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THE SEQUEL TO

THE ROAD FROM COORAIN

Jill Ker Conway

This morning I'll talk about why it is, in my view, that the genre of autobiography has such a wide readership today – in so far as we can establish readership from sales it does seem to have a wider audience in the English speaking world than contemporary fiction of the standard form.

Of course, autobiography is a form of fiction, but it is a very special and distinct form. It's called fiction because we can never ever tell everything. We would recount our life history very differently as we looked at it from different stages of life. We would certainly always shape what the reader takes away from the story by where we begin and end it.

For instance in *The Road from Coorain*. I didn't want it to be a standard narrative about a woman's life in Western bourgeois society. That standard form is a romance where the story ends for the woman with marriage. Everybody knows that fairy stories always end the same way with "they lived happily ever after". We know that doesn't happen to real people. I could have ended *The Road From Coorain* two years later than I did, when I met and married the man I've been married to for 33 years. And then everybody would have said, "Ah, that's how the story ended." In fact because I ended it on uncertainty, with a venture into an unknown world, everybody wants to know what happened next. Whereas they would see a final terminal point in my life history if I ended it with the classic romantic ending – with marriage.

So what the reader takes away from the narrative is shaped by where it starts and finishes, something the narrator has the power to control. It is a form of fiction then, just like the standard novel that we read, but it's a form of fiction with a very different narrative voice. Of course, in modern society one of the things that separates us from traditional society is the sense we have that there is an inner person, an inner identity, an "I" which is different from all the separate roles that we play. In a lifetime we play many roles and every day of our lives we play many – professional, entrepreneurial, domestic, inter-personal, in the relationship of parent and child and so on. And we have a sense

somehow or other that they all relate to this inner person who is observing our life, scrutinising it, interpreting it and somehow or other in charge of what psychologists call "the inner life plot".

If we were born into traditional society our identity would be our role and we would really only have one. One governing identity that showed us our status in the world, and how other people thought of us. So the fascination of autobiography as a genre, even when you know it's fictional and controlled by the narrator, is in hearing somebody talk from that inner "I" to explain how all the different roles fit together – to the degree that the narrator does that well he or she creates a satisfying narrative. If you feel that the narrator does it in a hamfisted or in a not terribly intelligent way, it's not very satisfactory, often quite irritating. You feel the narrator has let you down, hasn't really told you enough or hasn't consistently presented a life's experience. The fictional autobiographical narrative lets us look at how another person interprets the inner plot of his or her life, how they add up all the different roles into a meaning that is somehow or other greater than the sum of its parts. Modern psychotherapy spends a lot of time getting people to unravel and examine their inner life plots. We may not be aware of a conscious one but nonetheless it shapes how we interpret our experience of what we do.

In Western culture the life plot for men is derived from classical Greek models and especially from the Greek idea of the hero who is immensely brave and all-competent. He jousts with the fates but subdues them and is, in a literary sense, a person infused with agency. The Greek male hero makes the world and shapes it even though he encounters many battles, tests and trials. The archetypal female-life plot in Western bourgeois society deals with romance. It has to do with a heroine who is in no sense infused with agency. She's beautiful, wonderfully finely tuned emotionally, has few brains and is swept by fate or destiny to her great romantic encounter out of which grows a relationship in which her identity is subsumed within that of her lover. Then she disappears from the stage just as the heroine does in every opera you've ever attended. After she's met the tenor and they've sung their beautiful aria she has to drop dead on the stage. There is no place in this story for the life experience of an adult woman. In romantic fiction in the end the heroine has to die tragically because the plot doesn't allow her to go on growing and developing into a mature and adult person. That's not, in our bourgeois culture, something that women are meant to do.

So since the 1840s the modern feminist movement has been trying to deconstruct that plot and to create another view of women's lives and experiences. That's been my purpose in writing two volumes of memoirs. *The Road from Coorain* is in no sense a romance, it is also not an epic, heroic account of life because I fail in almost everything

I'm doing. I don't rescue my mother, I don't rescue the family fortunes, I don't find the job I'm looking for, I really don't do too well and moreover I don't fit in. But underlying that series of failures is the story of a young woman's education and the extent to which that conveys the ability to think critically about her society and act decisively on her own account.

The Road from Coorain starts out with the way we are conditioned by our physical environment, next it examines the shaping force of our cultural environment, then of our family which shapes us psychodynamically and finally the external circumstances over which we have no control. Then it concludes with one act of free choice. Philosophically we only need to have one free action to change the course of our lives completely and we should count ourselves lucky if we can encounter two or three major choices in life because that allows for a major dimension of personal freedom.

The second story, *True North*, takes up from that point of departure from Australia. It's concerned with something that has no part in the romantic tradition which is what adulthood is in a woman's life. In that sense it's nowhere near as lyrical and poetic as *The Road from Coorain* because on the whole adulthood is not. Childhood, the experience of our first encounters with nature, the experience of first love, all the wonderful discoveries of early education, those are lyrical and universal experiences everyone can identify with. Adulthood on the whole brings very different challenges and those are the ones I'm interested in talking about from a woman's point of view in *True North*.

The book has four major themes. The narrative is deliberately constructed in ways that depart from past conventions of narrative about women's lives. It's classic to present the two basic motivations of human beings – love and work – as in conflict in women's lives, in our society. One is meant to subtract from the other in some way. *True North* is written so that you cannot tell from page to page whether it is a loving or working self who is talking. You cannot tell whether what is being described is a public or a private experience. The message that the book is meant to give a female reader is that if you have the good sense to choose the right partner in life you don't experience conflict between these two spheres. If you are experiencing that conflict then scrutinise your relationships, don't assume that the conflict is inherent in the way human experience is shaped.

The second theme is the story of the pleasures, fulfilments and wonderfully comic enjoyment of fighting discrimination. One reason which prompted me to start writing *True North* was that there have been a lot of memoirs by women of my generation published recently in North America. Most report that they found the experience of being a pioneer in the feminist movement of the late 1960s and early 1970s in North America an exhausting, alienating and a fairly lonely experience.

Reading that for the young woman today is a real downer. She thinks, oh dear, I'm not sure I want to pick up this baton and carry on with the race to advance the cause of equality for women. So my story is about how my life has been changed, has been enlarged, enriched, made more zestful by joining in this kind of battle. I've really enjoyed fighting discrimination, loved meeting the colleagues, male and female, that I found to work with and believe that feminism has contributed a lot to society, and an enormous amount to me personally. Certainly in terms of energy, I would say that joining in the movement for women's rights has been the thing that got me up with the juices running every morning. Feminism will be with us for a very long time, and I hope my story encourages younger generations of women to roll up their sleeves and get to work on the tasks that still remain to be tackled.

The third theme, an important one not often dealt with well, is the importance of female friendship in women's lives. It's a taboo subject because women have been made afraid to talk about the importance of relationships with other women by the politics of the gay/straight confrontations of our society. Friendship is really essential for our maturation and growth. Women need female friendships as much as they need deep bonds with members of the other sex. My story shows you the important female friendships which have had a shaping influence in my life. The book gives the reader a picture of women working together and living in intellectual communities that is important to document. As a woman you should know the value of female friends, and if they are lacking you should be willing to go out and search for them.

Finally, *True North* is a story about expatriation. I must say that one of the motives that prompted me to write about living outside Australia has been the occasionally negative reactions of the Australian press to expatriates. Our current psychological view of expatriation is one that's derived almost exclusively from the 19th Century male experience, from the romantic nationalism of the rising nation state in the 19th Century. The standard European view of expatriation was that the expatriate - always male - was harmed by being uprooted from the soil of his native land and damaged psychologically by his subsequent inability to connect fully to another society. Expatriation is seen as a subtraction and a psychological disruption.

Of course we all know that the modern nation state, wherever it came into being, disenfranchised women. It took away the traditional ways in which they exercised political power and left them as only partial citizens. The new 13 states of the American Confederation specifically disenfranchised women. Women in the French Revolution who wanted to be citizens and to take up arms and fight beside their male confreres, to defend the French state, all ended up on guillotine because they were seen as disloyal to the proper female role. So women

were not full citizens of the romantic collectivity which formed the nation state. They were only partial citizens.

But if you look at attitudes to moving around the world, no one's ever fussed about women's allegiance. They're expected to change overnight. Think about all the dynastic marriages arranged in Western Europe, moving women around from nation state to nation state to foster political alliances. Think of the whole tradition of arranged marriages. That meant that women were to be traded around and expected to take root wherever they were put down. The words of the marriage ceremony, in the Christian faith, talk about forsaking all others and bonding instantly to a new unit and a new group. So no one has ever expected women to be psychologically troubled by changing political allegiance.

This history of the female experience runs counter to the idea of expatriation as alienation. It fits more closely with the fact that migration is probably the one universal experience that all people on this troubled planet have. For the last 1000 years it has occurred through the expansion of Western Europe and for many thousands of years more in the history of central Asia and the Middle East. Migration is a universal that every people has experienced and it continues today at an ever increasing rate. So we had better get our heads straight about what moving around the planet means psychologically, politically and in every other dimension of our being. My story is about what migration adds to a person's consciousness, capacity for civic involvement and capacity for full citizenship.

The story of my migration and transformed psyche is traced in the narrative by talking about the footsteps by which I came to love snow and ice – something Australians on the whole are not very fond of encountering. The narrative recounts the experience of exploring the northern hemisphere as natural environment, as a political, social and intellectual environment and of coming to take root very firmly there. It is a story about the process of becoming politically involved and committed to being a civic person in this new society. That's as important a way to think about expatriation, in my view, as the nationalistic male way.

I'm always amused by the sensitivity in the Australian press on the subject of expatriation because I'm a cultural historian and I've studied the response of the American press to people like Henry James, Edith Wharton, Scott Fitzgerald and Ernest Hemmingway when they chose to be expatriates. That theme was very important in American society up to the time that the United States became a world power and up to the time that American society was so visibly enriched by the migration of the generation of European intellectuals who took flight from Fascist Europe. Scientists, humanists and artists who arrived in the 1930s enriched and enlarged the culture of North America.

Suddenly Americans came to see migration as a very positive force which was welcomed and valued. Perhaps that will happen at some future point in Australia.

We should look at the rootedness of human beings not in terms of any particular political allegiance to the spot where they were born but in terms of rootedness in nature. That connection is one we can all understand on any part of this planet. We should look at an individual's consciousness as we would look at an archaeological site. There are many, many strata of experience, and the bottom ones don't disappear because others are added on top. They're all there, all are very much a part of the person and none of them are ever abandoned or forgotten. I think that's a very important set of ideas to try and convey about a world population in constant movement.

The notion of the male citizen owning his territory and controlling his soil and blood community is one that's outdated but still causing the most terrible brutality in Serbia and Croatia today. That's what that struggle for ethnic cleansing is about – male control of blood and soil. We all think of these racist motivations with horror, but we need to be critical of them within our own culture. European Australia was created by expatriates, some voluntary, some involuntary, and that's a positive, not a negative part of our national history, just as it is in the personal history I recount in *True North*.



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Photo - David Karandis

Ted Evans

Ted Evans became Australia's Secretary to the Treasury in May 1993. He is well known for his forthright views on the need for a more flexible labour market in order to reduce unemployment. Ted Evans spoke for The Sydney Institute on Monday 12 September 1994.

THE ECONOMY,

SPRING 1994

Ted Evans

It is now four months since the Commonwealth Budget was brought down, together with the forecasts of the economy which to some extent underlie it; and given that the ABS within the past two weeks has published new data on the national accounts and capital expenditure, this is probably a reasonable time to revisit those forecasts.

Although we have yet to do that in a substantive way – in the sense of revising the forecasts – it is fair to say that there is nothing in the latest data to change the basic picture presented at Budget time.

That was a picture of strong economic growth, of around 4.5 per cent in GDP, and continuing low inflation, at an underlying rate of around 2 per cent.

The forecast also called for a substantial lift in private investment this year (about 14.5 per cent), a prospect greeted with some scepticism at the time.

The latest capital expenditure expectations data show more clearly that there is now a high probability of that forecast being realised; indeed, some prospect that it may be exceeded.

It is worth noting, though mainly for the record, that the data released within the last two weeks are those that would normally have been at our disposal had the Budget been brought down on the traditional August timetable.

Several colleagues, from among those who have been in the business for some years, have said to me that there is probably less uncertainty about the short-term outlook than there has been for a very long time.

To have minimal uncertainty about the outlook is pleasing – at least when that outlook is for strong growth and low inflation – and even if it brings us closer to the time of asking about the next steps.

Before turning to such possibilities, two important blemishes on the general rosy picture might be mentioned:

- one is to recall that unemployment remains extremely high – even if, at 9.5 per cent, it already has been reduced to the level that we were forecasting might be reached in mid 1995. This

particular blemish was obvious enough at Budget time and a good deal of the policy content of the Budget was directed towards it;

- the second, drought, was also evident then although not in the intensity that we now see and there is still a prospect that it will worsen a good deal before it breaks. That also will become a subject of some heightened policy attention within the near future. In aggregate, droughts bring considerably less burden to Australia as a whole than they once did; but they can have quite devastating effects locally and will also reflect in aggregates such as the current account deficit over the next year or two.

Beyond those two blemishes, the policy conundrum returns to sustaining the recovery for the longest possible period; accepting that it is unlikely that we will ever be without the business cycle as such.

Preparing the way for sustained recovery calls for decisions now, particularly in respect of monetary policy; which is why interest rates were adjusted in recent weeks. Not because there is any imminent sign of inflation but because, recognising that such policy operates with long and variable lags, adjustments were needed now to minimise the possibility of such signs in a year or so.

That our ability to look that far ahead is limited scarcely obviates our responsibility for attempting to do so. Hence the tightening of monetary policy should be taken not as a sign that fears are held about inflation but rather that insurance is being taken against its early emergence.

Fiscal policy must be conducted in a similar vein and, in next year's Budget, preparations for which will commence before too long, attention will need to be given to the adequacies of the fiscal consolidation program which is currently in train.

On both of those fronts, fiscal and monetary policy, fine judgments are called for, which will be guided primarily by experience. But they must also take account of those elements beyond that experience which we know now to be part of the environment in which we operate. Some of the recent debate has given little attention to these elements.

Of significant relevance here is the changing nature of the labour market.

It may well be that a casual observer of the Australian scene, noting the extent of activity on our wharves in the last few days, would see no reason to make any such adjustments to the lessons of history; but, such short term aberrations apart, there can be little question that the Australian labour market today is very different to what it was when we last emerged from a recession, a little over a decade ago.

The policy devices that we used then no longer have the same

relevance and we cannot expect the aggregate wage response which we saw on that occasion. Nor, however, should we make the mistake of attempting to fight that last war.

Moreover, it is the very essence of the enterprise bargaining practices which are spreading through the labour market that wages will grow at different rates depending on the demands for and supply of different skills.

The successful operation of that approach necessarily requires greater reliance on measures which affect the economy as a whole such as demand management policies.

Hence both workers and employers need to be more fully aware of the constraints upon their wage and price setting behaviour which will emerge from the government's setting of monetary and fiscal policies. If that is done, these changes in labour market practices will, of themselves, prolong the recovery – even though that is an incidental benefit.

The second feature of our economy that is very different today from what it was a decade ago is that it now is much more open to international competition.

Looking at this phenomenon over a slightly longer period, and using the ratio of exports of goods and services to GDP as a measure of openness, it is striking to observe that that ratio has increased from about 11 per cent in 1960 to double that, or about 22 per cent in the early 1990s. A similar change – actually slightly smaller – has occurred on the import side.

Such substantial changes in the structure of an economy do not occur all that frequently; yet the change in Australia has been much smaller in absolute terms than it has been for the mature industrial economies taken as a group. Looking at the same ratio (exports to GDP) for the OECD as a group, one sees that the average has increased from 21 per cent in 1960 to 42 per cent today.

There are two interesting features of the comparison between Australia and the OECD generally which would be relevant to assessments of policy requirements in Australia today.

One is that the opening up of the OECD economies was a fairly steady process across the three decades between 1960 and 1990; Australia's opening, however, has accelerated markedly only from the mid 1980s, as deregulation took hold.

The second is that the stage we are at now, a ratio of around 22 per cent, is where the OECD countries were, on average, some three decades ago.

There are obvious reasons why Australia might always be a more closed economy than the OECD average; and it might be noted that the US remains more closed than Australia.

But, there are suggestions in that history and in the recent

acceleration of opening in Australia that suggest it is more likely that we are currently in a phase of continuing to open our economy.

That indeed is the policy intention and it is evident in many more features than the bald aggregate figures I have been quoting. The relevance for policy settings in the short to medium term, is that they are likely to be imposed in an increasingly competitive, and increasingly responsive, environment.

The pace at which those changes occur, however, is more likely to be affected by domestic policy actions than by international developments, per se.

That domestic policy developments are the prime movers of a country's fortunes is readily seen from the examples of countries which stand out from the crowd, for example:

- the way in which the Philippines performed so poorly through most of the 1970s and 1980s compared to its East Asian neighbours;
- the way in which the former USSR performed vis-a-vis similarly endowed conglomerates;
- and, closer to home, the way in which New Zealand performed, before and after the 1980s.

Each of these three examples throws some light on the importance of internal structural policy.

Structural policy changes are still being played out in Australia, but they are already having effects:

- facilitating the opening up since the 1980s;
- facilitating a continuing decline of underlying inflation during the latter part of that decade, notwithstanding questions regarding the adequacy of demand management at the time.

So, in summary, there are three new factors bearing on policy judgments that were not present in the early 1980s episode (or earlier):

- labour market developments;
- a more openness to international forces;
- more competitive domestic environment.

All three factors should work towards sustaining the recovery. They will not obviate the need for tightening of monetary policy, nor tightening of fiscal policy, as the recovery proceeds. But they will help in both those tasks.



Photo - David Karonidis

Joan Kirner

In September 1994 the Centenary of Federation Advisory Committee released its report on Australia in the booklet "2001 - A Report From Australia". The former Premier of Victoria, Joan Kirner, was the Chair of the Committee which spent over four months listening to groups all over Australia as well as processing more than 400 submissions. Joan Kirner spoke about the project and what it hoped to achieve in an address to The Sydney Institute on Monday 19 September 1994.

2001: CELEBRATING

THE CENTENARY OF FEDERATION

Joan Kirner

My friends are asking – what is a nice socialist left girl like you doing talking at the Sydney Institute.

The answer I like to give is – taking the opportunity to talk about one of the most exciting occasions in Australian history: the Centenary of Federation 2001. An occasion for big ideas rather than big events, I hope.

When Paul Keating asked me to chair the Centenary of Federation Advisory Committee, I was a bit reluctant. So I asked him what outcomes he hoped to achieve. I accepted the offer when Mr Keating replied: “If you get people talking about the big ideas you’ll have succeeded.” The Prime Minister’s challenge was one of the reasons that I set the Committee on an in-depth and extensive round of Australia-wide consultations. The other was that I had such a mixed Committee in expertise and political views that I knew the only way to get agreement was to have them listen to Australians rather than just argue amongst themselves.

It was exhilarating and enriching listening to people from all over Australia talking about what they have pride in and what is important to them.

At times it was inspirational.

Time after time we had people talk movingly about their experiences and how they wanted to build from these experiences to strengthen our nationhood. Take for example the words of Lillian Holt:

I believe talking about racism in this country is about collective healing and we can all learn as a result of it. It is not about being anti-white, it is about being pro-humanity. For what has diminished me as an Aboriginal woman in this country has diminished all females: white and black.

Many of the big ideas about Australia’s future have been pushed into the public area by Paul Keating. But the challenge for him, and for all political leaders, is not to be seen as owning these issues or pushing their importance at the expense of so called bread and butter issues; but rather to make sure that the people of Australia own the ideas, own

the debates and own the answers. Because if that sense of ownership doesn't develop, then there won't be a genuine assessment of the ideas on any change – particularly constitutional change.

At the moment, people think the big debates are owned by politicians – or disowned by them. Or owned by the media, and interest group lobbyists – but not by the people. They feel the issues are bogged down in partisan debate through which there can be no resolution.

So what are the big issues that people are talking about?

- People are talking about the need for reconciliation – a settlement between indigenous and non-indigenous Australians;
- About recognition in the Constitution of Aboriginal and Torres Strait Islander people as the original owners of the land;
- People are talking about a statement of citizens' rights and responsibilities in, or accompanying, the Constitution.
- They are talking about whether there should be a preamble to the Constitution that says who we are and what we stand for as Australians. Our own Declaration of Independence;
- They are talking about whether we should become a republic;
- In the Territory, about statehood for the Northern Territory;
- Whether local government should be recognised in the Constitution;
- And they want Federal-State relations sorted out.

I was surprised how many people want to talk about these issues. I was also excited because I think the range of debate going on in the community in the 1990s reflects the strength of our democracy and a new period of nation-building similar but different to what has taken place after each major recession.

And how does the Centenary of Federation fit into all this? This open moment in Australian history (1994-2001) which if grasped by the people, can be as important a period of nation-building as the 1890s. But the moment can only be captured if the Australian people understand what there is to celebrate.

And as Donald Horne put it to the Committee, there is much to celebrate in our democracy – one of the oldest continuous democracies in the world. We have a century of liberal democratic tradition to celebrate.

John Hirst said in his recent book *The Republican Manifesto*:

There has never been a moment when we have attached ourselves to our political system as the embodiment of our nation.

The Centenary of Federation is the moment.

The people of Australia made it clear to my Committee that 2001 should be a time for taking pride in our achievements and a time to focus on the future. Importantly, they see it as a time to resolve some outstanding issues on the national agenda. It is clear that Australians are ready to tackle those issues because of our shared values of a fair go,

tolerance and openness. These are values, that have grown out of shared experiences, in a country where people grow up thinking they are everyone's equal. And just as important that everybody else is *their* equal.

Australians sometimes overlook the fact that liberal democracies are rare in history – and their survival is not guaranteed. We take it for granted that Australians can talk openly about issues without ending up in jail. We expect that our public servants will not be corrupt. We expect that people of different religions and political views will be treated with tolerance.

The Australian people are now ready for a national dialogue on how we maintain and strengthen our nation as one of the oldest surviving liberal democracies in the world. Australians now have the confidence and the interest to resolve these issues but they don't have the process. Politicians and people of influence urgently need to create the process.

We need governments, oppositions, media, business and community groups to provide the opportunity for a national dialogue on the big ideas. The dialogue has to be non-partisan, well informed and community based. And it needs to take place over the next six years with opportunities for successful outcomes along the way and a true celebration at the end.

Of course there were things about Australia in 1901 that we won't be endorsing or celebrating a century later. Although it is important we acknowledge them. They were part of our experience and our growth:

- In 1901 the new nation was forged partly out of a fear of invasion; one of the first laws passed by the new parliament established the White Australia Policy;
- In the 1890s many people saw our geographic location in Asia as a threat; today we see it as an opportunity;
- Women had no formal role in drawing up the Constitution for an Australian Federation; today, women have moved on from fighting for gender equity in the vote to gender equity in parliamentary representation;
- The 1901 Constitution formally excluded indigenous Australians from the rights of citizenship; in fact, they were excluded from the census. They literally didn't count;
- Today, Aborigines and Torres Strait islanders have the vote; but they still don't have an equal share in resources; Today, their prior ownership of land is recognised in law. And on the basis of that recognition indigenous and non indigenous Australians are now entering into negotiations which, with good will and understanding, should lead to reconciliation. Cathy Freeman's triumphant carrying of the two flags, Aboriginal and Australian, at the Commonwealth Games is the

benchmark for the next stage in reconciliation. Mabo was the first. We can move forward from here. And when reconciliation becomes part of our sense of nationhood, as multiculturalism has in the past 20 years, Australia's value system will broaden and strengthen.

We now know we can move forward as a nation on these issues. And those who seek to stop the tide will be swept by this wave of a new chapter in Australia's history. Already people like Alexander Downer need floaties: and he and his party are in danger of having to man the life-boats.

In 1901 the notion of national unity was possible because of the dominance of mono-cultural values. The motto of 1901 was "One people, One destiny". As we approach 2001 we have achieved a new form of unity. One that takes into account an unprecedented complexity of ethnicity, beliefs and cultural choices.

The motto of 2001 should be "Many Cultures, One Australia" or perhaps, "Many Communities, One Australia". Almost a century after Federation our democracy is still being transformed. In David Malouf's words in the 1994 Larry Adler Lecture, "we are capable of living with multiple and contradicting views - which does not limit our capacity to speak of our experience as communal and shared".

If the politics of the 1890s were about exclusion, the politics of the 1990s are about inclusion. The celebrations in 2001 must reflect the inclusiveness that has been the key to our success as a democracy. The tapestry of events, discussions and programs should distil and depict the uniqueness that is Australia and that comes from our richness of experience. Just as Australians in the 1890s shaped the Australia of the early 1900s, Australians of the 1990s are shaping the Australia of the next century.

If we are to have a genuinely national celebration in 2001, three things have to happen:

1. People have to understand what it is we are celebrating, and how it relates to the issues and debates of today;
2. We need a genuine national dialogue on the issues of nationhood, and as I said earlier the people have to own the debates;
3. And we have to move those debates to resolution.

I am not suggesting that all constitutional change is automatically a good thing. I am not suggesting that politicians should play no role in constitutional debate. But I am suggesting that many thousands of Australians will become disillusioned if genuine debate on the future of our nation is overwhelmed by partisan, party political battles. The worst result at the end of the 1990s would be a series of referenda campaigns dominated by pollies slugging it out head to head. We all know how that would end - a NO vote on every proposal. But it would be more a rejection of the process than of constitutional change. And it

would be disastrous for people's faith in our democracy.

If we are going to ensure a national dialogue, politicians have to take a step back and people have to be assured of a decision-making process that is well informed and democratic.

When you listen to people talking about this country – our country – the overwhelming response is one of pride. But many feel a need to understand more clearly what they are proud of, and what kind of future they can be part of making.

We listened to many young people. Including one young high school student in Broome who told me I had a cheek asking him what he thought about the Constitution when he'd never seen a copy. He taught me a lesson when I thought I'd be teaching him one – that unless people understand the history of Federation, the Centenary celebration will be meaningless.

And most Australians don't know much about the history of Federation; or the history of Australia – its land, culture, its people and its achievements. In 1994 it is hard to understand just how remarkable it was that in 1901, six separate self-governing colonies came together in a political agreement that established the Commonwealth of Australia.

It is imperative that we use the years between 1994 and 2001 to increase understanding of our history, to take stock of our failures and to take pride in our achievements and to extend active citizenship. The Committee's report suggests a number of initiatives aimed at doing this. I'll mention just three of them.

1. In 1951, Australia's school children were each given a military style bronze medal to celebrate the 50 years of Federation; In 2001 to mark the Centenary, all children should be given another kind of medallion. A CD ROM on the Federation story – a shining golden disc packed with information on our history and achievements. It should be distributed in 1996 to get young people interested and involved in the Centenary at an early stage. I'll make sure that the student in Broome gets one.
2. Secondly, the Committee welcomed the work of the Civic Expert Groups and the Project Citizenship 2001 Committee. Both of these initiatives are supportive of what David Malouf so brilliantly describes in his recent paper to The Sydney Institute – the introduction of Australian Studies into school curriculum from prep grades to Year 12.

(Australian Studies for Malouf, means the study of Australians and our land, flora and fauna, history, government, law, cultures and values. This is similar to Dr Jean Blackburn's recommendation to the Victorian Government in 1985. Of course, it would be churlish for me to say that as Minister of

Education in Victoria I introduced compulsory Australian Studies into Years 11 and 12, but the initiative was destroyed by reactionary opposition in the media and from the then Opposition.)

3. The third concept proposed by the Committee is related to a sense that Australians now want to move beyond the "guilt" or "cultural gap" view of Australian history and use the time to 2001 to build up pride in their achievements and tackle unresolved questions.

Donald Horne proposed to the Committee, and we picked it up in our Report, that part of the Centenary celebrations should include writing and presenting, through the media and publications, the stories of some of Australia's greatest achievers. But to tell the stories in a way that highlighted the experiences that were part of that achievement and that have become part of what it is to be an Australian.

It was interesting that when we asked young people at the consultations to define what it meant to them to be Australians, they described it by comparing Australia with other nations. They said that compared with other countries they have visited Australians starred because of our tolerance, openness, fairness, an absence of military police and oppressive restrictions on individuals.

One hundred years ago we were still defining ourselves by what we had taken as characteristics from other nations. Our young people's yardstick reflects a much wider view and experience of the world than their forbearers. The achievements and views of our young people should be part of our celebrations.

In this paper I have talked about four major goals we are proposing for the centenary debates:

- Strengthening our democracy;
- Understanding what we are celebrating;
- Taking pride in our achievements;
- And reconciliation.

I am not going to try to cover all the options for celebrating the Centenary which the Committee has included in its report. But there are some important landmark proposals. For example, the Murray Darling 2001 project from the South Australian Premier, Dean Brown. And the completion of the National Museum – strongly supported by the ACT Chief Minister, Rosemary Follett, the Leader of the Opposition, Kate Carnell and the ACT community.

The Centenary Committee has been searching for an event which would match the emotional symbolism of the arrival of the Tall Ships in 1988. We think we have come up with the basic idea for one – an idea that symbolises the "Many Cultures, One Australia" theme and emphasises a great Australian Achievement.

The idea is called the "Great Australian Family Reunion". In

2001 it would bring to Australia representatives of families of all the nations whose people are now part of Australia, for a family reunion. They would come on ships and planes to celebrate with their Australian relatives. The reunion would take place over several months. But the first arrivals could make a striking air and sea pageant with multicultural celebrations to greet the visitors as they arrive. It would be a massive project – difficult to achieve but highly symbolic of multicultural Australia being mainstream Australia.

Phillip Adams was responsible for many of the magic moments and bon mots of the report. And Phillip and I were responsible for the slightly less bureaucratic style of this report to government. But the other ingredient was a sense of humour.

It was a real privilege and quite a learning experience working with Marcia Langton. As many of you will know Marcia is on the Cape York Land Council. She introduced the rest of us on the Committee to the wealth of information about Aboriginal history and culture held in the Australian Institute of Aboriginal and Torres Strait Islander Studies in Canberra and now available in encyclopedia form. And she made it clear to the Committee that if the history of Federation is to be told, it must be told in full.

One of the early debates on the Committee was on whether we should recommend for or against re-enactments, 1988 style. The debate raged over several meetings until Marcia finally said: "Okay, okay, we'll have re-enactments. But this time – we'll have the guns." We are not recommending re-enactments.

The task our Committee was given was to recommend to COAG goals and options for celebrating the Centenary. It will be up to COAG – probably through some successor body to this Committee – to further test and develop some of our ideas. I cannot say strongly enough that whatever body continues this Committee's work, it should consult and negotiate with people across Australia as we have done. Because, if people own the Federation's Centenary celebrations, they will be both lasting and substantial.



Photo - David Karonidis

Peter Costello

Peter Costello was elected deputy leader of the Liberal Party of Australia in May 1994. He is also the Shadow Treasurer. Peter Costello addressed The Sydney Institute on Monday 26 September 1994 and outlined his party's strategies for tackling the tougher economic issues which in his view have been ignored by the Labor Government.

NO TIME FOR

COMPLACENCY

Peter Costello

Tonight, I want to talk about the economic situation Australia faces today and its challenges for tomorrow. I want to canvas some of the dangers facing our future prospects for economic development, and suggest what we should do to seize the opportunities which lie ahead.

In 1990-91 Australia experienced the worst recession in 60 years. We are now emerging from it. As we emerge from that recession the focus of economic debate must change. The question for national leadership is no longer how to manage recession but how to manage recovery – in particular, how to manage a sustained recovery that will break the boom-bust cycles of recent years.

We should rightly welcome the fact that the downturn is over, that economic recovery is slowly bringing forth economic repair, that after the nightmare of recession businesses are starting to invest again, and some of the unemployed are beginning to find jobs.

However, we should not underestimate the magnitude of the task. Investment has only just begun to increase again after plummeting to a record low level, and there is a long way to go before we get back to the levels of 1989. We have had five years of investment drought in this country.

It is essential that this sense of deliverance does not lead to complacency. After enduring such a massive and painful recession, the natural reaction to the arrival of recovery is to stop and take a breath. If this happens, and there are signs that it is indeed happening, we will not – as a nation – be ready to seize the opportunities that are before us. This is no time for complacency.

Releasing updated economic forecasts in February 1994, the Treasurer said: "We have effectively the best conjuncture of economic fundamentals in the last 30 years." In his view some kind of new age of aquarius.

One has to remember the same kind of statements were made by Paul Keating in 1987 and 1988 when he said: "This is the great coming of age of Australia. This is the golden age of economic change. We are

now well on our way back to prosperity." And referring to the 1988 Budget, "This is the one which brings home the bacon."

One should remember where Mr Keating's last age of aquarius ended. One should remember that Mr Keating was still sprouting the "don't worry be happy" approach as late as August 1990 when the economy had begun to slide into what proved to be the worst recession in 60 years. There is no room for similar complacency today.

We cannot be complacent about the budget deficit which is putting pressure on interest rates and the current account deficit, and threatening to stifle sustained growth. We cannot be complacent about foreign debt, which is expected to more than double by the end of the decade under current policy settings. We cannot be complacent about investment when we need to sustain an unprecedented six consecutive years of double digit investment growth to make up for the devastation of the recession and bring the unemployment rate back to 5 per cent.

We cannot be complacent about an industrial relations system which entrenches union power and deprives employees and employers of the necessary ability to negotiate flexible working arrangements. We cannot be complacent about the failure of the states and the Commonwealth to reach agreement on the implementation of an integrated approach to national competition policy.

Back in February 1992 the government released the One Nation statement. It then forecast a budget surplus of \$2 billion by 1995-96. It is now forecasting a deficit of \$10 billion – and that is after breaking the promise to deliver billions of dollars of personal tax cuts in 1996. The cumulative budget deficit from 1991-92 to 1995-96 is now expected to be \$41 billion higher than was predicted in the One Nation statement. Somewhere between its election promises and the aftermath of its election win the government lost \$41 billion on the forward estimates.

The transparent chicanery of the One Nation statement should make us very wary of the government's current forecasts. But even accepting the current forecasts is no cause for celebration. The Commonwealth account was back to surplus within five years of the 1982-83 recession. But the Commonwealth is forecasting deficits for at least seven years in the aftermath of the 1990-91 recession. If, as the government tells us, economic conditions have not been better for 30 years, why do we have a budget deficit equivalent to two and a half per cent of national income?

The reduction of the Commonwealth's budget deficit is central to Australia's long term economic prospects. Genuine budget deficit reduction is necessary to Australia to lift national savings, since government borrowing is the major drain on national savings. Without sufficient national savings, an investment surge in Australia will have to be financed with high current account deficits and more foreign debt. As we learned in the 1980s, such a situation is not sustainable. Growth

based on running up foreign debt leads to high interest rates, and eventually recession and unemployment.

There is nothing to be complacent about in these prospects.

Yet the government's position is summed up by the mantra which echoes and re-echoes in the parliament – all that should be done has been done. The government is engaged in a massive exercise to convince us it has the best possible strategy of all possible strategies. In the parliament on 7 June this year Kim Beazley went as far as to say that Australia will have “by a country mile a better performance on deficit reduction than virtually any other country in the OECD with whom we like to compare ourselves”.

He obviously had not read a report released by Westpac the day before which pointed out that “despite relying on lower growth projections, most governments have more ambitious deficit reduction strategies than Australia”. Westpac showed that Canada, New Zealand, France and the UK all planned faster progress on deficit reduction.

The OECD released its half-yearly economic survey at the end of June. It showed among other things that the projected reduction in Australia's general government fiscal deficit between 1995 and 2000 was expected to proceed at a slower pace than in no less than eight other OECD countries, ranging from Greece and Portugal to France and Italy.

The OECD went on to note that Australia's general government structural deficit was expected to fall from 3.5 per cent of GDP in 1993 to 3.2 per cent in 1995. In contrast, the OECD average structural deficit was expected to fall from 3 per cent in 1993 to 2.3 per cent in 1995.

The OECD also predicted that Australia would have the highest long term interest rates in the industrial world in 1995, and said:

In all countries, insofar as real long term interest rates are considered to be too high, the solution is more likely to be found in more ambitious reduction of budget deficits.

Still the government continued to say there was no problem with the budget.

The Reserve Bank Governor, Bernie Fraser, gave a clear warning when he stated in Tokyo on 13 July 1994 that he was hopeful that the government could do better than its planned reduction of the budget deficit to one per cent of GDP by 1996/97.

When the Reserve Bank Annual Report was released in August 1994, this view was repeated:

Achieving – and hopefully doing better than – this planned reduction in the deficit (to one per cent of GDP by 1996/97) will have an important bearing on the level and composition of growth in the years ahead... the budget stimulus initiated in the period of economic weakness has to be wound back to make room for the necessary growth in business investment and to avoid a disproportionate share of adjustment falling on monetary policy.

Yet, when the national accounts were released on 31 August 1994, Mr Willis was still arguing that the government's deficit reduction strategy was sufficient. He argued that the boost to national savings from the government's current deficit reduction strategy would be adequate to finance a return of investment to healthy levels.

Shortly after, Access Economics released detailed forecasts of national savings, investment, foreign debt and the current account deficit, showing that under current policy settings national savings will be totally inadequate to finance our investment needs – the current account deficit will blow out and net foreign debt will rise from around \$160 billion today to over \$400 billion by 2002. It was only \$23.5 billion when Labor came to power in 1983. Mr Willis' response was to ignore it. He has cultivated a pose of steady inaction.

The government is not only complacent about the medium term effect of the Budget on national savings, it is refusing to acknowledge that the high budget deficit is already putting pressure on interest rates which threatens to continue the pattern of boom bust cycles.

Back in 1987 the government was prepared to acknowledge the connection between fiscal policy and interest rates. As Paul Keating said in his 1987 Budget speech:

The withdrawal of the Commonwealth government as a net borrower this year will further reduce pressures on financial markets and help to sustain those lower interest rates.

And yet in 1994, with the government engaged in a massive borrowing program, the government says, and says repeatedly, that its fiscal policy is entirely appropriate and nothing more can be done to take pressure off interest rates. This has provoked extensive warnings.

Here is a selection:

...by missing the opportunity to finance unemployment reduction initiatives through other program spending cuts instead of expected cyclical revenue growth a greater burden will fall on the monetary authorities to administer anti-inflationary medicine during 1994 and 1995.

- Salomon Brothers *1994/95 Budget Commentary*, 17 May 1994.

Despite strong growth, the government has opted for significant new outlay measures which will provide an unnecessary, further boost to economic activity. The better strategy would have been to take advantage of the strong economic growth to wind back the deficit and ease the looming pressure for monetary policy to be tightened.

- *Westpac Market Insights* May/June 1994

Tighter budgetary policy is certainly desirable because of Australia's structural savings problem and would have beneficial short term effects in reducing the size of the needed rise in short interest rates.

- *Access Economics Monitor*, July 1994

There has been some loss of flexibility on fiscal policy now that the government has committed itself to the Employment White Paper policies. That imposes an additional burden on monetary policy.

- McIntosh Baring *Australian Economic Outlook*, Mid Year 1994

One reason financial markets have taken a more negative view of future Australian interest rates is that fiscal policy is perceived to be too loose, given that our recovery is well ahead of most other OECD economies.

- *The Macquarie Weekly*, 25 July 1994

On 7 September Access Economics called for a November mini-Budget to tighten fiscal policy "to take some of the upwards pressure off interest rates."

On 19 September the Commonwealth Bank warned that "the pace of reduction in the Budget deficit appears slow in the light of the economic outlook... leading to concerns about the relative weight of policy adjustment to be borne by monetary policy".

It is not hard to guess the complacent attitude by the Treasurer on 20 September 1994:

we are pursuing policies which will give us, in my view, the least increases in interest rates over the course of the cycle that could possibly occur.

Mr Willis had, of course, chosen to ignore a widely publicised report from the National Farmers Federation which found that "a \$2 billion cut to the planned budget deficit this year could reduce long term interest rates by about one percentage point."

The government is also complacent about the medium term outlook for growth, investment and unemployment. The government released medium term growth projections up to 1997-98 in the Budget which would have us believe that annual GDP growth will not fall below 4 per cent.

Mr Willis would have us believe that economic cycles are now a thing of the past. He said on 1 June 1994:

There have been few times in the past when the nation has been so well placed for sustained economic growth as it is at present.

Once again, independent commentators have cast doubts on his sanguine approach. The Syntec June Corporate Brief warned of "an already wallowing monetary and fiscal slack in the Australian economy which, left unchecked, will take us straight back to boom slump economics".

Westpac has released forecasts which show a sharp deceleration of growth from 5 per cent in 1994 to 3.5 per cent by 1996. It has been convincingly argued that to achieve strong sustainable growth sufficient to achieve the government's target of a 5 per cent unemployment rate by the end of the decade, Australia needs continuous double digit annual investment growth for the rest of the decade. However, only

twice since 1970 has Australia sustained even two years of consecutive double digit investment growth – let alone the six years we need to ensure that Australia can face a new century with confidence.

The government is complacent on its fiscal deficits. It is complacent about the drain on savings, it is complacent on interest rates. It is complacent on foreign debt. It is complacent about taking the measures to reduce unemployment to acceptable levels.

The Secretary to the Treasury, speaking in the restrained tones of a public servant before you at the Sydney Institute earlier this month, went as far as to say that the government's goal of reducing unemployment to 5 per cent by 2000 was "ambitious". He said:

That will in my judgment be extraordinarily difficult to do.

The government's "no change" policy will not do it.

And yet the government still claims we are on track to 5 per cent unemployment and refuses to implement the policies which are designed to remove structural impediments to employment.

In the Prime Minister's first major speech after the March 1993 election, he promised significant reforms to the labour market. This announcement was something of a surprise. After spending much time and energy in the election campaign criticising the Coalition's proposal for a freer and more flexible industrial relations system, he did something of a U-turn.

Speaking to the Institute of Company Directors on 21 April 1993, he called for an industrial relations system "which places primary emphasis on bargaining at the workplace level within a framework of minimum standards... compulsorily arbitrated awards and arbitrated wage increases would be there only as a safety net". All of this had a very familiar ring to the Coalition. It was after all our proposal.

However the U-turn was followed by another and Mr Keating was soon back where he started. Mr Keating's fervour for reform quickly disappeared as the unions demanded a pay back for what they saw as their crucial role in helping Labor win the election. As Professor Judith Sloan wrote in an important article at the end of the year:

As the year wore on, however, it became increasingly clear that the Labor Government would not deliver real labour market reform because of the binding constraint of its relationship with the union movement. What eventually emerged was a piece of legislation, the Industrial Relations Reform Act 1993, which paid lip-service to the rhetoric – "flexibility with protection" – yet which involved complex and convoluted extensions of the centralised IR system combined with a highly regulated bargaining stream."

- *Agenda* Vol 1, No 1, 1994

The primary aim of the Industrial Relations Reform Act 1993 is not to facilitate flexibility or bona fide agreements between employers and employees. In order to engage in enterprise bargaining one can either seek a certified agreement or an enterprise flexibility award. The

first must be made with a union and is subject to a no-disadvantage test stipulating there is no disadvantage in it compared to the award. The second can be sought by negotiation with the employees but if there are unions on site the union must first be notified to take part in negotiations. Even if there are no members, relevant unions have the right to drag the agreement through the Commission which can void it if it is not "in the public interest"!

The ultimate effect is that an enterprise agreement is so complicated and torturous to achieve that without union approval it is not worth the effort. The Act entrenches the centrality of unions in the industrial relations process, which is, after all, its real purpose. It is not to secure truly flexible arrangements or encourage genuine agreements between employer and employee. It is not to secure employment based on productivity. Given the dramatic drop in union membership in the last decade it is no surprise that a Labor Government should try to make unions relevant by entrenching their role in wage-fixing. But surely it is not the purpose of federal legislation to prop up unionisation at the expense of promoting improved arrangements for work and employment.

A few years ago Bill Kelty said Australia and Cuba had the most regulated wages systems in the world. I am not sure what has happened in Cuba since, but we must be giving it a run for its money. Since then, our system has become more regulated and more complicated and it is perhaps even more difficult to implement genuine agreements between employer and employee.

As Professor Sloan has pointed out the government has a structural inability to deliver labor market reforms. As the events of the last month show with the tawdry deal between the government and the Maritime Union of Australia, it has a structural inability to deliver a competitive shipping industry in Australia. The government's ability to advance micro-economic reform is now at a dead-end. As the events of the ALP National Conference this week will show, the government is now not so much interested in what is required for a more competitive economy, but in what its own constituency will wear - on uranium mining, airport privatisation or ANL. The government is now hemmed in by the structural constraints of the Labor Party. It is at the end of the line.

A government free of these constraints would allow mining development, would sell-off airports on the best commercial arrangements to secure the best consumer service, and would allow a competitive shipping industry to and from and around Australia. Such a government would turn its attention, as this one did for a day at least, to reforming the labour market. A government that dealt with the states on a decent and honest basis would be better positioned to clinch agreement on competition reform, which means cheaper power, cheaper services, cheaper transport and better communications.

Australia, with all its opportunities, must not settle for second best. We cannot be complacent about savings, debt, the current account. We should not settle for second best on interest rates, economic growth or employment. On the economic front it is necessary to run faster just to maintain our position in the world.

We need a government that understands this and is capable of acting on it. This is no time for complacency. This is the time to put in place the policies to break out of boom-bust cycles. This is the time to make sure we change the future rather than repeat the mistakes of the past. This is a time when only the best decisions will do. This is the time to do better. We can afford no less.



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Photo - David Karontsis

Ross Fitzgerald

"Red Ted" - The Life of E G Theodore by Ross Fitzgerald (QUP 1994) is a lively and sympathetic account of one of Australia's most controversial and colourful historical identities. Some of the highlights of the life and times of "Red Ted" proved compelling listening as related by Professor Ross Fitzgerald to his audience at The Sydney Institute on Tuesday 4 October 1994.

IN SEARCH OF

RED TED THEODORE

Ross Fitzgerald

Edward Granville Theodore was dying. Few in Australian public life have commanded the worlds of business, politics and labour with equal authority. Ted Theodore had walked through them like a giant. Writing in 1931, Charles Bernays, the clerk of the Queensland Parliament, described Theodore as "clever: far-seeing: secretive: popular while in power; said to be a rich man".¹ It was a perceptive summation of the paradox of ability, mystery, power and plenitude in a man who within 30 years went from being a mine worker to a mine owner. Later, historian Geoffrey Bolton described "Red Ted" Theodore as "the closest that Australia has come to producing the Great Gatsby".² A reticent nature, a talent for accumulating wealth and a capacity to deal with powerful labour, business and political figures combined to create the impression, as Manning Clark put it, that Ted had "always been around the fringes of 'tainted money'".³

It had not always been that way. Growing up during the 1890s depression, there was nothing tainted about home – just piety, politics and poverty. The moderately talented, bookish boy of twelve left school to get jobs to help the family survive. He had felt the injustice of it all the more because his father, Basil, a proud man and essentially bourgeois at heart, had for reasons partly economic, partly adventurous, renounced his upper class Romanian background for ten hectares of unproductive dirt at Aldgate, on the outskirts of Adelaide. As an ideologue and romantic son of the upper class often can, Basil made a virtue out of necessity, praising a life of hard work and few rewards and upholding Australia as a wonderful land of opportunity. The gap between theory and practice was wide. If Ted had an ambition, it was not to become "disgustingly rich" but simply to do better than his father had done.

Ignorant, no doubt, of all the psychological ambivalences such a project would entail, Theodore, through mental ability, acumen and sheer hard work set his hand against fate. He was not a greedy man, seeking wealth for its own sake. More than money he craved the power and influence which his father did not have; power over his own life in

the first place, and power to shape the destiny and purposes of men, machines and the earth itself. But Theodore's sense of autonomy was bought at a price. Within the ranks of the labour movement his organisational and oratorical abilities were widely recognised, but he was considered cool and aloof, "abnormally sphinx-like".⁴ According to Bernays, "He gave one the impression of a man with the cares of the universe on his shoulders instead of the minor cares of a State".⁵

It was a perceptive insight. For most of his political career, Theodore's public conflicts were paralleled by tension and conflicts in his married life that caused him to hide further his feelings from those around him.

In his last days, he had lived a comfortable, almost monk-like existence. Gone were the expensive works of art hanging on the walls; his estranged wife Esther had them. Most of his library was stored away; he kept just a few books, including a well-thumbed set of the *Encyclopedia Britannica* and Shakespeare's *Julius Caesar*, to comfort him. On Monday 6 February 1950, Ted Theodore lay dying in his penthouse, Princeton, overlooking the harbour at Edgecliff in Sydney. He felt like walking out on the terrace. "Have you ever seen a more beautiful picture than that of Sydney Harbour on an autumn morning?" he had asked a friend just a year before.⁶ But as he lay propped up on pillows in the bedroom the view from the terrace was no longer his. It was raining and anyway he couldn't make it out there if he tried. Once he had seemed indestructible, surviving typhoid in Broken Hill, mining mishaps in Western Australia and North Queensland, state problems and federal electoral defeats, always managing to come out on top. To the eyes of his youngest daughter, Myra, then 36 years old, he seemed pathetically vulnerable for the first time in his life.

Ted Theodore was no fool. He knew that all humans had to die. Always the prospector, did he wonder what secret wisdom lay in that other land? If death was coming to him, he was, at least, organised to meet it. He had worked out a schedule for dying. "I have three days to go", he told Myra.⁷ He would have to apologise to the family for not lasting another three weeks. He had set up a trust for them, but if he died before the end of the month they would have to pay death duties.

Keeping things under control was his speciality. "King Theodore I", one wag had called him because of his command of the legislature in Queensland. He had abolished the Legislative Council; only the King and the parliament itself could do that. The same writer in *Smith's Weekly* had prophesied, "The only thing that will kill Theodore is Theodore himself".⁸ Well, if hypertension and cardio-vascular disease are self-inflicted, he was right. Journalists never did let up on him. Even when Theodore became a publisher and helped found the *Australian Women's Weekly*, the jokers at *Smith's Weekly* published a cartoon of

him in a bra and slip, with the caption "Red Ted' in Pink Teddies". Underneath it said, "Ah well. You'd never have believed, when Ted first went into parliament for Chillagoe as a full-blooded, two-fisted Labor bloke that he would have come at a Society Women's Paper!"⁹

Sooner or later, he expected, someone would find the small container or private file, about the size of a shoe-box, with his little treasures in it. Mungana. As far as he was concerned, it was all there.¹⁰ The true value of the mines was available for all to see, after he was dead and the old wounds could not be reopened.

At least they would find that he was no Labor Party rat, not like William Kidston, Billy Hughes and Joe Lyons. Even if the party, or that part of it under the influence of Jack Lang, had rejected him, he remained true to the cause of industrial labour. They would find that he had kept all his union membership tickets, from that of the Barrier Branch of the Amalgamated Miners' Association in 1906 right through until his final AWU ticket of 1946.¹¹ He was no betrayer of the party, he was never two-faced. He was one man indivisible in purpose throughout his life. He gave the ALP his all. For a while he was their hero, a leader, the best hope the country had of combating the Great Depression. He retired hurt from parliamentary politics, a victim of the Lang machine in the NSW ALP, and "Honest Joe" Lyons' betrayal of the federal ALP. It is an irony, as Michael Easson observed, that "for a collectivist party such as the ALP much depends on the quality of individuals".¹²

If the ALP was more than doctrine, if it "embodied the fallible beliefs, foibles and aspirations of the people determined that society should be a better place, that it could be improved by eliminating the poverty, misery and meanness present in the life of the community",¹³ then EG Theodore embodied that principle in a single life. Even Communists who labelled Theodore "a traitor to the working-class", admitted he was "a product of it nonetheless".¹⁴ Except for his brief period as a union organiser, Theodore had never been viewed favourably by the more radical and visionary sections of the labour movement. Yet he too had a creed. He stuck to his vision, but he embraced labourism rather than socialism. Out on the fields one never met a goldminer who was a socialist. They all shared a secret dream to one day strike it lucky. It was never his job to abolish capitalism. His concern was to protect workers from its arbitrary and unnecessary excesses. He maintained that attitude whether he was a union organiser, a politician, premier, treasurer or businessman. He veered from that attitude only during his time as Director-General of Allied Works, in World War II. Such a crisis, he believed, demanded some sacrifices by the workers in the national interest.

Theodore was a practical visionary. He had the draftsman's skill for drawing up plans. He kept a sketch of the layout for the proposed

Emperor Goldmine in Fiji in his file of treasures. His vision was vivid and of material things. For him, industrial and political labour were ways of getting things done, not debating clubs. The union was a machine for acquiring power which meant generating money, enough money to stage successful industrial action, enough money to educate the workers and enough money to influence people. Political parties were vote-gathering machines. Getting the votes got you into power, getting into power got you near the money, which in turn got you influence. T.J. Ryan, under whose premiership Theodore had flourished, had never grasped this. Ryan preferred the prestige of the legal victory; he was never really interested in the Treasury. Theodore, however, knew that the Treasury and Public Works were the keys to gaining influence.

In a fight he was described as "cool and unscrupulous".¹⁵ He seldom if ever played dirty with a lesser man. Ted Theodore never pretended like John Wren to be a Robin Hood, taking from the poor to give, usually to himself first and then the deserving poor, the struggling Irish Catholics in Collingwood. Wren, Frank Packer and their associates ran so much of Australia, that one had to be on their side. Still, "Red Ted" had something they wanted; he had the ear of those in or near power, the unions and the Labor politicians. Between them, they had the papers, the gambling, the liquor, the politicians and the unions covered. What a team. Wren, Packer and the Melbourne liquor merchant Patrick Cody supplied the capital to get into Fiji gold in a big way. Initially at least, Theodore knew where he stood with them. They were "no questions asked" men with surplus cash to invest. They were his pipeline to power, the power of booze, the power of gambling, and the power of the press.

Since leaving home at sixteen, Theodore had, despite his sojourns on the Herberton tinfields and the copperfields at Chillagoe, been on the lookout for gold. The ore containing the precious metal has to be crushed and the gold refined. Theodore's life had been one of crushing blows and gradual refinement. He had twice lost political office without expecting to and had survived two Royal Commissions. Yet his accoutrements of power and prestige were often resented by the self-appointed spokesmen of the working class, who sanctified their misery and sentimentalised their ineffectualness as the glorious "class struggle". Theodore stood aloof from this mateship of common failure, exemplified in the Irish tradition of revelling in oppression. This was a tradition to which he did not subscribe.

Theodore had had to deal with the envy of others at home as well. His wife, Esther, was always jealous and often despairing of his progressive male refinement. Eleven years older than Ted she constantly struggled to preserve herself, or at least her looks, which often seemed to her were the same thing.

So there he was, on that drizzly February Sydney morning, from rags to riches, from miner to mine-owner, from organising a two-up school with "Big Bill" McCormack and heading the "fighting AWA" to running the national economy. Lying there feeling life slowly drain out of him, he was waiting for the moment to redeem himself, waiting for absolution, for final unction. He had already redeemed himself, in a very worldly sense, when he took up the post of Director-General of the Allied Works Council during the war. He took no payment for the job. Still, a priest was now hovering around, waiting for this proud man who knew his mind, who hated hypocrites, to let his defences down, to say "yes" to God at last. He irritated Ted no end. His sister, Sister Benedict, would never give up. Even John Wren had written recently, begging him to take up the faith again.¹⁶ He had only to make a simple gesture of compliance. Was that how wisdom could be found? Was that the key? It is never easy for a self-made man to be present at his moment of unmaking.

On that wet February Monday in 1950, Myra crossed the room wearing a heavy raincoat and a French beret and did something she hadn't done for years. She gently put her arms around him and laid her cheek against his forehead. With a faint smile, he reached up and took off her beret and twirled it on his finger. "Red Ted" Theodore, the giant amongst pygmies, lying frail upon his deathbed, was twirling a beret? He was still in control, still master of the situation, "Myra, I have three days left. I am sorry, I tried, but I just can't last until the end of the month".¹⁷

Myra couldn't bear the emotional intensity of the situation and so she stepped out on the terrace. The clouds had cleared. It was sunny outside now but her heart was darkened with the pain of loss. She had already lost her husband, Maurie, in an air crash over Jervis Bay. He was gone, and now "Daddy", the seemingly indestructible rock, was sinking.

The nurse, agitated, came out to join her on the terrace. "Do you know what your father just said to me?", she said. "He said, as you went out of the room, 'Do you know who that is? That is my daughter. I didn't know she had so much affection for me'".¹⁸ Myra's eyes stung as she fought back tears, her heart ached with the pain. She went in and sat with him, holding his hand in silence. Yes, he did love her, he always had. Suddenly years of unhappy detachment, subtly contrived by her mother, were swept away. Esther always feared losing Ted, so she clung desperately to him, swamping him in a sea of at times violent emotions that neither she nor he could control. In her jealousy, she had driven a wedge between father and daughter. When the children had come of age, he had left her. Now that was all swept away. Gone were the polite intimacies, Myra was with him at last. Tough, successful and rich though he was, it was this human connection that he had lacked.

To Myra it felt as if love filled the room.

The priest came again and asked the frail man whether he would like to receive the Last Sacraments. Myra held her breath. Would he change his mind, would he do it to please his sister and the family, would he make an Ultimate Decision? Had Myra's timely display of affection drawn all agnosticism from him? Almost imperceptibly he nodded his head.

To Myra, from that moment, it was almost as if he had already left; he had begun the journey from the land of the living. He had placed the pennies in the kip, tossed them up high, this time as high as heaven, and he waited now to see how they would fall. Just as he had predicted, three days later, on Thursday 9 February 1950, with all his family save Esther present, he quietly slipped away to see whether he could still "head them".

Power base at Chillagoe

Edward Granville Theodore arrived in North Queensland in early 1907 having come from Broken Hill. He was a decade and a half too late to strike it rich. Unlike Broken Hill there were lots of easily-worked small diggings being mined at the surface by gougers and independent operators.¹⁹

In 1906-07 over one thousand men worked the region independently, while another 4,500 were involved in mining and construction.²⁰ Many miners of North Queensland had come, like Theodore, with a vision of independent prospecting, but had been forced into being wage miners. There was also a sizable number of seasonal workers, shearers and sugarworkers trying their luck off-season in the mining towns, as well as hundreds of navvies working on railway and tramway construction. There were no workers' organisations anything like those of Broken Hill to look after their welfare. Rather than joining health and medical benefit groups, discussion nights and libraries, workers threw themselves into drinking, brawling and gambling. The temporary revival of fortunes in 1906 and 1907 had attracted "a younger and rougher element, who were given to cheating at two-up".²¹

In early 1907, Theodore, who much preferred reading books to drinking and gambling, was working as a bore-sinker with a gang of contractors in mining regions around Mareeba, Irvinebank and Einasliegh. By mid-year, they were working near Irvinebank at the Vulcan, then the deepest tin mine in Australia. The gang was helping to lower the central shaft. By chance, Theodore had landed at the centre of a thriving enterprise – what Ruth Kerr calls "John Moffat's empire".²² The Scottish-born entrepreneur Moffat had been in North Queensland since 1880.

There was a buoyant mood in North Queensland. Base metal

prices were high. Both "miner and capitalist felt justified in giving their labour and money with every possibility of a satisfactory return for their outlay".²³ Nothing in this sanguine assessment of the mining warden hinted at the serious tensions emerging between capital and labour. The almost insufferable working conditions, the humidity, heat and dust, added to the constant element of danger. The Vulcan mine was well-known for its accidents,²⁴ and while working down the shaft timbers fell onto Theodore's back, leaving it permanently scarred.²⁵ While the mining companies were boasting good returns, workers felt the sting of a high cost of living. One miner from the town of O.K. wrote to the *Worker* complaining that nearly all wage-earners in the area were "working only for store-keepers and syndicators", and that "after tucker expenses and incidentals are paid there is nothing left out of one's wages for a rainy day".²⁶

On his arrival in North Queensland, Theodore found that the militants were trying to foster as much union activity as possible. The Chillagoe Company, which had received generous incentives and concessions from William Kidston's state government for its railway projects,²⁷ was displeased with this increase in workers' organisations, and was accused in the *Worker* of victimising union officials.²⁸

Fresh from Broken Hill, Ted Theodore, still carrying his membership card of the Barrier Branch of the Amalgamated Miners' Association, must have wished for a strong, well-organised labour organisation. An avid reader, he learnt in the *Worker* of moves towards arbitration in Western Australia and of the Queensland Labour Party's policies which included a minimum wage for miners, the need for state smelters and the establishment of arbitration courts to settle disputes.²⁹

In September 1907, after living in the area for barely six months, and only 22 years old, Theodore was elected secretary of a new "sturdy workers' union" at Irvinebank.³⁰ The fledgling union was determined to confront John Moffat, who was reducing wages in spite of having sold his ore three months forward at predetermined prices and was not, therefore, taking losses like some of his colleagues.³¹ At its inception, the union was decidedly local in focus and concentrated on maintaining wage standards for its workers. Theodore took his duties as secretary seriously, keeping the *Worker's* editor Henry Boote informed of happenings in North Queensland.

On 12 November 1907, Kidston, obstructed by the Legislative Council, resigned the premiership and Robert Philp became premier. Theodore was goaded into action. On 30 November 1907, he registered at Herberton to be placed on the electoral roll for Woothakata. In the mind of Ted, "the energetic union secretary",³² there was no division between industrial and political labour. Kidston's defection from the ranks had confirmed the necessity for seeking stronger political representation of the practical needs of workers.

At Stannary Hills, 28-year-old William McCormack, manager at the Silver Lining Mine, was sympathetic to the new union. McCormack, a tall, gregarious man prone to mood swings,³³ was a great organiser. As secretary for the Irvinebank union, Theodore recognised that McCormack had a better first-hand knowledge of worker and employer organisations in the area. McCormack must have seen the opportunities in the younger man's zeal for a union which embraced all workers in the region.

The rapid rise of Theodore and "Big Bill" McCormack to union and political power has led to a certain mystification of their beginnings.³⁴ The methods they used to encourage membership of the Amalgamated Workers' Association (AWA) were simple and direct and have been subject to legendary exaggeration. Old-timers recall that the AWA was not afraid to use physical and psychological intimidation in order to encourage members to join. In one story, told to Geoffrey Bolton, Theodore, at the Chillagoe pub, tried to convince a burly driver who worked at the smelters that he should purchase a union ticket. The driver refused. McCormack came up and asked him to reconsider. The driver told him where to go. McCormack knocked him to the ground with one punch. The benefits of joining the union were again put to him, and the man finally agreed. McCormack asked him why he hadn't bought a ticket from Theodore in the first place. The man replied "Well Ted didn't press the issue quite as forcibly!"³⁵ On another occasion, a man who refused to strike was followed home by workers every afternoon "whistling the dead march from Saul".³⁶ Theodore was a quick learner. On one occasion, when interjectors tried to disrupt a meeting he assisted the ringleader onto the stage. Then, to the acclaim of the crowd he threw him off again.³⁷ Such tactics, of course, were not new to unionism; "most bushworkers took a union ticket or a hiding".³⁸

McCormack also offered Theodore an apprenticeship in running a two-up school. McCormack's "great capacity for chatter and joking"³⁹ made him an ideal "ringer" for a two-up school, while Theodore's keen eyes and excellent memory made him an ideal "boxer", responsible for looking after the wagers. The alleged connection between AWA recruitment and two-up is a persistent theme surrounding the foggy beginnings of the union. The matter was touched on fictionally in Frank Hardy's *Power Without Glory*,⁴⁰ in which figures of Red Ted Thurgood and Big Bill MacCorkell were based loosely on Theodore and McCormack. But Hardy gets Theodore wrong. Undoubtedly, the rigid control that Theodore and McCormack wielded over the affairs of the AWA and the AWU led some to surmise arcane powers. The most likely scenario is simply that Theodore who did not much like to gamble anyway and McCormack, in their capacities as union organisers, ran a two-up school in which a determined number of odds

or standoffs went to the house, that is, in their pocket. Overseeing an orderly and well-run school would have been sufficient in itself to win the patronage of many entertainment-starved workers in the northern mining towns.

Initially the AWA's growth was unspectacular. At the end of 1907, when Theodore was affiliating the AWA with the Australian Labour Federation (ALF), AWA membership stood at a meagre 196.

For some months, there had been rumblings of discontent among the navvies working on the Etheridge railway line. Under the legislation allowing the Chillagoe Company to construct the line, it was supposed to pay workers ruling rates which, the union argued, were nine shillings per day. Since work had begun, navvies had only received eight shillings.⁴¹

Theodore visited the navy camp in the first days of July 1908 and saw an opportunity. He would enrol all Etheridge workers in the AWA and the executive would enlist the support of the other workers in the area.⁴²

The tactics employed were those developed by the great shearer's organisation, the Australian Workers' Union, in its bitter struggles in the 1890s. Strike camps were formed to coordinate the efforts of the 350 striking workers. The Etheridge line, from Almaden to the Etheridge mineral field, was picketed for 240 kilometres.

By August 1908, although the strike still held, discontent was emerging. Theodore went to Brisbane to put pressure on the parliamentarians to force the Chillagoe Company to honour its agreement with the government. Ted persuaded David Bowman, leader of the Queensland Labour Party, and Albert Hinchliffe, secretary of the ALF, to take up the cause. They approached the Secretary for Railways, George Kerr, to organise talks between the disputing parties.⁴³ On 25 September, the Chillagoe Company finally granted the workers nine shillings a day.

It was a crucial victory for the union, gaining the AWA instant prestige and a further sharp increase in membership in the North. In 1908 AWA membership had more than doubled and stood at 1,348.⁴⁴ By the end of 1909 the "fighting" AWA sought recognition that it best represented the political as well as the union aspirations of workers in the Chillagoe region.

The AWA nominated Ted in a plebiscite for the Labour candidate for the local state electorate. The *Worker* observed that young Theodore was "brainy, sober and straight", indeed "the man best fitted to represent a mining constituency like Woothakata".⁴⁵ The prospects of exchanging mastery of a North Queensland based union for the novelty and unpredictability of parliamentary life, and memories of the disillusioning reality of his father's life after he missed his chance at politics must have weighed heavily on Theodore. He was after all only

24 years old. He was not one to let his feelings show; even when his father Basil died in January 1908 Ted did not let anyone in the union know.⁴⁶

On 2 October 1909, Ted Theodore confronted the Kidstonite sitting member Mick Woods, a formidable opponent given that Kidston and most of his followers had teamed up with the Liberals. There was also a third candidate to split the vote. After the allocation of contingent votes, i.e. of optional preferences, Theodore won by a mere 91 votes.⁴⁷ Though he was billed in the *Worker* as "every inch a fighter", Theodore, using the union as his base, had virtually organised his way into parliament. He packed a copy of *The Dictionary of Quotations from English Poets*, purchased at the Chillagoe barbershop the year before, signed in a not yet fully confident hand, and headed for Brisbane.

The Chillagoe district was the union and political base of Theodore's remarkable Queensland career which culminated in his becoming premier and state treasurer on 22 October 1919. During the five years of his premiership, Ted and Esther whom he met in Chillagoe and married in Brisbane in 1909, lived at the family home "Alma-den" which still stands in Bowen Terrace, New Farm.

It was, of course, the Queensland Royal Commission over Mungana Mines, near Chillagoe, instituted by the state Nationalist Country Party government of A E ("Boy") Moore that forced Theodore to stand down as federal treasurer in 1930.⁴⁸

The appointment of a Royal Commission into Mungana in 1930 was arguably the outcome of at least four years of painstaking research, propaganda and the conspiratorial efforts of the enemies of the Queensland State Labor Government – not just from conservatives but from within the left-wing of the labour movement as well. It began as a concerted effort to discredit William McCormack's 1925 to 1929 government in Queensland and had culminated in an all-out attack on Federal Labor and specifically on the person whose financial and industrial policies threatened to undermine the conservative movement in Australia, Edward Granville Theodore.

Theodore and Lang

In the autumn of 1925, Theodore had actively campaigned in New South Wales for J T Lang. Lang, who became premier in May, wrote to Theodore expressing his unambiguous thanks: "We are grateful for the assistance already rendered and recognise its value as you have made a profound impression wherever you have spoken... If you could extend your stay in NSW for the purpose of addressing additional meetings, same would be greatly appreciated..."⁴⁹

However, when Ted himself moved to New South Wales after losing the Queensland federal seat of Herbert, trouble lurked in the growing ambitions of the man who was to be in many respects

Theodore's nemesis, the redoubtable John Thomas Lang.

Jack Lang was born in Sydney on 21 December 1876. He was the sixth child in a family of ten children. His father was a Scottish watchmaker, aged 54 when Jack was born, and his mother was an Irish Catholic. Having left school at fourteen Lang obtained a position as an office boy with a Sydney accountant "where his natural intelligence and persistence enabled him to learn the rudiments of book-keeping, which he later developed into accountancy and business skills."⁵⁰ He grew into a big man, 193 centimetres of "uncouth, untrained political pugnacity", his trademark black bristling moustache and rasping voice.⁵¹ In 1901 Lang opened a real estate agency in partnership with H H Dawes in Auburn, in those days an outer western suburb, and became well known locally as a real estate agent, rent collector, subdivider and auctioneer. In 1909 he was elected Mayor of Auburn, and in 1913 won the state seat of Granville for Labor by just 407 votes. In State Parliament and in caucus, his lack of affiliation with any trade union was, in the main, an advantage. As an outsider, Lang came to power through his ability to read the winds of change in the public's perception of the union movement. He perceived a growing disaffection towards the AWU in New South Wales and sought to gain the numbers for his leadership aspirations from rival unions.

The widespread belief in AWU corruption, particularly in pre-selections, led many politicians to believe it a damaging influence at the polls. Lang had seized the moment and with backing from the Miner's Federation emerged from the caucus meeting in July 1923 as leader of the parliamentary party. The Miner's Federation president, Albert Willis, himself expelled from the party in 1919, had been elected president of the State Executive at the NSW annual conference in 1923. The deal between Lang and Willis signalled the beginning of the decline of the AWU's influence over the NSW Labor Party. Yet Lang's hold on party leadership was initially tenuous; the following year, 1924, he survived a challenge by only one vote.⁵² There were, as Hagan and Turner point out, continuous complaints about his failure to consult, his "arrogance", his "aloofness", and vindictiveness. The "Big Fella" could not survive through trust. He needed an alliance with a significant section of the trade unions which would help discipline his Cabinet colleagues into compliance. These deals would remain crucial in keeping the AWU out of power in New South Wales.

Although the NSW AWU was at odds with the Federal AWU, Theodore remained one of the union's leading national figures. Since Lang's power was derived from opposition to the AWU, Theodore's arrival in Sydney was viewed as a threat to the New South Wales premier's power base. According to the *Sydney Morning Herald*, "many supporters of Mr Lang fear the intrusion of Mr Theodore into the State ALP affairs, because of his association with the AWU".⁵³

Lang was aware of the growing support within the federal caucus for Theodore as a possible successor to the lack-lustre Federal parliamentary leader, Matthew Charlton. In order to discredit a man whose surging ambition threatened his own leadership aspirations, Lang embroiled Theodore in the New South Wales factional dispute and at the eleventh hour "sized up the situation and withdrew with his prestige unaffected and Theodore's tarnished".⁵⁴ This pattern was to be repeated in New South Wales for the next five years. Lang was using someone he didn't like to strengthen his position as leader of New South Wales Labor while Theodore was attempting to become a significant power broker in New South Wales as a stepping stone to becoming leader of the Federal Labor Party. He was making a play (allegedly with the help of money from John Wren) for pre-selection for a federal seat and also needed a reliable support base in New South Wales. Lang would have known of alleged offers made to New South Wales federal members Percy Coleman and Bill Lambert (as well as Frank Anstey from Victoria) to resign their seats in favour of Theodore. He would also have been aware of Theodore's formidable reputation. Ted Theodore was the next big leader in Australian Labor, which is just what Jack Lang wanted to be and in fact certainly thought he was.

On 14 January 1927 when William Mahony, MHR resigned from the inner-suburban working-class electorate of Dalley, the NSW ALP Executive announced that Theodore would contest the forthcoming by-election.⁵⁵ Overall, Theodore's endorsement was favourably received. According to the *Labor Daily*, the ALP Executive "unanimously approve[d]" the decision⁵⁶ and the *Worker* reported that the NSW Executive echoed this sentiment.⁵⁷ On 17 January Percy Coleman, MHR, was reported as saying:

The unanimity with which the entry of Mr Theodore has been received by the Labor Movement, as represented on the Executive, is a fitting tribute to one of Labor's foremost leaders, whose brilliant career in Queensland politics will make him a valuable and experienced addition to the fighting ranks of the Federal Parliamentary Labor Party.⁵⁸

Some were less enthusiastic. Matthew Charlton certainly "made no attempt to hide his feelings", fully aware that Theodore's elevation to the Federal parliament could only lessen his chances of retaining the leadership.

Although Theodore's old friend and long-standing "business associate" John Wren was not actually mentioned by name, the *Sydney Morning Herald* criticised the way in which Theodore had obtained his endorsement. Moreover it unfavourably compared Ted's move into New South Wales politics with that of the late T J Ryan. "It would really seem that New South Wales is becoming the recognised haven of aspiring Queensland Labour leaders, whom choice or necessity has driven from their northern home." Scathingly the *Herald* reminded its

leaders that "the Labor electors of Dalley have had no voice in his selection": "The machine has spoken, and Mr Theodore is the god who emerges from it. Willy-nilly, they must vote for him or nobody... The whole procedure throws a curious and not very edifying light upon the methods of political labour in Australia..."⁵⁹

That Theodore's pre-selection was in part due to the behind-the-scenes influence of Collingwood's most famous larrikin, gambler and financial entrepreneur is hardly in question. John Wren and Theodore had known each other well before 1915, when Wren purchased the Brisbane *Daily Mail*. W G Mahony (no relation to Theodore's in-laws, the Mahoneys of Toowoomba) had been an insignificant party hack since he entered Federal Parliament in 1915. His resignation, ostensibly due to ill-health, and Mahony was sick, was encouraged by a \$5,000 gift from unknown sources, almost certainly including Wren.

Theodore opened his campaign at Balmain Town Hall on 31 January 1927 where Jack Lang spoke warmly of the man he was to fear politically for many years. Ted was also supported in his campaign by Dr H V Evatt, the MLA for Balmain.⁶⁰ At Leichhardt Town Hall on 1 February 1927, Theodore launched a "slashing attack" on an "inactive" Bruce-Page Government, denouncing their conservative administration as "pitifully barren of achievement".⁶¹

The Treasurer, Dr Earle Grafton Christmas Page, referred to Theodore's opening campaign speech as "a very weak evangel for the dawn of a new day". Commenting on his statement, which was entirely consistent with his long-held beliefs, that "socialism was not an immediate programme, but only something ultimately achieved in the dim and distant future", Page sneered that "Theodore said that Socialism could not be brought as a legislative proposal. Apparently it will just descend on the community like a miasma and general blight".⁶²

Such was the publicity engendered by Theodore's relatively short campaign for Dalley that one might be forgiven for mistaking the occasion for a general election. It suggests strongly that Theodore's entry into federal politics was seen as a threat to a hitherto "complacent" coalition government.

The Bruce/Page government had every reason to be apprehensive. On 26 February 1927, in the face of "an intense campaign of personal abuse", Theodore, a man with many enemies, but at the time still with a considerable number of friends, won comfortably and was duly elected the ALP's federal Member for Dalley.⁶³

Despite his prominence, Theodore's position within the ALP was far from impregnable. Although he brought a formidable reputation from Queensland Theodore showed a less sure touch in the unfamiliar environment of New South Wales. An administrator and policymaker, who spent too little time gregariously cultivating contacts, he more than once made tactical mistakes through misunderstanding and

underestimating the factional character of Labor in New South Wales. Despite earlier written appreciation of Theodore's support, Lang saw Ted as attempting to undermine his leadership. In *I Remember*, Lang claims that "Theodore then set to work in an effort to displace me as leader in this state".⁶⁴

Unlike Lang, who had huge capacities for revenge, Theodore demonstrated little lust for vengeance. In part this may have been a result of his extraordinarily rapid rise through the labour movement. While Ted had been Premier of Queensland at the age of 34, Lang was 49 when he became premier of New South Wales in 1925. At the polls of October 1927, the "Big Fella" was defeated as Premier although he won the new seat of Auburn (which he was to hold until September 1946) and continued as leader of the NSW Opposition, against Nationalist premier Thomas R Bavin.

On 22 October 1929, Theodore became Federal Treasurer. The first Federal Labor government in 13 years was not four months into office and the most fruitful seeds of their demise had already been sown by the NSW Branch of the party.

From then on the NSW Branch and the Federal Labor government began to take quite divergent paths. Theodore, after breaking his promise to reopen the coalmines, became the main target of Lang's displeasure with the Scullin Government. With the AWU marginalised in NSW, Lang formed his "inner group" in 1930 to maintain his power base. Theodore's presence in NSW was "in itself a catalyst in the erection of the Lang Machine".⁶⁵ Lang had put together a comprehensive political machine – a newspaper (the *Labor Daily*), a radio station (2KY), an "inner group" of numbers men and a State Executive whose office bearers were the recipients of Lang's patronage. Although both Lang and Theodore were present when the NSW State Conference opened in April 1930, it was Lang who received a standing ovation.⁶⁶ Theodore was beginning to be caught in a pincer movement, or perhaps more accurately in a vice. Apart from factional conflicts "normal" to the ALP, especially in New South Wales, Theodore had to face the trenchant opposition of Lang and the Langites. Later this was to be extended to include the right wing of the Labor Party led by the moralistic James Fenton and "Honest Joe" Lyons. Soon there was to come Mungana!

Sir Otto Niemeyer's visit on behalf of the Bank of England, although disastrous for the Australian working class, was a boon for Jack Lang. The "Big Fella" was guarded at first about Niemeyer's deflationary proposals, not wishing to put forward too radical an image before the elections in New South Wales that year. As the October 1930 NSW election grew nearer, Lang grew more confident, tapping into anti-semitism by labelling Niemeyer, incorrectly, as a Jew.⁶⁷ Holding up an enemy for bloodthirsty voters to vent their anger at was

one of Lang's great populist skills. Lang knew how to stir the crowd and how fear could bring wavering colleagues into line. A fellow Auburn Labor League branch member recalled Lang making a speech during the 1930 State election campaign, "When he spoke of Niemeyer and the Bank of England he'd sneer and it would go right up the side of his face".⁶⁸ On 25 October Lang won the NSW election easily – with a majority of 20 seats in the Legislative Assembly. He was sworn in as premier on 4 November, the day Phar Lap won the Melbourne Cup.

During these events Theodore was a powerless bystander, swept aside at the very moment when the highest office seemed within his grasp. On 2 July 1930 Jim Scullin had announced his intention of travelling to London for the Imperial Conference of Dominion Prime Ministers scheduled for October and November. Theodore was nominated as Acting Prime Minister during the several months of his absence. It seemed as if Theodore was destined to fill with Scullin the same role as he had experienced in Queensland with Ryan: the loyal and able deputy who would eventually take over. Two days later, on 4 July 1930, a blow fell which would not only remove Theodore from active politics during the next six months but would irreparably taint his reputation during his lifetime, and beyond. For it was on that day that Ted's political opponents in Queensland released a judicial report finding gross fault with his conduct over the Queensland Government's acquisition of the Mungana mines.

A career cut short

Tragically, E G Theodore was rendered powerless precisely at that critical moment of our history when his economic abilities were most required. At that point of history when he could most have helped our country he was forced to stand down as federal treasurer.

To many people who knew him, Theodore was memorable and impressive, much beyond the average run of Australian politicians. He commanded widespread respect. As Geoffrey Blainey remembers: "Thirty or 40 years ago I used to meet men who knew EGT and without fail all were impressed with his sheer talent, irrespective of what they thought of his politics. Mining people 'took to him' in his later years I mean, they liked him."⁶⁹

From London Brian Penton wrote to Billy Hughes in 1930 about Theodore standing down from the Treasury over Mungana:

What a pity about Theodore. I rather liked him. I always thought he had the stuff in him to make an imaginative scoundrel. The pity isn't that he took a few thousands out of the Queensland Treasury, but that the background of the age is so limited that he couldn't make a more spectacular gesture; and not have to cover it up. *He's quite out of his period!* What use is there in these days for his overpowering voice and statuesque manner and picturesque ugliness? But think of him cutting throats in the Seventeenth Century.⁷⁰

Six years earlier, Mary Gilmore had nominated Ted as one of "the seven greatest living Australians". "Theodore," she prophesied, "is going to stand very high in our history... A big mind and a big heart there! The sign of the future man!"⁷¹

Theodore had a vision for Australia as a prosperous, enterprising and independent nation. As his 1928 campaign manager, Bill Browne, explained:

He was the best type of politician I had met. Because he wasn't interested in cultivating votes for himself. He was a man with a mission, a man with a policy. And there weren't many politicians who had a policy. All they were looking for was to escape from the labour force into something that was better paid. He had a vision for the development of Australia. I think he must have been a very disappointed man.⁷²

Had fate and the circumstances of Mungana not denied him the opportunity, Ted Theodore as Michael Roe concludes, quite unlike Lang, "had aspirations and qualities which made him potentially the most creative latter-day progressive politician among all Australians..."⁷³

One of Labor's militants, Frank Anstey, said of Theodore, "Of the many men thrown up by the Labor movement he was the ablest Roman of them all."⁷⁴ But it was Jack Lang himself who had paid the most significant tribute to his greatest enemy. A day after Archbishop James Duhig had conducted Ted's requiem mass in Brisbane, Lang wrote: "Of all my political opponents EG Theodore was the toughest... when he was beaten he didn't squeal."⁷⁵

Ted Theodore could well have become our ablest prime minister. But instead of voting for Theodore's advanced economic and fiscal policies in 1931, the country chose a mediocre compromise candidate, Joseph Lyons, who presided over the sorriest decade in Australian history.

Keeping Australians at work was Theodore's great long-term commitment. As he wrote to John Curtin a year after his defeat in 1931:

How to employ our idle people is... the problem that transcends all others. It is amazing to see that although unemployment increases it has, as a problem, faded from public notice, and ceased to be a matter of much concern to any of the governments.

When we were in office we were made to feel that we were culprits who stood by helplessly and callously while scores of thousands of our citizens suffered and starved...

In the hope of getting a respite for the Government I agreed to the economic policy of the Premier's Conference conditionally upon the public debt interest and mortgage interest being included in the cuts. I never had any belief that that policy would restore employment unless it was accompanied by credit expansion on a large scale and was accompanied by either an active program of expenditure by governments, or such a revival of business confidence as would lead to a large section of the employers

becoming willing users of the credit.

The banks gave us assurance that they would cooperate with the government in the increases of money. But they have let us down villainously in this respect... I have not lost faith in myself nor my belief in the soundness of the policies I have advocated...⁷⁶

Theodore's faith in himself and his policies was not misplaced. Even today, apart from being something of a cult figure in the Treasury, he is remembered as a model by federal politicians on both sides. In 1993 prominent National Party identity Bob Katter, newly elected to the House of Representatives as member for the constituency including Theodore's initial Queensland power base at Chillagoe, described Theodore as "a very great Australian, the person I most admire in Australian politics".⁷⁷ Labor Prime Minister Paul Keating for his part numbers both Theodore and Lang among his heroes. As the 1990s continue to produce large-scale structural unemployment unprecedented since the 1930s, it remains to be seen which of the old rivals will eventually prove more influential as a role model.

How to employ our idle people is indeed the problem that transcends all others.

Endnotes

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- 2 G C Bolton, *A Thousand Miles Away: A History of North Queensland to 1920*, Brisbane: Jacaranda, 1963, p. 316.
- 3 Manning Clark, *A History of Australia*, vol. VI, Melbourne: Melbourne University Press, 1987, p. 319.
- 4 Bernays, *Queensland: Our Seventh Decade*, p. 289.
- 5 Ibid.
- 6 This friend was Alec Chisholm, editor of the *Australian Encyclopedia*. Details of Theodore's last days are taken from the memoirs of his youngest daughter Myra Rowbotham, *My Father's Daughter* (as yet unpublished), chapter 33.
- 7 Myra Rowbotham, *ibid.*
- 8 *Smith's Weekly*, 9 December 1922.
- 9 *Smith's Weekly*, 17 February 1933.
- 10 While Irwin Young, *Theodore: His Life and Times*, Sydney: Alpha, 1971, p. 177, 189, claims it was a box, Theodore's daughter Myra Rowbotham maintains, indeed insists, that it was a private file. Letter to Ross Fitzgerald, 19 November 1992.
- 11 The Amalgamated Workers' Association began in 1907. See Kett H Kennedy, "The Rise of the Amalgamated Workers' Association", *Lectures on North Queensland History* (second series) ed. by B J Dalton, Townsville: History Department, James Cook University of North Queensland, 1975, pp. 189-190.
- 12 M Easson, "What it Means to be Labor", in *The Foundations of Labor*, Sydney: Pluto Press, 1990, p. 74.
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- 27 *Worker*, 6 July 1907.
- 28 *Worker*, 16 March 1907.
- 29 *Worker*, 20 April 1907.
- 30 *Worker*, 19 October 1907.
- 31 Kerr, *Irvinebank*, p. 8.
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- 33 Bernays, *Queensland: Our Seventh Political Decade*, p. 293. See K H Kennedy, "McCormack, William (1879-1947)", *ADB*, vol. 11, 1891-1939, pp. 233-35.
- 34 McCormack and Theodore are used as the fictional basis for Vance Palmer's *Golconda* trilogy (see *Golconda*, University of Queensland Press, 1972. First published 1948). Two key characters are Mahony the fixer and Northern Secretary of the AWU (McCormack) and his slightly younger friend Macy Donovan (Theodore) who becomes a union organiser, enters parliament and surpasses him. Chillagoe, the smelters and two-up schools feature prominently.
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- 36 Ibid.
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- 46 Basil Theodore died 21 January 1908 aged 54 of double pneumonia and heart disease. According to Myra, her father never spoke about his father's death. Myra Rowbotham to Ross Fitzgerald, 19 November 1992.
- 47 E G Theodore 1713. M J R Woods 1424. E C Earl (Ministerialist) 849. Informal 84. No. on roll for Woothakata in 1909-6477. After the distribution of contingent votes, the final figures were: Theodore 1735 (51.35 per cent), Woods 1644 (48.65 per cent). QPP, 1909, vol. 1, p. 5. At the next election the seat was renamed Chillagoe. Ted was the local member from 1909 until he resigned on 22 September 1925 to unsuccessfully contest the federal seat of Herbert.
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- 55 *Sydney Morning Herald*, 15 January 1927.
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- 63 *Ibid.* Also see the *Age* (Melbourne), Monday 28 February 1927, p. 8, "Dalley By-election".
- 64 J T Lang, *I Remember*, Sydney: Invincible Press, 1956, p. 336. Lang was NSW Premier from June 1925 to October 1927, and again from October 1930 until he was dismissed by Governor Game on 13 May 1932.
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- 67 B Nairn, op.cit., p. 204.
- 68 W Lowenstein, op.cit., p. 94.
- 69 Geoffrey Blainey to Ross Fitzgerald, 16 May 1993.
- 70 The Hughes Papers, NLA, undated [1930]. My emphasis. Penton later became friendly with Theodore and, apart from working at Consolidated Press, occasionally visited Ted at his Edgecliff flat for a game of chess. See Patrick Buckridge, *The Scandalous Penton: A Biography of Brian Penton*, St Lucia: University of Queensland Press, 1994, p. 150.
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Photo - David Karimidis

Vladimir Mikheyev

Four years into democracy Russia is still an enigma. Gorbachev's Perestroika, Yeltsin's New Deal and an emerging system of checks and balances on power are part of the story. So too is the Zhirinovsky factor and social unrest. To explain it all, Vladimir Mikheyev addressed The Sydney Institute on Monday 10 October 1994.

RUSSIA AS A

YOUNG DEMOCRACY: FROM GLASNOST TO YELTSIN'S NEW DEAL

Vladimir Mikheyev

After the clamp down on political opposition in October 1993, Yeltsin's administration pinned its hopes on passing a referendum on a new Constitution that would tilt the balance of power in favour of the executive branch at the expense of the legislature, which had proved to be unruly and unloyal.

The new Constitution was approved by at least one third of the population on 12 December 1993. It spelled out the president's right to veto legislation passed by the State Duma (lower house of parliament [Article 107,3]), the right to issue edicts and directives, in other words, rule by decrees as long as they do not violate federal laws (Article 90,1), the right to dismiss the government and also dissolve the parliament if the latter failed to approve of the new cabinet ministers three times in a row (Articles 117,2 and 117,3).

The complicated procedure of impeachment, elaborated in the Constitution, makes it virtually impossible to compel the president stand down for gross misdemeanors, partly because it requires the approval of the Supreme Court judges, who largely depend on the president for their nomination, the two-thirds vote in the Federation Council, the upper house of parliament, where the bulwark of the delegates represent the vertical structure of the executive branch, either directly appointed or accountable to the president.

The president has the ultimate authority over the issues of defense, security and foreign policy; not even the prime minister has the right to intervene.

The rationale behind the unprecedented concentration of power in the hands of one person was worked out by radical democrats. It amounts basically to the apparent need to resolutely pursue the "democratisation" process and "free market reforms" without being threatened by the stubborn and often covert resistance of entrenched bureaucrats and political opponents.

The examples of other countries that managed to jump on the

free market band wagon, due to forced consensus and pressure from central authorities, were mentioned, but always a fine line was drawn between, for instance, Chile under General Pinochet and Russia, where the military were considered unreliable because of their "national-patriotic" leaning. But the Pinochet scenario could not be ruled out, due to the aftermath of the October 1993 events.

The army got a high profile for crushing the opposition, although it set a dangerous precedent for the future, and the brass hats clustered around Minister of Defence Pavel Grachev, a close Yeltsin buddy, acquired the image of "saviours" and "defenders", capable of maintaining the status quo and preserving if not the present course of hasty reforms, then at least the ruling elite. Naturally, the army is no longer a homogenous institution. It is riddled by doubt and soul-searching frustration which could spill over into a rebellious spirit and the eventual support for the "patriotic" opposition.

Critics would argue reliance on the security services and the army is yet another proof that the powerbase of the Yeltsin administration is eroding, and that the further polarisation of the society into haves and have-nots sounds the death-knell for the proto-middle class that exists in the largely egalitarian society in the ex-USSR. The moves to consolidate power were focused mainly on placing the national security agencies under direct control of the president.

Now Yeltsin has directly subordinate to him the Federal Counter Intelligence Service, the External Intelligence Service, Presidential Secret Service, Electronic Intelligence and Counterintelligence Government Agency and Chief Security Directorate. In no time the latter acquired almost biblical proportions and enormous influence; it has its own network of informers inside Russia and secret agents abroad, its own investigative section and counterintelligence section; the special elite force called "Alpha" and the Presidential Regiment are under its command as well.

These are no ordinary security agencies, because Yeltsin in his speech in June 1994, delivered to the officials of the Federal Counterintelligence Service, placed on top of its priority "gathering preventive information" about the planned activities of the political opposition.

Alexander Solzhenitsyn, returning after 20 years of exile, was shocked to find his fellow compatriots in the grips of a new bureaucratic power elite; it forced him to pass a verdict, not very welcomed by Yeltsin's group. The renowned human rights champion claimed this was a "pseudo-democracy". The Nobel Prize winner shared his own eye-witness experience after meeting and talking to hundreds of people on his lengthy return to Moscow through Russian Far East and Siberia: "People who do not control their lives, they do not control anything."

The economy

In January 1992, Yegor Gaidar, later to be known as the architect of "shock therapy" reforms, liberalised prices. It meant prices were let loose to create pressure on economically insolvent state-owned enterprises. Contrary to the intention, these virtual monopolies enjoyed the liberty to fix their own rates, overcharge partners and push up prices, so as a result the consumer faced runaway inflation which by the end of 1992 topped 2,200 per cent.

The "liberalisation of prices" was followed by "privatisation", which included the sale of stocks and shares and turned many state-owned companies into an easy prey for "red directors", former Communist managers, who quickly learnt how to work the system and in no time emerged as the de facto owners of state property. The Gaidar-sponsored new freedom from all state control left them sole heirs of the plundered national wealth.

Along with the "shady" dealers with criminal background, the old and the new nomenklatura used the privileged position to strike deals that enriched them, selling raw materials and metals abroad without declaring profits and paying tax. Almost overnight fortunes were made, secret bank accounts opened in Switzerland, Mercedes-600 and Rolls-Royce were bought in great numbers.

"The collapse of the Soviet order uncovered a society without law. Accustomed to equality, many Russians resented the way the new rich had gained their wealth so crudely and so fast," wrote Jonathan Steel, long-serving Moscow correspondent of the *Guardian*, in his book *Eternal Russia*.

Ever since the infamous "500 Days" crack reform plan, authored by the would-be Russian president in 1996 Grigory Yavlinsky, liberal reformers, essentially pro-West in their aspirations, had faith in massive and gradually increasing investments from international financial institutions, Western governments and business, aimed at bringing the obsolete Russian industry "up to date" and facilitating integration into the world economy.

The pervasive perception of those idealists was that in response to the good news that Russia had abandoned a central-command economy in favour of the free market concept and scrapped the utopian messianic pretence, the rest of the world would eventually accept the Marxist dogmas, the West would say, "It's good to have you back." Bearing in mind the burden of the arms race associated with the Cold War, the West was supposed to shower the reformed and repentant Russians with Christmas gifts to the tune of US\$ 43 billion in diversified aid, as it had been solemnly promised at the Tokyo G7 summit.

In fact, consecutive G7 summits in 1992-1993 seemed to justify trust in Western sponsorship of Russia's painful and speedy evolution

into a flourishing young democracy, a bastion of rekindled entrepreneurial spirit, a realm of justice where human rights were strictly observed and revered.

Parting with illusions took some time, and only by the middle of 1994 did it become the "order of the day" to accentuate the need of self-reliance, as stated repeatedly by Prime Minister Viktor Chernomyrdin, rather than link the slowing down of the industrial decline with Western investments.

In his original "500 Days" crack reform plan, Grigory Yavlinsky, leader of the YABLOKO political bloc, who does not hide his ambitions to become the next Russian president, envisaged huge injections of foreign capital into the national economy, poured almost on a daily basis. At each stage of this Mao-flavoured "big leap" towards capitalism, Western investors were supposed to spur reforms with their money at an ever increasing rate. The fact is, net investments into the Russian economy from West-dominated financial institutions amount to US\$ 3.5 billion.

As a comparison, the Communist government in China, which despite monotonous criticism of human rights abuse is granted every year the "most favoured nation status" by successive US administrations, recorded consolidated in-flow of foreign investment of around US\$ 50 billion. The same "fair play" treatment is denied to Russia, officially proclaimed in Washington a democratic state and a potential "partner for peace".

The belated realisation came that one cannot count on welcoming investors from developed countries while there was no proper legal framework (e.g. providing guarantees of a tax regime not to be reversed every six months, setting favourable conditions for the "repatriation" of profits, assuring protection from bureaucratic and criminal blackmail, etc.), or no clarity in long-term economic policy and predictability in politics.

Apart from the apparent "unreadiness" of Western investors to take the risk of going into Russia's future lucrative 150 million consumers market, there is the issue of strategic "role assignment" which is deciphered by experts in the Chernomyrdin Government as the interest of the West to reshape the Russian economy by accentuating the development of export-bound natural resources. Dr Kissinger's prophecy that the end of the Cold War would signal the beginning of the War for Resources seems to have come true.

In 1993, oil production in Russia dropped twofold, but oil exports rose from 66 million tons to 80 million. In 1994, almost half of all foreign investment, US\$ 61.5 million (or 44 per cent) was directed into the energy sector. Statistics showed that by 1992-93 the share of the energy sector plus ferrous and non-ferrous metallurgy in the overall output rose from 24 to 44 per cent, while the share of heavy machinery

and light industry fell from 42 to 25 per cent. In the first half of 1994, the gap widened, and the decline of heavy machinery and light industry accelerated.

With the comprador bourgeoisie coming to the forefront and trade in imported goods becoming the short cut to prosperity in a pauperised country, the slump would continue. "Low competitiveness contributed to the slump. There is no chance (for national industries) to compete against quality and cheapness of imported commodities," Dr Vladimir Popov (former senior research fellow at the Geonomics Institute in Vermont, USA) told me. Not subscribing to the doom-and-gloom school of thought, Dr Popov believes "the renaissance of Russian engineering and machinery would take place some 5 to 10 years from now but only on a new technological basis".

But there is the rub, because "the financial crisis that hit industry prevents the modernisation and introduction of sophisticated economic technologies" (Government daily *Rossiiskaya Gazeta*). "Besides, the price of fuel is closing down on world prices, and sometimes even exceeds them... We are literally eating ourselves out, since more and more money is channeled into non-production investments, like building private villas, etc."

Current forecasts are hardly encouraging: if the present tendencies are not reversed, then in the not so distant future the energy sector would make up 75 per cent of the industrial output in Russia, calculated in world prices, which is a classical economic pattern of a dependent colonial state.

No wonder Yeltsin's New Deal is losing its popular support, and the "brave new world", emerging among the ruins of a socialist-oriented Soviet Union, was termed a "colonial democracy" by the prominent writer and film director Stanislav Govorukhin, also a member of the parliament. Govorukhin, a bitter critic of Yeltsin, came second right after Solzhenytsin in a recent poll that named the "most honest people of Russia".

Power

In his almost one-man crusade to revitalise the socialist system, President Mikhail Gorbachev encountered resistance on the part of the apparatchiki, the old-style, poorly educated, incompetent bureaucrats that were not inclined to facilitate a transfer to a market economy, sensing it would be a more demanding system that would leave no place for them under the sun.

Gorbachev then started pushing his veteran-comrades onto the sidelines and bringing in fresh blood. It alienated a significant segment of the old elite and set the stage for a confrontation. Whether always justified or not, it diminished the control over the economic and social processes.

When Yeltsin came to power at the closure of 1991, he continued, as if he still remained a devoted Bolshevik, to reshuffle all the layers of the government, placing his faithful at top positions, uprooting the "old hairy hands", disposing of evident opponents and potential trouble-shooters.

Three years down the road, the most dynamic and better educated elements of the old nomenklatura successfully reinstated themselves at the top levels of the new democratic hierarchy, changing their Communist belief in the predominantly egalitarian society, where they enjoyed only a relatively higher standard of living due to the system of "privileges", for the values of a capitalist stratified society, where they would have the opportunity to privatise the national wealth and turn into a self-made "upper class".

The much-talked about "Yeltsin's entourage" is a chip off the old block: only one in four of his advisors and aides have never been part and parcel of the old nomenklatura, meaning three out of four are ex-Communists turned self-styled democrats. For instance, Gennady Burbulis, the former Secretary of State, dismissed for exercising extreme influence over President Yeltsin, used to be a professor of Marxism. In September 1994, he hinted that Yeltsin should be "helped to step down" and should give way to "new faces" among the democrats (probably Grigory Yavlinsky).

As a matter of fact, "new faces" make up only 26 per cent in the government, and are even less represented in the legislative regional councils – just 17 per cent. Only the Federal Assembly, the new democratically elected council, can boast of 40 per cent "newcomers".

The dominant trend is the merging of the new entrepreneurial class with the politicians of the old breed. The "new Russians", who originally shunned politics and built friendship and contacts on the basis of "clan and group" interest, the pro-Yeltsin newspaper *Izvestia* reported, are now entering into political life.

A comprehensive study titled "The Transformation of Old Nomenklatura into a New Russian Elite", made public in mid-1994, claimed the presidential entourage consists of people promoted to top jobs either under Leonid Brezhnev (37 per cent) or Mikhail Gorbachev (39 per cent). Only 10 per cent were elevated by Boris Yeltsin, although they make up the cream of his "kitchen cabinet".

Research analyst Olga Kryshstanovskaya argued in this study that in Russia the dog-eat-dog confrontation between the old nomenklatura, which originated and matured under the Communist rule, and the new political and economic elite, brought forward by Gorbachev's Perestroika and Yeltsin's free-marketizing New Deal, lasted for a limited period of time. It gave way to a smooth merging of the old and new bureaucratic strata.



Photo - David Kennedy

Heather Henderson

Gerard Henderson's *Menzies' Child: The History of the Liberal Party 1944-1994* (Allen & Unwin) was launched before a capacity crowd on 14 October 1994 by Heather Henderson, daughter of Sir Robert Menzies. The book, commissioned by the NSW 500 Club in 1989, was released to coincide with the 50th anniversary of the Liberal Party of Australia. Heather Henderson was introduced by Peter Charlton, who, as Chairman of the NSW 500 Club in 1989, initiated the project. Publisher Mark Tredinnick thanked Heather Henderson on behalf of Allen & Unwin.

LAUNCHING

MENZIES' CHILD

Introduction - Peter Charlton

I would like to explain the role of the 500 Club in the creation of this book. In 1989, the committee of the 500 Club at the time felt that no proper, interesting and up-to-date contemporary account existed of the origins, the growth, the ups and the downs of the Liberal Party of Australia. There were books but nothing comprehensive in style or demeanour existed. So we decided that we should take on the rectification of this situation.

We spoke at length with each other. We also spoke with the president of the Liberal Party NSW at that time - Bronwyn Bishop. We decided we should proceed and go ahead. We had Federal endorsement for that from the Federal president at the time and the party secretariat. The 500 Club for those of you who don't know is a support group in this state and other states for the Liberal Party.

We went to Gerard Henderson for several reasons. Firstly, because of his knowledge of politics and the Australian political scene. Secondly, there was his access to some of the more recent events in Canberra. He was an eyewitness to a considerable amount of recent history and that of course was helpful. But above all we valued his writing style, his great ability to set the past and contemporary situations in an historical context. We felt that's what we wanted to achieve with the book.

Fourthly, we demanded of ourselves, and I must say in negotiations with Gerard he demanded of us, a totally hands-off attitude. He would take up this assignment, he would do it in an entertaining, historical and constructive way, but he didn't want interference. It's fair to say that we neither gave interference nor did we ever contemplate it.

After several meetings, Gerard, deeply involved at the time in helping create the highly successful Sydney Institute, did relent and agree to the project. Now one can see after several years, the enormous interest and response to his efforts of the past ten days. They illustrate the success of his writing including the excellent and descriptive name given to the book - *Menzies' Child*. *Menzies' Child* is a first class

The *History of the Liberal Party of Australia* was launched before a book by Heather Henderson, commissioned by Peter Charlton, who, as president of the 500 Club, initiated the project. The book is available from the Sydney Institute on

summation of what the book is all about. Also it reflects the fact that Gerard delivered what he promised - namely a book which would examine the modern day party with reference to its historical origins.

I am also delighted to hear that the current Federal president of the Liberal Party, Tony Staley, who is here today, substantially agrees with many of Gerard's conclusions on the way forward for the party. I find that encouraging.

This is a record of a great and successful party, a record on reference for current and future students of the political process and a record of a great Australian, Robert Gordon Menzies - truly the greatest conservative politician in our history and to some of us by far our greatest prime minister. As a record of the heights and depths of the party, Gerard's work gives excellent and detailed insight. His research has been very thorough.

The committee of 500 Club were pleased to have primarily funded a book of lasting value to all interested Australians. Rodney Adler, a keen supporter of the book and a committee member, provided the statues of past Liberal prime ministers which you see on the front and back covers. Rodney has a most remarkable collection in statuettes of all the Australian prime ministers.

This is an excellent discourse on a great party by an accomplished and entertaining writer. Well done Gerard. Well done Allen & Unwin - the publishers.

It is most appropriate that I now call on Heather Henderson, Robert Menzies' daughter, to launch *Menzies' Child*.

LAUNCHING

MENZIES' CHILD

Heather Henderson

In *Menzies' Child* Gerard says, "History tends to be made by those who record it." It depends so much on how it is recorded and by whom. These days we mostly see my father in caricature. We have people acting the part of Menzies. We have myths, we have rumours and all sorts of stories. There's one myth that we've seen a lot lately; that Andrew Peacock was anointed by Sir Robert Menzies. To begin with I find "anointed" slightly blasphemous. Apart from that it's nonsense. Andrew Peacock was chosen by the preselection committee in Kooyong and my father had nothing whatever to do with it. I'm sure Andrew Peacock would agree with that.

There's another myth - that my father had a colostomy. He didn't. The only operation he ever had was a tonsillectomy and that was performed in London by a surgeon called Myles Formby. Well, Myles Formby died last year and in the newspaper there was a small notice about it. It said he performed a tonsillectomy on Sir Robert Menzies and Ringo Starr.

I do think that Gerard's book *Menzies' Child* gives a fair picture of Menzies. I find it hard to agree with any criticism of my father because I know he was perfect. However I think Gerard has been fair and factual. He's written it in a good racy style and it is packed with information. It's got a lot of dates and statistics, but any time I felt my eyes might be glazing over I'd come to another wonderful sentence - "All in all circa 1943 non-Labor was the pits." It really grabs your attention. I do recommend it.

My husband was a public servant for many years and I believed, and I still believe, that public servants should be apolitical. It's easy for him. He's a Libra and they're well balanced. They can see both sides. I am not so well endowed. And it was very hard. I tried to sit on the fence. I didn't want to wreck his career. But I did that, simply by being who I was. And so, in 1984, being well and truly labelled Menzies' son-in-law, my husband left Foreign Affairs and the Public Service. The damage having been done, I felt I could belong to the Liberal Party again, and rejoined with enormous enthusiasm.

I hope that all members of the Liberal Party will read this book and take note. You should send a copy to Alexander and tell him to read it. Particularly the chapter "Solutions". That could be very helpful to us all.

When my father was in office he was constantly accosted by people who would come up to him and say, "Mr Menzies you're doing

a very good job but there's just one thing..." They would pin him back with this one thing for about five minutes. So having said all those lovely things there are just one or two things. At least to comment on them.

One is the Petrov Affair. Gerard is very fair. He quotes from a lot of books about Petrov. He gives the story well. He tells what happened. I can only say that at the time, my father came home from his office and he told us about Petrov. He said, "I am very worried. I don't want to announce it now because there's an election coming on. People will say I am doing it just to win the election. But the boys over there tell me I have to announce it. It can't be put off. So what I want to do is say as little as possible and leave it until after the election before we make any other arrangements about it." He did say to all of his candidates and to all the Liberals, "Please don't mention this during the campaign. Don't make it an electioneering stunt." And on the whole they didn't. I think there were odd exceptions. But my father did his best on that.

However, just recently, a couple of weeks ago on television, there was a bit about my father and the Petrov case. We were told that he "manipulated" it. Or a word like that. That's the trouble. People believe what they want to believe like the old song, "They all believe what they want to believe. Then they go oomp, pah, pah". So you can only tell them the truth and hope.

There's a bit in the book about money and my father. It says he was hopeless with money. Well, I wouldn't put it that way. He was not interested in money. He provided for us very well. He provided money from the sale of his books to educate his grandchildren. But, as a holder of high public office, he was a meticulous sort of person. He didn't want it to be said - or didn't want it to be - that he could make decisions in Cabinet that could affect his own investments. His brother Frank, my uncle Frank, took care of all his money matters for many years. He was a saint my uncle Frank, but he did all of those things. My father knew nothing about what his investments were. That's the way he wanted it to be. And that's the way it was.

When he retired (and Gerard mentions this in the book) it is said that a business syndicate gave him a house to live in because he couldn't afford to buy one himself. Well, of course he could afford to buy a house. It may not have been a grand house but it certainly would have been a house. But when he went to Canberra in 1950 my parents sold their house and so they were in a sense out of the market. Although we must remember, according to the critics, those were years of "torpor" and "stagnation" so I don't suppose there was much inflation.

However, it was not really a business syndicate. It was a group of friends. Some of them were businessmen, some were widows, they

were all sorts of people who were grateful for what Menzies had done for their country. And they said, "Now you're out of office please accept this. In no way can it be seen as a bribe. It's just our way of saying thankyou. And it's yours with no strings attached." My parents decided they would accept this wonderful gift. But my father said, "I can't leave this to my family." And so he arranged when he or my mother died, or when it was no longer needed, that the money would be divided and given to two schools. In fact that's exactly what is happening and my mother is in the process of making arrangements to hand the money over.

Now there is also the issue of the voting. My father voted non-Liberal just a few years before he died. Gerard says that too much can be read into this. He's right. My father sat next to Arthur Calwell at the football one day - they got on well. They discovered they had both voted against their own parties at the last election. This really can't be seen as a vote of complete no confidence by either of them in their own parties. It could best be described as being "a personal matter". My father went further. At that same time I remember him filling in his postal vote for a Senate election. There was one particular Liberal he wanted to put last. So he was sitting up in bed carefully placing all the names. My mother was saying, "Bob for goodness sake think of the poor people who have to count these votes." He said, "I am putting 'X' last." It was the quirk of a man who was old, who'd had a stroke. And it was okay.

When my husband and I lived in the Philippines I worked in a family planning clinic in Manila. An American woman came in to help. We'd never met. She didn't know me; I didn't know her. I was introduced as an Australian and she responded by telling me she had just spent two years in Melbourne and how much she'd loved it. Then she said, "We went to the football one day and Sir Robert Menzies came. He drove right round the oval and the entire place stood and cheered." And she added, "It must be wonderful to be loved as that man is loved." This was after my father had retired. That attitude, that sentiment, I think has been forgotten by the younger generation.

Menzies' Child has a great picture of Peter Latona's imposing figure on the cover. Dad was an obstetrician and gynaecologist. Did you know that? Honorary. But from this Menzies' child to this other *Menzies' Child*, good luck.

Response – Gerard Henderson

It was on this day 50 years ago – and almost at this time – that the decision was made to form the Liberal Party of Australia.

I am very grateful that Heather Henderson agreed to do the honours today. While interviewing Menzies' child for *Menzies' Child* some years ago, I came to the conclusion that – in media terminology – Heather was very much a wasted talent. But not any more. 1994 has seen Heather on *Lateline* (with Margot O'Neill), *SBS Dateline* (with Paul Murphy) and currently *The Liberals* (with Pru Goward). She put in great performances on all occasions. Important too – because in my view no one understands Robert Menzies better than his only daughter.

Listening to Heather Henderson (no relation) just now, I was reminded of the heady days of Harold Macmillan's government in the late 1950s. Macmillan was inclined to lecture to British people that they had "never had it so good". Then along came John Profumo and Christine Keeler – in short, the Profumo affair – and the Macmillan Government soon fell apart. There was a story at the time (no doubt apocryphal) that in the midst of the crisis Macmillan summoned the Conservative chaps and delivered a lecture in the following terms: "When I said you never had it so good, I didn't mean *that* good".

When I invited Heather Henderson to do the honours today, I suggested that she should be as frank as she wished. But I didn't mean *that* frank.

As some of you will know, for quite some time I have been critical of a lack of debate and discussion within the contemporary Liberal Party. So I was genuinely surprised when, some years ago, Peter Charlton approached me on behalf of the New South Wales 500 Club to suggest that I should write a book on the Liberal Party. So it came to pass that the 500 Club (including Peter Charlton and Rodney Adler) supported *Menzies' Child* in its gestation period. Without this support the book would not have been written. Needless to say editorial control remained with me – Peter and Rodney saw the manuscript for the first time last Friday.

Anne Henderson (the deputy director of The Sydney Institute) made a great input into *Menzies' Child* – from helping with the research, to advising on the text, to choosing the photographs and on to (as she describes it) cleaning up the crumbs. Thanks also to other terrific staff at the Institute (Linda Tellis, Astrid Campbell, Anne Vipond and our part-timer and former full-timer Lalita Mathias) and to Rob Ferguson and to the board of The Sydney Institute – and to our members and supporters, many of whom are here today.

John Henry Newman was once an Anglican, then a Catholic. During his time on this earth he was not popular with the powers that be in either religion. As a Catholic after 1845 Newman argued vehemently that the laity should be given an enhanced role in the affairs

of the church. Needless to say, this view was not well received in Rome – or at Westminster Cathedral. There were people in high places in the Vatican – then as now – who thought that Newman was getting a bit carried away about the rights of the (laity) masses. Newman's response was unequivocal. He argued that the church needed the laity since, without them, it would look pretty silly. It's much the same with The Sydney Institute – without our members we are nothing. So here's to our members – and thanks to those who have turned up today.

It's great to see my sister Veronica up from Melbourne for the launch – she has always been both a great mate and a great help. During a previous visit by road to Sydney she found the now extant Mate's department store in Albury, the location of the December 1944 meeting that approved the constitution for the nascent Liberal Party. There is a photo of Mate's in *Menzies' Child*.

Thanks also to Mark Tredinnick and Margaret Jones from Allen & Unwin and to all others who assisted with the book. Obviously *Menzies' Child* is my statement on the Liberal Party and mine alone. But equally I could not have written it without the help of many – some of whom I have mentioned today.

Writing *Menzies' Child* was a lot of fun – albeit of the hectic variety. A couple of highlights come to mind. I thought I'd briefly mention some and then retire.

- Morning tea with Dame Pattie Menzies at her (then) Melbourne residence in Kooyong. I recall fine China, lace doilies – what my mother used to call old world charm – and tea. I don't usually drink tea – but I did on that occasion. Dame Pattie is a very impressive woman. She is shrewd and, underneath a mild exterior, something of a hater – not a bad quality if you are to survive decades in public life.

I raised with Dame Pattie the events of 1941 when Robert Menzies was forced to stand down as prime minister and leader of the United Australia Party. It was a traumatic period in which Menzies experienced his only real political failure. It was evident that Pattie Menzies still felt bitter about those events of half a century ago – in particular that her husband had been dumped by his own colleagues. But, as indicated previously, Dame Pattie reminds me of my mother's generation and beyond. They may resent but they invariably do so in silence, declining to speak publicly about private matters. I asked Pattie Menzies to put names to the UAP and Country Party politicians whom she was condemning for their treachery and deceitfulness. She declined, saying that she could not name names – not yet.

- When in Sydney, Paul Hasluck used to stay at the Australian Club at the corner of Macquarie and Bent streets. Following a phone call, Hasluck dropped in to the Institute's Phillip Street office one morning – just down the road from the Australian Club. It was great to see the ex governor-general knocking on the

Institute's door. We went up to the second level and chatted over coffee. I have always respected Hasluck as a historian and politician, even though he lacked the ambition necessary for the highest honours in the latter profession.

Paul Hasluck always seemed reticent and courteous. So I was quite surprised with the following exchange which took place halfway through our conversation:

Gerard Henderson: You said on Holt's death that McMahon was totally unsuitable. Subsequently it became evident that he was totally unsuitable. Why did you find him unsuitable?

Paul Hasluck: To speak succinctly, the man was a treacherous liar.

GH: Well, that's true.

PH: A treacherous liar.

GH: But then again, it's odd in a way, is it not, that a treacherous liar like McMahon got so far in the Liberal Party?

PH: Oh, that's how he got there. By treachery and by lying.

• In April 1991 I went down to Canberra with Anne, and my daughters Elizabeth and Johannah. The main purpose of the visit was to interview Liberal Party functionary Tony Eggleton. Eggleton had just quit as director of the Federal Secretariat and was in temporary office accommodation pending taking up a Brussels based appointment with Care International.

Eggleton was in a relaxed mood – increasingly so as the conversation wore on. He reflected on Robert Menzies in his double-breasted suits and Harold Holt in his underpants. And he recalled how Menzies was wont to go to his Parliament House office on Saturdays during the summer holidays and listen to the cricket on radio. Eggleton also recalled his excitement when he was summoned in 1965 by Menzies to spend the Christmas break with the great man at Kirribilli House in Sydney. It was there that the prime minister confided in his recently appointed press secretary his intention to retire on Australia Day 1966.

There is a tendency for interviewees to relax during a discussion. Often it is right at the end of an interview that the subject says something quite revealing. So it was with Tony Eggleton, while Anne and the girls waited for me in the carpark outside. Sure I had buttered him up a bit by saying what a tragedy it was that he had not gone into Federal politics. This is what Malcolm Fraser used to call “doing the hypocrisies”. It was at the end of a long response to a buttering-up question that Eggleton declared: “I often used to feel in politics that I could get up in the House and debate either side of an issue”. What an insight that was. Thank you Tony Eggleton.

As I said, writing *Menzies' Child* has been great fun. I hope it's also fun to read. In conclusion a small clarification is necessary. In his profile piece on me in last week's *Sydney Morning Herald*, journalist Milton Cockburn wrote that *Menzies' Child* included:

... a strange and personal epilogue, written in the late hours of May Day when he completed the manuscript, and I remarked that I thought it revealed a profoundly depressed state of mind at the conclusion of his task. He doesn't disagree, although he says the party is in much better shape in the various States where it is mostly governing and managing its affairs well.

I did not agree with everything that Milton Cockburn wrote in his article but I recognise that it was fair and professional. However some amplification is called for. In my view epilogues should be read as they are (often) written – that is, after a brandy and soda. But why is the epilogue there at all? Blame Anne Henderson. It was her idea. Anne is of the view that many Liberals don't read all that much. Therefore she suggested that I should put the conclusion up front as the introduction. Good trick, that. The only remaining problem was how to conclude *Menzies' Child* without a conclusion. Answer – an epilogue.

Thanks for coming today. And, once again, thanks to all who helped with *Menzies' Child*.

Response – Mark Tredinnick

I feel a bit daunted with only one arm following two speeches like that. But let me say to begin that this is a book which a publisher would give his left arm to publish. And in fact if it were me I'd travel halfway around the world to arrive one day in advance of the launch carrying my broken collar bone (as I am today) all the way from Frankfurt. Contrary to rumour and speculation my broken collar bone has nothing to do with battles with the author.

Menzies' Child has had a difficult birth. A long labour if you'll forgive the pun – trouble in the birth canal. It often happens when the baby is a little over term. Rumours of the birth of *Menzies' Child* are in fact a little exaggerated. You won't in fact see it on the streets for another week or so. Still on this day, which is the 50th birthday of the Liberal Party, I'd like us all to celebrate the birth of this brilliant book.

In a year of major political books Gerard Henderson has written the best. Not the most kind and circumspect, not the most reverential or respectful, certainly the least self-serving but the most richly detailed, engaging and profoundly important. Certainly the most profoundly important political book of this year and arguably for some time.

I've enjoyed few days more than the day I spent in the middle of this year in Canberra reading Gerard's final draft of this book. As I recall it it was one of those brilliant blue, clear-skyed Canberra winter days and I sat absorbed in Gerard's manuscript and read it throughout the day. If I've enjoyed another day more it was perhaps the one earlier in the year, in fact about a year before that, when Gerard accepted my offer to publish the book over the interests of as you can imagine a number of other publishers.

It was Gerard's idea to include in the book a CD. The CD is a

copy of a speech which Sir Robert Menzies made in 1953 to the Constitutional Association. I'm delighted that we've been able to cut the disc and incorporate it in the book. And I'm confident that it enhances the value and enjoyment that the book provides.

I was a little slow to take up the challenge to include the disc. Publishers are wont to be cautious about these things. But Gerard gave me a tape and I remember playing it one day in the car and being quite moved. So moved I had to stop the car. Listening to the tape gives one an insight into Menzies the man, the power of the man, the power of his voice and oratory, into his power and also, if Heather Henderson will forgive me, his limits and the sort of ambiguous legacy he left the party. And I felt at that stage that the disc simply must go in. For Allen & Unwin and for Australian publishing such a venture is a first and I'm very proud to have been involved.

There are some people I should thank. I'd like to join Gerard in thanking the book's editor Margaret Jones who's done a wonderful job and produced a beautiful product. Thanks to the book's designer Steven Dunbar. Others have mentioned Rodney Adler and his statuettes which feature on the cover of the book. I'd like to thank him for his patience as we photographed them many times. I'd like to thank too Helen Littleton my assistant for all her help in recent times, and Monica Joyce our publicity manager who's helped Gerard make sure that we've captured a lot of well deserved attention for the book. And thank you Heather Henderson for a very fine speech. I enjoyed it very much and it's been a pleasure to meet her today.

So finally, congratulations Gerard. Congratulations on what I think is a wonderful book, a prodigy produced by a master of his craft.



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Photo - David Karandis

Brian Toohey

Brian Toohey, well known Sydney journalist and commentator, is the author of *Tumbling Dice* (Reed 1994). Addressing The Sydney Institute on Tuesday, 25 October 1994, Brian Toohey questioned the wisdom of conventional economics and the role of the Australian media during the boom of the 1980s.

TUMBLING DICE -

ECONOMICS IN THE 1990s

Brian Toohey

There is ever a tendency of the most hurtful kind to allow opinions to crystallise into creeds... A despotic calm is usually the triumph of error. In the republic of the sciences, sedition and even anarchy are beneficial in the long run to the greatest happiness of the greatest number.

William Stanley Jevons

I shall divide my talk into two parts. The first part will deal with the disturbing prevalence of physics envy among neoclassical economists. The second part will deal with the journalistic "bold riders" who gained much prestige and financial reward from so diligently misinforming markets during the 1980s. Neoclassical economics is of interest because - as I argue in my book *Tumbling Dice* - it is the dominant, although by no means exclusive, influence on the advice going to Australian governments. The journalistic "bold riders" are of interest because their mistakes can cost other people a great deal of money.

Physics envy

To go back and read the founders of neo-classical economics is to be struck by their eagerness to adopt a model for understanding human society which is borrowed unashamedly from a mechanistic physics. Although their classical predecessors such as Adam Smith, David Ricardo, and John Stuart Mill had been influenced by the tremendous breakthroughs in science ushered in by the Enlightenment, the neo-classical economists were much more ambitious in their reliance on a deterministic physics to construct a coherent economic model. As the American conservative commentator, Irving Kristol puts it:

In contrast to later economics, (Smith's) *Wealth of Nations* is unabashedly "humanistic". Its vision of an economic universe is "Newtonian" only analogically and qualitatively... All of its causes and economic effects are purposive human actions and reactions... The aim of post-Smithian economics is gradually to rid the economic universe of purposive human activity altogether - to make this an abstract model of reality in the same way that physicists

create an abstract model of physical reality, and from this model, based on the fewest possible axioms, deduce "laws" that "govern" the actual world we inhabit.

The neoclassical approach found its fullest expression in the general equilibrium theory developed in the 1870s by the French born economist, Leon Walras. Robert Skidelsky, biographer of the much better known British economist, J M Keynes, considers Walras to be the most influential economist ever to have lived.

Walras, for his part, did not lack tickets on himself, comparing his work with that of Newton. The "micro" foundation for the economist's general equilibrium theory is provided by the action of a completely predictable, relentlessly maximising individual, who has the good fortune to be endowed by the model builder with perfect foresight – a facility the rest of us have some difficulty acquiring. Once the model builder has dispensed with minor inconveniences such as an unknowable future, each little maximising agent (or particle) interacts with every other little maximising agent (or particle) within an economic system, free of distorting influences, and we get the harmonious outcome at the "macro" level envisaged by Newton, or more precisely by nineteenth century mechanics.

Apart from paying specific tribute to Newton and the French mathematician, Laplace, Walras has said that he was enormously influenced by a book on static mechanics by Louis Poincaré which he kept by his bedside for decades. According to Donald Walker's rapturous biographical note, Walras was inspired to build a general equilibrium model of the economic universe by copying Poincaré's version of the physical universe.

In Walker's assessment, Walras succeeded so well that he remains unsurpassed as an economic genius. To less fervid admirers, Walras' exposition of his ideas sometimes stops little short of parody. Try this passage!

Maximum effective utility, on the one hand, uniformity of price, on the other hand... these always constitute the double condition by which the universe of economic interests is automatically governed, just as the universe of astronomical movements is automatically governed by the double condition of gravitation which acts as a direct proportion to the masses and in inverse proportion to the squares of the distances.

Walras was aware of the objection that not all human existence can be reduced to a set of equations consistent with a crude determinism. He went ahead, however, and designated most economic behaviour as the proper subject of the natural sciences – the reason being that economic behaviour results from "the play of the blind and ineluctable forces of nature".

But Walras did not make any attempt to ground economics in the empiricism usually associated with the scientific method, preferring

instead the axiomatic approach of mathematics. As he put it:

The pure theory of economics is a science which resembles the physico-mathematical sciences in every respect... The mathematical method is not an experimental method, it is a rational method... These sciences construct a priori the whole framework of their theorems and proofs. After that they go back to experience not to confirm but to apply their conclusions.

Indeed, Walras' commitment to abstraction was such that he seemed reluctant to let people sully his system of exchange. "Assuming equilibrium," he said, "we may even go so far as to abstract from entrepreneurs and simply consider productive services as being, in a certain sense, exchanged directly for one another."

Gravity held a peculiar fascination for Walras. Very few of us are capable of reading Newton or Laplace, he said:

Yet, on the word of competent scientists, we all accept the current description of the universe of astronomical phenomena based on the principle of universal gravitation. Why should the description of the universe of economic phenomena, based on the principle of free competition, not be accepted the same way?

Some ideas die hard! Only shortly before abandoning monetary targeting in the face of its manifest failure, Margaret Thatcher insisted, "Now let me have a word about monetarism and monetary control first. It isn't a new fangled theory, it is as essential as the law of gravity." More recently, the Liberal front bencher, Bronwyn Bishop, assured us, "The principles of free enterprise are as immutable as the laws of gravity." Bishop likes to cite the great Austrian economist, Friedrich von Hayek, as one of her intellectual mentors; despite von Hayek's devastating dismissal of comparisons with gravity as a futile and misplaced "scientism".

Walras's English contemporary, William Stanley Jevons was another to assert that economics should be based on an a priori approach. In his *Theory of Political Economy* (1871), Jevons said, "The science of economics is in some degree peculiar, owing to the fact that its ultimate laws are known to us immediately by intuition." Using axioms derived from intuition, he said, "We can deduce the laws of supply and demand, the laws of that difficult concept, value, and all the intricate results of commerce... (Our) method is as sure and demonstrative as statics, nay, almost as self evident as are the elements of Euclid."

Another much quoted figure in the history of neo-classical economics, Francis Edgeworth, was convinced he could build what he called a "social mechanics" to equal Laplace's "celestial mechanics". For Edgeworth, who spent 30 years as Professor of Political Economy at Oxford, the behaviour of each human soul corresponded to that of a particle in the physical universe.

With a typical verve, he drew a parallel between the maximising

tendency imposed on a particle in physics and the way pleasure is supposedly maximised in an economic system, "As an electro-magnetic force tends to a maximum, so also a pleasure force tends to a maximising energy." Turn on the electro-magnet (or pleasure machine) and all the iron filings (or factors of production) are promptly arrayed in the most efficient manner possible. Edgeworth made no great claims about the moral desirability of the outcome. "Of justice and humanity there was no pretence," he said. Instead it was the "majestic neutrality of Nature" which commanded respect.

The pleasure force presented nasty measurement problems. Once more physics was the hope of the side, with Edgeworth proposing that consumer satisfaction be defined in terms of "atoms of pleasure". However, a method for counting the atoms proved beyond Edgeworth. "Atoms of pleasure are not easy to distinguish and discern," he complained. "They are more continuous than sand, more discrete than liquid; as it were nuclei of the just-perceivable, embedded in circumambient semi-consciousness." As you can tell, he lacked neither literary nor scientific ambition. There was more about how hard it was to measure the "golden sands of life" and the "innumerable smiles of the seas of love", but no answer as to how to measure the atoms of pleasure.

Edgeworth was in no doubt, however, about how these elusive atoms of pleasure should be distributed. They should go to those most able to enjoy them; namely those of "aristocratical privilege" which he defined as "the privilege of man above the brute, of civilised above savage, of birth, of talent, and of the male sex". Women did not get much of a crack at his atoms of pleasure. "There appears a nice consilience," he said, "between deductions from utilitarian principle and the disabilities and privileges which hedge round modern womanhood." Edgeworth was also a supporter of the British eugenics movement.

The American historian of economic ideas, Philip Mirowski, notes that the early neoclassicists take a psychological concept – satisfaction or utility – and treat it as if it were transmuted into potential energy. Utility is then considered as if it were suffused throughout an abstract "commodity space" that behaves like a field in physics. A utility field then becomes the primary motivating force behind all economic activity, ensuring that the natural tendency of the system is towards an equilibrium state of maximum utility.

It is a version of physics which abstracts from the way time passes in the everyday experience of the world. In this abstraction, everything is reversible. Neither the past, nor any human institution, has any influence on the present.

In strict equilibrium models, there are no beneficial spin-offs created within the system by technological progress and no disruptive consequences from by-products such as pollution. Consumer preferences and the distribution of income and wealth are taken as

given. None of the usual complexities of human interaction are present. There is neither synergy nor superfluity, just a wonderful uncluttered system propelled by the impulse to maximise satisfaction or utility.

Whatever the merits of the original attempt to copy Newton and Laplace, few would claim that neoclassical economics has managed to keep up with the spectacular advances in physics which give greater weight to entropy, endemic instability, and uncertainty, let alone other changes involving theories of catastrophe, chaos and complexity.

The demands of mathematical expression, championed by Walras, do not provide particularly comforting metaphors for those who like to derive their political philosophy from neoclassical economics. The maths can pull in one direction and the political imagery in another. The point is underscored by the way Walras' approach has been applied with almost antiseptic rigour by one of his most influential Twentieth Century disciples, Gerard Debreu. Debreu describes his methodology in these terms:

First, the primitive concepts of economic analysis are selected and then each one of these primitive concepts is represented by a mathematical object... An axiomatised theory substitutes for an ambiguous economic concept a mathematical object that is subject to definitive rules of reasoning.

These attempts to express human behaviour in mathematical theorems, although understandable in terms of the quest for precision, invite the accusation that they lack a certain sympathy for the human condition. Instead of the vibrant and idiosyncratic individual at the core of libertarian theory, many models envisage a pallid mathematical object relegated to the anonymity of a population so large as to form a continuum. A genuinely distinctive individual may not find it all that much fun living in an economy which really resembled the giant price mechanism whose virtues are constantly extolled in the neoclassical ideal. In the words of Peter Wiles, an English economist better known for his critique of the old style Soviet command economies, the units inside a mechanism cannot express individuality, cannot learn, remember or combine. The mechanism determines their behaviour altogether; they can only react.

The founders of neoclassical economics were well aware that models drawn from a mechanistic physics work best when everything is predictable. Novelty, surprise, human ingenuity and caprice are a nightmare for the model builder trying to replicate the "blind and ineluctable forces of nature". Fortunately, an abstraction called Rational Economic Man is on hand to provide a solution. Rational Economic Man is Mr Reliable, always making the correct choice to achieve the optimum outcome demanded by the model.

Not least of the difficulties with policies derived from Rational Economic Man lies in defining just what is meant by rationality. Simply

appropriating the word "rational" to describe a particular viewpoint does nothing to add to its validity. One school of pre-Darwinian biology exalted in the name of Rational Morphology. After Darwin, the Rational Morphologists' assertions about the existence of an unchanging set of species didn't look so rational.

Deciding what is rational may prove impossible in a world of swirling variables where everything interacts with everything else, constantly transforming the fixed into the fluid, and the knowable into the unknowable. Uncertain outcomes, imprecise odds, unexpected obstacles and unanticipated rewards all add to the richness of human life but also rob us of the data needed for completely rational decision making. In these cases, choices are made on grounds that might be better understood as falling into non-rational categories rather than ones glibly delineated as rational versus irrational.

The difficulties become immense when it comes to choosing policies designed to meet the needs of an entire population. Once people have different goals, comparisons can be unavoidably subjective. There may be no rational way of calculating what precise price should be paid to save an endangered species, deter a military threat however remote, or boost the national psyche by staging the Olympic Games.

From the standpoint of many traditional conservatives as well as many social democrats, the concept of Rational Economic Man as an ego-centric individual ignores the social dimension. In this view, people can also possess a civic impulse which allows them to fight a bush fire without demanding payment or looting an abandoned home.

Put this way, the communal ethic can sound just as naive as the concept of Rational Economic Man can sound overly selfish. Events over the course of this century should provide enough reminders to the social democrat and conservative alike that calls for collectivist action, in the absence of a vigorous civil society, can quickly descend into brutal abuses of state power.

To some libertarians, however, civil society offers no buffer between the state and the individual. In one much quoted instance, Margaret Thatcher, declared, "There is no such thing as society." Even Thatcher's favourite think tank, the Institute of Economic Affairs, last year released a book called *Reinventing Civil Society* in which its author, David Green, complains the 1980s were "dominated by a hard-boiled economic rationalism which failed to do justice to human character and potential. The missing dimension was its inadequate emphasis on the 'civic virtues': such as self-sacrifice, duty, solidarity and service to others".

Once social outcomes are brought into the picture, what began as a self contained, extremely neat theory, starts to fray at the edges. Exceptions get tacked on willy nilly. Lions can't eat Christians as a spectator sport. Taxes have to be paid. Dioxin can't be dumped on the

local tip in the name of maximising shareholder utility. Grandma can't be sold to a pet food manufacturer. Nobody has perfect knowledge. Good and bad side effects flow from individual action. What is rational, and what is not, becomes highly contingent, entangled in a maze of conflicting goals and unquantifiable means.

Lest it be objected that no one really takes any notice of Walras' efforts to build a general equilibrium model of the economy, it should be noted that the builders of the Industry Commission's Orani model say their inspiration is the "extended Walrasian paradigm". A former Industry Commission economist, Mike Cronin, puts this in plainer language: "The model's predictions lie outside calendar time and outside the observable universe".

The long run version of the new Treasury model is also a general equilibrium model in the Walrasian tradition. All markets are assumed to clear so there is no unemployment of either capital or labour. Time no longer matters as the adjustment to equilibrium occurs instantaneously. All Australians are assumed to know what will happen to inflation and the exchange rate over the next ten years. Contrary to the available evidence, firms are assumed to face constant returns to scale while technical efficiency is assumed to increase at a constant rate over time. At least the Treasury is candid enough to admit that the design requirements force it to ignore factors which it otherwise accepts as being quite important:

We believe that the rate of efficiency growth is actually... a function of determinants such as education, health, competition, etc. However, none of these variables is modelled in TRYM.

More recently, equilibrium theorists have turned their attention to what are called real business cycle models. Readers sceptical of extreme levels of abstraction will welcome the assurance from one of the model builders, Edward Prescott of the Federal Reserve Bank of Minneapolis that "first and foremost, the theory is real in the English language sense of the term - the dictionary definition of real as 'serious' and 'not imaginary, fictional, or pretended'." Unfortunately, a typical example suggests there may be some way to go before these "real business models" meet this definition of "real".

According to one enthusiastic advocate, the models' assumption that people can know the future is "no longer regarded as an issue". The reason is simple: "It is firmly established as a concomitant of the axioms that agents maximise utility or profits or whatever". The sceptic might be tempted to observe that it is just as well that the ability to foretell the future is "firmly established" axiomatically because it certainly hasn't been done so empirically.

For good measure, this model of a "real" economy is populated with a "continuum of identical, infinitely lived households" while production comes from a "single competitive firm" that remains

competitive despite the lack of competition inherent in the presence of only one firm.

Unfortunately, as a number of modern biologists have pointed out, one difficulty with general equilibrium models is that if the economy ever manages to achieve a state of equilibrium, it will not just be stable, it will be dead. To acknowledge this is to reintroduce the richness of historic time into economics. People are no longer "infinitely lived". Nor are they "identical". Nor will they always form a "model consistent" definition of what constitutes a rational expectation of how the future will unfold.

None of which may be a bad thing. After all, the hustle and bustle of economic activity really only thrives outside the confines of a general equilibrium from which time has been axiomatically banished. It is only outside equilibrium models, as the American economist, Randall Bausor puts it, that surprises can provoke adjustments and reactions to unsuspected opportunities. Only then do enterprise and entrepreneurship genuinely matter. Only then is there scope for the "full spectacle of collision and adaptation, of hope and anxiety, of pursuit and attainment".

The journalistic "bold riders"

In standard economic analysis, there is supposed to be a happy conjunction between the journalists' job of making money for their employer and the drive for more efficient markets. Well informed markets, so the theory goes, will make more efficient decisions than those which are ill served by a blinkered or indolent media. The media, in turn, will maximise their profits by keeping markets fully informed.

There is no shortage of people willing to assist journalists in this task. To Paul Keating, communication means treating journalists as mere ciphers for his views. Something of the flavour can be gauged from his comments at the end of an overseas trip when he praised a newcomer to his travelling press party for the job he had done in conveying the lofty regard in which Keating was held in the international finance capitals of the world. According to the journalist, Keating promised, "Keep it up, son, and I'll put you on the high grade drip." The high grade drip is a favourite Keating phrase, referring to the mix of information, opinion, gossip, and outright distortion which flows via non-attributable briefings from himself, his staff, and senior members of the bureaucracy.

Being put on the drip certainly makes for an easier journalistic life. There is no shortage of stories, regardless of how self serving the source. Nor is there likely to be trouble with head office. No journalist was ever sacked for excessive obsequiousness during Keating's heyday as treasurer, nor likely to be so during his more abrasive term as prime

minister. Quite the reverse. Several have built careers on the opportunities that propinquity to power can provide.

During the 1980s there was no shortage of entrepreneurs willing to put compliant business journalists on their equivalent of Keating's "high grade drip". Although some of the business journalists who did most to misinform the markets during the 1980s continue to thrive, there is the occasional introspective piece about the media's role in building up the "aura of infallibility" surrounding some of the entrepreneurs of that era.

It is by no means clear, however, that the problem of the previous decade won't recur. In theory, journalists should never find it as highly rewarding as they did during the 1980s to mislead the markets about the financial strength of so many of the leading players. While this was more often the result of gullibility than of any deliberate policy, profit maximising is supposed to go hand in hand with informing, not misinforming, markets. But market forces during a boom seem to reward journalism that only encourages the worst excesses while "underpricing" more cautionary voices. Customers paying to be told the music will never stop do not want to hear the voice of scepticism. Editors, with rare exceptions, do not want to publish "downers" when the market wants "uppers".

It all looked so easy the way the business magazines told it in the 1980s. There was none of the 1990s soul searching about the nature of the Australian identity. The answer was simple. The desirable Australian was the entrepreneur. Not in the older sense of the entrepreneur as a risk taker developing a new enterprise or product, but more as a corporate predator making money from shuffling paper assets. There was no limit, it seemed, to what borrowing, brashness and a sycophantic cover story could achieve. The rewards were something to be savoured in public. Thorstein Veblen's phrase about conspicuous consumption was given new relevance as millions of dollars of shareholders' money were siphoned off by a succession of deal makers idolised in the media. Lists ranked the winners. They weren't merely rich like the crusty members of the much derided (and largely illusory) Melbourne or Adelaide establishments. They were super rich - the symbol of the new Australia.

The media were not alone in creating these new role models but they played a crucial role in setting the seal of approval on what was happening. Nowhere was this more apparent than in the two glossy new magazines to emerge during the 1980s, *BRW* and *Australian Business*

There were honourable exceptions, but the overall effect of the business journalism of the time was to create heroes of some of the most recklessly incompetent executives ever to control a public company. Often the reporting style was celebratory, with speculators and paper shufflers being treated as creators of genuine wealth. Swindlers and thieves were treated as pop stars in carefully airbrushed photos on the

front covers of the magazines. Nonsensical "corporate strategies" were reported with reverence while ludicrous claims about long-term debt being the same as equity were presented as new accounting truths. Corporate crooks were legitimised, spivs given comfort and respectability, well-dressed drongos transformed into intellectual giants. Time after time, a positive "spin" was put on the outlook for companies on the verge of collapse. Tributes to the immense guile of various corporate raiders helped build a decisive aura of invincibility for particular takeover stratagems.

In short, the media watchdogs did not bark. Shareholders and the public may have been misled - "Bond: too big to stop now" was a typical headline - but the magazines were following a marketing strategy that worked at the time in terms of circulation and advertising revenue. No one, it seemed, wanted to hear about the hard slog behind designing and manufacturing a better widget. Instead, the market for new readers lay with stirring tales about tycoons juggling billions in takeover "plays" featuring greenmailers, white knights, poison pills, war chests and golden parachutes.

When they first appeared at the start of the 1980s, *BRW* and *Australian Business* were more aggressively "pro-business" in their journalistic content than the rather staid coverage available in the daily papers. While the traditional business pages could hardly be said to be overly critical, they did not go out of their way to inject the same aura of glamour, excitement and bullish euphoria which characterised the new magazines. As the speculative boom took off, however, the dailies boosted their business coverage, often shifting the more dramatic stories to the front page. They also carried their share of reporting which amounted to little more than an image-building exercise for some of the shakiest entrepreneurs. A notorious example is the *Sydney Morning Herald's* front page assurance that Alan Bond would survive after two of its reporters were flown to Perth on a Bond jet. Shortly afterwards, Bond went sluicing down the gurgler.

The problems were not confined to the commercial media. Instead of developing its own specialists, the ABC in 1981 approached the then editorial director of *BRW*, Robert Gottlieb, to appear each night on its national TV news as a paid business commentator. Gottlieb wrote to his then boss, Max Suich, urging approval on the grounds that "it would be a unique promotion vehicle for the magazine around Australia".

Not surprisingly, Suich approved the plan. The benefits to ABC viewers were not so readily apparent. Instead of developing more dispassionate commentators from among its own staff, the national broadcaster handed over the dominant business spot in its nightly television news to someone renowned for the breathless enthusiasm for the paper shuffling entrepreneurs who were to wreck such havoc on the Australian economy.

Readers of *BRW* and *Australian Business* were left with the overwhelming impression that everything the entrepreneurs touched would turn to gold. Something of the mood can be gained from the upbeat tone of "write-offs" introducing many articles. The following examples come from *Australian Business* (similar examples are available from *BRW*):

- Bond has cleaned up his image. Gone is the harsh aggressive businessman of the 1970s who nearly lost his company. Instead, there is the cautious, more thoughtful Bond, a man willing to admit his mistakes and show that he has learned his financial lessons well.
- He's tough talking, ambitious, ruthless and the eternal optimist. John Elliott's personal style has moulded a corporate philosophy that has made Elders IXL a model of success.
- Chris Skase's penchant for baby blue is starting to show up in his group's balance sheets. All his companies are earners. And he got out of the market just before it collapsed.
- They're coming rampaging in from the west, and they're scared of no one. A new breed of hustling entrepreneurs, they grew up in the cut and thrust of WA but became too big for one state to hold.

BRW's ebullient approach was captured by its use of a dinkus proclaiming "The Sport of Takeovers" across the top of several articles. *Australian Business* ran an annual feature extolling the "Top Deals of the Year" in which it praised some of the most wasteful, and ill considered, transactions of the decade. There was an enthusiastic piece, for example, about Bond's "sale" of the Sydney Hilton, later exposed as a sham by the ABC's *Four Corners*. In 1986 George Herscu received high praise for his disastrous takeover of Hookers.

The homage to the new breed of business dynamos reached its peak in the annual Rich Lists published by both magazines. Genuinely wealthy people such as the Kings Cross identity, Abe Saffron, never made it to the lists, apparently being considered a little too lacking in tone to appear in the same company as such future jail birds as Herscu. For readers who were interested in buying shares, or in taking advantage of other opportunities associated with those who made it onto the annual Rich Lists, the implicit message was that they would be dealing with people of substance. Business journalists, of course, were not alone in falling into the trap of focusing on assets displayed far more prominently than the debts behind them. Banks made the same mistakes. Nevertheless, some of the errors were quite spectacular.

Rag merchant Abe Goldberg was said to be worth \$600 million, justifying his place as number four in the *Australian Business* Rich List for 1989. According to bankruptcy proceedings commenced shortly afterwards, he was penniless. Keating's friend, Warren Anderson, was listed in 1990 as being worth \$250 million in *Australian Business* and \$190 million in *BRW* even though his creditors were being told at the time that he had no assets in his name and his total income, as declared to the tax office, was only \$30,395.

Writing about members of the Rich List who were media proprietors could also present difficulties. Christopher Skase, as owner of the Seven television network, started a business program which retained several of the nation's leading business columnists as commentators. At the time, none commented unfavourably on Skase's business practices or prospects.

In 1988, *Australian Business* listed Skase as worth \$25 million. The journalist responsible for the listing, Tony Grant Taylor, says that he came under intense pressure from the magazine's editor, Trevor Sykes, to bump Skase up the list for the following year. Skase was duly listed as being worth \$70 million in 1989. *BRW* performed just as poorly, listing Skase as worth \$65 million in 1989. Sykes has subsequently said he placed considerable importance upon the publicity *Australian Business* gained from his appearances as a business commentator on the Skase television network. Only ten days before Skase went belly up, exposing his participation in a number of extremely dubious practices, Sykes wrote a favourable cover story in which he assured readers:

He (Skase) does not do fast rash deals of the kind that ensnared Channel 10 and Alan Bond in Channel 9. In particular, Skase likes to ensure that he extracts maximum advantage from the leads and lags in financing his deals.

The Rich Lists did more than merely rank the winners. Accompanying essays extolled the business strategies and personal qualities that had propelled the high fliers to the top. *BRW*'s August 1987 Rich List carried an introduction by Les Carlyon which captured the pervasive ethos of the magazine's approach:

We may have to revise our idea of how wealth is created. We should not always be looking for "productive investment", for mines in the spinifex or new factories because, mostly, they are not to be found. Much of the wealth on this list has come from opportunities and daring, from financial alchemy, from asset switching and trading, from the rationalisation of existing industry rather than the creation of new industries.

Skase and Bond were two of the newcomers to the list that Carlyon singled out for praise as having "created their own accretions of substance". By the 1993 Rich List, however, a note of reproof had crept in as Carlyon wrote without any hint of self awareness, "In the 1980s, many of the hot house men were feted as 'business leaders'. They weren't; they were merely brash and quotable; busy rather than productive, dealers rather than builders." In November 1993, Carlyon was named the Graham Perkin Journalist of the Year.



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Photo - David Karanidis

William Overholt

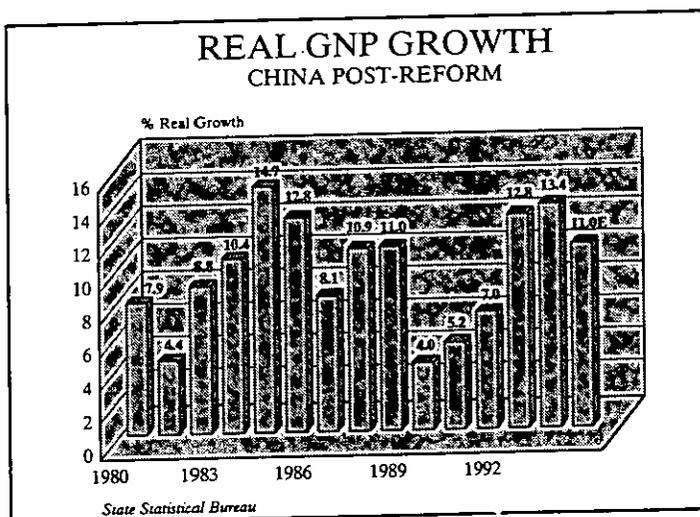
In his book, *China The Next Economic Superpower* (Wiedenfeld & Nicolson) William Overholt, Managing Director at Bankers Trust Hong Kong, demonstrates that China's economy has the potential to surpass that of the USA by early in the 21st Century. In his address to The Sydney Institute on Monday 7 November 1994 William Overholt reviewed many of the themes in his book. He argued strongly that rapid economic growth in Asia was gradually bringing political reform. By contrast he explained that the policy of seeking political reform ahead of economic recovery, such as in Eastern Europe, had too often failed.

CHINA: THE LATEST

ASIAN TAKEOFF

William Overholt

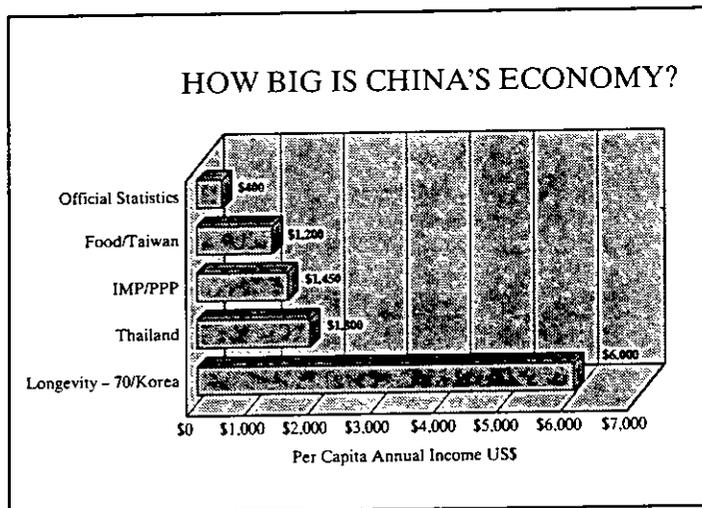
The central theme I'd like to leave you with today is the thought that China is the latest Asian economic take-off. It's been growing about 10 per cent a year for 15 years now – not a flash in the pan. I've been an optimist about Asian growth since the early seventies but I never would have believed that China could achieve this kind of economic growth. It's one thing for Singapore with two million people or even South Korea with 45 million utterly homogenous people. It's another thing for 1.2 billion people in the diverse conditions of China. It's impossible but they've done it.



Think of China as a place which is learning the lessons of the earlier Asian economic take-offs and putting them to work and forget about the image of yet another East European communist reforming country. Too many Westerners see China as a place which hasn't quite figured out how to do the things that the Poles and the Russians are doing right. In reality, it's a place that's figured out what Taiwan was

doing right politically and what South Korea was doing right economically.

The implications of China's economic growth for us depend on the answer to the question, "How big is the Chinese economy?" All of us remember how the Russians inflated the size of their economy. It turned out to be a Wizard of Oz kind of situation. The Chinese are the opposite. Back in 1991, when most of the studies were done, the Chinese said they had a per capita income of \$370 per person, which is about the same as India. It takes about two days in India and China to figure out that they are actually in different universes.



So, what was the problem? The Chinese collected their statistics honestly but the average rent paid by a Chinese family is one dollar a month. It's lousy housing but if you put it in Hong Kong it would cost a lot more than a dollar a month. The average cost of medical and educational services combined for a Chinese family is one US dollar a month. (These are 1991 numbers.) And yet the Chinese live to an average age of 71, which is typical of countries like South Korea at \$6000 per capita. The average Russian, by the way, lives to 59.

Australian professor Ross Garnaut was a leader of the school that said things in China are not what the statistics say. He cited studies comparing food consumption in China with food consumption in Taiwan since Taiwan has the same culture. The Chinese ate much the same things that people in Taiwan ate where per capita income was \$1200. Taking factors like housing, food and so on and adding them up, the IMF came up with an estimate in 1991 that China's per capita income was around \$1450. That's a far cry from \$370.

If you take that number and multiply it by China's population and add the growth that has occurred in the meantime, China's

economy is over two trillion dollars by now. Just a hair bigger than the Japanese economy. But this is the Chinese economy at the beginning of its economic take-off, compared with the Japanese economy as it matures and slows down to a snail's pace like the rest of us. So, if this continues, it's the biggest economic take-off in world history.

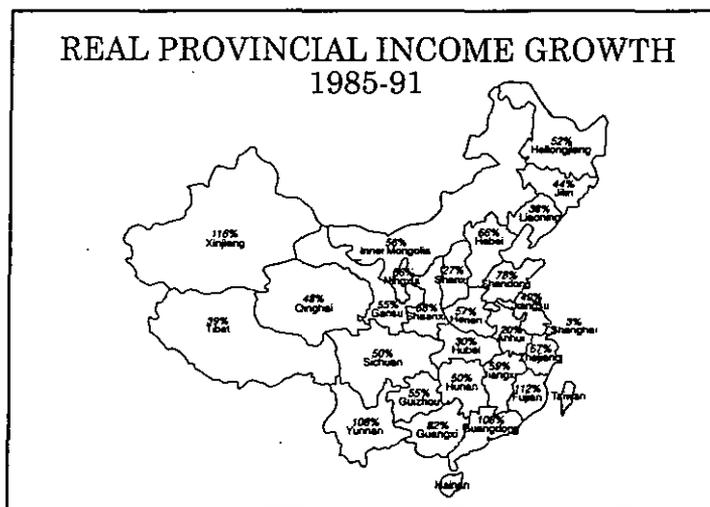
The rise of Japan has affected all of us. We all have Japanese things scattered throughout our homes. Many of us drive to work in Japanese cars. If the rise of China is bigger, it's going to have a bigger impact on us. We can already see some of that impact. Fifteen years ago this two trillion dollar economy wasn't part of the world economy. It was almost completely cut off. When you take a hippopotamus and throw it into a bathtub you expect to see some waves. When you look for the waves, they're there.

When China is buying copper, the world price of copper goes up. When they stop buying it plummets. China is the biggest purchaser of aircraft in the world in the 1990s. One out of every six Boeings is bought by China. The competition for world market share between Airbus and Boeing is going to be pretty heavily decided in China in the 1990s. Similarly, look at power plants. China's need for new power plants in the 1990s equals world capacity to build new power plants. And look at telecommunications. We in the United States are the second biggest purchaser of new telephone lines in the 1990s. We're building about 10 million new lines a year. China is building 12 to 14 million new lines a year.

That goes right down to consumer goods. For Procter and Gamble, the US is still the largest market in the world. The second largest market you would guess to be Japan, Germany or France. It isn't. It's Guangdong Province in China. Likewise Avon has 30,000 Avon ladies marketing lipsticks and such door to door in Guangdong Province. They project 500,000 Avon ladies in China within six years. So far, their estimates have always been too low.

These are not airy fairy projections of the future. These are today. Many of the world's biggest companies are already seeing that their future depends on what happens in China.

One of the reasons why the Chinese economic take-off has such an impact is that every place in China is growing. Most things that are written about China say, well, you've got these fantastic growth numbers along the coast but there's this tremendous difference between the dynamic coast and the stagnant interior. Indeed many professors are telling us today that the differences between the dynamic coast and the stagnant interior could tear China apart politically.



The problem with this theory is the fact that the fastest growing province in China just happens to be Xinjiang which is the farthest from the coast. Xinjiang had 116 per cent real income growth in only six years. After that, Fujian near Taiwan grew 112 per cent. Then there is Yunnan, an interior province, and Guangdong, north of Hong Kong, at 108 per cent. It goes interior, coast, interior, coast. It's not coast, coast, coast, coast.

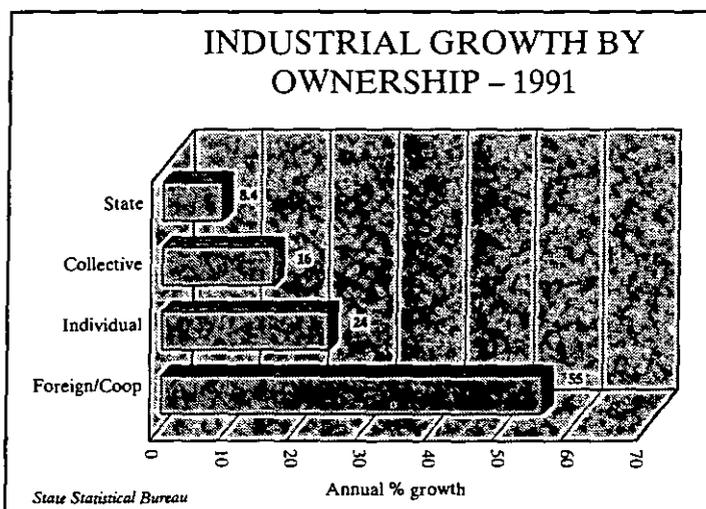
Even if you look at a very poor, relatively slow growing province like Sichuan (right in the middle of China, cut off on three sides by mountains, with 110 million people – about the same population as Japan or half the population of the United States) it had 50 per cent real income growth in six years. That's only half of what Xinjiang or Guangdong is doing but there's no place in the history of the Western world that has managed 50 per cent real income growth in six years. In the United States, to get 50 per cent real income growth you have to go back about 40 years. I'll let any local economist calculate how long it would be for Australia.

So the political question becomes, do these people sit around agonising over the fact that the guy over in the next province is growing faster? The average family in a place like Sichuan has been on the edge of starvation for the last two centuries. Now they've gone from two meals a day to three meals a day in six years. That's what 50 per cent income growth means. Do they appreciate that? We know from what happened in places like South Korea that farmers really appreciate such growth. (Before the economic miracle started, 30 per cent of the Korean population spent the winter looking for grass and bark to eat.) People really notice it when for the first time they have enough to eat. The political consequences of this kind of economic growth are very

positive. So the next time you read that China is going to fall apart, just think of that farm family which for the first time has enough to eat.

They do have some problems, of course. They have riots every once in a while because local mayors start ripping them off. But the overall effect in all these countries that have experienced rapid growth is that of pulling the country together.

How do the Chinese achieve such growth? Let's look at their priorities. Firstly there is emphasis. Take growth in Chinese industry. In a below average year, such as 1991, state enterprises grew 8½ per cent, collective enterprises grew 16 per cent, private individual enterprises grew 24 per cent and foreign invested enterprises grew 55 per cent. Those are typical numbers for China. What the Chinese have done is to put all their priorities into building the institutions of the market economy. They build little stock markets, little bond markets and currency markets. They train accountants. They try desperately to make their legal system better. The result is an explosion of growth in the private sector which they use to subsidise a very gradual transition in the public sector.



That's the way other Asians have done it. If you look at South Korea today, it is gradually liberalising its banking system which was over-regulated, inefficient and loss making but which the government used in order to guide their economy. It worked pretty well a couple of decades ago. But now they're using the fruits of their incredibly buoyant private sector to bail it out and subsidise de-regulation.

What the East Europeans have done, and what we ridiculed the Chinese for not doing, is to put all the attention on the other side. That is, not construction of the institutions of the market but destruction of the institutions of socialism. The idea is to get rid of state enterprises as

fast as possible by privatising them. Then you disband the planning system as quickly as possible. The result of that has been a collapse of the state sector. The result is something considerably worse than the Great Depression.

Poland and Russia went through what was far, far worse than the Great Depression in the United States. In recessions and depressions we all know what happens to inflation and interest rates – they go down, except in one period in world history where depression combined with hyper-inflation in Poland and Russia. With such horrific conditions, investors are frightened and there is almost no investment in the private sector or foreign investments. The private sector collapses.

The Chinese are doing it the way other Asians have been doing it. Gradualism is the right approach but that doesn't mean they can put off state enterprise reform forever. China is getting to the point where it has to do something. As more and more private enterprises compete with state enterprises, the state enterprise losses go through the roof. That's one of the biggest things driving China's rather serious inflation today which is around 25 per cent. They have to confront that. Fifteen years of gradualism are fine but then you've got to start doing something.

Last week Premier Li Peng promised to levy a 3 per cent tax on the payrolls of state enterprises beginning 1 January 1995, let the money accumulate for five years, and then start bankrupting the big loss-making state enterprises after having created a social safety net first. To Western economists, including myself, that seems slow. But it typifies the Chinese approach that you've got to take care of the workers. You can't just destroy whole cities and not have any kind of social safety net. In Poland in some areas the people reached the edge of starvation because they didn't create a social safety net first.

One of the consequences of the Chinese way is that the private sector has grown so fast that it's now about two thirds of the economy, which is about the same as France and Italy. The state sector is 30 per cent of the Chinese economy. In Germany the state sector is about 50 per cent. Almost none of the East European privatisers have brought their state sectors down much below 50 per cent. Thus, the Chinese privatise the economy even if they don't privatise the enterprises.

How else do they achieve their overall economic success? After Tiananmen Square I wrote an article saying that within a few years Deng Xiaoping would be a hero among his own people again and Gorbachev would look like a fool to Russians and lose his job. Of course in 1989 Gorbachev was at the height of his prestige so everything was looking very good for Russia. It was the only time in my life I had a hard time getting an article published. My prediction

seemed such a dumb idea. A year later the international *Herald Tribune* which had rejected the article called me back and said, "You know, that article we rejected a year ago... interesting piece of iconoclasm. Still don't believe it but we'll publish it." It became the most widely circulated thing I've ever written and it's the core of my book.

The argument was that, by studying the small countries, Deng Xiaoping had come to understand four things that Gorbachev didn't: economics, politics, finance and administration. Gorbachev was very good at one thing, which was diplomacy. We owe him for his statesmanship and the way he brought the Cold War to an end. If he hadn't chosen to lose gracefully we could all have suffered terribly. That was his priority. The Asian leaders have typically been lousy diplomats. Think of the leaders of these great economic take-offs - General Park Chung Hee in South Korea, Chiang Ching-kuo in Taiwan, the early socialist Lee Kwan Yew in Singapore. (We forget how socialist Lee Kwan Yew was. Everybody had to call each other comrade. He was an ally of the Communists.) Typically these Asian leaders would rather chew up a journalist than seduce one. They're people who don't spend a lot of time travelling outside their countries doing great diplomatic deals.

That's because they are totally focused executives. Totally focused on one thing, namely saving their countries through economic growth. Like most totally focused executives, they get pretty good at what they focus on. In Deng Xiaoping's case he went around China in the mid-1970s showing slides of life in Taiwan and saying, "You know, we could live like this too if we got our act together." You understand why that particular totally focused executive lost his job three times. That was even more politically incorrect than my book.

In the economic area, Deng Xiaoping derived a kind of investment banker's lesson from the Taiwan and South Korean experiences. You put your money into things where a very small government investment will lead to a very rapid return. First you give the farms back to the farmers. In Japan, South Korea and Taiwan that was called land reform. In China it was called dismantling the communes. The landlord may have been different but the economic consequences of giving the farmers their farms are essentially the same. (A lot of my book involves stripping the ideological labels away and looking at the underlying economics.)

The second thing was a focus on light industry. At a typical Western department store 25 years ago, most of the shirt labels said "Made in Japan". Ten years ago they said "Made in Taiwan" or "South Korea". Now they say "Made in China". And the shoes, the toys, the hairdryers, and anything in which you can invest a million dollars today and be collecting your first profits from by the end of the year.

CHINA VS USSR – PRIORITIES

- AGRICULTURE VS INDUSTRY
- LIGHT INDUSTRY VS HEAVY INDUSTRY
- PRICE REFORM BEFORE PRIVATIZATION
- ECONOMIC VS POLITICS
- DOMESTIC VS FOREIGN POLITICS

How do the Russians do it? Well, Gorbachev and Yeltsin have ignored the farmers. Ever since Stalin shot all the good ones, they've ignored the farmers in Russia. In industry their priorities were very clear: machine tools, steel, automobiles, petrochemicals, oil and electronics – all the things where you put up five billion dollars today and wait five or ten years to see whether you're going to get positive results. But they weren't ready for that. So they experienced an economic collapse.

Thirdly, if you don't have a lot of money of your own you use other people's. You welcome foreign investment. But here the Chinese have gone far far beyond what the other Asian countries have done. They received almost 30 billion dollars of foreign direct investment last year. And they got new commitments for 120 billion dollars of future investments. Now, 30 billion dollars is comparable to what Brazil – which is the only third world country of comparable size – would get from World War II to the present. China got that in one year. Third world history has never seen numbers like this.

But they're communists, so how come everyone's putting their money in there? Remember how the Japanese and Koreans financed their investment. The foreign part of that take-off was financed by having government development banks borrow the money from Western banks. Then they would on-lend it to Daiwoo or Mitsubishi. They did it all with debt and kept the foreign investor out. Nobody stood up 25 years ago telling stories about 30,000 Avon ladies in one province of Japan or South Korea. They still aren't there. But in China the planners added up the numbers of what it was going to take to finance their economic take-off and there isn't enough debt in the

world to cover that. So they've had to open the door wide to the foreign direct investor. Now you've got Motorola, Procter & Gamble, Unilever and brands like these all over China today.

This is going to change the way the third world, in particular Asia, develops. It's much more efficient to develop using a balance of debt and equity. It's less nationalistic but it's more efficient. So any country that wants to compete with China in the game of development is going to have to follow suit. This is going to change much of the financing of the third world economy.

In contrast, Russia never provided the kind of stability and other conditions that investors needed. So Russian numbers are an almost invisible fraction of what China got.

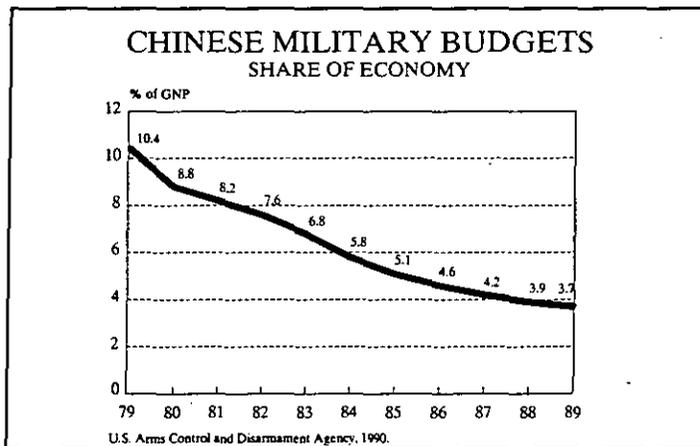
That's the economic story. What about the political story? In China it's the political story that we really worry about. Gorbachev did it the way we think it should be done. If your job is to organise the politics of economic development, the right way to do it is to educate people about the need for reform, then hold a vote and get a mandate for reform, and then implement those reforms. It's a wonderful story. The only problem is it doesn't work. It's never worked in the third world. The way that has worked in the third world, or led to highly developed economies, is the way the South Koreans, the Taiwanese and the Singaporeans have done it.

The problem with the Western approach is that the reforms are just too painful, so when it comes to implementing them the elites reject them. Leaders must either abandon reform or they can't get elected. In contrast, the Asians tend to impose the reforms and create such an explosion of economic growth that they can effectively buy the support of various social groups. The idea is to create a coalition of powerful social groups who are receiving so many immediate benefits that they support further reforms because they expect further benefits from them.

In China's case the first to receive benefits were the farmers. They got their farms back. Farm incomes doubled in the first six years of reform. If you're a politician trying to create a coalition and there are 800 million farmers and you get them on your side, that's a pretty good start. And then you look to the light/medium industrial workers who are the second priority and their incomes didn't do quite as well as the farmers but were pretty similar. You get them on the side of reform. Some early successful financial reforms got the financial sector into the coalition. There aren't a lot of bankers in a place like China but we who are in the banking business like to think that they have some clout.

Deng Xiaoping's big problem was with the military. They should have been the biggest enemy of reform. Why? Well, if you go back to the middle of the Cultural Revolution the military was getting 16½ per cent of the economy. If you look to when reforms started in 1979 it was

getting 10½ per cent. Today it gets 3½ per cent of GNP. If you're in a company and your division has been cut from 16½ per cent of the budget to 3½ per cent you're an unhappy division.



But Deng Xiaoping got lucky in a sense. 1979 was both the year that reforms got underway and also the year China fought with Vietnam. You remember what happened. The Vietnamese invaded Cambodia and the Chinese didn't like it so they decided to punish Vietnam for a few weeks. The punishment turned out to be mutual because the Chinese casualties in those few weeks were half of total US casualties in 10 years of the Vietnam war. This was a political debacle.

So Deng Xiaoping went to the generals and argued that their only salvation was technology. To afford the technology, China would have to follow the Japanese and South Korean way. The Japanese held their military budget to one per cent of GNP. General Park Chung Hee took over in South Korea and immediately reduced the defence budget to 4 per cent of GNP - at a time when Jack Kennedy's United States was spending 10 per cent. They put the money into economic development.

Deng Xiaoping also argued that China must open its economy to the Americans, Europeans and Japanese. Otherwise they wouldn't sell China the technology. The generals bought these arguments. It would be painful but they could see that it would work. It had worked for Japan, for South Korea, for Singapore and, although it was painful for the Chinese generals to admit, it had worked very well for Taiwan. So the generals became the strongest supporters of reform. Deng created a vast coalition of all the most important groups.

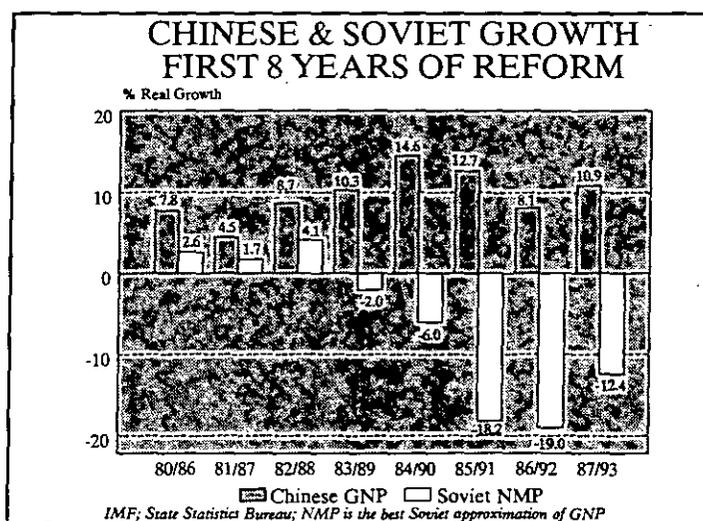
What did Gorbachev do? In Russia farm incomes totally collapsed. The farmers were already in bad shape and in one year of Gorbachev, while farm incomes went up 7 per cent, farm costs went up

70 per cent. This was devastating. The same thing happened to workers' real wages – they spiralled downwards. And Gorbachev curtailed vodka productions so they couldn't even drown their sorrows in vodka.

The top managers (all the most important civilians in the economy) lost their power and perks in a great decentralisation of economic activity. That decentralisation was a good thing in itself. But since the overall economic reform didn't work, all Gorbachev got back was the political anger of the most powerful civilians.

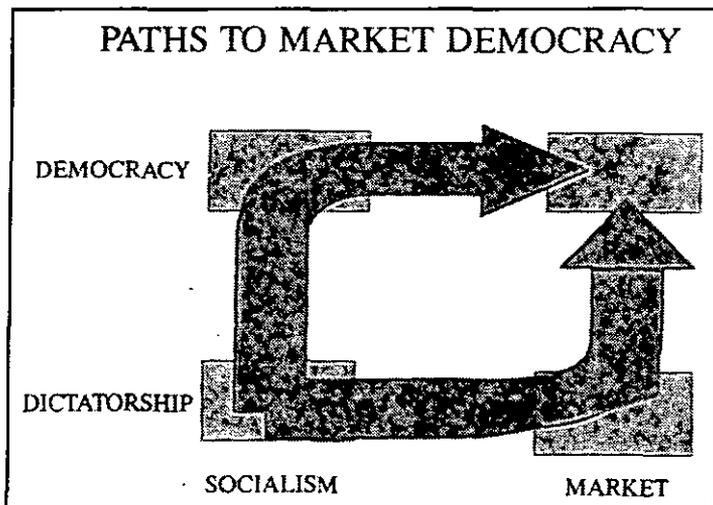
How about the Russian military? They didn't have a technology problem. That's the one thing the Russians were good at – military technology. But from Gorbachev and the early Yeltsin, the Russian generals heard that they would lose their budgets, that the government was stopping production of their new weapons, that they would be humiliated by the opening of the history books. And all this would happen just as allies like Poland revolted and joined the enemy. For the Russian military, reform was an exercise in national humiliation, whereas for the Chinese, military reform was an exercise in national rejuvenation. So Gorbachev managed to create a coalition of all the most important groups in society *against* economic reform.

What are the comparative results? Take economic growth in the first eight years of reform. For China it's like an aeroplane taking off. The world's greatest economic take-off. For Russia it's like a submarine descending. The world's greatest economic collapse.



That brings me to my final point, which goes to the overall ideological conflict between the West and these Asian development stories. If you're an impoverished third world dictatorship and you want to become an advanced industrial democracy, there are two ways

you can do it. You can do the political reform first and then the economic reform. Or you can do the economic reform and then the politics. (See the chart on "Paths to Market Democracy.") The way we like it is the first way. Cory Aquino in the Philippines, Gorbachev in Russia, Shagari in Nigeria, Garcia in Peru – we love these people. And if they're lucky we give them a few billion dollars in aid. Then they start trying to work their way across to economic reform and problems set in.



I was a key adviser of Cory Aquino in the revolution against Marcos. Her finance minister and I thought that, since we had guided her through the politics successfully, we could also guide her through the economics. But she vetoed every major reform and my friend the finance minister (Jaime Ongpin) ended up committing suicide out of frustration. It was a painful lesson in how difficult these reforms are in a democracy.

Price reform means that in Warsaw meat prices treble overnight. Currency reform means that in Latin America all of a sudden none of the women can wear French blouses, none of the men can have imported Mercedes Benzes, and the middle class can't afford vacations in the United States and Europe any more. You have to have a more competitive, more efficient economy and that means getting rid of all the oligopolies and monopolies. If you spend any time in a place like the Philippines you know that the economy is about monopolies and oligopolies. As you try to dismantle those you threaten the jobs of the most important people in society. So you get overwhelming resistance. Either the president gives up on reform, as Cory Aquino did, or there is instability. Everybody gets nervous and eventually the military is invited back in.

In the nasty Asian societies that Washington in particular tends to dislike, you get, for instance, Park Chung Hee taking over and imposing economic reform. Jack Kennedy told Park to take his troops back to the barracks and Park ignored him. Park said, okay, we tried putting all the money into the military. It didn't work. We fell further and further behind North Korea. Then we tried democracy. All we got was social chaos. Now we're going to put everything on economic growth.

In those days, the South Korean economy was about the same size as North Korea but the North Koreans were putting 30 per cent of the economy into the military and the South Koreans 4 per cent. So North Korea was just overwhelming. Today the South Koreans put 6 per cent into the military but their economy is 15 times bigger than North Korea's.

The first thing Park wanted to do was make up with the Japanese. He said, we've got to have Japanese trade and investment. Those of you who have spent any time in Korea and Japan know that the number of Koreans in those days who would have voted for that – making up with the hated colonial power – was smaller than the number of people in this room. Park's attitude was, I'm sorry you don't like it but to save the country we've got to do it. You may riot but I've got policemen with big clubs. And they made all those reforms, the difficult reforms that the other places couldn't achieve. They got over to the other side of that market economy.

By the time they got over there I was head of an Asia policy group for Jimmy Carter's campaign in 1976. Carter thought South Korea was one of the worst places in the world. He thought it was another Vietnam, that the human rights abuses and the dictatorship meant that it would be unstable. In his view we should get our troops out before it became another Vietnam. I couldn't convince him that people really liked economic growth. People who had been spending the winter looking for grass and bark to eat really appreciated having enough food and it was stabilising. A middle class was forming and things were getting better.

I had the same problem with Bill Clinton over withdrawing most favoured nation status from China. It hurts human rights. It doesn't help them. We always attack the regimes who abuse human rights but promote successful growth, and we are always surprised when it comes out well in both the economics and human rights dimensions 30 years later.

Economic growth in Asia has promoted human rights and representative government. People who are starving are very docile. You feed them and they become a little more assertive. You take illiterate people, you educate them and they start thinking about broader things – human rights for instance. You end up with hundreds

of thousands of professors and millions of students. They organise and they demonstrate and they demand things and you can't really stomp on them, especially in a Confucian society, because you need them.

The connection between socialism and dictatorship has always been that the government controls your job. As long as I can control your job I can control you. In China the government used to control 100 per cent of the jobs, but today only 18 per cent. When they lose control of 82 per cent of the jobs their controls are weak.

In China there's another major instrument of totalitarian control, the neighbourhood association. They have some old biddies that just watch you every minute. There's always an old biddy, for instance, who watches the menstrual cycles of all the women. When somebody misses and it's not her turn to have a baby, she's forced to go off and have an abortion. That's pretty tough control. When you have 200 million people moving around China, as you do today, the neighbourhood association system doesn't work effectively anymore.

Similarly, you get 15,000 confident, well educated workers in a Hyundai factory in South Korea and they'll form a union whether Park Chung Hee likes it or not.

An open economy liberates the mind. Millions of people start going back and forth to Western countries and nobody can stop them from appreciating the freedom there. People get televisions, they watch CNN and the BBC. In 1992 virtually everybody in China saw Bill Clinton challenge George Bush and defeat him in a presidential election and then saw Bush step down peacefully. In 6000 years of authoritarianism in China, most of the Chinese people never even imagined such a thing was possible. It had a potentially revolutionary impact.

So all of these societies, after a generation or two, have found themselves moving to a different kind of politics. It doesn't necessarily evolve into exactly our brand of politics. Singapore is not Washington or Canberra, but it's a lot better than the rest of the third world.

China today is of course abusive of human rights and it's a dictatorship. But when I first went to China a dozen years ago everybody was terrified to be seen with a foreigner. If you actually got to speak with a real Chinese every question you asked you got a sort of tape-recorded response. Today in Beijing, government officials will say, in the presence of a bunch of other government officials, "Yes, we hate Li Peng but we want to get rid of him our way." You respond, "Is this China? It can't be." In local elections 30 per cent of the Communist Party's favoured candidates now lose. Two years ago when they held the National People's Congress and Li Peng presented his Work Report as it's called - it's the annual budget exercise - they hooted him into making 200 changes to it.

That's a lot different from the way it used to be. My message is

not that success is inevitable. Real people can always mess up any strategy no matter how good it is. But if the strategy continues, it works and it deserves a certain amount of respect because it not only leads to prosperity but also to a loosening of the totalitarianism of the old China.

Everybody is asking today what will happen when Deng Xiaoping dies. Well, what happened when Park Chung Hee died? What happened when Lee Kwan Yew stepped down? In all cases the reforms seemed to hang from the shoulders of one man. And initially they did. But when a society has been flat on its back for 200 years, humiliated by the Western world with most of its people on the edge of starvation, and, suddenly, for two decades, it's the fastest growing country in the world, people get the idea that maybe something is going right. Maybe we ought to continue along this line.

When Park Chung Hee was shot in South Korea, he was succeeded at first by a conservative democrat. That democrat continued all of Park's economic policies. There was also a so-called radical democrat, Kim Dae Jung. His policies were the same as Park Chung Hee's. Then you got a half-baked general, Chun Doo Hwan and he also continued Park Chung Hee's principal economic policies.

It's the same in China today. People like Li Peng worry about social stability and inflation and want to reform more slowly. People like Zhao Ziyang want to forget about inflation and just put the accelerator to the floor. But they're all headed in the same direction.

If you look around the successful countries in Asia you see this everywhere. Thailand has coups, funny elections and changes of coalition, but the economic policies just continue right on course. That's what I think will happen after Deng Xiaoping dies. I think the political headlines are going to be lurid but the economic policy will continue right on course. And at this point in China's history that's the important thing.



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Photo - David Karandis

Antonella Gambotto

Fame and all its imperfections have preoccupied Antonella Gambotto's writing. In her collection of interviews *Lunch of Blood* (Random House) she talks with Richard Neville, Ben Elton, Elle Macpherson, Naomi Wolf and many other notables. The result pleased some and infuriated others. To discuss the art of the interview, Antonella Gambotto spoke for The Sydney Institute on Tuesday 8 November 1994.

THE ART OF

THE INTERVIEW

Antonella Gambotto

I recently visited an associate of mine in hospital who had, during the course of his convalescence, chanced upon an interview with me in a national publication, an interview in which I discussed – with as much candour as the word-count would allow – my wild and crazy upbringing. My sick associate, a man well-versed in the internationally acceptable sadomasochistic strategies of the stockmarket and a decorated veteran of the even bloodier carnage of love's battlefield, sat up as I entered the room. "You are an absolute *sociopath*," he declared.

This was an intriguing, if unexpected, greeting. And so I asked why he, a skilled manipulator of human vulnerabilities and shark emeritus, thought that I, at best a tender sort of individual, was an absolute sociopath. "It's *obvious*," he said, "Who but a *sociopath* would have spoken to a member of the press in such a frank fashion about *family problems*?? How *could* you have aired your dirty laundry for all and sundry to read?? This is the literary equivalent of a *beaver spread*." The morphine coursing through his veins did not dilute his outrage. "Have you no *self-control*?? Have you no sense of *propriety*?? Have you no *pride*?? How on earth do you think your father felt when you described him to the nation as a 'hard and tyrannical *fascist*'???"

In actuality, my father was tickled pink at the description. My sick associate had made the error of assuming that I was in some way rebelling against the prim zipper-lipped strictures of my parents, whereas I am, as anyone familiar with my family knows, a mere chip off the old blackshirt. My father would have been *mortified* had I depicted him as a sentimental old sweetheart, but was much flattered by the ideological ramifications of my words and their reinforcement of his perception of his masculinity. This was something my sick associate, an outwardly proper Anglo-Australian Anglican, could not understand, and his reaction was depressingly predictable.

Control. Propriety. Pride. Behaviourial modes which not only gave D H Lawrence the night sweats but which are, in however distorted a form, responsible for most of the ills of our ailing society.

They are Puritan hangovers which make the best of us queasy and fill the worst of us with a passionate intensity. Being one of the worst – the *very* worst, I should add; an absolutely *slouching* monster of anthropocentricity and solipsism – I am always in a state of passionate intensity over something, be it my own dirty laundry or someone else's. What some would call baroque emotionalism I see as a profound interest in the psyche. In *Seduction of the Minotaur*, Anais Nin asked "How did this heavy wall build up, these prison walls, these silences? Unaware of this great loss, the loss of the transparent child, one becomes an actor, whose profession it is to manipulate his face so that others may have the illusion they are reading his soul." The themes of every man's life evolve from his "transparent" childhood, and it is only through a knowledge of this childhood that a man can be completely understood.

To illustrate: the Prince of Wales recently cooperated with Jonathan Dimbleby, a journalist he thought suited to write his biography. In the biography, Charles was frank about the emotional deprivations of his childhood and the inadequacies of his parents. His father, a man who, it has since been discovered, regularly played Round Robin with a group of associates and select companions during his marriage, went on the record as saying: "I've never discussed private matters and I don't think the Queen has, either." A friend of Prince Philip's described Charles' behaviour as "repugnant" and told the press: "I would not expect anyone to criticize their parents in public." Another High Anglican ally of Philip's added: "Prince Charles has broken one of the universal rules of family life – that you don't air your grievances in public."

In a world which values form above content, such hypocrisy is unsurprising. The maintenance of superficialities is considered to be the *sine qua non* of Western social acceptability. Truth is the first causality in any war, and the maintenance of propriety is the most violent of wars, a war fought against natural human instincts. Whether or not a man's private life is bizarre or miserable is seen to be irrelevant on the condition that he maintain a conservative facade. Our puritanical socialisation trains us to demand and reward such emotional repression. We strive for bloodlessness, for bodilessness, and regard silent suffering as heroic. These expectations are implicit in what we understand to be "decorum", and they are pressed upon us by every authoritative body.

The intellectually gifted British MP who was discovered dead on his kitchen table in black stockings, a garter belt, high-heeled shoes, and with a plastic bag taped over his head was a martyr to the Puritan cause. Better that he die than subject the world to his enduring mortal pangs; better that than challenging the imposed schizophrenia of the Puritan ethos. When Prince Philip's churchy chum expressed his horror

at the "breaking" of one of the "universal rules of family life" he was, however inadvertently, endorsing deaths such as the one mentioned. We have been conditioned to be ashamed of the truths of our lives, and in this shame lies a denial inimical to mental and emotional equilibrium. What purpose can this distaste for emotion serve beyond instilling in us an essential sense of inferiority to some impossible ideal?

The "respectable" Western media is the organ of the Puritan ethos in that its "objectivity" presupposes a disregard or contempt for emotion. This onslaught of "objectivity" has caused us to become desensitised both to ourselves and to the world around us. Verbal and visual depictions of despair or horror are stripped of their meaning by the method of the reportage. Such detachment facilitates intellectual absorption but destroys emotional impact, thus withholding the whole truth of the information. Implicit in this homogenised reportage is a recoiling from instinctive responses and the suggestion that the only validity in any situation rests in its "objectivity".

The *Oxford English Dictionary* defines "objective" as: "Belonging not to the consciousness or the perceiving or thinking subject, but to what is presented to this, external to the mind, *real*." And it is this one pernicious little word which holds the key to puritanism: *real*. To the Puritan, that which is *real* is the tangible, the material, the quantifiable – a definition which excludes emotion. In its reflection of this limited "reality", the media essentially perpetrates our hostility to one another and to our instinctive selves; we learn to respect our form, to despise our content. The message is subtle but effective: – the expression of emotion is "vulgar"; the airing of grievances is "repugnant"; the acknowledgement of fallibility is mocked; feeling unrelated to form is inappropriate – in short, the full expression of our humanity is penalised.

In an essay entitled *Several Obsolete Notions*, Robbe-Grillet writes: "Characters belong entirely in the past... [Their depiction] describes a period; that which marked the apogee of the individual. The present period is one of administrative numbers... [In the time of Balzac's bourgeoisie] it was something to have a face in a universe where personality represented both the means and end of all exploration." And in this respect, we have become a culture of pornographers. We have rendered the "face" – identity, humanity – irrelevant. In our mania for objectivity, we have become masters of objectification.

This clinical objectification is the axis of Western respectability. High level publications worship at its shrine, relegating emotionally charged journalism – now known as "personality journalism", previously known as "writing" – to the ghetto of the arts and women's pages. "News" and "human interest" are seen to be mutually exclusive. But what possible value can "news" have if it holds no "human interest"? And what is "human interest" if not "news"?

Every editor knows that his publication is anthropomorphised by its readers. A magazine aimed at adolescent girls plays the role of a big sister; a newspaper aimed at the blue-chip set plays the role of mentor. The information imparted by these publications helps shape our perspectives and our behaviour. In however small or grand a manner, it changes all our lives – from the way we present ourselves to the goals toward which we strive. The advertising industry pivots on this knowledge, which in itself may be enough of an incentive for us to reconsider our definitions of reality and relevance, our definitions of information.

Saul Bellow has often spoken of our need for a greater culture, a culture that “allows the greatest latitudes to certain natural human needs and simplicities”. This plea of Bellow’s is regarded as significant, but still that of an egghead. Our culture remains one in which emotion is tyrannised.

The role of the journalist in this war between subjectivity and objectivity is important. Journalists should never claim to be objective, as this “objectivity” is only ever a pretence: it is a sham. A journalist’s choice of subject matter, the angle he takes on the material, the tone he adopts – all are subjective matters. The mood of the journalist, the money he has been allotted to gather the information, the proximity of the deadline – all are subjective matters. The location of the story in the publication, the headline under which it is run, the length of the article, the day on which it is run – all are subjective matters. And yet we persist in pretending that this information is detached from the informant, as if it had been dictated by some divine and unbiased source, lucid and unsullied by feeling.

Writing of any sort can only ever be a form of propaganda to support that writer’s ideological metasytem. Does this fact in any way detract from the significance of the writer’s contribution or the validity of the content? It shouldn’t, but it does. The possibility that the information we are fed is somehow dependent on emotion is frightening to many. As children we are reluctant to perceive our parents as anything but gods, and many of us carry this reluctance into adulthood, when we pretend that the “authorities” – the media being one – are not collections of individuals, but macroscopic and objective organisms to be blindly respected and obeyed. And through this fearfulness of reality, we not only limit our understanding but cripple it.

Over the years I have regularly been accused of “prying” into my interview subjects’ lives, of “making” their lives a “misery”, of focusing on the man at the expense of his work, of amateur psychoanalysis, of *subjectivity*. God *forbid* that any journalist should abandon the Olympian prose-style of the newsman and personalise his voice! God *forbid* that any journalist should pretend to be anything other than omniscient, omnipotent, and omnipresent! God *forbid* that any

journalist should assume to be qualified to interpret emotion or to publish any detail which is unrelated to his subject's work!

Allow me to explain my sarcasm. Whilst still at school, I had a short story published in *Billy Blue* and a poem published in the *Sydney Morning Herald*. Terrified that the editors would somehow discover that I was a *schoolgirl* and thus unworthy of publication, I wrote both pieces under the pseudonym Clavis Lumen – in Latin, “key (of) light”. This was a serious identity crisis. For years I wrote under various pseudonyms, thinking myself objective behind my shield of letters. I won a national journalistic award in England under the name of my first fiance, Richard Gray. When the organisers called to invite Mr Gray to the awards ceremony, I was faced with my own fear of subjectivity: how could I be my baroquely emotional self and still be objective enough to be a journalist?

This was a turning point. I broke down and confessed. I was, as embarrassingly subjective as it seemed, only myself. I later realised that I had been seeking the Holy Grail of respectability by hiding behind “objective” personae – always male, as objective personae inexcusably are; personae who did not have my overt sensitivities. In itself, my name seemed a synonym for subjectivity – all those passionately intense vowels, nothing like the sturdy organised consonants of a Woodward or Dunne or Johnson. Nevertheless, the name was mine and I finally accepted it, and it was with this acceptance that my writing began to change.

My first interview was commissioned by the editor of the *Australian*, a man who guided me with the words: “Here’s the guy’s telephone number.” No training, no advice, nothing. My first lesson in the art of the interview. In retrospect, it was a great lesson in that it forced me to develop a style of my own, but it was also to cause me certain difficulties. My understanding of an interview was that you asked what you felt like asking, wrote what you felt like writing, and the result was always published. This understanding was flawed.

I moved to London, where I reviewed and interviewed rock stars for the music press. These were wild and crazy times. Popular musicians are the ideal training ground for any interviewer as they are, as a genre, non-verbal, substance-abusing, and emotionally retarded. It is a real skill to hold the attention of an exhausted moron at three in the morning after he has just injected himself with heroin, performed for 250,000 people, or downed ten port-and-beers (as one Irish subject so memorably did). If you don’t learn to hold their interest, there is no interview. In this respect, concert reviews were immeasurably easier – a few hundred words of opinion and a byline, *c’est entendu?* Not quite. That most exemplary of forgiving Christians, Cliff Richard, so objected to my review of his performance that he sued the publication for almost £50,000. My third lesson was in libel, and I learned it well.

Mr Richard's lawsuit made me realise that what I had thought to be "unreal" (that is to say, the feelings invoked by words) could have some very real repercussions. The words had become real enough for this one reader to call his lawyers in to defend his otherwise unreal feelings in order to be compensated with some very real capital. The words became real enough to inspire other readers to threaten me with GBH or ask me out to dinner. These varied responses caused me to examine the "human" angle, they led me to consider its significance. I began to take my work a little more seriously and to investigate what I had been taught was the province of tabloids and glossies: emotion. In exploring the emotions of my subjects, I was surprised to find the blueprints of their lives. Increasingly I became interested in the experiences which were later translated into their work – the emotional and physical brutalisation which inspired Maria Kozic's art; the stereotypical machismo which caused Paul Mercurio to rebel through the means of ballet; the poverty and ugliness which fed Gerard Depardieu's need for fantasy; the terror of truth in John Pilger's relatives, a terror of admitting an imperfect social pedigree, a terror which he translated into the saving of 250,000 lives.

Each interview became an absolute challenge. Imagine a time-pressured situation with a complete stranger, a stranger known to you through the words and images of others, a stranger who has been trained to be evasive and mundane, a stranger experienced at presenting himself as an easily-digestible cartoon designed to promote his work, a stranger who does not and *will* not (if he can help it) trust you. This paranoid lack of trust often works to the subject's detriment. I had heard that Kylie Minogue was apprehensive about my interviewing her and so went in very softly, very gently, hoping to discover her vulnerability. The interview awkwardly began, puttered on a bit, and then Ms Minogue glared at me and barked: "Stop making those mother-eyes at me." I did. And from thereonin, the atmosphere was one of openly suspicious hostility, an atmosphere she had created.

The best interviews are both illuminating and exhausting, mental chess, terrific fun. The worst – dispiriting and infuriating as they may be for the parties involved – are often a joy to the reader. I have to be bullied by editors to write discordant interviews as I prefer not to be reminded of the experience. In the case of Elle McFeast, I rang my editor to tell her that the afternoon had been such a fiasco that I wanted to bail out. No dice. I was ordered to write it as I experienced it. And so I did. My depiction of McFeast as a fat, aggressive, and manipulative beast was considered to be a touch *too* close to my experience and I was told to tone it down. The final result displeased me and McFeast for different reasons – she felt I had crucified her; I felt I had been too soft. The readers loved it. I was just as helpless with the Kafkaesque Nick Cave. It was to be a cover story, the deadline was

rigid. So my experience of the mostly incoherent and partly incomprehensible Cave had to be written. Again, I loathed every minute and again, the readers loved it. Cave was so incensed by the article that he implied in an interview with another journal that some kind of sexual high-jinks had taken place. This was, I might add, wishful thinking on his behalf. The journal was persuaded to run an apology. A minor storm. The unreal world of emotions was to produce far more interesting rumours.

It was when *Lunch of Blood* was being auctioned to publishers that I was made to understand that my approach was not endorsed by all within the profession. I was informed by my agent that various publishers had been told that I was dying of AIDS. This was an easily disproved rumour, and not without consequence. The individuals who had been told that I was dying of AIDS refused to name their source, quickly understanding that there would be some ugly legal action. I then discovered that I was apparently bedding every man with whom I had ever worked. According to the grapevine, I was not only sleeping with my publisher, but with my literary editor at the *Sydney Morning Herald*, my publicity director, an academic with whom I had once shared a cab after a literary function, my English agent, my lawyer, every male journalist who had ever reviewed me favourably, and most of the men I had interviewed.

I received a number of letters slyly suggesting that the postscripts to certain interviews in the book were incomplete, that I had (in my nymphomaniacal mania for secrecy) omitted certain sordid details. I received a bristling letter from one of my subjects suggesting that I should be "careful" that the story of me and "the cake" didn't "get around". I read this letter twice, wondering what lascivious act I could have possibly performed in the minds of my detractors with a *cake*. Could it get any sillier? Not only was I dying of AIDS and in a constant state of erotic ecstasy, but I was now mating with *pastries*.

How is it that the exposure of essentially benign and commonplace truths can arouse some to such fury? Why are so many people humiliated or enraged by ordinary honesty? Why is it so damning to be revealed as fallible? The psychiatrist Alice Miller has this to say on the topic: "The more one-sided a society's observance of strict moral principles such as orderliness, cleanliness, and hostility towards instinctual drives, and the more deep-seated its fear of the other side of human nature - vitality, spontaneity, sensuality, critical judgment and inner independence - the more strenuous will be its efforts to isolate this hidden territory, to surround it with silence."

By surrounding our public figures with silence, we not only diminish their dignity but belittle ourselves. We belittle ourselves by treating ourselves as children who are incapable of embracing the concept of a multifaceted human being. It is an insult to our

intelligence to have our leaders – whether they be political, artistic, financial or intellectual – presented as cartoons, and ultimately profoundly damaging. Those in the public domain are our role models, and have a responsibility to be honest. If they cannot be honest, that responsibility is passed on to the press. The beauty of anyone's life lies in its truth and not its conformity. Instead of recognising this, we cling to the linearity of the eschatological doctrine, a doctrine which allows only for polarity and conflict. That human face about which Robbe-Grillet wrote has been obscured by masks. Thus Arnold Schwarzenegger will never confess to a desire to headline in *Swan Lake*; thus Roger Climpson will never admit to a fascination with auto-erotic asphyxia; thus the Reverend Fred Nile will never MC the Sleaze Ball.

By accepting these "objective" cartoons, by degrading human detail and feeling, by relegating this detail and feeling to the lowest strata of consideration in the media, we denigrate ourselves. Acknowledgment of humanity is essential and *never* exclusive to excellence or relevance. This acknowledgment must begin with those whose voices are more audible than others. My sick associate still disagrees with me on this matter. Unwilling to confront his personal demons, he rechannels the energy of stress into aggressive skiing. His neurosurgeon warned him that the next accident would probably be fatal. A zipper-lipped Puritan to the end, my associate has now hired a team of physical therapists to get him back on those slopes as soon as possible. Effects are always so much easier to deal with than causes, after all.



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Photo - David Karamidis

Trevor Sykes

Trevor Sykes, well known financial journalist, editor and business watchdog, spoke for The Sydney Institute on Monday 14 November 1994 and discussed some of the themes of his book *The Bold Riders* (Allen & Unwin). In Trevor Sykes' opinion, there are no guarantees that the financial madness of the 1980s will not return.

THE BOLD RIDERS

- WILL THE FINANCIAL MADNESS OF THE 1980s RETURN?

Trevor Sykes

Fellow lovers of fine literature.

My hero, George Orwell, once said that to finish writing a book was like recovering from a long illness. And as in much of what he said, he was perfectly correct.

I've just finished three and a half years hard labour - which is more than any of the characters in *The Bold Riders* are likely to do - and I must say that my main asset was my staunch bride Daya, who became a PC widow as I spent nights and weekends reading, analysing and writing. I'm pretty sure she would have left me if she hadn't been comforted throughout by our Burmese cat Mandalay, so now you know why *The Bold Riders* is dedicated to Daya and Mandalay. It is in fact the second book of mine dedicated to Mandalay. After all that effort, I'm pathetically grateful for any recognition that all that hard work wasn't in vain.

I'm therefore honoured to have been invited here tonight to address The Sydney Institute on the core topic of the book. I've called the result the definitive history of the 1980s, but there's a bit of poetic licence there. Not all the collapses are covered. I've generously left a few for subsequent writers. Not all of the chapters that are covered are complete because there are still court cases dragging on to - apparently - infinity.

The alternative was to wait for all the cases to be concluded and I'm not sure I'm going to live that long. And anyway not all of the court cases that have been concluded necessarily came to the right conclusions or got all of the guilty.

In *Two Centuries of Panic* I could say what I thought because nearly everyone I wrote about was dead. In *The Bold Riders* nearly all of them are alive, litigious and either rich or with a generous family, so I've had to be more careful.

Nevertheless, I managed to put in a fair bit of research on the boom and bust of the 1980s, both in writing this book and in writing for *The Bulletin* and *ABM*. In studying the case studies of the various crashes I made a few observations that may be useful for the future.

The first such observation was that - looking at such characters as Alan Bond, George Herscu, Christopher Skase and so on - all of their empires carried the seeds of their own destruction.

None of them were innocent victims who failed for external reasons beyond their control. Sure, there were events that triggered their collapses, such as the share market crash of Black Tuesday (October 20, 1987), the absurdly high interest rate regime of 1989 and the pilots' strike of the same year. But the corporate empires of the bold riders were so fundamentally flawed that they would have failed anyway. They were all accidents waiting to happen.

Christopher Skase will serve as an example. Chris was one of my staff in the Melbourne office of the *Australian Financial Review* until 1975 when he launched his own career. Newspaper stories later said he started with \$15,000 and that would be right. That would have been every cent he had in 1975. By 1988 – 13 years later – he controlled an empire with stated assets of \$2.4 billion. Now it is simply impossible to grow that fast in that time and be financially sound. You might just manage it if you have discovered some miracle invention or some fantastic mineral deposit, but you can't do it in anything approximating a normal business.

In 1988 when Qintex Australia reported \$2.4 billion in assets, the balance sheet showed it was carrying \$1.3 billion in debt. The profit and loss account showed the group made a profit of \$28 million after paying interest of \$87 million. Even if we just take these figures at face value, they're pretty scary. Profit was only one per cent of assets, indicating that either profit was too skinny or the assets were overvalued or more probably – both. Net profit was also less than one-third of the interest bill. Pretty obviously, the empire would quickly be in trouble if either (a) interest rates rose or (b) cash flow was interrupted.

Both these things would occur in 1989 with the double whammy of the pilots strike and Paul Keating's high interest rates. But Qintex was so fragile, because of its over-reliance on debt, that it was bound to collapse sooner or later anyway.

Qintex's inability to make profits meant that it was always chronically short of cash. This was most vividly illustrated in 1989 when Skase was bidding \$US1.5 billion for MGM/United Artists. In the middle of this, the bid vehicle, Qintex Entertainment, sought protection and went into Chapter 11 under the US bankruptcy laws because it couldn't pay \$8 million to one of its suppliers of TV programs. But in modified form, the same phenomenon was true of all of the corporate cowboys' empires. The banks and other financiers were later heavily criticised for lending the bold riders so much money.

Now I hate parroting what other writers have said. Nothing would give me more pleasure than to be able to depart from the wellworn track of bank bashing. But I'm afraid the banks deserve every insult they received over their lending policies of the 1980s.

In 1974 the *Australian Financial Review* flew me to Perth for a

week (a most unusual event in those days) to look over the books of a rising young property tycoon named Alan Bond, whose presence was beginning to be felt in the east. After a few days heavy researching I had seen enough of the picture to conclude that Bond was either insolvent or nearly so, and that his stated profits and assets were based on unsound and over-optimistic premises. I wrote a series on him in which the laws of defamation prevented me from saying he was broke, but any sane reader should have been able to get the message that he was a very high credit risk.

Bondy survived, largely on cash borrowed from the finance companies of the major banks. Roughly every other year after that I would have a look at his latest accounts and my opinion of his finances never changed. Gathering dust in clippings files around Australia must be fully a dozen articles I wrote questioning Bond's accounts.

I wasn't the only one. In 1978, the South Australian Minister of Mines and Energy, Hugh Hudson, made a speech in state parliament which is worth reading in full. He analysed the Bond accounts, pointed out its high gearing and lack of profitability and concluded it was in a weak financial position.

Referring to the South Australian Government's experience in negotiating with Bond over Santos, Hudson said: "If Mr Bond feels in a position of strength, he will threaten and attempt to govern by fear. Once he knows the cards are stacked against him, he will plead and give assurances without limit."

Hudson also noted Bond's habit of charging heavy fees to his subject companies and that he was proposing that Santos should make a share placement to Spedley Securities, but that the money should be loaned back to Spedley with no indication of how it might ever be repaid.

The flaws of the Bond empire were therefore quite visible, but that didn't stop banks from lending them a great deal of money.

In 1984 the stated group debt of Bond Corporation was \$382 million, or little more than half total assets of \$725 million. Five years later, the 1989 accounts showed debt - including convertible bonds - totalling \$8.5 billion. Assets by then had risen to \$11.7 billion, so debt had risen to roughly three-quarters of total assets.

True the growth included a lot of acquisitions such as Bell Group and Heileman, but borrowings still grew faster than assets. To a large extent the Hong Kong and Shanghai Bank can be blamed for this, but there was no shortage of other bankers prepared to lend money to Bond. Critics such as Hudson and myself had just been wasting our breath.

Banks did some other pretty dopey things too. The State Bank of Victoria literally begged John Friedrich to let it lend \$100 odd million to the National Safety Council's Victorian division. The SBV didn't

even seem to understand what kind of organisation they were lending the money to. Most members of the public were under the vague impression that the NSC was an arm of government.

In fact, it was a private, non-profit company limited by guarantee. There were no shareholders. It had been set up by the Royal Automobile Club of Victoria in 1927, which meant that by the 1980s all the original guarantors must have been dead. And the bank – and the NSC itself – didn't even know Friedrich's right name.

Abe Goldberg provides another example of dopey banking. When his empire collapsed all Abe's physical assets such as buildings and Brick & Pipe were mortgaged to the hilt. Apart from that there was his main operating business, Linter Group, which included all the great textile brand names such as Speedo, Stubbies and King Gee. Linter's earnings before interest and tax (EBIT) at the time was between \$60 and \$70 million a year. Let's do a back-of-the-envelope calculation. If Linter's EBIT was \$70 million (let's take the high side), how much could it afford to pay in interest? I'd say about \$40 million. As his effective borrowing rate was around 18 per cent at the time, this argues that his maximum borrowing limit was around \$220 million.

Now you can argue with a few of those assumptions and come up with different figures. But you can't come up with \$925 million, which is what a football team of banks loaned Linter on negative pledge. None of them knew what the others were doing. The banks simply weren't doing due diligence on their big borrowers. In their scramble to hold market share, the banks abandoned proper credit checks.

Proper credit analysis would have revealed – amongst other things – that almost none of the corporate cowboys were capable of running a profitable business. The operating businesses of Adsteam were well run by John Spalvins, and Abe Goldberg was a master of the rag trade, but it's hard to find many other examples. Chris Skase, Bob Ansett, Brian Yuill, Laurie Connell and Russell Goward were all chronically unable to generate decent profits.

Alan Bond bought some good businesses, but it's hard to find evidence that he improved any of them. Bond Media – after two years under Bond's control – was generating revenue of more than half a billion dollars but its result was only breaking even because costs were out of control. Give or take a billion, the bold riders – including John Elliott in Harlin – lost about \$16 billion. Some of the losses were taken by foreign banks and bondholders, but the bulk of them were by Australian-based banks and financiers.

Where did the money go? A not insubstantial proportion was spent on lifestyle. On mansions, on corporate jets, on racehorses and on French champagne. Some might still be hidden in offshore bank accounts. Much was spent in takeovers, usually in businesses acquired from traditional owners. Shareholders in John Fairfax – principally the

other members of the Fairfax family – were paid \$2 billion by Warwick. Kerry Packer collected a billion from Bond for the Nines. Those who sold were the smart ones. Those who stayed in as shareholders were wiped out.

The worst disasters to shareholders may not have been in Bond Corporation or Qintex. There could not have been many mums and dads on those registers. For one thing, those groups always carried some perception of risk, even if it was under-estimated, which meant they tended to be held by professional investors. For another thing, the proprietors held more than half the stock and increased their holdings in an attempt to prop the shares over the last couple of years of the lives of Bond and Qintex.

Worse disasters to shareholders were probably in the Adsteam group. David Jones, Adelaide Steamship, Tooth and Petersville were all respectable stocks and strongly held by middle class families. Their wipeout was a disaster for those families, particularly in Sydney, Melbourne and Adelaide.

When you look at what we got for our \$16 billion, the answer is not much. We got a number of CBD buildings, which created a glut that will – in Perth anyway – last us into the next century. Skase created a couple of marvellous hotels and put the Sevens together as a coherent network. Bond won the America's Cup, but there wasn't much else to show.

Takeovers have long been rationalised as a cleansing force on the grounds that they free up capital and allow businesses to be reorganised, consolidated and made more efficient. It's not apparent that this happened in Australia in the 1980s as a result of the bold riders, although some examples can be quoted.

Chris Skase, as I've said, put the Seven network together, but he then weakened it by siphoning off its cashflow to pay for other ventures. Alan Bond, to his credit, consolidated the Golden Mile at Kalgoorlie to develop the superpit.

But if one looks at the two industries where the bold riders were most prevalent – brewing and media – it is not evident overall that any great efficiencies were introduced by them. It would be more true to say that good assets, earning good profits, had their financial profile distorted by being overloaded with debt and sometimes by being badly managed into the bargain.

And when a business is changing hands with the speed of a poker chip, it must be impossible to maintain either good management or morale. Ownership of Stubbies changed four times between July 1986 and October 1987. Radio station 3DB had five owners in one year – 1987. (H&WT, Murdoch, Holmes à Court, Kerry Stokes and the Albert family). At the end of day, the cowboys collapsed and a lot of good Australian assets wound up with a significant degree of foreign

ownership as the Lion Nathans and Conrad Blacks of the world moved in.

The flaws I have described were often masked by creative accounting. Heaven knows, Bond and Skase were creative enough in their accounts, but at least the numbers gave some broad indication of what was happening. Some other accounts weren't worth the paper they were printed on – although I must say that was often quite expensive.

It is open to question whether Rothwells ever made a genuine annual profit between its takeover by Laurie Connell in 1983 and its collapse in 1988. Yet over the same years, its accounts painted a picture of glowing corporate health, with profits, assets and shareholders' funds all rising. In 1987 – before the share market crash – it reported a profit of \$28 million and shareholders' funds of \$65 million. A reconstruction of its accounts later by Deloitte showed that instead of a profit of \$28 million it should have reported a loss of \$108 million. Shareholders' funds, instead of being \$65 million, should have been shown as in deficit by \$58 million.

Rothwells' comrade-in-arms, Spedley, window-dressed its accounts every year. It probably made a loss in every year from 1982 to 1987, although reporting a profit in each of those years.

Abe Goldberg, in hindsight, must have gone broke on Black Tuesday. He was able to survive for another two years without that being detectable in his accounts, and in that time launched two of the biggest takeovers in Australia – for Brick & Pipe and Industrial Equity.

All these accounts – and there are plenty more examples in the book – carried the teddy bear stamp of an audit partner from one of the big accounting firms. If the audit profession cannot perform any better than it did in the 1980s, then I don't see any point in having auditors. As Vic Carroll pointed out in his review of the book, the accounting firms who endorsed all these misleading accounts are now earning fat fees writing expert reports for private enterprise and governments and telling them how to run their businesses – and what they are worth. Let's hope their expertise has improved a bit.

Finance journalists have received their fair share of criticism in recent years for not exposing the bold riders as frauds. Certainly we praised some cowboys when we shouldn't have and I'm prepared to admit to a couple of sins myself. But let's keep it in perspective. Whatever our faults, the financial press was far more critical of the bold riders than any of the other professions who were supposed to oversee them.

At *Australian Business* we flagged – a long way in advance – the flaws in Bond, Hooker, Trico, Adsteam, the SBSA, Harlin and many others. Sure, we didn't find all of them but we performed a lot better than the audit profession or the stockbrokers.

You nominate one corporate cowboy who crashed in the 1980s and I will find you – within two years of his collapse – an unqualified audit opinion on his accounts from a top accountancy firm; one of Australia's leading law firms endorsing the legality of his schemes; a leading foreign or local bank pouring money into him – and the banks really should have had access to much better data than the financial press; some stockbrokers extolling his shares; and a board of directors – often with respected names – blindly supporting the chief executive.

What was really remarkable about the 1980s was not that we had corporate cowboys. We've had them ever since the First Fleet – as I think I proved conclusively in *Two Centuries of Panic*. What was remarkable was that the cowboys had unprecedented access to money and the professions who were supposed to be the watchdogs on behalf of investors prostituted themselves wholesale to the cowboys for the sake of fat fees. When the banks, the brokers, the lawyers, the professional directors and the accountants have all sold out to the cowboys, it's a bit much to expect the financial press to rescue the system singlehanded. And if Rothwells has an unqualified balance sheet saying it has shareholders' funds of \$60 million how in the hell am I – or any other finance writer or analyst – supposed to divine that it's really negative to that extent?

I must also say that boards of directors proved amazingly useless. In some cases, such as Bond Corporation, Qintex and Adsteam, the boards were controlled by executives who were naturally not going to gainsay anything the company was doing. But even where non-executive directors had the numbers they proved futile. Southern Cross Airlines (Compass in its second incarnation) had a board that included Sir Leo Heilscher, Leigh Masel and Graham Tucker – making it, on paper, one of the strongest boards in Australia. Trustees Executor & Agency had Alex Ogilvy and Sir Robert Norman on the board and completely failed to control their chief executive or even find out until too late what he was doing. An even worse example was the State Bank of South Australia, where the directors did little more than watch as Tim Marcus Clark lost \$3 billion.

From which we can conclude that there is no magic in organisational structures. You can draw boxes and lines and define responsibility and authority, but in the end it all comes down to who you put in there. A chief executive with strong force of character can drive a tank through any structure you may devise, John Friedrich being a case in point. So if you're going to rely on a strong-willed chief executive, you'd better make sure the board contains enough people of fibre to keep him or her on the rails.

Could it all happen again? The answer must be "Yes".

The downside risk for the corporate cowboys is slight and – if anything – it is reducing. Not many of them have seen the inside of a

cell so far. Not many of those who have will stay there for long. Certainly many who should have gone inside have not and won't. There are still a few who may, but it's taking an incredibly long time to get them there.

Like the mills of God, the legal system of Australia grinds slowly and exceedingly small. Budget Corporation lasted less than a year, but the legal processes against its former directors have now lasted three times that long and are still nowhere near finished. In the Elliott case, the committal hearing is still wading through events that occurred in 1986 and earlier. It's hard to view this as having any deterrent effect on the cowboys of the future.

And I'm not sure that I approve of the current philosophy of the Australian Securities Commission. The ASC – if you read its annual report – is now parading itself as a friend and helper of business and is playing down its role as an investigator and prosecutor.

Well, we all like to be liked, but I don't think that's the right message. I believe the ASC's prime role is to be a corporate cop. Business can get all the little helpers it needs elsewhere. But only the government – in the final analysis – can provide enforcement. There is also in financial circles a quite resolute refusal to learn from history.

South Australia was traumatised by the collapse of the Bank of Adelaide in 1979, caused by the failure to control its wholly owned finance company. That was in 1979. Only a few more years later the men at the top of the State Bank of South Australia – who had seen that disaster at close hand – were committing exactly the same error again – failing to control their wholly owned finance company.

To conclude this speech, I'm afraid I couldn't think of anything better than to quote the last three sentences from *The Bold Riders*:

If engineers never learned from history every generation would be condemned to reinvent the wheel. But engineers do learn and so we have seen man walk on the moon and explore the stars. In economics and finance, however, the human race still starts every generation with flint axes.



Photo - David Karamida

Laura Tingle

Laura Tingle was national correspondent with *The Australian* from 1992-1994 and economics correspondent before that. As such she has extensively researched Australia's policy debates and the events leading up to the recession of the early 1990s. In her book *Chasing the Future* (Reed 1994) Laura Tingle has evaluated the new politics of Australia. She spoke about her book for The Sydney Institute on Tuesday 22 November 1994.

THE MEDIA AND

NEW POLITICS IN AUSTRALIA

Laura Tingle

Chasing the Future documents the economic and political debate in Australia in the lead up to the recession of the early 1990s, how that debate changed during the recession and how the recession helped lead to what I believe is a "new, post-recession politics" in Australia. The book documents what the politicians, economic advisers, trade union leaders, business community and bankers were all saying at this time. It seeks to describe the government, corporate and financial sectors, as well as the labour market and the state economies immediately after the recession.

To me, there is one glaring omission from the landscape I have painted: the media, its role in the economic debate before and during the recession and in the post-recession world.

I'd like to offer a few thoughts on these themes tonight, and in passing mount I hope what is probably a rare defence of the Canberra press gallery, which is not without sin, but which I believe has always been too prepared to sigh and roll its collective eyes against criticism, rather than try to tackle such attacks or defend itself.

I tossed up including something about the media throughout the time I was writing the book. Indeed some people, like the former Victorian Premier John Cain, said it was incumbent upon me to include something about the role of the media in perpetrating Paul Keating's economic rationale – as well as what Mr Cain would believe was the Prime Minister's economic rationalism – as a reason for the recession. It was also something that I had thought of often as the economic crisis unfolded: have I played a part in this downfall? What is my role here? To only document the thinking in Canberra and the challenges to it? To mount my own challenges to the prevailing economic views?

In some ways, some of the comments Max Walsh made last week about my book highlighted the dilemma of reporting on the unfolding economic crisis from Canberra. Canberra, he noted, is where the action all seems to be. He said in some senses the book was a bit of a journalistic anti-climax, because having documented at length what was

happening to economic policy making and politics in Canberra, building up the "anti-hero" in the shape of P J Keating, I ultimately conclude that he, too, was partially a victim of events beyond his complete control, such as commodity price fluctuations, asset price inflation and financial deregulation.

Economic reporting in Canberra is often a little different from political reporting. Political reporting is primarily about how people and the battles of process affect outcomes, and the manifest complications that result. Economic reporting includes elements of this, but is also battling to keep a running score of outcomes based on erratic data that journalists can be no more definitive about than policy makers. My eventual *modus operandi* for reporting on the economy from 1990 onwards was to take a "postcards from the edge" approach - trying to document what was influencing the views of the economic policy making establishment, and how those views were changing.

It also meant trying to document what other community leaders and participants in the debate were saying, and what the indicators were from outside Canberra. I knew that many people, both in the labour movement and business, could not possibly comprehend what they saw as the complacency of Canberra, even its obliviousness, to the unfolding crisis. But it was equally true that the views of the so-called "official family" of economic advisers were not held in some glorious isolation from those of others in the community, as popular convention is now suggesting.

The financial markets, for example, were very sceptical when the Reserve Bank started to cut interest rates in January 1990; I document in the book some of those in the business community who were forecasting a "soft landing". The brutal truth though, is that in a journalists' world you can only make a definitive statement based on the same hard statistical data available to everyone else. You can register and report the public alarms or assessments of as many groups as you like, but you cannot ultimately give any more substantive weight to them than to what the government's economic advisers are saying.

This same approach is reflected in my book, which attempts to be more a human economic history approach than historians will probably take when they get round to examining these events in about 20 years time.

In the machismo world of the political arena, it is easy to simply write about the Treasury line, or the influence of the economic rationalists. It is harder to remember that policy is ultimately made by flesh and blood people who possess not just political motivations, but expectations that an economy will behave in a certain way, a history of experience to which they will constantly refer but which may cloud their judgment of a new set of events, and the knowledge that their misreading of events could cost people their jobs or their livelihoods.

This is not an excuse, simply an attempt to explain what it might have looked like "inside" this process because that is what is hardest to remember next time around. It is, therefore, by definition a very Canberra, a very Parliament House perspective, for this is the sort of setting where such policy observations are always being made.

As a journalist in Canberra who was covering the unfolding political and economic events of the time, I have no cause to claim any superiority on the question of how difficult conditions were to read as the economy started to slow. But I do not think this extends to excusing politicians all their rhetorical extravagances uttered for political gain.

This brings us to Paul Keating and the dilemma of dealing with his absolutely overwhelming presence in the economic debate in Australia over the last decade.

My favourite cartoon of the 1990 period was one by Patrick Cook in which Paul Keating was jogging through the script pursued by a bespectacled female journalist writing in her note pad and saying out loud as she did: "Monday recession, Tuesday turn the corner, Wednesday recession, Thursday the worst is over, Friday recession".

Critics will often ask journalists: "Why do you always write what the government says?". Of the many innane comments, as opposed to reasonable ones, I try to respond to, this is the one that most drives me to despair. It seems to reflect absolutely no logical follow through on the part of the questioner such as: are you suggesting we *don't* report what the government says?

The general assumption behind the question seems to be that a journalist reports not only facts, but *opinions* which they believe to be correct. In the mood of hostility towards Paul Keating in the recession, the fact that his pronouncements, even the more extravagant ones, usually stole the headlines were treated as a journalistic endorsement of the treasurer's policies.

Whether you like it or not, Paul Keating was then, and remains now, the single most influential variable at work in Australia within the ambit of influence that governments can actually bring to work on the economy, as opposed to the realms of variables beyond governments' control.

If Paul Keating thinks the economy is stuffed, if he changes his mind about how the budget should be used to kick start activity, even if he builds false expectations about the prosperity that lies ahead, it will have more impact on events than any shouts the opposition can make about what poor policy he is making or a 10,000 word column by John Stone. In weighing the construction of a story, this always has to come into play. I make this point because often those who argue that the Canberra press gallery is too enamoured of Paul Keating often don't distinguish between news treatment and commentary.

Keating's comments – because he is the government – carry the weight of policy implications, even when they sound like the banal political rhetoric, and have to be given that weight. These same critics often argue there is too much commentary in news stories. I have often pondered how one is supposed to accommodate both these criticisms. For example, what would critics of the media think if I had written a report of what the treasurer said in 1988 that said something like this:

Stretching the bounds of credibility and the known facts, the treasurer, Mr Keating, yesterday rejected criticisms of his "Bring Home the Bacon" Budget strategy, arguing that there were no risks in the document whatsoever.

Implicit in many of the criticisms of the gallery during the recession period was the myth that policy analysis used to be much better, a somewhat self serving remark from what I refer to as the "old fat bastards club" of policy commentators. I would make three observations on this criticism.

The first is that, in the now many years that people other than the Canberra press corps have been let into Budget lock ups, I don't recall any of these people making any penetrating insight into the Budget not made by others and which did not reflect their known policy prejudices.

The second is that, when I was a cadet reporter on the *Australian Financial Review* in the early 1980s, Paddy McGuinness' major claim to fame was in announcing that the recession of the early 1980s had arrived, several quarters after it had occurred.

The third is that, this nostalgia for the good old days reflected a period when economic journalists were crusading, often with the support of, and in tandem with, the economic bureaucracy and academic economists against governments that worked at a slower pace, and did much less than the Hawke/Keating Governments – for all their faults – have done over a decade.

This last reality changes all the relationships at work in the news gathering business. Like Christobel Chamarette, the media had to decide in the new era whether they did their readers a better service by staying huffing and puffing outside the system or by trying to understand how it worked and who influenced it.

I argue in *Chasing the Future* that Paul Keating's economic strategy of high growth through the 1980s left Australia more vulnerable to the international fluctuations that helped bring us "undone" than it otherwise would have been. The risks of this high growth strategy had certainly been clearly signposted by the media at the time, and there had been reams written about high interest rates through 1988 and 1989 as the recession approached.

The critics of policy also got their say. Probably the most pervasive alternative school was that which argued that the government should be doing more on fiscal policy in order to do less on monetary

policy. I have to say that, 120,000 words on in my thinking in the recession, I am not convinced in the end that this would have minimised the damage.

I would continue in the current day to dispute that there is a reliable trade off between fiscal and monetary policy. That doesn't mean the deficit doesn't need to be reduced, simply that the rationale should be different. Interest rates, these days, should be raised to slow the economy and keep inflation in check. The Budget deficit should be wound back simply because Australia has a national savings problem, a big foreign debt and the government has no place running around with such a large deficit now that the economy is growing once again.

If Paul Keating doesn't want to cut government spending to reduce the deficit, he should do the obvious thing that does need to be addressed in the government's finances. He should fix the tax base. That is, raise taxes.

The recession has left a hole in the revenue base that used to be regularly filled by the effects of inflation. If Paul Keating wants to have broad social safety nets and low inflation as features of his brave new economy, he is going to have to convince us that they are worth paying for.

I do remain convinced that if the government had not lied about its monetary policy intentions in 1988, the impact of interest rates would have bitten harder earlier and rates may not have had to go as high as they did. My other point on this would be that, in my judgment, the best way to judge somebody's actions is by their own words. I note that one of the features of the book that has been most commented on is its collection of quotes from our Prime Minister during this period, quotes I collected from the reports of the day.

That said, I would always argue that there should be plenty of space for commentary and commentators to challenge what Keating, or anybody else is saying. My one regret about the economic policy debate in the lead up to recession was that there was not a more lively debate within the economics profession, or outside it. For example, I remember being astonished by the bitterness with which I was attacked by several people after I wrote a piece in which I highlighted the fact that lots of people were losing their jobs as a result of structural reform in the economy, and that this could be a factor which could make the unemployment consequences of the recession worse than normal.

"What are you trying to do?" one argued. "Stop the entire microeconomic reform process in its tracks?"

I countered by arguing that pretending something wasn't happening, or not reporting it, would not make it go away.

I believe the community often asks too much of "the media" - that is journalists. In the area of economic policy, for example, one feels it is expected to forecast or question policy that is not being substantially questioned by other groups in the community within its

mainstream reporting of day to day events. I have a particular gripe about this in my book, observing the lack of academic input into the macroeconomic debate about the recession. I compare this with that which took place in the depression of the 1930s.

At the Conference of Economists in 1991, for example, I could not believe that there was not one forum to discuss the most profound economic bust in 60 years. At this year's conference I sought out some of the country's leading macroeconomists – those few that are left – and asked them why this was. One eminent figure said: "Well, I guess they don't like to get involved, and I have some sympathy with that. When I released my paper (which gained considerable attention) a few years ago, I was getting two or three people a day ringing me up and wanting to talk about it! I couldn't get any work done."

My point here would be that I view the media's interest in an issue as being something to be debated, or an interest to be fought over, rather than the dominance of one idea.

This brings me to the Federal opposition.

It says much about the Coalition that when a serious political and economic challenge to the prevailing government economic policy came in 1991 it actually came from Paul Keating himself, on the backbench, remaking himself as a "leftie" largely for political convenience, rather than the Coalition. John Hewson and the development of *Fightback!* had politically marginalised the Coalition in the recession because its policies did not address the unfolding crisis of confidence in budget expenditure restraint and tight monetary policy, it only said there wasn't enough of either. This seems an opportune point to skip forward to the current day and what I call the "new politics" of the post recession period.

Paul Keating's victory in the 1993 election campaign came, not just because of the GST but because he had seized the community mood created by the economic downturn to fashion a new post recession politics.

At the time of his ascension to the prime ministership in December 1991, Paul Keating perceived the growing community resistance to change and melded this into a new politics which added a social agenda and nationalism to the heavy weighting given to economics on the national political stage in the 1980s.

The keys to closing what had seemed in early 1992 an impossible gap in the polls between the parties lay in several crucial steps through the year: One Nation, the tariff debate in which Keating shifted his rhetoric to exaggerate the differences with the Coalition on protection and make himself look like a protectionist, and the helpful attempts of the newly elected Kennett Government in Victoria to terrify Australians about what a Hewson Government would do to their wages and working conditions.

The recession also transformed the protection debate, stifled the push for labour market reform and made the fashion for small government look passe. What I haven't said in my book, but which is relevant to tonight's topic is that the recession, and the 1993 election outcome have produced other changes with implications for news gathering.

The first is that the opposition is more marginalised. We all talk about this, but every so often you have one of those experiences that brings home the point that marginalisation undermines the self-perception of those involved. I believe the Coalition is suffering from a crisis of legitimacy that is reflected in its political attack on the government.

I'll highlight just one story to illustrate this point. A couple of weeks ago, I wrote a story about the processes leading to Laurie Brereton selling a taxpayers' asset - ANL Ltd's interest in Australian Stevedores - for \$28 million. The story pointed out, amongst other things, that this asset was sold against board advice, in a hurry and despite what Brereton himself had said publicly about what he was doing. I reported that Brereton had been in such a hurry to sell Australian Stevedores before the unions found out, that he had agreed to ANL Ltd lending most of the purchase price to the buyer to let the transaction go ahead on the day, even though he had said only weeks before that ANL was broke.

I thought this raised a few issues about the way the government worked, and sure enough, no less than five people from the opposition rang me to talk about the story. But a couple subsequently rang back to say that they had heard second hand from a journalist that Brereton's office was verbally denying that there had been any loan. I pointed out that if the story was factually wrong, there would have been a written denial, and a few abusive phone calls to me, issued very early that morning. Neither had happened. But based on hearsay, the steam went out of the opposition, which asked one timid question, which did not reflect the details reported in the story.

Finance Minister, Kim Beazley, suggested my report "distorted" what had happened, but did not deny the substantive facts of it. The government's representative in the transaction, Malcolm Turnbull, on ABC Radio *PM* that night, conceded that the facts as reported were technically correct. But there the issue died, except for the opposition staffer who rang up to abuse me for getting the story wrong and wasting one of the opposition's valuable Question Time questions.

To me, these are the actions of an opposition who no longer sees the government as the Labor Party out to keep itself in office, but as the legitimate, respectable "government". It is a worry.

The second outcome of the recession is the growing autocracy of politics. The trend started with John Hewson in 1990, when it became

the case that it was not worth asking opposition frontbenchers for their views on policy, because they had either not been told by Hewson what their policies were, or were too terrified to talk about them. It has continued with Paul Keating in government.

From a model where the intended rivalries of Bob Hawke and Paul Keating provided an internal dynamism to Cabinet debates within the Labor governments, we have moved to a situation where Paul Keating appears to run the government largely single handed, with rarely visible critics and what appears to be an increasingly informal process of government. This poses new challenges for journalists, and should be provoking them to rethink the way they are working.

The relationships within the government and bureaucracy have changed once again, as has the economy. One of the legacies of a decade of Labor government is what I call "eventism" – the series of policy statements and pronouncements, mainly from government but also from opposition, which see the media deluged with the need to devote massive space to policy pronouncements, and little time to chase up what happened to the last one. My recent move to Sydney is partly driven by wanting to do more of this "following up".

Changes to the economy in the 1980s mean we have to change the models of reporting it in the 1990s. One clear example of this is in industrial relations, where it is no longer simply possible to report what the peak union or employer bodies say, but only to cover a multitude of individual disputes and bargaining processes, and hopefully pick some trends in between. But it also means finding ways of combating things like eventism, an example of which I will leave you with tonight.

In 1987, I attended the Budget lock up with *The Australian* for the first time. It was a much faster, more competitive, more furious pace of analysis on the paper than I had been used to in the more sedate surroundings of the *Australian Financial Review* or *Business Review Weekly*.

After about 20 minutes, the huddle formed.

"Right," said the editor-in-chief. "What do we all think?"

The national affairs editor of the time said: "This is a very significant Budget. It will politically marginalise the opposition and profoundly reinforce the concept that Labor is the natural party of government."

The political correspondent said: "Hawkie told me he was going to do this but I couldn't write it."

The economics writer said: "The currency markets will buy the dollar."

Overall assessment, a good Budget. The huddle returned to its desks.

I was left standing thinking quietly to myself "But the government hasn't done anything."

The problem is of course, that such reflections don't sell newspapers.



Photo - David Karomidis

Hugh Mackay

Best selling author and social researcher, Hugh Mackay, has written another book. In *Why Don't People Listen?* (Pan Macmillan 1994) Hugh Mackay tackles the problem of communication and how to become more effective as communicators – at home or at work. Hugh Mackay spoke for The Sydney Institute on Tuesday 29 November 1994.

WHY DON'T

PEOPLE LISTEN? SOLVING THE COMMUNICATION PROBLEM TODAY

Hugh Mackay

"If I've told them once, I've told them a hundred times. I don't know what it is about these people – you make yourself perfectly clear, but it seems to go in one ear and out the other."

If you've ever heard someone say things like that, you've been a witness to an astonishing confession. The statement that "If I've told them once..." amounts to saying this: "I know a message which *never* works. It doesn't matter how often I say it, I never get the response I am looking for. But I'm not discouraged – I just keep on saying it to people, because I know it is such an important message..."

People who approach communication like that are victims of a kind of "magic bullet" theory: the theory that communication works by firing powerful messages into the minds of more-or-less passive audiences, where they will do their magic work.

People who believe in the Magic Bullet theory make a number of serious mistakes. One is to believe in the efficacy of nagging. I recently heard a CEO describing his frustration at having sent a memorandum to the members of his senior management group, seeking a response. No response was forthcoming. I asked the CEO what he was going to do next. "I'll send the memo around again," he said – revealing his undiminished faith in the magic of his memo-bullet.

Another common mistake is to assume that, because a message seems to us to be interesting, significant or "powerful", it must be a good message – regardless of the response of the audience. It is said of Oscar Wilde, for example, that, on the occasion of the opening night of one of his plays, a friend asked him how the play had gone. "The play was a success, the audience was a failure," was Wilde's alleged reply.

I detected the same line of thinking when I heard the sports master of a school complaining that he had put a perfectly clear notice on the school noticeboard, concerning arrangements for the sports carnival. Observing many people going to the wrong oval, he despaired: "Can't people read any more?" I forbore to point out to him that, if people were going to the wrong oval, the notice can't have been "perfectly clear".

The Magic Bullet theory is very attractive to us, of course, because it describes the way in which we *want* communication to occur. We want our messages to be powerful, and audiences to be affected by them; once we have fired the bullet, we want the audience to know what we want them to know; to feel what we want them to feel; or even, perhaps, to do what we want them to do.

The Magic Bullet theory has a certain plausibility: in physiological terms, it looks as if communication does work like that. When I speak, my voice creates sound-waves which activate your hearing mechanism and send impulses to the brain where "the message" is lodged. But the problem is that communication is not about "sending messages"; it is not about merely shifting data from one person to another. Communication is about the sharing of meaning. In communication, we must understand the important distinction between the *message* and the *meaning* which lies behind the message (but which is only symbolised or represented by the message itself).

When we try to communicate with other people, we create a message by which we hope to represent the meaning which is in our minds. But one of the difficulties of human communication is that at the moment when the message is sent, it is actually devoid of any meaning. If the message is to have "meaning" for my listeners, they will give it that meaning themselves.

In other words, messages may go "in", but meaning doesn't. Messages may be "injected", but meaning is *evoked*.

If you think of a message as being like an empty vessel, the point of this distinction becomes clear. When I create a message-vessel, it seems to me as if it is full of the meaning which I want to express but, when I offer it to my audience, it is nothing more than an empty vessel... a message. If the audience is going to respond to that message, they will do it by filling the vessel with their own meaning.

"Wipe your feet!" says a mother to a child who is running in and out of the back door, leaving muddy marks on the kitchen floor. "Yes, Mum," he replies. Is that communication? The message has certainly gone in (and receipt has been acknowledged), but, children being what they are, there is a high probability that he will continue to run through the back door without wiping his feet.

If the mother then says, "What did I just say to you?", she is going to learn very little that will help her to establish whether or not communication has occurred. He will easily be able to recall her message, and play it back to her, but that won't tell her what she really needs to know. She may then enquire, "And what do you think I meant by that?" which will be a similarly fruitless enquiry: the boy will have no trouble in guessing at the meaning in his *mother's* mind.

But that is not necessarily the meaning of the message *for him*. (The highest probability is that he would attach no meaning at all to

the message, but simply note the existence of the empty vessel: we only bother to interpret messages which have some relevance for us).

But suppose he did interpret – that is, put his own meaning into that message. Suppose his mother has been saying “Wipe your feet” on many occasions. Perhaps, on this occasion, the boy might be saying to himself, “My mother is an incorrigible nagger, and this is just the latest piece of evidence. I have only been on the planet for five years, and this woman has never been off my back... if it’s not ‘wipe your feet’, it’s ‘clean your teeth’, ‘pick up your socks’, ‘go to bed’...”

However unwelcome this news may be to the boy’s mother, those thoughts become the meaning of the statement “wipe your feet” to that boy, in that situation, at that time. That is the meaning which is evoked by the message: the meaning is not in the message – inherently or intrinsically – but it is drawn out of the boy in response to hearing the message.

So often, messages which look as if they are working through injection turn out to be working through evocation. Read, for example, Carl Jung’s explanation of the extraordinary effect of Adolf Hitler on the German people:

He is the loudspeaker which magnifies the inaudible whispers of the German soul until they can be heard by the German’s unconscious ear. He is the first man to tell every German what he has been thinking and feeling all along...

In other words, we make our own sense of what we see or hear by drawing on our own experience. What we have learned from our experience becomes the resource we use to interpret what people say to us. We learn our “meanings” from past experience, and we draw on those meanings to make sense of the present.

It is easy to accept that we are the products of our experience, but not so easy to acknowledge that we are also prisoners of our experience. This is only another way of saying that we are limited by what we have learned from all our yesterdays in trying to make sense of what is happening to us today. Our discoveries, learnings and decisions gradually evolve into a recognisable pattern (sometimes called a “world view”) which we use as a framework – or a template – for making our own sense of the world.

It is as though we are engaged in a lifelong process of constructing personal “cages” around ourselves. The bars of our cages are all the things that life has taught us: our knowledge, our attitudes, our values, our beliefs, our convictions. As the cage becomes stronger and more complex, we feel increasingly comfortable inside it and increasingly confident in our ability to cope with the world beyond the cage.

The cage therefore plays a crucial role in our mental health because, being a framework constructed out of the “bars” of our own experience, it gives us a clear sense of personal identity and a deep sense of personal security.

Where we have been, and what we have learned from the journey, defines who we are.

The cage is not simply a source of comfort and security: it also acts as a filter or an insulator in the process of interpretation. Because we look at the world through the bars of the cage, the bars impose their own pattern on what we see: our values and beliefs affect the way we perceive and interpret what's out there. From inside the cage, the cage itself is part of what we see.

Once we have made up our minds about something – once our experience has taught us something – we will tend to look at the world through the filter of the expectations created by that conclusion we have previously drawn, or that predisposition which has been generated by prior experience.

The cage is therefore the central and fundamental factor which must be taken into account in our understanding of communication. The cage explains why, most of the time, we use communication encounters to obtain *reinforcement* of what we already believe. It explains why we respond so favourably to messages which confirm the shape and structure of our existing cage, and it also explains why we are so easily able to deflect messages which rattle the bars of our cage.

If you want to see the cage in action, the best place to observe it is when it is under attack. Notice what happens when two people have an argument: the most usual outcome is that each of them uses the argument to reinforce their existing points of view. An attack on the cage leads to a defence of the cage and, in the process of developing our defensive arguments, we actually fortify the structure. Argument does not simply produce a zero effect: it tends to positively reinforce the very attitudes and beliefs we are trying to change.

That's why the persecution of minority groups tends to have the effect of strengthening their existing beliefs. Faith is fortified by attacks upon it.

The cage also explains how we can interpret the same information quite differently, according to our existing values and dispositions. A piece of information about the cosmos, for example, may be interpreted quite differently by a theist and an atheist.

There is a fundamental proposition about communication involved in all this: if your audience has a point of view, they will be looking for reinforcement of that point of view – and they may obtain it, even if you are not offering it to them.

Your audience will interpret what you say in the light of their own expectations, their own needs, and their own expectations – of course: what other basis could they possibly have for making sense of what you say to them?

Two people can attend the same meeting and come away with quite different impressions, because they observed the meeting through

the bars of their individual cages. Two people can watch the same movie – or read the same book – and have utterly different impressions not only of the “meaning” of the movie but also of its aesthetic merit.

I had this experience recently, in response to seeing *Four Weddings and a Funeral*. I thought it was light, amusing, escapist froth, but hardly meaning-of-life material. When I made a rather dismissive comment about it to another person who had recently seen the movie, he was offended. For him, it *was* meaning-of-life stuff, and he referred to a particular moment in the movie which had given him some great insight into a problem in his own life. When he described it to me, I couldn't even recall the particular moment in the movie which had been so significant for him.

So, the first and most common answer to the question, “Why don't people listen?” is that they don't listen because they don't see the relevance of what we are saying. (In other words, our message doesn't fit with the shape and structure of their cage; can't be accommodated within the framework of their current interests or concerns).

The implication of what I am saying is obvious: if we wish to communicate with another person, we must first get inside their cage and try to see the world through the pattern formed by the bars of their cage. It is only by exploring the cage of another person that we can establish whether communication is possible at all and, if so, how we might evoke responses which are available from within the cage of the other.

How do we explore the cage?

Once we accept that the cage is the most powerful element in the communication process (far more powerful than any message, for example), we will also realise that cage exploration is our primary challenge, and that the way to explore the cage of another person is primarily through listening (supported, of course, by direct observation of their behaviour).

We therefore need to approach our own listening as the necessary precursor to our understanding of the framework within which communication with another person is possible. Although we are so often preoccupied with the need for other people to listen to us, our understanding of the cage should encourage us to accept that, in fact, our listening to them is of equal – and often greater – importance.

Indeed, there is a Law of Human Communication which says that people are more likely to listen to us if we also listen to them. We could express that in contrary terms: people are unlikely to listen to us if they know that we have not first listened to them.

Putting that another way, people are much more likely to respond to messages which they recognise as being a response to them.

If listening is so central to our effectiveness as communicators, why are we so reluctant to do it?

One reason is that it is hard work. Generally speaking, the physical effort involved in concentrating on listening to someone else (particularly if we can't readily accept what is being said) is greater than the effort involved in speaking. It is always easier to say what we think than to try and appreciate and absorb what someone else is saying. Entertaining the ideas of another person represents a major challenge to our own comfortable framework.

Listeners, therefore, need to be courageous: they need to be prepared to *run the risk* of changing their minds. They need to listen in a state of "suspense" – fully prepared to receive what they are hearing *before* they react to it. (This is not to say that listeners are people who accept everything they hear, or that listeners are people who are frequently changing their minds. It is simply to say that listeners accept the fact that other people's views are valid, too, and must be fully appreciated *before* they can be accepted or rejected – let alone discussed).

Listening is also an act of extraordinary generosity: it is the gift of our attention to another person. When we listen, we don't only receive a message which gives us some clues about the other person's *cage*; we also send the unspoken message that "I take you seriously as a person – I value *you* enough to listen to what you have to say, even though I may not agree with it or accept it". (The opposite is also true, of course: when we erect a wall of silence, or when we fail to listen attentively to another person, the unspoken message is that "I do not take you seriously enough as a person to bother listening to what you have to say").

The culture of listening

What I have been hinting at in these remarks is the need for us to adopt a *culture* of listening which can transform our relationships with each other, with our children, with our colleagues – and which can, in turn, transform the life of our families, our neighbourhoods and our organisations.

It's a culture in which we recognise that *relationships* are far more important than *information*.

It's a culture in which we acknowledge that, if we want other people to help us to get things done, we shall have to consult with them first; if we want people to respond to us, we must also be prepared to respond to them.

It's a culture in which we recognise that the most precious resource we have for coping with life in unstable and uncertain times is each other.

Above all, a culture of listening is a culture in which we learn to accept that everyone we deal with dwells at the centre of their world – just as we dwell at the centre of ours.