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## THE NEW AUSTRALIAN GOVERNMENT

The November 24 2007 election of Kevin Rudd's Australian Labor Party was a great surprise to most people. Those who were hoping for a Labor victory could not believe the extent of the victory. Even the Prime Minister, John Howard, lost his seat. The opinion polls had been predicting a Labor victory throughout the year but most people did not believe them. Somehow it was assumed that John Howard (Australia's most skilled politician) would find a way of (again) snatching victory out of the jaws of defeat.

This article examines the reasons for the defeat of the conservative Liberal Howard Government, how he will be assessed by historians, how Labor won and some of the challenges facing the new Rudd Labor Government.



### The Howard Defeat

People wanted a change. That seems to be the most common explanation of the Howard defeat. He was portrayed as an old man (aged 68), out of ideas and out of touch with emerging problems.

Probably the biggest flashpoint was the Howard Government's changes to industrial relations which were designed to "free up" the employment market. They built upon the changes started by the Labor Governments 1983-96 of ending the government's role in determining wages and enabling people to have (in theory) more opportunities to bargain for improved working conditions. The Howard Government reforms tried to capitalize upon the low public standing enjoyed trades unions and the inconvenience caused by their restrictive work practices and strikes.

But there was a widespread sense that the reforms had gone too far in favour of the employers. The union movement ran a very effective advertising campaign on the risks posed by the new reforms. We will never know just what would have happened if the reforms had been allowed to run their course for some years. The Rudd Government is pledged to end the reforms and the new Leader of the Opposition has already disowned them.

In my conversations with employers there were private comments that the reforms were to their benefit but they were also worried about the fate of their own children when they would have to confront employers in due course. If the youngsters go onto short-term contracts,

for example, how will they ever get a credit rating to qualify for a mortgage? If trades unions lose their clout, who will protect workers from sweatshop conditions like those in Asia? Howard lost the support of the blue collar voters (often traditional Labor voters) who had supported him since the 1996 election.

The environment provided a second battlefield. In a study of the 2004 election, it was noted that two well known personalities were catapulted into Parliament: multi-millionaire banker and lawyer Malcolm Turnbull for the Liberals and pop singer Peter Garrett for Labor. Their abrupt arrivals in their respective constituencies caused disquiet among the traditional party faithful. But they both overcame the initial disturbances and rose rapidly through the ranks. Both ended up at various times in the environment portfolio.

Howard himself was ambivalent on the environment. He could see the electoral benefits of being seen to be protecting it. But he was primarily motivated by economics and believed that most Australians preferred to put jobs ahead of the environment. It was always therefore a low priority for him. He decided to follow the lead of the US in not ratifying the Kyoto Protocol on climate change. His final Minister for the Environment was the ever ambitious Malcolm Turnbull who was eager to make his mark in politics. Turnbull failed to change Howard's mind on this subject and Howard was painted into a corner.

The first action of the Rudd Government was to ratify the Kyoto Protocol – the first time that the first act of an Australian Government was to ratify a treaty. Australia was well represented at the December 2007 Bali UN conference to negotiate the next treaty to follow the Kyoto Protocol. Peter Garrett is now the Minister for the Environment. The new Leader of the Opposition supports the ratification of the Kyoto Protocol.

Indigenous affairs were another controversy, particularly the recommendations arising from a commission of enquiry started by the previous Labor Government. The commissioned examined the issue of Indigenous children taken (or "stolen") from their families to be educated as white people in the mid-20th century. The incoming Howard Government distanced itself from the commission. The report recommended an apology to the victims but Howard obstinately refused to do so. He therefore got himself into another corner. The historic apology was given on February 13 2008 by the Rudd Government (on the second sitting day of the new parliamentary session). The new Opposition Leader endorsed the apology; 11 years of Howard policy disappeared in minutes. The apology was broadcast live across the country (including to school assemblies – the first time such broadcasting arrangements had been made since the July 1969 Moon landing). All the country's surviving ex-prime ministers – except John Howard – were at Parliament House for the event.

Education was another battlefield. Howard's political hero was Sir Robert Menzies, who was Prime Minister for a second time 1949-66. Howard was the second-longest serving Prime Minister. But he was no Menzies when it came to funding higher education. In the period 1959-66 Menzies himself took on the education portfolio. (Menzies had come from a poor rural family and

owed much of his success to education). He created five new universities, trebled the student population and the government doubled the proportion of the gross national product allocated to universities in the form of grants – the greatest single expansion of universities in Australian history. Howard by contrast effectively cut university funding by freezing funding at 1996 levels . There was a natural decline in the quality of university education. Rudd promised to reverse this.

A previously successful tactic that was missing in the 2007 election was “wedge politics”. This is a tactic used to perfection by Howard in earlier elections where an issue is highlighted deliberately to split Labor - either within itself or to split Labor from mainstream Australian public opinion. Asylum seekers, for example, had worked well as an issue in the 2001 election . Small numbers of people seeking to enter Australia by leaky sub-standard boats were portrayed by the Howard Government as “queue jumpers” who should wait for their chance of being processed. There was also a suggestion that they were a potential security risk (especially coming from countries like Afghanistan) or a health risk. The Howard Government manipulated the Australian fear of living in a large empty country vulnerable to being overrun by foreigners.

In 2007 Howard seemed to have lost his touch. He could not locate a winning wedge issue. He flirted with the issue of expanding uranium mining and perhaps introducing nuclear power to Australia. This has certainly been a divisive issue in the past . Australia has about 28 per cent of the world’s known uranium reserves. Labor has long been divided over whether the industry should be expanded beyond the current number of mines. With at least four centuries of good quality coal underground, Australia has no need to use uranium to generate electricity. But suddenly Howard became seized of the climate change issue and argued that nuclear power would be a key to solving the issue. Unfortunately for him the general public generally remains apprehensive about nuclear power and so he could not get the “traction” from this issue as with (say) “boat people” in 2001.

Howard lost his own seat (which he had held for 33 years) and he has disappeared from politics. The Australian parliamentary pension scheme is one of the most generous in the world and so (unlike the UK’s Tony Blair) he has no need to go on the speaking circuit to make money. He will make some speeches but he can afford to look forward to a very wealthy retirement.

The two main candidates for the Liberal Party leadership were the ever-ambitious Malcolm Turnbull and the former Defence Minister Dr Brendan Nelson. Nelson narrowly beat Turnbull by 45 votes to 42. Nelson (born in 1958) could easily have been a Labor MP and in fact voted Labor for some years. He is the son of union official (and grandson of a communist) who eventually trained as a medical practitioner and in 1993 became the youngest federal president of the Australian Medical Association.

Nelson would like to bring the Liberal Party back to its more moderate stance and away from the Howard hardline. He has an uphill battle because the party is in disarray across the country. Australia has six states and two territories (with far less power). Labor Governments run

the lot. He is therefore coming off a very low base. He is probably a moderate stop-gap leader until the ruthless Malcolm Turnbull can get the numbers to remove him.

### ✓ **Assessing the Howard Era**

Howard will probably not be treated kindly by historians. He presided over the country's longest ever continuous period of economic growth but not enough was made of that wealth. First, the social indicators suggest that increased wealth does not necessarily bring increased happiness. Suicide rates, for example, remain high by world standards. There are also many issues of domestic violence, divorce and child abuse. This is not the fault of the Howard Government alone but it is really a challenge to the prevailing economic paradigm that economic growth should be so important. Much the same could be said about the economic growth in Britain.

Second, part of the unease felt by Australians about where their country was headed arose from the belief that somehow some of the increased wealth should have gone to rebuilding the country, such as health, transport and education. Australians enjoyed the tax cuts but seemed somehow to be guilty about receiving them while knowing that additional government expenditure on essential services was also required. Rudd tapped into this unease by promising to do more for essential services.

Third, Howard was, then, an intellectually limited person. He had no grand visions. Indeed he took pride that he did have the grandiose thinking of Labor's Gough Whitlam (Prime Minister 1975-8) and Howard's despised predecessor Paul Keating. He saw himself as the average respectable Australian with average tastes. He avoided the grand rhetoric of Whitlam, the booze and women of Hawke, and the elite classical French tastes of Keating. Each morning, as a keep-fit exercise, he would be out walking with a member of the police force, striding along and greeting well-wishers – all very different from the elaborate high security presence that surrounds a US president. He is a very amiable person to meet.

Fourth, Howard was not the architect of the longest economic boom in history. He himself acknowledged that some of the credit should go to the Labor Government (1983-96) who began the dramatic reform process. For the first 80 years or so of the Commonwealth of Australia (formed in 1901), national governments had followed some basic principles that dominated all the main parties. These included government intervention in the economy, protectionism/ high tariffs and third-party government intervention in the industrial process between employers and workers. Howard, as Treasurer in the conservative Fraser Government (1975-83) was the last Treasurer of the old system.

The incoming Labor Government dismantled much of the old system and introduced "economic rationalism" policies, such as selling off government assets, reducing tariffs and leaving

much more to the “market”. Similar policies were also being introduced around the same time by the conservative Thatcher Government in the UK and Reagan Government in the United States, and the Labor Government in New Zealand. All four countries have since had flourishing economies (albeit with the usual booms and busts). It is likely that historians will simply see the Howard Government as a continuation of the process begun by the Hawke Labor (1983-91) and Keating Labor (1991-6) Governments.

## ✓ The Rudd Victory

The swing to Labor was bigger than any swing Howard ever achieved (including his initial 1966 victory). It was the biggest swing since Whitlam’s 1975 disaster. The 1996 defeat of the Keating Government by Howard was Labor’s biggest defeat since 1931. Howard therefore came in and went out on similarly dramatic notes.

Kevin Rudd was born in 1957 into a poor Queensland family. He did well at school and went to university, where he studied Chinese. He is the first leader of any western country in world history to be fluent in Chinese. 2007 was coincidentally the year China overtook Japan to become Australia’s main trading partner. He served in the Department of Foreign Affairs and then went back to Queensland to serve in the state Labor government. His wife Therese (whom he married in 1981) is a very successful businesswoman and so this is probably the first time that an Australian prime minister has come to office earning much less than his wife.

Ironically Labor won in 2007 by partly learning the Howard technique. Howard won in 1996 partly by stating that he was not Paul Keating. Keating had become despised in much of the country by his perceived arrogance. He now lives around the corner from me and I see him in the street being passed by people who now have no recollection of his notoriety. But while he was Prime Minister, Howard was successful at claiming that Keating was out of touch with what was happening in Australia and ignoring the plight of working class and lower middle class Australians – the “battlers” who “were doing it tough”. Rudd was able to use the same technique with Howard, especially over industrial relations, environment and education.

Rudd (rather like Tony Blair in the UK a decade previously) was able to reinvent the Labor Party (albeit without a change in name). His “new” Labor Party discarded the campaigning points that had hindered Labor in recent elections. First, there was now no pledge to close down the US spy bases in Australia. Most Australians despise President George Bush as an idiot but they remain great admirers of the US as such. Anti-Americanism does not work in Australian politics. Howard’s problem was that he was seen as being too friendly with a fool. The 2003 Iraq War was always unpopular. Rudd promised to reduce some of the Australian combat troops in Iraq, while retaining the Australian presence in Afghanistan for years to come if necessary. He therefore neutralized “national security” as a wedge issue in 2007.



Second, Rudd did not promise dramatic economic or social reforms. The foundations were laid in the 1980s by the earlier Labor Governments and he would simply build on them. He promised to reverse the controversial industrial relations changes made by Howard. He has promised an “education revolution” but mostly on the back of increased expenditure.

Third, while showing he is well aware of the environment as an issue, he has not promised drastic changes. His Government will not, for example, ban all native forest logging or close down the coal industry. January 2008 was marked by a confrontation between Japanese whalers and environmental activists in Australia’s Antarctic waters. The Government has promised a tougher stand on opposing Japanese whaling (the Howard Government preferred to avoid offending such an important economic trading partner).

## ✓ Challenges for the New Government

If the conservative Liberal Party had to lose an election, then perhaps 2007 may be seen by them in retrospect as a fortuitous time to do so. In 1972 the Liberals lost to the Whitlam Labor Party, who came to power just ahead of the 1973 Middle East War and the OPEC (Organization of Petroleum Exporting Countries) increase in oil prices, an international recession and global inflation. The economy was in disarray by 1975. Labor went out of power in 1975 and stayed out for eight years.

The Rudd Labor Government has entered office with grave concerns about the global economy. The sparking point has been the US “sub-prime” crisis, which started in 2006. Sub-prime are loans taken out by borrowers who are considered to be a high credit risk because of low income or a poor credit history or minimal documentation to show how their income is obtained. They are part of the financial re-engineering revolution that has taken place since the deregulation process began in the 1980s. Traditionally banks alone provided mortgages and they were very conservative in their lending (single women, for example, stood little of getting a mortgage).

After the deregulation in the 1980s banks became more aggressive in their lending and non-bank financial institutions also got involved. There was a glut of credit. Much of the new money went into homes and there was a dramatic increase in housing costs. Some people took out risky mortgages in the expectation that the homes would continue to rise in value and so their costs (and profit) would be covered when they sold up. Their increased optimism gave rise to increased household goods expenditure.

But the air started to go out of the US bubble in 2006. Part of the financial re-engineering has been the bundling of loans by a financial intermediary. Traditionally a bank issued the mortgage and made sure the borrower repaid – it had to. It was a long-term relationship. But now an intermediary may locate the customers and sell a collection of mortgages to an investor

who anticipates a steady supply of income. The intermediary wants a quick sale and so may take on risky customers to expand the total number of investments. His or her relationship with the borrower ends with the sale of the bundle of mortgages to the investor. The long-term fate of the mortgagee is of no concern to the intermediary. Some of the loans have a “honeymoon” low rate period to entice the borrower, who usually cannot work out all the fine print of the escalating rate of the adjustable rate mortgage. The honeymoons started to end in 2006 and suddenly home ownership ceased to be such an automatic route to wealth. House prices started to tumble.

Owing to the lack of transparency within the lending institutions, it is not known just how a large problem is involved. Banks are now even reluctant to lend among themselves because they not sure just how secure are the other banks (the UK’s Northern Rock bank scandal has added to the anxiety). As the US has started to sink into a recession, so the recession is seeping out into other financial markets, such as stock exchanges.

Australian banks have been among the financial institutions affected by the new sense of banking unease and unwillingness to lend. They have increased their borrowing rates to make up for the difficulty they have in attracting investor funds. The increased bank interest rates in 2006 and 2007 helped undo the Howard Government. Some Australians had been encouraged by the financial industry to borrow too heavily. They did not expect to have these financial problems. Some of them blamed the Howard Government.

Ironically since the deregulation of the 1980s there is little – short of the introduction of new regulations – that any Australian Government can now do to influence bank policies. The sub-prime crisis and recession will haunt the Rudd Government. It will not be able to carry out fully its ambitious programme. It could cost it seats in the 2010 election.

Finally, the longest continuous theme in Australian politics comes from the tension between the national government and the states (and territories). The colonies only reluctantly agreed to come together in 1901 to form the Commonwealth of Australia – it was partly the common fear of German expansionism in the area of what is now Papua New Guinea that drove them together. Defence remains about the only item of government business that the states (formerly colonies) still agree should be handled by the national governments. Most other issues are still disputed.

For example, an older Australian in a hospital is a state responsibility but in an aged care centre the person is a national government one. Therefore it is in the financial interest of the state hospital system to get older Australians out of the bed as quickly as possible and into an aged care centre. But the aged care centre will want to have the person properly healed before taking them in. Everyone agrees that the national-state division is a mess. But there remains no agreement on how it should be resolved.

Traditionally Labor has been in favour of a larger national government and the Liberals opposed to it. But in today’s era of globalization “you get big or you get out”. For the first time in

Australian history, all the state and territory governments and the national government are Labor. It remains to be seen whether the Rudd Government can use this as an opportunity to sort out some of the inconsistencies.

To sum up, the result of the 2007 election was a great surprise. It remains to be seen whether the Rudd Government can build upon the immense goodwill that many Australians feel for it to make the major changes that the country needs.

Keith Suter

#### NOTES

1. A controversial study of him is: Marion Maddox *God Under Howard: The Rise of the Religious Right in Australian Politics*, Sydney: Allen and Union, 2005.
2. A senior journalist from The Australian took off time from her job to go undercover to work as an unskilled casual worker (much like 25 per cent of the Australian workforce). Her resulting book gave a picture of working life that shocked many Australians: Elisabeth Wynhausen *Dirt Cheap: Life at the Wrong End of the Job Market*, Sydney: Pan MacMillan, 2005.
3. Keith Suter "The 2004 Australian Election", *Contemporary Review*, December 2004, p 321.
4. Bob White "Menzies' Legacy Betrayed", *The Australian*, January 16 2008, p 22.
5. Keith Suter "Australia and Asylum Seekers", *Contemporary Review*, November 2001, pp 278-283.
6. See: Richard Broinowski *Fact or Fission: The Truth About Australia's Nuclear Ambition*, Melbourne: Scribe, 2003.
7. Keith Suter "Australia: Wealth and Despair", *Contemporary Review*, March 1999, pp 137-142.
8. For example: Andrew Marr in *A History of Modern Britain* (London: Macmillan, 2007) traces the rise of the current culture of consumerism, celebrity and self-gratification.
9. He had a standard route for his walks and so during the early stage of the Iraq war peace activists used to write him messages in chalk on the pavement in the (forlorn) hope of educating him on the risks involved in the 2003 invasion. He took it all in his stride, so to speak.
10. A remarkable study from this period examined two different economic scenarios for Australia. One foreshadowed a continuation of the old policies, while the other foreshadowed the introduction of what would now be called "economic rationalism". The authors preferred the latter but could never imagine its coming into existence. The revolution began in fact three years after the book appeared. Wolfgang Kasper et al *Australia at the Crossroads: Our Choices to the Year 2000*, Sydney: Harcourt Brace Jovanovich, 1980.