only a year after the trough of the balance of payments” (Stutchbury 1990: 66).

### **3.2.6. The 1987 Share Market Crash**

The ALP's victory at the 1987 election saw the Hawke government succumb to a complacent euphoria about its ability to manage Australia's economic difficulties. Hawke and Keating declared that in the first half of their third term Australia's problems had been solved. Hawke pledged sustained rises in living standards; Keating declared his economic management was “bringing home the bacon” (cited from Kelly 1992: 362). However, the economy remained shackled by a large foreign debt burden, which required further policy attention. The commodity price recovery in international markets in fact did not produce a commensurate improvement in the economy's external account (Stutchbury 1990: 65). At the same time a series of surprise events, of which the most surprising was a consumption and investment boom (Kelly 1992: 361), made the situation worse.

Emerging complacency about Australia's economic predicament was halted by

the international share market crash in October 1987. Following a massive drop in Wall Street share prices, the Australian All Ordinaries Index dropped by 25 per cent on 19 October 1987. As a result, \$9 billion was shaved off equity values during the course of the day. By the end of the month the All Ordinaries had fallen to 44 per cent below its peak of mid-September. The crash created panic in Australian market (Stutchbury 1990: 68). This panic translated into political pressure on the government to respond.

Despite political pressure to do something in response to the crash, the Hawke government chose a wait-and-see approach. Keating, the architect of policy during this period, had chosen a gradual response to the share market crash. He choose to ride out the late 1987 climate of uncertainty rather than exploit it. While the post-crash recession did not eventuate, the event nevertheless gave impetus to the micro economic, or structural reform policy agenda. In May 1988, seven months after the crash, Keating brought down a further modest tightening of fiscal policy plus a series of industry reforms. The government decided to cut new budget outlays by \$ 982 million and targeted a budget surplus of over \$ 3 billion in 1988-89, with another round of spending cuts yielding \$ 1 billion in savings (Kelly 1992: 384).

Simultaneously the government sought further agreement with the ACTU. The result was the Accord Mark IV, a combination of centralised wage-fixing through the National Wage Case, tax cuts and award restructuring. Its aim was to maintain both real wages and employment growth, and thus ensure the continued support of the ACTU (Singleton 1990: 173). This new arrangement embodied a two-tier system, in that all workers became eligible for a 3 per cent pay increase from September of that year, subject to their agreeing to review the awards under which their wages were determined.

In the end of 1980s, once again, the flexibility of the Accord was tested. This time the government was facing a renewed, chronic foreign debt problem, and a continuing deficit in merchandise trade. To solve this problem, again the government negotiated with the ACTU. The result was Accord V, a multi dimensional wages

policy - the outstanding wage-tax trade off - linking award restructuring to substantial pay increases; and supplementary payments for low-paid workers (Singleton 1990: 174). Finally, in the early 1990s the government revised this Accord Mark V, which resulted in Accord VI and facilitated a reform of trade union structures and the award system. This new formula was an effort to develop a system that would deliver an aggregate wage ceiling while redefining the segmentation of organised labour along enterprise lines. Its aim was to achieve productivity and profitability for Australian industry (Ewer, et al 1991: 56). Under this new formula, there would be a 1.5 per cent wage increase for December 1990 quarter, plus a flat \$12 per week six months later. This was to be augmented by a tax cut from January 1991, averaging \$7.85 per week. And it was agreed that additional over-award payments could be gained through demonstrable productivity increases by workers in individual enterprises. Thus Accord Mark VI put the onus even more strongly on the productivity-based agreements as the means through which individual groups could raise their real wages (Stilwell 1993: 76).

As a result, by mid-1988, the economy appeared to be performing to plan. The “mini-recession of 1986” (Stutchbury 1990: 70) had given away to solid economic growth and lower unemployment. At the same time the current account deficit was shrinking and inflation was decelerating. Australia finished the 1980s with renewed appreciation of the benefits of low inflation: that it encourages national savings, international competitiveness, better living standards and, in its own right, better equity. The Hawke government claimed that its economic strategy had achieved substantial success in reducing stagflationary unemployment and inflation simultaneously.

The 1980s was a most unpredictable period. The sharp and massive external shocks imposed upon Australia made economic management a high risk exercise. The Hawke government had to deal with a sharp fall and then a sharp rise in Australia’s terms of trade. This meant that there was uncertainty which led to a high risk of policy miscalculation (Kelly 1992: 385). But the Hawke government sensed

the danger, took up the challenge, and successfully confronted the problems through three main avenues. Firstly, it sought to improve Australia's international competitiveness primarily by securing money wage restraint and thereby real wage reductions negotiated under the Accord framework. Secondly, it made structural adjustments to the economy. This strategy consisted of a variety of measures, mainly deregulatory (for example, deregulation on the banking and financial sectors) designed to increase market competitiveness and so improve the economy's ability to utilise resources efficiently. Thirdly, it introduced fiscal austerity, consisting of real reductions in federal public expenditures and producing federal budget surpluses (Smith and Mahony 1993: 40-44). The problems of the 1970s and 1980s, however, had been quickly superseded by the economic problems of the 1980s: mounting external account deficits, rapidly escalating foreign debt and a sharp decline in exchange rates (Stutchbury 1990: 75). By the end of 1980s, it became clear that the problems of a chronic foreign debt, and a deficit in balance of trade, had not yet been solved. As a result, Australian foreign debt mounted from 7 billion in June 1980 to 150 billion by late 1992, or from about five per cent to 32 per cent of GDP (Kelly 1992: 680). While the inflation rate fell to below 3 per cent, unemployment moved above 11 per cent. Later on, this was to become a serious political and economic problem for Paul Keating's leadership.

### **3.2.7. The Economic Impact of the Accord**

In order to know how far the Accord contributed to the Hawke government's electoral success, in the first place we have to know how successful the Accord was economically. Put simply, the economic success of the Accord would be transferred directly to political support for the government which instituted it. The more successful the Hawke government was in managing the economy through the Accord, the more it would be seen as a competent economic manager and the more electoral support it would gain.

The dilemma in assessing the impact of the Accord is that we cannot know what might have happened in its absence (Lewis and Spiers 1989: 2). Moreover, since the

policy instruments are interdependent, it is difficult to isolate the effects of various aspects of a policy such the Accord. In addition, it is difficult to isolate the effects of the Accord from the effects of external factors beyond the influence of Australian government (such as global economic developments) (Stilwell 1986: 25). Therefore, it is not surprising that while some commentators saw the Accord contributing to the positive economic development during the Hawke government, others concluded the opposite. For instance, some commentators have doubted that the reduction in wages growth/fall in real wages reflected a restraint exercised by unions that would not have occurred without the Accord.

However, there is a general recognition that following the introduction of the Accord, the principal indicators of economic performance were impressive by comparison with those for preceding years. The following table reinforces this argument:

**Australian Economic Indicator 1977 to 1991**

| Year | Rate of inflation<br>( % ) | Employment Growth<br>( % ) | Unemployment Rate<br>( % ) | Number of Ind. disputes | Total working days lost |
|------|----------------------------|----------------------------|----------------------------|-------------------------|-------------------------|
| 1977 | 4.9                        | 0.6                        | 6.5                        | 2374                    | 3162                    |
| 1978 | 8.2                        | 0.8                        | 6.1                        | 2441                    | 3211                    |
| 1979 | 10.1                       | 1.2                        | 6.2                        | 2042                    | 3964                    |
| 1980 | 9.8                        | 2.7                        | 5.9                        | 2429                    | 3320                    |
| 1981 | 10.4                       | 1.2                        | 6.1                        | 2915                    | 4189                    |
| 1982 | 11.5                       | -0.2                       | 6.7                        | 2060                    | 1980                    |
| 1983 | 11.3                       | -2.2                       | 10.5                       | 1787                    | 1641                    |
| 1984 | 7.9                        | 3.6                        | 8.5                        | 1965                    | 1307                    |
| 1985 | 5.8                        | 3.2                        | 7.9                        | 1895                    | 1256                    |
| 1986 | 8.4                        | 3.6                        | 8.0                        | 1754                    | 1391                    |
| 1987 | 9.3                        | 2.5                        | 7.8                        | 1517                    | 1312                    |
| 1988 | 7.3                        | 3.7                        | 6.8                        | 1508                    | 1641                    |
| 1989 | 7.4                        | 5.1                        | 5.7                        | 1402                    | 1202                    |
| 1990 | 8.1                        | 1.3                        | 7.0                        | 1193                    | 1377                    |
| 1991 | 6.3                        | -2.0                       | 9.5                        | 1048                    | 1608                    |

Source: Australian Bureau of Statistics, 6101.0, 6203.0, 6321.0. (Adapted from Stilwell 1993: 78 and Smith and Mahony 1993: 35)

From the figures above, it is clear that since the introduction of the Accord there has been a significant overall decrease in inflation and, until 1991, unemployment.

During 1986-87 the inflation rate (measured by the CPI) rose 9.3 per cent compared with an increase of 8.4 per cent in 1986. This increase, although high enough compared with 1984, was nonetheless still under the inflation rates achieved before the introduction of the Accord which had reached 11 per cent. Lewis and Spiers (1990) noted that the important influences contributing to inflation in 1986-87 were import prices, large increases in fresh food prices, and increases in indirect taxes announced in the 1986 budget. Inflation has declined since 1986-87 initially in part due to lower level of import prices because of an appreciating Australian dollar, later because of the domestic import of the international recession.

On the employment front, just prior to the introduction of the Accord, employment actually fell, but since then employment has not only been growing but also growing at a trend rate greater than that for most of the 1970s. Unemployment eased in 1984 and continued to decline after that (Lewis and Spiers 1990: 56-58). Further, the target of the government to create some 500,000 jobs in three years was attained by November 1985, five months before the deadline. In 1991, the rate of unemployment again reached the critical point of 9.5 per cent. However, it did not rise to the double digit level until the next year. In part also this level of unemployment reflected increased labour force participation rates - which grew from 56 per cent to over 62 per cent during the 1980s, mostly due to increased female labour market participation.

Another very important achievement of the Accord was the decade of greatest relative peace in the Australian workplace in more than twenty years. The numbers of industrial disputes and working days lost, which were high during 1979-81, have declined significantly since the introduction of the Accord. There was a unexpected jump in 1988, in which the figures were higher than in 1986-87, but they were still lower than those for any year since 1967. Certainly, there have been a number of major disputes since the introduction of the Accord, for example, disputes which involved coalminers in NSW, Queensland and Tasmania, electricity supply workers in Queensland, the Builders Labourers' Federation and so on. However, in terms of

the aggregate statistics on the number of working days lost in industrial disputes, the trend has clearly been downwards (Stilwell 1986: 56) For instance, the numbers of working days lost in February 1989 was the lowest figure since monthly records began in 1969. This tends to support the claims of the Hawke government about the effectiveness of the Accord - proof that Australia had moved from confrontation to cooperation (Mills 1993: 40). Both the ACTU and the Hawke government ceaselessly argue that the Accord has helped controlled the level of industrial disputes, despite the fall in real wages (Lewis and Speirs 1990: 62).

Finally, a key achievement of the Accord was that it prevented the trend to wages explosions in the Australian system. Lewis and Spiers (1989) argue that the Accord has achieved its original objectives of controlling labour costs and inflation while the economy was expanding and restoring the share of national income going to company profits. Moore (1989) noted that there have been substantial reductions in real wages and increases in employment since 1983. For example, he pointed out that employment growth was protected in the first half of 1986 despite a contraction in the growth of GDP. In addition, wages now move in a way entirely novel for the Australian economy - in every year of the Hawke government, wages came in at or below the government's budgetary targets (Moore 1989:159). Real labour costs, which had risen inexorably through the 1960s and 1970s, flattened through the 1980s. In the March quarter 1983, during which the Hawke government was elected, the average full-time male worker earned \$394.70 a week; in December 1991, when Hawke was replaced by Keating, the same worker's wage had increased in real terms by exactly 30 cents, to \$395.00. During the life of the Hawke government, the share of the nation's gross product devoted to wages fell consistently (Mills 1993: 40). Thus the fall in real wages during the period of the Accord explains a large part of the growth in employment during this period (Lewis and Spiers 1989: 16-17).

Beyond this, the Accord also has had a significant impact on the economic behaviour as well as the political consciousness of both the ACTU and business. The Accord, has changed how unions and business think and thereby has had an impact

on economic conduct. The revised expectations element is the most obvious. Because the trade unions are assured that rates of inflation and unemployment are being reduced, then they become less militant in defending the level of real wages by seeking money wage increases, and, therefore, inflationary pressures are curtailed. Similarly, once business was more optimistic about the future, because of reduced anxiety about industrial disputation and/or rapid changes in wages costs - investment was greater and economic growth accelerated (Stilwell 1986: 24). All of this has had a very important beneficial effect on employment and industrial relations (Lewis and Spiers 1989: 2). Given such facts the Accord in 1980s can be seen to have achieved its objectives to help revive the economy, create jobs and generate conditions for strong economic growth (Kelly 1992: 61). The Hawke government's success in economic management was certainly central to its subsequent political success. Although it is difficult to discern with any certainty a causal relationship between economic performance and electoral success, the fact that in 1990 the Hawke government was re-elected for the fourth time since 1983 with the economy in sound condition can be seen as evidence that the Accord had been working well in accordance with the government's goals and electoral hopes. The extent to which that success was not, in fact, solely the result of the Accord (but of the impact of other policies or external forces) was no longer a matter of substance. The electorate judged the government on the performance of the economy as a whole regardless of which particular policy was most influential in securing these results.

Thus, the electoral success of the Hawke government and the durability of the Accord are not coincidental; the tenure of the government in office has come to depend upon the published claims that it is the only government which can deliver a creditable, comprehensive and effective incomes policy. The Accord, as the government claimed, succeeded in solving the economic problems of the 1970s and early 1980s.

### **3.2.8. The Resilience of The Accord**

Numerous commentators repeatedly predicted that the Accord would break

down (as overseas equivalents had). One of the reason was that, according to them, not all elements in the Accord benefited the trade unions; for example, the two-tier system under the Accord Mark III. This new formula was seen as necessary to minimise the possibility of negative effects arising from expected divisions in the workforce, especially between white and blue collar workers, generated by the Accord Mark II. Stilwell argues, that this Accord Mark III was “the death-knell of wage indexation and launched the structural efficiency principle as the central determinant of wage fixation. In contrast to the national productivity emphasis of the original Accord, structural efficiency was apply at the industrial level” (Stilwell 1993: 74). Since it abandoned the maintenance of real wages by revoking full wage indexation without compensatory tax benefits (Singleton 1987: 19), this means that the higher wage earners suffered a disproportionate loss in real income, thus abandoning the principle of maintenance of real wages for all workers which had been critical to the ACTU's agreement to the original Accord (Singleton 1990: 167).

Similarly, Accord Mark IV was seen by most commentators as a clever agreement. As Stilwell argues:

Certainly, it was an astute blend of partial indexation, a two-tiered system, a wage-tax deal, superannuation provisions and productivity-based pay bargaining. As such, it built on various elements of previous phases of the Accord, welding them into a sophisticated package. It also partially reconciled the demands of the weaker sections of the workforce for across-the board wage increases with the demands of the stronger unions for opportunities to seek higher wages through direct bargaining with employers (1993: 76).

However, this Accord Mark IV was again seen as moving too far towards the advocacy of enterprise agreements, and therefore, the ACTU and the government seemed to be accommodating some of the employers' demands for a more general application of enterprise bargaining in the system of wage fixation (Stilwell 1993: 76). Yet, despite such adverse effects of Accord Mark III and IV, the ACTU endorsed the system. It proved that the Accord prospered, it its periodic renegotiated variations (McMullin 1991: 418). The Accord proved that it has been able to adapt to the unexpected demands made by the 1980s, which put severe pressures on an

economy attempting to internationalise. As was explained earlier, the Accord has significantly and flexibly contributed to the delivery of wage restraint. With the re-election of the Labor government for a record five terms, the Accord has currently reached its sixth phase since 1983.

Singleton (1990) argues that the critical factors that maintained the continuous ACTU support the Accord were the previous bad experiences of a contracting economy, deteriorating employment, high inflation and a hostile and confrontationist anti-labour stance by the Whitlam and Fraser governments. These, reinforced the belief of the ACTU that there was no choice for it, but continued co-operation with the Hawke government with more prospects for gaining its goals, or, alternatively moving away from the Accord with consequence a return of the Liberals to government and implementation of policies similar to those under the Fraser government. If the ACTU did not co-operate with the Hawke government, then Labor could not govern, with the consequence that it (the ACTU) would have been saddled with the sorts of policies it experienced under Fraser (Singleton 1990: 152).

Another factor which also significant to the ACTU's continued support for the Accord was the fact that (in its opinion) the relationship with the Hawke government provided the best means available for gaining its goals of employment growth, the long term maintenance and improvement of real wages through future economic growth, and more equitable distribution of wealth and income ( Singleton 1990: 191). Besides, the unions received other benefits from the Accord. ACTU President Crean acknowledged that "the Accord had given the ACTU legitimacy as a genuine partner in social and economic reform at all levels of the economy"(Crean 1989: 1). It has given the ACTU access to political power and a measure of influence stronger than before over many areas of government decision-making, which was considered necessary to gain the ACTU's goals (Singleton 1990: 200) The fact that the Hawke government recognised the legitimacy of union interests and its strong commitment to the Accord has enhanced the continuation of the ACTU support of the Accord (Singleton 1990: 188).

Furthermore, the ACTU recognised that given Australia's continuing external debt and current account deficits problems as well as the uncertainties of world economic development, moving out of the Accord would be dangerous. Increases in real wages could depreciate the benefits already gained. Such increases would reduce Australia's industrial competitiveness, encouraging inflation and, in turn, could inhibit employment growth and thus disadvantage the ACTU itself (Singleton 1990: 183).

The resilience and flexibility of the Accord was the major political achievement of the Hawke government. The success of the government in persuading the ACTU to endorse almost every proposal of the renewed Accord agreements that the government introduced reflects the fact that the government succeeded in locking in union support. This is one of the fundamental objectives of the consensus politics of the Hawke government.

In sum, consensus, of which the Accord was merely the most obvious manifestation, was a successful strategy launched by the Hawke government for selling its program to the electorate. The consensus-based policy embraced by the Hawke government proved was able to mobilise so many interests behind the government's objectives/programs - the party, business, unions, economic advisers and, even the electorate (Kelly 1992: 272). In this and in other respects, Hawke's commitment to consensus became a handy tool for political management - just as it had been a sharp weapon against his opponents before he was elected as the prime minister. At the very least, it proved an effective technique of crisis management, allowing Hawke to "suspend" difficult political problems while his government formulated a response (Mills 1993: 50). The implementation of the consensus politics and Accord, unquestionably fits with the key objectives of the ALP: "to win an election, to conduct an effective and enduring national government and to provide a policy basis for the longer-term success of the party" (Hayden 1980: 238).

## **CHAPTER FOUR**

### **LABOR'S "NEW POLITICS" AND MEDIA MANAGEMENT**

The electoral dominance of the Hawke government cannot be divorced from its superior (compared with the Liberals) exploitation of environmental issues and media management. This success derived from two sources: firstly, Labor's capacity to reconcile two conflicting interests, the government's need for economic growth and the environmental movement's need to protect the environment: secondly, its capacity to strike a balance between States' interests and those of the federal government. In relation to management of the media, the success was associated with the government's capacity to manipulate media coverage, to adopt a personal approach to individual journalists and proprietors, as well as to use "carrot and stick" tactics effectively. The successful relationship with the environmental movement and the media by the Hawke government created a interdependent and mutually beneficial relationships between them - wherein lay the Hawke government's political success. This chapter examines and assesses these two factors in the government's long-term electoral supremacy.

#### **4.1.1. The Rise of "New Politics"**

The rise of the environmental movement in Australia actually began well before the election of the Hawke government in 1983. At the local level, for example, at the end of the 1960s there was a popular protest movement, the so-called "Green Bans Movement", which involved cooperation between industrial workers and middle-class environmentalists in Sydney (see Roddewig, 1978) and which resulted in at least forty-two bans between 1971-75 (Papadakis 1993: 179). At the national level Environmental issues also achieved prominence, including pollution by cars, protection of kangaroos and the management of waste.

One of the major environmental issues at that time was a controversy following

the decision of the Hydro-Electric Commission to permit the construction of a dam at Lake Pedder in Tasmania. Although the protest groups were ultimately unsuccessful in trying to preserve the lake, their campaign had a significant impact on the future development of the environmental movement. This radical social movement for environmental preservation represented in embryonic form, the subsequent fully-developed green movement in Australia. It marked the coming politicisation of the environment in Australia.

First, it encouraged the establishment of two environmental groups which, for the first time in Australian history, moved to adopt a "new politics" platform: the United Tasmanian Group (UTG) in 1972, and the Tasmanian Wilderness Society (TWS) in 1976. Later on, these two groups exercised a decisive influence on the development of a culture of environment. Second, and most importantly, the Lake Pedder campaign influenced the national agenda on environmental policies through its capacity to mobilise support not only among Tasmanian activists but among groups on mainland Australia (Papadakis 1993: 179).

However, in the early 1970s the prospects for putting the environment on the public policy agenda appeared bleak. This was because pressure for radical changes in the policy process was only limited. The social basis for support of environmentalism, the role of scientific research and the concern of the media were all weak (Birrel 1974: 262-263). Similarly, there was no strong effort to co-ordinate the activities of state agencies responsible for the environment (Papadakis 1990a: 340). Moreover, management of the environment and power to legislate and regulate it were vested in the states, and the Constitution seemed to impose severe constraints on the ability of the Commonwealth to tackle these issues. Management for national change was only discussed among a select few, and popular pressure was confined to localised conflicts (see Birrel 1974: 260-263 and Sawer 1974: 168-176). This was why at the time it was common to refer to environmentalists as "eco-nuts" and reasonable to assert that federal intervention in environmental policy was token and "largely academic" (Walsh 1974: 155-157) and why the environment had not yet been seen as

a major election issue.

For the ALP itself the environment was hardly seen as an important issue until the beginning of 1970s. Before this, certainly there were references to the problem of the environment in the ALP's platform. In 1963, for instance, the ALP made several references to the need for a nuclear free-zone in the Southern Hemisphere, though some commentators saw this as a simply for security reasons. Two years later, the Platform mentioned the need for reforestation. There was also a call for an investigation into the chemical industry and the potential health hazards it posed for the community. The 1969 ALP platform signalled that environmental issues had become increasingly prominent. It presented a detailed set of proposals for conservation of natural flora and fauna, the establishment of a central body with power to control and coordinate the wide system of National Parks and Wildlife, and promised funds for research in the field (Papadakis 1993: 187). Throughout the 1970s, the ALP platform on environmental issues was broadened: to include the assessment of the impact of new technologies and research into the prevention of accidents, waste disposal etc (Papadakis 1993: 173). However, the ALP still did not see these issues as central to its electoral strategy.

#### **4.1.2. The Franklin Dam Case**

In 1983, for the first time, the environment became a major election issue at the federal level in Australia. It started with the conflict over the Franklin Dam in Tasmania (Papadakis 1990a: 343). The Franklin Dam case was significant politically because there was an unprecedented mobilisation of support by environmental groups in throughout Australia to stop its construction. The Tasmanian Wilderness Society, which had at least 11,000 members, was able to attract both national and international attention. At the national level, they transformed themselves into a national organisation with branches in all states. The Dam conflict led to the formation of a coalition that included the Australian Conservation Foundation (ACF), State Conservation Councils, National Parks Association and branches of the TWS as a

means of rallying support from 800 conservation groups with more than half a million members (*The National Times*, 16 - 22 Jan 1983).

In the context of a two major parties contest, the Dam case was also important because it was tied to federalism: the struggle between States' rights and Commonwealth power. It was over this issue that the ALP and the Liberal parties struggled for electoral benefit. For the Fraser government the Dam case was seen as a legal (States' rights) issue rather than a political one (Burke 1984: 7). Thus, the Fraser government was unwilling to intervene directly in the conflict over the Franklin Dam, although it previously had shown its pro-environmental policy stance on other issues, such as the Great Barrier Reef, Fraser Island and Kakadu National Park. It was argued that such an action in the Tasmanian case would encroach on States' rights (Gruen and Grattan 1993: 233), a principle that the Liberals valued very highly and which they violated over Fraser Island. Moreover, since a majority of Tasmanians were pro-Dam, it would have been an electoral disaster for the Liberal government in Tasmania if the federal government had intervened in the Franklin Dam case. To avoid a political confrontation with the Tasmanian government, the Fraser government tried to neutralise the issue by offering \$ 500 million in compensation for the construction of a coal-fired thermal power station. But the Tasmanian government foolishly refused the offer (Papadakis 1990a: 343). This stance by the Fraser government was certainly a fatal mistake. As it occurred in the course of an election campaign, it was clear that the Franklin Dam issue had gone beyond the legal context, and become a partisan political issue. It seemed that the Fraser government tended to think in the interests of the state level instead of the federal level. It had the effect of saving the Liberal state government in Tasmania rather than winning the election at the federal level.

The ALP, by contrast, judged the case in essentially political terms. Labor politicians made an exact political judgement that there was little national support for, indeed considerable opposition to, the position adopted by the government of Tasmania. A poll taken in August 1982 revealed that 42 per cent of all Australians were opposed the construction of the Dam, 28 per cent were in favour of it and the rest

were unsure. In September 1982, 49 per cent were in favour of federal intervention, 37 per cent were opposed to it and 14 per cent were undecided (Papadakis 1990a: 343). But a majority of Tasmanians supported the construction of the Dam. This was because of local sentiment. They tended to think that the Dam was their own (state) business and that there was no constitutional right for the federal government to involve itself. In addition, the construction of the Dam was seen as economically beneficial by Tasmanians, particularly in terms of providing employment.

The fact that there was nationwide support - with the exception of the majority of Tasmanians - for federal intervention to stop the Franklin Dam made Labor politicians aware that any Commonwealth government which acquiesced in supporting Tasmania on an issue that was electorally unpopular would be risking its own preservation. Therefore, the ALP brilliantly exploited the issue for its electoral benefit. The Federal Liberal government's failure in the dispute - its unwillingness to intervene, the rejection of compromise by the Tasmanian government and the increasing pressure from a majority of Australians to stop the Dam's construction - paved the way for the ALP to seize the advantage. In its campaign, the ALP promised to stop the Dam construction if it was elected (Papadakis 1990a: 343).

Labor's estimate proved correct. The Fraser government was defeated in the federal election of 1983. Labor was elected with huge support from conservationists. In that election 13 Liberal held seats were targeted by the conservationists, all of which were won by Labor. According to those behind the campaign, about 2 per cent of people shifted their vote on the basis of the Franklin Dam issue. They claimed that of the 13 seats, the conservationists' vote alone was enough to win eight (*Australian Times*, June 22, 1987). Since a majority of Tasmanians were pro-Dam, Labor lost in Tasmania. However, it won in almost all states on the mainland, except Queensland, which reflected the significant contribution of conservationists to Labor's electoral success. Labor's election supposedly was evidence of what the support of conservationists meant in an election.

After it was elected, the Hawke government soon fulfilled its election campaign

promise and stopped the Dam's construction, using as grounds the Commonwealth external affairs power (under section 51 (xx) of the Constitution) to enact a law in pursuance of an institutional obligation (The World Heritage Convention). This was the first bill introduced by the Hawke government. The constitutional basis of the majority decision had not been available during the Whitlam government's equivalent controversy concerning Lake Pedder (McMullin 1991: 426). This Labor tactic was successful in overriding the Tasmanian Liberal government and preventing the construction of Franklin Dam. The High Court subsequently found in favour of the Commonwealth, maintaining the right of the federal government to use its external affairs power to put the Gordon below Franklin on the World Heritage list. This High Court judgement effectively brought Australia's areas of World Heritage significance within the ambit of the national government's external affairs power and thereby set the scene for the Hawke government to repeat this technique throughout the decade (Kelly 1992: 528).

#### **4.1.3. Hard Choices: Economic and Environmental Imperatives**

The conflict over the Franklin Dam exerted a decisive influence on the pattern of policy under the Hawke government (Papadakis 1990a: 345). It presented a major opportunity to the newly Hawke government to use the environmental issue for its electoral politics in the next election (Papadakis 1990a: 344). However, the issue of the environment also posed particular dilemmas for the Hawke government. These included how to achieve a balance between economic and environmental imperatives (Papadakis 1991: 242), and how to balance the States' rights and federal interests. This was not a simple choice, because each option had its pros and cons, outside or inside the government itself. To resolve this problem, the government needed high political skills and accurate calculation. If the government made a wrong decision, then the result could be devastating politically and electorally. Therefore, although it had sided with the environmentalists over the Franklin Dam case, the Hawke government did not promptly respond to the rise in expectation of a more decisive environmental

policy (Papadakis 1993: 190). During its early period in office, the Hawke government, as represented by its Minister for the Environment, Barry Cohen, was reluctant to take decisive action on new environmental issues.

The Hawke government's decision to allow uranium mining at Roxby Down in 1984 was a good example wherein the government played a game to balance the need between economic and environmental imperatives. The decision to allow uranium mining in 1984 was forced by three factors: the opposition from the South Australia Labor Premier, John Bannon - who was facing an electoral disaster if the federal government intervened; recognition of the economic benefits of mining (creation of employment etc.); and compensation for the pro-mining (and also industrialist and business) interests who might have been disillusioned by Federal intervention in the Franklin Dam case. The latter was important for the government to remove any negative image of itself as an interventionist federal government resulting from its decision on the Franklin Dam case. A more positive image was important if the Party were to attract middle class political constituents.

But the government had to pay a high price for this decision. The decision to allow uranium mining led to the establishment of the Nuclear Disarmament Party (NDP). This demanded the closing of all foreign military bases, the prohibition of the stationing in or the passage through Australia of any nuclear weapons and the cessation of mining and export of uranium (Papadakis 1993: 181). The 1984 election saw a massive protest vote to NDP, though it failed to win a seat.

The issue of uranium mining had made the Hawke government more aware of its vulnerability to the issues taken up by new political movements (Papadakis 1990a: 344). Labor drew an important lesson from this conflict: the outstanding feature of the environment as a political issue was its capacity to cut across existing party allegiances. (Kelly 1992: 524). Its influence derived from several factors, the most crucial being the environmental movements' ability to mobilise opinion and specifically electoral support through their direction of preferences (Gruen and Grattan 1993: 64). Since the proportion of votes for the major parties was relatively balanced,

a small number of swinging votes would be significant in winning or losing for the major parties. In a preferential system of voting, neither of the major parties could afford any possibility of a proportion of the preferences of the minor parties' vote going to other side.

This Hawke government's awareness of the significance of environmental politics was manifested in the conflict over wood chipping in Tasmania (in the Lemonthyme and Southern forests). In this conflict the Hawke government again faced a difficult problem. For the first time, an environmental issue divided the Cabinet of the Hawke government. The government was forced, therefore, to balance these conflicting demands. The problem was very difficult, since the logging industry and the Tasmanian government were supported by the ACTU. The Tasmanian government and the logging industry reminded the Federal government not to seek a decision in favour of environmentalists because such a decision would undermine the employment prospects of one in seven Tasmanian workers in the forests industry (Papadakis 1993: 194).

The government accepted this argument and opted for an increase in woodchip exports, with some provisions for greater accountability and review of practices (Papadakis 1993: 194). However, later on, the government changed its position. Learning from the Dam case and uranium mining, the Hawke government knew the potential electoral impact if the government did not intervene. Such passivity would be interpreted as a favouring the logging industry. It put the case before the High Court, which finally it won.

While in the case of the Lemonthyme and Southern Forests of Tasmania, the Hawke government used the argument of economic imperatives; in the case of the Daintree Rainforests in Queensland, it used another argument: the federal system. For example, the Hawke government had previously refused to intervene in this case, fearing that such an action would provoke a confrontation over States' rights, which in turn, would have a negative electoral impact. Instead, Labor argued that it would only act with the cooperation of the Queensland government (Papadakis 1993: 192).

Although the pressure mounted, the Hawke government was unwilling to provoke a confrontation over state rights, particularly in the period leading up to the 1984 federal election (Papadakis 1990a: 347).

But such a stance was, in fact, just a tactic to ensure Labor was not seen as an interventionist government by simply applying its external power as it did in the Franklin Dam case. Labor was aware that it could not act promptly in every case without an assurance that such an action would not override its electoral imperatives. To secure such an intervention the government needed a justification. However, the Hawke government was also aware that it could lose electoral support by taking an ambivalent stance. It became surer of the need to take action given its support from conservationists.

Following the Australian Heritage Commission's confirmation in 1984 that the rainforests could be listed on the World Heritage, mounting public support for federal intervention and a breakdown in negotiations with the Queensland government - as well as the withdrawal of Bjelke-Peterson from the election campaign in 1987 - meant that the Hawke government was forced to nominate the Daintree Rainforests for World Heritage listing (Papadakis 1993: 192). Once again the Hawke government used its external affairs power, and exploited the case as an election issue. There was a feeling that it might lose a High Court case against the Queensland government. However, the electoral considerations, particularly in the marginal electorate of Leichhardt, forced the government to overcome its prevarication (Papadakis 1990a: 347). As a result, in the election of 1987, the ACF and TWS decided to support Labor for the House of Representatives. However, they supported the Democrats in the election for Senate, on the grounds that a Democrat-controlled Senate was essential (*Time*, June 22, 1987). The Liberals, in contrast, were trapped once more. Hawke would save the forests, and the Liberals couldn't save them.

To minimise the disillusionment of those who were against federal government intervention, the Hawke government, as in the Franklin Dam case, again compensated and retrained displaced workers with a package worth up to \$ 75.3 million. But unlike

the conflict over Franklin Dam, in this case the package was not given to the state government, but to the timber industry, business, workers and local councils directly (Papadakis 1990a: 348).

#### **4.1.4. Green Strategy in Progress**

After the 1987 election, the Hawke government was put under even greater pressure to adopt new strategies for dealing with the conflicts between development and the environment (Papadakis 1993: 195). The replacement of Cohen by Richardson after the 1987 election, followed by the upgrading of the environment portfolio to Cabinet status, revealed the Hawke government's intention to attract/accommodate conservationists. All of these initiatives indicated the government's attempt to regain control of the environmental policy agenda, which was being influenced by new coalitions dedicated to preventing developments like mining in Kakadu Park and exploitation of Queensland Rainforests (Papadakis 1993: 190). Richardson increased the pressure on Hawke, who was already sympathetic to the green cause. Richardson himself did not hesitate to express his intention to attract green votes. In his view this strategy was a necessity and "would become for Labor the difference between winning and losing the next election" (cited in Kelly 1992: 525).

Under Richardson, there were two main approaches that the Hawke government developed in keeping solid relations with the environmentalists. These approaches - known as Labor's "green strategy" - indicated the government's attempt to balance its commitment to the environment and to economic development (Warhurst 1990a: 4). They were integrated with Labor's 1990 re-election. First, the government needed to persuade environmentalists that it was genuinely committed to their cause (Papadakis 1993: 190). For this reason Richardson set as his priority to tie Australia's most influential green politicians and organisers - such as Bob Brown, Peter Garratt, and Philip Toyne - into an informal network which became, in effect, a Labor-green alliance (Kelly 1992: 527). This attempt of Richardson's was a success as he won the confidence of these influential green politicians. Richardson was seen by the green

politicians as genuine about their cause and bringing the clout of a political heavyweight to their interests (Kelly 1992: 527).

Secondly, in seeking to balance economic and environment imperatives (Papadakis 1993: 190), Richardson, who was backed up by Hawke, was forced to face four economic ministers, Kerin, Walsh, Button, Willis, Dawkin and foreign minister Evans who formed the nucleus of the anti-Richardson Cabinet camp. These four ministers disagreed with Richardson, claiming that such actions were too pro-green. According to them such actions would damage Labor's economic credentials, and, in turn, could disillusion the whole electorate (Kelly 1992: 530). But Richardson believed that such a pro-green action was correct for winning the green votes. After all, he, as well as Hawke and Keating, were sure that the government could attain its objectives: to retain economic credibility and also to win the green vote without, at the same time, each vitiating the other (Kelly 1992: 530). Hawke himself was well aware that by demonstrating sensitivity on this issue his government would be adopting a populist and visionary approach simultaneously (McMullin 1991: 426). The fact that the Liberals responded inadequately to widespread concern about the environment provided the Hawke government with an issue whereby it could distinguish itself sharply and advantageously from its main opponents.

#### **4.1.5. The Final Test: The 1990 Election**

The final "test" for this Hawke government system came in the dispute over Coronation Hill in Kakadu National Park prior to the 1990 election. This dispute derived from the government's sudden decision to allow the mining of gold and platinum in 1987 (while excepting uranium), and a radical change in 1989 when it delayed approval for the Coronation Hill mine (in stage III of the Kakadu National Park). The decision by the Minister for the Environment, Richardson, to extend the Park and thus lock away the bulk of the exploration zone in this Park divided the Cabinet once again.

This case was "the biggest environmental decision by the Hawke government in

its third term, the most overtly political and most bitterly contested” (Kelly 1992: 536). Labor’s fragile electoral position and its internal tensions came together in this case. The reaction came from two sides: mining industries (BHP) and the government’s own economic ministers, Walsh and Kerin. BHP complained that the government’s decision was totally unacceptable, given the time and money it had put into the project. More than \$ 10 million had been spent on it (cited from Kelly 1992: 537). BHP and the economic ministers argued that such a move would threaten the inflow of overseas funds (investment) need for funding Australian external deficits (Kelly 1992: 537). Further, the economic ministers also reminded the government that it should honour its promises. The ALP Northern Territory Senator Bob Collins, accused Richardson of not considering the mine on its merits. Collins saw the government as a hostage to the environmental movement, not an ally of it anymore (cited from Kelly 1992: 537-38).

However, these internal tension were secondary to the polling lead which Labor had established over the Coalition on the environment (Kelly 1992: 525). The Hawke government was aware that public opinion had shifted significantly since 1986, and believed, therefore, the Cabinet should change its policy as well (Kelly 1992: 537). By the middle of 1989 the environment had, like the economy, become firmly established as a key electoral issue. A national poll conducted by Irving Saulwick and Associates at the end of May saw the environment along with the economy and social welfare as ‘the most important’ issue for the electorate (*Age*, 7 June 1989). Therefore, it believed that any decision to mine in Kakadu would threaten the very image that had been created- Labor as the environment protection party. It would threaten the significant product differentiation Labor had secured over the Liberals as the best party (after the Democrats) on the environment. Labor felt it had to reinforce, not weaken, this perception unless it wanted to lose the election. Kim Beazley, for example, supported this government decision, arguing:

We are watching a sea change in politics here and overseas. It’s a reversal of what happened in the 1950s and 1960s when the DLP and the Conservatives formed an electoral alliance which consigned Labor to a minority position...

Now there is a real chance of a long-term alliance between the social democratic parties and green parties both in Australia and abroad...the greens can marginalise the conservatives in the 1990s the same way the DLP marginalised the Labor Party for so long (cited in Kelly 1992: 538).

The Hawke government's awareness of the importance of green vote was reinforced by the result of Tasmanian election in May 1989 (Bergin 1991: 234). In this election, the Liberals obtained 17 and Labor 13 seats (Howard and Smith 1990: 204), and the green independents - who largely campaigned on environmental issues - won 5 seats (the highest number of seats it ever gained in Tasmania) to hold the balance of power in Tasmania. A minority Labor government eventually took office, with the support of the Greens. This incredible achievement by the Greens justified the significance of the green vote for the Hawke government. The Hawke government had judged the way the political wind was blowing, and calculated correctly that there were political benefits in adopting a strong environmental stand (McAllister and Bean 1990: 172).

#### **4.1.6. Struggle for Second Preferences**

Besides the lesson from the 1989 Tasmanian election result, the Hawke government also learned a lot from the falling primary vote the major parties suffered in mid-1987; this trend shaped the politics of 1990 and the nature of the election. Polling only 34.7 per cent of the primary vote in the 1987 election, the lowest since 1960, reinforced the government's belief that its federal primary vote was likely to be about 40 per cent, not enough to win office unsupported. Therefore, Labor had to base its hopes of winning office on securing green preferences.

The Hawke government recognised the tendency for disillusioned Labor voters to prefer to vote for the Democrats, Greens and independents and minor parties rather than the Liberals. The fact that the Liberals could not increase their primary vote, despite defections from Labor, revealed the public's lack of confidence in the Liberals as an alternative government. The larger than usual support for minor parties and independents, as predicted in all public opinion polls conducted prior to the election,

meant that minor parties' preferences would determine the result. Therefore, the Labor Party had to seek out the second preferences of these voters. The Hawke government saw that a superior environmental performance over the Liberals was necessary to maximise the flow of these preferences to it and so to winning the election (Kelly 1992: 525-26). In this context, Hawke himself believed that a pro-environmentalist decision was necessary to validate Labor's preference strategy.

The Hawke government pursued the Green vote single-mindedly both indirectly - by interacting with leadership of the ACF and TWS - and by appealing directly to Green voters. "It left no stone unturned" (Warhurst 1990b: 30) in its appeals for the support of environmentalists. Also the Hawke government did not hesitate to exploit the constraints on minor parties imposed by electoral system. For example, Hawke repeatedly stressed that the minor parties such as the greens and the Democrats represented minority viewpoints and they could not actually form a government. Hawke reminded voters that they only had one real choice: Labor or Liberals (cited from Papadakis 1990b: 40). In his address to the National Press Club, he pleaded for second preferences overtly:

I want to say to those who intend to vote for third party and independent candidates that they should consider with the greatest care where they direct their second preferences. This is a vital election and it is - I make no bones about it - a tight election.

...  
And so I say specifically to them - if you do not want Medicare gutted, the capital gains tax scrapped, more uranium mining, a uranium enrichment industry in Australia, up-front tuition fees, mining in Kakadu, then your preferences between the two major parties must be Labor. That is the simple imperative (cited in *Australian*, March, 11, 1990 ).

A Labor advertisement said: "If you care about the environment, if you care about the future of Australia, your preference choice must be Labor. Put the Liberals and Nationals last" (cited from Lloyd 1990: 103). Some commentators saw it as the most important ad of the 1990 election campaign (Warhurst 1990b: 103).

Furthermore, in his policy speech, Hawke repeatedly reminded the voters that his government had acted as environmental protectors - pointing to the Franklin Dam, the Tasmanian forests, the Great Barrier Reef and Kakadu, as well as its commitment to

prevent mining in Antarctica and driftnet fishing in the South Pacific, and to help in tackling the greenhouse and ozone layer problems. Hawke acknowledged that his government “unequivocally accepts that responsibility ...to pass on intact to future generations Australia’s priceless environment” (Australian Labor Party, 1990: 6). The Hawke government also offered packages for funding environmental activities. For example, through its Minister for Employment, Education and Training, John Dawkins, it offered a \$ 400,000 national environment education package (Warhurst 1990b: 31).

The Liberals, in contrast, did not believe in the so-called conservationists’ vote. Howard argued that “they were irrelevant to the Liberal electoral chances” (cited in *Time*, June 22, 1987). The then National Party leader, Charles Blunt, made an even stronger statement: “We will not use the Commonwealth’s external affairs power to override State sovereignty in this or any other regard”. He promised that the three-mines uranium policy would go, the Coronation Hill project would go ahead, and the timber and pulp industries would have an assured future (cited in Warhurst 1990b: 21). It seemed that the Liberals’ pro-business ethos posed a problem for the Opposition when expressing its environmental stance and justifying it. This, in turn, forced the greens to draw the irresistible conclusion that the Opposition was offering them much less than was Labor (Kelly 1992: 528).

Hawke and Richardson’s calculations proved correct. From a traditional perspective the Hawke government should not have won the 1990 election. When the election was held, economic conditions were bad, particularly in the form of high interest rates which have a significant impact on voters with home loans or indeed any from of borrowed money (McAllister and Bean 1990: 155). *Hip Pocket Nerve Theories* would have suggested a large swing away from Labor, as a punishment for falling living standards of majority of Australians caused by high interest rates (Clarke, Stewart and Zuk, 1989; Lewis-Beck, in McAllister and Bean 1990: 155).

But such a traditional view proved not to be the case in the 1990 election. The ALP-greens alliance, crafted by Richardson, functioned perfectly for the 1990

election. In early 1990, the ACF and Wilderness Society decided to campaign against the Coalition (*Sydney Morning Herald*, 1 March 1990). They recommended a vote in the House of Representatives for the Australian Democrats, green candidates and selected minor parties, and that preferences be given to the ALP. The Director of ACF, Phillip Toyne, commented: "They (the Liberals) have alienated every environmentalist in the country. Therefore, it would be a disaster if the Liberals were elected" (cited from *Time*, June 22, 1987). The result was that the Liberals were deserted (Kelly 1992: 543). The Coronation Hill decision tied the greens to Labor at the election.

The significance of the green vote for this Labor victory could be explained by the Australian Election Study's (AES) research data. According to the AES, 54 per cent of voters identified with the Labor position on the environment compared with 16 per cent with the position of the Liberals. Eighty five per cent of the Democrats supporters ranked the environment as an extremely important issue. The corresponding figures were similar for Labor supporters (65 per cent) but radically different for supporters of Liberals at only 37 per cent (Papadakis 1990b: 42). Malcolm Mackerras (1990: 199) found that the distribution of Democrat preferences was nearly two to one in favour of Labor.

From these explanations, it is clear that the Hawke government stole a march on the Opposition on the politics of the environment. The Hawke government responded better to the rising tide of opinion by developing stronger environmental policies (Kelly 1992: 525). On most of the major issues facing the country it had taken (or has been seen to take) a relatively pro-environment stance, when compared with its major opponent. The Hawke government, in contrast to the Liberals, after seeing the support it got from conservationists in the run-up to both the 1983 and 1984 elections, then fought hard over the next few years to retain this support. Unlike the Liberals, the Hawke government was able to marshal its tradition of control, power and intervention in favour of the contemporary issues of environmental protection. It was willing to use the full ambit of Commonwealth powers to protect the environment and if necessary to override the States' rights.

It would, however, be mistaken to characterise the Hawke government as unambiguously pro-environmentalist. The decision to list the Daintree Forests, for instance, could also partly be seen as an compensation for the government's decision in allowing uranium mining at Roxby Downs, South Australia, and its unfavourable decision over forest logging in Eden, New South Wales (Papadakis 1993: 194). Nevertheless, there is no doubt that the Hawke government was able to build successful bridges of support to the environmental lobby, notably the ACF and Wilderness Society, which by 1989 were among the most powerful interest groups in Australia (Kelly 1992: 525 and 543). Thus, conservation of the environment was the major positive issue for the Hawke government (Warhurst 1990a: 4). As Kelly (1992: 525) argued, "the more the environment hardened as an election issue the more Labor was the political beneficiary". It successfully brought home to the federal government the way in which environmental issues could translate into votes in any national election.

The Opposition, in contrast, "fell victim to its state rights philosophy at time when public opinion was behind the use of Commonwealth powers to protect the environment. It found its own environmental policy was a prisoner of history" (Kelly 1992: 528). The Opposition could not reconcile its environmental concern with its refusal to use the properly tested powers of the Commonwealth. "The Opposition fell into a double trap: constitutional defence of the states and an irresolute stance on the environment" (Kelly 1992: 528).

#### **4.2.1. Managing the Media**

According to Chadwick (1989: viii), information today is the means to power; so that those who control the sources of information control the sources of power as well as its exercise. Since the mass media exert a considerable influence on public opinion, they have strategic political importance. At the very least, the media have the power to set the public agenda: to focus public attention on a limited set of events and policy issues, with the result that some but not other issues will be publicly debated (Stewart

and Ward 1992: 191). Although not all policy matters will be debated in the media, newspapers, radio and especially television have become important sites of political conflict - not independent watchers but part of the political process (Stewart and Ward 1992: 190). Therefore, it is not surprising that political leaders, governments, the major parties, and many other interest groups have been developing quite sophisticated public relations strategies in order to secure access to the news media.

The perceived importance of the mass media, and of television in particular, in shaping public opinion and hence the policy agenda, has required major parties and governments to develop strategies for winning favourable news coverage. The Hawke Labor government was no exception. With its claim to office resting on its claims to managerial competence, there was an obvious need for the Hawke government to convince the electorate that it was indeed competent and responsive to community concerns. This perception could be attained through the media. Therefore, the battle to influence news coverage was a central element in its success (Parker 1990: 47).

Historically, the Australian media can be said to be anti-Labor. According to Gray (1994), until 1980 there was consistent anti-Labor bias from journalists and media proprietors, both print and electronic. At least this was believed to be true until the election of the Hawke government in 1983. The media were key villains in a bitter folklore of defeat. Proprietors and their editors crusaded against Labor, allying with conservatives to bring Scullin, Lang, Chifley and Whitlam down (Davis 1990: 356).

One of the most important lessons the Hawke government drew from the Whitlam era was that a government could not hope to be elected, or remain in office, if opposed by the media. Whitlam's experience taught the Hawke government that the media was one of the most powerful forces in Australia politics and that it could determine who governed Australia. The Hawke government understood that the news-making process was the essential element in creating public perceptions. It knew well the link between political and media strategy, and the importance of the media in creating a positive public perception. Therefore, the Hawke government from the beginning paid special attention to media management. As a result, virtually everything undertaken by the

Hawke government was structured with the media in mind. This included the use of personal relationships with journalists, recruitment of journalists as personal advisers or office staff, material distribution, leaking, opinion polls and exploitation of Hawke's personal popularity.

#### **4.2.2. Recruitment and Personal Relationships**

Learning from the Whitlam experiences, from 1980 on Labor attempted to increase its expertise in managing the media (Gray 1994). In this, the Hawke government drew some important lessons from the communication methods developed by Neville Wran of New South Wales, who had a proven record of success. It was the Wran government which spelled the end of the traditional ALP. Wran emphasised political pragmatism, sound economic management and party unity and victory (Parker 1990: 42). The Wran government successfully controlled government - media relations, and made extensive use of opinion polling to establish the level of community support for the party and for particular initiatives. The Hawke government's initiative in applying Wran's model was symbolised by the appointment of Wran's chief media adviser, Peter Barron, to Hawke's office staff in 1983.

Hawke had a special interest in appointing this media professional to his ministerial staff. He was aware of the advantages of having staff members with first-hand knowledge of media processes. To use Grattan's words, they were needed as "news gatekeepers" (1984: 6). By recruiting former journalists, the government hoped that its staff would have social and informal connections with current official journalists (Gray 1994). As former journalists, they would be expected to know the way the gallery worked as well as individual journalists' characters. All of this, in turn, would render easier the government's attempts to create a link to the news room and control the public agenda, or at least, keep the ministry sensitive to likely press concerns and reactions.

Therefore, it is not surprising that the Hawke government appointed numerous journalists, and former media executives, as ministerial advisers, press officers,

speechwriters, agency directors, party officials and public servants (Davis 1990: 359). According to Parker (1990: 31), by the time of the 1990 election, most major bureaux (except *the Age*) had at least one member who had been professionally associated with the Hawke government or the ALP in Opposition. For example, Alan Ramsay of *the Sydney Morning Herald* had worked for Bill Hayden when he was Opposition leader. David Solomon of *Australian* had worked for Whitlam. Some journalists were even hired as ministerial staff. Paul Ellercamp (*Bulletin*) and Anne Summers even went to Hawke's private office. It was reported that one in five Gallery members had worked on the Hawke government's ministerial staffs (Stewart and Ward 1992: 197). By contrast, during the Hawke era (up to the 1990 election) no press gallery journalists had worked for conservative parties (Parker 1990: 31).

This does not mean that any journalist who has worked on a minister's staff will be a simple mouthpiece for one or another party. However, it is unlikely that a minister will employ an individual who does not share their basic political philosophy, and unlikely that anyone will work for a government or party whose goals and methods they oppose (Parker 1990: 32). And that those values, reinforced while on a minister's staff, are then carried away back into mainstream journalism.

Another strategy to manage the media developed by Hawke government was via personal relationships with journalists. According to Gray (1994), this strategy was central for the Hawke government. A good personal relationship with journalists was perceived by Labor politicians as the best possible way to manage the story written by them. The strategy of working with journalists was seen as very useful for understanding the way that journalists work and the individual characters of journalists as well as for learning about and creating the possibility for two ways access (from government to journalists and vice versa). Activities included talking to journalists concerning the information they needed and presenting facts, data and information to them. The major target was the parliamentary press gallery. This was because of the potential for influencing public opinion of the Gallery which has a membership of some 160 television, radio and print journalists. Their task was to report federal

politics, and they provided the great bulk of the news, current affairs and commentary which the mass media devote to this subject (Steward and Ward 1992: 196).

While the relationship with the journalists was a useful link to the newsroom, the Hawke government also emphasised the importance of informal relationships with media proprietors. For instance, Hawke had a close personal relationship with both Kerry Packer and Rupert Murdoch. Hawke supported Kerry Packer during the controversy surrounding the Costigan Royal Commission. Hawke also gave an Order of Australia award to Rupert Murdoch (Davis 1990: 359) and had a close relationships with Alan Bond who for a time owned channel 9. The decision of the Hawke government to replace the two-station rule with a 75 per cent audience reach limit and the establishment of cross-ownership controls was viewed by some observers as a deliberate decision to give benefits to the two major media groups of Packer and Murdoch. The decision was made, partly, as a device to fit Labor political objectives: to hasten the break up two hated institutions, the HWT and Fairfax, which were viewed by Labor as its enemies (Chawick 1989: 14-25).

As a result, there were many able and professional journalists in the Gallery, but there were not many Liberal or National supporters (Henderson 1987: 3). Most of the senior and influential Gallery members were predominantly ALP supporters. According to Hywood (1987), at least 80 per cent of the Gallery members voted for the Labor Party. These included the most influential journalists - such as Laurie Oakes, Michelle Grattan, Paul Kelly and Greg Hywood and Max Walsh (cited in Henderson 1987: 6). This may also explain why some journalists were reluctant to make strong criticisms of the government. They were too close to their subjects to provide truly independent political reporting. It was definitely not the case that the Press Gallery supported the Hawke government every day and on every issue, but, as Parker (1990: 33) cynically insisted, on balance and over time, a clear preference existed.

### 4.2.3. Material Distribution

During the first term, the Hawke government's direct communication with the media was largely designed to bolster its own image and communicate its message. To attain this aim it announced the abolition of the so-called *doorstop interview* as soon as it was elected. To replace it, the Hawke government established a Prime Minister's Press Office and a system of press conferences. The aim of this change was clear: the government wanted to avoid or minimise the possibility of the "gaffe". With the doorstep interview journalists could ask about anything. This made it more possible for gaffes to happen. Under the system of press conferences only questions on subjects nominated by the government could be asked. Therefore, the possibility of gaffes was reduced (Parker 1990: 52). This was evident when Hawke kept his word and provided regular Press conferences; he determined the time of these and, as they were often about set events and statements, he started with the advantage (Grattan 1984: 6). Away from the conferences, if reporters tried to "doorstop" him, Hawke simply said: "You know the rule" (cited in Grattan 1984: 6). This move was initially welcomed by the print media who had often criticised Fraser for having door stop interviews but refusing to have full Press conferences (Grattan 1984: 6). However, later on they were aware that the new system could not fulfil their needs. As a result of the media complaints doorstep interviews were resurrected in the second term.

From the second term on, the Hawke government's media strategy took on another dimension: that of turning the Liberals into the subject of media scrutiny and criticism while at the same time attempting to trumpet Labor's own image. Like all governments before it, the Hawke government used the nature of the Gallery to suit its political benefits. The Hawke government understood well the nature of dynamic internal competition among journalists. As political journalists they need political information, preferably something unique, significant, and newsworthy which used to be called "news imperatives" (Parker 1990: 12). Journalists need more and more material to publish every day. According to Gray (1994), Australia's journalists need to produce at least 6,800,000 words a day. This results in intense competition between

journalists within the Press Gallery. As a result, they tended to behave and think pragmatically: "as soon as possible and as easy as possible". According to Summers, they all had the rat pack mentality: "Each constantly seeking to 'scoop' the others. They all love the ego rewards, the thrill of seeing one's report splashed all over the front page and knowing it is the object of buried conversation amongst one's peers" (Summers 1981: 160). The Hawke government - in pursuing its political objectives - manipulated this competitive nature of the Gallery by supplying current and interesting data and information to the journalists to feed their demands for news: a wealth of factual information combined with colourful personal elements.

In this context, the Hawke government brilliantly used its own media unit, the National Media Liaison Service (NMLS). This was particularly evident after the replacement of Gary Scully by Colin Parkes in May 1986. Parkes, who had informal links with Hawke and who had formerly acted as head of the Prime Minister's Press Office, transformed the NMLS into an effective partisan offensive weapon. Under Parkes, although ministerial responsibility for NMLS changed a number of times, the Hawke government ensured that in practice, and particularly after 1986, it mainly answered to the Prime Minister. This step was important in shaping the activities of the NMLS to the direction of the government's media strategy. Unlike the Fraser government, which could not use its similar media unit - Government Information Office (GIO) - effectively, the Hawke government was able to use NMLS effectively.

There were three objectives in the Hawke government to control the supply of information to journalists. First, this strategy was aimed at discrediting the Opposition. In this context, the main task of NMLS became the monitoring of members of the Opposition. Data and information which the government supplied effectively became a weapon in the government's campaign against the Opposition. It fed the Press Gallery with extensive materials purporting to show errors or contradictions in Opposition statements (Parker 1990: 59), including details of gaffes by Opposition shadow ministers whose media coverage was carefully monitored in the

search for partisan advantage (Stewart and Ward 1992: 196). This was a useful tool in the tactical media war. By quietly but skilfully and consistently transcribing and circulating any comment by the Liberal figures, the government hoped to add fuel to the Press Gallery's fire (Parker 1990: 90). This strategy, as a result, effectively turned the Opposition into the subject of debate and, at the same time, improved the relative position of the government without distracting from the strategy of equating party and government with nation (Parker 1990: 57).

The example of a partisan NMLS can be seen during the week-long mini campaign in 1989. In this time the government used the NMLS as a device to show and exploit contradictions between Opposition figures' statements. During that time, the NMLS fed (on a selective basis) anti-Opposition radio and other media interview transcripts to the Gallery. Only limited and selective transcripts from ALP figures were similarly supplied by the NMLS. During this time, the NMLS was solely concerned to exploit Opposition matters (Parker 1990: 60). This transformation of NMLS's function to an overtly partisan role has inspired some critics to call the NMLS "aNiMaLS". Tiffen described the Hawke government's use of the NMLS as "a taxpayer funded' hit-squad" scanning and targeting Opposition statements for government attack (Tiffen 1989: 130).

Second, this method was also used for extolling Labor's image as a successful government. This was made by extensively supplying stories, voice tapes and briefings about ministerial activity to newspaper and electronic media (Davis 1990: 359). These materials included discussion papers, reports on policy implementation, and even a good deal of information about Cabinet decisions, annual budgets etc. According to some commentators, the material supplied by the Hawke government to the press heavily outweighed that supplied by the Fraser government. Certainly, all of it favoured the government's point of view.

Finally, the Hawke government used this method to institutionalise its relations with journalists. Since they were working to deadlines, and with limited time to check facts in a highly competitive atmosphere, journalists, like it or not, were forced to use

the material the government provided (Stewart and Ward 1992: 193). Although they knew that such material was packaged to reach the public in the way the government wanted it interpreted, few journalists refrained from using these materials. As Parker insisted "No one was willing to, or could professionally afford, to miss an important story simply because it had been packaged to enhance the government position" (1990: 53). The nature of their work reinforced the fact that journalists came to depend upon the sources or material the government provided.

Some journalists were aware that they had been manipulated by the Hawke government. However, in the vast majority of cases they were willing to acquiesce or even actively participate in the process, because the reward they received was a wealth of readily useable material with which to satisfy the news imperative. Further, they received the status and prestige which comes with being an "insider" (Parker 1990: 62).

Moreover, journalists were aware that any confrontational attitude toward the government could have resulted in another more effective punishment, and one often used, namely simply depriving journalists of important information. Keating, for instance, even acknowledged that he would withhold information from journalists in retaliation for criticism. He said that he had marked certain journalists whom he felt had dealt unfairly with the government (Henderson 1987: 6). This method proved to be a powerful device given the competitive pressures which motivated media and journalists. Alternatively, co-operation with the government's strategy would be rewarded with special items of information (Parker 1990: 55). As a result, the journalists became even more dependent on the government. This was why Stewart and Ward (1992: 197) suggested that during the period of the Hawke government it seemed that the Press Gallery had allowed itself to be dominated by the government's "media machine".

It was clear that since they were operating in a closed and particularly competitive environment, journalists were not especially well placed to resist attempts to manipulate them (Stewart and Ward 1992: 198). This situation was reinforced by the

fact that Hawke did not hesitate to use the "stick", either by undertaking legal action against journalists or publications he disliked or by forcing the journalists to resign through his lobbying power (Parker 1990: 53). One example where the Hawke government used its stick was in the case of Jacqueline Rees who wrote an article about Combe-Ivanov affair in *the Bulletin*. Hawke complained about his dislike of this journalist to the magazine's editor, Trevor Kennedy, who had been his close friend for along time. As result, Rees eventually resigned.

#### **4.2.4. The Use of Leaks**

Summers (1981: 161) distinguishes leaks from background briefings. Leaks are unauthorised material, while background briefings are authorised. But the substance of both are the same. Tiffen (1989: 111) categorised them all as covert manoeuvres. What kind of leaks and when they were used, would depend on the situation. For example, when the briefing was seen as inappropriate, then the leak was used.

Leaks - because of their nature as involving secrecy or confidentiality, controversy and sometimes dramatics - were important because they attracted the attention of journalists as well as the public. This was because every journalist liked to have exclusive information and every Minister wanted to be able to provide background information to newspapers. For some Ministers, leaks were important both for their personal publicity and political insurance purposes: they buy immunity from press criticism by making themselves indispensable sources (to major political correspondents) of information about what is happening in Cabinet (Summers 1981: 165).

The Hawke government, like its predecessor, was very keen on using the 'leak' as a device of its media and political strategy. Generally, they were used to have a policy stopped, or implemented, or to favour or to denigrate a rival. A leak could be used as a strategy to "float a trial balloon" (Tiffen 1989: 105). The aim then was to gauge public response to the government's specific policy without publicly embracing a proposal, so that it was easy to retreat if the reaction were adverse. For example, a

leak to *The National Times* about the tentative moves by Prime Minister Bob Hawke to re-open consideration of mining uranium in some areas in the Kakadu National Park (Tiffen 1989: 107). The leak was seen as an effort by the Prime Minister to overturn established policy. But before doing so he wanted to ensure that such an action would be supported by the public. So he leaked his plan to the media. Furthermore, this leak was also used to break an internal deadlock. It was used for resolving the battle over priorities in policy formulation/decision in Cabinet (Tiffen 1989: 105).

Leaks could be also used to highlight the urgency of a problem. In this way, leaks were used by the Hawke government to make the public aware of a specific problem that the government would like to solve. Thus a leak was used to bring conflicts to a head via external attention. By making previously unknown data public it was hoped to force remedial action by the government supported by public. A spectacular example was the leak by Paul Keating which became known as "Banana Republic" comment in 1986. This was a leak made by Keating to make the public aware (as well as a signal to Hawke) that the government had to do something about developing current account problems in the Australian economy. This effort was successful since there was strong support from the public as well as criticism of Paul Keating's idea. Similarly, in April 1986 there was a leak of internal company data from Ciba-Geigy about the dangers of several chemicals then in use. This resulted in an immediate response from Health Minister Blewett, including proposals for uniform national pesticide laws (see *Sydney Morning Herald* 11, 12, 14, 18-4-1986). Finally, although rarely, leaks were also used to prevent something being done. This was evident in the case of Telecom's effort to introduce timed local calls in early 1988. This move was effectively thwarted by early leaks portraying the negative effects of the policy on the government's image during an important by-election.

Whether such aims were achieved or not, the use of leaks by the Hawke government resulted in mutual benefits. Through the leaks the government could gain access to journalists and journalist could gain access to the government. For the Hawke government, the supply of leaks was important as means of enhancing its

relationship with the media. By giving journalists access to leaks, the government hoped to build debts and special relationships with individual journalists.

For journalists, conversely, successful publication of a leak, especially if dramatic, was taken as proof that he/she was doing a good job and had strong inside knowledge, and was the most obvious way for news organisations to score competitive scoops. Given the competitive and time-limited climate of the mass media, leaks became particularly attractive because journalists thought that this was not only the way in which they could discover what was really going on, but also they could get special material as well finding it easier to obtain than from the usual way they worked (Summers 1981: 162-63). Even this was often the only way in which the journalists would get any kind of story, and their only protection became to write the story in such a way (Summer 1981: 161). This, in turn, would offer opportunities for journalists to receive patronage. This was what happened to Greg Hywood and Geoff Kitney of *The Australian Financial Review*. Both journalists were alleged to be the ones receiving the most leaks from government, which resulted in a patron-client relationships between them. Thus a final motivation for leaks then could be, not the achievement of any specific effect through publication, but building debts and relationships with individual journalists (Weller and Grattan 1981: 160). Through this, in turn, the government hoped that those journalists would favour government.

#### **4.2.5. Polling Tactics**

The use of public opinion polls as a tool for policy directions is a common practice in Australia. Almost all government do this strategy. The argument was that, if a number of polls are put together in a series, shifts in opinion can be discerned and, more importantly, the direction of future movements can be predicted (Parker 1990: 97). Parker (1990: 98) portrayed the Hawke government as the most poll-driven government in Australia's history. It extensively used the opinion poll technique to establish the position of the entire community on a given issue. In Mills' words, Hawke government officials successfully studied and implemented sophisticated

American tracking and sampling techniques to follow trends in the electorate (Mills 1986: 7).

The Hawke government extensively and successfully used public opinion polls as key ingredients in its administration, as well as a means of managing social conflict by bringing its policies into line with popular opinion (Mills 1986: 43). For the Hawke government, like other governments before it, polls were an extremely useful tool, not only informing it as to public reaction to its policy stance, but where it might stand if it adopted a particular line of action. Opinion polling was brought directly into the formal policy-making processes of government. Through the polls, the government could anticipate issues and prepare its responses. Conversely, actions unpopular with the electorate could be quickly recognised as such and discontinued (Parker 1990: 97). For example, the government declared that tax reform had to have widespread community support (as demonstrated by opinion polls) before being implemented (Mills 1986: 43-46). Similarly, in the middle of 1985, the Hawke government abandoned its plan to introduce a consumption tax as the poll results indicated that this tax reform was unpopular and could spell electoral defeat for the government (Mills 1986: 43, Davis 1990: 359). The success of its media or communication management was based partly on this a so-called "poll driven policy".

The tendency to alter the focus of government activity and political strategy according to the findings of opinion polls was persistent, becoming especially obvious in the Hawke's third term. For example, prior to the 1987 and 1990 elections, the ALP's polling organisation (ANOP) conducted extensive polling to determine the strengths and weaknesses of the government and its opponents, the issues of community concern, and even the possibility or desirability of possible election dates (Parker 1990: 99).

Certainly, the Hawke government was not just interested in the evidence of the polls *per se* but it was also interested in the tactical uses to which the material could be put. In other words, polls were used as a strategic political weapon: to determine election tactics (Parker 1990: 101). It is not surprising to find a tendency amongst any

governments, including the Hawke government, to release results selectively: to endorse only what is instantly acceptable and unproblematic (Tiffen 1989: 138). For tactical reasons, for example, the government tended to highlight those polls which showed it in a strong position, with solid community support and a good chance of winning the election. Polls which indicated a poor position, on the other hand, were ignored, their results attributed to unique and explicable factors or attacked for unsound methods (Parker 1990: 101), and were not published. This is not to impugn the professional integrity of research personnel and organisations, such as Rod Cameron and ANOP, but - as Parker insists - simply to note that when data are open to a variety of readings there will be always be a tendency to reach a conclusion that the client will wish to hear, or for the client himself to make such an interpretation (Parker 1990: 71).

The fact that there was a strong relationship between political polls and the media, especially those polls which deal with the community standing of major parties support the above indication. Most of the major polling organisations now operating in Australia have, in fact, developed in connection with media organisations. In addition the pollsters were close to, or even sometimes part of, the core leadership group that runs political party's campaigns (Tiffen 1989: 138). Almost all polling was commissioned by the main political beneficiaries of its findings. For example, Rod Cameron of Australian Nationwide Opinion Polls (ANOP) was part of the ALP's media campaign machine. George Camakaris of Quantum Market Research played a similar role as the Liberal Party's public opinion researcher. Gray's view that the use of public opinion polls was a manifestation of a high-level decision to work closely with media, therefore, seems to correct (Gray 1994).

Besides as evidence of the "success" of particular policies or of the strength of the government itself, the Hawke government also used the poll results as a denial strategy and a major tactical weapon to attack the Opposition, especially with those polls which showed the Opposition as being less popular. This was attained either by shifting the focus or emphasising news such as from party to personal results, or by

using particular forms of tactical phrasing to interpret the results, or by not publishing the results of the polls at all if such results indicated the government was in a poor position. A good result for Liberal Parties and their leaders, if reported, was offset by contradictory evidence. The ALP's poor results were explained or counterbalanced or were depicted as temporary, marginal and explained by external factors. For example, while the other polls indicated the government's poor situation, the ALP's polling organisation, ANOP, reported that "Labor was suffering a "soft" swing against it ... [and therefore] votes would be easier to win back...Labor would win... but it just was not accepted without question" (cited in *the Australian Financial Review*, 20 October 1986: 3). The Hawke government tried to create the image that its problems were only transitory: attempting to create the opinion that its poor situation would soon be changed. Through this the Hawke government tried to shift the attention from immediate results to the longer-term outlook.

Similarly, when the poll of 27 September - 10 October 1986 showed the Coalition seven per cent points ahead, the government repeatedly said that "the electorate still preferred Hawke as Prime Minister over Howard by 58 per cent to 22 per cent" (cited in *the Australian Financial Review*, 20 October 1986: 3). Again, when *The Australian Financial Review* reported that 55 per cent of Sydney voters believed that Labor could not handle the economy, the Treasurer, Keating, immediately offset this by stating to the press that "it was to be expected (because of the economic restructuring) that there would be a marginal shift in support (and) there still remained a tremendous degree of support for the government" (cited *the Australian Financial Review*, 20 October 1986: 3). In short, there was a consistent pattern in the selection and arrangement of poll material. The net (successful) effect was the perception that good results for the Liberal parties and their leaders were aberrant, incorrect or tentative and undeserved.

Another tactic was to shift the emphasis from "party" to "leader" when the figures indicated a poor result for the ALP. For example, in the polls of 25 September 1987, the party figure put the Liberals lead at 47 to 43 per cent over the ALP, but the leadership figures showed that Hawke still led over Howard, *The Australian Financial*

*Review* noted on 20 October that:

(With) possibly 18 months to the next election, signs of an up turn in the economy and the electorate still preferring Mr. Hawke over the Opposition Leader, Mr. Howard as Prime Minister, 58 per cent to 22 per cent, it is far too early to write Labor off.

...

The polls showed that a large majority of voters thought that Mr. Hawke would be a better Prime Minister... Mr. Hawke is far and away the most effective and charismatic leader the ALP has ever had.

#### **4.2.6. Exploitation of Personal Popularity**

The Hawke government's media strategy was enhanced by the personal popularity of Hawke himself, as well as his government's success in a variety of fields. Hawke was very keen to exploit his popularity as an asset for media coverage, particularly television. This view was based on the belief that, in many ways, the leader's performance was more important in electoral politics than the party's stand or policies. As Gray (1994) insisted, "the most important factor in relation to the electoral politics was the way the leader was seen and what the leader stood for". This view was particularly relevant to attracting the so-called swinging voter. This is because the swinging voters are seen as culturally adrift with little appreciation of how society works and even less understanding of what is in his or her interests. This make them a prime target for emotional political appeals; for impressions and imagery rather than political issues; the political leadership figure rather than the policy substance; for advertising rather than policy speeches (Windschuttle 1984: 311). In this context, television become the most influential medium for such a campaign style. So, according to Gray (1994), Labor politics since 1980 have always been about teaching its leaders to have strong value and policy issues as well as excellent performance in the media, television in particular.

In the 1990 election campaign, for instance, while the Liberal campaign focussed more on issues than on personalities, Labor was happy to focus on personalities: the personality of its own leader and the many personalities in the Opposition ranks. The government believed that it would win the election if it was reduced to a race between

Hawke and Opposition leader Peacock (Warhurst 1990b: 26). This belief was supported by the opinion poll results, which saw the Opposition leader's popularity falling below Hawke's popularity in almost every year since Hawke had been elected. As a result, the principal acts of campaigning became "media events", not just press conferences and other media appearances such as talk-back radio, but all of Hawke's public activity (Mills 1993: 127). Hawke became the frequently-available, always articulate "talent" that the media, especially TV, needed. Labor's slogan was 'Bob Hawke for Australia's future' and it was featured throughout the campaign.

Proceeding from the assumption that the public perception of party leaders was the key to electoral outcomes, the government naturally sought to portray the Liberal leaders as weak, unpopular, incompetent, and a general electoral liability and subtly praised other aspirants in the party. The Opposition's continued disunity, actual and apparent, up to and right into the campaign period played into Labor's hands. For example, the government portrayed Peacock as lacking substance and conviction, while Howard was portrayed as too unattractive to be elected, his ideas too radical and his political approach too rigid (Parker 1990: 80). A Labor advertisement clearly exploited this Opposition weakness: "If they can't agree on leadership how can they govern the country?" (cited in Warhurst 1990b: 26). These approaches by the Hawke government seemed to succeed, especially in the first two terms, when it was strikingly successful at minimising criticism from the media while communicating its own virtues to the community (Parker 1990: 55).

Hawke himself was recognised as having tremendous skill and ability in managing and manipulating the media. Everyone acknowledged Hawke's enormous skills as a communicator (Grattan 1984: 6). One of his important skills was that he could successfully and skilfully transform the relationship between the Prime Minister and the journalists whose job was to report and comment on the federal politics. Hawke brought order and structure into leader-media contact. His techniques were in complete contrast to those of his predecessor, Malcolm Fraser, and much more effective. He was very sensitive to journalists' needs. He also was clever in attracting

their sympathy. Grattan illustrated this Hawke media style by pointing out that Hawke would always be sitting together with journalists in the VIP plane whenever he went overseas. Some commentators described Hawke's relation with journalists as symbolised by their travelling with him as "media seduction" (Haupt and Grattan 1983: 47).

As in the campaign, so in office: Hawke wooed the press gallery. The devaluation of March 8, 1983, for instance, three days after the election, might have been more conveniently announced in Sydney, where Hawke was trying to put together a staff, ministry, Cabinet and senior Public Service echelon, but he sacrificed his own convenience to the press gallery's and went to Canberra to submit to their questions (Haupt 1983: 18). In that way, some commentators argued, the Hawke government had a prolonged honeymoon with the gallery members.

There were complaints by the Liberal party that media treatment of it was unfair. Leading Liberal figures, such as Carlton, Baume and Eggleton all complained of the anti-Liberal bias of the media (Jaensch 1988: 77). However, it would be a mistake to say that such a anti-Liberal media stance was solely determined by partisan motives. In fact it was partly a reflection of the political conditions of the time. There was a widespread view that the Press Gallery was strongly influenced by its assessment of the Hawke government's political competence. The fact that Labor stood on its record: party discipline, campaign discipline, internal cohesion, and an absence of traditional brawling led the majority of the gallery members to view favourably the Hawke government's performance (Henderson 1987: 3). The government, therefore, did not attract much negative attention from the media. Some media even clearly asserted that the Hawke government was successful. The Liberals, in contrast, were releasing radical policies, had internal divisions, faced coalition tensions (the Joh-for-Canberra episode in 1987) and made numerous errors of judgment (Jaensch 1988: 78). The overall effect was that issues and events which were potentially negative for Labor were not explored closely by the media. This explains why the media, especially the Press Gallery, rarely lost its attachment to the Hawke government (and to Hawke

himself as a person until 1991).

The problems for the media in sharpening and clarifying arguments imposed by Hawke's undoubted skills and force as a public persuader were enhanced by the practice of consensus politics. Through the language of consensus, the Hawke government was uniquely qualified to embody and embrace the media: drawing the press into the process of consensual government, by blurring the difference between the party's and the nation's interests (Parker 1990: 55). The practice of consensus politics, in bringing together Australians, as well as promoting the tenets of economic rationalism that the Hawke government launched, were sympathetically viewed/shared by most of those involved in media. This inherent sympathy for the Hawke government's methods, in turn became the basis of the media's attitude towards the Hawke government (Parker 1990: 51). As a result, the Hawke government could exploit any deviation for partisan effect. The all-embracing nature of consensus, turning the old enemies into friends, included the media (Parker 1990: 51).

In sum, the Hawke government successfully controlled the "gate" of information in its own favour. Although all governments did that, the Hawke government did it better than its predecessors. Familiarity with news work routines allowed the Hawke government to devise tactics aimed at winning control of the media agenda as well as enhancing the government's image. In this context, the Hawke government actually volunteered more information, and made sure that information was infinitely better packaged, than did its predecessors. This included an approach to the media which emphasised the building of personal relationships, the management of conflict by conciliation and negotiation, and exclusion of those who were outside the system or who would otherwise not "play the game" (Parker 1990: 51-52). This approach meant that the government was shown in the best possible light, while criticism was inhibited and opponents attacked (Parker 1990: 46).

It is not surprising, therefore, that some commentators claim that the Hawke government was the most communication-conscious government in Australian history. According to Sekules (1991: 43) it was this skilful use of the media, rather than the

more normal route of parliamentary process which made the Hawke government's success more possible. However, this does not mean that there was no criticism at all. The 1985 MX missile test case and the 1985 Tax Summit, for instance, were some of the events upon which the media criticised the government strongly. But, as Parker argues such criticisms were mainly confined to particularly unusual issues, and were definitely the exception to the rule (Parker 1990: 55).

## CHAPTER FIVE

### STRUGGLE FOR MAINTAINING OFFICE: LABOR UNDER PAUL KEATING

This chapter assesses how and why a Keating led-Labor Party won the 1993 election. The 1993 election was very important for the Labor Party as well as for Australian society. First, the election was the first test of the Labor Party without the popular leadership of Bob Hawke. At the time when Australia was facing deep recession, the election was a test of whether rhetoric, efficient campaigning and policy were superior to the leader's personal popularity as a means of attracting voters. Second, it was a test for the Labor party as to whether, after a decade in office - which had brought significant changes in policy directions with both positive and negative impacts - it could maintain its acceptability in society. In other words, the election was a test for the Labor Party's policy directions as well as the electorate's attitudes toward the evolving economic, social and political changes over the previous decade. The narrow success of Labor in this election, however, proved that since the program and policy plans which the Labor Party and the Opposition offered (as reflected in Hewson's *Fightback* and Keating's *One Nation*) were superficially similar, the determining factor in losing or winning was the capacity of each side to sell its program and policy plans.

#### **5.1. The Legacy of The Hawke Government**

When Paul Keating became prime minister in December 1991 he had achieved the goal he set out to win twenty-four years earlier. Yet, as he made his first muted appearances as Prime Minister, he knew that his toughest battles lay ahead. At the time Keating was elected, Australia was in recession. This recession was longer and more severe than the 1982-83 recession which contributed to the demise of the Fraser government and which the Hawke government inherited. In the 1982-83 recession unemployment peaked at 10.3 per cent. By the end of 1991 it had reached 11 per cent,

and by November 1992 it had reached peaked at 11.5 per cent. Though progress had continued in the area of micro-economic reform, the government's economic strategy seemed to be in tatters.

In short, the government had been immobilised during most of the previous year. The bitter struggle for leadership between Keating and Hawke had given a negative image to the party. The sacking of Kerin and Hawke's refusal to use the opportunity to inject new life into the ministry, plus the bungled government response to Hewson's *Fightback* package, indicated that the government was panicked and seemed to have lost its way.

The release of *Fightback* in September 1991 created a major political problem for Labor. *Fightback* was a quite tightly-costed set of policy proposals centred around fundamental reordering not only of the role of the state in the economy, but of the whole structure of Australian society (*Australian Left Review Vol. 136, February 1992: 6*). Apart from radical tax reform, *Fightback* contained a host of other contentious elements - including the virtual abolition of the centralised wage system, the dismantling of Medicare, massive privatisation, a welfare crackdown, user-pays education, the expansion of the uranium industry and deep expenditure cuts for almost every federal government agency. Thus, *Fightback* was not only an economic document. It was a political strategy: a more or less coherent attempt to capture the hearts and minds (or at least the votes) of a range of political constituencies.

In normal times, such a political strategy would not appear such a big political threat to the government. Such radical policy would be hard for electorate to accept. Yet these were not normal times. *Fightback* was released at the time of 10 per cent unemployment, deep recession, a government which had served for a long time and appeared bereft of new ideas, and a deep-seated feeling in the community that new economic and political directions were needed. This was why, following its extraordinarily successful launch, the introduction of the *Fightback* package gained for the Opposition more credit and better publicity than it deserved because of the vacuum into which it was launched. The populace saw it as a serious and visionary plan to

tackle the nation's economic ills (Oakes 1992a: 21).

As result, Labor trailed in the opinion polls by between 10 and 16 per cent points, and Keating trailed Hewson by more than 70 points. All of the common place laws of politics held that Labor could not hope to win the 1993 election from such a position. It was no surprise then that from January 1992 till June 1992, Hewson seemed to be on auto pilot to become Australia's 24th prime minister. Labor's opponents seemed united behind their leader, John Hewson, and committed to his hardline *Fightback* policy agenda. Assessing Keating's position at that time, Gordon said: "When he got the job it was clear to every one really that he was inheriting a smoking ruin" (Gordon 1993: 186).

Given this situation, Keating's first tasks as Labor leader were to do two things: restore unity to two opposing Labor camps of almost equal size and to reconstruct his own image to overcome that of the architect of the recession "we had to have".

After Keating took power, Labor Party unity under his leadership was rapidly restored. This mainly achieved by leaving prominent Hawke supporters, like Senator Robert Ray and Kim Beazley, in their portfolios and resisting any impulse to reward his own supporters. However, on the second front, Keating had to work harder, not only to introduce a program which was economically sound but also one which was politically credible, at least in comparison with the Opposition's *Fightback* package. There was a belief among Labor leaders, in particular Keating, that a comprehensive counter-attack on *Fightback* could not be effected until the government had presented its own blueprint for recovery, one that reflected a distinctive Labor ethos (Gordon 1993: 186). Therefore, Keating began work almost immediately on the package that became *One Nation*, when it was released in February 1992.

In many ways, there were many superficial similarities between *Fightback* and *One Nation*. Although the Opposition's *Fightback* was more remarkable for its scope, detail and radicalism than Keating's *One Nation*, the similarities between them outweighed the differences, and to a significant degree it can even be said that they overlapped one another. Both packages, for instance, were brought forward against a

background of economic recession: mass unemployment, high foreign debt and severe balance of payments problems. They recognised the reality that though Australian economic growth was not so bad (averaging 3 - 3.5 per cent over the decade) but it was subject to high unemployment (about 11 per cent). Both implicitly acknowledged that Australia could not afford another boom-bust cycle. Therefore, both *Fightback* and *One Nation* proposed that the tradeable sector be strengthened and sought a high growth strategy sufficiently flexible to accommodate unpredictable exogenous or endogenous 'shocks' that could impact at various states of the political-business cycle (see Brain 1992: 7). To this end, the competing plans offered an impressive, complex and detailed economic policy. For example, they set out tax scales to apply over the period from 1992 until 1996. They also provided details of expenditure over a similar period. Furthermore, both packages agreed on internationalising the Australian economy and on micro-economic and labour market reforms which would maximise Australian living standards. And finally, both were supported by projections of the main macro-economic variables over the next five years ( in the case of *Fightback* as far as 2000).

## **5.2. The Politics of *One Nation* and *Fightback***

Despite these similarities, *the Fightback* and *One Nation* packages had very different value perspective and assumptions about the reasons for the problems that needed to be overcome, as well as for the solutions required to achieve sustainable high levels of economic growth. One of the most significant of those differences lay in the role of the public sector. In this respect *Fightback* represented the internationally ascendant neo-classical economic paradigm, with a thorough reliance upon the market as mode of social ordering which minimised the role of the state. In *Fightback*, the star players in rebuilding the Australian economy should be "individual Australians". Therefore, *Fightback* emphasised offering "individual Australians" the chance to "build" and "reward Australia" (see Hewson and Fisher 1991: 23) and proposed to bring about an historic redefinition of the role of government in Australia. In short,

*Fightback* clearly represented the ideology of economic liberalism. It did not acknowledge the vital role that the state has played in providing the infrastructure for public life and in giving expression to common purposes formulated in the public domain. It ignored the role that the state could play in facilitating the recovery of moral community undermined by free enterprise (Barns 1992: 28). *Fightback* was based on the belief that market forces would generally produce better outcomes based on more efficient allocation of resources than government intervention (Walsh 1992: 36). Thus, as Barns argued, what *Fightback* was really about was releasing the dynamism of “the free market” from the dead hand of the state (Barns 1992: 24).

Accordingly, *Fightback* saw the cause of Australia's economic failure as not the market but the labour union and/or state institutional intervention in bargaining processes between employers and employees. Supposedly, these institutions had, by various means, enforced minimum wage provisions which prevented the price of labour from falling to a level at which “the market would clear.” This was, allegedly, the real cause of high unemployment. In order to restore full employment, therefore, *Fightback* offered far more radical proposals than were considered in *One Nation*. For example, as a mechanism for containing wage growth, *Fightback* proposed radical reforms to Australia's industrial relations arrangements. These included dramatically reducing the influence of centralised wage-fixing by the Industrial Relations Commission and moving Australian firms and their employees to an unfettered system of enterprise bargaining without union participation. The *Fightback* proposed removing the impediments to market clearing prices, weakening unions, dismantling regulatory regimes which defended minimum wages and conditions and establishing a free market in labour.

In order to achieve a significant cost and efficiency saving to government and hence the taxpayer, the *Fightback* document placed a high priority on implementing corporatisation, privatisation or contracting out of many of the services provided by the public sector (Hewson and Fisher 1991: 227). These involved substantial cuts in public expenditure as well as substantial asset sales in a two-stage privatisation

program. The Opposition believed that the merit of this set of initiatives included very large savings on budgetary outlays. For instance, it calculated that total net revenue from privatisation (in the form of asset sales) alone would be at least \$ 13.1 billion in the first two years of a Hewson government (Hewson and Fisher 1991: 273).

By contrast, *One Nation* saw the major problems in the Australian economy and labour markets as a consequence of inadequate skills and/or an ineffective co-ordination of skills and labour demand. This was to be solved by providing more training to workers and/or through an agreement with labour unions, without requiring any radical reform of the institutional structure of industrial relations. As the mechanism for maintaining low inflation and productivity, for example, *One Nation* focused on union - sponsored productivity bargaining at the enterprise level combined with an increase in the minimum level of employment-related superannuation; assistance through labour market programs to help those most affected by the recession; and a significant increase in infrastructure spending, involving both the public and private sectors in that infrastructure provision.

*One Nation* was represented as a tangible shift in Labor thinking: back to the Party's historical social democratic heritage. It included a muted return to interventionist policy to slow down the economic liberalisation program Labor had applied during the Hawke years. Because of its historical commitment to the ideas of the moral economy and social democracy, Labor appeared to believe that, although freeing up markets was important, state intervention in social and economic life still was needed. It also believed that social justice objectives were fully compatible with moves to freer markets and more level playing fields. As a result, *One Nation* sought to bring forward economic recovery and jobs through an acceptable level of fiscal stimulus while securing the productive base of the country by preserving and continuing structural reform. *One Nation* revived the Keynesian idea of public spending and hinted at new initiatives to stimulate industry. Public sector demand was used in its conventional counter-cyclical mode, with a short term stimulus both to consumption (such as through the Family Allowance bonus, reductions in sales tax on

motor vehicles etc) as well as to investment (see Keating 1992).

Where Labor, for reasons of history, identity and fundamental strategic alliance with particular group in society (the ACTU) set limits to its market reforming initiatives, the Liberals saw an exciting frontier and their chance to make history. The Opposition and the supporters of *Fightback* seemed explicitly and radically to be prepared to ignore Australian traditional values in order to pursue the dynamism of free market solutions. The Coalition were depicted by Labor and its critics as throwbacks to nineteenth-century capitalism, to a free enterprise system in which capital would have the freedom to move in whichever direction the market dictated, whatever the human cost. On the other hand, the *One Nation* package explicitly evoked national unity and political community. Labor and the supporters of *One Nation* seemed to believe that although freer markets and a more open economy were important, it did not mean that they necessarily ignored the ideas of moral economic and social democratic ideology. For them, at least rhetorically, maintaining and encouraging the ideas of moral economic and social democratic ideology while encouraging full employment, competitiveness and economic growth was a must. And both were possible.

What became clear, however, was that *One Nation* emerged as a political response to *Fightback* rather than as a coherent expansionary package. Although the differences between *One Nation* and *Fightback*, to a significant degree were ones of substance, they were obscured by considerable partisan rhetoric, and aimed to search for political advantage and support from voters. The rationale for *One Nation* was not only to offer a program that would seemingly solve Australia's economic problems. It was the first of several pre-election packages containing inducements for voters. For Labor, Keating's *One Nation* economic statement provided the basis for an electoral campaign where none had previously existed. While *Fightback* was predicated on the view that the electorate could not find a positive reason to vote Labor again, *One Nation* was designed as tool to minimise that tendency. In Groenewegen's words, "it was introduced to help rescue the government's fortunes" (Groenewegen 1992: 16) and

ensure the government's political survival. *One Nation* was clearly intended to neutralise the bid made by *Fightback* for being the only solution to Australia's woes and, more important, to destroy John Hewson as a political figure of substance as well (Milne 1992: 25-27).

In the area of taxation, for example, it seemed that the *One Nation* tax cuts proposal was designed simply to match *Fightback's* proposed tax cut without the acid of the GST. Labor did not offer tax cuts to anyone earning less than \$20,700 a year and the cuts would not peak until \$50,000. The Opposition, on the other hand, would produce tax savings for everyone earning more than \$6,000 a year. The first \$7,000 of everyone's income would be tax free, and the tax savings would rise quite steeply until they reached a plateau at incomes of \$40,000 a year. Ross Gittins calculated that, under Labor, the top marginal tax rate faced by people earning up to \$20,700 a year would be unchanged at 20 per cent. Under the Liberals, however, it would fall to 16.2 per cent. People earning between \$20,700 and \$40,000 would have their top marginal tax rate cut from 38 per cent (or 46 per cent for the last \$4,000 up to \$40,000) to 30 per cent - under either party. But under Labor, people earning between \$40,000 and \$50,000 would have their top marginal tax rate cut from 46 to 40 per cent.

So both sides' tax cuts were aimed mainly at the middle to upper-middle income-earners. Under both parties, the biggest proportional gains would go to full-time adult workers, whose incomes ranged from a bit below to quite a bit above the prevailing average weekly earnings of \$32,000 a year. However, since Labor's tax cuts wouldn't start until \$20,700 and wouldn't peak until \$50,000 (compared with \$40,000 for Liberals), Labor's tax cuts paradoxically, would favour a higher range of incomes than would the Liberals' ( see Ross Gittins, *The Sydney Morning Herald*, March 3, 1993).

Keating knew what he was doing when he designed the tax cuts. He chose the target group of middle-income earners very carefully. First, they were the people who got least out of previous tax deals. And they had not benefited much from the "social wage" expenditures, which had offset wages restraint under the Accords of the 1980s. Secondly, and more importantly, they were the people without whom Labor could not

hope to win a general election; the people who had been deserting Labor in droves (*The Bulletin*, March 10, 1992: 20). Finally, Labor's decision to exclude people earning less than \$ 20,700 was because it was more cost-effective to assist some of these people by other means - such as fee relief for child care, increases in the family allowance supplement, and indexation of the pensioner tax rebate.

*One Nation* was a strategy to outflank Hewson and *Fightback*. Labor could now boast that, as far as middle Australia was concerned, the government would match both the size and the timing of the income tax cuts promised by Hewson without the new 15 per cent goods and services tax, which was fundamental for the Coalition's reform plan. While *Fightback* proposed tax cuts across the board, it used the GST to pay for cuts in personal income tax. *One Nation* matched these tax cuts only to a limited extent and focused mainly on the middle income taxpayer. This brought the majority of voters to conclude that though Keating's tax cuts were a bit smaller, they would still be better off with them since they came without the GST. The GST, in other words, had been isolated (*The Bulletin*, March 10, 1992: 20).

### 5.3. The Selling of Policies

Prior to the election, Keating worked hard to create the impression that the Labor government was still competent and was able to solve the economic problems Australia had to have. He claimed that the economy is "on the cusp of recovery." To enhance his argument, Keating tried to extract something positive from the economic data. According to him, "the jobs started coming through in those January job figures. We're off and we've turned the corner and we're going." He predicted that his policies would produce at least 500,000 extra jobs over the next three years. Keating also pointed out that there was the dramatic change taking place in the amount of Australia trade, in the kinds of things Australia exported and in the places to which Australia exported. He explained that ten years previously Australia had \$1 of export income to \$7 of domestic income, whereas a decade later close to one quarter of everything Australia produced was for export. And exports of goods and services, as opposed to

rural commodities, were now double what they were 10 years ago. Keating argued that with Australia's international competitiveness increased dramatically, he was utterly convinced that Australian prosperity, national well-being, and the ability to maintain and build a good society would be achieved (cited in *The Bulletin*, February 23, 1993: 17). While John Hewson worked hard to create the impression that nothing had changed - the economy was still "bumping along the bottom" - Keating repeatedly argued that he had played an important role in big changes in both quantity and quality in the Australian economy over the last decade (cf. *The Bulletin*, February 23, 1993: 17; see also *The Sydney Morning Herald*, 12 March 1993).

Keating also worked hard to be seen as the champion of a strong government role to bring the nation out of recession and uphold Australia's egalitarian ethos against the laissez-faire policies of the Liberals (Kelly 1992: 675). Keating tried to synthesise Labor's stance - Labor as the party of consensus-based market reforms - but he also admitted that Labor was still relying upon government as a force for job creation and enlightened intervention to secure better economic and social progress. Keating tried to find an accommodation between market ideas and government intervention to limit, contain or cushion the market adjustment. While declaring job creation to be the priority, Keating and his Treasurer, John Dawkins, also tried to dispel the fears that they would re-regulate the economy and restore the old system of state regulatory power. Keating's action signalled his belief in the traditional Labor faith that government had a role in creating jobs and facilitating the return towards a growth economy. This attempted synthesis was a result of the two forces that drove Keating - a belief in the 1980s policy direction, of which he was the principal architect, and the need to pull Australia out of 1990s recession as fast as possible (Kelly 1992: 664).

Like most other Prime Ministers before him, Keating knew that flexibility was a necessary attribute in politics. While he was Treasurer, he was often criticised by colleagues for being a free marketeer, too concerned to impress the financial markets and not concerned enough about impressing ordinary Australians. For years Keating called for tariffs to be removed. His position then, essentially took the line that Labor's

policies would effectively mean the end of tariffs. But when it was clear the policy was failing Labor, Keating softened his image and pursued a social policy agenda. Although there was no real change in policy, there was a shift of rhetoric. There was no doubt that Keating's policy was to devise a strategy to consolidate support for Labor (Oakes 1992b: 17). Such action was driven by the need to consolidate the traditional base Labor vote, working class votes. Keating, as a prime minister facing challenges, discovered that voters mattered more. The Keating tariff line was directed at them. As a Labor election strategist said "what changed on tariffs was not Keating's policy but the voters he was addressing" (*The Bulletin*, April 7, 1992).

Keating's efforts to sell his policy plans, however, were not without difficulties. Keating faced a great challenge in selling his core message. The assumption that the media and voters would automatically react more positively to Keating's economic policies was not realised. Although his tariff plan was supported by industry - especially the car industry which protested against Hewson's more radical tariff reduction plan and argued that the government should assist it to keep producing - nonetheless the introduction of the *One Nation* package and other policy plans did not immediately turn the electoral situation around. When Keating talked about imminent economic recovery, people did not believe him. Similarly, when he announced his new plan to cut company tax from 39 cent to 33 cent, people seemed unable to understand the issues. Things were looking bleak for Labor. The situation got worse when the unemployment figures rose to 11.3 per cent at the end of December 1992. Keating could not turn public opinion around by simply selling the package even though he reacted by claiming that Hewson was inflexible and doctrinaire and would not listen to industry pleas, depicting him as a politician at odds with just about everyone.

The problem was that Keating was seen by voters as the figure primarily responsible for the deep recession of 1990-92 (Gordon 1993: 186). It was Keating (while he was Treasurer) who had single-handedly changed the shape of the Australian economic debate since 1983. After 10 years of Keating as Treasurer, Australia had a

million people out of work, shattered consumer confidence and a net \$150 billion national debt. As he himself had argued for years it was *he*, not Hawke, who had been driving the policy and political engine since 1983 ( cf. in O'Reilly 1992: 22).

Keating, in other words, was trapped by this earlier record. Given the fact that unemployment was still high (even getting worse) all of the media as well as observers, tended to be sceptical for the future of the Keating government. Oakes commented, "the people who 'bring' Keating to the political ball were working-class voters, traditional Labor Party supporters". Keating was determinedly courting them again, but they were not as easily wooed as he might have hoped. Their perception was that, "for much of his time as treasurer, he took his relationship with them for granted and preferred to dance with big business and right-wing economic theorists" (Oakes 1992d: 18). Now, it was felt he had too many people to distract from their economic misery.

Keating seemed to make a serious mistake by gazumping himself at the start of the campaign by resting his re-election hopes on his economic policy plans. Delivering an economic statement while unemployment was as high as 11.4 per cent made the government an easy target for Coalition attack. His action, in other words, helped to divert attention from a policy package intended to set the campaign agenda. This became evident as the Opposition focused its strategy on keeping unemployment at the forefront of political debate. When the Opposition decided that the election would be a referendum on unemployment, all Keating's economic plans seemed less convincing. As a result, for weeks he thrashed around on other issues, without a clear strategy. Unless there was a gradual improvement in the economy, Keating looked a certain loser (*The Bulletin*, October 13, 1992: 16).

But Keating's response to the pressure of his job was driven by a fervent desire to win legitimacy as leader in his own right (O' Reilly 1992: 20). He worked hard to leave the elector in no doubt that he was the politician in charge. Recognising that his attempts to sell his policies positively did not work properly, Keating finally got the message. He decided to turn around, and not give much attention to policy at all.

Instead - particularly in the final weeks of the election campaign - he "revived" up a big scare campaign on the GST, Medicare and industrial relations. Keating recognised that the goods and services tax was the only thing that could allow him any chance in the forthcoming election. The fact that the GST was a subject of perpetual debate in society provided an important lesson for Labor election strategists to stay single-minded about campaigning on the GST. Keating had to frighten voters back into the Labor fold. He, therefore, brilliantly engineered a scare campaign. Keating decided that the election would be a GST referendum.

Keating's original strategy had been to portray Hewson, with his hard-line economics, as representing the values of the roaring 1980s, values which were no longer appropriate in the 1990s. His main argument was that slashing government spending and reducing demand through GST-induced price rises would worsen the unemployment problem, not solve it (*The Bulletin*, November 24, 1992: 13). But Keating did not only wage a simple '15 per cent on everything you buy' scare campaign, but he also worked hard to undermine the Coalition's overall economic policy. He attacked the Opposition with the accusation that all Hewson's prescriptions on tax, industrial relations, health, education and childcare - would stall economic recovery.

Keating reinforced the argument by saying...“the key point is that the enormous imposition of a 15 per cent GST on all their goods and all their services will be not just an additional burden and hugely disruptive and inflationary. There would at least be a modicum of fairness if it was all given back to them as tax cuts. In fact it isn't. Virtually none of it is given back as tax cuts” (cited in *The Bulletin*, February 23, 1993: 16). Under this projection, Coalition policies would “rip and tear” the whole social fabric of achievements going back to Federation and the early institutionalisation of an "Australian way of life" (*Arena*, "Editorial" April, May 1993). In contrast, Keating cleverly turned to the notion of co-operation as the point of difference between himself and Hewson. The ALP stood for a society in which people cared for each other and worked in a spirit of co-operation to come to decisions about the directions

Australia should take.

The message Keating delivered to voters, was that a competitive internationalised economy would best be achieved through Labor's consensus-based economic reforms, not by the shock therapy promised by Hewson. Keating played on Hewson's absolutism and tried to exploit the alarm within sections of business community about Hewson's plunge towards faster industrial deregulation and protection cuts. Keating used Hewson as a symbol of primitive and heartless capitalism in an effort to maximise the differences between Labor and the Coalition. This marked Keating first's step in building a new coalition of interest groups arrayed against the proposed GST and the threat to social cohesion that *Fightback* supposedly represented. Keating assumed a new political persona - the leader pioneering the demolition of the principles and values associated with the "Australian Settlement" but promising to retain the values of egalitarianism, income justice and social stability which had always been the hallmarks of Australian democracy (Kelly 1992: 664).

Hewson claimed that replacing various other taxes with a GST would stimulate business, thereby creating jobs. But he was not convincing in getting the argument across. Through his remarkable powers of persuasion, Keating tried to convince voters that neither side had the quick answer to unemployment, so that voters would see the GST in isolation and not as part of an overall Coalition plan that would create jobs. Keating demolished Hewson's strategy by convincing voters through Labor's campaign commercials that "no matter what was claimed the GST would not create a single new job". Keating argued that..."it was the Coalition that would inflict a deep recession on Australia". He accused Hewson of threatening to kill the economy with high interest rates and berated him for a "fight inflation first" policy - both positions he had defended in the past (*The Bulletin*, February 23, 1993).

To win the hearts and minds of Australian women, especially working women, the Keating conveyed a central message that female workers would be the big losers if the John Hewson-led Coalition won the federal election (*The Bulletin*, February 9, 1993). ALP and ACTU strategists reminded women that they would be more

vulnerable to exploitation under radical changes proposed by the Coalition. This was because of their predominance in industries that were under-unionised or characterised by part-time employment. Keating repeatedly sought to convince female voters that Hewson's *Fightback* proposal to dismantle the centralised wage system in favour of voluntary, private workplace contracts between employer and employee would reduced unions' roles unless they were specifically asked for assistance by workers - and there would be no requirement to have the private deals ratified by the Industrial Relation Commission (IRC). Similarly, the outlawing of closed shops, the abolition of preference for union members, compulsory secret ballots before strike action, strengthening of powers covering union deregistration, and the use of the common law in ending industrial disputes, would, Keating argued, mostly disadvantage women. The removal of the "independent umpire" (IRC) was believed to put female, part-time workers at risk from "unfair employers". As well, workplace conditions long guaranteed under the award system - such as the holiday leave loading and penalty rates - could become the subject of negotiation between the individual worker and her boss.

The proposed plan that workers would have to negotiate with the bosses on their own also disadvantaged women workers because of their relatively weak position vis-a-vis employers. As one commentator said: "So if your employer has team of lawyers, accountants and personnel officers against you, how do you think you'll go?" Similarly, the proposed abolition of penalty rates and casual loadings would provide a pittance for the pay for working uncongenial hours, such as night shifts for nurses (*The Bulletin*, February 9, 1992: 21). Keating also reminded women about the possibility of employers to use the contracts system for their own benefit. Since the contract would be secret, Keating argued, there would be no easy way for women workers to check to see whether they were being treated fairly and equally on the basis of their abilities and not on the basis of their sex (cf. *The Bulletin*, February 9, 1993: 21).

To improve the women's vote, Keating launched some measures including the

child support agency, operated through the Australian Taxation Office, to track down ex-spouses trying to avoid child maintenance; initiatives that enabled more women (often part-time employees) to benefit from award superannuation; and a rise in family allowances. Together with the ACTU, the ALP called on women not only to vote for ALP candidates but also to convince their friends to do so. Advertisements were placed in leading women's magazines such as *The Australian Women's Weekly*, *Woman's Day* and *New Idea*.

Further, Keating made deliberately frightening claims about what the Opposition would do to Medicare. He claimed in the Great Debate that Hewson would "destroy Medicare", that the chronically ill would be unable to obtain private health insurance, and that doctors would be allowed to "set the common fee." Certainly, it was a scare campaign. It was true that Hewson would make major changes to the existing Medicare arrangements. These included a cut in the Medicare rebate from 85 per cent to 75 per cent of the scheduled fee. Although the Liberals wouldn't increase the levy, they would not retain it. The scare campaign was pressed despite the fact that Labor's policy wouldn't be cost-free either. Labor, for instance, would raise the Medicare levy from 1.25 per cent to 1.4 per cent of taxable income from July 1993. But, in the final analysis, while the Liberals might not intend to scrap Medicare, they would make it more expensive for many people. It was this impression that alarmed many voters.

Keating also tried to distract people from their economic woes by encouraging them to think about the kind of society Australia should be in the 1990s. Yet in another way he opened up the most basic questions of what kind of society we want to live in (White 1993: 5). He repeatedly raised the question of what it is to be an Australian (O'Reilly 1992: 21). Keating talked of Australia's sense of nationhood, of becoming a republic by 2001, of multiculturalism, of child care as a major political issue, of universal health care, and of reconciliation with indigenous Australians. He became the first Prime Minister to launch a campaign for a Republic and (more tentatively) a new flag for Australia.

The motive behind this campaign was clear: to revive his own political fortunes.

Keating had an objective: to dramatise the cultural divorce from the past in order to facilitate Australia's integration with the Asia/Pacific. But more important was the idea of abandoning the constitutional monarchy and accepting a republican system, and by putting those ideas on the agenda in a way that invested their arrival with a sense of inevitability, Keating tried to advantage his electoral self-interest. "His strategic message for Australians was that for the first time in their history they [Australians] had no imperial overlord -no Britain, no America." The republican issue was used to try to discredit the legitimacy of the non-Labor tradition: to assert that over decades the conservatives had confused Australia's national interests with those of imperial benefactors (Kelly 1992: 679).

The Keating scare campaign strategy proved effective. The GST had been Coalition policy for almost 18 months, but it became clear that, until a week before the polling day, many voters had not really come to grips with it until Keating forced them to. As soon as Keating started hammering the GST with some sense of purpose, the opinion polls turned up for Labor. As a result, whereas earlier in the election campaign the GST was running third behind unemployment and economic management as the priority issue, many voters had pushed it to the top of their list as they walked into the polling booths. While unemployment was the most pressing issue, it was the GST which dominated the March 1993 election campaign. As a result, as happened in the last Debates, Hewson lost the electoral initiative. When he attempt to switch the campaign focus back to the jobs issue; he was forced to defend the marketing of the GST.

An opinion poll demonstrated that most ALP voters voted as they did because they did not like Hewson or the Coalition's policies (not because they liked Keating and Labor policies). A special "exit poll" conducted on the day of the election showed clearly that Labor won the election because the voters did not like the GST. Asked which issues most influenced how they voted, 53 per cent of voters nominated the GST, 51 per cent went for unemployment, 45 per cent management of the economy, 44 per cent Medicare and 25 per cent industrial relations. When asked to point to the

single most important issue, 27 per cent named the GST, 25 per cent management of the economy, 20 per cent unemployment, 11 per cent Medicare and 7 per cent industrial relations (cited in *The Bulletin*, March 23, 1993).

Keating's strong policy orientation towards women (through childcare and health initiatives, for example), proved successful. The female vote counted a week before election showed an improvement in the Labor vote. Usually, women were more likely to support the Coalition, but this support had fallen away for this election. A survey conducted after the election showed that 54 per cent of women voted for Labor compared with only 38 per cent for the Coalition, while 46 per cent of men supported Labor and 45 per cent the coalition (*The Bulletin*, March 23, 1993: 15). According to Mr. John Mitchell, research manager of AGB McNair, it was the first election in which the overall female vote for the ALP had equalled the male vote. The vote was 51.2 per cent for women and 51.5 per cent for men (cited in *The Sydney Morning Herald*, 15 March 1993).

One exit poll found that beside the GST, Medicare and health policy had been the main concern for 49 per cent of women (*Time*, March 29, 1993: 39). A survey conducted by Australian Nationwide Opinion Polls (ANOP) at the end of November 1992 suggested that women tended to be more worried than men about the possibility of a shift away from the centralised award system to individual bargaining. It found that while 55 per cent of men favoured the present system and 37 favoured the Opposition policy, 58 per cent of women wanted the current system and only 35 per cent were inclined to support the Opposition idea (*The Bulletin*, February 9, 1993: 21). Similarly, the campaign for a republic stunned the Liberals, who were utterly unprepared for this issue. Keating tapped a deep sentiment within the community and a wellspring of support which suggests that the centenary of Federation in 2001 will provide a context for a shift from constitutional monarchy to republicanism that may well succeed.

#### 5.4. Liberal Manoeuvres

At the end of December 1992, the Opposition beat a tactical retreat. It revised *Fightback Mark I* and produced *Fightback Mark II*, removing the GST from foodstuffs. The changes were driven by political considerations and designed to answer charges that the Coalition lacked compassion and flexibility. This tactic, set out to minimise one of the Keating's most potent weapons against the Opposition: the charge that Hewson was inflexible and that he was locked into number of rigid policy positions. When *Fightback* was launched in November 1991, Hewson had touted it as an economic imperative, "too important to be destroyed by opinion polls or lobbyists" (cited in Edwards 1992: 28). Even a few weeks before its revision, Hewson was insisting he would stand or fall on an uncompromised *Fightback* package. But after damaging criticism from churches and welfare groups, as well as leading industrialists, he had sought hope in the politics of concession to soften his image. Hewson and his team learned the important lesson that they would not allow themselves to be tied down to a static document. They recognised how desirable flexibility was to regaining voter sympathy.

But more than that, the relaunch of *Fightback* was aimed to "disrupt the trend pattern". This revision was necessary for the Opposition as the trend of public opinion was beginning to swing against it. After three years of cruising along in front, Hewson's leadership reached crisis point after October and November 1992. There was steady erosion of Hewson's popularity. Hewson took himself from a 78 - 10 lead over Keating in the preferred Prime Minister stakes to a losing position in just 12 months. Keating finally got himself - and the ALP - into the lead in a Saulwick poll which had Labor five points ahead of the Coalition at the first of December 1992. It was the beginning of the transformation of Keating from the reviled figure he cut as Treasurer into a relatively popular Prime Minister with real potential to win the election. It became the moment when the Coalition began their nosedive towards change.

The revision and relaunching of *Fightback*, therefore, was an attempt to keep the

Coalition in the election race. The revised document indicated that Hewson wanted to put electoral considerations at the top of his list of priorities. Under this *Fightback Mark II*, the Opposition tried to soften its approach to economic policy. It sought to convince the voters that it was possible now to dump the goods and services tax on food, take a more compassionate approach to the unemployed, defer public sector spending cuts that would have cost jobs, plan to stimulate recovery by encouraging business to invest and curb proposed tax cuts for the wealthy to pay for measures helping victims of the recession. The insistence that the proceeds of asset sales should always be used to repay government debt had been dropped and asset sales were now designed to help finance inducements to voters.

As a result, the new package was more attractive than the old one to the market. On top of the new *Fightback*, Hewson's \$2 billion accelerated depreciation scheme to boost employment by encouraging business to invest looked pretty good to an electorate despairing about the jobs situation. Besides, Hewson planned a \$3 billion program of spending on public works to kick-start the economy, and \$1 billion in income-tax cuts from July 1993 for lower and middle-income earners. Hewson himself, however, seemed to face a difficult dilemma in revising *Fightback*. If he did make huge changes, this would have damaged the integrity of a package (people) once argued untouchable as its components were so interwoven. Yet if he simply fiddled at the edges, he would be assailed for having pointlessly raised expectations (*The Bulletin*, December 22, 1992).

The *Fightback Mark II* GST was still introduced at a rate of 15 per cent on almost every item of consumption except food. Nevertheless, the Opposition argued that its impact would be offset in two important ways. First, its application would coincide with the removal of the wholesales tax, payroll tax, petrol excise, customs duties, the coal export duty and the Labor-imposed training guarantee and superannuation levies. Thus it was believed that the cost of goods should drop before they reached the point of sale, where the GST impacted on the consumer. Second, Hewson promised to cut income tax to offset the tax's initial impact on consumers. These were hardly minor

refinements, given that Hewson had consistently argued that governments could not spend their way out of economic difficulties.

But, as he had before, Hewson had problems in selling his message in the revised *Fightback*, partly because its policy package continued to be so complex that it was not fully understood by voters. Voters were confused by Hewson's *Fightback* program, particularly the taxation changes it laid out. There was a pretence that the proceeds of a GST would finance big cuts in personal income tax. In fact, \$26 billion of the \$27 billion the GST would raise was ear-marked to pay for the abolition of payroll tax, the wholesale sales tax and petrol excise and the provision of compensation for those hurt by the new tax. The bulk of the promised \$13 billion in income tax cuts would have to be financed through asset sales, spending cuts and bracket creep.

In addition, *Fightback Mark II* itself was still vulnerable on the arithmetic. The welfare lobby was worried by the \$9 billion in spending cuts still planned by the Coalition. Furthermore, Hewson would still go into the campaign advocating a new tax. Although he exempted food, just about everything else was affected by the goods and services tax at a higher rate than 15 per cent, including essentials like water, gas, electricity, telephones and clothing. In short, the revised *Fightback* still gave Labor plenty to shoot at. One of the most effective attacks was Keating's accusation that Hewson was unreliable because he had changed his mind. Further, Keating continued hammering the 15 per cent figure, without any qualification, on the campaign trail. He told the Press Club in Canberra that the GST at 15 per cent was a "monstrous tax" because it would raise \$24 billion in revenue. He was sure electors would not "cop it", as it was not fair.

According to Oakes, a basic flaw of *Fightback* was that its priorities were not those of the electorate. Voters, having experienced economic pain in the recession, wanted relief. But the Coalition offered more pain in the short term, with promised benefits well down the track. The Hewson plan involved the immediate slashing of government spending, which meant cuts in services and jobs. The reshaping of the tax system which, it was claimed, would eventually create jobs by giving new incentives

to industry would not occur until late 1994 (Oakes 1992e: 17). Moreover, the Opposition tax cuts seemed less secure because they would be financed less from the proceeds of "bracket creep" and more from cuts in government spending of about \$ 10 billion. They would not be financed from the proceeds of the GST, since much of these would be needed to cover the cost of abolishing the three other indirect taxes (*The Sydney Morning Herald*, March 1, 1993). Thus, the radical *Fightback* policy contained an "offset factor" that defused the supposed threat to ordinary Australians of the controversial GST.

There was one other problem for the Coalition. The *Fightback Mark II* policy shift was not accompanied by major changes on the strategic front. Hewson refused to take hard-nosed political advice from those around him. His first real political decision was to adjust and relaunch *Fightback*, not to reshape the strategy to sell it. He passionately believed that the only important thing was policy, repeatedly saying that if..."you get the correct policy in place, the politics will look after themselves" (cited in *The Bulletin*, December 22, 1992). Keating by contrast believed, as he repeatedly said, that "Leadership is about getting decisions through" (cited in *The Bulletin*, November 3, 1992).

The final critical point in Keating assault was that the set of policies, and the sort of social vision, found in *Fightback* had been seen in practice in a number of countries and the resultant social and economic balance sheet was not successful. More than a decade of Thatcherism in Britain had failed to lead to sustained employment growth, had profoundly divided British society, and had left British industry well behind its European competitors. In Canada, the attendant publicity about the unpopularity of GST and its escalating rates had brought about the resignation of its Prime Minister, Brian Mulroney. In smaller, more open economies closer to Australia, like New Zealand, the net effects of such a program have been even worse.

Jeff Kennet's insensitive handling of industrial relations in Victoria fuelled to some extent the electorate's fear of the Coalition's plans. Kennett's radical industrial relations planned to tear down the award system and impose workplace bargaining in

its place, was pretty much the same as the policy John Hewson put forward nationally. This resulted in a common theme, that was a belief that Hewson was out to look after the bosses and the wealthy at the expense of ordinary Australians. Keating exploited this issue, sensing that industrial the relations issue could cement working class votes to Labor. Labor's television commercials targeted it hard and successfully. Keating's key purpose was to convince the voters that what happened in Victoria would happen nationally if the Coalition were elected. This tactic was a success. As industrial relations is a problem of the working class, unions across Australia expressed their opposition to the plan. They joined a national day of action against the Victorian government's industrial relations policy.

### **5.5. Keating versus Hewson**

To understand further why Keating was so superior to Hewson in the campaign, it is necessary to know something about both figures. Keating's political strengths, honed over more than two decades, included a capacity for aggression few were able to match; an intimate knowledge of the rules of the game (and the degree to which they can be stretched) and a capacity for the kind of spontaneity that can play havoc with opponents (Gordon 1993: 65). His ambitions were not hidden and they were high. He was driven by conceit and ambition into annexing the Prime Ministership, and by an impatience to reform Australia. Some observers, inevitably describe Keating as arrogant, egotistical and verbally abusive, and of course ambitious. But in Beazley's view, this capability of Keating's to dominate cabinet was not because of his bullying but because he was knowledgeable and competent (cited in Carew 1992: 306). He was recognised as a man with an enormous self-confidence; in Susan Ryan's words, he had "unshakeable core of self-confidence" (Ryan 1993: 25). Certainly there is ego involved. But those close to Keating throughout his career say that Keating is driven by more than simple , personal ambition; that he has a genuine, even patriotic, wish to foster a more equitable society in Australia, to create an efficient economy that would be an international force, to harness business and political interests in a way that would

lift the quality of life for everyone (cf. Carew 1992: 306).

One of Keating's strengths was a capacity to "apply razor-sharp rhetoric to the heart of his adversaries' weaknesses while painting his achievement with the most grandiose brushstrokes" (O'Reilly 1993: 16), particularly in parliament. Keating undoubtedly performed better in parliament than Hewson. Keating for years was known as the government's engine room, the stoker of its ideas and challenger of its boundaries of the possible; the proud supplier of the less compromising, harder edge. For Keating, the House of Representatives chamber was his favourite arena. In this arena Keating was most devastating and most at home (Oakes 1992d: 18). According to Carew (1988: 32), Keating has proved to be the most destructive speaker in the House since the days of Eddie Ward (the Labor member for Paddington in the days of the Menzies Liberal government). Like Whitlam before him, Keating has always been of the view that "you can't win outside unless you are winning inside" (Gordon 1993: 65). He was undeniably and genuinely a hard politician - that was the public persona, the player who captures the leading roles in the theatre of parliament. As Carew describes him, "Keating has undoubtedly cultivated a tough exterior, as politicians must, and he has trained himself to be a winner in the bare-knuckle arena of parliament" (Carew 1988: 183).

Keating's strength was, to some extent, supported by his capacity to manage the media. From the time he arrived in Canberra, Keating was recognised as a politician who assiduously worked the press gallery - who cultivated journalists of his own age, rather than the elders of the pack, on the grounds they would be around to grow older with him (Carew 1988: 31). He had acquired a meticulous working knowledge of the press gallery over more than 20 years. No other federal politician had ever matched the familiarity with its mores and consummate mastery of its mechanisms that Keating acquired, not even Hawke himself (Lloyd 1992: 128). Keating wanted to make sure his views, rather than his public image, got through.

By contrast, Hewson's persona was part of the Coalition electoral problem. He looked elitist and certainly was not in the same class as a "parliamentary scrapper".

Keating even sought to portray Hewson as more than a privileged elitist; Hewson and other conservatives such as John Howard were sycophantic apostles of "old" Australia's links with Britain.

When Hewson was elected his image was of a tough-minded, right wing economist with a fervent belief in policy that sought to dismantle government power, reduce the welfare state and demand that people support themselves. Consequently many commentators saw Hewson more as an academic and businessman than as a political salesman. He was so uneasy with the media's propensity to trivialise that he was reluctant to co-operate with journalists and distrustful of advice that he try to be more populist. For Hewson the only important thing in politics was implementing the correct policy. Every thing else was secondary. He complained that the political process, and the media, trivialised and distorted the fact. Therefore, it was not surprising that Hewson had problems with the media and why so many voters perceived Hewson as dull, uncaring and cold.

According to O'Reilly, there were two factors which explain why Hewson always got into difficulties with the media. First, he was very inexperienced. It takes years to become a smart politician who can cleverly use the media, even for the people like Hawke, Peacock or Howard. Secondly, Hewson was a shy and reserved man, contemplative and intense, something of a loner. As a leader he relied heavily on his personal staff and was remote from his own backbench. He developed closeness with some leading Liberals, such as Robb and Reith, but he had no friends in politics (*The Bulletin*, November 3, 1992: 30). Given these weaknesses, it was no surprise that Hewson could not match Keating's superiority in almost every area of election campaigning.

The Mackay Report on 'The Keating/Hewson Factors' in April 1992 underscored Hewson's failure to evoke strong responses among voters. The report concluded that whatever misgiving the electorate might have about Paul Keating, people at least felt that he was a visible, tangible presence in their midst. "They might not like him or his message, but they could' not ignore him". By contrast, Hewson emerged from the

study as a rather grey, shadowy presence in federal politics... "People were puzzled about his style; fascinated by his wealth and perplexed by his perceived failure to seize mass media opportunities to communicate with the electorate" (*The Mackay Report*, April 1992).

## 5.6. Labor as The Winner

There is no doubt that the 1993 election was about a head-to-head test of rival party leaders, competing policies, key issues: Paul Keating versus John Hewson, *Fightback* versus *One Nation*, the goods and services tax (GST) versus unemployment (Oakes 1992c: 18). However, in the final analysis, the ALP won the March 1993 election because they ran a very strong negative campaign and, with the help of the media, were able to control the agenda of the election issues which were debated. The most effective tool that Keating could successfully bring to bear on the campaign was what the commentators called the political artistry he had spent 20 years developing. He not only knew where the country should go, but he also could get the people to follow him. This political artistry of Keating's was superb, as was particularly evident during the final stages of the campaign. He made the GST scare bite - gave it a much greater potency than the Coalition or even most commentators imagined it could possess. More than that, he put it and other aspects of the Labor campaign into a framework that capitalised on the way the Coalition had chosen to run their last days of electioneering (*The Bulletin*, March 23, 1993: 17).

Keating led the ALP to victory by concentrating on the differences between the two parties, reviving old antagonisms, keeping the focus on the GST as much as possible with eyes averted from unemployment. Keating's genius in all this had two facets. Firstly, the way he psyched out Hewson, leaving him looking off-balance on the GST, fed the community's alarm. Australian voters rarely embrace referendum questions, and Keating sensed he might effectively turn the tax proposition into a referendum. Secondly, Keating's warning that there was something "un-Australian" about the Coalition's intent - that Hewson wanted to destroy the essentially egalitarian

nature of the country by imposing the tax, dismantling Medicare and the wages system and making life a scramble for survival - was obviously heeded in the electorate.

Hewson has a point in his claim that the election was won on the politics of fear; though the ALP might counter that it had aroused hopes as well as legitimately building on fear. However, such a claim is not really fair. The truth is that both Keating and Hewson used scare tactics. Keating ran scare campaigns on the GST, Medicare and industrial relations. Hewson ran a scare campaign on unemployment. It was in this skill, however, that Keating showed his superior strength and capacity compared with Hewson. Keating won the "war". The Coalition failed to anticipate and respond to the type of campaign that Labor launched. There were few signs that Hewson had any idea how to deliver the promises he made. He did not succeed in demonstrating how the GST package would solve Australia's problems and, in particular, how it would create jobs. The Coalition could be given credit for running a relatively disciplined campaign. But it failed fundamentally to engage the electorate in a convincing dialogue on the substance of the issues. The coalition failed to communicate its policies. It was totally ineffective in presenting its ideas and programs. Hewson provided ammunition for Labor and the media to paint him in the role of a radical reformer with untried and untested prescriptions. Hewson chose to paint himself as an economic reformer bringing change - as radical. The radical image of a reformer projected onto Hewson also enabled Labor to paint him as a figure of conflict.

It is true that Hewson did outline a program of radical economic change. He provided considerable detail, 16 months before the election. But it is also true that, from the outset, Hewson sought to mislead the public on his motives for the package, on its economic benefits and on its consequences for people's hip pockets. On several occasions, for instance, he said he could not give specific answers about the impact of the new tax on individual enterprises. The Coalition's campaign's, therefore, appeared to have missed the voters who were most likely to decide the election: blue collar, middle income earners who had deserted Labor over the past 10 years, but returned to

it in droves because of the GST, industrial relations and Medicare. Therefore, the election result was no simple response to scare mongering. There was plenty to fear; the possible impact of GST was enough to make any voter shiver.

The election result sent a clear message that Australian society was not prepared to join in any radical overhaul of its ideology. When they faced a hard choice, between the need for change (new government and new policy) and certainty about their future, the electors marginally tended to choose the latter. The fact was that the electorate was suspicious of radicals and found more comfort in status quo policies (Cooray 1993: 5). As some commentators said, Australian society was still conservative; in this case, they tended to choose “the devil-you-know” than “the GST-you-don’t know” (cited in *Time*, March 15, 1993). It seems that one of the mistakes which Hewson made was to offer to solve the economic problems. He was thus pushed into position of trying to explain how the GST would provide a stronger economy *and* more jobs. He was placed in an impossible position.

## **CONCLUSION**

### **THE FUTURE OF LABOR: THE "NATURAL" PARTY OF GOVERNMENT?**

The period of the Hawke and Keating governments represents an outstanding development for the Australian Labor Party - that it has developed the capacity for survival, growth and continued electoral dominance. The Labor Party has withstood the combined challenges of time, social and (unanticipated) economic change, and bitter political and personal infighting (Simms 1994: 11). It has been shaped by the times and circumstances in which it operated; by the lessons it drew from the experience of the Whitlam years; by the drive of its leaders, particularly Keating and Hawke; and, most important, by its capacity to adapt itself to the changing environment and to the changing nature and aspirations of the electorate (Gruen 1993: 263). By contrast with its opponents, Labor has been successful in broadening its ideological appeal and convincing electoral majorities that it is a united, professional, competent, national party, fit to be trusted with economic management, and better able to deal with the quality of life issues which have become of greater concern recently. The ALP has become technically adept at winning elections by directing its appeal to so-called swinging voters in a number of strategic marginal seats. It has done better than its opponents in attracting support from newly-emergent political interests - migrants, female voters, the tertiary educated and, more recently, the welfare, conservation and environmental lobbies (see, for example, Emy and Hughes 1991; Aitkin 1982; Bean, McAllister and Warhurst 1990). In short, as Kelly (1990: 684) insists, the ALP has been able to escape from the past and to build upon that history: to impose reforms but also to win popular mandates. This has involved audacity, improvisation, deals, tension, consensus, political skills, and even miscalculation and economic recession.

The remaining question is, what will be the future of the Labor Party? Can it be the "natural" party of government? It is a difficult question to answer. The answer

will very much depend on how we define the "natural" party of government and the literature is of little help here since it offers no formal definition of the concept.. If the "natural" party of government means a party which can govern or always be in power at any time (without interruption to its rule by other parties), then the ALP cannot be any more than any other party in the democratic world - a "natural" party of government. The changing of government in Australia is certain, and it is only a matter of time.

If, however, the "natural" party of government means mental construction of the voter such that a conviction arisen and spread within the electorate that certain party is *assumed* to be worthy of retention in government until or unless it does something to loosen the electorate's hold on that conviction, then the ALP has a chance to be the "natural" party of government. Judging from the success of the Hawke and Keating governments over the past 12 years, it seems that the Labor Party has a chance to be in office at least until the end of this century. As long as it can maintain its current capacity, quality and competence, and as long as the Liberals remain weak, the Labor Party can and will be the "natural" party of government.

In addition, as an incumbency party, the Labor Party has advantages over its opponents. It has more experience, resources and skills in creating strategies for obtaining its own interests - including, for example, access to the media, skilled personnel and so on. The greatest asset of the ALP is that it has a will to draw lessons from its experiences and is able to adapt to the changing social and economic environment.

Paradoxically, given its reformist history, conservatism in Australian society could also be a major contributor to Labor's future success. People's need to protect and maintain what they have, and the attitude of avoiding any risks or embracing anything will which they are unfamiliar (anything new) could keep the voters in Labor's house, particularly if they feel that what Labor has given them in the last 12 years is better than before or better than the Liberals can possibly provide. The

experience of the 1993 election can be seen as the best example of this so-called the advantage of conservatism.

Nevertheless, the electoral success the Labor Party enjoyed in the last decade cannot be seen as guarantee that the Labor Party will be successful in the future. This is because such success does not necessarily reflect a "real" acceptance by society of the Labor Party. Electoral success might be strongly influenced by the social, economic and political situation or conditions of the time. Relevant to this argument is the question of whether such successes are the result of Australian society accepting the products of the Labor Party's transformation or the result of other factors. For example, the electoral success Labor enjoyed in the last decade might have been caused by the weakness of its opponents, the Liberals. Such conditions can change over time, even over the short term.

Therefore, the most important factor for the Labor Party's success in the future or otherwise is - because change is permanent - how far the ALP can best adapt to and incorporate that change. Implicitly, too, how far transformation which still in process and its output/products are in accordance with the needs of modern Australian society. This involve the question of how far the majority of Australian society can accept and benefit from the programs and policies offered by the Labor Party and how far the Labor Party can consolidate and unite all the different elements of strength in its body while the process of socio-economic change is underway. It is the answer to these questions which will determine the success of the Labor Party in the long-term.

One of the most important factors which determines Labor's future is that of economic management. At the practical level, Labor's future will depend particularly on the extent to which the ALP is able to maintain its relationship with the unions, as embodied in the Prices and Incomes Accord. As the Accord is the cornerstone of the successful Hawke and Keating governments' social, economic and political strategy, the continuity of the Accord is the major factor in determining whether the ALP can maintain its popular support. Labor will have a serious problems if its current

“experiments” in economic policy prove unsuccessful. Failing to maintain that continuity - including adjustment to changing situations and objective conditions - would damage the party not only economically, but, in turn, politically. The reason for this is the fact that although other issues may also be prominent in an election - particularly during hard economic times - it is the issue of the economy which dominates the way Australian voters monitor the performance of, and attribute responsibility to, their government. If the government is credited with good economic management, as measured by economic performance and conditions, the voters are more likely to support the government. Conversely, if economic performance is seen as bad, the voters will see such conditions as the responsibility of the party in government and, therefore, will punish it at the ballot box. In this context the voters tend to assess economic performance and attribute responsibility simply via the sensitive “hip-pocket nerve”. They do not have to know the situation within which the government works. For example, they do not have to know what the international economic situation is, the impact of CPI on prices, unemployment levels in industry, the impact of interest rates on inflation etc (Gow 1990: 61).

So far, in trying to solve Australia's economic problems, a Labor government appears increasingly to carry out reforms more for their short-term benefits (electoral interests) than their long-term consequences. In this context, Labor laid its future on the argument that it should not regard itself as a working-class party and that electoral success depended on broadening the basis of its class support (Aitkin 1982: 315). In order to appeal to the wider society, the Labor Party has provided policy for and focused attention upon the interests of a wider cross-section of society rather than the interests of certain limited sections of society, let alone the working class.

As a result, despite its electoral success, there is a good deal of disquiet within the party that the character of the ALP is changing, and has already changed significantly in the last two decades. Comparing the Hawke-Keating governments' economic policy in the 1980s with those of the Curtin-Chifley governments in the 1940s, Battin found that the 1940s and 1980s Labor governments presented a stark

contrast. In the 1940s the Labor Party leadership took as its starting point the belief that government intervention was fundamental to any society hoping to achieve justice. This belief assumes, of course, from the idea that the role of government is to institute principles of social justice. In the 1980s the Labor Party leadership began with the belief that the free market, with some regulation, would deliver benefits in the long run to its traditional constituency (Battin 1993: 238).

Certainly in pursuit of that end the ALP did not so much apply a total capitalism, rather tried to humanise it. However, the process of humanising capitalism which Labor has under taken during the last two decades has meant that it is no longer a working class party, nor is it socialist (if it ever was). The ALP appears to be a party in transition, moving further away from its origins as a distinctly trade union - oriented party. Battin (1993: 234) argues that, "what was new about the political economy of the Hawke-Keating governments was that the tradition which breathed life into the collectivist sentiments of the ALP - the socialist tradition - was comprehensively silenced". Further: "It is the very belief in false 'pragmatism' which has seen 1980s Labor without any philosophical base upon which to draw - other than that of its opponents. Any residual Labor initiatives are there in spite of, rather than because of, the pursuit of 'pragmatic' ends" (Battin 1993: 233). Preoccupied by a notion of "social harmony", the Hawke-Keating governments were founded on a consensus which meant, for all intents and purposes, introducing the policies of the most economically libertarian opposition in Australia's history.

This is certainly a potential problem for Labor in the future. Firstly, the electoral cycle does not, in fact, necessarily coincide with the vicissitudes of economic policy-making or even the cycle of the economy. The fact that the government is still facing economic problems for which there are no obvious or consensual solutions, seems to support this argument. Although social and economic problems have been on the agenda throughout the Hawke and Keating governments' period in office, yet they have not finally been resolved (Emy and Hughes 1991: 127-28). Australia's economic conditions - of high unemployment, increasing interest rates, record

external debt and fear of another recession - can provide a natural climate for a change of government. This is an election the Opposition usually wins.

Proponents of the sensitive 'hip pocket nerve' theory predict that it should be relatively easy for any opposition to topple a government that, after more than ten years in office, would have considerable difficulty in blaming the country's economic problems on their predecessors (Gow 1990: 55).

Secondly, the recent development of the Labor Party, theoretically, is potentially divisive. By focussing primarily on the electoral benefits of pragmatism, the Labor Party has de-emphasised the syndicates which produced it and which have been most instrumental in sustaining it. Jaensch (1989a: 190) argues that the "de-emphasis of an ideology expressed in a sacred Objective is not, and will not, be carried without severe strains". Although Labor continues to response its principles in official statements (albeit in a watered-down form) the party contains elements which see this weakening as the abandonment of the *raison d'etre* of the party. Tension may arise when such recognition alienates those sections of the party which have fought for certain principles, especially "socialism". This is the case now, as many of the ALP's traditional supporters are growing restive at the degree to which Labor in office has gradually played down its traditional values as a working class party of social and economic reform, and acquired the intellectual baggage of its opponents. The Left faithful condemned Labor as "selling out" on party principles and traditions such as the belief in public enterprise and its identity as a working-class party.

The influx of middle class members from the 1960s onwards has been an important source of strength for the ALP and the foundation of its electoral success in the 1980s and 1990s. These middle class members provided a pool of new talent upon which the ALP was able to draw in formulating policy, and from which it was to recruit the candidates needed to give it a much needed new and more acceptable public image. In short, the middle classing of the ALP encouraged changes to Labor ethos - to ingrained party practices and traditional ways of doing things which had come to be obstacles to Labor's electoral success (Ward 1989: 174). As a

consequence of their tertiary education, these new members were closer to specialist or expert advice and familiar with abstract ideas, written reports, research techniques and other means of proficient decision making. As a result, unlike Labor in the 1960s, the ALP under Hawke was much more professional: it streamlined policy making, improved its administration, polished its image and refined its campaign (Ward 1989: 184). Its economic platform, for instance, was better researched, more coherent and more openly linked to the issues of implementation than any that had been previously produced by the ALP (Considine 1983: 224; see also Encel 1964: 24-25). It contested elections using sophisticated market research and advertising techniques.

Nevertheless, this new middle class constituency of Labor's - as it has been developed in the 1980s - can also be a source of Labor organisational frailty in the future. Ward (1989: 172) noted that the middle classing of the ALP has brought large numbers of members into the party who appear to have a substantially different approach to, and expectations of, political activity. From a survey he conducted, Ward found evidence that, at least amongst branch secretaries, middle class ALP members tended to have expressive rather than instrumental political styles (Ward 1989: 171). Unlike the political concerns and orientations of traditional Labor (working class) members whose primary reason for joining the ALP was a desire to work politically for specific goals or benefits, either for themselves or for a group with which they identified, those of middle class members were more often concerned with intangible issues, and hence were more "idealist", and less "down-to-earth" (see Forester 1976: 92).

The tendency for middle class ALP members to have a predominantly expressive rather than instrumental political style contains a clue to how Labor will change or adapt itself in the uncertain environment of the future. The problem is there is a significant difference between the attitude of the blue-collar and middle class members toward the ALP. Blue-collar members with an instrumental political style tended to have long standing loyalty to the ALP. They are not likely to swing

their support to other parties as long as the party is able to deliver tangible pay-offs when in office. The idea of being "good Labor man", of "loyalty to the party" is still a component of traditional Labor ethos which shapes sentiment among blue-collar members.

On the other hand, middle class members with an expressive political style appear often to have been drawn to the ALP because they believed its doctrine was expressive of their beliefs. In this context, middle class members are more likely to reserve their attitude and position. This certainly can be a source of dilemma for the ALP in the future. Any inability of the ALP in government to meet the expectations of middle class members - to act in line with the notion that the Labor government ought to be accountable to the party, and that policy is properly decided within consultative party processes as well a strong reforming tradition - is able to cause wide-spread disillusionment amongst the middle class. For example, the Hawke government decision to sell uranium to France caused many middle class members to have reservations about the political direction in which the party was heading (Ward 1989: 178). They regarded the Hawke government decision as a betrayal of party policy and tradition.

The fact that middle class new comers have not entirely transformed the ALP in their own image adds another problem for the ALP. The fact that, despite its changing composition, the ALP itself has proved resilient, means that the influx of middle class members raises a structural problem for the ALP: the existing structures, such as rule-bound branch meetings and factional politics, remain ill-suited to the needs of the expressive political style of the middle class. The persistence of habits and practices entrenched when Labor was primarily a workers' party can cause a wider degree of disenchantment or impatience with long standing party practices and customs amongst middle class party members. This is evident in the complaints and criticisms of many middle class members that the rule-bound nature of local branch meetings is overly formal and ill-suited to discussion, debate and development of policy ideas. Many appear frustrated by the restrictions imposed

upon branch life by rules and practices originally intended to mobilise and facilitate working class involvement (Ward 1989: 180). Many others have criticised the faction system as 'undemocratic', and complained that "members who do not wish to belong to a faction have no opportunity to help make policy" (cited in Ward 1989: 181). If this trend cannot be resolved by the ALP, it can be a source of internal party conflict in the future which, in turn, can weaken its chance to be the "natural party" of government.

Furthermore, Ward (1988: 209) noted that the ALP has not recruited uniformly from the middle class. According to him, it has attracted few members from amongst graziers, proprietors, owners, business managers, professionals in private practice and others of the established (old) middle class who have long been stalwarts of the anti-Labor parties. Rather it has attracted salaried, tertiary educated professionals, notably teachers, administrators and others of the so-called new established middle class (see King and Raynor 1981: 43). In short, Labor has not attracted members from sectors of the middle class which have traditionally supported Labor's political opponents. This means that Labor's future political economy remains greatly dependent on this section of society. Failure to adapt to their needs be as damaging as failure to adapt to the demand of its traditional supporters, the working class. The middle classing of the ALP which has been a major source of its electoral success in the 1980s and the beginning of 1990s, therefore, could also be one source of organisational frailty (Ward 1989: 184).

Thus, a critical question for the future of the Labor government is whether the degree of pragmatism, overt electoralism and economic rationalism displayed by the current leadership is able to be successfully maintained. As the nexus between union, party and community has been broken, where should the ALP seek its ideology and how wide should the enlarged nature of its support be? Suppose Labor succeeded in transforming itself to the more middle ground politics, there is still a question: could the party survive without unequivocal support from its traditional social base? Furthermore, is the Labor Party able to keep some rational balance between the

often- conflicting elements within itself: conflicts represented between the Left and Right, between those who emphasise wealth creation and those who stress wealth redistribution. In short, Labor's future will not depend merely on whether it can deliver economic growth and cope with the new debates, but also on how it can handle its internal conflicts in dealing with these problems.

All attempts to solve this problems involves some risks for the future of the Labor Party. If, for example, it tries to go too far too quickly - moves too pragmatically across the centre ground in search of votes - it may not win future elections. Firstly, such a move may alienate its most enduring supporters, the working class (Emy and Hughes 1991: 132). Secondly, such a move too far to the "right" will split the Labor movement by antagonising the unreconciled radical socialists among its rank-and-file. Finally, it will come up against the barrier of the innate conservatism of Australian society.

If, however, Labor adjusts itself too slowly to the changing views, aspirations and needs of the community, it will be doomed to futility. If, for example, it is forced to resume in its "traditional" (pre-1980s) stance - to agree to the demand and practice of its traditional supporters let alone working class - it will dissatisfy its new middle class supporters who has been its main element in achieving electoral successes in the last decade. Any attempt to retain the ethos and practice of the past will certainly be opposed by the new middle class element which may cause damaging results to the Labor electoral strategy. For instance, to agree to demands for wealth redistribution that exceed what is reasonable in view of the pace of wealth creation - it will be toppled from office.

This is an especially great danger for Labor's security in government since it will be more susceptible than a non-Labor Party to union pressures to retard the essential process of wealth creation by a premature and excessive emphasis on wealth redistribution through wage increases. This was the case of the Whitlam government, whose expansionist programs, based on the analyses and expectations of the 1960s confronted the declining world economy and rising oil prices of 1970s.

Labor's future, therefore, will depend on its capacity to reassure its supporters that, however slowly, it is nonetheless marching in the ideologically correct direction towards a more equitable as well as productive society.

So far it seems that the ALP under Hawke's and Keating's leadership has had the capacity to appeal to all sections of society by recognising (as mirrored in its policies and programs) that individualism is socially as important as egalitarian values. But since there is still potential conflict between these two sets of values, there is a great need for Labor to be more careful in designing its policies and more careful in choosing and co-ordinating its programs. It should continue to develop policies and communicate them in ways which are correct politically and economically in that they fit in with the electorates views, aspirations and needs. The experience of the Whitlam government - which profoundly influenced the Hawke and Keating governments - demonstrates that, to achieve even limited objectives, Labor must closely analyse the forces in society which it needs to overcome and ally itself more closely with, and to a degree share power with, groups in society which pursue similar aims and objectives (Wilenski 1980: 62). This include the capacity to adjust continuously to the increasing salience of "new" issues such as feminism, the environment, human rights, self expression, equality, gay and Lesbian rights etc. Should it fail to solve this dilemma, the Labor Party will face a serious problem before the end of this century: it will alienate the very interests from which it is seeking to win support. Some of the elections between 1983 and 1993 have sent clear messages to the major parties, that some people are looking for a party to come up with policies in line with the views, aspirations and needs of the numerous sub-groups that constitute the Australian people.

Finally, there are some other factors which will influence the future of Labor. In the 1990s Australian society is living in a period of dramatic development and change. In the future these trends seem likely to be even more unpredictable. Like other societies, Australian society is subject to the influences of change - from domestic as well as overseas forces. Australian voters are not static. They are

changing as the social, cultural and economic environment changes. As a result, their views, aspirations and needs can and will change. This reality demands that the major parties adapt themselves to change, because only the party which is able to reach out to the changing views, aspirations and needs of the people can retain popular support.

The problem is that Labor - Jupp (1982: 179) argues - like other political parties, forms part of Australian society. It, therefore, cannot stand apart from changes in society and it cannot always control the environment within which they operate. Far more of this environment than they are willing to acknowledge is determined by events and forces external to the domestic political and economic sphere, and which cannot necessarily be coped with by the ALP; many changes in society may be beyond their control or comprehension. Recent developments indicate that for Labor government has become more difficult and more complex because of changes to society and the political process. There has been a pervasive sense that the government now tends to be "overloaded", that it has taken on too much, that it cannot accommodate the pressure of demands upon it and, that it has less control over its social and economic environment than before. Policy conflict has been common; problems of policy direction, accountability and control have been real; getting the bureaucracy to do what ministers want has not always been easy. Overall, such factors have produced a strong sense of the limitations and constraints facing governments. These are reinforced by the fact that Australian Constitution creates difficulties for the federal government: it limits the autonomy of, and the options available to, the political decision-makers in adapting to a changing global environment. These factors have produced a more sober assessment of what government can actually achieve: that it is not omnipotent, nor free from error (Emy and Hughes 1991: 527). In this regard, Labor, therefore, should be able to mould a strategy to shape community perceptions and resist the Liberals' claims that Labor has lost its reforming zeal and has become senescent after 12 years in office.

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