



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
RESHAPING AUSTRALIAN INSTITUTIONS
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Well, thank you, Phillip (Adams), Vice Chancellor, Dymphna Clark, members of the Clark family, Professor, distinguished guests and ladies and gentlemen.

One has always got to be careful when one is sponsored to do a talk or a lecture, universities generally appreciate the opportunities, media organisations always hype it up. And Radio National has me tonight announcing my vision for the future, and Phillip wants it all done in 20 minutes.

Where, in fact, what they asked me to do was talk about reshaping Australia's institutions. I will do my best, Phillip, to get this in 20 minutes, but I think this is going to be a splice job for you and your colleagues, because had I known you wanted me to speak to a tight time table I would have probably had it prepared. But the fact is it is coming, I am afraid, as it comes.

Talk about reshaping Australia's institutions - it might not have been possible a decade ago to propose such a subject and expect a lecture or a talk which went in substance to substantial changes in Australia's institution frame work because in most of the quarter century before the early 1980s there wasn't much institutional change in Australia. It is not to say Australia didn't have institutions of value, but there wasn't much institutional change.

So, I am tonight with some history and with some forethought, looking forward, talking about what I think of some of the institutional changes that have taken place, and which ones are currently moving and will take place in this decade.

Perhaps the first one to start with is the appetite for change. Because there was no appetite for change in the '60s and the 1970s. Australia very much was seeing change at the margins and the public, if you like, the public clamour for change, the public pressure on the political system for change, on

clamour for change, the public pressure on the political system for change, on our institutions in general was not as evident as now. I think what has happened is we have developed a tremendous appetite for change, so that when this Government in the 1980s brought forward substantial and far reaching changes it did so at its considerable political risk.

Now if Governments say, "look we think we have had enough change, and we don't want to burden you the public with more of it", the public said "well thank you we will have somebody else". They want change. And there is now a very great appetite for change.

So, much of what we do these days, as a nation, is we manage change. And I think we are now, we have seen unprecedented institutional reform. Australia is now working differently, within different structures, they think differently, they have learned the need for change, but I suppose more important than anything else, they have come to believe in their capacity to change. And if the last decade means nothing, it means that our capacity for change is very substantial and very great.

So, managing change, and keeping up with change is now a key matter in this country, and the appetite for change is one of the background thoughts, in a sense, across the country in the whole community which one could call institutional change of the variety which changes the character of the country.

Now, I have been one of the people involved in public life through this period of managing change, and I thought I would run through some of these topics which come under this heading; 'Reshaping Australia's Institutions'.

One of the first places to start with this, is of course, the Cabinet of the Government, and in 1991 I gave a lecture called the 'Challenge of Public Policy in Australia', the first Chris Higgins memorial lecture. The lecture in the memory of the former Secretary of the Treasury. And I talked about the importance of Cabinet, Government and the role of Ministers, because Ministers until this Government came to office had never run the policy. The policy was in part operated by Ministers within some vague parameters, and then moved along further by the public service, but because the public service was always limited in the political authority you could bring to bear on public decision making, the changes were, of course only at the margin.

So, much of the institutional change we have seen devolves to the role of Ministers. And I said this - I will just read this to you from that lecture - it said:

"while many decry the role that politicians play, only politicians can make major changes to the way a country conducts its business. Change can not come from a bureaucracy no matter how well motivated or gifted because the bureaucracy has no authority to rank priorities or make decisions. Nor can change come from the media and the opinions of columnists, no matter how imminent. In the end politicians have to have the foresight to see the need for change and

the courage and strength to carry it through. That's why a strong and practical Cabinet is absolutely essential for Australia at present and will be for years to come".

And then I talked about the role of the public service and the compact which has existed in this last decade, and still exists now, between the Cabinet, the Ministry and the bureaucracy. And that's been a compact of cooperation and change so that we have seen the very best technical capacities and instincts of the civil service of this country brought to bear with a political authority which Ministers could marshal around the Cabinet table, and as a consequence Australia has advanced mightily, and we have seen Cabinet Government in a new institutional form, of a variety of which we've, perhaps, certainly not seen in my lifetime. And because of the important need for change, rebasing the basis of our wealth, and changing our society, this came at an important time for us.

That still exists and the years have only strengthened it and we now look forward in the 1990s to the Cabinet Ministers, again deciding where the envelope of change should be pushed out. Where we, with the history of now much change behind us, where the direction should be and then having a proper appropriate bureaucratic effort in there to make it work. Now, I think that is developing the appetite for change and then being able to basically spirit the change through, or many of the changes through, in the first instance at the Government level and a wider economy I will come to later, has been a very important and fundamental institutional change in this country.

Another has been managing growth and inflation. One of the other great institutional changes in Australia which we have had now for a decade and which we are going to have in the future is a basic understanding between the Government and the organised workforce. That is, the Government and the workers of this country. It has come by way of the Accord between the Government and the ACTU. But what started as simply a fairly simple document of wage restraint in certain limited circumstances has become a way of thinking, so that as a consequence a whole productivity culture has grown up a low inflation productivity culture, which could only be put together by the cooperation between, and the common objectives between a Government and the organised workforce of this country.

As a consequence today we are looking at an inflation rate of under 2 per cent. We saw Australia grow mightily over the last decade; bar for the recession we are seeing that growth pick up again. Australia today has 26 per cent more people in work than 10 years ago, as a consequence of that accord. And in the doing of it being able to focus on a whole range of other things such as occupational superannuation, addition of national savings, diminution, of course, of industrial disputation, but more than anything else a state of mind about productivity and being able to, at the same time, hold workers incomes up while reducing inflation, is something that didn't exist in any institutional way before this time that exists now.

The other element of that was, of course, developing a central bank, not just as a branch office of the Treasury, but something which stood in its own right, and with a great reform to the financial system of the '80s running a quantity based system in the financial markets. So, now monetary policy is not set by the bond selling program of the Treasury, it is set by a central bank which has now, in an open quantity system, prerogatives of its own which it operates in tandem with the Government. And as a consequence, we have as a country developed a new institution. It is still called the Reserve Bank, it still has the same Reserve Bank Act as it had in 1959, devoted as it is to price stability and full employment, but what we have is a new institution which we have effectively used together in another institutional process of change between the Government and the Board of the Central Bank to deal with growth and inflation simultaneously. And as a consequence that is the other arm of the anti inflation machinery which institutionally we have set up between the ACTU and the Government under the Accord, and with a cooperative process of common objectives between the board of the Central Bank and the Government.

Now, I was going to quote here a couple of things from the Reserve Bank Act, but for time I will shorten them. It says:

"The duty of the Board is to do in its opinion what best will contribute to the stability of the currency and maintenance of full employment in Australia, the economic prosperity and welfare of the people of Australia. The Board shall from time to time inform the Government of the monetary and banking policy of the bank, and in the event of a difference the Treasurer and the Board shall endeavour to reach agreement."

So, those very wise words drafted so long ago have been given new meaning in an institution which is effectively new, brought and given authority by this Government in a new financial system which is helping us develop a low inflationary culture. It is a very hard thing for any country to develop a central bank of substance that can effectively deal with inflation and do it in the context of a wage compact. So, these are significant and important institutional changes we have brought along with us.

The other, I think, enduring national institutional change is the change of the Australian Labor Party. The Labor Party is now a party of economic reform; it is a party of social democracy; it is a party of social progress; it is a party which has developed an open competitive model for its society, and grafted on to it a fair and equitable social wage and social system. As well as that it is a party which understands the culture of the nation and it is a party which feels that the identity of the nation, and issues of identity, are important to it.

Whatever people may think of the Labor Party it will never regress to being what it was in the 1950s and the 1960s or even the 1970s. So, in terms of institutional change, if a major party of Government - which is what the Labor

Party is - can in its, perhaps, most significant reformation, plot out for itself a world ranking course in setting up a middle sized OECD economy in its image as an open competitive economic society which also has tolerance and fairness underpinning its social fabric, then I think, in institutional terms we have done mightily to secure that change. It is one of the important ones.

But the changes in reshaping institutions have not been limited to just what has happened in Australia, but what is also happening and what we have done for ourselves in the international market place. We have through our foreign policy and our trade policies, built institutions outside of Australia and let me just name a couple for you: The Cairns Group, which was influential in the GATT Round, was largely managed by Australia, the United States and France and the European community, APEC, Asia Pacific Economic Cooperation, which throws an economic, if you like, net across the Asia Pacific, which actually builds an institution for Australia to participate in; outside of Australia the Asean Regional Forum for security dialogue, when ASEAN was an organisation which had very tentative discussions about many things it is now actually discussing full-bloodedly its security position; and of course things we have done in chemical weapons, Cambodia and other things.

This is another institutional change, that is, rather than simply playing a marginalised role in the foreign policy fora of the world, Australia is actually out there creating institutions and finding a place for this country. Now, with that background, that is these very important, I think, institutional changes developing an appetite for change, being confident about the countries capacity to change, that is the country itself being confident about its capacity to change.

The actual vehicle of change, developing the Cabinet process, the role of Ministers as the spearhead of change and doing it in a compact with a cooperative altruistic civil service, managing growth and inflation, keeping the core elements of competitiveness in place, are key to any institutional shift in any country and the whole culture of productivity which has come into the bargain and in the doing of it reshaping one of our major parties.

Now, for the future there is much that still has to be done about institutional change. Perhaps, one of the changes is going to come, let me say two areas. One is identity, us being, importantly, being confident about ourselves and about those things which symbolise ourselves and the other is keeping the economic and social change moving through our society. And a lot of this goes after the great macro-economic changes of the 1980s. It goes to the micro changes in industry, in business, in the States, in this decade. And what, I think, we will see is an institutional change where we will see a much more cooperative relationship developing between the Commonwealth and the States. But built around, what I think, was one of the central institutional changes of Australia in this century and that was uniform taxation in 1942. Uniform taxation is the glue that holds the federation together. It is the reason we are one nation with one economy. But with that foundation there is

now much to be done about the prerogatives of the States and the Commonwealth in managing this great country of ours and choosing to work cooperatively together to deal with the great micro-economic areas of this country, much that we have to do.

Let me just say that this change must also manifest itself in business and not simply with the States. I think we need a new partnership, a new sharing of responsibility for change. We mightn't get it, but now is the time, I think, the natural time to invite one. And with the election behind us, with all these benefits of the past we can, I think, enter a new period where we can call upon a new commitment to advance ourselves.

Over the coming decade I would like to see a new relationship with the States evolve, based on four principals. The first of these is that we recognise that the States have a vital role as units of Government in Australia, because there is this debate, which you often see from time to time, about abolishing States. As I said some time ago, if we didn't have States we would almost need to invent them for the great regional, management and disparities of this country.

The second principal should be that both the Commonwealth and the States should independently assess the value of reforms and use them for their own sake, not as part of a deal in which the Commonwealth is supposed to buy the cooperation of the States. That is, change in the great micro-economic areas of the States, in electricity, in water, in gas, in ports, in rail, in all these things, should be seen by States as a change of advantage to them and their citizens and not something where the Commonwealth has to buy that change and that cooperation.

The third principal should be that we are willing to enter into a genuine discussion between heads of Government and portfolio Ministers to look at the present roles and responsibilities of the States and the Commonwealth, to see that where we can develop and deliver better policy outcomes, but where the Commonwealth Government will always have a role in setting priorities and national objectives to social programs such as health and education, as well as the environment and economic programs.

And the fourth principal is that while the Commonwealth believes the States should be adequately resourced it should be taken as understood that the Commonwealth will not be party to any substantial transfer of Commonwealth taxing powers to the States.

Now, within those four principals we have the opportunity to cooperatively develop, I think, a new commitment, if you like, a new consensus, a new understanding between the Commonwealth and the States about how to make these important areas of the micro economy change. The Commonwealth has largely done its things - in telecommunications, in banking, in air transport - what remains to be done now is largely with the States and it is also with business, because a Commonwealth Government

can't change the productive culture of an individual enterprise. That must be done by business, and business should take up the challenge of enterprise bargaining with the workforce to make that productive and institutional change, certainly enterprise change, within those particular businesses.

So, we have got, I think, if you like, having come so far and now looking at the areas where we need to see more sophisticated changes, put the polish on the changes to find, if you like, another institutional shift. It is in a cooperative venture between the Commonwealth and the States in these areas, and also further cooperation between Labor and business under the aegis of enterprise bargaining in search of higher productivity, higher incomes and better profits. This is the institutional change we need for the 1990s.

Now, you have heard me say often - I mentioned it earlier - I don't think a country can sell itself until it knows what it wants to sell of itself, how it wants to present itself, how it wants to be viewed and be seen. And so, therefore, I believe issues of identity, being clear about our identity, being clear about the culture that we have become and that we wish to represent, its symbols are an important part of how we as a nation will behave and present ourselves in the 1990s. But we have seen much reshaping of institutions in these last ten years, my point is we are going on doing it. And the changes we have seen, are changes I think forever, they are not changes which are going to be turned back. But what we have to do now is search out the new ones, so that if we were giving a lecture on this topic in a decade hence, we would be able to say that in these areas of productivity, of international engagement, of change in the culture at the work place, change in the relationship between the Commonwealth and the States, this was another great institutional change.

I should hope in 10 or 15 years, we would have been able to reshape our institutions in a way that compensated for the quarter century or so that we failed to do this. As a consequence Australia is stronger and better for it.

Thank you very much.