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The New Progressive Dilemma

Australia and Tony Blair's Legacy

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To Sue

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Contents

List of Figures viii

Acknowledgements ix

Introduction 1

1 Startling Parallels 19

2 The Australian Story: 1983–1996 41

3 In From the Cold 62

4 Tradition(s) Betrayed? 87

5 Trojan Horse Socialism 110

6 Third Way Policy Journeys 127

7 Blair's Public Realm 152

8 Heirs of Eternal Liberalism 169

9 Howard's (Third) Way: 1996–2006 186

10 The New Progressive Dilemma 209

Notes 234

Bibliography 235

Index 256

List of Figures

1.1 The sports-mad Hawke playing a round of golf with Greg Norman at a course in Canberra (*Alan Porritt Photography*) 21
1.2 Keating speaking in parliament in 1993 with Brian Howe seated on the government front bench behind (*Alan Porritt Photography*) 22
1.3 Prime Minister John Howard during the Remembrance Day ceremony at the Australian War Memorial in Canberra 11/11/2005 25
2.1 Prime Minister John Howard watches as opposition leader Mark Latham prepares to be sworn in at the opening of the 41st parliament 16/11/2004 52
3.1 Treasurer John Dawkins during his budget speech at Parliament House, Canberra 17/8/1993; at rear are Paul Keating and Brian Howe (*Alan Porritt Photography*) 64
4.1 Former ALP Prime Minister Gough Whitlam and Bob Hawke at a function in the old Parliament House in Canberra before the move to the multi-billion dollar new building built on Capital Hill in 1988 (*Alan Porritt Photography*) 95
4.2 Senator Gareth Evans speaking at the National Press Club 8/9/1993 (*Alan Porritt Photography*) 96
9.1 Prime Minister John Howard and Janette Howard during the Prime Minister's XI cricket match against the West Indies in Canberra 2/12/2005 187
9.2 Opposition leader Mark Latham during a church service in Canberra 16/11/2004 192
9.3 Prime Minister John Howard and opposition leader Mark Latham during Question Time 16/11/2004 194
9.4 Prime Minister John Howard during Question Time in the House of Representatives, Parliament House, Canberra 204
9.5 Opposition MPs sit behind one-time opposition leader Kim Beazley as they listen to Prime Minister John Howard during Question Time 28/2/2006 205

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Introduction

A price to pay

Tony Blair's tenure as the fifth Labour Prime Minister in British history drew to a close in the early years of the twenty-first century leaving an array of tantalising questions as to the nature of his legacy to politics. In particular, what medium-term fate would befall the British Labour Party in the wake of the transformation Blair imposed on it during an eventful era that lasted for more than a decade from the mid-1990s? Will future observers look back on Blairism as having permanently recalibrated the workings of the Labour Party and the kind of public policy it advocates? More importantly, will it have installed a new set of underlying principles and philosophical values to which the party will happily adhere? Will that part of the New Labour era over which Blair presided as leader thus represent a permanent as well as seminal fault line in the history of the British democratic socialist tradition? On the other hand, will some future consensus contend that the compelling influence of the Blair period basically dissipated the moment he left the political stage? Will time prove Blairism to have been an impermanent thing, its high-flown rhetoric about change a transient aberration? In its immediate wake will the Labour party hastily retreat in its policy orientation and philosophical essence to some heroically reinterpreted point in the pre-1997 past? Was Blairism the price Old Labour had to pay until political circumstance finally delivered *it* into power?

This book is about the future; about Britain's not-too-distant political horizon. And it envisages neither of the above broad political outcomes. It sees only one factor made permanent on the Labour side of politics by Blairism: ideological discord. There will be here no ultimate triumph for revisionist Labour's ultra-pragmatists, the so-called 'Blairites' who dominated that decade; nor for those who obliquely but defiantly opposed them, Labour's nostalgic traditionalists.[1] With Tony Blair's political departure there will be no resolution or settlement in the fundamental philosophical disputation at the heart of the New Labour project from its inception.

From the beginning, if Blairism had one overarching characteristic it was an uncompromising determination to be electorally successful, to win power in a way Labour never previously managed. The modernisers who stepped in to remould the party after 1987 had this as their central mantra. Winning became all. The trigger for the catastrophe that may well be Tony Blair's legacy to his party will be the loss of that power – the moment the electoral pendulum swings back to the Conservative Party, as it was always going to do. Then an especially significant legacy will flower. Time will show those on the progressive left of British politics that Blairism was not just a phenomenon that temporarily waylaid the Labour party's higher ideals but then, eventually, could be conveniently brushed aside. No, Blairism's import will be far more serious than as some temporary impediment. The New Labour project will resonate long and hard. Its legacy will be that it compromised the future.

Prediction is a hazardous occupation in any sphere, let alone politics. Nevertheless, this book utilises a mixed methodology through which it hopes to offer the illumination of a political crystal ball. It will delve into the scholarship of international comparative politics, the specific study of so-called 'policy transfer' between nations and the historical analysis of philosophical traditions as they affect political parties. The analysis here will utilise data from a large number of original interviews conducted by the author between 1999 and 2006 with politicians and individuals working in politics in three countries; this included ex-Prime Ministers, sitting and former ministers, senior party officials, political apparatchiks, policy advisers and academics. Particularly in the years prior to 2000, much of the scholarly analysis of New Labour focused on two themes – firstly, the provenance, domestic and international, of the ideas that informed its emergence; and, second, the meaning of Blairism ideologically, where it stood in the history of the great philosophical traditions that are so often the preoccupation of political science. This book will revisit those two themes, but will do so in an effort to elucidate the pre-eminent issue here – the future of British politics after Tony Blair's departure. Any consideration of that is inevitably interwoven with retrospective interpretations of what he did in power, and the wider philosophical meanings of that activity.

The central contention of this book is that to divine the future of the British Labour party and, more broadly, British politics post-New Labour, attention must turn to a surprising foreign venue – a country normally associated with things other than inspirational political ideas, innovative social policy problem-solving, ideological transformation, the seismic grindings of philosophical traditions or the forging of new hybrids in the way society is organised. This book offers a journey to Australia. To peer into Britain's future, we must visit Australia's recent past; but also attempt to grasp something of its 100-year long political history as a federated nation.

The first element of the thesis at the core of this book argues that while in its formative stages Blairism cherry-picked ideas far and wide internationally, and particularly from the US, it also learned more than many people realise from the radical model of how a labour party should operate that unfolded in Australia in the 1980s and early 1990s. The second element of the thesis asserts that an analysis of Australian politics in the last twenty years of the twentieth century – and particularly the ideas that inspired British New Labour – may help shed light on the ideological meaning of Blairism. The Australian provenance will be shown to have some surprising elements – in the mainstream political system, to be sure; but Chapter 7 will also provide new insights into the way Australian sources specifically helped Blair, as an individual, to craft his conception of an acceptable ideology for his party, based on particular readings of history, philosophy and even theology. But the third and most important component of the argument here suggests that to foresee the British political future, events as they played out in Australia after the late 1990s also need to be closely examined. For the simple fact is that the chaotic political decline in the early twenty-first century of the very same labour party in Australia that in the 1980s introduced this revolutionary model of governance trumpets a disturbing warning about the potential fate of post-Blair Labour in the UK.

Market economics, the public realm and inequality

The 2005 British national election marked the hinge-point in the New Labour era under Blair and his Chancellor, Gordon Brown. It was a moment the future became newly relevant. Though it gave Blair the unprecedented achievement of a third successive victory, that election saw Labour's House of Commons majority cut by one hundred seats to just over sixty. Wounded by the hideous political miscalculation that was the involvement in the war in Iraq, Blair made clear he would stand down as leader before the end of the third term. When he had been on top, the focus of politics around Westminster was always on the here and now. But the prospect of Blair's eventual exit prompted minds, and planning, to turn seriously to the future. Many of the people on the progressive left of British politics who had, over the Blair decade, grown disillusioned to the point of despair at New Labour policies, programmes and rhetoric, after the 2005 poll saw the possibility of a kind of precious second chance, a reprieve for their political beliefs so battered during years of startling disappointment. For many, the hope was that Blair's eventual replacement by Gordon Brown would clear the way for the ideological repair of their party.

In looking to the future, the salient components of that part of the discussion in this book that deals with political ideology include market economics, the public realm and economic and social inequality.[2] Early in the campaign for the 2005 election, Labour's one-time deputy leader Roy

Hattersley opined that 'someday, sooner or later' British Labour would have restored to it a leader with the guts to acknowledge publicly, and with unapologetic pride, that the party's presiding ambition was to create a fairer society. As the reborn Croslandite conscience of his party, Hattersley had fallen cantankerously out of love with Blair's New Labour vision. As early as 1999, his key criticism of Blairism was that it was founded upon the idea that ideology was dead and that, whereas in the past centre-left parties may have sought to radically redistribute economic and social wealth to the needy, in the new age of market economics they had to confine themselves to building meritocracy, providing the opportunity for people to help themselves. Hattersley railed against New Labour as a 'half-thought out idea', plucked out of the air and meaningless. In berating this reckless embrace of the 'ladders theory' of meritocracy, he charged that Blair's inability to understand that there were people who could not 'climb out of the pit' of disadvantage, confirmed him, psychologically as well as philosophically, as 'alien to the Labour tradition'. (*Guardian*, 4 April 2005, 16; *Guardian*, 14 July 2003, 14; *New Statesman*, 22 January 1999).

Through the years of Hattersley's deepening disillusion, around the back corridors at the Palace of Westminster some supporters of Gordon Brown privately extolled the Chancellor as the authentic Labour spirit, the master strategist still nourished by his socialist bloodline, the 'sooner or later' man who could, once Blair was consigned to history, put their party back on the chosen path. Here was portrayed a Chancellor with many constraints upon him, who had to work the levers of orthodox financial and political power, but whose driving passion was to innovatively find the room to strike a balance between traditional party expectation and the demands of the forces of economic power and influence in British society. The assumption was that once Brown had progressed to the Prime Ministership, the keeper of the flame would have arrived.

At times during the Blair years, but particularly after the 2005 election, many Labour MPs went about their work in the House of Commons or in the Lords in a kind of ideological fog. Some of those broadly referred to here as traditionalists – not just the recalcitrant hard left or even the so-called soft left, but members of a wide cohort from various factional dispositions uneasy with the Blair direction – gathered regularly, and often quite gloomily, in their offices, in the bars and tea rooms of Westminster. They complained and occasionally table-thumped about their shock, anxieties or frustrations with this or that policy announcement or rumoured move as they sought to disentangle the meaning of various Whitehall manoeuvres. Some despaired for a leadership change so things could be put right, taking their party back to its roots, to coherent moorings. From the moment the so-called modernisers had taken the party in hand after Neil Kinnock's defeat at the 1987 election and then onwards to John Smith's untimely death, through the rise of Blair, the historic Clause IV re-write, the overwhelming 1997 election triumph and the heretical policy changes unveiled one after another, the 2001 poll, the Iraq imbroglio and the perennial bouts of acrimonious siege-craft between Blair and Brown over the party leadership – through it all, what was important was not the obvious, unedifying personal enmities politics always throws up, but the underlying philosophical cadence. The *meaning* of it all.

The myth of the end of ideology

Blair famously declared ideology a dead letter. He argued that the old left/right dichotomy had become outmoded. He announced that at the centre of his revolution was a 'large measure of pragmatism', such that a new imperative had been born – 'what matters is what works' (Blair, 1998d). Blair said his conviction was that Labour had to be 'absolute in adherence' to 'basic values', though it was necessary to be 'infinitely adaptable and imaginative in the means of applying' those values. 'There are no ideological preconditions, no predetermined veto on means,' he said. 'What counts is what works. If we don't take this attitude, change traps us, paralyses us and defeats us' (Blair 1998c). A cornerstone of his efforts to reconstruct the Labour Party in his image was this essential argument that not only should specific failed left-wing policy prescriptions of the recent past be jettisoned, but so too should the very idea that the Labour party should have any ideological underpinning, as traditionally conceived.

The simple fact, though, is that even as Blair strained to shrug off the straightjacket of conventional ideological thinking, British Labour politics remained deeply ideological in its post-1987 manifestation. Far from repulsing ideology, the New Labour revolution in Britain was constantly suffused by it. Well beyond a decade after Blair became leader, the mystery still remained: what was he about? Philosophically, what *was* he? The old days of overt party branch corruption and ugly left/right Labour constituency clashes may have been swept away. But for many party traditionalists the core problem that demanded an ideological response from the Labour Party remained intact, as it always had; as it always would. The hydra-headed problem that Roy Hattersley so persistently railed against, social and economic inequality, remained. With its tangling web of injustice and obsession with self, the problem of inequality could not somehow be air-brushed out of political consequence. Thus, whatever the newly ascendant neoclassical school of market economics argued, the political determination to do something about it was still passionately held by many Labourites.

Ideology was constantly the sub-plot to the decade of whispered tension between Blair and Brown over the rightful direction for policy development. To be sure, by 2005 there was much to be said for the argument that, as Chancellor, Brown had been trying, through a strategy of so-called stealth taxation and backdoor redistribution, to reach down and lift up the most disadvantaged in British society, particularly children in poverty. But this was the work of which New Labour rarely spoke and seemed ashamed, such was its obsession with downplaying its intent and impact. Amid all the New Labour muscle-flexing rhetoric about fiscal rigour, low taxation, building stronger businesses, creating a new climate of opportunity, encouraging individual choice and building a culture of entrepreneurialism, national competitiveness, labour market flexibility and worker discipline, nowhere was there room for the old, central notion about governments' presiding task being purposeful intervention to create a more egalitarian future. This was just not on the Blair song-sheet. But neither did it appear to be much on Brown's.

Two disjointing problems clouded the hopes invested in a future under Gordon Brown by Labour's nostalgic traditionalist school. One had to do with what might be called his political schizophrenia. The campaign for the 2005 election had itself demonstrated the enormous constraints bearing in upon the Chancellor. Reinstalled at Blair's side at the head of the effort to win the third term because of the leader's abundant vulnerabilities, Brown, purse-lipped and steely-eyed in the face of tough media questioning, was forced to declare himself the 100 per cent New Labour man – his discomfort barely disguised as he acknowledged, yes, he had been there at the heart of things too, when the big, contentious decisions were taken. At times over the years, his supporters had privately argued he had been the real brains behind 'the project', its chief architect. So, how easily could he, as leader, distance himself from it? The saviour-in-waiting the Chancellor may have been to some of his acolytes, but his first problem was that he was integrally tied to New Labourism. Apart from anything else, his scope for metamorphosis into some kind of abiding Labourite spirit would be circumscribed by his work as Chancellor. How could he remain acceptable to the world of money markets and high finance and also metamorphose into an overt champion of a resurgent sentimental leftism?

But the second problem was that Brown had been so bound for such a considerable period of time while he had agitated, unsuccessfully, for Blair to pass on the mantle of leadership. So many of the reforms in social policy and to important British institutional structures to which he had been party, and even some with which he may have disagreed behind the scenes, had become deeply entrenched. Perhaps then time would show that a not insubstantial body of opinion inside the Parliamentary Labour Party (PLP) and the Labour party at large in the country had made a mistaken calculation that as soon as Blair could be levered off the stage, the way would be clear for a purist Labour metamorphosis, a cleansing of the policy and philosophical toxicity of the previous decade. In looking beyond the Blair leadership, this book proposes a radical vision of tomorrow. In fact, this is a cautionary tale, one that may even horrify some on the progressive left. Ultimately, the danger was that even by the time of the 2005 election, just like Blair and the whole Blairite New Labour edifice, Brown too had become ensnared in a new political conundrum; what we shall explore in this book as the 'new progressive dilemma' of the early twenty-first century.

Heir of eternal liberalism?

A core incongruity sat at the heart of Blair's years of campaigning to discredit Labour's old-style radicalism by declaring void the traditional left-right ideological paradigm. Hand-in-hand with his declarations that ideology was dead came his sometimes confusing efforts to craft an ideological schema of his own. He was happy to countenance ideology when it was on his terms. Even in the very moment of Blair's landmark and audacious strike at his party's most traditional ideological moorings, Blairite modernisers moved in with their customary truculence to dispute any suggestion that his intent was, well, ideological. When, in April 1995, Blair killed off the historic Clause IV of Labour's platform in the same Methodist Central Hall in London where it had been erected in 1918, some media commentators declared the move foretold the collapse of Labour as the party of organised labour, perhaps even symbolically signalling the end of the working class in its conventionally understood form (*Sunday Telegraph* 30 April, 1995, 12). Blair had presided over the 'requiem mass of socialism' the 'highest watermark' for the 'victory of pragmatism over principle' (*Observer*, 30 April 1995, 1). But the Blairites rushed to dismiss such judgements as overwrought, a complete misunderstanding of history. Parroting the new mantra, they insisted that what would matter under New Labour was only what worked. First the party had to be made to work, and then, when in office, the country would be. No room here for doctrinal obsessions, for the fancy theorising of political science. But particularly germane to the discussion in this book is another moment when the Blairite tendency to selective expedience in relation to ideology was much in evidence.

Blair's capacity to try to elucidate a new ideological system even as he actively discounted the very idea of ideology was on display when he delivered probably his most important speech, the Fabian Society keynote address celebrating the 50th anniversary of the election of the Atlee government in 1995 (Blair, 1995a). By then, Blair's obvious personal antipathy to the socialist tradition was quite apparent. He had already developed the argument that in the early twentieth century the Labour Party had erred grievously in its deviation away from an 'ethical' to a 'statist' form of socialism. In the Fabian speech, he reminded his audience that Labour's historic roots had also been firmly fixed in the fertile soil of liberalism. At the time still very much working to articulate his emerging overall rationale for New Labour, here Blair projected for the first time the politically potent idea that a new progressive alliance should be forged with the contemporary political manifestation of liberalism, the Liberal Democrats, to shut the Conservative Party out of power indefinitely. Crucial to Blair's idea about such a modern alliance was the fact that prior to its emergence as a distinct political tradition, burgeoning nineteenth-century British socialism had been enmeshed within, and nurtured by, the long-established enclave of Liberal politics. Blair argued that as the three-party British political system settled into place during the twentieth century, the need for Labourites to break clear of the Liberal embrace, distinguishing themselves from Liberal reformers, had led to the wrongheaded identification of Labour, constitutionally, with socialism and the state ownership strand of leftist thinking that led to concepts of nationalisation. Labour had long suffered from this out-of-date ideology but now Blair was proposing a new understanding, a new political consensus, between Labourites and Liberals who had always believed in the same things anyway.

'Democratic socialism in Britain,' he argued, 'was indeed the political heir of the radical liberal tradition: distinctive for its own roots, priorities, principles and practices, but with a recognisable affinity when put next to its progressive liberal cousin' (Blair, 1995a). Blair's proposition startled various academics and commentators, prompting them to begin wondering whether he himself was a throwback to the liberal tradition of British politics rather than to any of its socialist streams. These critics differed as to the appropriate liberal strand; Blair was variously seen as a latter day version of Asquith or Lloyd George and even Gladstone (*Observer*, 26 July 1998, 21).

Importantly, in the speech Blair went on to refer directly to the argument most famously articulated by the liberal political scientist David Marquand at the end of the 1980s about a 'progressive dilemma' in which this divergence of progressive sentiment into the two camps, on top of Labour's repeated electoral failure over subsequent decades under the first-past-the-post British voting system, essentially delivered national power in the twentieth century into the hands of the Conservative Party. Addressing the stranglehold Margaret Thatcher had exercised over British politics, Marquand argued that instead of Labour's failed 1980s leftism, what was needed by way of response was a new progressive coalition, including 'conservative interests and tendencies as well as radical ones' – a new 'project', but one that should not be defined in traditional left–right terms. Marquand wrote of the need for strategic deals to be struck in select constituencies to cut the Conservatives out of power. For he saw the liberals of the time as having a 'virtually common agenda' with Labour on many big issues; he cited policy fronts including economic management, welfare, the environment and Europe (Marquand, 1991).

Desperate to win the 1997 election, in the lead-up to it, this notion of a deal with liberals had obvious huge appeal for Blair; witness the top secret negotiations on possible power-sharing that were actually going on behind the scenes with then Liberal Democrat leader Paddy Ashdown (Ashdown, 2000). This book will assign these ruminations far greater importance than as some temporary matter of electoral expedience. Firstly, they should indeed be seen as having important implications as insights into Blair's own political beliefs. But, second, what all the postulation about deals with Liberals amounted to at the time was nothing less than the possibility that two political parties that had been arch ballot box enemies for decades might join forces in a bid to overcome, once and for all, this shared and supposedly crippling electoral liability. Various scholars have looked to the fact that during his decade, New Labour under Blair did, in fact, come to embrace many of the ideas of its erstwhile opponents – drawing on a policy matrix that had had appeal to liberals and conservatives alike. In the end, Blair may not have needed to forge constituency deals with the Liberal Democrats after 1997, but he and Gordon Brown certainly embraced the ideas of their opponents. In fact, the argument to be advanced in this book is that the Australian experience demonstrates that if the original 'progressive dilemma' thesis pointed the way towards the embrace by labour parties of their opponents' recipes as the only route to electoral success, then that stratagem would only work while they remained in power. The Australian story to be outlined in this book suggests that once Labour is relegated to opposition again, as the vagaries of electoral politics will always eventually allow, it risks paying a catastrophic price for the strategic/policy/philosophical repositioning of the Blair years. Fundamentally reformed in the ruthless pursuit of high office, once Labour is back in the electoral wilderness, and particularly if it faces a strategically adept Conservative Party Prime Minister and ministry, the party will be confronted by a progressive dilemma of an altogether different and more serious order than the one David Marquand had in mind.

Australia: two eras

Comparative international politics is a demanding strand of political science. Even in a globalised world with new high tech aids to analysis, individual nations' political histories, cultures and conventions are not easily aligned and thus made comprehensible. Academic scholars wrestle with the new study of international policy transfer – basically, trying to trace how ideas move from one nation to another (Dolowitz and Marsh, 1996; Evans and Davies, 1999; Dolowitz, 2000; Dolowitz and Marsh, 2000; Rose, 2000). Happily, the obstacles are more muted in an Anglo-Australian comparison, the Australian polity having evolved from imported British ideas from the 19th century, its political, social, constitutional and cultural structures thereafter founded upon or reflecting British forms. The ordinary British reader might well say: who cares about politics in far-off Australia? In some quarters of British political discourse there may be an assumption that a familial but nevertheless irrelevant, medium-sized country on the world stage like Australia would have little to teach the intellectual powerhouse that is Britain. This would be a grave miscalculation. This book will light the path through the complexities of politics in both nations to clarify symmetries that emerged between the two. The question is whether some of those symmetries help illuminate the future. For, at a moment in October 2004 when a particularly disaffected group of Labour MPs were again bemoaning Blair during another of their private soirees at Westminster, at the other end of the world a group of conservative MPs were gathering for an impromptu celebratory brunch in the cafeteria of the Australian Federal Parliament in Canberra. The Australian MPs had good reason for cheer and it was not just the early spring sunshine pouring in through the giant, panel-glass walls that overlook the panoramic steeples of grass flowing away down Capital Hill, the high epicentre of the antipodean national capital. Just nine days before, the Australian electorate had delivered one of the most extraordinary political judgements in the nation's history – re-electing the conservative Coalition of Prime Minister John Howard and, in so doing, creating a genuine political legend; but also pitch-forking the routed Opposition Australian Labor Party (ALP),[3] under its novice leader, Mark Latham, into a ferment of despair.

Latham, a bespectacled Sydney-sider with too much volatile political pugilist about him, was the fourth leader of the ALP since 1996. This book will home in on two periods in recent Australian political history, partitioned by that year, 1996. The first is the 13-year phase after 1983 when the ALP elected as leader a charismatic former trade union boss with an earthy Australian brashness by the name of Bob Hawke. Much like the British party in the mid-1990s, by 1983 Australian Labor had grown so desperate to staunch its appalling post-war record of electoral failure, it ditched its then Neil Kinnock-style leader, a bland former Queensland policeman called Bill Hayden, in favour of Hawke. Basically, party research and opinion polls had been bellowing that Hawke, then 54, was the man to end twenty-three years of unbroken rule by the conservative Coalition. After Hayden buckled under the pressure and stood aside, Hawke was installed in the leadership by the party's factional barons despite the pretensions of the gifted and ruthlessly sharp-tongued Sydney MP, 39-year-old Paul Keating. Keating became Hawke's Treasurer, the Australian equivalent of Chancellor, after a March 1983 landslide that swept aside the Coalition government of the patrician conservative, Malcolm Fraser. Handed the prospect of the dashing Hawke as its leader, Australia responded with a tidal wave vote of enthusiasm; for a few short months Prime Minister Hawke was actually referred to by jubilant Laborites as 'the Messiah'.

The second time phase to be identified here begins with the 1996 Australian federal election, when the Hawke–Keating era finally ground to an exhausted halt. In 1991 Keating replaced Hawke as Prime Minister after their perennial behind-the-scenes rowing over who should rightly occupy the top job erupted in a party room coup, stage-managed by Keating's factional supporters. After the political assassination of Hawke – the first time in its history the ALP had removed an incumbent PM – and with Keating finally enthroned as his successor, against all predictions Keating managed to win the next national election in 1993. But after years of complex intrigue, at the 1996 poll Keating finally met his match in John Howard, one of the great survivors of political history Down Under. In sum, the Australian focus here is upon these two eras – 1983–1996, and then the period from 1996 into the first decade of the new millennium.

Three nations and a Third Way

From the early 1990s scholars of politics in Britain have sought to identify the sources of the inspiration for the Blair project. Much of the impetus towards change did flow from Labour's own domestic and turbulent efforts to light on a package of policies that would win over the electorate. But in remaking the party from the late 1980s onwards, the modernisers specifically looked abroad for ideas, including the United States. Commentators and, indeed, Blairite insiders themselves like Philip Gould emphasised how much inspiration came from the reinvention of the Democrat party in the US in the late 1980s (Gould, 1998). Scholars pointed to a provenance within the American 'centrist policy synthesis', and specifically, the period of Bill Clinton's Presidency, from 1992 to 2000 (*The Times*, 29 March 1997, 20).

Just as the two main parties of the left in Britain and Australia laboured under a heritage of post-war electoral ineptitude, in the 1980s the same was essentially true of the Democrats. In Britain, of course, the 1970s saw the disappointments of Wilsonian politics, culminating in Jim Callaghan's 1979 winter of discontent which set the scene for Margaret Thatcher and years of internecine Labour chaos. The ALP's modern electoral tale of woe can be charted through the long conservative hegemony that stretched back in time from Malcolm Fraser to Sir Robert Menzies, the towering figure who galvanised the political forces on the right into a formidable Coalition from the late 1940s. In the US, from the late 1960s the Democrats' fate seemed interminable electoral exclusion, foundering upon ill-conceived Presidential campaigns – Hubert Humphrey, George McGovern, Walter Mondale and Michael Dukakis – offset only by Jimmy Carter's uninspired stint in the White House. Years of failure in national elections brought prominent players in all three of these parties to some heretical conclusions: that their old policies were out of touch and too radical for the electorate; that organisationally the parties themselves were indisciplined, ill-resourced, unfocused; that their coherence as national political machines was undermined by factional extremism; and that they were hamstrung by outmoded expressions of leftist or socialist doctrine that perennially made them soft targets for conservative election scare-mongering. Essentially, British Labour, the ALP and Democrats embraced the same process of reform. What differed in each case was timing and, with the Democrats, the format for renewal.

The different electoral cycles essentially meant that in Australia, the rethink that culminated in the switch from Hayden to Hawke gathered momentum from the mid-1970s. In mid-1980s Britain a right-wing uprising was brewing against the 'infantile leftism' that had gripped the party at every level in the previous decade (Teles and Landy, 2001, 113). By the late 1980s, recalcitrant Democrats in the US were plotting a heretical departure from a failed leftism that had reached its nadir with Walter Mondale's disastrous 1984 loss of all but two states to Ronald Reagan. Whereas in Britain and Australia the labour parties swung into the control of right wingers determined to jettison failed policies and methods, in the US a break-away group of Democrats in 1989 formed a new body, the Democrat Leadership Council (DLC) and went to Arkansas to recruit the state Governor, Bill Clinton, as its inaugural chairman and, before long, candidate for the White House. The Clinton Presidency straddled the demise of the Hawke–Keating era and the emergence of the Blairite. Indisputably, the Blairites drew important lessons, particularly in electioneering methods and strategic positioning, from the Clintonites. Gordon Brown was also much influenced by the Americans. In the late 1990s Blair and Clinton convened the various, so-called 'Third Way' think tank sessions, meeting with like-minded European, African and South American leaders in various combinations at various destinations around the globe to try to define their new 'progressive governance'. What is less known is the extent to which in the early days some Clintonites looked to the Hawke–Keating experience for guidance, and the extent to which others later saw the Australian and early Blairite efforts as linked moments integral to the worldwide attempts to rethink left-of-centre political tactics, party management and policy-making.

The first major aim of this book is to bring a clearer perspective to the extent to which New Labour in the UK, particularly in the early years before Clinton fully emerged, drew important insights directly from the Australian experience. Over the years, some British writers have alluded to the fact that from the late 1980s Tony Blair, Gordon Brown and senior party figures like John Prescott, Patricia Hewitt and Philip Gould travelled to Australia and/or took the opportunity to investigate the Hawke–Keating approach (*Guardian*, 18 September 1995, 13). As various biographers recorded, Blair himself long had more than a passing interest in Australia, having lived in Adelaide as a child and, as an up-and-coming MP at the start of the 1990s, having cultivated the labour political cognoscenti Down Under (Rentoul, 1995). As well, Blair had a long-standing friendship with an Australia Anglican philosopher-cleric, Peter Thomson, whom he met, as we shall see in Chapter 7, as a young man while studying at Oxford.

The Australian template

Some British political figures are tempted to downplay the impact of any particular Australian provenance. Others, including key players in the early days of the Blair revolution, take a different view. For their part, side-lined and in retirement, Hawke and Keating had no doubt. Referred to on one occasion by a British journalist as the 'godfather of the Third Way', Hawke boasted he had told Blair and Brown 'what it was all about' (*Sunday Times*, 3 July 2003, 5). Keating proclaimed that while Blair became its most prominent champion, the ALP in the 1980s 'cut the template' for the Third Way (Keating, 2001, 154). This book by no means suggests Blairism somehow slavishly adopted Australian practice. The scholarship of international 'policy transfer' shows this is a complicated, subtle process. Nor does the book suggest that America was anything other than hugely influential. What *is* suggested is that the tighter, familial labour party linkages and the more closely aligned national institutional, political and policy-making structures and processes between Britain and Australia gave Australian ideas particular leverage. The other element here is the timing of the electoral cycles. The Blairites looked to Australia first, before Clinton was even a 'New' Democrat. Australia represented a first-phase influence, the US a second. To elucidate these Australian influences on the birth and development of the Third Way, this book will identify and trace a series of 'ideas' that were developed, analysed and exchanged between prominent individuals, located both within the political systems and outside them, in both nations. This builds upon the work of Australian scholar Andrew Scott whose book *Running On Empty* sought to locate the arrival of Blairism within the variegated history of contact between the ALP and the British Labour Party and between trade unions in both countries during the twentieth century (Scott, 2000). But, what exactly, do we mean here by ideas?

Later chapters will explore two categories. The first is the impact abroad of what might be termed a political 'skills-set'[4] devised by the ALP – a suite of political techniques, systems, practical tools and management and operational methods instituted in Australia and then embraced later, in one form or another, in the UK. The second category of ideas involves a set of specific, innovative pieces of public policy devised and implemented by ministers during the New Labor years that were picked up internationally. Here will be developed the analysis of two academics, the Briton Chris Pierson and long-time Canberra-based Frank Castles, who established that, on the level of pure policy, there was a 'significant' process of ideational transfer between Australia and Britain in the mid-1990s, even if they argued that this never amounted to a model that could guide social democratic practice. More detail will here be traced at this level of ideas exchange. At one point, Pierson–Castles argued: 'Australia might only properly be considered a source of Third Way thinking if we could show that there was a process of policy transfer in which both ideas and practices central to New Labour's version of the Third Way could be sourced in Australian experience' (Pierson and Castles, 2001, 17). This book will probe the possibility that such a linkage can be located. The overall aim, then, is to appraise the roles played by Australians in developing and propagating these specific ideas and also evaluate their impact in Britain.

Even the most cursory examination of the two periods in these countries discloses some quite startling parallels between the ALP experience and Blair. Among the most crucial is the fact that in the face of the international wage-price spiral that had gradually set in from the late 1960s, with the breakdown of the Bretton Woods agreement, the devaluation of the $US as a consequence of massive budgetary and trade deficits during the Vietnam war and the fourfold explosion of energy prices in 1973–74, Hawke and Keating in the early 1980s and Blair and Brown in the mid-1990s accepted as a given the demise of the Keynesian principles of demand management in the domestic economy and controlled exchange rates. Under Hawke and Keating, Australian Labor broke new ground among left-of-centre parties in embracing the new international neo-liberal economic orthodoxy that emerged from this breakdown in the international monetary system (Mathews, 1996). Hawke and Keating pursued radical new market-embracing policies that aimed to modernise the country and win it a place in the new global economic order (Painter, 1996, 287–99). By the time Blair and Brown were deploying that same economic rationale, the operational backdrop to market liberalism had a familiar name – 'globalisation'.

Essentially, both sets of leaders argued they had no option but to ditch their parties' old ideas, because governments were now dictated to by international markets. The dealer-rooms of the now globalised financial markets had the power to foreclose on any nation stepping out of line. The market had suddenly become all; the individual now paramount. Old notions of collectivism faded because the consumer, wandering on the level playing field of a marketplace operating at maximum efficiency without the distortions of government hindrance, was king. Governments' role was now to steer, no longer to row; to provide individuals with choice; choice serviced, ideally, by the private sector. Governments' responsibility ended at providing opportunity for the individual to flourish. No longer would government see its role as intervening to try to change outcomes, to pick winners, to create fairer outcomes. Equality of outcome as a political ambition had been superseded by equality of opportunity. As we shall see, in office, both Labo(u)r parties instituted amazingly similar specific policy prescriptions. But in both countries, the embrace of this market-oriented economic-philosophical matrix, and its implications for the parties' traditional thinking, sparked intense disputes about the ideological *raisons d'être* of both.

Betrayal or a Trojan Horse?

Just like Hawke and Keating in the 1980s, Blair in the late 1990s found himself accused of presiding over an historic betrayal of his party's supposed philosophical traditions. Herein lies another major aim of this book – to look to the arguments that played out in both countries, to try to find commonality that might bring greater clarity to the ideological meaning of Blairism. The fact is that between 1983 and 1996 Australia was a nursery of many of the same ideas that fired Blairism. Some of those ideas were germane to the disputation in both countries about the parties' heritages. Flowing from that, the question becomes: if these two political adventures were so similar, deployed many of the same tools and techniques and were characterised by the same philosophical arguments, is there new traction here for divining ideological meaning in the changes Blair brought to British politics? An important, allied factor here goes to the heart of Gordon Brown's supposedly hidden identity – his stealthy 'old Labour' persona.

One important distinction between the pairings, Hawke–Keating and Blair–Brown, is that in their long and tumultuous relationship there was never any great suggestion that the former were but the closest of ideological soul-mates. Despite the profound personal animosity that existed between them behind the scenes, Hawke and Keating were as one on the fundamentals of economic reform (with the important exception, as we shall see, of the labour market area). But there is another dimension here in this complex cauldron of policy, political relationships, personality and rancorous rivalry. Whatever hard-line leftists in both countries argued, the fact is most of the individuals who made up the moderniser cohorts in both countries all were *of* labour. They may have been factionally on the right of their parties. They may have harboured strong personal views about market economics. But they were individuals fully cognisant of the traditions of the parties that spawned them, aware of labour's supposedly higher calling.

The fact is, the modernisers believed themselves severely circumscribed by the market economics wrought by globalisation – what we shall call here the New Economics. This new world consensus meant old labour ideas were defunct. So, in cabinet and among the policy advisers to the ministries, a new, almost unspoken dynamic evolved – a need to try to devise innovative means to stay in office by embracing the economic orthodoxy, defending existing institutions, challenging as few vested interests as possible – but, in doing so, quietly and stealthily working at devising innovative policies to get something approaching traditional party aims realised. One of the findings of this book is that Gordon Brown was not alone in his stealth strategy. Years before, others in Australia had devised their own. Though its existence was disputed by some key players interviewed for this book, the remarks of others leave no doubt there was a dimension to the late-twentieth century Labo(u)r revolution that can best be likened to a 'Trojan Horse strategy'. Having ingratiated itself with the social and economic forces that in the past it had eschewed, Labo(u)r's recourse was to disguised, incremental reform from within the new neo-liberal economic establishment. That, after all, was what the modernisers in Australia in the 1970s and the UK in the 1980s repeatedly said to their internal party critics – taming capitalism from within had always been the Labour way; secondly, it was 'better to be in power so you do something than out of office and impotent' (*Independent on Sunday*, 24 September 1995).The intriguing thing here is the way, on the policy front, some of these 'stealthy' ideas developed in Australia were translated to Britain.

A disturbing legacy

It should be stressed here that it is the third aim of this book, the attempt to look to the time beyond New Labo(u)r, that carries the greatest import. The book will set out a new perspective on the legacy of the Hawke–Keating years. In Australia, this argument will be contentious. For, under the Australia of the 'new Menzies', John Howard, among the class of powerful economist-technocrats (Pusey, 1991) that had emerged to run the country (as they did in so many others after the late 1970s), among Conservative politicians, inside the business community and financial press, among ascendant pressure groups and even in some Labor ranks, a short-hand perception took root that the great reforms of the New Labor years set the stage for the economic success Australia enjoyed under Howard's conservative Coalition. Many on the progressive left of Australian politics found themselves discomforted by this for a variety of reasons. A number of factors need to be borne in mind when contemplating the Hawke–Keating era. It unfolded during the Thatcherite world reassessment about nations' economic policies and the role government plays. A New Economics consensus developed in the 1980s that Australia's closeted economy needed to be opened up to the world, that structural adjustment was particularly necessary to expose its industry to the marketplace so it could be more internationally competitive. Even some on the left who opposed the economic reforms at the time, later were forced to concede some of them were overdue, unavoidable. But, in retrospect, a number of huge problems still attach to the Hawke–Keating record. One question is whether it was necessary to go quite as far on some fronts as New Labor did. The speed of implementation was ill-thought. Some of the changes devastated the ALP's traditional support base in the community at the time. There was significant short-term pain for ordinary people in the adjustments that market economics demanded. And, as we shall see, pillars of a 100-year old edifice of national social and economic cohesion began to be dismantled under the New Labor rethink.

Leaving that complex discussion to the side for the moment, the urgent point here is that by the early years of the twenty-first century the party that Hawke and Keating had reformed in the 1980s with the dream of making it the 'natural' party in office while relegating the Coalition to permanent obsolescence, had itself collapsed in fitful disarray. By the time of the 2005 British election, in Australia the ALP had descended into a parlous state – organisationally struggling, ideologically bewildered, electorally wrecked. John Howard's fourth election win in 2004 saw him extend his majority, leaving the prospect for the ALP of another two terms in opposition, probably through to at least 2010. But equally important, the Australian progressive left, anchored in the middle class intelligentsia, was, under the new Coalition hegemony, in near-total retreat – devoid of new ideas, its forty-year old notions of social liberalism shattered, its principles and operational *raison d'être* in desperate need of re-marshalling. Such was the political and cultural potency of an unchallenged new conservative era that had blossomed just a few years after Keating's fall.

With the right-wing Prime Minister Howard triumphantly in the vanguard, conservatism in Australia was intent on nothing less than redefining the national compass, its basic values and sense of identity. The irony here was immense. Keating's final and doomed 1996 electoral gambit, pitched mistakenly to the metropolitan middle class elites and over the heads of the vast, disgruntled suburban working class, had been his conception of a new nationalism, replete with republicanism, feminist advance and Aboriginal rights. With the canny Howard pulling the strings and some of his most trusted minister-lieutenants eagerly at the forefront, the early 2000s saw the emergence of what became identified as Australia's 'culture wars' (Melleuish, 1998). The conservatives proposed a radical rethink of Australian history, and its assumptions. They developed their own version of 'values politics' backed up by another of their novel tools, the effective election scaremongering technique known as 'dog-whistle' politics, or the art of the cynical 'wedge' – something Michael Howard was said to have employed when he took advice from John Howard's political adviser Lynton Crosby in his 2005 showdown with Blair (*Sunday Telegraph*, 30 October 2005); and something Paul Keating himself took steps to deride as an 'expedient search for the dark-hearted' (*Guardian*, 4 May 2005). Key targets for Australian conservatives included turning back the supposed misadventures of post-1960s social liberalism (abortion reform for example), sidelining the pampered, leftist special interest elites of the 1980s and rethinking policies that involved the rights of the poor, the place of immigrants and the destiny of indigenous Australians. Ever vigilant, the Howardites were alert to stamp out any vestiges of that great, delinquent 1980s hangover, the now much-reviled 'political correctness'.

The complex Australian 'culture wars' of the Howard era are not to be dissected here. However a disillusioned progressive left in Australia portrayed him, John Howard won his mandate for change. Repeatedly. What is at issue here is the extent to which the inroads of the Hawke–Keating period, the policy approach adopted by New Labor in the 1980s, helped clear the way for Howard, helped pave the road to the new conservative hegemony. The key point is that by embracing so many of the specific policies and values of the post-war neo-liberal–conservative axis, New Labor in Australia validated the whole direction. This book will ponder the legacy, for Australia, of the Hawke–Keating era. But, like its original policy ideas, that legacy also potentially reached out to Britain. Could it be that it contained lessons, or even foretold the future, for British politics as well? It is not suggested here that a future Conservative government in the UK would launch some British variant of the Australian 'culture wars'. The key question, rather, is whether the process of directional validation that Hawke and Keating constructed for John Howard, and upon which he was able then to build his wider policy-making edifice, could likewise prove to be Tony Blair's legacy to British politics. In short, if the Australian New Labor experiment helped mould and ideologically define Blairism, then its fate also potentially provides a template for the future – it gives hint of how British politics may play out, perhaps not that long after Blair and his coterie have departed.

To those who became so concerned that at the turn of the century the core sentiment of British labourism was catastrophically eroding, the message of this book is to look to Australia. Specifically, look to Australian political history and understand the import of the last twenty years of the twentieth century – to learn how, and why, a familial labourite essence withered there as well. For a while, Australian New Labor in the very late 1980s and early 1990s was seen as a global innovator, setting the pace among left-of-centre parties worldwide in political tactics, election methods and policy-development. Once the balance of power shifted from left to right in the management of British Labour, and particularly after the Blairites emerged, Britain became quite receptive to these Australian ideas. But this was innovation that carried a stark legacy. This book will demonstrate how the British party under Blair, Brown, Prescott, Hewitt et al absorbed some of the elements of that innovation. But it will also ponder the rueful possibility that, like the Australians before them, the Britons who so changed their party in a brief, pragmatically-obsessed moment, also ran the risk of one day seeing it pay a disastrously heavy price.

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Startling Parallels

Andrew Scott's valuable research graphically showed the extent to which the political trajectories of the British Labour party and the ALP travelled in parallel during the twentieth century (Scott, 2000). Though they were obviously very different organisations reflecting their different geographical and cultural contexts and histories, the fact is these two familial parties stood out, worldwide, as being 'essentially similar in their institutional forms and ideologies'. In fact, there are probably no two political parties operating at great geographical distance in different nations with more of a common ancestral heritage than these. Scott's work showed how the political connections between the two were, at times, substantial, though this varied greatly over time. It is certainly the case that comparing the Blair–Brown era and the period of Labor party government in Australia under Hawke and Keating – unfolding as they did near a decade and a half apart – produces some quite startling analogies. Some parallels are simply coincidence. Others flowed from the overarching influence of late twentieth-century global orthodoxy and convention – in particular, the arrival of the New Economics. Some arose from the normative demands of a Westminster parliamentary system transposed to Australia in the nineteenth century. Others were explained by the structural and organisational commonalities of familial branches of the labour movement, kindred labour parties. Of course, there were noteworthy differences in how two very different nations approached politics and policy development. But the starting point for this comparative analysis remains the two labour parties' inability to break the post-war conservative electoral gridlocks. Prior to Blair's 1997 victory, Labour had held national power in Britain only five times in the entire twentieth century, for a total of just over twenty years. In Australia by 1983, Labor had held office for a total of only nineteen of the eighty-two years since 1901.

In strategic terms, the guiding rationale of the New Labo(u)r experiment in both Britain and Australia was electoralism – winning seen as the point of political activity. This is not a fatuous point. Just as in the UK, a key characteristic of the modernisers in Australia was their absolute determination not only to get into office, but to stay there by whatever reasonable means. Their ultimate goal was the exorcism of the notion that their parties were unreliably, ineptly, even dangerously illegitimate and electorally unpalatable because of the stranglehold of trade union paymasters and/or lurking left-wing erraticism. The Wilson and Whitlam governments left tortured legacies. Just as Tony Blair pointedly reminded his party prior to 1997 that it had never been in opposition for a longer, unbroken period (*Independent on Sunday*, 24 September 1995, 5), so Prime Minister Bob Hawke privately admitted he had been 'haunted' by the political disasters of the Whitlam years, urging on his supporters the view that 'vision' was about economic success, nothing more or less; that he had to 'win and win again' (Mills, 1993, 67).

Structural adaptation

Just as with Blair and Brown in 1994, when Hawke and Keating came to the leadership of their party in 1983, they inherited, and immediately began building upon, processes of internal reform initiated by their immediate 'modernising' predecessors. The ruthlessness evident in these, at times, bitterly-fought processes was a reflection of the horror at past failures felt by the new generations of party operatives – and their intense determination to change things. The upshot, in Britain in the mid-1990s, like Australia in the 1980s, was that, from the first, the Blair and Hawke governments were essentially unshackled from their parties and freed up to take national policy-making, essentially, wherever they chose.

Blair, of course, inherited from Neil Kinnock and John Smith a process of ongoing change to party rules and procedures: new rules to facilitate the expulsion of recalcitrant party members; the introduction of one member, one vote arrangements which gave delegates from party constituencies more say; and the removal of the contentious trade union bloc vote. Basically, the effect of this was to reduce radical influence and trade union power in the party. And then there was the April 1995 masterstroke – Blair convincing the special party conference to revise Clause IV, Labour's abiding commitment to socialism. It was a watershed, but also a vitally important symbol, and signal, of pragmatic Blairite intent (Jones, 2000). Then when Blair became PM, changes in PLP rules shifted more power – for example, the responsibility for selecting whips – to his office. Gradually, control became centralised in his hands, essentially at the expense of the different tiers of representative democracy supposedly embodied in Labour's National Conference, its National Executive Committee and the ministry. A series of advisory groups, consultative forums and commissions displaced party and parliamentary conventions and structures. The party, basically, was bypassed 'and major policy and other decisions taken by

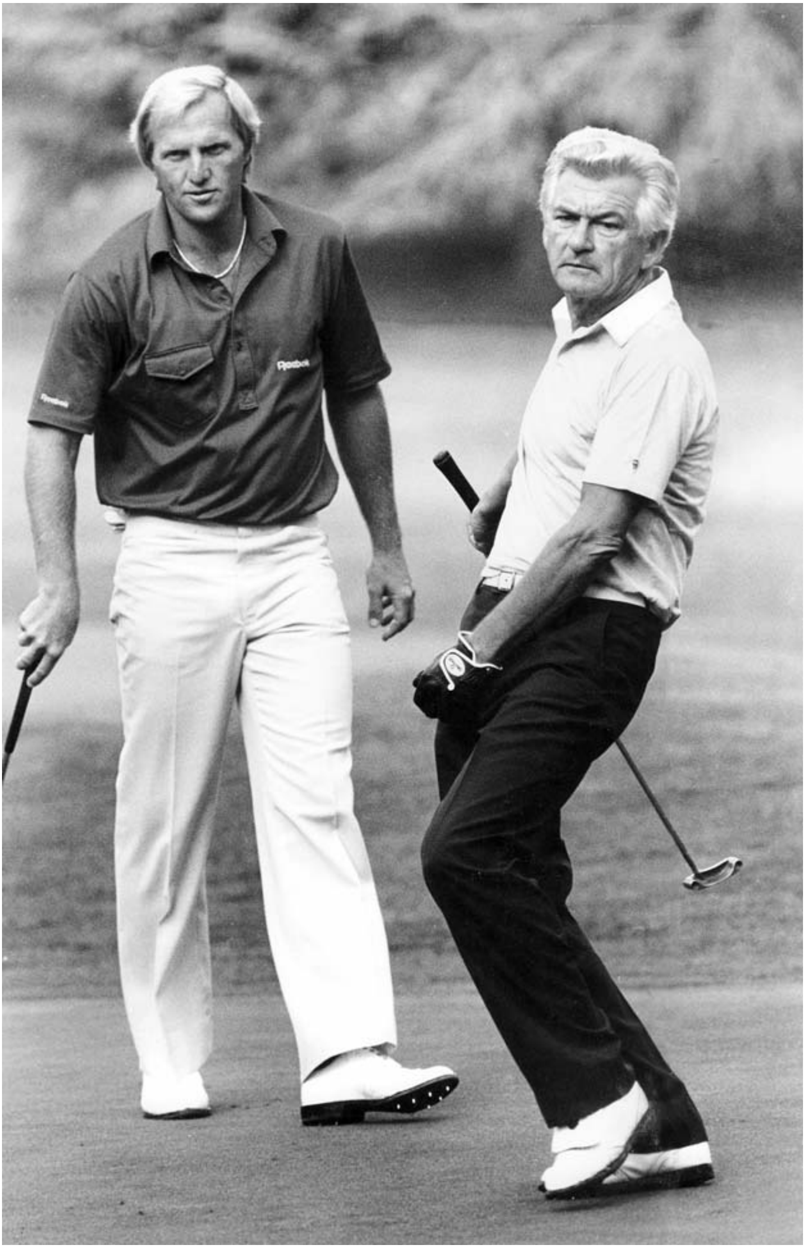

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Figure 1.1: The sports-mad Hawke playing a round of golf with Greg Norman at a course in Canberra

shadow Cabinet members, party officials and the leader's staff' (Perryman, 1996, 80). All this created a situation in which Blair knew his party would speak 'only if he knew what it was going to say' (*New Statesman*, 3 November 2003, 8).

In Australia, the equivalent of the Kinnock–Smith reform momentum had come in the period of 'machine reform' between 1977–1982 (Lloyd, 2000) – its hallmark a comprehensive rethink about the ALP's attitude to, and behaviour in, office. According to Bob Hogg, Hawke's one-time personal political advisor and later ALP National Secretary, it was when Labor 'started to get away from always trying to make society fit in with its ideas' (Hogg: Interview with author, Melbourne, August 1999).These changes came under the leadership of the Kinnock counterpart, Hawke's predecessor, Bill Hayden. Hayden was the true bridge between the Australian version of Old Labour and the new, just as Kinnock would prove to be in the UK. He had been national Treasurer (Chancellor) for a short period at the end of the ill-fated Whitlam period, 1972–5. Disillusioned by that experience, Hayden, essentially, was won over to market economics. Presaging Blair's later triumph and similarly trying to send new signals about its intent, in 1981 the ALP right wing moved to get the ALP National Conference to ditch its own contentious socialist objective wording (Evans and Reeves, 1980). Other ALP leading lights pressed Conference to allow the

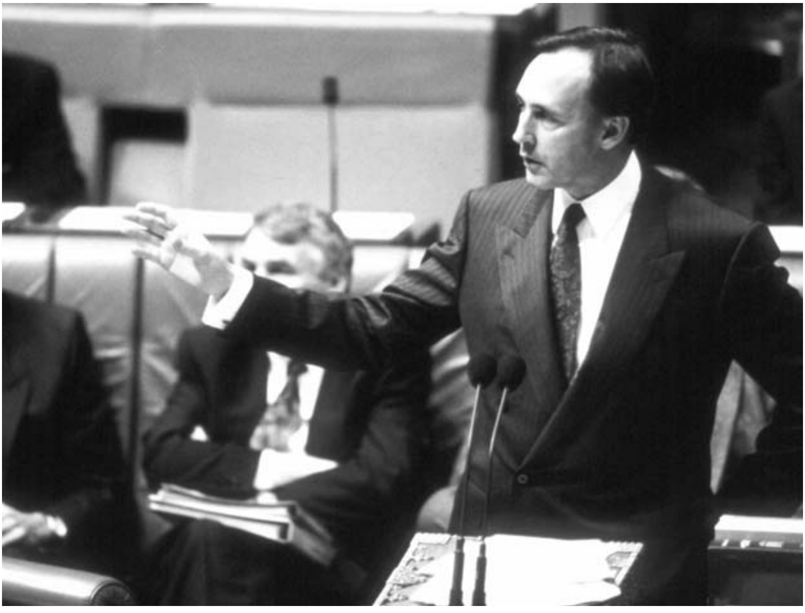

Figure 1.2: Keating speaking in parliament in 1993 with Brian Howe seated on the government front bench behind

PLP (referred to in Australia as the 'caucus') to interpret how it implemented policy. With the prospect of a return to office, the reformers agitated for the ministerial executive to be given greater discretion to act irrespective of the views of MPs. After Hawke won in 1983, two changes were made to avoid the alleged indiscipline of the Whitlam years, where ministers defeated in cabinet tried to marshal the numbers in caucus to overturn decisions (Hawke, 2001, 141). Hawke himself, and not the caucus, would select the all-important 13-person inner Labor cabinet; and all ministers were bound to support cabinet decisions in caucus – two changes which greatly weakened caucus authority. One observer remarked of all this: 'They locked ministers into an economic policy which broke sharply with previous Labor tradition and was determined by a minority of ministers.' The other significant structural reform of the Hawke years was the structural bundling of government MPs into a hierarchial system of three factions – left, centre-left (CL) and right – with the last the largest group but essentially trading off with the CL to dominate decision-making in the caucus. Combining the cabinet selection and solidarity rules with the ruthless right-wing domination of a faction system which was the Hawke–Keating 'hallmark'(Steketee, 2001, 139–44), New Labor ministers too had been armed with tools more than adequate for the despatch of party shibboleths in the cause of renewal.

As we shall explore later, in the US by contrast, the Democrat structural reformism had a different trajectory. In 1985, the group of dissident right-wing Congressional staff aides and policy officials, disheartened with failed leftism, stepped away from the party mainstream organisation and established the Democratic Leadership Council – the New Democrat power base of Clinton and Al Gore which attracted some of the most prominent Democrats of the 1990s (Faux, 1996).

Confusion and disharmony: left and right

The (mainly) men who orchestrated this reformation of the processes of control within the British and Australian parties were essentially right-wing pragmatists with a distinct distaste for various forms of traditional leftist radicalism. In both cases, tough party, caucus and/or factional ground-rules essentially marginalised leftist activism, stifled wider party dissent or utilised deal-doing to smooth over pockets of disquiet, thus facilitating ministers in ignoring decisions of bodies like supposedly all-powerful national conferences. The modernisers disowned any connection with anything vaguely resembling a socialist impulse, even though this was a formative influence on both labour parties. Notwithstanding his oft-repeated assertion that in the British New Labour revolution the old boundaries of left and right were outmoded (*Independent,* 12 April 1996, 1), Blair could happily play a behind-the-scenes role in denying leftists roles in the party executive (*Independent*, August 1995, 13). Personally, Blair, Hawke and Keating were deeply antagonistic to the hard-left of their parties, both organisationally and intellectually. The Australians' factional battles to sideline and neutralise left-wing extremism were a preoccupation throughout their careers. Like their Australian counterparts before them, British modernisers were scathing about the inability of the intellectual left to provide specific, practical policy advice, despite the proclivity of some activists, academics and observers to dissect and pronounce upon the New Labour doctrine in theoretical terms (*New Statesman*, 11 September 1998, 14). These periods in the two countries were characterised by limited internal party resistance to policy direction, chiefly because left-wing thinkers were devoid of effective, alternative policy inspiration. In Australia, a 'second wave' of left-wing ministers evolved from the late 1980s to stamp more of an imprint on decision-making. But these leftist pragmatists worked within the prevailing ethos, not challenging it, and earned the opprobrium of others on the Australian left. In 2003, John Kampfner illuminated the personal enmities among the leaders of the left inside the Blair government, tension that made it impossible for them to work together. The left was thus an 'incoherent and inchoate force', leaving 'the coast clear for a small but determined Blairite faction at the centre of government to dominate the debate over policy' (*New Statesman*, 20 October 2003).

Ultimately, the route chosen by British Labour mirrored the Australian precedent of reforming party practice first and then proceeding to build a new policy base. The upshot was that in Australia by the early 1980s and in Britain and the US later in that decade, a corps of party officials and leaders had come up through the ranks determined to jettison any policies, as well as practices, deemed to be creating obstacles to electoral victory. Side-stepping criticism that Hawke, Keating and Blair were personally too close to various millionaires and entrepreneurs, the modernisers unashamedly courted the 'big end of town'. Business communities both in Australia and Britain were pleased to suddenly see 'new' Labo(u)r parties proselytising 'sound' positions on market forces, personal taxation and trade union power. This was all part of a conscious act of strategic repositioning, in which modernisers in both countries tried to annex the so-called electoral middle ground from their conservative opponents who were, initially at least, pushed further to the right.

The first direct effect of this reinvention was to wreak confusion and disharmony inside the Conservative party in the UK, just as had been the case inside the conservative Coalition in Australia, as their various leaders haggled, ideologically, over the precise form of required policy response. Both labour parties brought fundamental socio-political realignment, redrew the contemporary electoral map and reached out across unfamiliar boundaries to appeal to the core constituency of their political opponents,

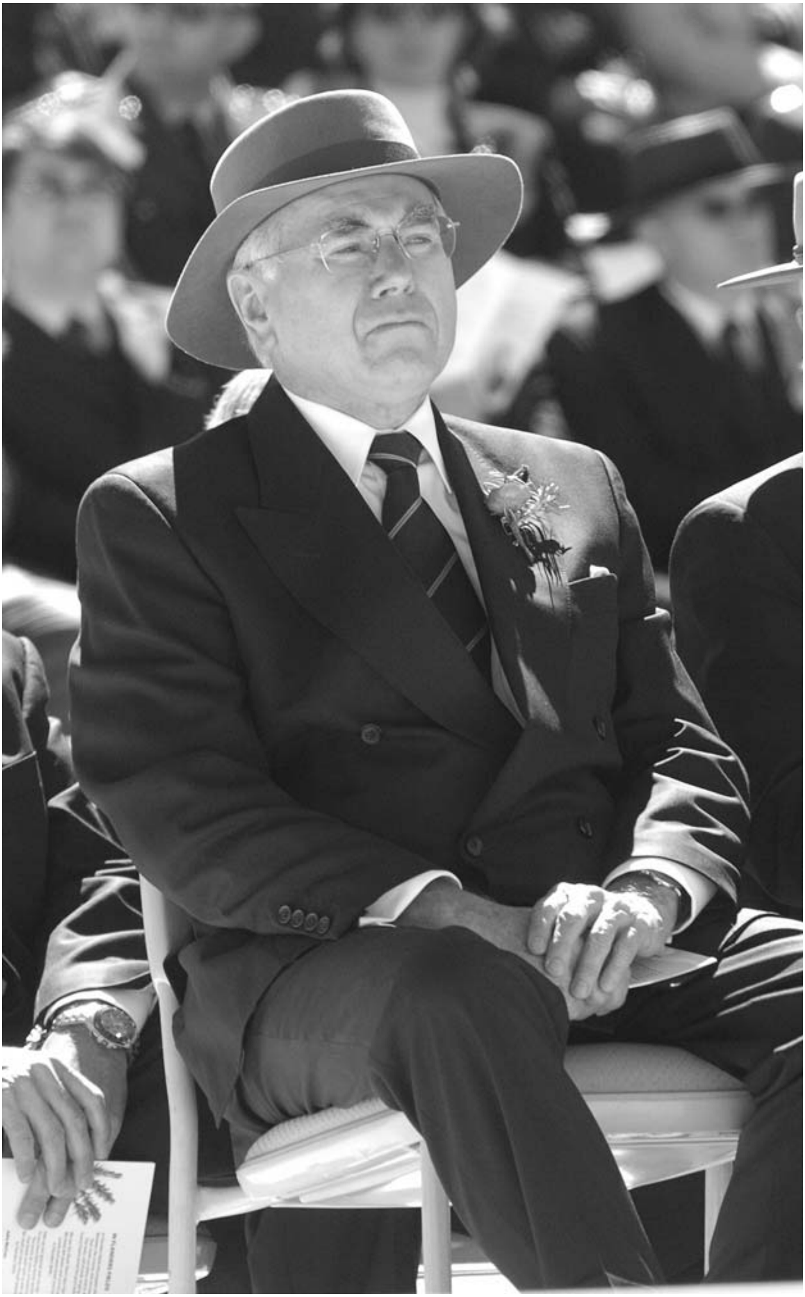

Figure 1.3: Prime Minister John Howard during the Remembrance Day ceremony at the Australian War Memorial in Canberra 11/11/2005

creating new coalitions of interest. In the Conservative party and, at the time, to an even larger degree inside the Coalition, the Labo(u)r strategy sparked years of internal philosophical soul-searching, leadership siegecraft and poisonous personal enmities – such was the struggle to stake out distinctive new electoral territory. This was the backdrop to six changes of conservative Coalition leader in the twelve years after Hawke's first election win in 1983. In the forty years prior to that point – including the highly traumatic period immediately after the retirement of the imperious Robert Menzies – there had only been five such changes. In Britain, the Conservative party had only eleven leaders in the sixty-five years after 1940 – but five of them in the period between Blair's elevation and 2005.

Messages and markets

To keep their opponents off-balance like this, Labor modernisers in Australia, as in Britain, employed for the first time cadres of tough apparatchiks whose new expertise was tough-minded, opinion poll-driven electioneering logistics and media manipulation. The Blair government's increased centralisation of communications around the Prime Minister's Office, the sanctioning of a more assertive relationship with media journalists and the 'politicisation' of government information and communication services was all reminiscent of the Hawke years (Ludlam and Smith, 2001, 133). An important element of this effort was to establish tight lines of communications between party officials and those inside ministerial-PLP-party-civil service ranks. Intent on burying forever the perception of their parties' ineptitude, this new breed of 'minders' and 'spin doctors' aimed to win and hold media approbation for the new generation of telegenic politicians holding centre stage with, in Labo(u)r terms, moderate, cautious, but reassuring and middle-class-friendly social and economic policy messages. Probably more so in the UK, the activities of the spin doctors came in for sometimes excoriating criticism (Jones, 2001).

Influenced by post-Keynesian neo-classical economics, New Labo(u)r rejected old-style party collectivist notions and embraced the mantra of individualism, the mechanism of the market and the irresistible new potency of globalised capitalism. Positively boasting about embracing the new fundamentals, the leaders of the political revolutions in both countries berated their parties' traditional suspicion of market reality. This was defined as the essence of the great ideological leap in Australia in the 1980s (Kelly, 1994, 94). Hawke constantly sought to reconcile his party to this:

> Social Democrats have no reason to deny the capacity of markets to allocate resources efficiently. And I see no virtue in regulation of economic activity for its own sake and I believe that when markets are working efficiently they should be left to do their job. (Hawke, 1983)

Hawke boasted his government had been ‘responsible for more free market economics than had been dreamt of’ by previous Coalition governments, with the dominating Keynesian, interventionist-ameliorative tendencies of the post-war period. But underlying the modernisers’ regard for markets was their fear of them. Recalling that after he came to office in 1983 and discovered he had inherited from Malcolm Fraser a massive budget deficit which meant he could not ratchet-up spending for fear of what he called a ‘Whitlam-style ticket out of government’, Hawke also revealed his dread of the power of international markets:

> Spend, spend, spend was an easy argument to make but it was a chimera. First, the Australian economy imposed intrinsic limits on how far a government could spend without the deficit blowing out almost irretrievably. Beyond that, there was the important question of market confidence, which it was quite fashionable in some circles to treat with disdain, but this could only be done at a devastating cost. Our starting point with the money markets was not good. Historically, they regarded Labor as something of an ogre … We faced a new test as the markets pondered the issue of our fiscal rectitude. Every day upwards of $300 billion moved across the world’s foreign exchange markets. Daily movement across the Australian exchange reached billions of dollars – less than the $200 billion plus in the 1990s, but still an enormous number in 1983. I was acutely aware – more so I think than most of my colleagues, particularly the fiscal expansionists – that if the world’s foreign exchange dealers took a set against the new Australian Government then the game was up. No Australian Government, even one as well led and as well constituted as the Hawke Government in 1983, could turn its back on market realities of that order. I wasn’t going to be the servant of the markets but I was not, gratuitously, going to give them an excuse to destroy us. (Hawke, 1996, 481)

Under Blair, there was no question that British Labour would be anything other than eye-catchingly pro-market. Effective markets were a precondition for a successful modern economy. ‘The question is not whether to have them, but how to empower individuals to succeed within them,’ he said (Blair, 2001). Blair, too, warned of the ‘perils’ of the markets. He said ‘capital flows, which nowadays are far more important than trade flows in determining the value of the currency, can swiftly move against policies that fail to win investor confidence. An expansionary fiscal or monetary policy that is at odds with other economies in Europe will not be sustainable for very long. To that extent the room for manoeuvre of any government in Britain is heavily circumscribed.’ Blair used exactly the Hawke–Keating argument that by keeping the markets onside, investment would be attracted to the country that would allow the government to 'mount a sustained attack on the country's economic and social problems' (Blair, 1995e). But he went further by claiming that globalisation created conditions which suited Labour politically. He argued it had been a huge mistake for Labour to have vacated the centre stage of economic management to the Conservatives for so long. Rejecting markets was recourse to defeatism:

> For years, the economic framework of the British left was dominated by questions of public ownership. Markets were poorly understood, their obvious limits leading the left to neglect their great potential for enhancing choice, quality and innovation. When the contradictions and economic inefficiencies of communism, and even some of the planning of traditional democratic socialism, finally became evident, it seemed easier for the left to opt out of serious economic policy. We were the 'social' party. This was, and is, a position of wholly unnecessary defeatism and weakness. In reality, a whole new economic agenda is before us, one that sharply divides the centre-left from the right, and which plays to our strengths. (Blair 2001)

In power, both the British and Australian administrations projected astonishingly similar underlying rationales in support of their core economic policy ideas. In the Antipodes from 1983, Labor's leaders never really articulated any catchy or encapsulating motif for their experiment, perhaps in keeping with a polity historically regarded as pragmatically antipathetic to introspection, even anti-intellectual (Sandercock, 1982). But while it lacked an emblem, the caustic political warrior Keating did bring to New Labor explicatory coherence. Importantly, his shorthand explanation easily pre-dated the Third Way tagline invented by the New Democrats and appropriated by Blairism. Blair's 1997 claim, for example, that the Third Way was 'a way of marrying an open, competitive and successful economy with a just, decent and humane society' (Blair, 1997e) clearly echoed Paul Keating's repeated declaration that he was 'grafting an open market economy to a decent and comprehensive social policy' (Keating, 1992).

The pivotal economic rationale in both countries rested on a particular contemporary reworking of the notion of national economic 'declinism': the pervasive idea that, devoid of corrective policy moves, nations could easily fall behind in the new global, ultra-competitive economic order. Blair responded in precisely the same way as Hawke and Keating to the argument that the collapse of Keynesianism demanded a new policy order. Blairism took as its starting point the need to avert historic decline, both internally within his party and nationally. Blair talked of the need to create a 'young' country.[1] 'New Labour creates New Britain!' This was essentially the call to arms of New Labor in Australia fourteen years before, but where Blair looked to engagement in Europe, Keating had looked to Asia.

The new economics in action

Specifically, the overarching policy response of New Labo(u)r in both countries was to overturn the long-established conventional perceptions about the highly interventionist, tax-and-spend, demand management, full employment, universal welfarist and pro-trade union aspirations of their respective parties. Virtually from the moment they were in office, both moved quickly to send reassuring, and keenly symbolic, signals to the business community. In Australia, Hawke announced a sudden 10 per cent currency devaluation just as Blair and Brown unveiled the surprise decision to give independence to the Bank of England. Fiscally prudent, firmly pro-market and free trade, New Labo(u)r eschewed protectionism, urged restraint and moderation on their own labour movement base, spoke the language of the business community with its deregulatory, pro-competition and pro-enterprise rhetoric, advocated tight restraints on government expenditure and 'sound' monetary settings and introduced targeted welfare benefits which stressed individual self-help and private initiative, all the time stressing one key objective – the need to modernise their supposedly outdated economies to make them newly competitive in a tough, globalised trading system. Two years after Keating had left office, Blair was directly aligning the new pressures wrought by globalisation with Keating-esque policy responses such as the shift to more flexible workforces and the abolition of industry protection – and then declaring the result the very essence of the Third Way:

> That [protection] is not an intelligent response in the end and it won't work, because the global market is upon us. If you try to shelter companies from the global market then all that will happen it is that they may survive better for a few years but then they will go under eventually because the pressures of global competition are such that that will happen. What you can do is to equip them and the individuals working for them better to survive the rigours of that global market. That's to me what the Third Way is. (Blair, 1998a)

New Labo(u)r unquestioningly accepted that the growing integration of the world economy (capital and, to a lesser extent, labour moving across national borders) meant it was not possible for nations to sustain budget deficits or tax regimes wildly out of line with other industrial countries. The answer was to embrace policies that helped their countries compete in attracting international capital and enterprise. But New Labo(u)r then took policy-making to another crucial stage, as Driver and Martell elaborated: the economic mantra held that while governments may no longer have the power to manage demand to boost employment, they could still shape the supply side of the economy in such a way as to make individuals more employable at higher rates of pay as well as making the country more attractive to international investors. Social policy, then, became the means to provide labour with the flexibility it needed to find jobs in the global economy. In this way, governments wrought a just society and successful economy. Without it, they faced a downward spiral of low skills, rising unemployment, reduced opportunities, poor economic performance and social disintegration (Driver and Martell, 1998, 106). This was the precise rationale that had driven Hawke–Keating.

Clearly intent on reinforcing the reassuring signals, in the early years the New Labo(u)r administrations fully embraced the New Economics. Despite the fact that in its earliest stage, the Hawke government seemed intent on a Keynesian-style mix of expansionary policies to try to bring down high unemployment inherited from Fraser (Mitchell, 1999), under pressure to rein in government spending, Hawke soon committed his government to three fiscal promises which became famously known as 'The Trilogy' – no increase in Government outlays, tax revenue, or the Budget deficit as a proportion of GDP over the life of the Parliament. The Government was committed to a reduction of the deficit in absolute terms. In much the same way, British Labour promised from the first to maintain most of the Conservatives' anti-union legislation and leave privatised industries in private ownership (Heath, Jowell and Curtice, 2001, 31). But, crucially, the new Blair government also promised to stay within the inherited Conservative tax and spending plans for the first two years. Enshrining his nickname 'Prudence', Gordon Brown established his 'code for fiscal stability' with its two rules: the 'golden rule' stated that government would borrow only to invest and not to fund current spending; the 'sustainable investment rule' stated that public sector net debt as a proportion of GDP would be held at a 'stable and prudent level' over the economic cycle (Driver and Martell, 2002, 29). In concert with this, New Labo(u)r built firm relations with the business community. All this earned both administrations the opprobrium of many party left-traditionalists. They saw the policy settings as a remade Thatcherism; they disdained the business links as a sell-out. With the early terms of both governments enjoying relative economic prosperity and with falling unemployment, Blair–Brown, like Hawke–Keating before them, retorted that the most authentic of all labour policy achievements was the creation of jobs.

The essential cornerstones of the response of the Blair–Brown and Hawke–Keating policy frameworks to the perceived overarching economic challenges were the same. Both advocated root-and-branch reform of the education systems (Wood, 2001, 49), a complete retooling of the systems of training and preparing young people for work and a new emphasis on, and upgrading of, attitudes to information and communication technology (Blair, 1998e). Here Britain took a lead from Hawke's Science Minister Barry Jones – the 'influential theorist of post-industrialisation' (Driver and Martell, 1998, 43). Jones' pioneering 1982 treatise *Sleepers, Wake!* called for workers to be flexibly re-skilled to cope with globalisation's coming insecurities (Jones, 1982). The end-aim was to try to create a skilled, value-adding workforce equipped to participate in the burgeoning high tech and service industries. Like the Australians, the Blairites identified low industry productivity as a core problem in the economy and wondered whether the cause resided in uninspired company management and leadership. The advice from the new economic orthodoxy was that the answer lay in pressing on to create even more flexible markets with less government intervention and regulation, while the poor performance and managerial skills of middle-lower echelons of industry could be improved by greater public investment in R&D and innovative training and education programmes.

By Gordon Brown's second budget in 1998, some of the Blair government's economic policy emphasis was hugely reminiscent of Bob Hawke's attempts to promote what the Australian PM had called a 'clever country'. Blair talked of the need for improved skills through vastly increased investment in education; a major strengthening of the competition regime with a Competitiveness White Paper; doubling public sector investment and tax incentives to encourage more long-term private investment; and a billion pound investment in the establishment of new Institutes for Enterprise to turn basic science into commercially exploitable innovation (Driver and Martell, 1998, 45). All this was sharply evocative of, for example, Hawke's reforms of tertiary education in Australia which aimed to make it more industry- and workplace-responsive. Or his 1991 'Competitive Australia' package of reforms, including initiatives such as the fifteen Co-operative Research Centres to focus on building national capacity in the resource, manufacturing, medical and environmental research industries (Hawke, 1991). Where the most likely pay-offs of this approach for Australia were predicted to be in the information technology, chemicals, pharmaceuticals and education services industries, Blair and Brown talked of Britain leading the world in communications, design, architecture, fashion, music and film.

A Blair exposition of all this, circa 1998, could easily have been penned by the backroom wordsmiths of the Hawke – or particularly Keating – staffs a decade earlier. It had within it a strong echo of Keating's withering rhetorical assertion that the modern ALP was intent on overthrowing the 'Rip Van Winkle years' of Menzian somnolence with its reliance, economically, on nothing more than 'shipping a bit of wheat or wool.' When his time came, Blair put it this way:

> The ambition is to turn Britain into the leading knowledge-based economy in the world. That is our future: a knowledge-based, creative economy. In global markets, where products can be made anywhere and shipped anywhere, in which production technologies can soon be copied, we cannot base our future prosperity on the traditional building blocks of the old industrial economy: raw material, land, machinery,

> cheap labour. We must base our competitiveness on distinctive assets which our competitors cannot imitate – our know-how, creativity and talent. Knowledge is replacing material. (Blair, 1998f)

Echoes of advances made by Hawke–Keating can be detected in Blairite reforms on various policy fronts. To cite just a few examples: in 1985, the Australians unveiled ill-fated plans for a national identity card, the so-called Australia Card, to crack down on tax fraud, while the Blair government agonised over the same reform in a bid to cut fraud and illegal immigration in 2003–6. Blair, like Hawke, established a women's unit within his department. Britain, too, looked at proposals for state funding of political parties. And the British Labour party itself pursued some familiar ideas: in 2002, for example, Labour's National Executive Committee implemented a new target to achieve 35% of MPs' seats for women by early in the twenty-first century – just as the ALP National Conference had ruled in 1994. But it needs repeating here that it is not being suggested, by any means, that Australian innovation on multiple fronts was somehow slavishly adopted in the UK. The British Labour party could not introduce big-picture reforms until it actually formed a government, and that did not come until 1997. Clearly, individual policy reform ideas can be fully 'internationalist'; they can be creatures of their times; but others can remain in vogue for many years, just awaiting the arrival in office of a party intent on implementing them. The work of scholars in the field suggests that the dynamics relating to the transfer of public policy ideas between nations and international agencies are very complex and difficult to interpret. What is clear, though, is that more than a decade after Hawke–Keating, Blair–Brown embraced precisely the same economic game plan. They were even prey to making exorbitant predictions about their economic management which, in the Australian case at least, proved foolhardy. At the high point of the economic management of their administrations, Keating and Brown both declared the historic demise of 'boom and bust' economic cycles under their newly enlightened policies – a promise that collapsed embarrassingly in Australia with the onset of recession in 1991. Treasurer Keating's disastrously mis-timed reliance on high interest rates helped make that downturn the most damaging since the Depression, driving Australian unemployment to a peak of 11.2 per cent. Famously, Hawke announced Labor would 'abolish' child poverty, a statement which proved just as ill-judged. That didn't stop Brown and Blair declaring their intention to do the same.

Political quadruplets

The symmetries linking New Labo(u)r pioneers in Britain and Australia were not confined to policy ideas. Some commonalities underpinned their backgrounds, careers and personalities – and also the ambitions that linked these political quadruplets, Blair, Brown, Hawke and Keating. Conflicting interpretations can be drawn about the relationship between them and their respective parties. One view sees them as traitors to Labo(u)r tradition, introducing conservative policy ideas, out of touch with the grass roots, 'presidential' and withdrawn, either bypassing democratic party and parliamentary structures, stacking them with their factional supporters or pressuring them to rubber-stamp decisions. The other view sees the New Labo(u)r men as flexible modernists with pragmatically updated ideas and a broadened electoral appeal attuned to a bourgeois modern world. This latter view holds that adaptability has always been the Labour way; that nothing has ever ideologically been written in stone. Intransigent sections of labour parties simply had to be dragged along by the leadership, forced to become relevant and, thus, electorally engaged.

Certainly, Blair, Brown, Hawke and Keating were clearly part of the late twentieth-century generation of middle-class Labo(u)r leaders, in lines of succession back to the first of their parties' tertiary-educated, economically aspirational leaders – Attlee, Gaitskell and Wilson in Britain and post-war ALP leader Bert Evatt and then Gough Whitlam in Australia (Scott, 2000, 46). And more than ever before, New Labo(u)r was based on a strategy to capture the middle classes (*Observer*, 26 April 1998, 26) – a thrust said to be essential because of demographic and social change that made of Labo(u)r what scholars in both nations described as 'catch-all' parties. In fact, the middle ground strategy may have just come naturally. Biographer John Rentoul noted there was never any doubt about the class to which Tony Blair belonged. With a 'well-off' lawyer-university lecturer father with 'high social status' and 'cut off from working class roots', the private school-educated Blair admitted he had 'a perfectly good, average, middle class standard of living' (Rentoul, 1995, 17). Bob Hawke, like Gordon Brown a son of the manse, was an Oxford-educated, middle class, legal technocrat who, despite his long career in the trade union movement, disowned his original left-wing backers and developed many of his formative economic ideas in the company of senior members of the Australian business community. This tactical, policy and electoral appeal to the middle classes had its critics in both countries, with Blair constantly harangued for playing to middle Britain by appeasing the right wing media. Here there were two layers of criticism. One upbraided the cynicism of labour leaders for pandering to this constituency. But the other complaint was more damning – that there was nothing cynical about the ploy at all, that this new generation of Labour leaders was, in fact, closer to this middle-class constituency than to the remnant of Old Labour, the industrial working class (*Guardian*, 28 February 2001, 20). It was easy to see how this latter view evolved, for there were, at times, startling admissions from the New Labo(u)rites on the issue of class and the purpose of their parties.

Biographer Donald MacIntyre pointed out that Peter Mandelson flirted with old style radicalism in his youth, but later penned an instructive letter to a friend: 'I feel my revolutionary ardour is fading because I feel I am a bourgeois at heart, that the people I enjoy most are from a strictly bourgeois or an intellectual background and that the life I enjoy most does not exactly revolve around the class struggle' (*Independent*, 25 January 2001, 3). Blair himself openly exalted in the middle-class voting shift, at one point explicitly rejecting the concerns of John Prescott that the party's new preoccupations would alienate its traditional working-class base: 'A lot of people are middle class nowadays. Our task is to allow more people to become middle class. The Labour Party is the party of aspiration. It did not come into being to celebrate working class people having a lack of opportunity and poverty, but to take them out of it' (*Sunday Times,* 1 September 1996, 11). Read such remarks alongside Australian author Craig McGregor's recollections of once being told by Keating: 'It's no good pretending we're working class, down at the club socking it away, out at the football. I reckon I'm lower middle class. I've made the move up, which a lot of Australians have. Isn't that what we're all after?' (McGregor, 1997, 2).

Tony Blair and Bob Hawke projected the reassuring telegenic competence that would exorcise the ghosts of their parties' past electoral incompetence and win over conservative sectional interests, particularly in business and the media. They provided the new technocratic, electorate-friendly faces and personalities. Arguably, they were their countries' first (apart from Thatcher and, perhaps, Whitlam) 'presidential' leaders. But elementally, Blair and Brown, Hawke and Keating were linked by their individual, driven ambitions for the Prime Ministership. All four wanted it and, in both pairings, one stood in the way of the other getting it. In Britain, just as in Australia a decade before, the tensions within both pairings over who should rightly be sitting in the PM's chair became a debilitating, subterranean, but ever present feature of their years in power together. From the mid-1970s, Paul Keating had emerged as the most polished of the political sons of the right-wing Labor party branch machine headquartered not far from the harbour in inner Sydney, the tough-minded, predominantly Catholic tribal grouping that had run the New South Wales state branch for decades. Before he was even elected to Parliament, Hawke, from Melbourne in the southern state of Victoria, went to Keating in 1980 seeking an alliance with the NSW group ostensibly to run the party but, inevitably, to plot to replace the then faltering national leader, Hayden (Kelly, 1984, 115). Reluctantly, Keating came over to the Hawke candidacy but it is clear that from the first, though fourteen years Hawke's junior, Keating saw himself as the rightful leader. In Britain, of course, just such an abiding competitive tension was also destructively ever present as, among so many others, James Naughtie's account made clear (Naughtie, 2001). The New Labo(u)r revolutions in both countries were thus distinctive for each having two such unusually dominating figures in the top two jobs. But in reluctantly accepting their colleagues were, at the outset at least, the preferred candidates, Brown and Keating before him thereafter took inordinately firm control of economic policy.[2]

As Chancellor and Treasurer respectively, they entrenched the pervasive influence of their bureaucrats within the wider government (*Guardian,* 15 and 16 April, 2002). Even against the backdrop of a seemingly permanent recession in Britain's old manufacturing base, the British Department of Industry struggled to argue a case for a more interventionist policy setting against overbearing Treasury resistance – just as had occurred in Australia (Hay, 1999, 170). Keating and Brown could, however, still ruffle their mandarins' feathers with a proclivity to centralise power in the hands of their own tightly-knit group of personal advisers through whom everything had to be filtered. Often they were at loggerheads with the Prime Ministers, and their staffs, over 'the sharing of information, the activities of rival spin doctors, and the handling of some key policy issues' (Theakston, 1999, 108–12). Fascinatingly, there is here the final parallel – the question of leadership 'deals' supposedly done between the two key men at the top of both parties. Ultimately, Keating's ambition destroyed Hawke's Prime Ministership. In 1991 Keating had resigned as Treasurer and from the backbenches mounted a destabilisation campaign that eventually led to a party room showdown and Hawke's defeat as party leader. Amid this campaign which completely destabilised the government for the best part of a year, Keating's supporters revealed publicly that, at the urging of the then Treasurer, a private meeting had been convened some years before where both men actually brought witnesses to oversee Hawke formally agreeing to hand over the job to Keating by 1990. The revelation that Hawke had reneged on this so-called 'Kirribilli House'[3] agreement was the explosive factor that brought to a head the final rancorous party room vote in which Hawke was toppled. Hints of just such a deal were, of course, constantly matters of high speculation at Westminster during the frequent periods of sour relations between Blair and Brown from 1997 onwards.

Points of departure

Despite all the similarities, there were of course abundant differences in the way the New Labo(u)r experiments unfolded. One important point of departure relates to structural or institutional differences between the polities and the forms of governance in Britain and Australia; another relates to policy environment and conventions. The unitary system of national government in Britain contrasts with Australia's federal system. This is particularly relevant because some of the specific policy areas that informed Blairism's ideological disposition – i.e. education and law and order – fall within the jurisdiction of central government at Westminster, but are the province of state governments in Australia. And then there are the differences in parliamentary dynamics. Whatever their majorities in the equivalent of the House of Commons, the Australian House of Representatives, the Hawke–Keating administrations faced frequent, time-consuming difficulties in negotiating laws through the 'hung' upper house, the Senate, with its proportional representation voting system. With the luxury of the mandate inherent in huge majorities after 1997 and 2001 and with the benefit of the more benign house of review process in the Lords, at least in the early years Blair could get law changes through parliament relatively unscathed. By the end of his second term, of course, his Commons' margins on some key votes were paper-thin, reflecting the ideological fury of Labour MPs. And control over the fine print of laws entered a whole new phase after the 2005 election, with the Labour majority much reduced. Another important structural difference relates to the two labour parties' factions systems.

Australian scholar Andrew Scott valuably compared the factions in the British and Australian parties, pointing to three basic differences: the evolution, particularly in the closing decades of the twentieth century, of a much more rigid overall system in Australia; the lack of much factional 'shape' to the corps of British moderate right-wing MPs; and the tighter factional bonds in Australia between individual MPs and the party grassroots (Scott, 2000). As Scott argued, the issue here is whether a tighter, managed system such as Australia's allowed contentious policy moves to be massaged through, to the benefit of the government, party and nation; or whether such a system is undemocratic, frustrating for the party and potentially even corrupting. Neil Kinnock's war with the Militant Tendency in the 1980s left deep scars and created a parliamentary party under Blair happy to eschew visibly regimented tribes. Basically, the faction system under Blair had its epicentre in the tightly-knit group of moderate loyalists surrounding the PM. While it was difficult to discern which 'system' worked better, overt caucus dissent and factional tension seemed a more permanent fixture in the UK, owing perhaps to the larger PLP.

Overlaying the differences in political cultures, in policy terms the Hawke–Keating and Blair–Brown projects were creatures of very different eras. By the early part of the twenty-first century, policy thinking had moved on from the early 1980s. Apart from its market-driven economic reforms, the cornerstone of the Hawke–Keating approach was a vitally important mechanism called the 'Prices and Incomes Accord' – basically, a social contract – with the union movement. Its importance at the heart of the 1980s ALP ascension can scarcely be overstated. The evolution of the Accord built upon a 1987, 12-person *Australia Reconstructed* fact-finding mission to Europe. The intellectual powerbrokers of the Labor political and industrial left – under the joint auspices of the Hawke government's Trade Department and the Australian Council of Trade Unions (ACTU, the equivalent of the TUC) – investigated the way labour market, strategic unionism, wages and industrial development policies were being implemented in Western Europe, but particularly in Sweden, Austria and Norway. The leader of the 12-person mission, ACTU boss Bill Kelty, described its brief as 'nothing less than the reconstruction of Australia' (ACTU/TDC, 1987). Even though the British experience of social contracts in the 1970s had been part of the inspiration of the strategists who devised the Accord, this was a tool altogether missing in Blair's conception of Third Way ideas. During a 1995 visit to Australia, he politely said he was an admirer of the Accord, but added, in relation to the UK:

> The two situations are rather different and I don't think the actual wage structure and award system exist in Britain that would allow you simply to transpose what is here to what is in Britain … your award system gives a quite different shine to the way that government and trade unions could work together. (Blair, 1995f)

After he took over as leader, Blair of course faced down the unions, bluntly telling them that by refusing to repeal Thatcher's anti-union legislation, in keeping strike ballots in place and outlawing flying pickets, 'all those ghosts of time passed, they are exorcised … leave them where they lie'. During the early 1990s, British union bosses certainly looked closely at the Accord record, taking particular note of the way elements of the social wage trade-off were structured. In stark contrast to the Accord era in Australia, though, critics like Kevin Davey argued that the unions were so shut out of Third Way decision-making in the UK that Blair had effectively relegated them to 'political death row' (Perryman, 1996, 88).

With the 1980s the decade of privatisation, the Hawke–Keating embrace of the Thatcherite drive to scale back government was little short of revolutionary. By the time Blair came to power, though, the theoretical argument about privatisation had been fought and won (notwithstanding the fact that the Blair government did force through some minor sell-offs and had to row back on some prominent failed privatisations). In country after country, government assets had been sold off. But though the big-ticket privatisations in both Australia and Britain were largely complete by the mid-1990s, the underlying ideological issue continued to haunt Blair and Brown – perhaps even more forcefully than it had Hawke and Keating. For, leaving aside questions such as the amount governments earned from individual fire-sales, the argument about privatisation had always turned on the underlying issue about the nature of the public realm – and how left-of-centre parties should mould and manage it. Blair's forays sparked a new debate about the very definition of privatisation. In the Blair–Brown era, it emerged in a new manifestation, the controversial 'public–private partnerships'. Perhaps far more than the sale of national airlines, telephone companies or steel works, this debate went to the ideological heart of Labourism.

Seminal commonality

A crucially important commonality between these two political projects related to their inherent political strategy. In their respective ways, Hawke and Blair deployed the tool of consensus to a greater degree than past national leaders. From the moment he took over from Hayden, Hawke projected himself as the consensus leader to heal a nation divided after the Fraser years (Kelly, 1984, 323). The Accord was about binding capital and labour in the national interest. Blair too tried to deploy a version of a consensual model. It had multiple facets. Right at the start he openly embraced Thatcher herself, flying in the face of his party's demonisation of her, insisting she did a great deal of good. He forced Labour to embrace business and secretly plotted, as a contingency, the political alliance with the Liberal Democrat Party, what Atkinson and Savage described as a 'radical coalition', a Labour version of one-nation politics (Savage and Atkinson, 2001, 12). Blair declared himself pursuing an historic political realignment, one he defined very broadly:

> The fundamental shift I've worked for all my political life to bring about is this: to build a new coalition in British politics between those who have and those who have not; between those who know the necessity of strong economic and business competence and those with a strong sense of compassion and obligation to others. In a phrase, to reunite the economic and social parts of political motivation. (Blair, 1999)

Blair, like Hawke before him, spelled it out quite clearly – they were no longer interested in a war between socialism and capitalism. The ideology of class no longer had any meaning. Blair talked of the more relevant tension being between the forces of 'progress' on one hand and conservatives of 'both left and right' on the other (Blair, 1999a). An intrinsic part of the Hawkeian consensus was the collaboration with the business community that gave rise to privatisation. Blair amplified this notion of a partnership between the private and public sectors into a new, defining phase. New Labo(u)r was indefatigably pro-market. Business at every level was to be encouraged so entrepreneurialism flowered.

For both the Australian and the British Labo(u)r modernisers the important impact of their respective applications of consensualism was in how they were deployed politically; in both countries it was immensely potent. The capacity of the rhetoric, hand-in-hand with all the policy shifts, to disarm their traditional opponents got the modernisers where they wanted to be – in power. And, for the moment, it helped keep them there. Fundamentally, this was possible because these new labour thinkers genuinely embraced, or partially embraced, their opponents' precepts, both practically and philosophically. Unfortunately, though, the problem was that time would show this approach carried some significant strategic dangers. In Australia as early as 1983, the writer Craig McGregor argued that sooner or later, on some crucial issues, a Labor government would always 'have to make up its mind whose side it's on' (McGregor, 1983, 169). In eschewing its old class rhetoric and policy posit, New Labo(u)r had to reconcile tensions between this consensual approach and its enthusiastic support for the market. The market is, after all, about wealth creation, about the emergence of winners. For there to be winners, there have to be losers. A common characteristic of the two labour parties was their ditching of traditional notions of egalitarianism historically associated with democratic socialist parties. New Labo(u)r was disinclined to directly confront the excesses of capitalism. The emphasis under Hawke and Blair switched away from redistributive policies aimed at fairer social outcomes, towards 'enabling' policies that created opportunities for individuals to help themselves. Ultimately, what would Labour have to say to the people who either were, or felt themselves to be, among the losers in the market economy?

Certainly, this contraction of political alternatives made the already difficult challenges in sorting out ideological meaning that much more problematic. But the New Labo(u)r revolution was a guaranteed recipe for continued, and probably growing, disharmony over time inside confused labour movements. How much patience were these parties' natural constituencies on the left supposed to have? This was always going to be a far more tricky strategic problem for the British party, because of the first-past-the-post UK electoral system and the absence of a system of compulsory voting in national elections, as exists in Australia. There, at least, disenchanted ALP voters must, by law, walk into the polling station every three years and make a decision about whether, in the end, they can vote against the party they have always supported. They can vote for other options, like the Greens or other third parties of the left. But the complex Australian optional preferential system means that when all the 'preferences' of voters are redistributed, in the final count those votes often 'return' to ALP candidates. The protest is made but the effect often muted. In the UK, disenchanted Labour voters can opt to stay at home. The resounding Blairite drumbeat in the last phase of the 2005 British election was a desperate appeal for voters to understand their apathy could crown the Conservatives' Michael Howard.

But beyond all this, the really worrying problem was that a consensualist approach, born in large part out of short-term political expedience, carried the long-term potential to become deeply counterproductive politically. The big question always left hanging was: in embracing your opponent, precisely how far should you go? For many of the traditionalists who worked for New Labo(u)r, the answer was the stealth approach, the Trojan Horse. Applied in this book, this metaphorical device encompasses the disparate backroom methods employed by Labourites loyal to the Hawke and Blair projects but working with various degrees of confidence or faith in their consensus strategies, in their embrace of once disputed ideas. Hemmed in by the reality of the New Economics, these players sought innovative ways to walk a line between old and new orthodoxies. They acted in a way reminiscent of the tactics of the warriors serving the mythical king Odysseus, his soldiers hiding in the wooden horse within the walls of Troy, awaiting the opportunity to emerge and prevail. This, in a sense, is what Gordon Brown's loyalists said he was doing. It is also what Paul Keating's supporters said he was about, too. In one sense, it is as if this is the only thing holding Labour back from a full metamorphosis into something completely indistinguishable from its traditional opponents.

Tony Blair argued for a consensus model, declaring old tensions void. But the underlying character of the strategy was its short-termism. Among the modernisers, few seemed concerned about the longer term. Convinced theirs was a unique experiment, some of them were untroubled about what precedents might have existed elsewhere. In fact, had they kept on looking to Australia, they would have discovered the fate not just of a similar 'new' labour style political project, but the one that actually provided some formative ideas for Blairism. The problem is that in contemplating the Australian story, New Labour would find itself peering at the grave possibility of its own future: what its political opponents would one day do with what it created. For the moment then, it is necessary to look to some of the important detail in what Bob Hawke and Paul Keating did create – and why they did so.

2

The Australian Story: 1983–1996

To grasp the implications for British New Labour of the Australian political earthquake of the early 1980s, it is necessary to consider four things – how and why the radicalism of Hawke and Keating materialised, what it disturbed and where it led. For that, it is necessary to begin at the beginning – the moment Australians know as 'Federation', the formation in 1901 of six disparate antipodean colonies into a single nation under a federal political structure based on Westminster parliamentary practice.

The demise of the Deakinite Settlement

Over the years, it has been variously referred to by scholars as the Australian or the 'Deakinite' Settlement – the amalgam of ideas that cohered out of fragmented nineteenth-century colonialism to be invested with new meaning as agreed, national public policy, and thus the underpinning of a national administrative order, as well as a new national consciousness. Driven by the energy and vision of Australia's greatest social liberal and its second Prime Minister, Alfred Deakin, a consensus evolved in the early years of the twentieth century between conservative and liberal political forces, as well as with the burgeoning Labor party, around a politico-economic edifice that was first defined by the Australian historian Sir Keith Hancock in the 1920s (Hancock, 1930). At the outset here, an important Australian institutional departure from British political practice needs some clarifying, essentially explaining the nature of the party structure on the non-Labor side of politics. This is important to explain the backdrop to the Deakinite Settlement, but also to elucidate events in the 1980s, and beyond, in Australia.

Basically, unlike Britain with its distinct Conservative and Liberal party entities, since the Second World War both conservative and liberal sentiments in Australia have been housed in the one mainstream political apparatus. Prior to Hawke's coming in 1983, the ALP held office for less than a quarter of the twentieth century; the country was comprehensively dominated by non-Labor parties in various guises, under various names. From

1901 to 1909 national non-Labor politics were divided into the so-called 'conservative', market liberal, Free Traders and the social liberal Protectionists, led by Deakin. In 1909, Deakin was forced to accept that these two forces should form the so-called 'fusion' alliance to counter the new parliamentary threat coming from a rapidly emerging ALP. After thirty years of internal tensions, in 1944 Robert Menzies' further reorganisation of conservative Australia's political resources and structures saw the birth of the nation's main modern non-Labor party – but one Menzies chose to call the Liberal Party of Australia (LPA). The modern-day Coalition was formed when the LPA began to cooperate with the smaller, rural-based, highly conservative Country (later National) Party. Exploiting Australia's compulsory preferential voting system, the two, operating as a Coalition, successfully kept the ALP out of power at the national level for decades. But the key point here is that the LPA always represented an uneasy vehicle for the marriage of urban conservatives, moderate, 'social' liberal and laissez faire, free market liberal partisans within the Australia polity.

Originally, the edifice of the Deakinite Settlement was signalled in the constitution that the founding fathers, including Deakin, drafted for 1901; thereafter it was fleshed out in enabling legislation passed in the early national parliaments. The cornerstone of this 'deal' was what Ian Marsh called 'needs-based wages' and 'industrial development deliberately focused on domestic markets' (Marsh, 2001). Basically, Australia conceived of an arrangement whereby national government enacted protective measures, particularly tariffs, to help trigger and sustain the emergence of Australian industry, and also set up a wage system where a unique national arbitration court laid down remuneration judgements that tried to strike a balance between the needs of business and worker and, as the years wore on, agreed rules (called 'awards') about workplace conditions, freedoms and restrictions. At the heart of the new wages system was a 1907 arbitration court ruling that established a benchmark 'living wage' that would guarantee a worker's family a humane existence.

As part of the deal, national governments also assumed an interventionist role in otherwise stimulating and managing economic development, provided a social policy safety net, guaranteed as far as possible fair treatment to citizens across a vast continent and, through the erection of the so-called 'White Australia' policy, maintained tight control over immigration to further guarantee full Australian domestic employment. The lynchpin of a Deakinite Settlement that was largely the work of social liberals, working in cooperation with the gradually emerging political and parliamentary forces of labourism, was fairness. It was a system designed to create and regulate, as far as possible, a *fair* society. Along with similar reforms underway in New Zealand, the emergence of this integrated socioeconomic structure was lauded around the world for its innovation and egalitarianism, even referred to as a 'worker's paradise'. Its catch-cry became the Australian 'fair go'. Largely with bipartisan support, it was the bedrock upon which Australia's modern economic and social development was built over more than eight decades.

The revolution without a name

But all that came to a shuddering halt in the 1980s. Putting it bluntly, for reasons to be touched on shortly, in the late twentieth century it became vogue to disparage the motivation for, and the record of, this experiment in nation-making. Its specific foundation stones were anathema to the New Economics, as the pervasive new orthodoxy took root in key decision-making backrooms of Australian politics. And in one of the great ironies of antipodean political history, it would be the Australian version of New Labour, the thirteen years of the Hawke–Keating political partnership, which began the process that would destroy the last vestiges of the Deakinite Settlement. Unlike Blair and his modernising praetorian guard, the people who renovated the Australian Labor Party in the 1980s didn't claim they were inventing a 'new' party; although they talked about updating old ideas, there was no catchy sobriquet for marketing purposes. Nameless it might be, but this was a revolution indeed. An elected ALP government would begin the process of the final dismantling of the Settlement, despite its implicit aspiration to fairness. And despite the fact that in its particular place and time, and not judged by retrospective standards of selective late twentieth-century economic theorising, it was a simply inspirational response by a cohort of nation-builders doing nothing less than striving to construct an entire social infrastructure.

In modern political discourse in Australia, popular understanding of the Settlement was crystallised in the early 1990s with the publication of a landmark analysis of the history of post-war Australian power, politics and business by the country's pre-eminent political journalist, Paul Kelly. His book, *The End of Certainty*, was a tour de force which essentially did two things. It identified White Australia, Trade Protection, Wage Arbitration, State Paternalism and Imperial Benevolence as the five pillars of the Settlement (Kelly, 1994). More importantly, it explained the manner in which, and the reasons why, that consensus had come under increasing pressure from the 1970s onwards. The book's narrative was couched in a largely supportive analysis about why Keating, in particular, had been correct to launch the policy-making revolution that destroyed that consensus. For decades market liberals were antipathetic to key elements of the Federation edifice, particularly the notion that wages and work conditions should be state-regulated. Over time, some of the pillars of the Settlement had been eroded – British imperial benevolence was overtaken by international events, and from the early 1970s Australia had shifted from a racist immigration policy to embrace multiculturalism. But the dramatic demise of the old ideas about industry protection, the wages system and the role of government in society that came with the Hawke–Keating era would mark a defining triumph of market liberalism over the distinctive strand of Australian social liberalism that, from Deakin through to Menzies, gave the consensus its guiding rationale. The fact that, on balance, this 80-year-old consensus so obviously served the interests of Australian workers made it all the more astounding that the two men who in the 1980s presided over the slide towards its obliteration were ALP leaders, and one of them also a former leader of his nation's trade union movement.

For the popular imagination, Kelly's masterwork redefined the dynamics of the Australian polity. Over 800-odd pages, his punchy prose made the central argument crystal clear: in a globalising world Australia could not afford outdated and inhibiting economic-cultural foundation stones. Kelly supported Keating's core argument that with the Keynesian era over, the ALP in power in 1983 had had no choice but to bravely embrace tough structural change that would bring some inevitable short-term social dislocation, but in the long run transform Australia from a backward-looking, closed economy to an efficient, strategically educated, internationally competitive one, equipped to take a role in capitalism's globalised future, thus generating jobs and higher living standards. Australia had relied for too long on its double-edged system of protection – cosseting industry and wage costs – which made the country inefficient and uncompetitive, kept it dangerously reliant on raw material exports and unable to develop export-oriented, mature manufacturing.

Though it was Labor in name, like the Thatcher era with which it coincided, the Hawke–Keating period was massively affected by the arrival of post-Keynesian, resurgent market economics, with its central deregulatory mantra. Much more so than in the case of Blair, the Hawke–Keating period brought a root-and-branch reconstruction of the politico-economic infrastructure of an entire country. Hawke and Keating's privatisation revolution was, relatively speaking, even more comprehensive than that which Thatcher achieved. But this book will show that because of the sheer scale of, and the long term implications that came with, the New Economics rethink, the Hawke–Keating and Blair periods shared multiple commonalities and were intimately linked, despite unfolding at different junctures. So, what did Hawke and Keating do? And why, particularly, was Australia so influenced by the New Economics?

New Labor in power: two phases

The New Labor period can essentially be divided into two phases, roughly coinciding with Hawke's Prime Ministership (1983–1991), and that of Keating (1991–1996). Interestingly, the dividing line between these two phases was not just drawn by Keating's dramatic December 1991 party-room political assassination of his one-time friend; in one of the great ironies of modern Australian political history, it also coincided with the onset of Australia's worst recession since the 1930s. That is, the Treasurer who presided over such a savage downturn was, in the midst of it, rewarded with promotion to the leadership of his party.

Bob Hawke won the 1990 election by the narrowest of margins. Critics observed that, had his run in office ended then and before the downturn impacted, the New Labor record in economic performance would have looked quite impressive (Gruen and Grattan, 1993, 108). On taking office in 1983, Hawke and his Treasurer were told they had inherited a massive budget deficit from Malcolm Fraser. In 1986, Australia experienced a disastrous collapse in its terms of trade. These events helped create the enabling rationale for tough policy measures. But the real cornerstones of Labor's pre-recession success were what Paul Kelly called the 'twin pillars' – financial deregulation and the Accord deal with the unions (Kelly, 1994, 77). The radical programme of financial deregulation from 1983 to 1988 which included floating the dollar, abolition of foreign investment controls and introduction of foreign banks into Australia was driven by the perceived urgent need to 'open' the country to a globalised world. While some would later assert that the nature and extent of the deregulation were inappropriate and that things moved too fast, with unforeseen consequences (Batten and Kearney, 1999), Kelly and others insisted it harnessed the economy to the international marketplace, signalling the welcome demise of the introspective 'old' Australia. An accommodation with the unions for real wage cuts to restore profit margins, and thus encourage investment and job growth, the Accord did two other vital things; it defined an active macroeconomic role for government and created the mechanism by which the wages sacrifice could be made up to the labour movement by the development of the 'social wage'. John Burgess listed the remarkable outcomes of the Accord process (Burgess, 1991, 27); crucial was the lid kept on wages (Kryger, 1996). In return for thus helping hold down inflation, the workforce got compensating concessions – tax cuts, welfare and health incentives, and new superannuation (pension) reforms. Importantly, in the period 1987–90, successive versions of the Accord with the union movement set the scene for the controversial move away from the centralised wage setting system, the key reform demanded of Labor by its critics on the right. In this phase, structural efficiency was the order of the day, with trade union awards simplified and rationalised and wages tied to productivity improvements. Implicitly, this was the beginning of the era of the enterprise-based wage settlement (Chapman, 1997, 7).

Rigour, back-flips and genuine achievement

By the late 1980s, New Labor was the party of smaller government, lower personal income tax and budgetary restraint. Jobs would be created by economic growth, not government spending. Industry would become competitive through structural change. Business would be assisted by reducing regulation. Benefits for pensioners and low income groups would be won through low inflation. Despite early hints of a Keynesian approach to beat the high unemployment inherited from Fraser, under pressure to rein in government spending Hawke committed to a strategy he labelled 'the Trilogy'. It represented a fiscal discipline which not even the Coalition had contemplated; Labor announced the only answer to unemployment was business prosperity. Over the seven years from 1983, Commonwealth outlays fell from 28.9% of GDP to 23.7%. Revenue as a proportion of GDP was the same in 1990 as 1983, at 26.2%. The budget outcome had changed from a deficit of 2.6% of GDP in 1982–3 to a surplus of 2.5% in 1989–90, the equivalent of a structural surplus of 5%, a strongly contractionary fiscal stance (Langmore, 1991, 81).

The new constraints on expenditure eventually led New Labor into a highly contentious programme of government asset sales on top of its ongoing process of belt-tightening which impacted, with particular severity, on the massive social welfare budget. Herein lay some of the most contentious of the Labor reforms. It took slightly longer for Labor to embrace the privatisation of government-run agencies and assets, that other great emblem of market economics. Despite being explicitly opposed, prior to 1986, to the idea that underwrote the emergence of Thatcher as a radical reformer in Britain, by 1987 Labor had done a complete somersault, won over to the idea that sales of government assets would help the budget bottom line. Assets sales were, however, the subject of years of turbulent debate inside the ALP – as were the periodic moves to cut back the welfare budget. By late 1989, 'targeting' of benefits was being rationalised as aiming to help those in real need (Hawke and Howe, 1989). By the early 1990s all major transfer payments were both income and assets-tested and numerous means were employed to purge the welfare system of fraud. This crackdown led, as Harding and Beer found, to an administratively complex welfare system, perhaps the most selective anywhere in the western world, yet one that had discernible effects on income distribution, helping the needy aged, sole parents and low income working families with children (Harding and Beer, 1999).

The genuine social policy achievements of the Hawke years are too numerous to cite fully here; they included bedding in for the first time the Medicare national health insurance system, real pensions and benefits increases, a reduction of the tax burden on pensioners, a 1987 Family Allowance Supplement, higher school retention rates, and education, training and labour market initiatives aimed at modernising the workforce. But there was always an uneasy tension between the 'market' and 'social' response in Labor's intent. Ministers worked to massage in a social democrat *quid pro quo*. That came either directly through improvements to welfare transfers, tax and education, or through the Accord offsets. This delicate balancing act, the challenge to strike a balance between the lurch to profits and helping the downtrodden, is the subjective judgement-laden terrain upon which the credentials of the New Labor experiment in Australia are located. But the evidence is conflicting. For example, Hawke and Keating boasted that the most far-reaching tax reforms in the history of the Commonwealth were designed to help businesses compete, while also injecting greater fairness. Personal income tax rates were lowered, though the tax burden on the overall income of ordinary workers continued to rise. Capital gains and fringe benefits taxes and some taxes on pension and retirement benefits were introduced, though company tax rates were lowered and personal taxes on dividends were effectively abolished.

To many, New Labor appeared to be abiding by a pillar of neo-classical economic thinking with its programme of tariff dismantling that began with a May 1988 Economic Statement (Keating, 1988a) and culminated in Hawke's 'clever country' programme outlined in March 1991 (Hawke, 1991). Here, above all, the government rationale was that Australia had historically been a sheltered place and that barriers to competition had to be dismantled so an open and dynamic country would trade aggressively, thereby driving up living standards. But this assault on tariffs came hand-in-hand with a series of industry development plans which contained a plethora of countervailing assistance mechanisms, industry development measures, regional assistance and tripartite deals and monitoring and review mechanisms – all designed to cushion the impact of structural adjustment. Even some stern critics of New Labor policy-making conceded this was not simply market economics at work, but what informed observers labelled 'managed industry policy' (Gerritsen and Singleton, 1991, 122–6).

The second phase hiccough

Though *The End of Certainty* was the bible of the New Labor revolution, even it had difficulty explaining away the recession that unfolded in 1991–93, particularly in the update to this hugely successful book's original edition. The ALP had been in office near eight years and the downturn seemed to make a nonsense of the Keating assertions about the benefits that would flow from structural adjustment. Critics like Laura Tingle argued the recession not only ruptured Labor's hard-won reputation for economic credibility but, behind the scenes in Canberra, shook to its foundations the confidence of the dominant neo-classical school of economic advice among Labor's advisers and civil servants (Tingle, 1994). In the 1980s, Keating regularly boasted Labor had historically broken with the boom-and-bust cycle of past failed economic policy (Keating, 1985). The recession allowed the Opposition to throw back at him the charge that he had transformed the 1980s *into* the boom and bust era (Hewson, 1992). What is indisputable is that the devastating impact of a downturn more serious than anything since the Great

Depression transformed the nature of the New Labor project. After nearly a decade of neo-liberal ideas, in some important economic fundamentals the Keating government simply did a policy U-turn. It was forced to retreat to something approaching Keynesian-style ideas to kick-start the economy.

As part of that, Keating himself appeared to partially recant on some of the policy ideas he had pursued with the fervour of a zealot in the 1980s – including the need for a consumption tax, the 'fetish' to cut budget deficits and continuation of the tariff scale-back. Laura Tingle tellingly sheeted home to the Treasurer heavy responsibility for a recession he and Hawke had denied for months beforehand would happen. It was a massive body-blow to New Labor's rhetorical incantation about having become the party of higher economic adroitness. William Mitchell argued that after it, Labor never regained control of the economy, with the 1990s becoming 'an exercise in fire-fighting' (Mitchell, 1999). To counter an unemployment crisis in which the jobless crisis would peak at 11.2 per cent, in February 1992 the Keating government moved to try to stimulate the economy with its *One Nation* package of reforms, which represented a substantial shift from the tenor of a big policy statement that had been made by Hawke the previous March. With its infrastructure and capital works spending programme, accelerated tax depreciation and R&D incentives, *One Nation* was the nearest thing yet to a coherent, actively interventionist industry policy (Emy, 1993, 162). This was followed by Keating's politically expedient strategy shift on tariffs. Previously he had implied Labor support for tariffs as low as possible, conceivably to zero rates. But after the loss of the April by-election in Hawke's constituency made vacant by his departure from politics, Prime Minister Keating indicated his government would not go below the levels laid out in Hawke's March 1991 statement – tariffs left at between 5 and 25 per cent. He then turned his fire on the plan for zero tariffs being proposed by the then leader of the Coalition, the enthusiastic Thatcherite, John Hewson, upbraiding him for wanting to force them down so low, brazenly attempting to paint him as a 'fanatic', much to the incredulity of many Canberra observers (*The Bulletin*, 14 April 1992, 22). This ploy to differentiate the Government from the Opposition was 'as close as Keating was publicly to come to overturning ten years of argument about the need to internationalise the economy', according to Tingle. Having also relentlessly assailed Hewson's 'monstrous' plan for a VAT-style goods and services tax (Keating, 1993a) despite having been the champion of a consumption tax himself in the 1980s, when Keating won a 1993 election that even ministers thought was lost because of mass unemployment (Blewett, 1999), the government embraced a new challenge – fixing the jobless crisis. Thus was born the White Paper on Employment and Growth, the *Working Nation* package of May 1994 redesigning labour market and social security programmes to rescue the unemployed, train young people and assist families (Keating, 1994a).

Some have divined in these reforms a belated, underlying shift in New Labor ideological thinking (Emy, 1993). But was it? Concurrent with these measures there were other ongoing developments, which serve to reinforce, rather than mitigate, the picture of a government in thrall to market economic prescriptions. Notwithstanding the body blow that was the recession, virtually to the end of its term New Labor continued the dismantling of the public realm with more privatisations. And concurrent with the planning for *Working Nation*, the frayed final chapter in the story of the Accord unfolded: Keating and the leaders of the ACTU, the peak council that supposedly represented the trade union movement, conspiring to overturn a bulwark of the labour tradition – the century-old system of wage determination that had helped give Australia a strategy of social amelioration that was a distinctive, progressive beacon for the rest of the world (Castles, 1988, viii).

Why the revolution? The right

In retrospect, it is clear that a complex raft of reasons helps explain why the New Labor transformation unfolded as it did in Australia. But a good place to start is with the economics profession, and in particular Australian university economics departments. Key Labor thinkers in the 1970s had seen at close hand the domestic political dismemberment of the disaster-prone ALP government of Gough Whitlam, sacked controversially by the Governor-General in 1975. But they had experienced this against the backdrop uncertainty flowing from the international intellectual collapse of Keynesianism. The raw provenance of the new economic thinking can be traced to the stirrings of imported neo-classical economic ideas in the universities in the 1960s and 1970s – a credo that found accommodation impossible with the Deakinite Settlement. It was manifested as an emerging new orthodoxy taught in university economics courses (Anderson and Blandy, 1992). In Australian political discourse in the 1980s, this doctrine was given the sobriquet ‘economic rationalism’. According to the thesis of Sydney sociologist Michael Pusey, university education in market liberal ideas had had a massive impact on the thinking of many civil servants and apparatchiks who lived through the Whitlam years and later graduated to senior advisory roles for the incoming Labor ministers in the 1980s (Pusey, 1991).

One of the strengths of Kelly’s magisterial *The End of Certainty* is that it charts how the rise of the new rationalism in world economics took a grip on the thinking on the conservative side of Australian politics while the Coalition was still in power at the end of the 1970s. Prime Minister from his defeat of Whitlam in 1975 until defeated himself by Hawke in 1983, Malcolm Fraser had about him the temper of the social liberal, an interventionist in the Deakinite mould. Behind the scenes in his government, though, a revolt was brewing – radical liberals were fermenting dissent from the Deakinite way, with the singular, core belief, as Kelly put it, that 'government intervention must surrender to market forces'. These renegade market liberals were responding to the Thatcher–Reagan era, the rise of New Right politics. Two relatively obscure conservative politicians were pivotal in the rise of these so-called 'dry' economic ideas. One was a stoic champion of the free market, Bert Kelly, a South Australian backbencher who used an influential newspaper column to argue the deregulatory cause. The other was a one-armed former West Australian farmer called John Hyde, who as an MP was bold enough to publicly chide his own side, the Fraser government, for its wrong-headed endorsement of a failing eco-political heritage. Paul Kelly identified Hyde's public stance as a turning point in Australian political history (Kelly, 1994, 39).

In an interview for this book, Hyde pointed out that while Bert Kelly did not have any formal economic training, as the son of an official in the long-standing civil service structure that administered tariffs, he 'was brought up in the company of some of the great economists of the 1930s and went into parliament with a broad gut understanding of economics' (Hyde: Interview with author, Perth, February 2000). Hyde himself got his economic beliefs from two sources once he entered parliament in 1974 – international economic literature accessed through the library of the Federal Parliament in Canberra (focusing heavily on developments in Thatcher's Britain) and via some key economists in Canberra and Sydney. Like Kelly, Hyde said, he 'sat up at night reading economics textbooks'. Importantly, the head of the research staff at the Australian Reserve Bank in Sydney actually agreed to give him what amounted to private tutoring sessions. And leading orthodox economists at the Australian National University in Canberra also made time to help instruct him and other members of what essentially operated as a ginger group of MPs on Fraser's backbench.

Among these pioneering conservatives, there was the redemptive fervour of zealots offended by what they perceived as misuse of the public domain. Starting with Hyde, but soon surfacing in the inner sanctum of the Hawke cabinet too, it was not just the economic 'irrationality' of Australia's heritage of protection that gave offence. It was the squalid political deals perceived as underpinning it. Hyde went as far as to argue that the embrace of rational economic policies was more than economics, more than politics. It was a 'moral' thing, especially for Bert Kelly who had a 'protestant ethical view of rectitude':

> The 'dry' business is about having no favourites or picking out no victims. Governing equally for everybody. It's a lot more than just an economic thing, although it was economics we pursued. But particularly today with extending into the social agenda, particularly in the US, it's not just economics, no. Even with Bert Kelly, it was very much a moral

> thing. It was wrong for government to suck up to its mates. It was wrong to tip your money into marginal seats. It was wrong – that was the word he used. Right or wrong, it became a moral thing. It's simply wrong to pander to organised vested interests against the interest of the whole. That's the most common one. You know, the textiles lobby … why was it wrong? Because it was organised, it used to get money … powerful trade unionists against weak employers … the great creators of unemployment. Wrong to give the superphosphate bounty to wealthy farmers. It was a breach of trust. Politicians hold their powers merely in trust. That's the essence of dryness. A politician is in a position of trust and he's not entitled to breach it. If you just play it to win elections and win elections alone then politics becomes a breach of trust. It's short term. Bert Kelly had a long view of the world. You didn't borrow what you couldn't repay, and that went for governments. Governments were obliged to honour their trust and treat citizens equally. That meant you didn't give tariffs to weak industries to prey on others; that sort of thing. It was as much a moral crusade for Kelly as it was an economic one. (Hyde: Interview)

Enter John Winston Howard

If, at this time, it was a moral question for some conservatives, for John Howard it was very much a political one too. First elected to parliament in 1974, the former Sydney suburban lawyer was promoted by Fraser to Treasurer (Chancellor) in November 1977. Though he felt constricted by the ameliorative instincts and economic caution of his patrician leader, it was a singularly meteoric rise. In a key 1981 policy showdown over protection for the car industry, Howard impressed the by now powerful renegade faction on Fraser's backbench with his deregulatory instincts. From that moment, as Paul Kelly showed, Howard became the champion of the free market lobby, graduating to deputy leader of the Opposition the year before Hawke's election.

Fraser's loss to Hawke was the catalyst that brought to the surface the submerged Coalition ideological divisions. Under Hawke, New Labor moved seamlessly into the middle of the political spectrum, embracing pillars of Thatcherism. For the Coalition, this was a catastrophic annexation of its electoral terrain. From 1983 onwards, the key question was: how should it respond? The result was significant internecine war between the old conservative-amelioralist social liberals on one hand and the newly empowered radical, market liberals on the other. At stake was the political soul of conservative politics. Publicly, and led very much by John Howard, the Coalition Opposition harried the government for even more dry prescriptions. Behind the scenes, though, this sparked significant disputation, with Deakinite moderates increasingly concerned about the drift to the right.

Figure 2.1: Prime Minister John Howard watches as opposition leader Mark Latham prepares to be sworn in at the opening of the 41st parliament 16/11/2004

But the agitation from the Coalition free marketers had important extra-parliamentary support – from the newly emerged New Right lobby (Tuffin, 1987), like-minded business groups, anti trade union activists (Stone, 1986), various think tanks and important individuals working in the media. Here was the pincer movement of intellectual pressure to which, through the 1980s, New Labor thinking gradually succumbed. In short, the ALP government was constantly buffeted by waves of political pressure and supposedly objective or expert public policy analysis and advice that demanded the demise of industry protection, a 'long-awaited assault' on the industrial relations system, reduction in paternalistic state power, a shift towards market power and deregulation, stepped up enterprise productivity and workplace reform, more national self-reliance, welfare only for the needy and not as a universal right and an emphasis on individual responsibility to match individual entitlement (Kelly, 1994, 15).

Why the revolution? The 'left'

Behind the scenes inside the ALP as well – at the end of the Whitlam period and through the Fraser years – the momentum towards such heretical new ideas began to gather, basically because a constellation of key individual politico-economic players was coalescing. Though he failed as leader, Bill Hayden was a pivotal influence in launching the Hawke–Keating experiment. He was the bridge from the old party to the new. Despite his Queensland working-class background, Hayden underwent a massive political metamorphosis in his time in national politics. In 1963, as a young MP and around the time he, too, began to be influenced by Bert Kelly, Hayden began studying economics part-time. It would fundamentally change his political approach. The ALP had been a high tariff party since the 1930s and when he first came to Canberra, Hayden fervently believed this was the route to protecting jobs and developing industry (Stubbs, 1990, 51). But after Whitlam's election as leader in early 1967, a group of Labor MPs emerged, of which Hayden was one, with an itching to rethink the tariff position. Most had economics degrees (Murphy, 1980, 35). By 1968, Hayden had finished the study for his. And his views on protection had been changed from passionate advocacy to something akin to contempt (*Australian Financial Review*, 29 June, 1972). Alongside this, however, Hayden's experience as a senior minister during what he called the 'flawed years' of Whitlamism had a huge impact in re-shaping his beliefs (Hayden, 1996, 165–232). As his 1996 autobiography startlingly attested, Hayden developed a deep scepticism about the potential for government to achieve anything through economic intervention. He became troubled by the very idea of government-run public enterprises, concluded that 'omnibus social planning' did not work and was scathing about some of the Whitlamite programmes that attempted 'social engineering'. The real import, though, of Hayden lay in his influence over some up-and-coming individuals, in particular Keating's later Treasurer, John Dawkins, the product of a West Australian business establishment family, and the iconoclastic West Australian wheat farmer Peter Walsh who took the important job as Finance Minister. In surrendering the leadership to Hawke, Hayden won a guarantee they would get ministries. Walsh and Dawkins became, in the Hayden mould, willing icon-smashers. They formed part of an elite inner cabinet in the 1980s which manoeuvred historic policy decisions through, at times cleverly bypassing or bucking their own party, or wider community, anxiety. In an interview for this book, John Dawkins pointed to the good fortune in having the five key players in cabinet on the same economic wavelength:

> It all boiled down to the five people who were originally on the Expenditure Review Committee – Hawke, Keating, Dawkins, Walsh and [the only Keynesian, former union official Ralph] Willis. The pattern was set in the first economic statement. We were elected in March, the statement was in May and it set the pattern for everything else we did. Nobody before the election would have anticipated that they would

> have been the five people running the government. It was almost by some magic of political chemistry that, certainly, four of the five had a consistency of view, a refusal to be borne back into things that had failed, a determination to look at everything on its merits. That core of people developed its own modus operandi which became 'growth with equity' and what Keating would see as his economic legacy. (Dawkins: Interview with author, Adelaide, March 2000)

'No time for a shock job'

By far the most vital ingredient that explains the New Labor revolution was the worldview of Hawke and Keating themselves – the set of preconceptions they brought to their jobs after 1983. Here were two very different individuals arriving at much the same political and philosophical conclusions for varied reasons grounded in their own personalities, respective personal backgrounds, educations and other formative influences. Accounts of Australian New Labor have skimmed over the fact that their elevation to power was built on a political deceit in a way that, fourteen years later, Tony Blair's was not. Catapulted into the party leadership after John Smith's untimely death, Blair spent almost three years prior to the May 1997 election making it quite clear that the modernisation project was intent on wholesale change, particularly to vital policies. No one – the wider party, his parliamentary team, the media or general public – was left in any doubt that this was to be a new direction; in the UK at least everyone saw the revolution coming. In stark contrast, in 1983 Hawke and Keating knowingly went to an election with an economic policy they did not believe in yet did not change, for fear of disturbing their party's equilibrium just when it appeared the Fraser government's days were numbered. When it contemplated the economic policy manifesto the ALP took to that election, the Australian electorate could not possibly have had an inkling of the direction New Labor would chart. As Paul Kelly and John Edwards noted, in committing themselves before the 1983 election to a massively expansionary programme that included big tax cuts, petrol price reductions, increased welfare benefits, accelerated public works, higher spending on public housing, commitments to maintaining protection and interest rate intervention to stimulate housing (Edwards, 1996, 194) 'no avenue of vote-buying or economic expansion was left untouched' by Hawke and Keating in their desperation to win (Kelly, 1984, 401).

Certainly, it is true that by polling day on 5 March Hawke had only recently made leader and Keating his shadow Treasurer. Strictly speaking, they inherited Bill Hayden's platform. But the fact is that some leading front bench figures under Hayden, including Hawke and Keating, were by 1983 secretly wholly antipathetic to the traditional tenor of Laborite policy direction. No one was saying it at the time, but it was ripe for overturning.

Hawke and Keating unilaterally imposed their big national economic reforms, predicated on deregulation, on their party. Paul Kelly noted that rarely had such a reversal of an established philosophy been accomplished so swiftly, so comprehensively, with so little internal trauma, even as it 'overwhelmed' party members. Hawke shifted Ralph Willis, the only Keynesian member of what would develop into that inner ministerial sanctum, from the Shadow Treasury job, in favour of Keating; there was a seamless ease in the way the 'international orthodoxy' became the wellspring of New Labor economic ideas (Kelly, 1994, 77).

In an interview for this book, Paul Keating scotched the suggestion that he was somehow brainwashed into economic rationalism by his advisers. In spite of his publicly expressed views prior to 1983, Keating said that privately he had 'always' seen himself as a 'market person'. In the interview, he made some startling admissions, including saying the lead-up to the 1983 election was 'no time for a shock job' – but intimating party policy was always going to be overturned. He also indicated that, given the traditional protectionist consensus between the Coalition and the ALP, his own background as the son of a business-oriented family had made him feel like a 'fish out of water' within the ALP. Keating was reminded that his biographer, John Edwards, had recalled how, in the 1970s, he had been very much 'in the Labor mainstream' in economic thinking. Then he had argued for tough regulatory controls on banks, advocated controls on speculative capital inflow, wanted a national fuel and energy commission and a national investment strategy to coordinate public investment and determine public investment priorities, called for a limit on debt raising by foreign companies in Australia and opposed foreign purchase of Australian real estate. Edwards recounted Keating telling journalists a matter of weeks before he became Treasurer that foreign banks should not be permitted entry to Australia. In other words, seventeen months before he began implementing, arguably, some of the most right-wing economic policies of any left-of-centre Treasurer, Keating was advocating radically interventionist propositions.

Confronted with these inconsistencies, Keating said that when he was made Shadow Treasurer in January 1983, his predecessor Ralph Willis had established a position 'about foreign banks and all that'. 'And we were just about ready to beat Malcolm Fraser. He was in trouble. It was really not the time for a shock job – you know, saying: "Hang on, the whole policy is wrong".' After replacing Willis, Keating took on the job of overseeing ALP policy for an Accord with the unions. In the second week of the 1983 election campaign he went to a meeting with union bosses in Sydney about it. He told them of Hawke's plans to hold a National Economic Summit if he won. 'But, you know', Keating said '[at that time] this was no place for me to say [publicly]: "Just by the by, I think we should have a floating exchange rate" – I wasn't completely sure that we should – or that: "By the by, I don't think that the tariff wall can last." I had to get the job and bring the Labor Party with me. Get in there and then start ...' Asked if such ideas were 'in you from the start', Keating said that, unlike his conservative opponents, 'I am a market person. See, the real problem I had was the Coalition didn't believe in those things.' For decades, the Coalition itself had built the tariff wall and refused to act on the advice to deregulate. So when he took office, Keating said he went searching for bureaucrats in Treasury who believed what he believed:

> Essentially, there was no guiding philosophy other than a closed shop that started with imperial preference. And I'm saying: 'Jesus, am I a fish out of water here? Like, I'm the fish out of water in my own party and I'm the fish out of water in theirs.' So what I did, really, was try to find those bodies in the bureaucracy that sort of saw things my way. Now, not that I was the alter ego of the show, but people who had a similar philosophy ... I mean, I found them. (Keating: Interview with author, Sydney, December 1999)

Keating argued that through his family business, contact with corporate people had given him the experience to provide 'philosophical leadership' for the technicians of Treasury. A supplier of engineering equipment to the big concrete operations, the Keating family business in Sydney did well before being sold in 1973. Keating said this experience showed him, as a young man, that the ALP and capital could live together. He just didn't have the suspicion of business that 'a lot of people in the Labor Party had'.

What kind of Messiah?

Hawke himself came to the Labor leadership already a charismatic figure: trade union tyro and supposed negotiating genius; sports-mad, cocky larrikin; smart yet iconic Aussie common man prototype. The question on everyone's lips: could he make the transition to statesman? Blair-like, a specially assembled new generation of tough ALP staffer-spin-doctors took him in hand to see to that. But there was always this underlying suspicion that, despite Hawke's obvious high intelligence, here was a politician devoid of any vision. Welcomed to office after the Fraser years by an enraptured public, the 'messiah' tag didn't last long as the foundation stone of his support in progressive Australia waned. And throughout his Prime Ministership, the question really did hang over Hawke: just what did he believe in? To many observers he came over as a guy cobbling together a raft of ideas drawn from his personal background and own impulses but also drawing on other more imaginative people. Despite the plethora of biographies, it was not easy to define what Hawke stood for; in an eerie precursor to Blair's 'what matters is what works', Hawke's seemed just a 'philosophy of means'.

In his valuable insider's account of the operation of the Prime Ministerial office, Hawke's former speech writer Stephen Mills argued that he 'did not aspire to attain the Lodge (the PM's official residence in Canberra), or contrive to stay there as long as he did, thanks to anything as grand as a philosophy, or as rigorous as a theory, or as dogmatic as an ideology' (Mills, 1993, 9). Mills' account graphically illustrates the extent to which so many of Hawke's core sentiments paralleled those of Blair much later. Mills said that coming to the leadership as an outsider, Hawke showed that power could be won by an appeal to a broader, popular, legitimacy rather than playing the games so familiar to, and of, the Canberra elites. He would happily put ALP sacred cows to the sword. Hawke was a winner and brought success to the ALP but the price the party paid was that in following him it would be forced to abandon traditions and policies it held dear. Hawke was steeled by a sense of righteousness of purpose and a perhaps overwrought view of the legitimacy conferred by his opinion-poll approval ratings:

> Right from the start, then, his attitude to the Labor Party was an adversarial one. Hawke simply refused to be bound by the Party's inherited ideology. Indeed, he was driven by an inner conviction that he knew better than anyone else in the Party what its real, basic, principles were, and what it needed to do to act on those principles. Repeatedly as Prime Minister, his relationship with the Labor Party was a contest between, in on corner, Hawke's own integrity and personal values, as he worked towards those principles, and in the other, the inertia, outdatedness and irrelevance of Labor's platform. (Mills, 1993, 70)

Mills reckoned negotiation was Hawke's passion, his skill, in many ways his reason for being. But where *was* the vision? When asked this question publicly, Hawke would often retreat into a stock rehash of the state of Australia pre-1983 and his specific reforms, insisting the vision lay in the differences. In private too, Hawke conveyed the impression that over and above everything his overriding aim was to cut through old party conventions. Preparing to deliver a speech in honour of Australia's Clem Attlee equivalent, the post-war leader Ben Chifley, Mills recalled Hawke making it clear to his staff that he was not about comforting the Party faithful. 'We would love to be social democrats ticking along, making a few adjustments to the machine here and there,' he said. 'But we have to absolutely cut through the assumptions of the past. No previous Government, including Whitlam's, has done this. We can talk [in the speech] about our philosophy and our commitment to the underprivileged. But to achieve those goals we have to change; we have to educate the Party about the irrelevance of their shibboleths …' Mills said Hawke appreciated there was a paradox in the need simultaneously to question and to affirm the past. Because the modern world was a demanding place, it was OK to take inspiration from old ways, but it would be dangerous to continue them.

> We have to crunch up the rules of the past. Fuck the past. Or the past will fuck you. The past is both an inspiration and a dragon to slay. We have been about dragon slaying. No tinkering, no cuddly blankets. We take the best of Labor traditions and we also change tack. We take the best from the past, but if it's an anchor chain, cut it. (Mills, 1993, 70)

It is worth recalling here Blair's famous remarks about doing only 'what works' – the sentiment that his fellow modernisers (Mandelson and Liddle, 1996, 31) declared *was* the Blair revolution: 'There are no ideological preconditions, [there is] no predetermined veto on means. What counts is what works. If we don't take this attitude, change traps us, paralyses us and defeats us' (Blair, 1998c).

Hawke himself had been in the vanguard of the injection of tertiary-educated professional managers, many of whom were armed with economic degrees, into the Australian trade union movement in the 1970s. Provocative challenges to long-held Labor economic ideas confronted him in some of the important appointments his role as the nation's top union leader earned him, such as on the Reserve Bank board in the late 1970s and on various inquiries into manufacturing. All this, Hawke said, gave him a 'detailed understanding of both the weaknesses, and the opportunities for, Australian manufacturing industry. I was determined, if given the opportunity, to put that knowledge to good effect' (Hawke, 1996, 82). A key moment came in 1975 when as its leader, he told the Australian union movement that the way ahead was to negotiate trade offs, not pursue wage spirals, because of the decline in business profits and private investment brought by changed international economic circumstances.

In an interview for this book, Hawke argued he came to Prime Ministership better prepared technically than any of his predecessors, having learned 'a heck of a lot' about economics. In office, his receptiveness to market economic prescriptions was reinforced by the presence of his first economics adviser, Ross Garnaut, whom Paul Kelly called the most influential of the era (Kelly, 1994, 93). Garnaut had been part of a group of orthodox ANU economists occasionally invited to Parliament House in Canberra in the 1970s by the 'ginger group' agitating for new ideas on the ALP side, with Bill Hayden prominent. Soon after the 1983 election, Garnaut was invited in to see the new PM. In offering him the job, Hawke assured the economist there would be no backsliding:

> In the conversation Hawke asked if there were any areas of policy or program that he was associated with that would be an impediment. And he immediately said he presumed that I would have some worries in my

> mind about what the party had been saying about protection. Before I had a chance to say anything, he said: 'You will know from the discussions in the Crawford review that that is not a problem for me. We won't be removing all protection tomorrow, we'll be doing it as unemployment comes down. But you can feel quite confident that you won't be out on a limb on that issue.' And I said: 'Well, I actually wasn't worried about that because I presumed that we could talk through that. But I am worried about your expansionary fiscal policy. I think it's far in excess of the requirements of the situation, to be dangerous. And will put us into another boom and bust cycle.' And Hawke said he had spent time with [the head of Treasury] over the weekend. That's when I first heard some of the details of the $9.6 billion deficit. And he said: 'That's not going to be a problem either. We are going to be adjusting the stated policies back to something that I think you can live with.' My views were very well known, everyone knew my views. I knew Hawke wouldn't be offering me that job if he was uncomfortable with me. (Garnaut: Interview with author, Canberra, January 2000)

Hawke always insisted he had been steeped in economic theory a long time before he became PM. He had learned a huge amount over his years as the unions' advocate in the arbitration system – so much so that while the focus in economic policy later came to fall so much on Keating, he always felt he was not given credit for his own background as an economist. In the interview, he boasted that he had been a tutor in economics at university. During his career some of the best brains in Australian economics influenced him:

> Well, it goes back a long way … I was profoundly fortunate when I first went to the ACTU in 1958 that I had a number of outstanding economists as good personal friends. I was very fortunate from that very first stage at having first-rate help; I mean these were in a first rank of Australia economists. They were friends, unbelievably generous in their time for me. So all the way through I had top economists as friends and when I became Prime Minister that was carried on with Ross Garnaut. So I had this continuum of good advice. People off whom I could bounce ideas. And when I was wrong, you know, they'd straighten me out. (Hawke: Interview with author, Sydney, August 1999)

Chapter 4 will deal with how New Labo(u)r had to contend with elemental claims about betrayal of their supposed political heritages. In the interview for this book, Hawke provided revealing hints as to the reasons he acted as he did as PM. Surprisingly, when confronted with the betrayal charge, the person he invoked was the classical economist, Adam Smith. In his response, what unfolded was an ideological rationale that seemed predicated on an inherently defensive labourism – a class-conscious deference or even capitulation to the power of economic privilege. Hawke said specifically that a guiding principle for him had long been the notion that 'the deck is always loaded' in favour of those people in society who have money. Asked about betrayal, he said:

> My government was totally within the Labor tradition. People kept saying to me this isn't Labor and I just kept saying it *was* Labor. What you've gotta do is ask: what's the basic commitment and philosophy of the Labor Party? Then you could ask: do we live in a world that is not changing so you can do exactly the same things that you did in the past? Or, do you keep a firm grasp on those principles and adapt your policies and practices to maximise your chance of achieving that philosophy? To me, the basic philosophy of Labor is essentially very, very simple. For Christ's sake, Adam Smith had written about it 200 years before, and it's worth looking at that passage where he talks about the contest between the worker and the boss – it is always going to be the boss who wins. He's always in a strong position. The deck is always loaded for those with the money. Now, the philosophy of Labor is to even up, get a balance in that power. And to say in the nature of the capitalist free enterprise system – which I'm in favour of, by the way, I'm a Social Democrat … whether it's a good thing or not, if you look at history the only thing that really drives people and gets things done is the opportunity for people to improve themselves, to grow their businesses and so on. And so, what you've got to do is you have to civilise that process. And use government to help grow the economy but within that process ensure those least able to look after themselves get a fair go. And fundamentally that you establish a society in which there is equality of opportunity. Not an equality of outcomes, because people are different and some people will do better. But you've got to have equality of opportunity. That's why the area of education was fundamentally important. That's the core Labor philosophy. But you were living in a time which was changing faster than any time in recorded history with forces within the country and internationally that wouldn't let you stand still. You had to make decisions which were going to make sure the economy was more competitive. (Hawke: Interview)

Last man standing

Despite his critics on the left, ultimately Hawke won the approbation of one genuinely important player in this seminal phase of Australian political history – the renegade market liberal John Hyde. Hyde recalled sitting in the parliament, listening to one of the early Hawke government budgets and thinking; 'Jesus, they call themselves Socialists!' Hyde reckoned the

Hawke government was the best one Australia had had 'since early Menzies' because for the first time in decades decisions were being taken unconstrained by special interest pleading. Because of his groundbreaking deregulation, crackdown on welfare, privatisation and budgetary control, Hawke would 'go down as one of Australia's great Prime Ministers' (Hyde: Interview).

Hyde may have had an inkling in those very early years that Hawke would set Australia on an unprecedented new course in economic management. But he could not possibly have known just how comprehensively it would fall to Prime Minister John Howard twenty years later to complete the job. After Fraser's departure, Howard would become Coalition leader twice, unable to break down Hawke's early gridlock popularity with middle Australia, and then brought unstuck by a bloody LPA party room coup. On one occasion he famously declared his political career over. A social conservative and market liberal, Howard was reviled in the 1980s by social liberals and repeatedly written off. In the thirteen years of ALP rule, first Hawke and then Keating repeatedly outmanoeuvred the Coalition, as it went through six separate leadership changes. With the failure of the supposedly younger generation, particularly John Hewson, in 1995 a despairing Coalition finally drafted Howard back into the leadership. There seemed no one else to turn to. Renewed, his strategy was simply to wait Keating out, as the electoral tide turned against a clearly exhausted ALP in 1996.

As market liberal ideas became more and more entrenched, there was something more than ironic in the fact that Howard eventually prevailed, becoming by the early twenty-first century not just an extraordinary political survivor but the vindicated champion of Australia's ideological transformation. Gradually, Howard had managed to overtake his adversaries inside the Coalition. He outlived his early nemesis Hawke. And then he despatched his bitter adversary, Keating. Along the way he saw the social liberal stream gradually marginalised inside the Coalition, if not almost obliterated. For a decade as Prime Minister he presided over something akin to the electoral humiliation of the ALP. And, then in 2005, he would see the way open up to complete the job of truly radical reform; to decisively finish what Keating had begun in putting the Deakinite Settlement to the political sword.

3

In From the Cold

Among the scholars who have looked at how 'policy' is transferred from one country to another, or between political parties in different countries, Richard Rose argued that the rejection both of national tradition and abstract ideologies that was integral to Tony Blair's politics made him open to learning from abroad (Rose, 2000). From the start, Blair's government was sensitive to the accusation that it was just re-bundling Thatcherite ideas. Looking to inspiration from left-of-centre governments abroad such as the American Democrats or ALP potentially carried multiple legitimisations – the validation flowing from contemporary success in other places created templates for urgent action at home.

Indisputably, Blairism 'imported' New Democrat ideas from the US. Accounts of Blair's rise have given high priority to the influence of some of the Clinton administration inner circle (Rentoul, 1995, 280–7; Sopel, 1995, 142; Blumenthal, 2003, 302). Blair and Brown were Atlanticist in their ongoing search for political inspiration. The question, though, is whether a simplistic mythology settled over the supposed American provenance of New Labour thinking. This was far from the end of the story. Blairism cherry-picked ideas far and wide (King and Wickham-Jones, 1999). The very first meeting of Blair's Labour opposition shadow cabinet in 1994 witnessed an exchange about whether there was an appropriate model for the future. Blair's shadow minister for civil service matters, Peter Kilfoyle, disputed the case being made by some people that the Clinton model was the way ahead. Kilfoyle was concerned that strategists, like Peter Mandelson and pollster Philip Gould, had become intoxicated with the methods used by those who masterminded Clinton's rise. 'I thought the Australian model was one more closely resembling our own. Obviously, it is a very different one but I argued that politically and culturally there was a far greater affinity than there was with the American model,' Kilfoyle recalled (Interview with author, London, June 2003).

Here, it is important to be clear about what theorists in this area have meant by 'policy'. It can encompass public policy that is implemented through legislation but it also has broader applications, grounded in political activity, for example. Some scholars have identified up to a dozen categories of actors engaged in the processes of transferring ideas internationally, including political parties' elected officials (Dolowitz and Marsh, 2000). Chapter 6 will discuss a group of actual pieces of public policy taken by the British from the Australian experience. In part of his ground-breaking examination of specific areas of social policy developed under New Labor and said to have been influential on Blair, Chris Pierson argued that, in fact, the main British interest in the Hawke–Keating project had actually lay in ALP electoral methods. He cited British party visitors in the 1980s whose 'real mission' was to 'learn how to win elections' (Pierson, 2001). Ultimately, this book will accord greater weight to the diffusion of actual government policies, and the ideas that underlay them. But this is not to say that the electoral dimension of New Labor was not of importance to the Blairites as well. This chapter thus takes a lead from Dolowitz and Marsh's most overtly political category of players. It will focus on the dissemination of what is defined here as the broad political 'skills set' that the Britons examined from the late 1980s.

Heretical distaste

When he was Treasurer of Australia, Paul Keating detected the first real stirrings of international interest in the strategic meaning of the direction he and Hawke were charting during his travels in Europe in 1986–7. At one point voted Euromoney's Finance Minister of the Year, Keating began to find leading individuals in Germany, France and Scandinavia expressing keen interest in the Australian reforms. Officials like Jacques de Larosiere, IMF Managing Director, and others at the OECD began pressing him for specific detail. At the political level, he found interest suddenly high within French socialist ranks, with Finance Ministers and later Prime Ministers Michel Rocard and Pierre Beregovoy keenly scrutinising the Australian approach. 'I saw Rocard and Beregovoy in Paris in the period when Chirac was Prime Minister,' Keating said. 'They loved our model, they loved it. This was the French Socialist Party! They were very taken by what we had achieved' (Keating: Interview). Interest may have been high on the Continent but the fact is that in the mid and late 1980s, international opinion about the new Australian political experiment was divided, and sharply critical in some quarters.

On the right, international financial institutions favoured New Zealand's free market approach, the so-called Rogernomics, particularly given the Australian proclivity to include unions in national decision-making. John Dawkins, one of the key early New Labor reforming ministers and a later Treasurer to Prime Minister Keating, was irritated, for example, by the comparisons he found being drawn by some inside the OECD:

Figure 3.1: Treasurer John Dawkins during his budget speech at Parliament House Canberra 17/8/1993; at rear are Paul Keating and Brian Howe

> Whilst the OECD eventually came round to the view that we had been successful, in the beginning they were very sceptical. They were particularly hard on us in the early days for maintenance of the centralised wage fixing system. What they wouldn't understand, despite attempts to explain it to them, was that you couldn't run the Accord without a centralised wage fixing system. And the Accord was actually a means of keeping wages down, not pushing them up. They believed that all centralised systems pushed wages up and the only way to have a competitive wages system must have it all determined at the enterprise level. We just didn't agree with them about that. They subsequently came around to our view later. But if you had the OECD sceptical about you, it was unlikely that other governments would see our experiment as being a huge success. Acceptance did not come till later. (Dawkins: Interview)

Dawkins said that as he and other ministers travelled, 'people were interested in some aspects of what we were doing but they never saw it as a total model'. To the left in some countries, Australian Labor seemed to be acting very heretically indeed. Peter Cook, another important strategist-minister-reformer from the period, felt a distinct resentment of the ALP among counterparts abroad in the early years of reform:

> The ALP was excoriated among our Labour Party brethren in the Socialist International because if you didn't understand the Accord,

> some of the features of what we were doing bore a remarkable resemblance to what Reagan and Thatcher were saying. The big dimension that was different from both those is we weren't just doing it with a human face. We were doing it with the co-operation of the union movement. And we were actually delivering to our base. But some of the language was too luridly dry [and] sounded reminiscent of Thatcher. We were a rational, economically-based government … which was what our sister organisations were fighting against in their own countries. So, we were internationally one out. (Cook: Interview with author, Canberra, August 1999)

The resentment of the Australian political model in the late 1980s was felt nowhere more keenly by ALP leaders than in the pre-Blair British Labour party. Peter Cook sensed the distaste in the UK extending into the early 1990s. As Industrial Relations Minister, in 1991 he delivered a guest lecture on the Accord at the LSE (Cook, 1991). While in London he had talks with party and TUC officials. He was repeatedly given frosty receptions, as he starkly recalled:

> The politicians who were there said this could not happen in Britain. There was no belief that the TUC could replicate what the ACTU had done. I remember my sense of the meetings was that I had better explain myself, rather than I might have interesting things to say. I wasn't there being patronising or pompous or saying we were the model for the future. I just went along because I thought they were unions and we came out of their tradition, we had a lot in common and what we were doing was pretty interesting and it might be useful if I was to explain it. But it was a mood of, you know, 'you had better explain yourself'. So, I proceeded to. (Cook: Interview)

Dawkins recalled the Militant Tendency Labour leadership letting it be known it had nothing to learn from the 'wayward' Australians:

> When I first went to see the British party in about 1983 or 1984 they were very pleased that we were elected but they saw us as kind of right wing, pragmatic and following a free-market agenda while they were still very much in their old frame of mind … We were considered by the left as too far to the right and we were considered by the right purists to be not really committed to free market policies because we wouldn't do anything about the labour market. That was, in essence, why we were kind of stuck in the middle. We didn't actually fit in anywhere. We were making our way entirely on our own. (Dawkins: Interview)

All this is not to say, however, there wasn't some meaningful contact between figures in the Australian and British parties in the 1980s. There was, and it was very important. In fact, the contact that was taking place would eventually directly feed into the evolution of Third Way ideas. Three elements, in particular, were vital here. One was that Blair had lived in Australia as a child and himself visited as an MP to analyse the Hawke–Keating ideas. As Opposition leader, he developed a close relationship with Keating during visits to Australia in the 1990s. The second factor was the facilitating role of Patricia Hewitt, the daughter of the high-ranking Australian bureaucrat Sir Lennox Hewitt. She had settled in Britain, worked as Kinnock's press secretary and drafted much of the revamp of the British Labour policy manifesto in the early 1990s before going on to become a Blair minister. The third factor was the involvement of Gary Gray, a British-born ALP organiser who returned to his birthplace on a working holiday in 1985 and began to develop links with many well-placed British party figures – contacts that served him well at the ALP Secretariat in Canberra when he later became National Secretary. Essentially, some very important personal links developed between these and others among a small group of individuals in both parties from the late 1980s; some of whom, as it happened, later became pivotal players.

For much of the 1980s, though, formal or official linkages between the parties at the top level were somewhat strained, at times even non-existent. Even as National Secretary, Gray found it difficult, for example, to get some British officials to return his phone calls. Gray thought he detected resentment among some British Labour figures in the 1980s that Australians were in the practice of jetting into London, talking of how they had invented a new political model. This detached wariness even extended to Bob Hawke's relations with Neil Kinnock. During a meeting between the two in London in 1986, discussion turned to the Accord, Kinnock explaining the difficulties with the social wage experiment under Harold Wilson. Bob Hogg, Hawke's then personal advisor before becoming ALP National Secretary prior to Gray's tenure, was present and remembered the exchange:

> The point we made was that the Accord was a social contract that delivered policies across the social spectrum, and not just wages, including health care and tax policy and, towards the end of the decade of course, superannuation. They (the British hosts) were very interested and wanted to know as much as they could about our relations with the unions … this was the sort of stuff Kinnock was exploring with Hawkey … the whole nature of the social contract, why theirs didn't work with Wilson and why ours was working. We explored the differences but also the wider range of social policies. (Hogg: Interview)

Hogg remembered the meeting, which Denis Healey also attended, being somewhat strained, mainly because Hawke was blunt enough to criticise the then British party's policy positions. Hawke's recollection was that Kinnock had asked for the meeting because the 1987 election was on the horizon and he was looking for ideas. Hawke said that if the British party went into the poll with unilateral disarmament as a policy, it would not win. ‘Denis Healey has got these big bushy eyebrows and up go the eyebrows about six storeys, and poor old Neil says: “No, no, people are coming to understand the policy …” And I said: “Well, Neil, it’s your country, not mine and you’d know the people. But that’s my view of things.” So then we just talked about things in Australia and they said they found it very useful. What they did with it after, I’m not sure’ (Hawke: Interview). As it turned out, Kinnock saw Keating prior to the 1992 election, though Keating also recalled being unable to interest him in Australian ideas in the 1980s:

> I saw Kinnock after making four offers to him to see him. He never saw me and we used to get the drip back that we were labour fakers, that I was overtaken by some sort of alien orthodoxy and why would he want to see me. And he finally saw me just before he lost the election – the one where he went in there promising to lift the tax rates and got defeated – and I could never work out why they were never interested in us, because we were in office and they weren’t. (Keating: Interview)

In fact, the juncture in the early 1990s at which Keating was intensifying his campaign to replace Hawke as PM happened to coincide with the moment, as far as many international observers on the left were concerned, that the Labor government in Australia came in from the cold. By the time Kinnock finally met with Keating a palpable change was overtaking thinking inside the British Labour party about Australia. Hewitt and other colleagues had been travelling back and forward for five or six years, quietly meeting government and ALP figures on everything from specific policies to opinion polling techniques and electioneering strategies. The policy front became increasingly important, because by 1992 Hewitt had been given the key role as a director at the think tank IPPR and was a leading participant on the Commission for Social Justice, set up by John Smith, to conduct an ‘independent inquiry into social and economic reform in the UK’ – in essence, trying to pull together a new policy agenda to make Labour electable (Commission on Social Justice, 1994). The sea change extended through to, and gathered strength in, 1994 with two events: the elevation to the job as Labour Party Secretary of Tom Sawyer, a reformer determined to build a much more organic relationship with the Australian party; and Blair’s ascension to the leadership.

The political ‘skills-set’

Once the ideological aversion of the British party was overcome, its new generation of modernisers soaked up the why and how of the Hawke–Keating ballot box success. But what were the ingredients of this skills-set they looked to? Broadly, we can see it operating at both a 'macro-strategic repositioning' level and at a 'micro-party operational' level. Here, it is important to make the point that this skills-set worked in tandem with the most vital category of diffused ideas – policy innovation. Party management, government tactical positioning, electoral judgement, market research, policy development and promotion and media management are all integrally interwoven. Hawke and Keating were able to embroider a political rhetoric onto their policy changes and use party political techniques and publicity to project it in ways that broke new ground. The effect was to disarm and panic their opponents. By embracing right-wing policies, New Labor forced the conservative Coalition to completely reconsider its policy approach. The Coalition had to present an alternative, but how? By being like New Labor or more strident than it? Keating, in particular, had a genius for crafting language and rhetorical constructions that both rationalised why this new course was a legitimate Labor one and painted his opponents into corners or caricatured them as irrelevant or extremist. So the skills-set helped facilitate the ALP's strategic annexation of conservative electoral territory and helped harvest voter realignment.

Part of this was a new discipline in political tactics and a new uncompromising toughness of approach. Just as New Labour would introduce people like Peter Mandelson and Alistair Campbell in the following decade, in the 1980s the ALP attracted a new generation of tough-minded, pragmatic backroom operatives to work for the politicians and whose work complemented Hawke's discipline and Keating's no-holds-barred style. University-educated, technologically savvy, street smart with connections in the labour movement and media, these people were even more galvanised by their party's years of electoral failure than the politicians they served. And just as the team behind Blair would become so reliant on the electoral oracle Phillip Gould, so the Australians resourced and promoted the state-of-the-art market research-opinion polling of the brilliant Rod Cameron at Australian National Opinion Polls (ANOP). Centralised command and control systems were put in place, with co-ordinated reporting back among ministers and their aides. A streamlined and more centralised system of media management was set up from the moment Hawke won office, with a small group of press aides allocated to ministers and tightly managed from Hawke's own office. In time, this all-important system of publicity, promotion and press management was refined into the National Media Liaison Service (NMLS), headquartered in Canberra and essentially employing ALP functionaries in public service jobs, in the capital but also in State and regional centres. Essentially an early warning system, 'ANIMALS' as it became pejoratively known, helped organise logistics for ministers and also wider promotion of government activities. But its political role was in feeding all sorts of information back to head office in Canberra. NMLS staff kept a watching brief on how the media was reporting government ministers, policies and initiatives. It also kept a watchful eye on the activities of Labor's political opponents and sectional interests. Its work was always highly controversial, with the Coalition constantly complaining about its ill-disguised partisan nature, its use of public funds and the blurring of the role of neutral public servants and party-political operatives. Particularly in Keating's hands, this system of information management created an aggressive style of political response where the ALP was far more proactive than had been the case in the past in responding to unfolding developments – exploiting Coalition gaffes, policy differences or ideological splits.

Successively under particularly capable National Secretaries Bob McMullan, Hogg and then Gray, the frontline ministerial engagement was supported by reformed party processes and tighter management and co-ordination. Gray pioneered the use of computers at ALP headquarters. He built new data bases, cleverly tying in with the publicly-funded resources made available to electorate offices of Labor MPs to develop new systems of electoral profiling, opinion polling and targeted, issue-specific direct mail and other voter support canvassing. National ALP officials, caucus faction bosses and state party branches co-ordinated campaigning focused heavily on marginal seats at election time, thus harnessing most resources where the government's immediate survival depended.

Bill Clinton and the New Democrats

To chart the influence of Australian 'political' ideas in the UK, it is necessary to divert the focus briefly to the US and the story of Bill Clinton's emergence, fired by the dissent inside an electorally stalled Democrat Party in the late 1980s. As Clinton began his run, Labour modernisers Mandelson and Gould, who played such an enormous role in the modernising project from 1983, began travelling to the US as the trans-Atlantic traffic in ideas intensified. Right up until Clinton left the Presidency, there was certainly the richest and most active exchange of ideas, information and personnel between the two countries (*Guardian*, 6 November 1996, 13 and 7 November 1996, 1). Scholars identified specific 'party operational' techniques that New Labour took from the New Democrats – like greater use of think-tanks, utilisation of focus groups to identify key themes, the promotion of highly symbolic policies like crime and welfare, creation of a centralised election campaign 'war room' and the building of data banks of quotes and information with which to counter-attack political opponents (King and Wickham-Jones, 1999, 67). But despite the high focus on US–UK links, the direct influence of Australian ideas upon the British has been significantly under-acknowledged. And Australian influence on American thinking has been completely ignored. The extent of the latter needs to be kept in perspective. The modernisation of the Democrat party from which the Clinton Presidency emerged was, overwhelmingly, an indigenous political response to a legacy of domestic political failure. But in 1989, some key players with responsibility for crafting the Clinton agenda were awakened to the meaning of developments in Canberra. Those developments had an important reinforcing effect in the US reform process. The further implication is that they had an even more validating impact on British thinking because of their enthusiastic embrace by some strategically-placed Americans.

After one crushing Democrat presidential election defeat after another, the 1984 humiliation of the archetypal tax-and-spend liberal Walter Mondale set in motion a bout of soul searching among a new generation of democratic activists (*Washington Post*, 24 July 1992). Leading Democrats including Dick Gephardt of Missouri, Bruce Babbitt of Arizona, Lawton Chiles of Florida and policy advisers like Elaine Kamarck and William Galston (Mondale's issues director) realised radical change was needed in the party. Pivotal in this renegade band of moderates was Al From, a former journalist who became executive director of the House Democratic Caucus in 1981 after being an economic adviser to Jimmy Carter. 'New' Democrats came to believe the party had to be rescued from a radical policy bias that made it unable to appeal to mainstream voters (New Democrats Online: www.ndol.org/). They set out to 'develop new middle-ground thinking on which someone can not only run for President but actually be elected' (*Time*, 4 May 1998). One commentator saw the New Democrats as 'resolutely centrist and capitalist', having come into existence in part 'to wage ideological war on their party's left wing' (*Washington Post*, 27 April 1999). In 1985, Al From set up the DLC with $3 million in funding from business. By 1992, this new organisation boasted a 3000-strong membership base, including 750 elected officials nation-wide and chapters in 28 states. Its companion think-tank, the Progressive Policy Institute (PPI), was run by one of the founding thinkers behind the Clinton agenda, policy analyst Will Marshall. What fell together here was the ideas-drafting apparatus through which the New Democrats would lay claim to authorship of the Third Way in America. Under From, in 1989 the New Democrats produced a paper which argued the Democrats would never win a Presidential election, no matter how high the turnout among blacks and other reliable supporters, unless they radically changed their messages to lure the white middle class (Galston and Kamarack). The old Roosevelt New Deal consensus was gone: the electorate had simply changed too much (From, 1995). The generation whose formative experience was of a powerful, centralised and effective federal government was being replaced by one more sceptical and suspicious of the state (*Washington Post*, 27 September 1998). Government's proper role was to foster growth and equip Americans to succeed in the private sector, not pick winners and redistribute wealth to the losers (From, 1998).

In some senses, the origins of the drift towards a Third Way in the US lay at the level of state government. The gradual emergence of a post-1970s generation of youngish, radically-minded state governors was documented by David Osborne (Osborne, 1988). Examining the record of the six 'brightest' US Governors, Osborne identified a new emergent Democrat mentality – inspired by John Kennedy but uneasy at the failure of McGovern, no longer in the thrall of the New Deal, openly pragmatic. These governors had pioneered innovative thinking in post-industrial industry policy, welfare programmes and education provision. Among other things, Osborne's book was significant for coining the term 'Third Way' in this context, in the last chapter, 'The Emerging Political Paradigm'. Osborne recalled the standout among the Governors was the man running Arkansas (Osborne: Interview with author, Massachusetts, April 2002). In April 1989, Al From travelled to Little Rock and recruited Bill Clinton to become the inaugural DLC chairman. With From, Osborne, Will Marshall, Elaine Kamarck and Bill Galston forming the organisational and ideas engine-room, the New Democrats began crafting the agenda upon which Clinton would make his run at the Presidency in 1992 (From: Interview with author, Annapolis, April 2002).

The Australian labor model

Clinton's backers began looking abroad for ideas that could help give credence to their centrist alternative. In 1989, Will Marshall commissioned political sociologist Seymour Martin Lipset to survey how left-of-centre parties around the world were responding to new economic imperatives. The resultant paper, 'Political Renewal on the Left', held up Australia and New Zealand as among the most advanced nations fomenting new ideas. The Hawke–Keating model was lauded for its wage reductions, lower taxes and interest rates and shift to profits (Lipset, 1990). Al From insisted much of the new thinking at the time was home-grown (From: Interview). But according to Marshall, once the Lipset paper had drawn attention to Australia, the New Democrats began to see the ALP as both a party of genuine reform and one to emulate:

> We were much inspired by the Australian example and held it up. We used it as evidence that Democrats should speed up the pace of modernisation. We made it explicit that while the Democrats were lagging in adapting to new economic and social realities, other left parties were doing so, as in the case of Australia. We used it to reinforce the case that centre-left parties had to, and could, change, without some fundamental breach of trust or betrayal of their basic values. (Marshall: Interview with author, Arlington, April 2002)

The Lipset paper was one of the first pieces of research carried out by the DLC and Marshall said it clearly demonstrated for the New Democrats at the time that, around the world, 'Australia and New Zealand were the most hopeful precedents':

> There is no question about it – in Australia back then the Labor party was heading in the same direction [as the New Democrats] … particularly the ideas for reinventing government, an early and important Third Way theme. They were really doing it. Like, the change in economic policy … before the [Lipset] paper, we had an inclination what was happening there. We had read articles here and there. But it was the first time anybody organised the discussion. Marty's comparative analysis put it in full perspective for me. That paper then triggered a lot of interest, visits from people from Australia, labour market people. We began to get a stream of visits from Australia and in more recent years it continued with high level politicians coming by. Al From, and Bruce Reid who was with us at DLC in the early 1990s and became Clinton's domestic policy adviser, both went to Australia. So they had the immediate ties to Australia but on the policy ideas-sharing side we got a lot of visitors. It is absolutely true though that ideas from the Australian experience – their attempts to adapt to the modern economy, their support for free trade, trying to get labour restraint on incomes, in general, what I would call an accommodation to new market realities – all that certainly inspired us. And we used the Australian precedent to say the Democrats ought to adopt a similar approach. But I have to confess, the thing that really grabbed us was the idea that a party with even deeper ties with the trade union movement could adapt free trade and market-oriented policies. The other area where we were really inspired was government reform, where Australia really paved the way. The Australian experience said that left parties could modernise. What is still striking and mysterious to me is how Australian Labor did it. We were finding it very difficult to change the party's economic and other approaches. The Australians managed to do it without rending … or civil war breaking out in the party … or that's the way it seemed to us. It has to do with true party discipline in parliamentary systems. We just lack all of these things. (Marshall: Interview)

For years, there had been piecemeal or individual contacts between ALP politicians and officials, and Democrats in the US. Gary Gray, for example, recalled contacts between Democrats at the level of state government in Australia in the 1970s. Democrat consultant Bob Squire advised the Federal ALP in the 1972 national election campaign and worked for the party branch in West Australia before working for Al Gore in the US. Gray himself developed a network of contacts in the US, just as he did in the UK. As National Secretary, he instituted a system for sending fortnightly updates of the state of play in Australian politics, including opinion poll assessments, to his political contacts in both the US and UK (Gray: Interview with author, Canberra, January 2000).

For a decade from around 1985, in their travels in the US, Hawke–Keating ministers and senior party figures found receptive audiences keen to talk both about skills-set politics and specific policy reforms. In his own discussions on policy with American officials, including President Clinton, Keating recalled particularly acute interest in Australia's novel superannuation (pension) reforms. Chapter 6 will outline the American interest in some specific policy areas, including Medicare. But in the interview for this book, Keating acknowledged that the major impact of Australian ideas on the Americans was at the macro-strategic level, rather than policy, because of the two nations' diverse political systems. An important factor here was the shift of Keating's long-time staff aide Don Russell to Washington in 1994 as Australian ambassador. Russell had a great deal of personal contact with New Democrat and Clinton administration figures. Keating believed Laborite ideas about political repositioning helped inform Clinton's tactical game plan after Newt Gingrich's *Contract with America* had won widespread support and the Democrats lost Congress in Clinton's first term. Keating recalled a private meeting with Clinton just after the Congressional debacle at an APEC meeting in Jakarta:

> I remember it was him and Stephanopoulos. In those days, Don Russell was our Ambassador to the US. They were very interested in what Russell had to say. It was Sandy Burger, Stephanopoulos, and Clinton. We met in the Ambassador's residence in Jakarta. And he said: 'How have you blokes stayed?' And I said: 'You have got to push these people to the right. You know, what you've got to do is occupy the centre ground. That's what we have done. You be the one who runs the economy better. You be the one who articulates the problem. A balanced social vision. You be the one who pulls the budget deficit down. You've got to play them at their game. But be better than them because they are mostly no good, these people.' And he did. Stephanopoulos always told us that was quite a defining conversation. He decided that he would not take a defeat at the hands of Gingrich but he would go on and fight on a broader front. And, in fact, if you look what happened later, he kept pushing Gingrich into the rabid right wing ... to the maddies. That was in November 1993. I had won the election in March. It was the fifth time, nearly two Presidential terms. Russell had been talking to Stephanopoulos quite a lot about things. I think the Child Support Agency was one of the things they were interested in. Bill was very interested in dividend imputation. He wrote all that on the back of the menu and all that stuff. It was a good philosophical conversation. I said: 'Getting beaten by someone with views like this ... mad. America wasn't going to cop this stuff ... he was a maddie, you've got to win. But you make your own luck by making your own ground.' But this was when

> the American economy started to chuff along. They started beating them at their own game, painting them as maddies. I think we had a philosophic impact on Clinton, not a policy impact. It was different with Smith and Blair. There is a lot more similarity in the way the system runs [in the UK]. (Keating: Interview)

Russell developed links professionally and personally with Clinton advisers Sidney Blumenthal and James Carvel. According to the Australian, they were taken by two elements of the Keating approach – his willingness to 'draw lines in the sand, work out what the agenda was, what he stood for and then go out and fight for it'; and repositioning the ALP to unequivocally support market outcomes and stress the need for 'personal responsibility' in social policy-making (Russell: Interview with author, Sydney, April 2000). In another interview for this book, Sid Blumenthal said he took from Russell details of how the ALP had renovated itself in the 1980s and how Keating operated politically. Although the wider impact of the ALP in US politics was muted, Blumenthal was one who saw a line running from Keating through Clinton to Tony Blair; it became a 'new ideological mainstream'. Blumenthal assessed its components as: using innovative means for progressive ends, moulding out of centre-left parties 'a new centre'; governing in the global economy; having to deal with diverse multicultural nations; and practising a new kind of 'One Nation social policy':

> All those characteristics are shared by the three men. I do think Keating was a legitimate player in this movement. But he was an under-appreciated player. By the time the movement became international, he was off the stage. But had he not lost in 1996, I think he would have been a major player in all of this. No question, because Blair always looked to him. Clinton would have seen him in a different framework. And with Blair in power, Keating would have been part of an international political community. He would have been part of those discussions from the beginning. (Blumenthal: Interview with author, London, July 2003)

Through Russell and another important Australian figure, Peter Botsman, who was in the 1990s the head of the ALP's think-tank, the Evatt Foundation, Blumenthal was made very aware during his time at the White House of Australian developments. What the Hawke–Keating period told him was that the new direction being forged in the US was not just of Clinton's making; he saw complex changes underway around the globe in how politics was 'managed'. Basically, Blumenthal saw the greatest Australian Labor impact as being its 'huge' influence on Blair:

> Before he became PM, I had a conversation with Blair about Australia. He looked to the pragmatic nature of the ALP. Blair is, in some senses,

> an Australian. He lived there for a while as a boy. He has and maintains many connections. He studied the ALP. I know he studied Keating. (Blumenthal: Interview)

Blairism and Australia

By the end of the 1980s, Gary Gray had had enough contact with the British and Americans to believe that the campaigning and other party techniques he and other party officials like Bob McMullan had devised were cutting edge. He recalled a 1987 visit from Patricia Hewitt to talk campaigning techniques:

> I remember at that time thinking we were so far ahead of them, notwithstanding the fact that they had just had an excellent campaign in that year. It was as if they had just learned in 1987 to be monitoring the media and to have a message. They were that far behind. It was remarkable. It was not only the media thing but what I call the general 'skills-set' … defining your campaign, positioning your enemy and maximising opportunities for yourself, monitoring the media and being able not only to respond to what the opposition was doing but picking up some insignificant comment that might have been made by a backbencher in Scotland and making it an issue for the senior minister in London – that sort of stuff. The sort of stuff that we had become masters in by 1993. I mean, we would pick up a National Party MP comment about petrol prices in Gympie (a Queensland town) and make it an issue in Sydney. There was also a range of polling things. We were very, very clever in terms of what we called our profile program and direct mail program. The British could never replicate that because they didn't have local area resourcing. British MPs just don't have constituency offices and staff and a quarter of a million dollars of infrastructure in their seats. (Gray: Interview)

In an interview, Hewitt basically concurred with Gray's view:

> It's absolutely true that for part of the 1980s what was happening in Australia was seen as heresy in parts of British Labour. Even amongst Neil Kinnock's group there was quite a bit of nervousness. Because there was the ALP in power doing lots of the things we were attacking Thatcher for in Britain. So, that was quite difficult for us. Where we got lots of benefit was party machine and campaigning because the ALP was streets ahead of us. They were quite brilliant at running campaigns in marginal seats. They were using direct mail. They were using computerised data bases, stuff that we hadn't even woken up to. I was going back and forward to Australia every couple of years and I would always drop in and see Gary Gray and Bob McMullan. And Gary was showing me, you know, direct mail letters being churned out on laser printers

> going to marginal seats all round the country. Amazing stuff for that time! Very impressive stuff. We were picking stuff up. I remember Gary and Bob took me along to a meeting in the House of Representatives of their marginal seats groups. It was very interesting. Any Labor member could join it but the ones they were targeting were obviously the ones vulnerable to a small swing. What they were doing was just brilliant in how they were using [the resources of] government. If government put out a road safety poster, the marginal seat member would just write to anyone who may have an interest in road safety a personalised letter … 'just thought you would like to see the latest development in road safety'. (Hewitt: Interview with author, London, June 2002)

Although there was reluctance among the managers of the British PLP to focus resources on marginal seats prior to the 1992 election, such qualms were overridden in the lead-up to the 1997 one. Hewitt had also been impressed by the use of opinion polling by the ALP. Its Philip Gould equivalent, Rod Cameron at ANOP, was a hugely influential figure in the 1980s, urging the ALP to pitch to the suburban middle class:

> In party management, in particular, I think the Australian period was very influential. I wasn't the only conduit. There were others. I think there was quite a lot of exchange on the party management and campaign techniques side. But there was also a lot of cross-fertilisation from the pollsters ANOP, under Rod Cameron. I met him and a colleague at one point and they were doing brilliant stuff. The way they were analysing numbers and conceptualising ideas. They were way ahead of where we were. I brought that stuff back [to the UK]. Philip Gould then went to meet them. (Hewitt: Interview)

Perhaps the two most vital students of ALP ideas were Blair and Brown themselves. They made a number of visits at the end of the 1980s and in the early 1990s and were showered with attention. Hawke met them:

> Blair and Brown came to see me when I was Prime Minister and spent a couple of hours in my office. They wanted to know what we were doing so I spent a lot of time talking concepts. What struck me about them was they seemed very capable, intelligent blokes who asked the right questions and seemed very genuine. I was impressed by them. So it started back then. I always have a giggle now though when I see this stuff about Blair's Third Way. I mean, we started it a long time ago. (Hawke: Interview)

Keating first fleetingly came across Blair during the latter's 1982 visit to Australia. It was a time when Blair was thinking very hard about factional tensions in the British party. During this visit, Blair looked, in particular, to the way Keating's home base, the powerful ALP right-wing faction in NSW, operated; he was very taken by its internal discipline. Among the Sydneysiders he found party members 'who thought instinctively as he did – that is with the grain of the wider society – and who were prepared to do the hard thinking and the hard numbers-crunching to win their party and the electorate.' The Keating–Blair relationship firmed during the latter's visit in 1990 when he and Brown met the then Treasurer. Keating cancelled his appointments to talk for several hours in his Canberra office. It was not so much about specific policies but about 'the character and purpose' of Labour parties. Keating explained how the idea should be to combine economic efficiency with the basic tenets of social justice. Reports suggested the cornerstone Keating advice in this encounter was to 'get onto the middle ground of politics and hang on for dear life' (*The Times*, 30 September 1995, 8). Keating himself recalled the 1990 meeting:

> We took them through the model, talked the model, bits and pieces. But they saw from us the example of how a Labor Government could run a market economy better than the Tories, but do it in a socially advantageous way. They were the sort of people who were interested … [then] Blair came here twice when I was Prime Minister. I had long and extensive talks with him. Long and extensive. He sort of internalised the model that (John) Smith had developed, I think, and added his own bits and pieces to it, in its articulation. Because, you see, there was such a stultifying political and economic debate within the Labour party in Britain. It was like trying to have the 80s debate here in 1955. It was just so bad. So he had to keep making these speeches that gave lip-service to the old things they believed … And of course after Thatcher there had been so much of the social support ripped away, rejection of that. But the economy was going so well. He knew that he needed … if he moved away from the economic policy he'd be in real trouble. So he had to keep that and graft on better social stuff … I mean, Tony is a Labour person, there's no doubt about that. I mean, purely a Labour person. But the Third Way really began in Australia, fifteen years earlier. That's the truth of it. (Keating: Interview)

Blair and Brown were feted by the government PLP with gatherings at Parliament House in Canberra and also private soirees, such as dinner at the home of then ALP Assistant National Secretary Ian Henderson. Bob Hogg recalled conversation over the candle-lit Henderson dinner table focusing on the Accord, the party relationship with the unions and 'party organisational matters'. Keating government minister and faction boss Chris Schacht attended a Parliament House dinner for Blair and Brown hosted by Foreign Minister Gareth Evans:

> They were here, as I recall, under the special visitors program, spent ten days here and spoke to us in government and Labor people about policy development, campaigning, a whole range of things. The conversation with them basically turned on getting the message over that if you're not going to try to run an economy based on old shibboleths like wholescale protection, then you have to accept that there will have to be significant change and that you are going to have to get into things like major education reform, skills-based training to ensure people can transfer to new work as old jobs go, that you've got to get the mix right, and that if you are going to have an understanding that if you ask workers to forego wage increases they are going to have to get some other form of benefit. And that's delivered by the government. We were explaining how we were working. They talked about the respective Labour parties, their structures and comparing attitudes. The party in Great Britain, they saw, was just locked in a time-warp in its organisation. The party was just locked into one issue and that was public enterprise, no matter what. But we were saying, public enterprise is fine but what does it actually deliver? The first test is: does it actually improve people's living standards? Or is it just an opportunity for someone to have a make-work programme. Public enterprise has to serve the public, not serve itself. Some of us explained that this was how we were handling some of these issues. They were very taken with the fact that we had already won four elections in a row when in the 1980s they were wiped out. What they were taken with was you didn't have to give in to Thatcherite policies, to roll over and allow yourself to be raped, to win an election; that you could actually get the balance right. And that that was electorally saleable. You could have open competition, you could have international competitiveness and globalisation. You could restructure industries but create jobs elsewhere. And that you could take a large whack of the labour movement with you if you did it in a properly processed way. (Schacht: Interview with author, Canberra, August 1999)

Don Russell recalled that apart from these visits, Blair and Keating often talked by phone. Frequently, the conversation turned to strategic positioning. For example, Russell saw a clear linkage between the sudden business-reassuring New Labor tactic of floating the $A in 1983 and the surprise Blair–Brown announcement giving independence to the Bank of England:

> It had the same sort of effect in the British context. Here was a different sort of Labour government, much more nimble and much more interested in doing direct things and clever things. And I'm sure Blair talked to Keating about that as well – it was just like one of those early things you do, you know, just to signal to everyone that this is New Labour at work. I'm not sure how the conversation went with Paul but I'm sure he [Blair] agreed with it, as a clever thing to do, yeah.

According to Russell, he and Keating also discussed with Blair's people – primarily his Chief of Staff, Jonathan Powell – the importance of what Russell called the 'second wind' that came with the arrival in the late 1980s of the group, under the leadership of the key minister Brian Howe, of new, more pragmatic, left-wing thinkers in the ALP caucus:

> Whenever I've spoken to Blair's people I've explained how important this was in keeping the model going and making it more interesting, this change of generation in the left. Then Brian Howe came in and that gave the whole process a whole new impetus. Because the left, up until 1986 … they were in the Cabinet but basically they were just ignored. But there was a new group that came up basically around Brian who said to themselves that they were in a successful Labor government, let's achieve something, let's have something to show for it, let's achieve something for what we believe in. Keating was smart enough to recognise the growing group as the thinking left and so what happened in the latter part of the 1980s was that he worked very effectively with Howe and the rest of that new left group to devise policies. So the second wind of the Hawke–Keating years was bringing the left in from the cold, a new group of left ministers who wanted to deliver something. So I have always said to Blair's people that they have to be on the look-out for that second wind, that thinking group on the left, ministers who want to be a part of the model, to actually achieve things. That can be done. And that gives the model its second wind. Because the first wind is really putting the sword through all the sacred cows, which is good because you've won government and you've got this self-righteous feeling that you've got to get rid of all this baggage. But that will only carry you through so far and people will start to resent that you only got into government to put the sword through all the things they believe in. Blair's people know what we did, they will do their own thing. But we were just putting to them that it's hard to keep the social democratic model running while you are running a story that is in many ways different from the traditional social democratic thing. You are running a market story in a social democratic party. You have to think of ways to keep the party lined up behind you. The way to do that is to be able to work with groups within the party who want to achieve sensible social democratic outcomes while you are doing it. And you can because people suddenly realise you have created a model that will leave you in power for a long time. (Russell: Interview)

Perhaps not unexpectedly, Keating believed Blair took much from the Australian experience.

> We proved that a Labor government could stay in office for a very long time. And do very reformist things. And make life a lot better for the population. We were proof positive of that. But their model would have

> to be different. Post-Thatcher, you know. The great tragedy for them is that Thatcher received so much approbation world-wide. I mean, what Thatcher did compared to what we did was just crude and I think relatively unimportant. Compared to the depth of the model we had, philosophically, socially and economically. She had none of that depth to it. She wasn't interested in the low paid; she wasn't interested in long-term superannuation, you know the long term baby boom bubble; she wasn't interested really in a better, more affordable health system – I don't think so. She wasn't interested in long term aged care policy, you know; and I don't think she was that interested in education. I just think Thatcher tried to break – and probably successfully – the unions' back in terms of wages and bargaining power in the UK economy. That was going to happen anyway, in my view – unsustainable. We did it through the Accord. She did it like that. (Keating: Interview)

Fruitful relations

One Briton with an intimate grasp of New Labour dynamics, Tom Sawyer, British National Secretary from 1994 to 1998, said in an interview for this book that no one should be in any doubt about the historic importance of the Keating period for Blair. 'The formative part of the New Labour project was the relationship between Keating and Blair,' Sawyer said (Interview with author, London, March 2003). Like Russell, Sawyer also saw Keating and Blair talking 'big picture' strategy quite regularly. It was Keating who privately impressed upon Blair and his advisers the tactical imperative of going into the 1997 election with a firm public commitment not to raise taxes (Gould, 1998, 257). On one occasion Blair confided privately to Sawyer that of all the leaders in the world he looked to, Keating was pre-eminent:

> The ALP were modernisers before the British party, no question. Certainly, Keating was seen by Blair as a role model. He certainly admired Keating. I mean, I once asked Blair who, of all the different social democratic leaders around the world, he was most impressed by. And he said Keating. Obviously, after politics Keating went on to a business life. He was obviously attracted to business, attracted to modern ways of doing things. He gave his party a bit of a hard time. He did things his party didn't like. In that sense, Blair is exactly the same sort of guy. [Like Keating] … he was never attracted to ideologues. So someone like Jospin, the French guy, would never appeal to Blair because he came from a left wing socialist past, which Blair didn't. He was more interested in leaders who were pragmatic. We were a very inward looking party, we could probably have learned even more from Australia. (Sawyer: Interview)

By the mid 1990s relations between the British and Australian Labour parties were probably as active and fruitful as at any time in history. With the ALP a mature government and Labour in the UK about to assume power, the parties were busily exchanging ideas, strategies and personnel, particularly during electioneering periods. One area where an Australian idea was directly imported was the Australian NMLS model. In concert with many of the 'war room' techniques imported from the New Democrats, an NMLS-style structure was set up with the assistance of a former Keating operative. In early 1996, Alistair Campbell organised for the Labour Party Director of Communications, David Hill, and his deputy, Jo Moore, to meet an Australian, Andrew Sholl. A former Australian Broadcasting Corporation journalist, Sholl had also worked as press secretary on the staff of a Keating government minister. After he moved to the UK, the British heard he had intimate knowledge of the workings of the Hawke–Keating machinery of publicity management, particularly the NMLS. With an election nearing, Hill and Moore questioned Sholl at the Millbank headquarters about the broad contours of the Hawke–Keating political operation. But they were particularly intrigued about the NMLS modus operandi. At the end of nearly two hours of questioning, they offered Sholl the job of helping set up just such a unit to underpin the coming campaign effort. What Sholl himself learned in his first few weeks in the job was how in need of rejuvenation was this element of British electioneering:

> Now, bear in mind this is the mid 1990s when international politics is quite sophisticated. This was just after Millbank Tower headquarters had opened and there had been all this publicity about how this mysterious, you know, modernist building contained this thrusting, forthright headquarters of the British Labour Party. Yet the only media monitoring it had, up until that time was a couple of students brought in at election time, taking down notes about what was on the radio. They had never had anyone doing what we did in Australia. (Sholl: Interview with author, London, August 2003)

Sholl was given funds to buy in electronic monitoring equipment and hire staff (eight in the election campaign) working round the clock monitoring newspapers, television and radio around Britain. Key elements were then condensed into written transcripts or other documents to be dispersed through key Labour party offices. At 7 a.m. a summary of the country's newspaper output was faxed or emailed to Tony Blair's office, the Shadow Ministry and senior Labour staffers. It contained outlines of the newspapers' first edition coverage of political stories and events, pulled together by staff at around midnight the previous night, but then updated with additional analysis of how subsequent editions had been altered or amended. A 9 a.m. brief was circulated which documented issues discussion through morning radio and television. Crucially though, as in Australia, this was not a mechanical task. It required political judgement by the unit's staff, with an emphasis on interpretation and value-judgement about the meaning of developments. Wider intelligence gathering was often required and the staff provided media management advice and recommendations for follow-up political action. All this was very new to New Labour, according to Sholl:

> It was the professional monitoring of the media and the value judgements that you play into evaluating it that they had never contemplated before. Up until then they would get a tip-off about stories from journalists or they'd listen to the (BBC radio) *World at One* or the *Today* program on the way to work and they'd work out how things were developing. But there was no-one employed to work on it, all round the country, working out what was going on. My impression was up until that time they had not really professionalised political communication. It was not until Blair and Mandelson and David Hill began to look closely at how things were done in Australia, and in the US, that they realised things had to be done markedly differently.

Mandelson and Campbell could see how the unit could directly influence the political debate:

> It got to the point where Peter Mandelson would ring up and ask what was on the one o'clock news? At 7 a.m., Alistair would read the early summary in the bath. These guys would read our documents before they read papers because it would summarise what was in there but emphasise what was relevant to them. For an issue like the Budget there'd be a big section on that, but then you'd do it by portfolio ... Foreign Affairs, Industry, Education etc. Then the 9 a.m. version of the brief would say what people were saying on TV and radio, GMTV and things. You'd tape it, do a transcript say of the relevant remarks where you think a Tory spokesman might have fucked up. Or you'd do a transcript of the whole document. That transcript would then be taken by the press officers and handed to journalists in the Lobby. Every day, Alistair would be on the phone. He was desperate to know how the news agenda was being shaped. More so in government than opposition. If Blair was on an overseas trip, he'd be on the phone every hour or so wanting to know as the editions came in how he was perceived. It got the point where you'd be faxing him articles about the trip itself. And then as they are hopping from one destination to another, he'd be handing a copy of the story to the journalists travelling with them and giving them marks out of ten. (Sholl: Interview)

Tom Sawyer deputed party official Fraser Kemp to study Australia. A general election co-ordinator between 1980 and 1997 and later MP, Kemp was intrigued by how Keating had defeated the arch-Thatcherite, John Hewson, to whom a desperate conservative Coalition had turned as its new leader in 1993. Kemp went to Australia for the 1996 Federal election, working with the ALP advertising agency, party researchers and travelling the hustings on Keating's VIP plane. 'Fraser really got to immerse himself in the organisation of our campaign,' said Gary Gray.

In an interview, Kemp insisted Keating and Blair had talked strategy at length. Interwoven into this advice was the imperative for Labour parties to begin dominating their political opponents by repositioning them. Keating made much, always, of the need to manipulate his opponents into a position that he believed might leave them broadly unacceptable to the electorate. Part of the new arsenal was a pretty ruthless approach, of which Keating was master. Kemp later gave it a name – 'attack politics'. He saw Australian ideas as quite influential in convincing Blairites to move their own campaigning to a far more aggressive footing, harnessing tight messages about central economic issues and taking the fight much more fulsomely to the Conservatives. In the party's new London headquarters at Millbank he outlined it all for key party people, including Gordon Brown and Peter Mandelson. For years after his contact with New Labor, Kemp kept a gold-framed photograph of Keating – whom he called a 'once-in-a-generation politician' – on his House of Commons office desk. Keating, he said, was an inspirational figure, who had 'showed us all around the world that labour parties could tackle hard economic reform and still win elections':

> He was a brilliant and very courageous leader. My admiration for Keating came from him showing us all during the Thatcher and Reagan years that, yes, it was possible to represent the interests of working people and keep winning elections. There were no other examples anywhere in the democratic world … A lot of Labour people here have tended to look to the American Democrats for inspiration, but the situation there is too different, really, in terms of society and political institutions. And a lot is talked about Tony Blair inventing the Third Way for Labour. But to me the true architect of change in Labour here was the ALP. They showed that you could project traditional Labour values in a way that reached out to voters who were not normally with us … A lot of Labour people around the world don't realise how indebted they are to Keating. He genuinely was the originator and architect in proving a labour party could get hold of economic management and build a coalition to support that. (*The Australian*, 24 November 2004)

Symbiotic attributes

This chapter has sketched details of a large number of direct encounters in which Blairites sought information, guidance and inspiration about the methods of political practice deployed in Australia by key players in the Hawke–Keating period. Like many of the insiders of the time, Don Russell firmly saw Keating, Clinton and Blair working in, and developing as they went along, a new and novel political tradition.

> It's no accident that all these political leaders have basically come upon the same sort of model, because it is a very powerful tool for social democratic parties if it works. If you can put it all together, it is very, very difficult for political opponents to counter because you've got all the bases covered. You believe in personal responsibility, you believe in lower taxes, you believe in clever, not larger, government. But you also believe in a legitimate role for government in training, in education and retirement income policy. And the environment. So, you put all that together and then if you get a good spokesperson who has got real courage, it's very, very difficult not to be successful. Clinton and Keating and Blair and Hawke, I mean they are just classic examples of working that same model in all those different environments. (Russell: Interview)

Chapter 6 will focus on exchanges between Australian and British personnel at the level of 'pure' public policy making. An interesting proposition suggested by all this, however, is that in visceral high politics, the 'categories' of ideas examined here – the skills-set with its strategic, tactical and party operational elements and policy development – function symbiotically. What the ALP managed to do in the 1980s, which for a while gripped the imagination of some politicians in the UK and US, was equip a new generation of sharp, non-ideological politicians with this integrated package, supported by up-to-date intelligence-gathering and promotional techniques. In his interview for this book, Tom Sawyer's analysis of the debt the British owed the Australian modernisers demonstrated succinctly the interdependent interaction between macro-political repositioning, party operational work, modern campaigning and communications ideas, all working to support and promote innovative policies. The former Labour National Secretary saw all this harnessed in Australia by disciplined, aggressive and electorally appealing leadership:

> A lot of the rapid rebuttal stuff, the sort of ideas about how to get you attacking before the opposition attacks – in other words, you don't wait till someone hits you – a lot of the rapid response stuff came from the Australian party. They did that a long time before we did. I mean, they were basically dealing with a multi-media response to politics when we

were still handing out leaflets. We did catch up pretty quick … the catch-up period was basically in the 1990s. But I think if you had gone to Australia in the 1980s, they were a long way ahead of us. The people who were responsible for us catching up were Brown, Blair, Mandelson … these were the people who would pick up a good idea from the American Democrats or the Australian party, wherever. I think at that time the Australian party was much more media-oriented. They knew how to handle the media. They'd spent a lot of time on it. We were still … I don't know, trapped in a 'heartland' way of doing things. We didn't communicate outside of our heartland as effectively as the Australian party did. A lot of the politics in Australia are played out on the big stage. Leaders are very much assessed on television and how they perform. People seem to watch politics on television quite a lot. In Britain, they didn't in the late 1980s. Politics was a turn-off. The Australian party could do two things then. It could win elections. We couldn't. And it could present a leader who looked acceptable. The perceptions were not so much about the detail but about what the party looked like. If you looked like a party that could win and you had a modern leader … The modern leader was Keating. The party leadership here wanted to know precisely what it was he did to achieve that. I think a lot of Keating's game was about communication, wasn't it? Somehow if you could do a kind of audit on all this, I think Keating was probably the first labour leader to really modernise the message. Clinton took it on from there and Blair tried to take it further. Certainly, Clinton's politics was massively about the message; trying to get the mass media to take your message on the terms that you wanted. But the other big thing was economic competence, really. Keating was very happy to seize the reins of the mixed economy. He would say: 'We are not frightened of capitalists, we are not afraid of money, we are not afraid of investment. We want it. We want to change. If the Labor party is in power, investors don't need to be frightened and run away. We can run this country well.' The party in Britain had never really got to that point. When we had won elections, we had won almost against the interests of business and the city. We had never been a party with anything like a decent relationship with business. Whereas the Australian party certainly was perceived here to be a party that could do the business in economic competence. There was no question that the ALP leader was OK in terms of employment, investment, the economy. That was a big thing. To turn that around in the UK … I think that was the main brick in the wall. We had big problems around defence policy in the UK, which the Australians didn't have. But after defence, economic competence – whether Labour could be trusted – was the big thing … We saw the Australian party through Keating. We didn't see it through any other eye. We saw Keating as an international statesman who could run a modern economy. In the UK, we had never had

> that. Jim Callaghan, sadly, faulted on it. Harold Wilson faulted on it. But Keating seemed to be able to do it. Willie Brandt in Germany was a big role model for an earlier generation of democratic socialists. And there was the Swedish model. But that's what we wanted most of all from our sister parties. We wanted some role models for being economically competent. And then we needed to know how to communicate it. These were the big things we needed. Australia seemed to have that … Blair took the modernisation on several notches, with this ambition to win, big time, in the middle ground. That's one of the things he got from Keating. Keating and the Australian party knew that it couldn't form a government by just keeping on winning the old labour heartland. They had to move out and win new ground and be seen as attractive to a new generation of voters, to people who had never voted for them before. The Australian experience was confirmation that this was possible. It's not, in a sense, rocket science. But it is still very hard for a party to do. Why can't you do it? Because it challenges the basis of the leftist culture in which the party has always existed. This was a culture which was, basically, economically in opposition to capitalism. In the 1960s, it meant nationalisation; it meant public ownership. It didn't mean that we made the private sector successful, or dare I say it, that we gave the private sector some of the public services to run. Now, Keating started privatisation in Australia. This was basically where Blair wanted British Labour to be. He wanted the public services to be more efficient and effective. He saw getting the private sector involved was one of the ways to do it. The economic issues were the big issues. (Sawyer: Interview)

4

Tradition(s) Betrayed?

Just like Blair in the late 1990s, during the 1980s Hawke and Keating endured a torrent of complaint about how they were somehow betraying their party's historic 'mission'. Blairism was condemned by many, of course, as Thatcherism by another name. Unions and party left wingers charged that Blair had wrenched the 'heart' out of Labour (*Guardian*, 16 August 1995, 1). Critics complained that a party with 'a kind of freelance socialism a la carte' but with no unifying central philosophy would ultimately fail (*Guardian*, 2 October 1995, 19). Some decried Blairism's search for a 'master plan' or 'grand narrative' (*Independent*, 25 April 1998, 21). Others argued it was not a political system at all, but a 'lifestyle movement' inhabited by an entire social strata, a 'swelling middle class' of prosperous 'anti-elitist elitists' who made too many compromises to have ideological bearings (*New Statesman*, 1 August 2000).

In the early years in office in Australia, such attacks on New Labor came from even quite distinguished circles. In a caustic dig at Hawke in 1984, the revered civil servant, H.C. 'Nuggett' Coombs – who had served successive Prime Ministers since the War – predicted the wooing of the 'conservative centre' would be the 'beginning of death for the Labor Party, however big its leader's popularity rating' (Coombs, 1984). In 1980s Australia ideological complaint focused on certain specific policy issues – for example, controversial decisions in support of American military bases on Australian soil and to allow the US to test missiles; the go-ahead for uranium mining and export; welfare budget cutbacks; and Hawke's decision to drop plans for Aboriginal land rights (Maddox, 1989). New Labor in Australia was seen to consort with millionaires, was too pro-business (Jaensch, 1989) and was the latest in a tradition of despoiled socialist principle (Johnson, 1989). Stealing the middle ground from the Coalition made the ALP labour in name only. Hawkeian consensus was a clever ploy, but essentially a confidence trick, a way for government to avoid its responsibilities to the disadvantaged (Macgregor, 1983). The obsession with appeasing the middle class would ultimately catch up with it at the polls (Scott, 1991).

Like the later Blairites, the architects of New Labor aggressively confronted the betrayal critique, and they used much the same counter-claims: bold ALP leaders of every era had been accused of breaching some tradition or principle, or of simply being out of touch with party sentiment. In this, history was often badly misinterpreted or intentionally distorted. What really mattered was that Labor be judged by the 'needs and circumstances of the time in which they govern' (Dawkins, 1987). Historically, the ALP had never been a thoroughgoing socialist party; socialist ideas had long been relegated to obscure passages in a platform that was, in power, just a distraction. Hence, leftist discontent was misplaced. Labor had historically opted for the course of parliamentary democracy to 'civilise capitalism' – that is, to win advances in a mixed economy on behalf of working people through consensus, negotiation and a balanced vision of the shared needs of competing forces in society. Blair-like, Hawke and Keating insisted the 1980s reinvention had had one invaluable outcome – re-legitimising the ALP's aspiration to hold national office.

A number of points need to be made here. The first is that timing is all-important in coming to judgement about the 'ideological' disposition of governments, or political parties. Particularly when rushing to an evaluation quite early in a party's term in office, isolated policies can be invested with too much import. With the benefit of hindsight, this chapter seeks to evaluate more clearly the Hawke–Keating record in its totality. New Labor was in power for thirteen years, a substantial period. Tony Blair was leader of his party for much the same length of time, with three terms in Downing Street. This book proposes that a comparison between the two is highly informative; the one caveat being that the Blair era was drawing to a close at the time of writing.[1] Judgements upon events under his Labour successor must be found elsewhere. This brings us, however, to a second issue, which has to do with general difficulties in drawing international political comparisons.

The analysis here is examining the New Labo(u)r experiences in the UK and Australia within their specific and very different historical-cultural backdrops. But it is also constantly drawing comparisons between them, even though they unfolded at different moments. The experience of parties, however familial, in different nations is necessarily domestically grounded, culturally specific and of differing dimensions, as Michele Salvati observed. But, in a prescient 2001 essay on Blairism, Salvati said that the fact of the emergence internationally of what appeared to be this common 'Third Way' phenomenon suggested it should be possible to look to 'different national contexts' to divine underlying ideological commonalities. Further, perhaps these commonalities could help indicate whether the Third Way was indeed an 'epochal' shift on a par with the emergence of liberalism in Europe in the 18th century and socialism in the 19th (Salvati, 2001, 150–9).

Ideology: linear transformation

The further issue to be clarified at the outset has to do with the problematic sub-themes that protrude when any political analysis turns to questions of ideology. Though it has long been regarded as notoriously problematic by scholars of political science (Christenson et al., 1971, 13), discussion of ideology becomes inevitable when political parties dramatically renovate, as was the case with New Labo(u)r. The fact is the ultimate fascination among political scientists, historians, biographers and sociologists with this late twentieth-century revolution in labourite–social democrat thinking so often came to rest on definitions in political theory. Since the early 1980s scholars in Britain and Australia almost obsessively dissected the management and work of New Labo(u)r through the prism of the parties' respective 100-year histories. What did their operational and policy changes mean for their supposedly historically informed *raisons d'être*? So much cross-disciplinary academic analysis came back to this question. Like Blair, for example, New Labor also suffered the persistent accusation that the policy shifts amounted to a transformation away from any of the streams of socialist ideological thinking into something more consonant with liberalism. By the mid-1990s, there was, to some observers, precious little left to distinguish Australian Laborism from liberalism, an outcome long predicted, most famously by Lenin (Lenin, 1913, 188–90). Some scholars felt that in the second half of the twentieth century it was possible to identify a gradual convergence in the terms of conflict between Labor and non-Labor, such that the only real contest centred on relative economic management skills, rather than 'values and ideas'(Brett, 1992, 35).

Historically, some scholars have been wary about applying an analytical discourse about ideology to Australian politics. Because of the pervasive notion that it was always pragmatically intent on practicalities, and not theory, there are said to be no viable ideological boundary markings, certainly along the lines of traditional European political tenets. This book accepts the contrary view of other scholars who argue that while there has obviously always been a heavy emphasis on pragmatism within the Australian polity, it was underpinned by a muted but nevertheless substantial fabric of ideology (O'Meagher, 1983, 3). Here we take a lead from Judith Brett's analysis of ideology in the Australian national political discourse, as she traced it right through to the emergence of New Right-inspired economic liberalism in the 1980s (Brett et al., 1994). In the British context, this book utilizes Michael Freeden's valuable 1999 essay on Blairism in which he referred to an 'ideological map' which basically positioned New Labour in a linear relationship to the 'three great Western ideological traditions' – conservatism on the 'right'; liberalism; socialism on the 'left'. Freeden insisted the Third Way was deeply ideological (Freeden, 1999, 42–51).

In discussing ideology, political scientists routinely speak of the notoriously blurred boundaries between various stereotypes. Paul Webb, for example, talked of parties comprising 'ever-changing blends' of ideological elements with the 'internal power balance' prone to shift, so changing the 'overall programmatic emphasis' of parties across time (Webb, 2000, 108). Bob Hawke, Paul Keating and Tony Blair all insisted their parties were constantly being remade through their history – by embracing new policies they were constantly moving forward over time, even though they held 'traditional' values sacrosanct. The conceptual notion of linear political transformation is helpful because parties can be interpreted as moving within the three ideologies on Freeden's spectrum – and also between them. The New Labo(u)r modernisers were correct. Political parties *must* respond to the times in which they operate. But if there is an unrelenting course forged in one direction, if change has a linear certainty to it, a point is reached where a party runs the risk of being so comprehensively overtaken by other thinking, its very form is altered. Obviously, as Webb observed, political ideologies overlap, interpret shared concepts, influence one another. There are few ownership boundaries in the landscape of ideas. But ideas held by individual ideologies in varying degrees *do* help delineate them from others. To take up the key point made by New Labo(u)r modernizers, rank-and-file anxiety about parliamentary betrayal existed virtually from the birth of the parties in both nations: witness Vere Gordon Childe's classic study (Childe, 1964). But this is not to say that at some junctures in a party's one hundred year-long existence, its record in government may not have been more in accord with its assumed philosophical objectives than at other times. Equally, this is not to suggest that at some point the implementation of specific policies while in government may not reach a point where they so comprehensively alter social structures, revolutionize basic political assumptions or erode internal party sentiment as to represent a defining break with past idioms.

To look to ideological comparisons between the British and Australian projects, this book will examine certain pieces of specific public policymaking enacted by New Labo(u)r in office. Here we do need to utilize some theoretical thinking about political ideology. For example, John Plamenatz argued that ideologies are usually always partial, in that they only ever relate to part of reality. He said it was possible, for example, to 'distinguish the ideas used in carrying on the business of the state from the ideas used in constructing theories of the state' (Plamenatz, 1970). Christenson, Engel, Jacobs, Rejai and Waltzer described ideology as a 'belief system that explains and justifies a preferred political order for society, either existing or proposed, and offers a strategy (processes, institutional arrangements, programs) for its attainment'. Anthony Downs described ideology as 'a verbal image of the good society and the chief means of constructing such a society'. Ideology offered 'a reasonably coherent body of ideas concerning practical means of how to change, reform (or maintain) a political order', according to Carl J. Friedrich. Zbigniew Brzezinski said a system of ideas became an ideology 'when it is applied to concrete situations and becomes a guide to action' (Downs, 1957, 96; Freidrich, 1963, 90; Brzezinski, 1962, 97, summarised in Christenson et al., 1971). Michael Freeden argued that ideologies did not have to be 'abstract systems' but could be identified as 'recurrent, action-oriented patterns of political argument', superimposed on, but also embodied in, 'practices' (Freeden, 1999). In short, one important signpost to the meaning of political ideology is the nature of policy enacted by parties – what Christenson et al. called 'programs'; what Downs described as the 'means' of constructing society; what Freidrich saw as the 'practical means' to reform; what Brzezinski thought of as applied, concrete action; what Freeden referred to as 'practices'.

The tradition: the public realm and inequality

The next big difficulty lies in nailing down definitions relating to the 'tradition(s)' of these labour parties. Building on Andrew Scott's research (Scott, 2000), it is argued here that such was the shared familial heritage as well as the mirrored institutional structures and historical trajectory of the British and Australian labour parties through the twentieth century, that they can indeed be seen as sharing a common 'tradition'. Moreover, that tradition can be interpreted as having reached full expression in both places, under similar sorts of pressures, at roughly the same point.

To try to interrogate what the ALP, under Hawke and Keating, and British Labour, under Blair, became, at the outset it is necessary to try to establish what they were; what they supposedly 'shifted' away from; what, to some, they 'lost'. Not that the description was ever used very much in daily Australian political discourse in the 1980s, but Bob Hawke described himself as a social democrat. Within the socialist space upon Freeden's linear map, there can be confusion about the relative descriptions *social democrat* and *democratic socialist*, a complexity heightened if one plays in European usage of the terms. At various times Blair called himself both; he insisted the two terms were interchangeable. The analysis here suggests the latter is very much not the case. Here will be deployed an important distinction – made, ironically, on the eve of the election of the Hawke government in which he would play such an orthodox role – by Gareth Evans, later Hawke's Foreign Minister. Prior to becoming a minister, Evans had developed a reputation as one of the ALP's more energetic intellectuals. In the early 1980s, he argued, it had become fashionable for many in the labour movement to define themselves by a retreat from the language of democratic socialism, which had inspired the party from the early part of the 20th century, to the 'comfortable obscurity of the language of social democracy'. Evans said the concept of democratic socialism was, in contrast with the nebulous social democracy tag, full of meaning and substance. The latter, on its own, was 'really rather meaningless'. We had 'a reasonably clear idea of what a commitment to democracy might involve', Evans wrote, 'but what distinguishes a social democracy from any other kind is, on the face of it, unless one happens to know a lot about Western European political history, utterly mysterious'. Evans argued it was crucial for Labor to go back to its socialist, or at least democratic socialist, roots 'to retrieve what is central in that tradition and to articulate it in a form that we can be proud to actively promote' (Evans, 1983, 69).

Chapter 8 will look in some detail at Tony Blair's suggestion that Labour's legitimate philosophical roots lay not in mid twentieth-century statist socialism, but in the intermingling of early twentieth-century radical liberalism with emergent Labourism. The superficial appeal of Blair's thesis lay in the apparent logic of locating the guiding principles of a political tradition far back in time, to a supposed 'beginning'. But what if this construct is too simplistic? After all, British Labourism was an incipient political phenomenon until the 1920s and perhaps remained an ideological 'work in progress' very much until the mid twentieth century. In a theoretical sense, is it not possible to identify the defining characteristics of a political party as having flowered or been nurtured at a relatively advanced juncture in its history – when its organisational apparatus and its parliamentary expertise has evolved; when it has had experience of government; when its membership base and intellectual resources have broadened; and when it actually is old enough to have a history from which to draw lessons as well as inspiration?

The analysis here of how New Labo(u)r policy outcomes reflected ideology will, in the end, place great store in the two parties' attitudes to two related factors – what is here defined as 'the public realm', and social and economic inequality. This is because, in a nutshell, the Labour tradition's most visceral impulse, historically, was to utilise the resources of the state to advance the cause of equality. This was as true of the ALP in Australia as it was the Labour party in Britain. Strands of this sentiment can obviously be traced back to the births of the two parties in the late nineteenth century; but this book argues that the sentiment found its high water-mark in the post-war evolution of democratic socialism that preceded the arrival of the Wilson government in the 1960s in the UK and that of the Whitlam government in Australia in 1972.

In their important study, *Labour and the British State*, Barry Jones and Michael Keating showed that until the late 1940s the British Labour party lacked a coherent, agreed philosophy about the kind of 'state' it sought to advocate, create or defend. Jones and Keating argued that right from its inception, the Labour party contained a number of competing views about the 'importance, use and forms' an interventionist state should take. The British party found itself elected to government in the 1920s, and then operating in the inter-war years, always 'lacking a detailed and coherent philosophy of the state'. It was actually not until the start of the 1950s that Labour was established as 'the party of the British state', with 'state power and intervention' ('state collectivism') the key ingredients of its democratic socialism (Jones and Keating, 1985). Blairism, of course, took umbrage at the suggestion that any kind of state collectivism should be advocated as the Labour wellspring. But it is important here to focus very clearly on what it was Blair was arguing. And it is also important to make some distinctions between means and ends. It is true that as a maturing political party through the latter half of the twentieth century, Labour agonised over the means it should adopt; but it is at least as important to identify the ends it sought. For not only did Blair junk the means his party employed from the 1940s, essentially he also jettisoned its presiding aim.

Two points need to be made here. One is that Blair's landmark early 1990s definition of the supposed unholy cleaving of twentieth-century British socialism into two distinct streams may have been rhetorically potent, but it was quite simplistic. Blair defined the two strands as a righteous early twentieth-century 'ethical socialism' on one hand, and the class-based, 'economic determinism' on the other that had, regrettably, hijacked the Labour party, basically from 1918 (Blair, 1994). In his 1995 Fabian Society speech celebrating the Attlee anniversary, Blair was explicit that this misconceived socialism had become embedded in Labour's fixation with 'state ownership', i.e. nationalisation. The notorious Clause IV wording that he would successfully excise from the Labour consciousness had for too long been the totem of this 'statist socialism'. The problem here is that Blair's schema crudely lumped decades of Labour history under the one notorious banner. He denounced statist socialism *per se*, when, in fact, a more elaborate analysis would have delineated the various forms in which it was advocated in the second half of the twentieth century. And nowhere did he properly differentiate the crucially important phase of democratic socialist revisionism articulated in the 1950s under Hugh Gaitskell and in the writings and speeches of Tony Crosland.

Croslandite democratic socialism condensed more than half a century of political experimentation, theorising and agitation into an updated package of beliefs. It resolved big conundrums about how a reformist labour party should proceed; it unequivocally eschewed leftist demands for wholesale nationalisation in favour of a mixed economy; but it put the ideal of an egalitarian society at the heart of clear prescriptions for how government should reconcile the interests of the public and private realms. It inspired a post-war reconstruction of political thinking – in Britain and in Australia. Andrew Scott documented how Crosland himself had gone to Australia in 1963, among other things, urging on the ALP 'the pragmatic and not the doctrinal view' of nationalisation. Crosland bluntly told his audiences that any party that pursued wholesale nationalisation could not win elections in the 1960s. Scott said that it was 'remarkable how closely'

Crosland's prescriptions 'foreshadowed the eventual platform and orientation' of the ALP under Gough Whitlam. During the visit, Crosland met and talked policy with Whitlam. The latter would later dismiss suggestions he was personally heavily influenced by the Briton. But as Scott observed, others saw much in the eventual Whitlam programme for office that was replete with Croslandite inspiration (Scott, 2000).

The second point to be made here is the fact that both the Wilson and Whitlam periods in office in Britain and Australia were adjudged to have been political disasters, and this helped directly fire the modernisation processes that eventually spawned New Labo(u)r. But in seeing the two periods as politically problematic, the Hawke–Keating and Blairite modernisers assumed the periods' underlying philosophical approaches – the ends sought – were flawed too. Politically, the Wilson and Whitlam governments failed; thus the philosophical aspirations from which they sprang must have been wrong as well. Blair denounced what he saw as an all-encompassing 'means' of mid twentieth-century democratic socialism, that is, state ownership or nationalisation; this, despite the fact that the 1950s revisionists were not in favour of comprehensive nationalisation. But Blair also stood against the 'ends' envisaged by democratic socialism: the alleviation of inequality through deliberate government intervention. His great gambit was that he attempted to change forever the Labour party's conception of both these things – that is, the way the public realm should be deployed by a Labour government, and the type of egalitarian outcomes it should be pursuing.

Notwithstanding the complexities that long encumbered analysis of the social democratic strand of British politics (Clarke, 1983), the fact is Gaitskellite revisionists were not social democrats, but democratic socialists, in Gareth Evans' meaning of the term (Skidelsky, 2004, 318). By the end of the 1960s Samuel Brittan was arguing that there was only one element of policy-making that by then made the left and the right distinguishable in British politics – and it was their 'attitudes to social and economic inequality' (Brittan, 1968). Back in 1955, Gaitskell himself declared the 'central socialist ideal' was equality (Gaitskell, 1955). Perhaps because of Gaitskell's own unsuccessful assault on Clause IV, some scholars saw Blairism as an extension or culmination of revisionism proselytised by leading party figures like Roy Jenkins and articulated through Crosland's writings, most notably *The Future of Socialism*. This book accepts, however, the contrary argument that New Labor, in fact, marked a multi-faceted break with British Labour's Croslandite tradition. The Crosland programme contained, in Roy Hattersley's words, British Labour's first 'coherent and comprehensive theory of modern democratic socialism', with both an instant and 'cataclysmic' impact on British politics of the day and an 'ethical framework' upon which future policies could be built (*Guardian*, 28 September 1996, 19). Tony Blair talked a lot about building ethical frameworks in politics. But

Figure 4.1: Former ALP Prime Minister Gough Whitlam and Bob Hawke at a function in the old Parliament House in Canberra before the move to the multi-billion dollar new building built on Capital Hill in 1988

the simple fact is that nowhere did Blairite New Labor more singularly take leave of Crosland's ideas than on the related issues of the degree to which government should be willing to intervene in the economy and in its attitude to inequality in doing so (Driver and Martell, 1998, 79–82).

For the best part of thirty years there was a certain amount of misreading of the policy record and political meaning of the Whitlam period, 1972–5. Despite the contention of some 1980s critics that the Hawke–Keating ideological shift had actually set in with Whitlam's conversion to technocratic and meritocratic managerialism in collaboration with business (Catley and McFarlane, 1974, 85), the fact is the Whitlam period also had at its core the values of the democratic socialist tradition, as defined by Gareth Evans. By around 2003, the Whitlam record was undergoing a fruitful reassessment (Hocking and Lewis, 2003). In analysing economic policy, in particular the way the Whitlam government tried to manage industrial relations and prices and incomes policy, Tim Rowse proposed a new narrative that suggested that far from setting the scene for neo-liberal New Laborism, Whitlamism should be seen as representing 'an older Labor tradition defined by its dedication to governing full employment capitalism' (Rowse, 2003). Whitlam was the last ALP leader to unselfconsciously use the word 'socialism'. More importantly, the essence of the programme he began to

Figure 4.2: Senator Gareth Evans speaking at the National Press Club 8/9/1993

develop in the early 1960s was the expansion of the public sector in order to promote equality. Whitlam wanted to go beyond nationalisation. Whitlam's long time aide, Graham Freudenberg, quoted him as arguing in the early 1960s:

> Socialists should not be content with nationalising where necessary; they should be intent on competing where possible and initiating where desirable. A more fruitful and complete use can be made of Australia's human and material resources through the initiation of public enterprise than the regulation of private enterprise. The Australian government is as constitutionally free as any other national government to initiate public enterprise internally or internationally. Public enterprise is not only the best but probably the only means of now staving off or counteracting private monopoly in Australia and providing continued competition. (Freudenberg, 1977, 73)

And in 1976, Whitlam declared that for Australians, the Labor model meant 'that a national government has a direct responsibility to intervene in the distribution of wealth and incomes and social benefits in order to distribute them more equally and justly'. Government had 'a responsibility to intervene as a countervailing power on behalf of Australian citizens and consumers to regulate the impact of the private sector on the rights of the individual' (Evans, 1977, 329).

At their different moments, the labour modernisers in these two countries dismantled or reorganised in different ways significant institutions or processes within the British and Australian public realms. This chapter will now examine more detail of the Australian case; Chapter 7 will look to the Blair record. The motives in both countries were the same. Basically, the New Economics argued that governments could not afford, and should not run, agencies or processes for which there was no indisputable argument for keeping them publicly managed. Secondly, a deep-seated political perception took root that the private sector did things better than the public, and that the market would always eventually lead to optimal outcomes. It was fortuitous that perhaps the key element at the heart of the New Labo(u)r political transformation was the philosophical rejection of the idea of equality of outcome in favour of equality of opportunity. For a political party could only really embrace the market if it was able to turn a blind eye to the inequities that often come in the wake of marketisation.

Two steps too far

In respect of Australia, and with the benefit of hindsight, what can be said about the record of New Labor, vis-à-vis the Australian Labor Party's tradition of democratic socialism? For a long time Paul Kelly's book, *The End of Certainty*, seemed to hold the last word on the meaning of the New Labor period. This was intriguing because it was published in 1992, even as the early 1990s recession was still playing out. And Keating did not lose power till 1996. This chapter argues that it was not until the very end of the 1983–96 period that two developments coalesced with greatest relevance in the task of properly evaluating Hawke, Keating and the 'tradition'. Together they go a long way towards deflating Keating's assertion that, right to the end, his was a traditional Labor administration. Those two developments were the endpoint of the Hawke–Keating privatisation agenda, pivoting on the 1995 budget decision to sell off the government's majority shareholding in the national bank, the Commonwealth Bank, and the process that culminated in Keating's stunning announcement on 21 April 1993 that the government would, through the expansion of enterprise bargaining, legislate for what effectively amounted to the deregulation of the labour market. One coming just after the 1993 election, and the other as the government was grinding towards electoral exhaustion, these two moves amount to two steps too far along the road Keating was prepared to travel in embracing neo-liberal policies. Taken together, they can be interpreted as indicative of late New Labor's approach to what this book defines as the public realm. The sale of a significant number of public agencies into private hands can be instructive of a government's attitude to the public sector, *per se*. After all, Thatcherism, as an ideological entity, was built in large part upon the perceived British Conservative attitude to the role of the state and its agencies. And, over one hundred years, few agencies of the state exercised a more dramatic impact on Australian society than the centralised industrial relations (IR) system. Unique in the world, it underpinned egalitarianism. In New Labor's attitude to these disparate components of the public realm lay a threshold of tolerance.

Here it is important to emphasis that the conclusions about the importance of these two factors was not arrived at by some remote assessment of the New Labor processes – it flows directly from the retrospective views of key individuals who were actually participants in the process at the time and who agreed to be interviewed for this book some years after the demise of Keating. Despite the variegated nature of policy construction over the whole 1983–96 period, these two moves can be interpreted as having finally delivered the ALP to a point along Michael Freeden's linear spectrum that was no longer acceptable to a great many Laborites; individuals who, until then, had been able to embrace so much unconventional policy-making. The interviewees from the Hawke–Keating era were uncomfortable with the bald question: did the period betray the Labor tradition? But asked whether there were steps taken that gave them concern that the government had moved beyond the acceptable limits of their party's tradition, a surprising number volunteered they were disappointed in two areas. One was the continued extension of the controversial privatisation programme and the second was the pressure brought to bear on the centralised wages system by Labor's embrace of enterprise bargaining, combined with the industrial tactics that accompanied the move in the mid-1990s.

Try as they might to argue these two policy advances were, like so many that had gone before them, entirely consistent with Laborism, New Labor apologists are condemned by one core fact. Keating's privatisation and IR reforms brazenly, but self-evidently, contradicted everything the government itself had been saying in the early part of Hawke's period in office. New Labor's insistence that these *were* Laborite reforms is shredded by the simple fact of the abruptness with which the government U-turned on them. From 1984 onwards, the Federal Opposition under three leaders – John Howard, his long time rival for the Coalition leadership, Andrew Peacock and the arch-right winger John Hewson, embraced the New Right policy programme with its emphasis on privatisation, budget cutbacks and the deconstruction of the industrial relations 'club'. In response, for three years minister after minister, led by Hawke and Keating, denied – day in, day out – that their government would embrace the policies the Coalition was pushing. Keating may have argued years later that these ideas were in keeping with the tradition, but he and Hawke didn't think that in their early years in power.

Privatisation

Beginning in 1985, Australian Labor was caught in an intellectual pincer movement over privatisation. The government's parliamentary opponents, business, economists, influential media and key bureaucrats began urging a shift towards the sale of public utilities. In August 1985, Madsen Pirie, President of the Adam Smith Institute in London, visited Australia to talk to the Opposition about the benefits of the British privatisation experiment and how it could be followed in Australia. His arguments were claimed to have had a 'profound impact on many of Australia's decision-makers' (Pirie, 1985). Crucially, in the second half of the decade, the Coalition opposition released a policy it had been developing which laid out 23 federal agencies to be sold off (Moore, 1989). Reacting to the pressure coming, not least, from reports in favour of privatisation from the market-oriented Industry Commission and the Treasury, initially the Government began applying commercial principles to some government business enterprises (GBEs) through corporatisation. It argued the ensuing efficiencies and cost savings justified leaving the GBEs in public hands. In the face of the continuing demands for full privatisation, individual ministers stood their ground, insisting profitable publicly-owned assets should not be sold off to overseas interests, or the well-heeled.

In response to the demand that the Australian telecommunications operator Telecom (later renamed Telstra), should be sold to private interests, the government warned this would kill the $500 million 'cross-subsidisation' that kept prices down in remote parts of Australia (Duffy, 1985). Successive Transport ministers railed against demands for the government-owned Qantas and a domestic airline carrier to be sold off. There would, one said, be no fire-sales to benefit 'privileged' groups (Morris, 1986). As late as 1985, Hawke himself was painting privatisation as an idea too far for Australia. It would be an 'expensive and disastrous experiment' (Hawke, 1985). Asked the same sort of questions, Keating was equally unequivocal: 'The Prime Minister, other ministers and I have made it abundantly clear that we see no case for the so-called privatisation of the great public enterprises of this country' (Keating, 1985). And so it went in the early years of New Labor, with ministers fending off Opposition point-scoring, resisting the drip-feed backdrop of sectional interest lobbying, the expert advice of sundry industry groups and academic and journalistic commentary, all pushing the deregulatory agenda. Prior to 1987, a fairly clear line was laid down: commercialisation was acceptable but privatisation was not in the public interest. Behind the scenes, however, it was all very different.

Influential pro-privatisation elements of the bureaucracy were working on a government in which some ministers who actually saw no ideological problem with privatisation (Walsh, 1995, 107) were hardening their positions under the ongoing budgetary pressures; and beginning to work out how the big shift could be imposed on their party, and sold to the public. The cabinet was confronting a crisis in which government enterprises, like the airlines, needed massive capital injections. As the great shift to privatisation took hold, behind the scenes Hawke and the others were beginning to use a new rationale; every government dollar pumped into an airline, for example, was one 'paid at the expense of programs for the unemployed or the single mother'. In such circumstances, even left-wing ministers 'understood acutely what the priorities of a true Labor government were' (Hawke, 1996, 391). The pressures for change saw senior government people looking abroad for ideas. In 1987, Finance Minister Peter Walsh and his adviser David Cox visited the UK to investigate the Thatcher record and had a meeting with Norman Lamont from which they drew hints about tailoring their own plans (Cox: Interview with author, Canberra, November, 1999).

Labor's privatisation push began with a big economic statement in May 1987 and carried on unfolding slowly, despite violent protests within the ALP, until a September 1990 special National Conference. There, through a series of complex factional deals, delegates were press-ganged into endorsing plans for privatisation in three big areas – the Commonwealth Bank, Telecom and Qantas. Step by step it went. By the mid 1990s, Keating had sold off the whole airline. Critic John Quiggin talked of the 'almost unparalleled hypocrisy' evident in Labor attacking, in particular, the Coalition plan to privatise the Commonwealth Bank during the 1990 election campaign, only to begin the process itself later that same year (Quiggin, 1999, 189–90). After 1991, as Quiggin showed, the concept of privatisation was virtually unchallenged within the government. The Opposition, through successive Shadow ministers, kept up the political pressure (Connolly, 1993). The Commonwealth Bank went in three stages – the last implemented, as we shall see, after Keating lost office in 1996 – but for many Labor traditionalists, the decision on 9 May 1995 to sell off the majority shareholding in the Commonwealth was the last straw. This move carried high symbolic value – the bank having been one of the proudest nation-building achievements of the Fisher ALP Government in 1911 (Bailey, 1995). Privatised basically in three stages, at each the government provided assurances it would be the last. But there were also a whole raft of other sales. The upshot was that by 1995, the Hawke and Keating governments had privatised, in part or whole, the bulk of the 23 agencies on the Opposition's 1985 hit-list. From insisting over and over again they would only accept limited commercialisation, within a decade they put Australia 'at the forefront of international privatisation initiatives' (Kain, 1997).

So why did Labor embark of this momentous U-turn? Advocates of privatisation made bold predictions of greater efficiencies and profitability. Basically though, for New Labor there was one motive – cashing in assets to plug budget deficits. Quiggin was scathing about this rationale, treating the proceeds of an assets sale as current income. After investigating the detail of the Commonwealth Bank float, he alleged taxpayers lost $3.4 billion because of the way it was handled. He also charged that, even more than financial deregulation, the Hawke–Keating government's embrace of privatisation represented a fundamental break with the Labor tradition. It was not clear why the Labor government chose to push ahead with privatisation; it had been, in no sense, a forced move. The enterprises sold off were profitable and in most cases, capable of meeting their own capital requirements through a combination of reinvestment of profits and the issue of new debt. Quiggin said the only conclusion possible was that ministers wanted the proceeds to maintain higher current expenditure – all this just an 'uncritical acceptance of the world view of the Treasury and the financial markets' (Quiggin, 1999, 189–202).

Industrial relations reform

Industrial relations policy embodied the other big back-flip of the New Labor years. Basically, by the mid 1990s, a real question mark appeared to hang over the ALP's century-old commitment to a comprehensive system of national arbitration. Against the backdrop of the New Right demanding an end to centralised wage fixing and the eradication of trade union power, this situation was reached, once again, as a consequence of the gradual recalibration of Labor's policy, beginning around 1987.

The Melbourne-based Australian Council of Trade Unions, with its staff of lawyers, economists and union operatives, had long been the peak council representing Australia's trade unions, exercising a great deal of power in laying down ground-rules for the whole movement. Hawke himself originally worked as an ACTU advocate in the arbitration court, rising to head the organisation. One of his lieutenants was a tousle-haired economist called Bill Kelty who, like Hawke, eventually rose to become ACTU Secretary. Though Hawke was his original mentor, in time Kelty developed a close friendship with Keating and eventually switched his support to Keating to replace the older man as PM. Basically a moderate body, there was behind the scenes often an uneasy tension between the ACTU and particularly some of its left-wing affiliates. One of Kelty's great advantages was that, certainly in the early days, he had the respect and support of unions bosses in all factions. But as he and Prime Minister Keating worked together after 1991, massive strains bore down upon the partnership. Keating and Kelty faced the onerous, ongoing problem of creatively moulding new Accord packages to accommodate newly arising economic and political contingencies. Under various forms of Accord agreements between 1987 and 1990, an increased emphasis was placed on structural efficiency, with many of the awards laid down under arbitration simplified and rationalised, and a new wage tier based on productivity at a non-national level introduced. Under pressure from the argument that trade union work practices were impeding economic growth, this Accord phase marked the beginning of a distinct shift away from centralised wage setting. Implicitly, it was the beginning of what later became known as enterprise-based wage settlement (Chapman, 1997).

Here again was a policy front over which the key question hung: how far should Labor shift? By 1990 it had already travelled a great distance from the position it advocated in its early years in office. Labor began its period in power a firm supporter of the centralised system. Observers of the Parliamentary process in the mid-1980s saw Hawke and ministers led by Ralph Willis arguing vehemently that the Coalition's hard-line IR ideas were a recipe for economic disaster. Willis, in particular, insisted there was no need to 'free up' the IR system or give it more 'flexibility'. He tried to turn the attack back on the policies being contested behind the scenes between the advocates of more extreme change and moderates inside the Coalition. Willis pilloried John Howard as a prime mover towards a form of extremist, 'dog-eat-dog' IR system that the electorate would just not accept. He called the Opposition plan 'laughable' and economically 'utterly irresponsible', arguing that voluntary agreements between bosses and workers would only lead to economy-wrecking wage spirals. He said such voluntary agreements being advocated by the Opposition were actually unworkable under Australia's constitution (Willis, 1985). All this at the time seemed entirely consistent with ALP orthodoxy.

For decades Labor had boasted of a system, unique in the world (Markey, 1990, 44), which underpinned Australian egalitarianism by ensuring that the proceeds of national development were spread as equitably as possible in the workforce. Macintyre and Mitchell's 1989 collection of essays alluded to the complexity of the role and importance of compulsory arbitration in Australia's history (Macintyre and Mitchell, 1989). There was, at times, equivocation among some pragmatic unions and on the socialist left about foregoing industrial militancy to embrace it. But the system *was* unique in the world, integral, as Frank Castles saw it, to 'Australian exceptionalism'. It came into being despite colonial impulses that were decidedly antithetical to such an idea. In some industries, arbitration struck at autocratic managerial practices. Through industrial awards, for decades workers won improvement in wages and conditions. The system narrowed wage differentials and put a floor under the labour market. By compressing differentials, it 'served to reduce the extent of Australian income inequality' (Castles, 2002). It made Australia a 'more equal' place than other nations, vis-à-vis wage income (Bradbury, 1993); it mitigated waged poverty (Henderson, 1978). It was, virtually from the outset, resisted by employers. And while some unions were sometimes uneasy, the first key point is that arbitration basically created formal recognition of a place for them within the broader Australian polity, enshrining their legal and administrative rights. The second key point is that historically the agency that gave the most consistent support to it was the parliamentary ALP.

For years, some intriguing questions have hung over the behind-the-scenes events within corporatist New Labor that could help explain why the Keating government, and the ACTU under its economics-trained Secretary Kelty, travelled so far in their adoption of IR deregulation after 1990. It is clear that, from an early point, senior people in the ACTU were open to deregulation's underlying rationale. The New Economics held that if a nation like Australia was, indeed, opening itself up to economic liberalisation, it was logical to include the wages system – to dismantle restrictive practices and make the price of labour as internationally competitive as other segments of the economy. Crucial to this was the argument that the nexus between pay and productivity had been too long obscured. It was said that once cosseting of firms through tariff protection was combined with restrictive union work practices, demarcation rules, disputes and complex award concessions institutionalised through state and federal courts, there was just no incentive for business to become competitive. Under the pressure of this argument, New Labor and the ACTU came around to the extent that, by mid 1992, with some important caveats, New Labor had embraced the Opposition charter – a more deregulated labour market and a lesser role for the independent arbiter, the Industrial Relations Commission (IRC).

The insider accounts of Keating's career by his former economics adviser, John Edwards (Edwards, 1994) and former speech writer Don Watson (Watson, 2002), provide startling accounts of the factors that help explain the Labor shift. Those factors included Keating's mixed private attitude to trade unionism. Despite his personal regard for Kelty and Keating's own bedrock power base in NSW labourism, there seems to be evidence that he privately harboured less than flattering views about unions *per se*, and some of their leaders. John Edwards records that when he secretly came to the view that tariff protection had to go, back in the 1970s, his solution to excessive wage demands had been to 'hit the unions on the head'. In 1997, the confidant of Margaret Thatcher and Conservative party fund raiser, Alistair McAlpine, revealed Keating had told him in the early 1980s of his plans to 'tear apart' the Australian labour movement. McAlpine thought the Hawke–Keating policies at the time were so close to the Coalition, it was 'hard to tell them apart' (McAlpine, 1997, 175). Apart from the fact that he, as an economist, was wholly receptive to the Keating thesis about necessary economic reform, crucially, John Edwards also showed that in the early 1990s Kelty thought the Keating government was electorally doomed, to be replaced by a right-wing Coalition intent on wholesale IR dismantling, as had happened in New Zealand. 'The union movement had to prepare for this. They [the ACTU] believed that if unions struck enterprise bargains they would win membership support and survive the abolition of arbitration. The thing to do was the get the unions used to it,' Edwards wrote (Edwards, 1996, 490).

This was a problematic tactical strategy, one that, behind the scenes, alarmed some powerful individual union leaders and played into the erosion of Kelty's standing with them. There is also evidence to suggest that Kelty was motivated at this time by personal discomfort over some behaviour by members of the IRC. What is clear though is that Keating was at one with the ACTU strategy to try to outflank the New Right by getting in first with the Australian labour movement's own version of enterprise bargaining. By early 1991, John Edwards recorded, Keating and Kelty believed the system of six-monthly centrally determined wage increases could not be sustained and that a more 'flexible enterprise-related' system had to be created. They wanted 'trade-offs of job rules for higher wages and to allow wages to differ for different levels of productivity increase and for different levels of industrial muscle' (Edwards, 1996, 418). In August 1991, the government indicated it was considering legislation that would allow unions and employers to enter into fixed-term enterprise bargaining deals, bypassing the IRC. Legislation that took effect in July 1992 required IRC certification of workplace agreements but allowed parties to negotiate without the encumbrance of having to meet the IRC's structural efficiency principle. Braham Dabscheck said this legislation gave 'effect to Kelty's desire to find a means to bypass the Commission' (Dabscheck, 1996, 44). The response from the IRC was to warn that the situation had 'serious implications for the continuation of compulsory arbitration in the federal system of industrial relations' (Maddern, 1993).

John Edwards provided a graphic insight into the way Keating and Kelty operated behind the scenes in this period when, between them, they ran Australian industrial relations. He described how, at a meeting in April 1991 between the government and ACTU officials, Kelty was threatening that the unions would dump the IRC's recent decision and go into the field. Edwards noted that Bob Hawke, who at that point was still Prime Minister, sat on the other side of the table 'shaking his head disapprovingly'. Keating then moved provocatively to focus the discussion: 'Can we come back to this?' he asked the ACTU heads. 'Do you want us to abolish the Commission? Do you want the Commission out of the way? What about we abolish it?' After what Edwards described as a 'short horrified silence', Kelty said no, the IRC was a worthy institution, but it was run by people who were 'not doing a good job'. It was the Accord that gave the IRC its role. But Edwards also provided an intriguing account of a meeting in August 1992 between the government and ACTU where Kelty was sketching the strategic moves that the government should make, and to which the ACTU could then 'react' publicly. He was asked what would happen if the IRC refused to agree and he replied: 'The IRC will have to do it, because if they don't they have no other role. They'll have nothing to do. If they knock it back, we abolish the fucking Commission' (Edwards, 1996, 420, 491).

As far as the wider labour movement was concerned, the greatest disquiet set in after Keating had defeated John Hewson at the 1993 election. On 21 April 1993, Keating delivered a landmark speech to the Institute of Directors in Melbourne. In linking the importance of IR reform with economic progress in the speech, Keating appeared to make a startling claim. He suggested enterprise bargaining would replace awards: 'We need to find a way of extending the coverage of agreements from being add-ons to awards, as they sometimes are today, to being full substitutes for awards' (Keating, 1993). The speech was immediately interpreted by some as indicating the government was finally embarked on deregulation of the labour market. It sent a shock wave through the party and wider union movement, quickly followed by behind the scenes expressions of outrage. The next chapter will discuss in detail the key tension that lay at the heart of the New Labor project. It will show that under the Keating Prime Ministership, the disparate worldviews of the New Economics and Old Laborism struggled fitfully for control over policy – the battle fought to the very end of the New Labor years in the Prime Minister's own office. Those competing worldviews were reflected in John Edwards, the 'economic rationalist' adviser who actually wrote the Institute of Directors speech, and Don Watson, who argued in his Keating study that with the 'euphoria and concussion' of the recent 1993 election win, Keating's people had simply not been thinking 'clearly' enough to realise the speech was 'mugging' the government's 'most loyal allies'. Watson said that speech 'went deeper to the heart of Labor than any other deregulatory measure' – hitting at 'one of the pillars of Australian civilization'. But on the key point, Watson was clear: the move was 'tactical on Keating's part'. With Edwards' help, 'Keating wanted to let the unions know early in the piece [after the election] – and let business and the business press know – that this long-awaited micro reform was coming'. But Watson called the speech 'slow-acting poison'. For the next three years, he said, 'it sat there like an abscess on the brain of the old alliance, draining it of vigour and erupting every now and then with awful consequences'. Watson said that long after the Keating government had fallen, the speech still lingered in his mind as 'a sort of primal insult' (Watson, 2002, 267–370).

The fierce reaction to it saw the government backtracking and re-pledging support for awards. For six months thereafter, key players in the IR arena were embroiled in complex talks to try to nail down the government's intent. The government was forced to back down on some detail when the ACTU came up with a plan to make more palatable the move to spread enterprise bargaining to the non-union sector. Despite being hissed and booed at the ACTU biennial conference in September 1993, Keating's IR Minister, Laurie Brereton, persisted in trying to extend workplace bargaining to non-unionised workers. After complex negotiations around various compromises, the *Industrial Relations Reform Act* was finalised in December 1993.

According to the Watson account, eventually the unions turned on Keating over accumulated, perceived slights, including the April 1993 speech. But since the end of the 1980s, the inevitability of this wage system gambit had been predicted by some critics. With that speech, Hugh Emy said, had come a hugely symbolic moment:

> … it appeared to mark the point at which the Labor government made the decisive shift away from the tradition of centralised wage fixation towards a much more flexible and decentralised system. Indeed, as Mr Keating emphasised the priority of workplace agreements, it was difficult to see what separated his version of enterprise bargaining from the Opposition's. (Emy, 1993, 101)

Thus, because of a complex mixture of political, industrial, strategic and personal reasons, a tiny group of people who controlled Australia's economic affairs deemed it appropriate to overturn a pillar of the public realm that their forebears, over a century, had built in the hope that the state could have at its disposal a wages mechanism to help, as scholar Braham Dabscheck said, 'alleviate human suffering and re-establish the moral basis of society'.

Troubled retrospects

The upshot of the IR revolution begun by New Labor, as we shall see, is where it led under the man who replaced Keating as PM, the conservative Coalition leader John Howard. Within a couple of years of Keating's departure, enterprise bargaining had supplanted arbitration as the dominant industrial relations paradigm in Australia, with the reach of the old award system eroding (Yi-Ping and Wooden, 2001). The issue of whether New Labor should have embraced labour market deregulation in the manner it did will be long debated. For his part, Paul Keating dismissed as myth the idea of a party being dragged to right-wing reform by its leadership; cabinet in the Labor years had been a highly collegial effort, he insisted (Keating, 1999). But with the benefit of hindsight, a number of key players from the period take a less than enthusiastic view of how far Labor was carried, as this experiment in modernisation careered on through the 1990s. In a number of interviews for this book, it became clear that concern at the excesses of the IR and privatisation changes existed at the time in various parts of the New Labor policy super-structure. Different players had concerns about differing policy specifics; but the underlying apprehension was clear. A backroom player of the seniority of social policy expert Meredith Edwards, for example, would admit to being 'appalled' at the continued sale of assets and feeling the IR changes were 'disastrous' (Edwards: Interview with author, Canberra, September 1999). Even a front-rank moderniser of the seniority of former Treasurer John Dawkins admitted to confusion about the motives that underlay the 1993 reforms (Dawkins: Interview). The influential former ALP National Secretary and Keating minister Bob McMullan agreed many saw the Keating–Brereton legislation and the privatisation programme as two steps too far for a Labor administration. McMullan felt, overall, there had been some good in the IR policy changes but as a 'half-pregnant policy', the government got 'some bits of it wrong'. He agreed New Labor had 'shifted along' the conventionally-understood left/right continuum from support for public ownership towards deregulation. And he agreed the IR changes and the sale of the Commonwealth Bank 'were the two symbols of the Labor Party having moved away from its roots' (McMullan: Interview with author, Canberra, December 1999). His later successor as ALP National Secretary, Gary Gray, also admitted to discomfort about the privatisation push (Gray: Interview). Former key left-wing minister and one-time Deputy Prime Minister Brian Howe was another with reservations:

> One of the problems is we have a system of conciliation and arbitration in Australia of which, for example, the Americans are very envious. The system has been well known in America, it's taught in American universities. And what they [New Labor] started to do at the end was lose some of the strengths of the Australian system. And I think that was very unfortunate. These things are always matters of balance. In a sense, if you weaken an area of policy, move more in the direction of the market, you shift more power towards the private sector and you have to pay the price for that. It's how you pay the price, how you build up the system of social protection … The privatisation stuff in the end probably did go too far because you have to think of these things as performing different roles. You have to think of Telecom as essentially an enterprise, for example. But you have to also think of the problem of Australia as a small country wanting to maintain some leverage in cutting-edge technology. Australia has very few multi-nationals. So ultimately if the process of marketisation and privatisation means R&D and new technology moved out of this country then that's got huge implications. The problem with the privatisation was it was essentially driven for budgetary reasons. Hawke would give you a little lecture, you know, saying: 'It's not as if I've got an ideological penchant for privatising things'. But then he'd say: 'At the same time, this is a choice' … you know, 'we can take it off Brian [social welfare budget] or we can sell off this bloody useless organisation that only looks after the ruling class'. A very persuasive argument, you know … people would be saying: 'Oh, well, we had better be protecting Brian', you know. And so they'd say: 'Let's get rid of Qantas or let's get rid of this or that.' But the point is these organisations don't perform just one function. I think that was, in a sense, one of the problems of the government towards the end. The latter period of

> government was not as good a period as the '80s. In the '80s we had a very tough-minded government. In the '90s we had one that lost the sense of the complexity of issues. If you say Malcolm Fraser suffered from the paralysis of analysis, then you'd say, in the end, we suffered from too little analysis of very complex issues. From being a very sophisticated, very powerful reforming government, at the end we were doing things by intuition rather than through complex analysis. (Howe: Interview with author, Melbourne, February 2000)

And, finally, Hawke …

Bob Hawke himself clearly believed privately that the final phase of the Keating IR reform was the one step too far in the entire period in office. Though he was then well into retirement, in 1995 he took steps privately to make his concerns clear inside the party. In an interview for this book in early 2000, Hawke chose his words carefully, but his alarm about the implications of the attack on the system was unmistakable. He was asked if he had been comfortable with the reforms:

> *A.* Well, I think I would have done it somewhat differently. I think I can sum up the position there by saying I think the history of Australia and the ethos of Australia which I love is a fair go. I think most Australians have believed in the concept of a fair go. And within that, the arbitration system has been enormously important. My philosophy about industrial relations is that we should keep a system which is going to do two things. One, set fair minimum standards below which no one can be employed. And secondly, it is going to be there, easily accessible, to settle disputes that are going to develop in a way that is against the public interest. I think there is room for enterprise bargaining but enterprise bargaining on top of standards that you have fixed for the community. I don't like this idea that the Commission can't intervene until it's too late. I think it ought to be there and available for use in the settlement of disputes. Now, I don't think Keating and Brereton got that mix exactly right.
> *Q.* It basically looked like they were trying to dismantle the system, did it not?
> *A.* Well, it did to some people, but I'm not sure if that was their aim. I'm not saying it was their objective because I don't know. But I feel the processes have gone too far in terms of dismantling. I mean … you are in danger of not having anything there at the centre at all.
> *Q.* But did these Labor men, basically, start that process? And aren't the dual dangers in it that it didn't make sense from the Labor perspective but it opened the way for the conservative parties to take the dismantling further?

A. Yeah, I think so.

Q. Did it disturb you?

A. Yeah, I was worried about it and I said so in various quarters. I have no time for Keating, yet I do have all the time in the world for the Labor Party. But I was in a very difficult situation … well, in not being seen to give political ammunition to our political enemies by attacking the government. It was a difficult position to be in.

Q. From the Hawke–Keating period was it the one step too far?

A. I think in the time I was there we still had a significant power in the Arbitration Commission to do the things I'm talking about. That went much further after I had gone. (Hawke: Interview)

5

Trojan Horse Socialism

Leaping to shorthand conclusions about a political party supposedly betraying its historic roots is indeed problematic. The last chapter demonstrated how judgements await a longer term perspective; policy positions can radically alter; initial assumptions can ultimately go awry. The New Labo(u)r experiences also show how decision-making can be monopolised by elite groups, around a Prime Minister or centred in cabinet, who drive their agendas irrespective of wider party views, but also despite objections or opinions elsewhere in the government. Within the ranks of the participants 'down the line', among ministers, on their personal staffs or in their departments – and that includes those who may have key roles in evaluating and even devising particularly controversial policies – there can be quite firmly held divergent views. Usually, the general public only has information from the media or political observers and scholars to rely upon to disentangle facts about outcomes that emerge through labyrinthine and obscured decision-making processes. Before developing this idea, it is here necessary to point to an important parallel between the Hawke–Keating and the Blair–Brown projects.

Both administrations came to power hostage to supposedly historically informed and long-standing doubts about their parties' legitimacy to hold high office in the first place. As late as 2003, Blair complained that Tory Britain 'hated and feared' his party because Labour was, in its eyes, illegitimate, usurping its 'divine right to rule' (Blair, 2003). In Australia, scholars and senior ALP figures argued that an anti-Labor establishment located in the business community, legal profession or media had historically never accepted the party's pretensions to power and would not tolerate extended reformism (Freudenberg, 1988). The New Labor period in Australia became suffused with a consensus about the constraints bearing upon traditional Laborite sensibilities. This kind of sensitivity about legitimacy could perhaps be detected in the way Blair and Brown, just like Hawke and Keating before them, evinced anxiety at the power of international markets to turn against governments. In both nations, New Labo(u)r won office with an overarching sense of constraint, determined to tread carefully for fear of crashing as past Labo(u)r governments had done. Given the disaster that was the Whitlam government and the residual disappointment in Britain with the Wilson era, the ultimate debacle would have been to confirm the conservative loathing.

If this was a common background anxiety, it is certainly the case that the Labo(u)r projects were not entirely dominated by homogenous, right-wing cabals of party heretics or agents antithetical to old-style Laborite dogma. Ministers settled into power in Canberra in 1983 facing, as they saw it, legitimate challenges. Certainly, they accepted the new, post-Keynesian reality; but the central issue is how that reality was accommodated by the very large number of individuals who were front line politicians, experts, advisers and facilitators in the policy-development pyramid that had Cabinet at its apex. In the UK, it was accepted by the Blairites that globalisation rendered old forms of radical politics impossible. But many in the Westminster offices, and beyond, had doubts; questioning was not confined to the academics, commentators and media pundits wrestling with the Third Way chimera. New Labour was not simply some homogenous group of like-thinking, pragmatic apparatchiks. It comprised individuals motivated by all sorts of different backgrounds and political inclinations, with greatly varying degrees of confidence about the rationales publicly trumpeted by the leadership. In the party room, there was always a hard core of dissident MPs, not afraid to voice their opposition to the new direction. But MPs loyal to Blair–Brown and many of the unelected people working inside the government, party and labour movement often had their private reservations, too.

Third Way or Trojan Horse?

Despite this, compared to previous Labo(u)r governments, a distinctive feature of both the Hawke–Keating administrations and certainly the first two Blair administrations (before things began to go awry from late 2005) was their relative internal discipline. Aside from the minority of dissident protesters on the left, the moderate left generally toed the line for fear of the Tories returning to power. Despite the departures from what they perceived to be traditional Labour maxims, many of them contented themselves that there was a subtle game plan at work here. They knew Old Labour was badly discredited; or they were unable to muster an articulate exposition of why it was not so. They knew the old tax and spend full frontal assault was now obsolete. For a long while many of them hoped they could see in the Third Way a kind of chameleon that conveniently spoke the language of the prevailing orthodoxy. Or, just maybe, a kind of 'Trojan Horse' indeed, infiltrating the centres of political and bureaucratic power just as the warriors of Odysseus had in Troy, awaiting opportunities to implement what they saw as the old values through new devices – an ‘under-the-counter’ socialism. In particular, many on the left were encouraged to believe that this was the real Gordon Brown game-plan. Certainly, from the late 1990s the Chancellor was said to have opted for measures that critics on the right (McElwee and Tyrie, 2002) and sections of the media were given to labelling ‘socialism by stealth’ (*New Statesman*, 15 September 2003, 27).

In the first two Blair terms, various scholars detected New Labour working very hard to find ways to redistribute stealthily; and certainly without resort to high direct taxation. Gamble and Kelly identified the tax credit system, changed expenditure priorities and shifts in the national insurance system as among the methods used. And it was a very particular type of redistribution, targeting specific groups: those with children, low-income pensioners and the working poor. Despite its critics, Gamble and Kelly believed it could be argued New Labour could be interpreted as implementing social democratic policies. ‘Far from turning its back on redistribution, it could be argued that New Labour has sought to redistribute incrementally and by every means possible except direct taxation,’ they wrote (Gamble and Kelly, 2001, 182).

While many New Labour players, past and present, were coy about discussing stealth strategies in interviews for this book, a few were forthcoming. In the early years, Richard Thomas, a former adviser to Blair’s first minister for welfare reform, Frank Field, coined the epithet ‘under-the-counter’ socialism in arguing that political, bureaucratic and administrative sleight of hand was being used to disguise New Labour’s true intent, and particularly that of Brown. For example, Thomas argued the Chancellor’s 1998 budget was the most redistributive for decades, with the real implications hidden behind the smokescreen of complexity in its individual measures. It was a budget for the poor, funded by taxes on the better off. Poor working families got billions, while those with occupational pensions or performance-related salary schemes lost out. Tax loopholes for the wealthy were closed. ‘All behind the lines stuff, rather than an old Labour frontal assault,’ Thomas wrote. Because the tone of the budget was dour and pro-business, the markets were pleased. But Thomas said that through measures like clever ‘re-branding’ of measures like the Working Families Tax Credit, if a ‘sleight-of-hand’ was required to ‘get money from the better off to the poor’, then so be it. Brown’s political skill was to recognise this. In other areas, there was deception too. Home Secretary Jack Straw’s tough talk on crime disguised his liberal policy moves in other areas. A review of defence spending had been presented as ‘the creation of new, muscular task forces, rather than a cut in military spending in order to free resources for more desirable things such as health and education’. Thomas said there were two views in the government about whether taxes should go up to finance further reform. He said Blair seemed to be of the view that no government promising tax hikes was electable. 'If this view prevails, redistribution will continue to be an under-the-counter business, if it carries on at all,' he said (Thomas, 1988).

Other experts in various policy fields also claimed they could detect stealth in various manifestations (*Guardian*, 2 July 2001, 23), though the overall strategy had its firm critics. On the right, observers pointed to nineteen 'stealth taxes' on business and twenty-six on individuals imposed by Brown (McElwee and Tyrie, 2002). On the left, Polly Toynbee repeatedly urged Blair to understand the strength of his electoral position and argue the case passionately for social justice rather than appeasing the right-wing press with 'wheedling' assurances that presented welfare reforms as 'the end of something for nothing' and 'crackdown on scroungers' (*Guardian*, 15 February 1999). Commentator Andrew Marr had no doubt there was something in this under-the-counter socialism thesis. Gordon Brown had been pursuing covert taxation to raise funds – a raid on pension companies, the windfall tax, rises in duties, student fees, even the wider use of lottery money for causes that would have traditionally come from straight taxation (*Guardian*, 2 January 1999). John Hills suggested there was indeed a tactic behind the government's reluctance to proclaim too loudly any redistributive impact of Brown's policies. New Labour wanted to stress the 'pro-work' parts of its achievements 'which chime with public opinion, rather than its (welfare) benefit increases which might not' (*Independent*, 4 June 2001, 15).

As the Introduction made clear, an intriguing element of the 'Trojan Horse' factor in the UK was how, according to some, the private animus between Blair and Brown was not confined to the rivalry over the Prime Ministership; it extended to some big policy questions. Brown supporters argued that with his Scottish socialist roots, he was far more a traditional Labour man than Blair with his Tory family background. They argued Brown constantly reined in Blair's conservative instincts. Early in 2001, Roy Hattersley declared that the Chancellor privately harboured a far more genuine desire for an egalitarian democratic socialist direction than the Prime Minister (*Sunday Times*, 25 February 2001, 6). In the occasional leaking wars that broke out between 10 and 11 Downing Street, in the hands of Brown's spin doctors this interpretation gained significant purchase in British politics though some insiders were intent on repudiating it (*Guardian*, 8 November 2003, 20). Thus, Brown's presence in the British project was interpreted by some as this delicate balancing act between using orthodox levers as Chancellor to achieve something resembling traditional party ends without startling the markets and business community. The long term question, of course, was always how Brown would proceed if and when he became PM.

Bleeding hearts and pointy heads

With the benefit of hindsight, events as they unfolded in Australia significantly help in fleshing out this notion of labour parties so constrained by external critics and their own history-inspired insecurity that they are forced to deploy under-the-counter or stealth measures, all the time daring not speak of their true intent. In Canberra in the 1980s 'economic rationalism' held policy-making in a gridlock, dominating the major policy departments. But in the ALP government structure it was not an uncontested doctrine. For evidence of the extent of that, look no further than author Don Watson's startling account of his years as Paul Keating's speechwriter. Watson painted a portrait of Keating's personal office as an 'ideological battlefield' between dominating free market economists and other advisers pilloried as 'bleeding-hearts', 'mickey mouse' or 'fairy floss' thinkers, all competing to get Keating's support for their ideas. Essentially, Watson presented himself as part of the adviser corps at odds with the economist mindset and engrossed in what was, in the end, a losing battle to make Keating widen his view of politics. The 'doctrine of the main game', Watson said, 'cut the threads that bind a government to ordinary thought and feeling'. It was a 'regime of emotional austerity which denied government the capacity to work effectively in the areas where it must work – the realms of sentiment, spirit, fellow feeling'. The point, though, was that for a lot of policy advisers, this intense, contested environment created a new priority. If they were going to be able to advance what they privately thought to be progressive ideas, they needed innovative thinking. For them, different means needed to be devised to achieve something like traditional goals. They had no alternative. The old-style Labor paradigm of policy development was defunct. Some New Labor ministers, and their advisers, saw this challenge and deliberately embraced it, setting out to devise lateral strategies. Watson himself adverted to this phenomenon. He recalled how he and other advisers pushed Keating for more interventionist industry policy stances, adding though that 'we didn't like to say so and we tried to call them by other names' (Watson, 2002, 136–234). Here is a realm of almost subterranean, subterfugal policy development within a government. In the case of Hawke–Keating, this movement within actually helped humanise the process; it helped frame the particular social policies that became the partner hemisphere to the big economic innovations. In so doing, it played a definitive role in shaping the distinctive features of an Australian model that proved influential internationally.

In the face of accusations that the New Labor programme dismantled the public realm, some of its apologists argued it was interventionist, but in novel, rather than old-style, ways. Addressing himself to what he called the 'myth that doesn't cut the mustard' about economic rationalism being the 'bogeyman' of the post-1983 period, Keating said it was demonstrably false that 'Labor was in some sort of ideological, Thatcherite thrall to markets'. He said that in a whole range of policies ranging from the Accord to the creation of Medicare, to industry assistance plans and his own *Working Nation* programme, 'Labor consistently believed in an active role for government in Australia. But a more focused role. Using the government to steer, not to row' (Keating, 1999). Certainly, in something like the industry policy domain where the Hawke government embraced highly contentious economic rationalist views about the need to dismantle tariff barriers, various studies have shown it was quite innovatively interventionist in some of its support measures (Bell, 1993). It's important to bear in mind that members of the Hawke–Keating cabinets were Laborites with, at a minimum, sensitivity to notions about the ALP's mission being to confront inequality. The question for many of them was how to negotiate the obstacles. Despite Watson's characterisation of him as one of the chief obstructive econocrats, Keating's chief of staff, Don Russell, actually gave credence to this Trojan Horse metaphor. As Watson explained, Russell, like Keating, always saw himself as an economic liberal but also as an eclectic Labor pragmatist, defying the truly hard-line, neo-liberal dogma that the state must leave just about everything to the market (Watson, 2002, 88). From 1985, Russell was Keating's most important personal aide and economics adviser before becoming Australian Ambassador in Washington in 1994 and then returning to the Prime Minister's office in the run-up to the 1996 election. In an interview for this study, Russell was quite blunt about how the strategy in government involved appearing on the surface to provide policy packages in keeping with the economic orthodoxy, but having hidden or disguised within them components with which Labor tried to advance 'social democratic' aims. The key thing was the selling; how Keating in particular had to go around talking to all manner of interest groups, presenting an interpretation of government action, and also talking to the ALP itself, explaining the play as openly as he felt able without startling anyone. Russell was asked about the dangers of the New Labor policy repositioning generally and replied:

> It becomes very, very important that you keep … because you're dealing on so many different levels … you're actually selling a lot of traditional Labor Party objectives under the guise of markets. See, the 1980s was not an environment that was friendly to social democratic parties. The time was running severely the other way. This was the height of Thatcher–Reaganism and we had Keating and Hawke down here trying to achieve … they were almost forced to dress up Labor Party objectives in that different guise to keep the upper hand politically. So, there was always a problem in that you might have been delivering things that Whitlam and that lot could never have hoped to achieve, but you're dressing it up in the rhetoric which was much more attuned to the right. So, you

> always had a problem. You had to be very, very clever at going around to all the groups and the opinion formers on the Labor Party side and explain to them what you're actually achieving underneath all the story. (Russell: Interview)

Over time, however, as Russell conceded, it became harder and harder to keep convincing parts of the Labor constituency, particularly the unions, that the strategy was in their interests.

> That becomes very difficult, as you can imagine. You can be achieving things Labor Parties could never hope to have achieved previously but because the story, or the model that you've developed, is designed to be acceptable to the prevailing orthodoxy which is much less attuned to social democratic parties, that wears you down after a while. The process of going around explaining the situation to people and trying to get them to accept that this is the least worst option, that wears you down, too. It becomes harder and harder to deliver. It becomes a much more difficult task to constantly say to people look what we're doing here is better than the alternative, what we are doing is actually achieving sensible outcomes, good things and we are going to deliver things that are much, much better than anything else that could happen. (Russell: Interview)

Brian Howe

The real Odysseans of the Hawke–Keating period, however, arrived with a second generation of left-wing ministers, their staffs and sympathetic bureaucrats and academics. The effect of their work was to inject something more traditionalist into the social policies that New Labor was crafting. In the early years, Hawke and Keating's suspicion of the left was undimmed. Left faction MPs were contained in minor ministries; the left was 'in the government, but not of it' (Steketee, 2001, 145). But that began to change from the moment the implications of the massive round of Cabinet cost-cutting in 1986 hit home to the man who emerged as a kind of 'second phase' titular left leader in Canberra, Hawke's Minister for Social Welfare, Brian Howe. Howe ranks as perhaps the most seriously underestimated player of the Hawke–Keating period. Former minister and left faction PLP convenor Gerry Hand recalled that at the start of the 1980s, the leadership could barely bring itself to talk to the left in caucus, but as the decade proceeded this changed. The left's strategy was to be in the tent, rather than outside it:

> Anybody can sit on the outside and have a view but not participate in any discussions because your mind is made up. When someone goes off

> and does the hard grind and develops the policy detail, you still just sit there and don't agree even though you've had no input at all … The fact is, when it comes to caucus with roughly a third of it, the left was never going to win a debate. The only way you could hope to change things was to try to influence people at the negotiating table or within the policy development processes. Right through the party we participated, even though we lost out heavily sometimes. (Gerry Hand: Interview with author, Melbourne, January 2000)

As the pressure for savings in government expenditure grew after the 1986 terms-of-trade collapse, the social policy portfolios became key targets, with social welfare the big one. Alarmed at the demands being made by Treasury and Finance, Howe resolved to take a wholly different tack from the routine left-wing, caucus-based resistance, which invariably only exacerbated its ostracism. It was an approach that injected new life into New Labor. In a masterstroke, in 1986 Howe established the Social Security Review (SSR) process, in which, as part of putting the alleviation of family poverty at the centre of the government's policy agenda, he sought advice from experts, like the social policy academic Bettina Cass. The first SSR issues paper, *Income Support for Families with Children*, was published in 1986 (Cass and Whiteford, 1989). But at this time Hawke made a surprise decision – he appointed the left-winger Howe to the inner cabinet economics engine room, what Australians called the 'razor gang', the Expenditure Review Committee (ERC). As well, a social justice policy unit was set up in the Prime Minister's Department and Howe was able to liaise with it. While he accepted that the government faced tough economic circumstances, Howe was disturbed by the savagery of the budget cuts demanded. But very soon he realised the SSR advisory process would arm him with valuable new data and ideas to take into the ERC, giving him leverage to try to offset the so-called 'rationalist' demands at the very heart of things:

> Whenever anybody talked about making big savings it all came out of my portfolio. We had to make far more than a proportional contribution. That had to involve some very, very tough decisions. As a social policy and spending minister you had to be very worried in 1986. Hawke had the line 'restraint with equity' at that time. But I thought there was perhaps too much restraint and not enough equity. I realised I just had to come terms with the fact that for the foreseeable future we were going to have a very, very tough time and suffer a somewhat unfair situation in terms of where the load was being carried. But then I thought I had to be proactive about it. I suppose in that period I had to work out a strategy. It ultimately put me on the ERC but in working the strategy through, I was fortunate in that I had already put in place the Social Security Review process. So, you could make informed

> judgements. Whereas, back at the start, say when I was in Social Security in 1984–85, what the department served up was a series of discrete ideas, you know, 'you can put on a few dollars here or there', but it had no strategy to it. What the reviews did was give me a strategic framework, the best information available. In a sense, it became a policy mechanism to produce ideas. And that meant that on the ERC I was always someone with ideas. I had thoughts about the way the whole thing could be managed in a more equitable manner. Increasingly I found I had control of the social policy agenda which meant I could then link it to the economic policy agenda. I was able to say to them: 'Look, this what we ought to do socially to balance the sort of things you want to do economically'. (Brian Howe: Interview with author, Melbourne, February 2000)

One of the hallmarks of the 1986–7 budget period became the crack-down on so-called 'dole cheats' and other welfare fraud. The Hawke government argued its task was to reduce inflation and unemployment simultaneously, while directing social security assistance to those most in need. In this phase, Howe concluded the only way he could protect the integrity of the welfare system, as he saw it, was to be perceived as going some distance towards the rationalist agenda. So, he agreed to introduce tough compliance measures through selective targeting, on the understanding that the money saved would be spent on Social Security. Administrative controls were introduced to scrutinise eligibility of unemployment and supporting parent beneficiaries at regular intervals. In 1985 a controversial assets test was imposed on pensioners, then on beneficiaries. An income test was put on family allowance in 1987. This tough-minded crackdown left the government facing hostile interest-group criticism. While the left was up in arms, Howe saw benefits in tighter targeting but also that it was the price to be paid for progress on other fronts:

> It was always a balancing thing. Social Security had to raise a lot of the money to pay for the positive initiatives that we wanted to develop. I had to weather responsibility for introducing things like the means testing on family allowance. But it seemed to me that on balance, we could find a way through … you know, the Australian system had always been historically a pretty targeted system. So, in a sense I was reversing Whitlam's emphasis which was to move towards greater universality in Social Security but I was building on what I thought were the historic strengths of Social Security which was really essentially a means-tested system. (Howe: Interview)

After 1984 Howe presided over what experts in the field called 'the second rediscovery of poverty' (Head and Patience, 1989, 275) when the burden of income and wealth inequality was found to be falling most heavily on families with children, single-parent families, young people not in the workforce and elderly people, particularly those living alone. Pensions and benefits, including the Family Income Supplement, were increased by 26 per cent in real terms between 1983 and 1986 with mother's-guardian's allowances going up 40 per cent. But Howe's major triumph stemmed from Hawke's election pledge to defeat child poverty when a new family package was introduced in December 1987 involving a new Family Allowance Supplement to replace the existing child payments for social security recipients and low-income working families. Ultimately, the package would significantly reduce the extent of income poverty among families with children.

Child support

The Howe approach was reflected in negotiations that were going on elsewhere in the Hawke government. Bureaucrats in other areas of social policy found that they too had to develop their own 'stealth' strategies to counteract the power of market economics centred in the Treasury and Finance Department. For example, Meredith Edwards was one of the nation's most eminent social policy academics and administrators, having worked at the heart of some of the big policy reforms of the Hawke–Keating period. Between 1983 and 1985 she was special adviser on youth allowances in the Department of Education and the Prime Minister's Department, focusing on the rationalisation of youth allowances and the introduction of the tertiary student support scheme. In an interview for this book, Edwards argued that in the way she saw ministers like Brian Howe and, 'at the other end of the spectrum', John Dawkins operate, the strategic intent was to achieve reforms that offered efficiency to the rationalist school, yet contained within them provisions that improved equity too.

Edwards saw in so much of the backroom policy development this tension – the battle to make sure that concessions to fiscal rigour were acutely devised to contain hidden or invisible measures that injected fairness. Basically, the social policy bureaucrats learned to talk the language of the rationalists of Treasury and Finance, to try to 'get yourself on the economic agenda', as Edwards put it. They would present arguments or interpret options in a rationalist mould, all the time trying to devise innovative components that could tailor reforms in a more socially equitable direction. For example, when it came to negotiating the rationalisation of youth allowances to reduce incentives for poor children to opt out of school for the dole, Edwards said the emphasis was always put on how the economy would be helped, rather than the way the poor were being disadvantaged. She remembered the inter-department negotiations:

> We just drove the incentive arguments as hard as we could because you could relate that to the macro-agenda, right? Even though a lot of it was basically about equity. And we used a complexity argument as well … kids sitting alongside one another getting different allowances. We used that as well. But I think my theme in all the social policy I was involved in was trying to get inside the frame of those who controlled the economic agenda. Like Keating and Walsh and Dawkins … The only way to get in is to have a policy that is central … if you try to just argue that it's good because it's equitable or just, it just doesn't ring. (Edwards: Interview)

In 1985, Edwards spent six months at the Australian National University researching the issue of child support. Bettina Cass's work for Howe's review process was revealing that sole parents were among the poorest groups in the community. Edwards began to think about how the tax system could be used to force non-custodial parents to contribute to the welfare of their children. Howe rang her in December 1985 and asked if she would work as a consultant in a special secretariat in the Department of Social Security. He also convinced Cabinet to shift responsibility for maintenance from the Attorney-General's department to his own, setting up a Family sub-committee comprising representatives from various departments to develop the scheme. After years of work, the result was the landmark Child Support Act of 1988–9, which gave the Australian Tax Office responsibility for collecting child support payments in respect of court orders and court-registered agreements between parents and also assess capacity to pay (Department of Family and Community Services, 1999). Collecting or transferring close to a billion dollars a year by the end of the Keating era (Child Support Agency, 1998), it was the first scheme anywhere in world that used the tax mechanism. It was a revolutionary change from a situation where traditional court orders were only managing to force a third of non-custodial parents to contribute to their children's financial well-being (Cabinet Sub-committee on Maintenance, 1986).

Once again, Edwards saw a policy being pushed along by this equity–efficiency tension. Howe was able to show Cabinet that the system would make savings on outlays, thus helping make room for spending on his wider family welfare reforms. This particular idea sparked anxiety in the left that it was overly punitive. But Edwards could see the wider Howe strategy:

> At first Brian didn't want to give up the universal family allowance, neither did Bettina. They therefore needed money to put something on the top for low-income families. Brian saw the way to get that through Keating and the Government, through the ERC, was to have some source of funding for the extra family allowances. The source of funding was Child Support. Howe had this strategic approach. Some people

> really didn't like Child Support, saw it as a bit punitive. But they didn't totally appreciate what Brian was on about which was he had to have Child Support because that was the harsh bit of the package. He always thought the thing about a package would sell the family allowance changes that he wanted to Hawke, but particularly to Keating. And he also went out to try to find other savings in the portfolio. He was very focused on making major increases in Family Allowance payments, particularly for poor families. And he actually achieved that. (Edwards: Interview)

HECS

A specific example of New Labor policy breaking with Labor tradition centred on the lateral thinking that went into devising the controversial Higher Education Contribution Scheme (HECS), introduced by John Dawkins as Employment, Education and Training minister in 1989. Years later, of course, this would be the model upon which the Blair government based changes in the UK, but more of that later. By 1987, the Hawke government was wrestling with an emerging dilemma in higher education. With the emphasis the government was putting on education as the route to national economic well-being, climbing high-school retention rates were beginning to exert heavy pressure on government expenditure. Also, after near a decade and a half it had become clear the Whitlam government vanguard policy to abolish tertiary fees had not brought the hoped-for opening up of higher education to children of underprivileged families (Wran Report, 1988). Prior to the HECS change, higher education was paid for by all taxpayers, including the 85 per cent who never saw any direct benefit from it. Free university may have been a jewel in the crown of leftist Whitlamite reformism, but in reality it was, according to some experts, 'perhaps the most regressive of all public sector expenditure' (Chapman, 1996, 33).

In 1987, Dawkins was preparing a higher education Green Paper and wanted a chapter on the university fees issue, so he advertised for a consultant. Australian National University labour economist Bruce Chapman got the job. Within a couple of months, Chapman produced an options paper that said there were very good reasons for charging students. Given the potentially explosive implications within the ALP of a challenge to the traditional policy, Dawkins set up the Committee on Higher Education Funding, with Chapman its chief consultant. As a result of the committee report, in 1989 the government introduced the first substantial university tuition charge since fees were abolished in 1974. Under the 'income-contingent' HECS scheme, students could pay off fees through the tax system after they had finished university, or opt to pay a discounted amount up-front. The twist in the scheme was that the charge cut in only if a student ultimately reached an income equal to or greater than the Australian average. From the start, around 75 per cent of students chose to postpone payment. For them the debt was indexed to the inflation rate, meaning it did not have a real rate of interest. Also, the income thresholds were adjusted annually in line with changes in price inflation. By 1996, the government was receiving more than $400 million from the charge, about 8 per cent of the higher education budget; this was estimated to climb to $1 billion a year by the end of the century.

Initially, the scheme was angrily opposed by the left who perceived it as backdoor reintroduction of fees. Together with his other work in the area of education funding, Chapman himself won an undeserved reputation as an enemy of equality. He was personally subjected to abuse and threats, and targeted by a nationwide, coordinated campaign of protest by tertiary students groups. Effigies of him were burned on campuses. Ultimately though, HECS was seen as a complex, ideology-snapping innovation rather than some kind of stalking horse for right-wing fiscal rigidity. Certainly, the evidence suggested it got no closer to solving the dilemma about how to get a larger proportion of the poor into universities. But it was pushed as a significant Labor advance for a number of reasons. First, it helped the revenue problem because legislation for the scheme contained safeguards ensuring funds raised would not just be diverted to consolidated revenue but transferred to a dedicated Higher Education Trust. So, there would be more places available, including for the less well off. Secondly, it made wealthier families – big beneficiaries of fees abolition – pay. The lack of a real rate of interest on the debt was important. Chapman explained:

> It means that those former students who earn relatively low incomes over their lifetimes are given greater subsidies in the form of implicit access to an interest-free loan. The orders of magnitude of this subsidy can be quite large. For example, studies have demonstrated that male lawyers, because they earn high incomes relatively quickly after graduating, in effect pay up to 30 to 50 per cent more in present value terms than do public sector teachers who have been five years out in the labour force after graduating. (Bruce Chapman: Interview with author, Canberra, November 1999)

For years, Chapman patiently tried to explain to his critics on the left why, in his view, the scheme could be reconciled with traditionalist Labor ideas:

> I think income contingency sits very comfortably with a progressive or leftist view of the world. You are offering people access to education; the people who do best out of the system you are getting money from; you can then use it to expand the system; and those who fall through the net are protected. That was the plan. I don't think at the start the left

> knew what it was all about. I mean, in 1994 I went to the ALP National Conference where HECS was discussed. And a few people on the left said publicly that they always thought this would be a disaster for education policy but it had turned out OK. In the beginning they didn't really understand it and I don't blame them because it was not all that easy to understand default protection and discounting, and these technical tools. They just thought rhetorically they didn't like people having debt. But there are different kinds of debt. There is the debt where the bank comes knocking on your door, if you haven't got the money, they take your car or something. But then there is a different kind of debt, where, you know, if you haven't got the money don't worry, you don't have to pay. You can always pay HECS. It was designed generously. (Chapman: Interview)

Towards a working nation

The evolution, through its various phases of social security policy during the Hawke–Keating period, was itself a patchwork of trade-offs and innovation. Howe's approach – what he called 'targeting within universalism' – had allowed that, for example, something like the tax levy paid to finance the NHS-style Medicare scheme could remain a universalist policy while other areas of welfare support were targeted to save money and ensure they properly met demand. Although it wasn't given the name at the time, the targeting approach to welfare provision would, by the 1990s, evolve into a bigger, and crucially important, policy notion – the idea of reciprocal or mutual obligation. In the late 1980s, Howe was responding to all sorts of changing international policy-making cross-currents. One of them was the issue of how nations transformed welfare support from being just passive payments into measures that helped and encouraged people back into work – the so-called 'active society' approach. That meant labour market programmes and the issue of unemployment, particularly long-term unemployment. A key part of this was the way Howe pushed to get different departments working closely together to develop packages of action across their separate programmes. One result was the JET scheme, introduced in March 1989. Coming in the wake of some big issues papers written for Howe dealing with sole parents, people with disabilities and unemployment benefits, JET essentially provided co-ordinated assistance to help unemployed sole parents get access to education, vocational training and childcare as a pathway into work (Department of Family and Community Services, 2000).

By the early 1990s, recession had brought an unemployment maelstrom for the ALP. It was presumed to be the rock upon which Keating's 1993 election campaign would founder. In 1989, Bruce Chapman had been doing research on long term unemployment and he sent Dawkins a note outlining his concerns for the state of the economy and predicting unemployment to get as high as 10 per cent (Chapman: Interview). In the face of the recession, Chapman, Meredith Edwards and Keating's social policy adviser were privately talking about the unemployment dilemma. When Keating unexpectedly won the election in 1993 and talked on election night of the need to 'bring the unemployed along with us', the following day the Keating staffer telephoned Chapman, essentially signalling the start of a major policy counter-offensive on the jobless front. Economist David Phillips, who had been on John Dawkins' staff and was by then adviser to the Minister for Employment, Education and Training, Kim Beazley, invited Chapman to Parliament House for a private lunch with Beazley. Chapman was commissioned to do a paper on the issue and soon would become an advisor attached to Keating's office. The key move, though, was setting up the Working Nation Employment Opportunities Committee, chaired by the Secretary of the Department of Prime Minister and Cabinet, Mike Keating, with Meredith Edwards and top ANU economist Bob Gregory key players on the Task Force servicing it. At a cost over four years of $6.5 billion, the resultant *Working Nation* package, unveiled by Keating on 4 May 1994, contained a big expansion in labour market programmes, comprehensive new individual case management for the unemployed, a Youth Training Initiative to help steer young people into work, training or education, training wages supplemented by subsidies to entice employers to co-operate, a Job Compact centred on the offer of a six-twelve month job placement to all those who had been unemployed for more than eighteen months and changes to the social security system (Keating, 1994a). The fact is, together with the February 1992 *One Nation* programme, *Working Nation* appeared to some to mark a U-turn in Labor's approach, a delineating partition between the rationalist agenda and a return to a more active role for government (Steketee, 2001, 155). But here, once again, the key policy-framers were forced to work very hard indeed to project a camouflaging rationale for their ideas. Knowing full well not to rely just on an equity argument, they put to Keating that the unemployment problem was so large it was damaging the economy. Economic growth, of itself, would not power the country away from high unemployment. There had to be more concerted, focused policy intervention to help the long-term jobless. Bruce Chapman recalled taking 'lots of economic graphs' to his lunch with Beazley:

> I said: 'Don't think about long-term unemployment only with your heart, this is about mucking up the economy.' I said we had 350,000 people who didn't fit the labour market. It was a waste of resources. You could see it in other data. Beazley was smart, I was showing him graphs reflecting this and showing the things flowing from long-term unemployment. [I said to Beazley:] 'You know, you're setting this up because your big fights are going to be with Finance and Treasury

> because they don't want to spend any money. So, you turn it into a Budget issue. You say to them that if you put these outlays up, it's fixing up your problem, fixing your tax base, decreasing your unemployment benefits. You could even make money out of it if you do it properly.' So, that was the argument we were running, even though our hearts were there too. Because these [unemployed] people out there are really in trouble. (Chapman: Interview)

But even so, *Working Nation* also had to contain clear elements to assuage rationalist concerns. And that found expression in the first distinct flowering in Australian policy-making of 'mutual obligation'. In unveiling it, Keating talked of a Jobs Compact which 'heightens the obligations on both the government and those receiving unemployment benefits'. The *quid pro quo* of the government's 'offer' of a job was that unless beneficiaries took it up, they would 'lose their benefits' (Keating, 1994a). The people constructing this hugely important shift in emphasis may not have fully appreciated at the time the pervasive import it would take on, politically, in the longer term. At the time, participants like Meredith Edwards were seeing it, once again, as the trade-off approach, the carrot offered to get the approval of the economic bureaucracy (Edwards: Interview).

Hard-to-label ideology

The Hawke and Keating governments, *in toto*, deserve credit for their social policy advances. Innovative ideas like HECS and the Child Support Scheme were supported by Cabinet majorities. As Treasurer, Keating, for example, ordered the Tax Department to take up HECS, despite its initial unalloyed discomfort at the idea. John Dawkins may have been contemptuous of ideology and always pushing the boundaries of the acceptable within the ALP, but he was a genuine innovator. On a generous reading, Brian Howe and his team of thinkers were able to come up with ideas that appealed to the social democrat instincts of Cabinet without subverting the government's broader fiscal goals. A less generous one suggests the market liberal gridlock was so intense, these Odysseans had to devise a strategy to meet it on its own terms, making major concessions in return for funding where it was most needed, all the time parlaying deals that were acceptable to Treasury yet containing elements of the socially progressive. The Trojan Horse strategy may not, in any real sense, have turned the tide against the New Economics. But the impact of the Odysseans on national policy-making was such that their ideas reverberated around the world.

The intriguing thing about this moment in Australian ideas development was that the specific pieces of policy focused upon in this chapter not only were items that the Blair government would later absorb; some of them, in the words of the British Prime Minister himself, went to the very heart of his definition of the Third Way. As the Australian policy entrepreneurs – the Odysseans – devised and argued for them, the ideas were provocative and complex; they didn't seem to fit conventional left-right paradigms. Perhaps that was because the left definition of a progressive policy reform had indeed grown rigid, outmoded, even obsolete. Bruce Chapman, seen by many as the most influential Australian social policy innovator of his time, argued policies like *Working Nation* were contested 'on right wing territory', with the reciprocal obligation elements appealing to the right and getting warm reviews from the media. But it was, self-evidently, a way to help the most disadvantaged, which appealed to the left. He agreed it was possible to see ideology-shattering iconoclasm at work in these reforms:

> It's a sophisticated way of looking at the world. It means 'right wing/left wing' become pretty silly terms. Some people tell me the Keating government was right wing. I say: 'Well, tell me about the Accord, was that right wing? What about the social protections built in there, the paternity leave, the superannuation [pension] coverage for workers?' You see, it was fundamental. These were big things. They didn't exist before. They are all about income distribution. Was it right wing? I don't know. It doesn't seem to me that it was ... If you were Old Guard you'd say: 'This part of the package is left wing and this is right.' But that whole thing starts to fall apart. I mean, what is HECS? The old left would say this is free market, user-pays stuff. But I can say: 'You people who hate HECS are too right wing for me, because you just want to keep giving money to the rich.' You can say both those things. It's confusing. These are hard-to-label policy instruments, particularly when you look at what you are doing with the money. If you're using the money to expand services in poor areas then that is very different from cutting a budget deficit. So, I just don't think these things are straightforward. (Chapman: Interview)

6

Third Way Policy Journeys

The great variety of individuals involved in the generation of public policy makes the task of accurately mapping its 'transfer' between different nations quite difficult. Officials of political parties who look to the 'skills-set' tools of their brethren in other countries have a relatively straightforward brief: winning elections. Ministers, MPs, civil servants and advisers work upon a much wider canvass when it comes to devising the policies to be implemented by government. Nations routinely face similar policy conundrums, but policy dialogue between them is vast and multi-faceted. Not only are individual nations, governments or parties involved, but so too are hugely important international policy-framing bodies, like the OECD and World Bank, to name just two. Policy transfer scholars have pointed to the obstacles in mapping the journey of specific discussions between officials. According to Chris Pierson, it can be problematic just establishing the direction in which ideas travel. A central problem is establishing causality. For example, in observing that policy transfer from Australia to Britain had always been historically 'quite limited', Pierson argued that while there were 'very real parallels' between Blair's New Labour and Hawke–Keating, and while some Australian policy reforms predated those in the UK by more than a decade, 'this is not, of course, quite enough to prove a causal link between the two' (Pierson, 2001, 9). The complex interaction between multiple players does make tracking difficult; but it is not necessarily impossible. And even limited or partial efforts can provide valuable insight.

The aim of this chapter is to try to trace the background to, and 'movement' of, a small but quite important number of specific policy ideas that the Australian Odysseans grappled with in the period 1985–95. Scholars of international policy transfer like Dolowitz, Marsh and Rose identified degrees of ideas diffusion, or methods by which it happens, including straight copying, 'emulation', 'hybridisation', 'synthesis' and 'inspiration' (Dolowitz and Marsh, 2000). This book does not pretend to offer any comprehensive insights on the level of theory in this complex area of scholarship. What it does present is some impressionistic suggestions arising from its comparison of political practice between Britain, Australia and, to a lesser extent, the US. Clearly, individual nations apply even very similar ideas in often quite different ways. But sometimes it is possible to see basically the same policy ideas applied in different countries. Individual nations can have spurts of innovation when local conditions are conducive – the emergence of a perceived social need, urgency injected by a particularly bold political leadership or the presence of particularly innovative policy-framers. All this does seem to have been present in Australia in the 1980s. But another hugely important factor here is what might be called 'validating agency' – that is, the confidence mustered among policy-setters in one country that others elsewhere have already forged, or are forging, in the same or a similar useful direction. Demonstrably, this phenomenon was present in the discussions that went on between the so-called 'Third Way' politicians and policy-makers at the highest level in Britain, Australia and the US from the late 1980s until the early years of the twenty-first century.

Phases of inspiration

British New Labour took much from the experience of the New Democrats and other policy innovators in the US. Michael Foley went as far as to suggest that under US influences a 'British presidency' was created with Blair (Foley, 2000). Particularly through Philip Gould and Peter Mandelson, the British appropriated campaigning techniques, such as the 'war room' installed at the Labour party's London base at Millbank. On the policy side, Gordon Brown became fascinated with US economic thinking and was influenced by American tax and welfare ideas. As up-and-coming MPs Blair and Brown had irritated then leader John Smith by their insistence that there was much to learn from the US. As shadow ministers in January 1993, the two went to the US to see why Clinton had won the previous year while Kinnock failed (Naughtie, 2001, 212). Here it is important to note that, by 1993, Blair and Brown were well-versed in the then decade-old Australian Labor story. By the mid 1990s, Blair had grown close to Keating, talking in particular during his 1995 visit to Australia. That contact then briefly ran in parallel with Blair's quickly developing links with Clinton. The first substantial meeting with the US leader came in 1996 when Sid Blumenthal hosted a dinner for Blair at his Washington home with Hillary Clinton. The next day Blair had an hour with the President at the White House. The relationship blossomed, of course, after Blair won in 1997. To look back upon the rhetoric of the New Democrat period is to appreciate just how much Blair drew on Clintonite sentiment in framing his political pitch.

From the late 1980s, in common with other left-of-centre parties around the world, New Democrats argued they had to get their party out from under 'tax and spend' demonisation. The 1991 DLC New American Choice Resolutions said the old 'isms' would not work anymore (DLC, 1991). Joe Lieberman, as DLC Chairman, talked of casting off ideology in favour of 'what worked' (Lieberman, 1995). Foreshadowing Blair, New Democrats proclaimed themselves 'the modernisers of the progressive tradition' of American politics; an amalgam of traditional party values and modern means (From, 1998). From as early as 1990, New Democrats were using some of the stock terminology that would, within a few years, become synonymous with Blairism in Britain. For example, the Democrat New Orleans Declaration of 1990 talked of how citizenship should entail 'responsibilities as well as rights'. The Declaration said there was a need to prevent crime, not explain away criminal behaviour (DLC, 1990). In October 1991, Clinton had proclaimed the need for a 'new covenant'. In a major speech, he complained about the 'forgotten middle class' and how responsibility and hard work went unrewarded. Here – six years before Blair came to power – Clinton articulated the trilogy of aims at the heart of Third Way rhetoric. The covenant would provide opportunity, inspire responsibility and restore a sense of community – precisely the three attributes later promulgated by Blair. And, interwoven into the Clinton covenant was the notion of mutual obligation. Citizens on welfare had to understand money would be there for training and education and health care but only if they worked; it was no longer enough to pump money into schools, they had to be 'challenged to produce and insist on results'; society had a right to demand that people care for their children. The upcoming 1992 election, Clinton said, was about forging a deal with the people that would 'honour middle class values, restore the public trust, create a sense of community and make America work again' (Clinton, 1991). Thus, from the early 1990s Clintonism provided high inspiration for Blair and Brown, bringing 'the kind of transformation in political atmosphere that Labour should one day try to achieve' (Naughtie, 2001, 213–18). But what should be remembered is that prior to this period important validating agency had already been drawn from developments in Canberra. Clintonism provided a second phase of inspiration; Australia provided a first. And of interest to scholars of international policy-making ideas exchange is the way the connections between all three countries were intermeshed.

Former Australian ministers interviewed for this book recalled the interest with which their policy work in areas like health, industrial relations, pensions, reforms to workplace practices and the integration of education and training programmes was met by Americans in the travels to the US from the late 1980s. To cite but a couple of examples: New Labor Finance minister Peter Walsh attended a four-day conference in February 1990 organised by the US Committee for A Responsible Federal Budget, where figures including the Chairman of the House Finance Committee and later Clinton chief of staff, Leon Panetta, questioned him about budget policy;

Keating minister Peter Cook met Laura Tyson, chairperson of Clinton's Council of Economic Advisers at the White House in June 1993 to discuss the Australian 'model'. Keating himself talked to Clinton about Australian policy specifics. At their lunch in Jakarta during APEC in 1995, as well as talking about driving political opponents 'so far to the right that they fell off the political map', Keating explained the job compact in *Working Nation* to the President. According to Keating speech writer, Don Watson, 'The President and his men appeared to be impressed.' Clinton's adviser Derek Shearer arranged with Watson to receive copies of Keating's speeches regularly because he thought 'it might give the President some insight into our philosophy' (Watson, 2002, 415). When he became ambassador in Washington, Don Russell talked extensively with Clinton aides about Australian policy innovations and there was a certain amount of travel by American policy developers to Australia to see various schemes in action.

The big thaw

International Third Way gatherings of government leaders grabbed headlines in the late 1990s. But there was also a tremendously important phase of behind-the-scenes meetings in which policy advisers and apparatchiks would meet to brief one another on developments in their countries and swap notes about possible directions forward. Patricia Hewitt and the New Democrats' strategist Will Marshall were prime movers in convening these sessions. One Australian involved was Peter Botsman who, in the early 1990s, ran the ALP think tank the Evatt Foundation. Botsman provided policy advice to Bill Clinton and his wife when they were trying to reform the US health system. In 1991 he spent a year in the US and Europe, building links with think tanks like Hewitt's IPPR, Marshall's PPI and Jeff Faux's Economic Policy Institute. That year he also attended a three-day Oxford meeting of think tank officials from a number of countries. There he dined with John Smith, Gordon Brown and John Prescott, updating them on progress with Australian policies, particularly the Accord and its social components including pensions. The Oxford gathering essentially set in motion a number of such meetings over the next five or so years where political officials, think-tank managers and policy advisers regularly came together to review policy implementation in various countries. Botsman recalled:

> At those meetings, we would have country reports. Basically, I got up and explained what had been going well [for the Labor government] and the things that hadn't been. We talked about how you make mistakes. We talked about the things that were our strong points and about the things that we [people in different countries] could share. So then guys would give reports from various parts of America; then you'd get Britain,

> then France, there were Swedes and Danes and people from the old Soviet Union. But when our discussions were about what was good and bad in Australia, the English were listening with great envy because they had had such a hard period under Thatcher. Anyway, as a result of these discussions, there were a lot of visitors to Australia. John Prescott came out and I had a long session with him in Sydney before they won the election. Gordon Brown came out and, of course, Patricia Hewitt would come out every year. (Peter Botsman: Interview with author, Brisbane, December 1999)

Even during the period of strained relations between the British and Australian Labo(u)r parties at the semi-official level in the 1980s, British visitors returned from Canberra with sheaves of paperwork explaining various Australian policy initiatives. This included Blair and Brown themselves. In 1992, then Treasurer John Dawkins organised a special briefing for them in Canberra:

> They were on a pretty tight program and they came in to see me as Treasurer. They had seen Keating and Beazley. I had my hour with them and they were anticipating that they would be ministers in a Labour government. I organized a seminar for them over at the Treasury to talk about economic policy. They were very, very interested in both the specific policies we were pursuing and the overall politics of the thing. The interesting thing is that they were interested enough to come. It was a time when they were getting ready for the election and they expected to be elected. But out of all the places they could have gone in the world they decided to come here and spend a bit of time. I think their interest really was fortified by what they saw and heard. (Dawkins: Interview)

During Blair's 1995 visit to meet Rupert Murdoch at a News Corporation conference in Queensland, he talked extensively to Keating about policy detail. As a parting gift, Keating gave him a bag of policy papers and research documents, which he bought back to the UK for his policy unit to ponder (*The Times*, 30 September 1995, 8–15). Patricia Hewitt was pivotal in this. Her frequent visits to Australia saw her absorbing ongoing developments in policy as well as at the party operational level. This was crucial from the late 1980s because of the intermediary role she would play in the policy-reshaping element of the British party modernisation. After serving as Neil Kinnock's press secretary and policy adviser between 1983 and 1989, Hewitt moved to IPPR for two years, then served for three years as director of research at Andersen Consulting before winning a seat in parliament in 1997. During her think tank period, she was Deputy Chair of John Smith's *Commission for Social Justice*. Its 1994 report became the policy 'road-map' upon which New Labour would build its drive for office (Commission on Social Justice, 1994).

The thaw in relations between Labo(u)r in both countries developed between 1992 and 1994. Just prior to the 1992 election, Kinnock found time to see Keating and spent over an hour questioning the Australian PM over policies in health, pensions, child support and education (Keating: Interview). Over the next four years, British scrutiny of New Labor policies intensified. Examples abound: Chris Smith, Blair's first Arts minister, was given responsibility for developing a plan for Britain's creative industries and became intrigued about Keating's *Creative Nation* programme during a visit to Australia. Smith said Keating's explanation about how creativity had economic implications made a big impact on him in his own policy formulation (Chris Smith: Interview with author, London, July 2003). British Labour MPs closely examined Australia's superannuation system during a visit of the House of Commons Social Security Select Committee in November 1995. IR policy expert Roy Green drafted a paper for Blair in 1995 on the $50 million Australian 'Best Practice' programme for workplace re-organisation. (Roy Green: Interview with author, Galway, June 2003). It needs restating clearly here that this book by no means asserts some broad scale, slavish acceptance of Australian ideas by British Labour. But the details of Anglo-Australian connections on the level of specific policy are valuable. They help clarify further this complex area of policy transfer. More ambitiously, the specifics of policy 'movement' may also help elucidate the wider meaning of New Labo(u)r. This chapter will now focus on three individual pieces of policy developed under Hawke and Keating which then became influential in the UK – the Child Support Agency, HECS and the welfare-to-work reforms of *Working Nation.* The Australian policy-makers harnessed the ideas that underlay these reforms under two pressures – the constraints of the New Economics and an historic revolution in perceptions about the nature of the welfare state.

1. The Child Support Agency

The idea of an agency to mandate child support seems to have been born in the US. The state of Wisconsin long enjoyed a reputation as a laboratory of progressive social policy-making. From the early twentieth century, the state pioneered reforms requiring payments for the support of children to be made by non-custodial parents through the Clerk of Courts. There also developed a tradition of close contact between social policy academics, particularly based at the University of Wisconsin in Madison, and the state legislature. Thus, when Irwin Garfinkel ran the University's Institute for Poverty in the 1970s, he enjoyed influential local political connections. For some years, Garfinkel had been concerned at the welfare of lone families and particularly children in poverty. In 1978–9, he devised a system that targeted non-custodial parents who were not providing financial support for their children after their families had broken up. The scheme had three elements. Payments would be withheld from the wages of parents and then deployed for the support of the children by a government agency. The amount garnisheed would be based on set formulae. The state government would guarantee a minimum level below which support for broken families could not drop (Garfinkel, 1979). In the early 1980s, the State legislated for a new system that embraced the first two Garfinkel principles. By 1988 it was influencing federal laws, thereafter having a gradual knock-on effect that would eventually bring the idea onto many state statute books.

Soon after the Hawke government came to power, the bureaucrat-academic Meredith Edwards working in the Prime Minister's department became perplexed by the issue of child support. In 1984, she had a hand in preparing a paper for the Australian Family Law Council that proposed that the tax system be used to collect money from recalcitrant non-custodial parents to help support their children. The inspiration for this had come directly from Garfinkel's work (Edwards, 2001, 66). In 1981 New Zealand had quietly also taken a lead from US ideas and introduced the first national scheme for child income support, though it was administered through the Department of Social Security. In 1985, Edwards took leave from the public service to research the issue at the Australian National University and looked more closely at Wisconsin. At around this time, the welfare minister Brian Howe was realising that one of the poorest groups in Australian society were sole parents – low-income families in social welfare poverty traps. Under great pressure to find the revenue to reshape the framework of welfare provision, Howe wondered if one source of funding for extra family allowances could be child support. In December 1985, he invited Edwards to become a consultant. At around this time, one of Howe's Cabinet colleagues alerted him to the embryonic New Zealand scheme. In May 1986, Howe and Edwards flew across the Tasman for discussions with local officials but Howe came away with reservations. He saw the New Zealand system as relatively ineffective with payments collected by welfare offset against benefits. He wanted the tax department to do the job. Next, Edwards arranged for Irwin Garfinkel to come to Australia in early 1986 and, under Howe's patronage, he had a furious round of discussions with ministers from Keating down, as he detailed the principles of the Wisconsin system (Irwin Garfinkel: Interview with author, Madison, May 2003).

Thus the Australian Child Support Agency was introduced in 1988 to 'strike a fairer balance between public and private forms of support for children to alleviate the poverty of sole parent families' (Cabinet Sub-Committee on Maintenance, 1986). The great central Australian innovation, a world-first, was the administration of the scheme by the Australian Tax Office, not a welfare agency. In time, other nations including New Zealand would follow suit and switch to using Inland Revenue (Child Support Agency, 1998). Others, like the UK, would not.

A system of mandated child maintenance was actually introduced in Britain by the Thatcher Conservative government in 1991, flowing from the findings of a 1990 White Paper, *Children Come First* (Department of Social Security, 1990). In planning their child support agency, British ministers travelled to the US to consult Garfinkel but, according to him, they did so having seen the success of the new Australian body (Garkinkel: Interview). In preparing the White Paper (Millar and Whiteford, 1993), British ministers and civil servants had gone to Australia for talks with the Hawke government and advisers like Edwards. She recalled:

> I remember a woman who was head of the Social Security Department in about 1989 and she was showing a lot of interest in the scheme. She came as part of this group but she also came on her own to look at it. Some of her officers were also sent to check and I think there were people out here from Treasury. They certainly showed a lot of interest in the UK but then they did not take our advice. Our advice was that if you are not going to use the Inland Revenue Department, then forget it. But I also said that if you are not going to give extra benefits to sole parents then it won't work. They were the two things that made Child Support a success in policy terms in my view – you gave something to sole parents and you used an efficient collection mechanism. But they went back and introduced a scheme that didn't deliver both those things. They couldn't convince Inland Revenue and they couldn't give anything back to sole parents because Thatcher was too mean and nasty to do that. (Edwards: Interview)

While the Australians reforms were motivated by a desire to get government expenditure down yet at the same time reduce child poverty, in Britain there was an added 'moral' dimension among Thatcherites about reducing dependency on benefits and bolstering 'family values'. Britain's experiment with a child support agency would, of course, have a tortured history – in part because the UK implemented a far more complex system. The motive in this was to ensure that all matters that could impinge on judgements about the financial affairs of broken families were fairly taken into account. But in calculating the amount of income that a parent should pay, the British formula required something like 160 pieces of information. The Australian formula required five. By requiring information from often disputing couples, the British system became bogged down. Because the ATO held all financial details, updated each year, the Australian system ran far more smoothly. By the end of the 1990s, it was seen as much more successful than its British counterpart (Pierson, 2001, 11–13). The main point here, though, is that faced with evidence that historically only about 30 per cent of child maintenance orders were obeyed, British Labour's 1994 Social Justice Commission decided to endorse the concept that 'absent parents should accept and share financial responsibility for their children'. The Commission report pilloried the failures of the Conservative CSA arrangements. But it said Britain should learn from the lessons of the Australian system, citing a number of areas where it was superior: the custodial parent was able to keep a significant part of the extra maintenance paid before benefit was reduced; the British system required the absent parent to contribute directly towards the maintenance of the former partner; because, unlike the UK, the Australian system was never made retrospective, it avoided creating the real sense of injustice felt by many parents who had previously agreed a property settlement in lieu of maintenance payments (Commission on Social Justice, 1994, 317–20).

By the time Blair came to power, British bureaucrats were looking to the Australian system again for hints about how they could clear some of the blockages. After various ministerial and civil service visits to Australia, changes were unveiled. For example, the formula was reduced to ten calculable elements and payments to custodial parents were made more generous, though the system continued to be plagued by problems. Policy transfer scholars have talked of the rise of institutional arrangements between social policy experts in Anglophone countries – senior public servants and policy advisers working in a 'virtual community', utilising modern communications, meeting at international conferences. Driven by Moira Scollay, the then head of the Australian CSA, in 1994–5 counterparts in Australia, Canada, New Zealand, UK and US agreed to send two delegates each to special yearly information-swapping meetings in locations rotated around the globe. The 2003 meeting agreed that an Australian CSA expert, Sheila Bird, would be seconded to the UK for a year to try to help further simplify the British agency (Sheila Bird: Interview with author, London, January 2004).

2. HECS

International policy experts in the higher education field recall first being alerted to ideas about student loans and a tax on tertiary education through the writings of Milton Friedman in the 1950s (Friedman, 1955). Friedman further developed the ideas in his 1962 book, *Capitalism and Freedom*. He specifically postulated that tertiary students could have their education or training funded by government as long as, once in employment after graduation, they 'agreed to pay to the government in each future year a specified percentage of earnings' – payments which 'could easily be combined with the payments of income tax and so involve a minimum of additional administrative expense' (Friedman, 1962, 100–7). The idea was quietly noted by policy researchers at the LSE in London, including Nicholas Barr, but also in far away Australia by Bruce Chapman in his studies as a labour economist.

Barr's mentor, Alan Prest, and two other economists put submissions to the landmark 1962–3 Robbins Royal Commission into higher education (Robbins, 1963) at around the time the Friedman ideas were being ventilated. The economists explained to that inquiry the Friedmanite idea – income-contingent loans using the tax system to collect repayments. At that time, the suggestion was deemed too radical, though it continued to be quietly advocated by other economists in the late 1960s. The upshot was that in the UK, Barr became a prominent policy campaigner, unsuccessfully pressing governments for the best part of twenty years to accept the idea of a specially crafted system of student loans. Though he long faced accusations from the left that this was simply a regressive right-wing idea, Barr patiently explained to his audiences the way he saw it validated by economics information theory (Blaug and Woodhall, 1979, 331–63). He argued markets might work badly for school education, health care or income transfers, because of information problems, but they actually worked well for higher education. Students, by and large, were well-informed consumers. Greater diversity was preferable in higher education. This theoretical distinction led him to research the issue in great depth. He concluded that while markets should prevail, it should also be possible to construct a system which made student loans as progressive as possible. The strategy became: charge more to bring in badly needed revenue, then use part of it to build innovative policy that facilitated access 'for those for whom access is fragile' (Nicholas Barr: Interview with author, London, May 2003). Properly devised, Barr believed a system could use the market yet be quite progressive. By the early 1980s, he realised that an essential requirement was that loans should have the income contingent repayment method. By the late 1980s, Barr led a small group of academics warning politicians and education bureaucracies that solely taxpayer-funded higher education was unsustainable. The LSE-based push for reform lifted a gear after the British government introduced widely criticised changes in the Education Reform Bill of 1988. In the wake of that legislation, at a lunch with a group of LSE researchers, Barr met Iain Crawford, a mature-age student and Liberal Party local government activist and candidate. Crawford and Barr forged a partnership, working in a lobbying-research effort to change government higher education policy.

In Australia, Bruce Chapman had also read Friedman, while Meredith Edwards had known Barr since the 1970s. Both constantly followed international policy development and academic literature. Edwards first started to think about the graduate tax idea after reading one of Barr's papers while she was at the ANU in 1985. In 1987, Barr introduced the idea of an income-contingent scheme in *The Economics of the Welfare State* (Barr, 1987), just as Chapman was being drawn in to advise senior Hawke government ministers on the possibilities in Australia. In 1989, Barr fleshed out the idea in far more detail in *Student Loans: The Next Steps* (Barr, 1989). That very year in

Australia, HECS became the first graduate tax system introduced by any nation in the world. Its big innovative elements were income contingency and use of the tax system for collection. Then in 1990, the Conservative government in Britain took the first tentative steps in an incremental process that would eventually see the Australian model adopted in the UK (Barr, 2001). It introduced a form of student loan scheme that merely covered living expenses and was collected, mortgage-style, by a Student Loans Company. But it was criticised publicly by Barr and Crawford who believed its shortcomings would only serve to emphasis how Australia had genuinely broken new ground with a much more effective approach.

By the early 1990s, HECS in Australia had found its feet and was beginning to attract international attention. Chapman was inundated with visits by academics and policy-makers from many nations, some frustrated that governments in their countries would not embrace the idea. Between 1990 and 1992, Barr had a stint at the World Bank in Washington. During a trip to the UK, Chapman diverted to the US specifically to meet him. They formed a warm friendship that would prove pivotal in subsequent events in the UK.

In 1994, the ground-breaking Social Justice Commission report also contained Labour's first unequivocal acceptance of the principle of graduates being required to contribute to the cost of their education to help create wider access. It specifically cited Australia's 'sensitively designed' HECS scheme for its success in not reducing the intake of the less affluent (Commission on Social Justice, 1994, 136–41). In the lead-up to the 1997 British election, a consensus was essentially hatched by the three major parties on the issue of university funding. As in Australia near a decade before, the politicians had grown alarmed at spiralling costs. The parties agreed to set up what amounted to a bipartisan investigation, essentially to find some options for the hard decisions that awaited whoever won the election. In May 1996, a committee of inquiry under the chairmanship of Sir Ron Dearing was asked to recommend 'how the purposes, shape, structure, size and funding of higher education, including support for students' should be developed. The arrival of the Blair government meant Labour would inherit the inquiry findings (Dearing, 1997).

In late 1996, Dearing took committee members to Australia to closely look at HECS. A key contact was, of course, Bruce Chapman who met them at the ANU. Chapman remembered that the more the committee came to understand the scheme, 'the more they seemed to think it a good idea' (Chapman: Interview). In early 1997, shortly before the Blair government's arrival, Chapman was in London, joining Barr in what he called their 'double act', attending the Royal Economic Society Annual conference and special conferences at the LSE to explain the operation of HECS and why it made economic sense. On this trip, Chapman provided detailed answers to a long list of follow-up questions left with him from the visit to Canberra by Dearing committee members. Then Dearing organised for him to meet with the entire 30-member committee where he explained the system in fine detail over a couple of hours in a conference room inside the Department of Education in London. In particular, committee members were keen to press the issue of student reaction to the system. Chapman explained how Paul Keating's public advocacy of the reform had driven the point quite aggressively that the revenue generated was to be used to create more university places.

In July 1997, the Dearing committee submitted its report to the Blair government. Recommendations 78 and 82 urged the adoption of a loans scheme where the repayment of contributions towards higher education costs would be on an income-contingent basis and that the collections would be through the Inland Revenue. Through a process of incremental changes to the student funding system, by 2001 it was commonly accepted that the Department of Education and Skills was intent on restructuring the British system, using HECS as the model (*Guardian*, 9 October 2001, 14). In the middle of 2002, Education Secretary Estelle Morris spent the summer in Australia, meeting education officials and experts, discussing the evolution of HECS. She had long discussions with the senior Minister, Charles Clarke, on her return, sparking speculation that the UK would adopt 'the Australian model' of higher education funding (*Financial Times*, 6 December 2002, 1). Discussions followed with officials in Tony Blair's office on how the Australian principles could be incorporated into a British reform package. Then in a White Paper issued in January 2003, the Blair government confirmed it planned to introduce a Graduate Contribution Scheme (Clarke, 2003). Thus, by mid-way through Blair's second term Britain had a tertiary education funding scheme with its own distinctive elements but which worked on precisely the same operating principles as first laid down in HECS.

Barr had always been a supporter of state provision in things like health and school education but early on he divined that higher education was something the rich used a lot more than the poor. Like Chapman, he saw the ideology-smashing implications of reforms like HECS. 'My argument with old Labour was never about objectives and it's not ideological. Major reliance on tax funding of higher education is old Labour fighting to help the very group of people they least want to help' (Barr: Interview). Despite the pleading of Barr and Crawford (*Guardian*, Higher Education, 2 December 2003, 20), however, a huge section of Blair's back-bench refused to see the reform in Labourite terms and after months of wrangling among ministers, in early 2004 threatened a revolt that would see the government's enacting legislation disastrously defeated on the floor of the Commons. Amid constant speculation that the revolt by around 80 Labour MPs would see him humiliated, Blair was defiant, insisting a big drop in funding per student in the eight years prior to 1997 made the reform essential. He declared the fees package a ‘flagship’ policy of his government, calling it ‘the classic example [of what he had previously described] as new routes to social justice’ (Blair, 2003a). When the crunch came, after panicked ministers led by Chancellor Gordon Brown battled to get Westminster rebels to toe the line, 72 Labour MPs opposed the bill and 19 abstained. It passed by only 316 votes to 311 – making this the biggest parliamentary revolt against a British government in 50 years, eclipsing the majority of only 17 that Blair had suffered over his plans to reform the NHS the previous autumn.

Barr had no doubt the fact that an advanced OECD country like Australia had made the first breakthrough gave the British decision-makers the confidence to move in this direction:

> Whatever the grumbles I might have about the design of HECS overall, the one great favour Australia did for the rest of the world was to demonstrate that a large scale income-contingent scheme like this could work. They took the ideas that I had been testing and ran with them. This was the first time anywhere. And this was enormously important in policy-making. (Barr: Interview)

Barr said that economists like himself and Chapman could see that, more and more, higher education was moving from an elite consumption good towards a national economic objective.

> Fifty years ago, higher education was a consumption good for middle class intellectuals. It didn’t really matter for national economic performance. Expenditure was small and it didn’t really matter. Today technological advance means people need more education and training. That means tertiary education but it is too expensive to be done entirely by the taxpayer. So, if you need mass tertiary education or you’ll get overtaken by Singapore, and if you can’t afford to do it out of taxation entirely, then it follows that you must bring in private funding to supplement public funding. The only way you can bring in private funds in an equitable way is through a well-designed student loan scheme. Student loans schemes in today’s information age are inescapable and essential. The only sensible way to organise them is with income-contingent repayments. In the late 1980s when I was making that pitch to the UK government, they were saying: ‘Go away, you are just a starry-eyed academic.’ And then Australia did it! Hence, I could go back to the British government when they got back to the idea in the mid-1990s, and say: ‘Look, the Australians are doing it. And the Kiwis are following them.’ So, I think Australia was enormously important. (Barr: Interview)

3. Working nation (welfare to work)

Conventional political wisdom in Britain suggested the Blair government took its inspiration from America in the tranche of reforms it embraced in the area of employment, training and education – commonly referred to under the 'welfare-to-work' sobriquet (Dolowitz, 1997). The suggestion of a solely, or even primarily, American provenance for these policy ideas is, however, misleading. The roots of the welfare-to-work idea lay in the worldwide 1980s policy-making shift proselytised, in particular by the OECD, away from passive welfare towards active labour market programmes. Under this thesis, social security systems had to be redesigned to shift the onus towards incentives that either levered welfare beneficiaries directly into work, or trained them for it (Kalisch, 1991, 3–9). With this shift came a new emphasis away from universalist, unconditional benefit entitlement towards social security arrangements that imposed contingent, compulsory and market-oriented demands on recipients. Many of the changes to social security arrangements bundled together in welfare-to-work packages had the effect of linking the payment of benefits directly to an individual's willingness to participate actively within government-sponsored employment or training schemes. This was the dawn of 'mutual' or 'reciprocal' obligation.

This book gained access to highly placed sources within the British civil service, some of whom had had extensive experience in Work and Pensions Department policy-making, advising ministers of both political persuasions in Britain as far back as the 1970s. Their view was that the American input to policy development had been overstated and that it needed to be set against a number of countervailing factors. Welfare-to-work emerged in different forms in different States of the US. There was also an important structural distinction – with its federal structure, policy-makers in the US actually found it harder to weld together an effective 'rights and obligations' welfare-to-work strategy. Since the 1970s, the agency that was far more dominant than any single nation in the diffusion of welfare-to-work policy ideas was actually the OECD. A proper accounting of the international influence of the welfare-to-work idea also had to accommodate pioneering policies devised in Scandinavia (Government economist: Interview with author, London, June 2003). But a familial affinity also long existed, in fact, between British welfare sector policy-makers and their counterparts in Australia and New Zealand. The particular breakthroughs forged in Australia in the period 1986–96 were held up by the incoming Blair government as comprising a model of how a contemporary labourite national government could adapt – in as labourite a manner as possible – to these worldwide sea changes in welfare policy practice and philosophy. Thus, the ALP did help lay down a template for action – legislatively, technically and politically.

David Dolowitz elucidated the gradual process by which during the late 1980s, Britain was alerted to the dawning of various welfare-to-work programmes in the US. While Governor of California, Ronald Reagan had inaugurated a community work experience programme where recipients were required to work or search for work in return for welfare benefits. Thatcher government ministers looked at various States' welfare systems during dozens of visits to the US from early in the decade. Dolowitz argued that initially this interest was fired by ideology – the rising New Right argument that conventional welfare led to socially deleterious dependency and fraud. The onset of Britain's unemployment crisis of the mid 1980s gave new impetus to the commissioning of various government reports that looked to the US but also, as Dolowitz added, to the experience in Sweden. The Thatcher government began to embrace Reagan-style workfare rhetoric. Then in 1986, it adopted US-style Job Clubs where welfare recipients were taught the skills needed to find and retain work. The same year special counselling interviews were piloted aiming to guide recipients into training of employment programmes but which could deny them benefit entitlement if they refused. In 1988, school leavers were denied benefits unless they joined State-sponsored training programmes. By 1990, dole recipients had to prove they were seeking work in order to retain entitlement (Dolowitz, 1997, 31–9).

On the face of it, Dolowitz's account points to American causality. But the fact is this kind of policy evolution was happening simultaneously elsewhere around the world. Australian policy was evolving in the same direction at roughly the same time as the British, though a particular model New Labor looked to was Scandinavia. The *Australia Reconstructed* mission investigated labour market policies, strategic unionism, wages and industrial development in Sweden, Austria and Norway. Despite being vilified by the political right, that mission had landmark implications. Among other things, it looked at how the Swedes had devised active labour market policies that put the emphasis on 'skill formation, skill enhancement, skill flexibility and overall training' while seeing 'payment of unemployment benefits as a last resort' (ACTU/TDC, 1987, 107). The Australian budget of 1986–7 marked the start of a crackdown on welfare beneficiaries believed to be defrauding the system or refusing to seek work. From that point on policy gradually 'hardened' with mandatory conditions applying to a variety of welfare benefits. In 1988 a social security issues paper recommended significant changes to unemployment benefit, including revamped links between income support and labour market programmes to provide greater access to training, retraining and work experience programmes (Cass, 1988). With the introduction in 1990 of the Newstart programme, the unemployed faced lengthy waiting periods and stringent asset/income tests before qualifying for a new benefit called a Job Search Allowance. Benefits became conditional on signing a contract with the Commonwealth Employment Service, which drew up an agreed training plan (Carter, 1993, 280). Phased in over three years from 1989, the JET Programme for lone parent beneficiaries aimed to help them with access to education, training and child care (Department Family and Community Services, 2000). The requirement for job seekers to prove they were actively seeking work was reinforced through amendments to the 1991 Social Security Act.

Then, in 1994 Keating's *Working Nation* package brought this underlying approach to life with more obvious legislative force – laying down the expectation that in return for assistance there would be a 'strengthened obligation on unemployed people to accept a reasonable job offer' (Keating, 1994a). The centrepiece Job Compact entailed 'stronger penalties for job seekers who do not meet their obligations' (Curtain, 1999). The package increased targeting of labour market assistance to individuals with a new comprehensive system of case management for the unemployed. It introduced contracting out of a portion of employment placement services to the private sector. Its Youth Training Initiative aimed intensive help at under-18s in their search for work, training or education but imposed 'greater obligations on the young to seek work and harsher penalties for those not engaging in required activities'. A National Training Wage provided subsidies and significant incentives to try to get employers to provide training.

So, as early as the late 1980s, the ALP was actually breaking with the bipartisan tradition, existing from 1944, in which unemployment benefit was regarded as an entitlement. This raft of conditions and mandatory demands had been imposed on many benefit recipients, aimed at getting them off state provision and into the workforce. Alison McClelland, the Director of Research at the Brotherhood of St Lawrence, was one expert long involved in the welfare field who located the birth of the Australian version of mutual obligation in the late 1980s:

> A lot of people think mutual obligation started in *Working Nation*, but it actually started in the late 1980s under Howe. It started with *Newstart* when we changed the name of the payment we gave to long term unemployed people; alongside that was some obligation to take up activities to get the benefits. It's just that the penalties were not as harsh for not meeting that obligation at that time. But it started even earlier, in 1986/7, when Brian Howe changed the payment to 16- and 17-year-old unemployed people to the activity test payment. That was really the first. (Alison McClelland: Interview with author, Canberra, August 1999)

The key point to note here, though, is that while both the Conservative government in Britain and the ALP government in Australia were heading in this direction, throughout the late 1980s and on into the mid 1990s, the British Labour party was vehemently opposed to it. In 1988, Labour's National Executive endorsed an unequivocal charter against what it called creeping US-style 'workfare'; it explicitly laid down that all welfare benefit recipients should be free to join schemes 'because they want to, not because they fear they will lose all or part of their benefits if they don't' (King and Wickham-Jones, 1999, 62–74). Since the war, Labour's approach had been that entitlement should be unconditional, reflecting T.H. Marshall's dictum about social rights being integral to citizenship (Marshall, 2000). During the 1980s, prominent later members of the Blair cabinet were vociferous in their condemnation of the encroachment of the US ideas under Thatcher, as King and Wickham-Jones detailed. The one renegade exception to the Labour line was the enigmatic radical MP, Frank Field, a former Director of the Child Poverty Action Group in the 1970s.

Field had an intimate grasp of the operational complexity of the welfare system. From the late 1970s, he had come to believe that a passive benefit system was acceptable in periods of full employment but totally inadequate in times of high unemployment. He claimed that the nature of human character meant the altruistic underpinning of Labour's welfare state approach was misplaced. The answer, he concluded, was not handouts but finding ways to lever people into work. He opposed centralised bureaucracy and claimed means testing completely distorted welfare provision. Field incurred the wrath of his colleagues in parliament by being the one Labour MP to vote for the Thatcher embrace of the US reforms. Despite the hostility he endured, under Labour's modernisation by the early 1990s a new party orthodoxy was taking root, more compatible with Field's views. His political resuscitation began under Kinnock's leadership when he was made Chairman of the House of Commons Social Security Select Committee. It was a platform with authority from which Field could prominently challenge, and thus change, Labour views; also, public perceptions of them. In fact, he happily admitted to working in a virtually unspoken alliance with Conservative government ministers in pushing the new direction through various reports produced by the Select Committee:

> Those reports were all about setting a new agenda behind which a Tory government could safely move but, equally, in the process making sure Labour was going to become committed to this. I think Kinnock saw that the select committee system with a Labour chair and all the reports being unanimous … it gave us a platform both to talk to the country about what Labour now intended in welfare reform. But it was also a platform for the Tory government to use really as a shelter behind which they could really advance. (Frank Field: Interview with author, London, May 2003)

It may have been gradual in unfolding but the British Labour party policy and philosophic U-turn on welfare, when it came, was emphatic. It coincided with the ascension of Blair and Brown after John Smith's death. Within a few years, Labour had moved from outright resistance to the notions underlying welfare-to-work to an enthusiastic embrace of them.

Here again, some scholars have laid heavy emphasis on the perceived influence on the Blairites of welfare policy initiatives of Clinton's New Democrats. But in interviews for this study, the senior British welfare bureaucrats working in this policy area made three points – in the period from the mid 1980s to 1996, there was much ideas exchange at the departmental level between Britain, Australia and New Zealand; second, as they prepared for government, the Blair team 'nicked ideas from everywhere' in their determination to find a workable welfare policy model; third, as New Labour pulled together its overall welfare policy strategy in the two years before winning office, the approach that loomed largest was that of *Working Nation* (Government economist: Interview). Initially, New Labour intentions were articulated through the *Commission on Social Justice* report. With input that included Patricia Hewitt's policy intelligence from Australia and analysis of Australian reforms by the Commission Secretary, David Milliband, when it was released in the middle of 1994 the report enthusiastically embraced a welfare-to-work strategy. In particular, it outlined the way Australian Labor had implemented the JET scheme, proposing that in power, British Labour would amplify the model beyond sole parents. But it was the *Working Nation* White Paper that made the big impact.

Following a research visit to Australia between February and May 1996, academic and former director of the UK Unemployment Unit, Dan Finn, wrote an influential account of the White Paper's framework, arguing that in coming to power, the Blair government was set to implement a programme of welfare reform 'remarkably similar' to it. *Working Nation* had also been keenly noted by ministers and policy-makers in the Conservative government before the switch-over to Blair. Finn recorded that in 1989 Conservative ministers had been looking to the direction of policy in Australia, with some British initiatives 'directly influenced' by it. He said the Conservative government decision to unify unemployment benefits into a Jobseekers' Allowance in 1996 had 'much in common with the activity agreements and Job Search Allowance which replaced unemployment benefits in Australia in 1991'. But Finn noted that in 1995, in particular, a succession of Labour party MPs travelled to Australia to look at how policies were implemented there (Finn, 1997, 9). Importantly, the then Shadow Social Security Minister Chris Smith made a special trip to Australia, talking to ministers and officials about *Working Nation*, but also visiting individual welfare offices looking to programmes in operation, such as the JET scheme. Smith recalled:

> That trip was very much an influential one for me. I was impressed by what I saw. Indeed quite a lot of the particular welfare-to-work proposals that I then put into place came from ideas I explored when I was in Australia. During the trip, I also visited Singapore. I looked in some

> detail at the Singapore welfare system and came to an absolute conclusion that that was not a model to follow. Basically there was no safety net. And then I got to Australia and saw the JET scheme and various other programs in place and that was much better. I derived quite a lot of encouragement from that. (Smith: Interview)

In November 1995, Gordon Brown surprised his party when he first unveiled some of the far-reaching ideas that underpinned welfare-to-work. Under Labour, he announced, those aged 18–25 who had been out of work for longer than six months would face mandatory options involving further education or training or the acceptance of employment with firms subsidised for the specific purpose. King and Wickham-Jones described the new element of compulsion built in to the Brown plan as ‘a dramatic break with Labour's existing trajectory’. Those who refused to participate in the package faced penalties: remaining on benefit would no longer be an option, Brown said; those who rejected the options on offer would lose 40 per cent of their benefit entitlement. Labour, King and Wickham-Jones said, ‘had broken a long-held conviction that benefit entitlement should be unconditional, replacing it with a much tougher and more market-oriented approach’ (King and Wickham-Jones, 1999, 63).

In 1995, Tony Blair was speaking constantly in public about the need for citizens to accept their social responsibilities as well as opportunities. The backdrop for New Labour policies across the board – just as it had been for Hawke and Keating – was the new fiscal reality. And in no area more so than the biggest budget item of all, welfare. In this, Frank Field forced the pace for change. A year before the 1997 election, he took to Blair the results of various Select Committee inquiries:

> I remember we deliberately did a report on public expenditure and going to see Blair with it. And the first page showed that a third of all taxpayers' money goes on welfare. And I put it in front of him and he said: ‘Blimey!’ Here was the leader of the Labour party without any idea of the main headings of public expenditure, not because he was idle but because he was so busy on so many fronts. So, I used it in a personal way to educate him as well as having a conversation with the country that we were not all barmy. (Field: Interview)

During 1996, Labour set up a series of working party groups to sort out policy and Field's journey in from the cold was complete with his membership of the welfare group, chaired by Gordon Brown. To be sure, prior to 1997 Field pressed his views forcefully:

> I said to Gordon before we won the election: ‘It has to be above the door. You've just got to get rid of the [words] Social Security. There has got to

> be a Pensions Department and there has to be a Work Department. We have got to have [written] across the door "Employment". And when we get into power, as well as the employment service, you've got to have the private sector, whatever skills they've got to get people into work.' (Field: Interview)

The two key advisers to the welfare policy working group were Brown's economics adviser Ed Balls and David Milliband, by then chief of Blair's Policy Unit. Field recalled Balls and Brown tabling detail drawn from various US welfare-to-work schemes. King and Wickham-Jones recounted how Brown had spent much time in Washington from 1993 talking to politicians, academics and policy experts – links facilitated by the Harvard-educated Balls. Field said it was Milliband who brought to the table the detail of policy implemented in Australia by the ALP. By the time of the 1996 Australian election, the British were fully *au fait* with the Keating programmes. At that time, Field took his select committee on a fact-finding mission to Australia and New Zealand. The trip may not have given the knowledgeable Field any more specific policy ideas, but its impact on the Labour repositioning was profound for various reasons. Field elaborated:

> The trip was important because I discovered it was easier if you could tell people that these things were happening somewhere else … because it is the obvious thing to do. By this stage, I was interested in giving people examples of what I thought our programmes should be. The experience in Australia and New Zealand built the idea that we weren't weirdos, doing this, because other people were doing it. People took comfort from that. But the main lessons I took from it were the actual mechanics of reform – about the civil service base, the quality of leadership needed there, and [the fact] that there is only so much energy at any one time that an administration can actually muster. You must harness that and nurture it carefully and effectively. I wasn't interested so much in the policies. They were old hat to me. What was new was actually seeing administrations being successful in it. The thrill for me was associating with people who were actually doing it, rather than just the ideas. I do think actually that for some members of our committee it was reassuring. But also for the market back home it was good. By that, I mean that while, generally speaking, the UK is pro-American in the sense that when the big crunch comes the country is usually on their side, there is a pretty strong dislike of Americans. So, the fact that you could also show that there were Commonwealth countries, in many ways, I think, doing it with less shouting than the Americans – that was actually very reassuring for the home market. And by the home market, I mean the politicians. (Field: Interview)

Once in office, Chancellor Brown formed a cabinet sub-committee specifically to implement the welfare-to-work plan. A key player was Field, Blair's new Minister for Welfare Reform. The sub-committee was advised by a team of six officers under a Deputy Secretary from what later became the Department of Work and Pensions. Labour's election manifesto had proposed a system strongly resembling the Australian, with stern requirements on beneficiaries offset by a broad package of subsidised work and training support. Once in power, though, the new ministers were advised by their bureaucrats that elements of this would run somewhat counter to the direction of British policy-making, which, for years had eschewed expensive make-work programmes in favour of a tighter set of options built around the Jobseekers Allowance.

This approach put more of an onus on the unemployed to go out and find work quickly, rather than nestling into various training programmes. The New Labour ministers were advised that OECD research showed active market policies developed since the 1980s did not have a solid track record of success. Specifically, they were told some elements of *Working Nation* had proved less effective than had been hoped, particularly the failure of wage subsidies to produce job-ready candidates quickly. While Labour's *New Deal* package of policies unveiled in January 1998 and then developed over the next few years did not, as a result, reflect the precise priorities of the Australian pioneers, *Working Nation* indisputably exercised a powerful underlying influence. Civil Service sources said that though John Major's ministers had thought *Working Nation* too expansive, it informed the New Labour thinking:

> I don't think *Working Nation* affected the system that the Conservative government had because it was going in sort of the opposite direction. But it definitely affected the Labour party people in opposition. The incoming government in 1997 was very affected by *Working Nation*. The *New Deal* has, I think, a lot of its genesis in *Working Nation*. They [Labour in opposition] did actually go round quite a lot of countries and cherry-pick. But partly because of the similarities of the politics, the Australians were a bit of a model for them. You could see some similarities in the *New Deal* for Young People and some of the elements of *Working Nation*. (Government economist: Interview)

Dan Finn, who also appeared before various House of Commons select committees explaining the details of the Australian reforms, had no doubt that the *New Deal* as it was applied to young people was indeed influenced by *Working Nation*:

> My own view of it is that through people who are now called policy entrepreneurs it fed back in quite a big way. I certainly made a big effort

> to learn some of the hard practical lessons [in Australia] and then feed them back into what is a rather opaque policy-making process over here. I know some of the messages got through. (Dan, Finn: Interview with the author, Portsmouth, May 2003)

Working Nation, then, had both positive and negative impacts on British policy-makers. In some of its detail, it clearly helped delineate the direction, providing some elements that could be replicated. But in essentially road-testing other elements of policy, it also revealed difficulties that the British policy-makers then avoided or otherwise dealt with.

Underpinnings

The foregoing has tried to elucidate Australian influence on New Labour in three policy areas. The individual stories involved in the connections reveal some intriguing features. One is how policy-makers can move towards the same conclusions independently in each place but their respective activities can become immensely powerful in reinforcing one another. The Edwards, Chapman and Barr higher education accounts suggest a 'chain of validation'. Nick Barr commented:

> By talking about it at conferences and places like that when the opportunities arose, we convinced the policy community that income contingency was the way to go. But the fact that we were able to cite Australia in that was very, very important. Dearing was set up because of the problems that the 1990 loans scheme had not fixed. So when Dearing started to do his consultations, because Iain and I had disseminated our stuff convincingly, when the committee talked to everyone in the field they all said: 'Income contingency loans!' So Dearing said: 'Fine, it's unanimous, let's do it.' And the government then did it. But it's also the classic story of prophet without honour in his own country. Bruce Chapman had more influence in the UK, in many ways, than I did because he was Australian. And I got to talk to people more easily in some ways in Australia because I was British. Part of it is that if you are a foreigner you are rightly regarded as not having a domestic political agenda. Clearly whatever I did in Australia was for the policy and had nothing to do with Australian internal politics. Similarly, Bruce over here. (Barr: Interview)

Like many others interviewed for this book, Chapman said he was sure the period from the mid 1980s coincided with a steep increase in international policy ideas consultation and interaction. Personal contact with Barr over HECS, for example, spawned further contacts in other nations with expertise in other policy areas he could plum. But while the policy entrepreneurs reinforced one another, it was they, as individuals, who made the crucial adjustments to detail that suddenly gave ideas their traction. The climate for that work was helped by having, as was the case in Australia, political masters with the courage to go on with the ideas. But, as Chapman found, sometimes the breakthrough ingredient could come from the most unlikely inspiration; he recalled it was actually a personal friend who suggested that HECS repayments could be deferred until after the graduate was in employment.

Ultimately, though they were quite disparate pieces of public policy-making, three crucial characteristics bound the Child Support, HECS and mutual obligation (MO) welfare reforms. The first was Cabinet government reached for them as prescriptions because the New Economics said proper budget discipline meant these nations could not afford them. Second, these specific reforms, like many others, came to be underpinned by this newly emerging political imperative for the imposition of rights and responsibilities on the citizenry. And, finally, the real ideological renovation lay in the fact that in both Britain and Australia it was labour governments that developed these ideas and then set them in legislative concrete. The Child Support Agency was an idea born in the US, first embraced and refined at a national level in Australia and New Zealand. It was adopted by the Conservatives, and then New Labour in the UK, in part because of the validating success of the Australian version. At the core of this policy idea was the notion that responsibility for mediating a social problem and paying its financial cost should be shifted from the taxpayer to the individuals involved. The theory of HECS was born in the US but was made real in the work of British and Australian policy entrepreneurs, who ultimately 'found' one another. Their partnership then became vital in internationalising the idea. The fiscal imperative here was massive – the perception that if nations wanted broad scale tertiary education, somebody had to pay for it. That somebody would not be the taxpayer in the broad, but the student, mortgaging his/her future, enhanced workplace value. To the Odysseans, and their political masters, this seemed the 'fairest' way to solve the fiscal dilemma. It also dovetailed with the trend for making people more responsible for their lives. While they insisted 'the people who knew about *Working Nation* did not consider it an unmitigated success', the bureaucrats who advised New Labour to accept some parts of it and reject others conceded that some of the policy specifics contained in Paul Keating's revolutionary welfare package gave the incoming Blair government a springboard for 'combining this rights and responsibilities thing with active government' (Government Economist: Interview). This was, of course, a signature of Blairism.

Beyond policy: political pitch and moral compass

Soon after Blair became Labour leader, Patricia Hewitt and David Milliband went to a private meeting with him to outline before its release the draft findings contained in the *Social Justice: Strategies for National Renewal* report. Hewitt remembered Blair being immensely impressed with the Australian jobs policy initiatives, which he described as '100 per cent New Labour.' But he was unsure about that other key Australian idea, tertiary fees reform:

> It was a very interesting meeting because it was almost like a Platonic ideal. Tony knew instinctively what fitted his conception of what New Labour had to be about. I remember him saying the welfare policy stuff, the jobs stuff, with its Australian antecedents, was '100 per cent New Labour'. Then there was something that was too backward-looking and not radical enough … that was only 75 per cent New Labour. Then there were student loans and income-related tuition fees. He said he was very nervous about that. He said: 'That's about 150 per cent New Labour, I'm not sure about that.' But David and I said actually that if you thought it through and argued it through on social justice grounds it is absolutely the right thing to do. The Australian ideas were totally influential in this. We came up with this idea of a learning bank … basically, the device of people borrowing to invest in their human capital against the future product of that capital. So, we worked on these notions. But the policy was, basically, Australian. And as it was perfectly clear to me as an Australian that the policy was sensible and didn't cause anyone any problems. We just went for it. (Hewitt: Interview)

From her unique perspective, Hewitt saw New Labour absorbing acute lessons from the Australians on two levels – policy development and party management – with the New Democrats being more influential when it came to 'overall positioning and philosophy'.

In the great Australian tradition of practical, non-theoretical politics, for the best part of a decade before the New Democrat ideas came to prominence, Hawke and Keating quietly got on with the job of devising methods that achieved many of the later New Democrat rhetorical aims – initially at least with no particular conception of the wider meaning of their efforts. New Labor ditched tax and spend, pitched at the middle class, claimed to reinvent the ALP's progressive tradition, put mutual obligation (MO) into effect. Wedged between the conflicting pressures of globalised economics and traditional Laborite expectation, the Odysseans devised detail that charted a new policy approach. Then from around 1989, and culminating in the mid 1990s, the Americans brought a new coherence to these ideas. The New Democrats gave the Third Way movement the Australians helped pioneer a critical mass. By investing it with American gravitas and rhetorical power, they won it international recognition. The Americans gave the Third Way a voice, suggesting something ideologically cogent. Then Blair was able to eagerly draw on it.

When she talked of 'overall positioning and philosophy', Patricia Hewitt was thinking of an amorphous cache of techniques that have to do with political language and communications – the phraseology and rhetoric through which politicians seek to convey their policy intent and characterise opponents. It also encompasses politicians' general mindset, 'big-picture' thinking, 'vision', even 'moral compass'. The American input, however, didn't just give Blair some catchy phrases. Importantly, it served to confirm a great deal of his own pre-existing thinking. The New Democrat approach was a second-phase reinforcement of Blair's philosophical approach, his sense of political positioning and choice of operational phraseology. As it unfolded, the Third Way grew in confidence because it drew on diverse influences that were perceived as politically successful or potent at various points, firstly in Australia, then the US and finally the UK.

But interwoven here is a more ephemeral dimension where individuals acquire their own formative, personal, philosophical viewpoints or attitudes. These are usually in place well before politicians reach the seniority that sees them working at national policy formulation. The type of policy leaders pursue is, at least in part, the product of their beliefs, preconceptions, prejudices. Personal views colour ideological disposition. They locate politicians, in the polity and in the party. They drive their ambition, both personal and for the party. They mould the sentiments by which politicians purport to operate and the rhetoric they use to communicate it. Tony Blair first picked up some of this from Australian influences – not only as a promising young politician when he returned to Australia to investigate the ALP frontier-forging in the 1980–90s, but at an even earlier stage as well; actually, when he was studying at Oxford University. The next chapter homes in on another, until now, little-explored Australian influence that impacted on the young Blair's worldview and political outlook. Crucially, this influence helped set the stage for Blair's all-important political attitude to the public realm.

7

Blair's Public Realm

Whereas in Australia privatisation and the fate of the wage system illuminated New Labor's fundamental attitude to the public realm, by Blair's third term the central issue in British politics was the manner in which public services were run and whether and how they could be better designed. The Hawke–Keating privatisation agenda shared an important motivating rationale with the Blair–Brown approach to the public services. The traditional democratic socialist assumption that the building or maintenance of the public sector should be funded through progressive direct taxation was epitomised in the writings of Tony Crosland (Crosland, 1964). But, restricted by the fiscal constraints that assuaged the markets, from the very first, a core Blair–Brown message had been resistance to any hint of overt, direct tax increases. Even more so than it had on Hawke–Keating, fiscal discipline weighed heavily upon British New Labour. This created a big dilemma. Blair and Brown argued the first term had laid solid economic foundations, the proceeds of which had allowed the Chancellor to pump funds into a badly overdue upgrade of public sector services – more schools, nurses and innovative welfare provision. As time wore on, this funding made the markets, and economic institutions, edgy about Brown's real intent. But the second term had also demanded the acceleration of the process of reform – crucially, alongside the extra money, the redesign of so many public service systems (Blair, 2001b). This seemed to be the trade off – money for renewal, but the implicit acceptance that old public sector methods would be overturned. The third term would see the battle really joined over the fine print of the public sector revolution Blair declared would be New Labour's 'defining legacy' (Blair, 2001a).

Blairism arrived in a post-privatisation era. The debate over the supposed benefits for government from large-scale asset disposal was ended. Agencies had already been sold off. One Hawke–Keating period insider, Victorian faction leader Neil O'Keefe (later an expert on public–private provision) argued that one of the effects of the downsizing that came with the 1980s privatisation revolution was that by the early years of the twenty-first century some public sector areas had become denuded of the resources, expertise and personnel to carry out complex tasks. Hence, there was no alternative but to bring in private sector resources (O'Keefe: Interview). Certainly, in the UK, Blair went in search of new ways of 'doing' the public sector – and came up with a strategy that encompassed, in multiple variants, the modish idea of public–private partnerships. Despite a huge tide of wider party, trade union and PLP hostility to the strategy, in making this public–private notion so dramatically the cornerstone of his pitch for a place in history, Blair was reflecting some complexly interwoven influences, including some drawn from US; but also, as it turns out, some important ones from Australia.

Peter Thomson: Blair's vicar

It is actually not too fanciful to trace one formative element in Tony Blair's attitude to the public sector back to his days at university in Oxford, and in particular, to a famous Australian influence he encountered there. In late 1972, the then 19-year-old law student with his famous shoulder length brown hair, slightly startling afghan coat and obsession with rock 'n' roll met a garrulous 36-year-old Melbourne-born cleric, Peter Thomson, in the university dining hall at St John's College. The two were introduced by another Australian student, Geoff Gallop. Thomson was reading theology and with him, over breakfast, the future Prime Minister first engaged a mind so full of ideas that Blair would later describe the impact as 'spellbinding'. Here was someone whom Blair, the politician, would later credit as being the most intellectually influential person in his life. Chroniclers of the Blairite Third Way have alluded, often quite briefly, to three basic facts about Peter Thomson – that he and Blair met at Oxford; that Blair credited him with having had this important influence; and that Thomson introduced Blair to the work of a relatively little-known Scottish philosopher, John Macmurray.

Virtually everyone involved in British politics at the turn of the twenty-first century vaguely recalled that Prime Minister Blair had some connection with an Australian cleric friend. Few really understood the importance of the relationship, and particularly the formative input that, for thirty years after that cafeteria encounter, this wiry, snowy-haired, chain-smoking Australian channelled into the thinking of the man who would remake British Labourism. At Blair's suggestion, in 1995 Thomson came to London to work in a church in Islington. From a year before Blair was elected PM, Thomson was, for periods of months at a time, a background presence in the entourage that engineered the ascension to 10 Downing Street. They would talk regularly on the phone. A devoted confidant of Blair and his wife, Cherie, Thomson's importance lies in the foundation thinking he imparted and which drew on political history, philosophy and theology.

At the start, his ideas helped give direction to the life of a bright 19-year-old; they were then reinforced through a friendship that stayed alive via variegated contact between two families over three decades. Apart from 'reintroducing' Blair to religion, Thomson was credited by Blair's biographer John Rentoul with having opened the young man's mind to the very idea of politics (ABC, 2000).

The son of a wealthy Melbourne real estate agent, in the mid 1950s Thomson had turned his back on the family property business and, to his father's horror, entered the church. After studying theology and classics at Ridley College in Melbourne and being ordained in 1963, he had a couple of spells studying or working in the UK before becoming dean of International House, Melbourne, and, from 1983, master of St Mark's College, the Anglican Foundation affiliated with the University of Adelaide. Along the way the cleric and teacher established a 160-acre farm and family base at Merrijig in the Australian Alps in the state of Victoria where he spent thirteen years working, first as chaplain, and then later as the master, at Timbertop school, the bush outreach arm of prestigious Geelong Grammar. During the 1990 visit when Blair and Gordon Brown were feted by Hawke and Keating, Blair stayed at Merrijig where Thomson recalled a new urgency in his political agenda.

During what was a fact-finding mission for a politician soon to be vaulted into high office, Blair talked with Thomson about 'repositioning' socialism 'as an ethical system rather than as an ideology' because the 'ideological stuff' had for so long caused huge problems for British Labour. The analysis in this chapter of the impact of Thomson's ideas on Blair's philosophical beliefs and approach to politics relies on some key interviews – including unprecedented access to Peter Thomson himself, his wife and wider family. Thomson agreed to extensive interviews in the UK and at his home in Australia where the author spent a week recording around eight hours of discussion about his life and work. (Unless otherwise indicated, direct quotes from him in this book are taken from those interviews.) From those encounters and other sources, it is possible to identify a number of thematic streams in what very loosely might be termed the Thomson philosophical outlook (Thomson, 1997).

The first point to make is that in his own life, in a similar way to Blair much later, Thomson evinced a real irritation with dogma, doctrine or ideologies. The fact is that despite a lifetime's work in the church, he became a radical liberal theologian with some decidedly unflattering views about the institution's 'cultic' practices. Theologically, what Peter Thomson concluded from his years as a cleric and as a scholar was that faith was crucial; but that humanity had to start thinking about the notion of God in an altogether different way. To put it bluntly, he saw the absurdity of the notion of a deity, said to exist somewhere physically above or beyond, orchestrating human existence from a spiritual fiefdom. Based on a vast scholarship he consumed, Thomson re-centred the religious ethic or spirit within existence, in the temporal world where the human was integral. A number of factors helped shape his militancy and philosophical innovation. The first was his exposure to the ideas of Leo Ball, a renegade Australian priest, who in the 1960s faced ructions in his Melbourne parish over charges he was a member of the Australian Communist Party. The father of one of Thomson's fellow students, Ball introduced him to the history of early twentieth century British Christian socialism. Thomson learned how, in the face of the English church's chronic complacency towards the problem of late nineteenth-century poverty, a small number of radical Anglican priests were galvanised into action to try to build a political programme to tackle structural social injustice. From the mid 1800s, F.D. Maurice, Charles Kingsley and J.M. Ludlow declared their intention to 'Christianise socialism and socialise Christianity', so setting in place a creative relationship between the two that lasted 150 years (Dale, 2000). Thomson was galvanised by the notion of a Christianity that worked in the real world, among real people, trying to solve real problems. Another formative event in his education was his discovery, and then avid exploration later at Oxford, of a veritable avalanche of radical German theological works. Thomson became transfixed by the writings of early twentieth century German realist scholars who broke with the idealist tradition of so called 'liberal' theology – in particular, Karl Barth, Rudolf Bultmann, Dietrich Bonhoeffer and Paul Tillich. Most importantly, however, Leo Ball's other gift was that he introduced Thomson to the work of John Macmurray. Variously professor of philosophy at Manchester, Edinburgh, Oxford and London between 1918 and 1958, Macmurray attracted rising attention from the 1960s until, and beyond, his death in 1976. A one-time communist and ultimately a Quaker, in books like *Freedom in the Modern World* (1932), *Persons in Relation* (1961) and *Search for Reality in Religion* (1965), Macmurray found the fervour of evangelistic activities 'second-hand', 'priggish' and 'religiously unreal'. He also saw the dogmatic claims of religion collapsing under the weight of ongoing scientific inquiry. In what became, by his own admission, a lifelong search for a redefinition of his faith, Macmurray argued that the church had to exist not for the special benefit of its members but for the salvation of the world outside it (Macmurray, 1965).

In his discussions with Blair over the years, Thomson developed a number of themes. They included the argument that socialism had been diverted away from its various historical roots into a destructive statism in the early twentieth century; and that 'top-down' statism had cut socialist thinking off from its community-sensitive, 'ethical' philosophical strands, including the Christian Socialists. Socialism came to be taken as statism, while its other strands were ignored. And through Stalin, in particular, statism had poisoned the ideology's reputation forever. In particular, Thomson talked to the young Blair about ideas Macmurray had developed in his University of

Glasgow Gifford Lectures, later published in his 1961 book, *Persons in Relation*. There, Macmurray talked of the idea of 'community' against a more complex backdrop than observers of contemporary politics in Britain might appreciate forty-odd years later.

Macmurray rounded on the historical evolution of philosophy's 'ineradicable dualism' – the regrettable Cartesian replacement of the notion 'I do' with 'I think' (Macmurray, 1961, 208–11). In *Search for Reality in Religion*, he elaborated on this, arguing Christianity had been tellingly diverted by Greco-Roman thought. Greek philosophy, influencing early Christian precepts, shifted the emphasis 'from action to thought, from practice to theory'. It distinguished between 'work and reflection and made reflection primary'. Through this dualism, Christianity became an 'idealist' religion, concerned with the spiritual life and not the material. The life of the spirit could be achieved only at the expense of the material life. This meant a withdrawal from the world – into a monastery, for example. But the key point was that this just showed that idealism was naturally egocentric or self-interested. Macmurray argued that reflection had no meaning and no reality in itself; that could only come through reference to things and beings, existing in their own right. Religion, in his view, was concerned with two things – action and community. The 'purely spiritual' it sought was 'purely imaginary, a ghost world without substance or shadow'. Christianity should be concerned with an earthly world that needed redemption; not with a heavenly other-world that was eternally perfect. But the key point here for Thomson was this idea that the diversion into idealism had created egocentricity, ultimately helping deliver the philosophical dominance of modernity's cult of individualism.

Crucially, Thomson argued that a balance had to be struck here. His philosophical pitch to Blair was never against the notion of the individual. Rather, he argued that modern culture had reached a point where individualism was glorified for its own sake, 'as if it was an end in itself'. Thomson said the effect of all this had been to diminish the conception of community in human affairs. His answer lay in a third stream of ideas that utilised a notion about people's mutual responsibilities to one another. In this, Thomson tied the work of Macmurray together with that of another theologian, Martin Buber, the Viennese-born utopian Zionist who worked passionately for the establishment of an Arab-Jewish state as professor of philosophy at Hebrew University in Palestine. Buber's lasting achievement was his philosophy of dialogue, described in the 1923 treatise, *I and Thou*. In it, he described the 'I and Thou' relationship between humankind and the world as mutuality, openness and directness. God was encountered in the revelation of everyday existence. It was possible to have such a relationship with God through moments shared with other people in nature, or art, or any facet of life. Thomson argued that the notion of mutual responsibilities between people had always been there, interwoven into Macmurray's sense of community. The philosopher had always talked of how freedoms come through the 'grace and favour of our fellows'. In *Persons in Relation*, he had talked, quite simply, of 'the community of persons in relation, realising their unity as a condition of freedom for every agent' (Macmurray, 1961, 214).

The written record speaks volumes for the mediating link that Peter Thomson provided between Macmurray and other key philosophers, and Blair. Just before he became leader Blair wrote in defence of community:

> The single most important thing – where my political and personal beliefs completely coincide – is the notion that people are members of the community, not simply individuals, isolated and alone. You are what you are in part because of others and you cannot divorce the individual from the surrounding society. (Blair, 1996a)

In 1953, John Macmurray had said:

> It is only in relation to others that we exist as persons; we are invested with significance by others who have need of us; and borrow our reality from those who care for us. We live and move and have our being not in ourselves but in one another; and what rights and freedoms and powers we have are ours by the grace and favour of our fellows. (Macmurray, 1961, 211)

This is how Thomson put it:

> What both Macmurray and Buber wanted to get away from was the Cartesian dualism of 'I think, therefore I am.' They argued that thinking is not what determines human existence; we live long before we become conscious. What determines our humanity is that we belong, first to a family and then to a society. Our thought is determined by a sense of belonging. I am what I am by virtue of other people. You do not achieve something as an individual but because you are rooted in a social nexus of others.

Geoff Gallop, who went on to have a major political career himself as ALP Premier of the state of Western Australia, actually said it was possible to see the influence of Thomson at work in the landmark March 1995 redefinition of Clause IV – the Labour Party's very rationale – that Blair penned himself:

> Have a look at the way Tony put the wording and look at Macmurray. You can see the connection. It's very Christian Socialist, very Macmurray. So, I think Peter did influence that. I'm not saying he caused it, because

> the Third Way thing was happening anyway. But the particular way Tony defines the Third Way is very much influenced by the connection Peter provides back to Macmurray. Peter doesn't tend to deal at the policy level. He tends to deal at the theoretical, ideas level. But just if you look at the way people use words and express themselves, the way Tony expresses himself in terms of the community idea coming between individual capitalism and collectivist socialism, it is very similar. (Gallop: Interview with the author, Perth, December 1999)

In a nutshell, through the work of Macmurray in particular, Peter Thomson delivered Tony Blair to a whole new way of thinking about collectivism. It was 'God-centred' because the effect of all the formative theological revisionism was to place God within, and among, human beings – not above them. The meaning of existence was in how people related to each other. But a cornerstone was the notion that if they could take from one another, they had to be prepared to give back. Thomson again:

> This new concept is just another form of collectivism. Buber used to say that, in the beginning, there are relationships; that is the nexus from which we come. We are social beings. But this seems to have become lost along the way. Individuality is something to be cherished. But individualism as a philosophy is scary, in that it is about the survival of the fittest. And as human beings, we are more than that. Community is basically a religious concept. It's about a society of friends where people join together by choice, instead of rejecting one another. Community implies socialism. Socialism doesn't always lead to community. Co-operation is not community; not necessarily a sense of belonging to one another. The notion we are on about is where people see themselves as belonging to one another. It seems to be a basic logical position, a very difficult position to knock. But we have lost the basic understanding of friendships. And I say that the highest form of human existence is friendship. All meaningful knowledge is for the sake of action. All meaningful action is for the sake of friendship. Friendship is the ultimate glory of man and we discard it at our own peril.

As a politician, Blair boldly attempted to synthesise 'community' and 'rights and responsibilities' into a mutually reinforcing dictum. He declared the 'guiding principle' of the Labour party had always been 'the belief in community and society.' The individual can only prosper as part of a wider community that is strong; but society is made fair because of the priority given to a code of rights and responsibilities. He said: 'It's the notion that for individuals to advance you require a strong and a fair community behind you' (Blair, 1993). What was now necessary was to 'retrieve that notion of community action to further the individual and apply it anew and afresh to the age in which we live'. Blair said this did not amount to a new revisionist cycle for Labour. This was his 'new radicalism' (Blair, 1993a).

The social entrepreneur

In his work in parishes both in Australia and in the UK, Thomson ran foul of church authorities because of what might be described as his innovative ideas for connecting with the local community. In 1959, just before he was ordained, he landed a job ministering at the down-at-heel St Albans church in north Melbourne. Thomson decided to convert a big empty room underneath it into a dancehall for local youngsters. But when a complaint was lodged by a parent, Thomson was forced to close the hall down. Within a couple of years, he was married to Helen and accepted a curacy near Cambridge in the UK where he could do post-graduate theological studies. In the sleepy village parish, he came up with the idea of running a second-hand goods market in its hall to give the church a higher local profile. When complaints followed, Thomson was ordered to stop by the local hierarchy. In both cases, he was disappointed with what he saw as evidence of the institution of the church nervously drawing back from real engagement with people. Such otherwise unexceptional episodes in the man's life take on relevance because, thirty years later, when he arrived back in the UK at his friend's suggestion, Thomson was enthralled to encounter, and then begin explore with Blair, the emerging phenomenon that became known as the 'civic' or 'social entrepreneur'. It was right up his alley.

Often working in deprived communities or within innovative voluntary organisations, social entrepreneurs were, by the mid 1990s, becoming identified as inspirational local leaders who 'develop imaginative ways to satisfy unmet social needs by using under-utilised resources'. Far from being 'buccaneering, egotistical, profit-seeking business people', their main asset, relationships with supporters, partners and users, and their main goals – creating better educated, healthier, safer local communities – were 'social' (Leadbeater and Goss, 1998, 15). Thomson met Andrew Mawson, a charismatic United Reformed church minister who had taken over a derelict church in Bromley-by-Bow in 1984. Perplexed to find himself preaching to a handful of people in near-empty pews each Sunday, Mawson came up with a novel plan which, over fifteen years, transformed the refurbished church into a multi-faceted community centre. As well as space for celebrating the sacrament, under the one roof were gathered crèche facilities, a medical surgery, youth activities, a literary outreach programme, a bustling café, a workshop for artists, language education courses and sheltered housing. The icing on the cake was involvement in a multi-million pound housing and community regeneration scheme. Mawson did all this by harnessing three things – local community groups, local businesses and departments of both central and local government. He identified entrepreneurial individuals for the roles in the centre and managed to convince initially sceptical bureaucrats that if they cut red tape, something worthwhile would flower for local people.

When Thomson visited Mawson's centre, he was hugely impressed. In particular, he was taken by the way local businesses had opted in, obviously seeing benefits in partnering the voluntary sector. Thomson began working very closely with Mawson. Soon he was learning that all around the UK there were all sorts of people struggling to do innovative things sorely needed in local communities. In 1998, Mawson and a small group of other social entrepreneurs formed the Community Action Network which aimed to find and link social entrepreneurs into a national grassroots movement fightin social deprivation. Thomson travelled around the UK with Mawson, helping mobilise local schemes and plan big ones, such as Community Action Bank to help social entrepreneurs access investment funds (Sanderson, 2000).

At around the time Blair came to power, public awareness of the potency of the social entrepreneur phenomenon was dawning, mainly through the work of think-tank researcher Charles Leadbeater, who talked to Thomson and visited Bromley and other schemes. As ever, Thomson was keen to stay relatively anonymous, a background figure. But his importance, given his connections, could scarcely be overstated. He began talking to Blair at length about Bromley and the other projects prior to Labour coming to office. The Labour leader was fascinated: from the politician's vantage point, here was the potential for valuable linkages between departments of state, local groups and individuals with know-how on the ground, the third sector and various businesses. In his first speech as PM in June 1997, Blair talked of how his government would be defined by policies that stressed 'we are all in this together'. It would be about creating 'the bonds of civic society and community'. The basis of the new society would be 'an ethic of mutual responsibility or duty'. Citizens only 'took out' if they 'put in'. 'That's the bargain,' Blair said. And he declared the government ready to try to connect with and financially back thousands of social entrepreneurs (Blair, 1997d). In pressing their ideas on Thomson and Blair, social entrepreneurs like Mawson made a huge point of the impediment in the way the silos of government bureaucracy, and their red tape, sometimes made it impossible for local innovators to progress their solutions. This was a big part of Blair's thinking at the end of 1997 when he unveiled an 'experiment in policy-making' he claimed was 'vital for the nation's future' – the Social Exclusion Unit (Blair, 1997a). Its remit was to target privation in a variety of guises. Here, Blair used another new sobriquet that would become synonymous with New Labour's rethink of the nature of the public realm. 'Joined up problems demand joined up solutions,' he said.

For Thomson and Blair, the social entrepreneur movement grounded a good deal of the philosophical thinking they had been doing for years. In interviews for this book, Thomson said repeatedly that this movement *was* the Third Way. The British media might not see it as headline-grabbing, but Blair genuinely saw notions of localism and entrepreneurialism as the keys to changing the nature of the British state. For Blair as politician-moralist, channelling centralised resources out through local empowerment held the potential to make things work better and thus, he hoped, heal social ills. Thomson the theologian saw in it so many echoes of Macmurray – not least, local empowerment would transform thinking into action. To him, social entrepreneurialism was the modern descendant of important, pre-statist movements, like mutualism (Kellner, 1998) and distributism (Mathews, 1999) as well as being heir to nineteenth-century Christian Socialism. But Blair's embrace of this 'localism' also dovetailed with a wider revolution in attitudes about the nature and role of the public sector that had been underway for two decades before Blair came to power.

Reinventing government

Beginning with the so-called US tax revolt of the 1970s and the arrival of Thatcher, the notion that a 'reinvention' was needed in the way government was being 'done' was dramatised with the publication in 1992 of David Osborne and Ted Graebler's book, *Reinventing Government* (Osborne and Graebler, 1992). Osborne's earlier book, *Laboratories of Democracy*, had shown how a group of up-and-coming, youngish American Democrat State governors made waves with a new, middle-of-the-road, pragmatic policy approach (Osborne, 1988). One of the governors, of course, was Bill Clinton. In the book's final chapter called 'The Emerging Political Paradigm', Osborne actually dubbed all this a 'third way'.

When Clinton became chairman of the Democratic Leadership Council, Osborne's ideas about revolutionising bureaucratic management saw him drawn into the New Democrat ideas-development circles with people like Al From and Will Marshall. While researching *Reinventing Government*, Osborne came across a phalanx of public sector reforms implemented in New Zealand and Australia. Running in parallel with reforms underway in the UK, in the 1980s New Labor implemented successive phases of public sector reform that established Australia, by the mid 1990s, as something of a world innovator in the emerging era of New Public Management (McLaughlin et al., 2002). Beginning with the fundamental changes in perception Hawke and Keating brought to the public service, gradually a 'substantial re-shaping' unfolded of the key features of the administration of Australia, as they had evolved since Federation (Wilenski, 1986, 201); by the early 1990s, the age of managerialism had well and truly dawned there (Gruen and Grattan, 1993, 43). In an interview for this book, David

Osborne said that when he looked to the Australian reforms, his 'jaw dropped on the table'. 'This was useful because it told me that this was not just the US; that the same trends were happening in other parts of the world' (David Osborne: Interview with author, London, April 2002). Prior to Clinton's 1992 victory, New Democrat figures visited Australia to look at the new thinking in public sector management, among other policy innovations. After Clinton came to power, Osborne went to work for Vice-President Al Gore who was given the job of overseeing the National Performance Review (NPR), an inquiry into the need for government in the US to be reinvented (Gore, 1996). Osborne joined Gore, in part, because he had realised that to theorise about, or construct the outline of, innovative policy ideas was one thing: the real challenge lay in how they were implemented. In 1994, Osborne joined forces with another policy analyst, Peter Plastrik, eventually producing the 1997 book *Banishing Bureaucracy,* which located the UK, Australia, and New Zealand as the pioneers of this world rethink about the nature of the state (Osborne and Plastrik, 1998).

PFI and PPP: 1994–2005

An important meeting of international experts examining these gathering, worldwide trends towards a new interpretation of public administration was convened at a Fullbright Symposium in Australia in 1994 (Weller, 1996). Attended by British researchers and top bureaucrats, the meeting discussed the possibility that the coming phase would see a 'fundamental redrawing of the boundaries of responsibility between government and the private sector'. A former head of the Australian Department of Prime Minister and Cabinet, Michael Codd, predicted that soon government functions would be 'concentrated on policy settings and broad implementation and evaluation strategies' with the delivery of services and programmes 'achieved far more extensively through assignment to corporatised or privatised bodies or through contracting out' (Codd, 1996, 184). Crucially, all the participants knew that two years earlier, the Conservative Chancellor Norman Lamont had shifted the whole revolution in thinking about the operation of the state by announcing he wanted to invite private companies to finance and, in the short term run, a host of public projects (Allen, 2001). The Conservative idea of a Private Finance Initiative (PFI) essentially derived from the controversial Thatcherite privatisation programme in which, among other things, local councils were forced to adopt competitive tendering. Lamont said future governments should actively encourage joint ventures with the private sector where these involved a 'sensible transfer of risk to the private sector'. The PFI meant that more capital projects could be undertaken for a given level of public expenditure and public service capital projects could come on stream earlier. The Lamont move was a key development in the unfolding embrace of public–private partnerships around the world.

Given the various background influences upon Blair, it is perhaps not surprising that as part of the New Labour policy repositioning, in Opposition he and Gordon Brown decided to embrace the partnerships idea. They talked of how a Labour variant would bolster investment and create more jobs. The upshot was the emergence under New Labour of the idea of a public–private partnership (PFI–PPP) that could take many forms – joint ventures, concessions, franchises and straight service delivery contracts. Basically, the private sector would be brought in to design, build, finance and perhaps maintain a public sector asset in return for long-term contracted payments from the government. The theory behind PPP insisted that with contracts for as long as 30 years, private companies would deliver greater efficiencies, more than compensating for their higher financing costs (IPPR, 2001). Companies would be invited to tender, for example, for the design, funding, building and operation of a project. For government, the big advantage was that debt raised by the private partner was on its own balance sheets, not Treasury's. At issue, then, was nothing less than the system under which myriad schools, hospitals, railway systems, transport companies, prisons, power generation facilities and roads would be built and maintained.

The UK 2001 election arrived in the context of various, sickeningly tragic London rail accidents. Received wisdom suggested schools around the UK were failing and the National Health Service was staggering under the pressure of service failure, escalating patient demand, cost inflation and allegedly geriatric management systems. New Labour enthusiastically advocated the idea of 'partnerships' as the answer to this public service malaise. This was a revolution already well underway. Figures compiled by the Office of Government Commerce indicated that by late 2002, 250 projects, worth £25 billion, had quietly been financed, designed and built by the private sector across a range of public services in the UK. Another 275 were in the pipeline (*The Times*, 26 September 2002, 10). But despite New Labour's enthusiasm for PFI–PPP, from mid 2001 significant ideological opposition built among government MPs, special interest groups, unions and academic experts who argued that this revolution amounted to nothing more than second-phase privatisation, another way for government to hand public assets to private interests (Hutton, 2003).

Unions and critics on the left argued that the complex web of contractual arrangements entailed in the partnerships would make accountability difficult. Some warned that the financial arithmetic was not as beneficial to government as was presented (*Observer*, 28 April, 2002, 10). Others saw the enormous potential for claims of commercial confidentiality becoming smokescreens for dangerous secrecy about the fate of public assets (*Guardian*, 22 January 2002, 15). Unions argued private companies simply did not have the expertise and would poach the best civil service managers (*Sunday Times*, News Review, 16 September 2001, 6). The left argued that once a consortium for a PPP was chosen and had its foot in the door, it could increase prices and reduce services. In the face of such complaints, the government gradually introduced various concessions and safeguards, such as the key pledge that there would be no 'two-tier' workforce (*Guardian*, 27 March 2002, 6).

But the angst rapidly escalated with the emergence of the idea of 'foundation hospitals' under the NHS. Run by autonomous management boards, the big selling point from the government was that they would be made up of elected people from the local area and would include staff and even former patients in making all the decisions (Department of Health, 1997). The boards would run their own affairs, owning assets, with independent borrowing powers, able to retain financial surpluses for reinvestment and call in all sorts of private sector services and management. The Blairites presented a complex case: the new hospitals would usher in a new era of public ownership where local communities owned and controlled them. But they would still be part of the NHS, subject to NHS standards and to NHS inspection. They would still provide NHS services according to NHS principles – services free, based on medical need, not ability to pay. A chorus of critics did not accept the assurances, however (Pollock et al., 2002).

After a series of high-profile disasters, including the saga of the national rail privatisation, the campaign of opposition to the government's plans reached a beachhead at Labour's 2002 national conference. Britain's powerful public sector unions demanded a three-month moratorium on PPPs while an independent review was carried out. Gordon Brown rejected this as completely unacceptable because it would stall important work underway. Brown had long insisted that New Labour was about creating better services for the people, not pandering to civil servants (*Daily Telegraph*, 6 July 2001, 12). The Chancellor made two strategic points. He said Labour was proposing private finance in addition to public investment, not as a replacement. He argued that only under the Tories was PFI seen as an alternative, while public investment was run down. Secondly, he said, for decades private companies had been contracted to build Britain's hospitals and schools, anyway (*The Times*, 26 September 2002, 22). Blair himself repeatedly confronted the charge his government was anti-civil service. As a centre-left party, he argued Labour was pursuing economic prosperity and social justice as partners, not opposites:

> Heavens above – the public services are our social justice made real. The child who didn't get a decent education? There can be nothing more unjust than that! The pensioner who didn't get a decent standard of service in the NHS? What greater injustice can there be than that? It goes to the heart of what the Labour Party believes, the values of solidarity

> and community and society. We are trying to change the public services to make sure people have confidence in them. They are the bringers-together of people in society. They are the visible expression of the principle of solidarity. The notion that the government has gone anti-public service or is privatising public services is fatuous. (*Guardian*, 11 September 2001, 7)

All that did not stop the government from suffering its biggest party setback since coming to power, when the 2002 Labour national conference rejected the PPP idea by a delegate vote margin of 67 per cent to 33 per cent. While Blair and Brown made it clear they would ignore the decision, this was the moment Chief Secretary to the Treasury Paul Boateng was ritually humiliated by being slow hand-clapped and booed on the podium when he tried to outline the advantages of private finance (*The Times*, 1 October 2002, 1). Defiant, Blair deployed two political tactics. One was his insistence to his party critics that if Labour did not go down this route, once back in office the Conservatives would privatise the lot (*Daily Telegraph*, 17 July 2001, 4). The other tactic was to insist that Labour's own supporters, some of the most vulnerable in society, wanted, and deserved, better services; and they did not care who built or ran the infrastructure for those services (*Guardian*, 17 July, 2001, 11).

For Blair, the public–private partnership route was the natural extension of the community-mutual responsibility ideas underpinned by Thomsonian doctrine and validated by the 'reinventing government' movement and the pioneering Third Way reform of other countries, like Australia and the US. Blair pulled these diverse influences into a coherent intellectual rationale behind his, and Brown's, political strategy (Blair, 2001a and 2001b). But that rationale was bitterly rejected on straight ideological grounds by a large number of Labour MPs. After months of negotiation and argument in late 2003 – including rejection of the foundation hospitals enabling legislation in the House of Lords – a major backbench rebellion by dissident Labour MPs saw the NHS reforms barely scrape through the parliament. The government's overall majority of 161 was cut to a mere 17, until that point the closest Blair had come to being defeated at the hands of his own troops (*Daily Telegraph*, 20 November 2003, 1).

Defining legacy or a step too far?

Alongside the political quagmire of Iraq, by the end of the second term in office, the PFI–PPP issue was the cause célèbre of Blairism. The goal of fully state-managed health care, 'sacred to the left since 1954' was said to be repudiated by the Blairites (*Daily Telegraph*, 7 May 2003, 20). The traditionalist Labour stance on the NHS – argued, for example, by renegade former Health Minister, Frank Dobson – was that foundation hospitals would promote regional and local inequality, setting hospital against hospital, heralding a two-tier system (*Guardian*, 4 June 2002, 14). Here was a vital dividing line: the assertion that this was not the Labour way because it raised the possibility of actually extending or expanding social inequality. But the astounding rejoinder from the Blairites was that the partnership idea was, essentially, what British socialism was all about.

In a major intervention in late 2002, Ian McCartney, vice-chair of Labour's National Policy Forum, declared the partnerships revolution to be part of the creation of a new 'popular socialism'. McCartney said foundation hospitals were 'a new form of public ownership'. They locked the public resources of the hospital into ownership by the citizens in the community; 'owned by the community, for the community, serving the community'. Such ownership made this particular reform of public services 'so much a part of Labour's traditional values'. It meant the left had, for the first time in twenty years, shifted the debate about who should own public assets beyond Thatcherism. It was, McCartney conceded, a 'direct challenge to the traditional left's belief that public assets should all be owned centrally and managed by the state'. But this approach had always allowed Conservative governments to come along, under-invest in, and then sell off, government assets. The New Labour way would 'protect public assets from future rightwing attack'. By law, Foundation Hospitals would have to remain technically in public ownership. McCartney said mutual organisations and local mutual private ownership had an honoured place in Labour history. 'It would be seen as very strange to find the left rejecting it as elitism,' he said. Like Attlee, New Labour was creating a model of public ownership – but one that the people, and not Whitehall, owned. As a 'socialist' MP, McCartney said he was impatient for the day when 'popular socialism' would have the 'ultimate victory over popular capitalism' (*Guardian*, 2 December 2002, 20).

But, reflecting the apprehension about PFI–PPP among bodies including the British Medical Association and the association representing NHS Chief Executives (*Guardian*, 22 June 2004, 9), some hostile critics rounded on this central Blairite argument that somehow this revolution would return the UK to a pre-statist system where mutualism and localism produced better public services. In particular, experts like Allyson Pollock, from University College, London and John Mohan from Portsmouth University (Mohan, 2002) argued that New Labour was conveniently rewriting history; that the unrepresentative governing bodies of pre-NHS hospitals in the inter-war period had not permitted genuine community control at all. New Labour was in the process, in fact, of reintroducing precisely the kind of arrangements that the 'supervisory and regulatory state of the 1930s was unable to deal with satisfactorily'. The centralised system had been introduced because of its predecessor's shortcomings (Mohan, 2003). Before 1948, access to healthcare had depended on what the local community and the individual could afford. The result was that 50 per cent of the population had no access to healthcare. Nye Bevan's vision of the NHS had as one of its cornerstone aims 'freedom from fear' of its costs (*Guardian*, 7 May 2003, 26).

Allyson Pollock's critique held that crucial decisions about services would not lie with the local community at all; but would no longer rest with the health department or parliament either. It would be with the private firms. The overriding aim in all this was to get costs off central government balance sheets. Under the partnerships, costs would not be met by Treasury but by local services. Because private finance was an expensive form of borrowing, when pressure came on the local hospital trusts the inevitable result would be cuts in services or staff. Pollock argued that under the partnerships all public services would become 'distorted towards the needs of shareholders and bankers' and not those of the public. 'The implications for democracy and local accountability are serious when private sector consortia rather than local government are vested with decision-making power over access to, and the use of, what was formerly public space and civic amenities' (Pollock, 2004). David Walker also argued that, left to themselves, some communities would not have the expertise or innovative drive to succeed, so increasing inequality. Without a 'strong centre' setting standards, local authorities would be free to introduce greater selection in education, charge for health and social care and cut public sector wages, Walker warned (Walker, 2002).

Whatever the Blairites argued about prioritising consumer choice above producer interests and about creating a new form of local socialism that somehow 'empowered' communities through PPPs, for many observers the whole direction of this revolution was far removed from traditional democratic socialist notions about government's management of the public realm, particularly those of the Croslandite school. Under Blair, for the first time private companies would be delivering services long the preserve of the public sector. Echoing the concerns of Australian respondents about New Labor, some former Blair ministers spoke in interviews for this book of deep-seated doubts within the PLP and the wider party about where the PFI–PPP revolution was taking Labour's relationship with the public realm (Frank Dobson: Interview with author, London, December 2004). If it turned out to be nothing more than a form of disguised privatisation, volunteered Blair's first minister responsible for the Public Service, Derek Foster, it would mean, in his words, that Blairism had taken a definitive 'step too far' (Derek Foster: Interview with author, London, June 2004). In some respects, Blairism did share some of the aspirations of Crosland; the champion of 1950s revisionism furtively eschewed Marxist ideas and large-scale nationalisation. But Blair took care to distance New Labour even from Crosland (*Independent,* 26 September 1998, 3). It was just as well. For Crosland was nothing if not interventionist in a 'traditional' Labour sense.

Blairism seemed to want to intervene to change structures in a way that actually diminished government's reach. As Chapter 10 will explain, this was clearly manifest in the key policy areas of health and education. Famously, Crosland was a passionate advocate of comprehensive secondary education. Unlike Blair who ultimately championed a system in which schools would be free to opt out of government control and operate independent of local authorities, Crosland explicitly saw central government and local authorities working creatively together with an explicitly stated 'preference for the comprehensive principle'. Rejecting selection outright, Crosland's view was that a properly organised comprehensive education system would, with careful management over time, begin the long overdue reduction in inequality that had bedevilled the British school system (Crosland, 1964). As we shall see, the tidal wave of party resistance to Blair's original package of reforms for schools was built on the argument that it would ultimately reinforce selection through the backdoor, and widen even further the inequality gap.

More broadly, Crosland believed that, far from drawing back into itself and away from a role in the community by devolving power and responsibility somehow to locals, central government should intervene to establish itself as an entity actively competing with private agents in the marketplace. What Crosland vigorously eschewed was the idea of a chain of state monopolies. But, in positing a conception of a mixed economy, he actually laid down extensive proposals for central government to create and control 'competitive public enterprises' that actively competed with the private sector. 'State enterprises should be as free to develop as private enterprises,' he declared. Crosland went so far as to talk of MPs participating with 'both sides of industry' as shareholders in holding companies. He even called for a 'new Public Corporation', a 'passive holding company' that would be 'responsible for all the state companies' – although it would allow them to operate with 'the minimum of central interference'. He talked about a 'state investment trust', a 'take-over bidder' with instructions from government to 'make a profit by buying, establishing or selling productive concerns' (Crosland, 1964, 333–6). The entire burden of Crosland's vision of the role of government could not have been further removed from that of Blair. Blairism embraced the New Economics that Roy Hattersley argued marked the 'turning point in the ideology of British democratic socialism' (Leonard, 1999, 66). But if Blairism was not democratic socialism, what was it? By New Labour's third term in office, the argument that, in many respects, its activities seemed more a throwback to the English liberal tradition was beginning to seem cogent.

8

Heirs of Eternal Liberalism

At various moments during Blair's period in office, his government was virulently accused of being illiberal over one issue or another. Tough policies in the areas of policing and law and order, social welfare and, eventually, the response to terrorism provoked complaint that New Labour was cynically aiming to 'consolidate a reputation for toughness' (Anderson and Mann, 1997, 258). The previous chapter offered an insight into some of the influences on Blair's attitude to individuals' responsibility to wider society. To a far greater degree than Hawke or Keating ever dared, he actively attempted to foster a moral rationale for his government's actions. An important difference here between the two countries is the fact that some of these policy areas in Australia are the responsibility of state government, not federal. When dealing with them in the UK, Blair's language could be infused with exaltations about recovering lost 'principles', the need for a 'radical shift in our values and attitudes', a new 'ethic of responsibility' (Blair, 1997d). He went so far as to talk of the need to generate nothing less than a 'new social morality' for Britain, one that emphasised citizens' responsibilities. 'For every right we enjoy, we have responsibilities. That is the most basic family value of all. You can take, but you give too,' he said (*Guardian* 15 October 1996, 1). Blair's 'entreaty to cure society's ills' (Driver and Martell, 1998, 118) came to encompass, in the area of law and order, plans for stringent crackdowns on anti-social behaviour, hoax calls, begging and public drunkenness, curfews on street kids and restrictions on animal rights activists. From 1997 the government came out in support of the New York idea of zero tolerance and rejected a high-profile report recommending lesser penalties for soft drug use. The Crime and Disorder Act forced parents to take formal responsibility for their offending or disorderly offspring.

Stephen Savage and Mike Nash argued that of all the 'sea changes' inherent in the New Labour policy agenda, the shift in position on law and order was probably the most explicit. The approach to the mechanics of policing and criminal justice adopted under Blair from the moment he famously talked of being 'tough on crime, tough on the causes of crime' (Blair, 1996) was light years from Old Labour (Savage and Nash, 2001). In his first two ministers, Jack Straw and then David Blunkett, Blair had colleagues more than happy to overturn old approaches. Blair argued that just as Labour had traditionally been manoeuvred – through its own mistaken policies and clever Conservative party electioneering – into being seen by the voters as weak on economic policy, so it had been long regarded as soft on crime and against basic family values. It had always been seen as a 'right wing' thing to worry about crime – terrain the Tories had happily appropriated while painting the libertarian left, and Labour, as siding with criminals. But Blair said that it was out on the council estates of the UK, where the 'Labour people' lived, where most crime happened, where the victims of unruly, loutish behaviour, intimidation, bullying and assault were suffering (*The Times,* 18 September 1995, 9). He was determined to kill the destructive stereotyping of the Labour party.

The other big area where Blair applied this notion of individuals' debt to society was welfare. Chapter 6 looked to the way international 'welfare-to-work' policy orthodoxy evolved from the 1980s and how Britain cherry-picked ideas along the way from other nations including Australia. The next chapter will look to where the mutual obligations (MO) idea in welfare went in Australia under the successor to New Labor. Interestingly, during his third term, Blair signalled New Labour's intention to crack down on the benefit regime for the unemployed, single parents and incapacity benefits – policy areas where the Howard government in Australia introduced tough changes (Blair, 2006). But particularly in law and order, Blair's fusion of policy, his own well-known religiosity and defence of family values created intense discomfort among many Labour secularists. As the policies unfolded, John Gray talked of Labour's 'strangely authoritarian byways' (*Guardian* 5 January 1998, 22) and Henry Porter complained that as Home Secretary, Jack Straw had waged a four-year 'rampage through civil liberties' (*Guardian* 1 February 2001, 19). One critic argued that with the dissipation of control over the economy under globalisation, Old Labour's 'control freak' instincts were thwarted; New Labour cracked the whip in the community instead (*Independent,* 3 July 1995, 13). By 2006, a dismayed David Marquand was making the serious charge that through its policies, New Labour was guilty of nothing less than assailing freedom, tolerance, human rights, civil liberty and the rule of law in Britain. Marquand protested that by bearing down on 'stroppy teenagers', 'politically incorrect huntsmen', would-be demonstrators in Parliament, 'glorifiers of terrorism', the 'forces of conservatism' and the 'undeserving poor', the government had become 'an agent of moral regeneration and behavioural uniformity'. Here was a different 'statism and determinism' from the kind Labour had sought to impose in the past. But it was 'every bit as powerful … perhaps more so' (*New Statesman*, 16 January, 2006, 34–7).

This chapter will look more closely to the accusation of illiberality, the assertion that through a conservative, paternalistic or even 'totalitarian' policy response, New Labour was besmirching its own social democrat credentials. Basically, the chapter will investigate the suggestion that far from being heir to any school of socialist thought, Blair was, in fact, a throwback to the liberal tradition. New Labour's record will be evaluated against a backdrop analysis of liberalism as both a political tradition and a philosophical theory. But the novel tool of the comparison with Australia will be deployed. Is there ideological symmetry in what happened in the two countries? Does that help illuminate Blairism?

'Socialists become Social Democrats who become Liberals … '

As the Introduction made clear, it was Blair himself who first seeded the idea of the liberal link with his 1995 Fabian Society speech invoking Marquand's 1992 'progressive dilemma' thesis. Confidant of Roy Jenkins, Blair was clearly an avid student of the history of liberalism. Jenkins himself even postulated that Blair was a liberal (Jenkins, undated). Crucial to Blair's conception of a modern progressive alliance was the fact that prior to its emergence as a distinct political tradition, burgeoning nineteenth-century British socialism had evolved in conjunction with, been cross-fertilised by, and briefly prospered with, the radical, 'social' or 'New' strand of the liberal political tradition. Here it is important to point out that much the same process – or relationship – existed between these strands of political thinking in 20th-century Australia. In the 1920s the Liberal J.M. Keynes had seen a rich future in cooperation with Labour. By the late 1930s, however, he rued Labour falling under the spell of socialism and lacking electoral appeal, tartly observing of Labourites: 'Why cannot they face the fact that they are not sectaries of an outworn creed mumbling moss-grown, demi-semi Fabian Marxism, but heirs of eternal liberalism?' (Clarke, 1983). In his 1995 Fabian speech, Blair insisted Labour had to accept the commonality of belief and heritage of Lloyd George, Beveridge and Keynes as well as Attlee, Bevan and Crosland. By re-combining the strengths of the two streams, it would be possible to rebuild Labour 'from its foundations' – thus creating a genuine radical movement of the centre (*Observer*, 15 September 1996, 26). Just how serious Blair was about all this only became obvious in 2000 with the publication of Paddy Ashdown's private diaries from the period he led the Liberal Democrats (Ashdown, 2000). After he became leader, Blair had spoken cautiously in public about co-operation between his party and that of Ashdown (*Guardian*, 23 May 2000, 21). But the diaries stunned British politics by revealing the pair – and a small corps of negotiators including

Gordon Brown and Robin Cook – had been talking in utmost secrecy since 1992 towards a deal that that would comprehensively marginalise the Conservatives.

Claims in Australia that the ALP under Hawke and Keating had itself become a de facto liberal party first surfaced in the late 1980s (Jaensch, 1989, 95). Sociologist Peter Beilharz wound up his analysis of the 'emptying out' of the Labor tradition by saying liberalism seemed ready to inherit the earth. 'Socialists become social democrats who become liberals,' he said (Beilharz, 1994, 222). The proposition that under the influence of late twentieth-century modernisation, labour party practice in these two countries evolved into an amorphous liberalism encompasses some complicated, perhaps ambiguous components, not least because, as a system of ideas converging in a matrix of political action, liberalism has always evinced an intellectual messiness. For centuries it may have 'spearheaded the transformation of society from semi-feudal despotism into a structure of liberties equally available to every citizen, with its incessant opposition to the forces of privilege and oppression' (Eccleshall, 1986, 1), but liberalism developed numerous, at times confusing and even contradictory, strands (Gray, 1986 and 1989).

We have seen how in party management and policy-making, key ideas first explored in Australia in the 1980s were investigated by British party modernisers and then embraced and applied in the UK over a decade later. Do these practices and policy innovations and outcomes give support to the idea that, within their respective polities, the two parties were moved beyond a democratic socialism that flowered in the 1950s and 1960s, to idioms more in keeping with liberalism? Were some of the policy proposals, in particular, not just instances of international ideational movement; did they also have transcending philosophical import? The analysis here proceeds on two interconnected levels. New Labo(u)r is assessed against the backdrop of the general socio-political theory of liberalism, the phenomenon that Tim Rowse identified as so culturally dominant throughout Australian history (Rowse, 1978) and which arose there as a 'fragment' of European roots (Hartz, 1964). But this chapter will also seek to draw parallels between the realpolitik practice of the ALP and the conservative parties in Australia; and between the British Labour and Liberal parties, in the latter's various historic manifestations. The proposition raised in this chapter is whether by instinct and premeditated response, Hawke, Keating, Blair and Brown were pragmatic politicians content to draw on any political tradition if it served their ends. Thus, the question becomes whether instead of being identified with any one facet of liberalism, New Labo(u)r drew on its multiple strands – in its advocacy of neo-liberal economic nostrums, its mainstream 'liberal' instincts about the nature of party political practice and its social policies that were, variously, a throwback to social liberal or classical liberal sensibilities.

Normative values and party operational

Two years before Blair came to the leadership, an influential ALP figure illuminated the extent to which, under Hawke and Keating, the party had actually absorbed so many ideas from the Australian conservatives. In 1978, the respected Melbourne intellectual Barry Jones had first compiled a list of twenty-two descriptions he thought at the time helped delineate the normative values, methodologies, policies and philosophical approaches of Labor and the Coalition (Jones, 1980, 289–91). After he had served for some time as a slightly quixotic minister in Hawke's cabinet, in 1992 Jones returned to the list and wrote of how he found it so altered as to be no longer relevant (Jones, 1992, 21). Jones' exercise was illuminating because he was attempting to define not only the policy convergence but also the way, after nine years, the value systems between the two sides of Australian politics had elided. Hawke–Keating had moved their party towards a general doctrinal, as well as organisational and operational Liberal Party (LPA) landscape.

In a similar way, to look to Peter Joyce's 1999 book, *Realignment on the Left?* for example, is to be struck by the extent to which Blairism shared normative values with liberalism (Joyce, 1999). The SDP 'Gang of Four' that broke away from Labour in 1981, because of its then undemocratic domination by the left, found brief commonality with the Liberal Party. The vitality of the breakaway impetus was eventually sapped by Kinnock's modernising annexation of the political centre. But SDP pioneer David Owen claimed in retrospect to have thought up the New Labour tag when he and the other breakaway members contemplated employing it in 1981. 'There is hardly an innovative policy that New Labour espouses that was not advocated by the SDP between 1981 and 1990,' he said (*Daily Telegraph,* 29 August, 2000, 6). Joyce's account also makes plain some extraordinary parallels between Blair's values and intent, and those of Jo Grimond, who led the Liberal party from 1956 to 1967. Like Blair an Oxford-educated lawyer, the charismatic and popular Grimond was credited with helping reinvigorate radical liberalism as a coherent modern ideology. After 1959, Grimond sought to convince his own party to abandon the desire to form a Liberal government and merge with Labour's social democrats and moderate Conservatives. Grimond believed Labour's fundamentalist statist socialism – rooted in Clause IV – disqualified it from constructing progressive policies that could reform the private enterprise system and win national office. In an echo of Blair's rhetoric, Grimond's vision of a progressive alliance would exclude genuine Conservatives and Labour's left-wing fundamentalists.

Joyce's study documented the parallels in personal and philosophical preference between New Labour and the British Liberal tradition. Labour's modern appeal to the middle class traversed traditional Liberal territory. As Robert Eccleshall observed, Liberals had always believed that enlightened reforms would encourage everyone to acquire bourgeois habits (Eccleshall, 1986, 5). Liberals also confronted aristocratic paternalism with an alternative social ideal – the meritocratic conception of the self-made individual whose wealth and status were achieved rather than conferred by birth and who embodied the productive energy from which flowed economic prosperity. By background, the political pitch of the middle class, Blair also presented the reward of merit as a means of achieving a free and equal society. Blairism's abhorrence of ideology, grasping after consensus, distaste for group conflict and de-classing of the political agenda were resonant of the traditional Liberal belief in identity of interest between workers and employers (Foote, 1997, 196–227).

Chapter 1 outlined the party management and procedural changes engineered by the modernisers both in Australia and Britain, the effect of which was to help free them to get on with their agendas without interference from their wider parties, labour movements and even PLPs. Respondents interviewed for this book recounted how Blair, Brown and other British visitors were very interested to learn how party operational procedures were handled by ALP officials in the 1980s. In fact, it may be possible to argue that the comprehensive manner in which New Labo(u)r in both countries set about utilising the modernisers' structural control to minimise PLP dissent, make largely irrelevant the notion of the pledge, defuse or manipulate party conferences and essentially neutralise broader trade union opinion (in the UK almost totally and in Australia beyond an elite enclave) could be construed as suggestive of the intolerance of democratic collectivism that has always been a liberal hallmark. This idea cannot be taken too far, but a trend is discernible. Certainly, by focusing greater policy-making power in the parliamentary executive and away from democratic party structures, New Labo(u)r was edging towards the traditional preference of their opponents for leadership to determine policy outright. Dressed up it may have been in the various consultative processes, but in the end, the big decisions of the 1980s were those of Hawke, Keating and an inner cabinet coterie, in concert with a few of the ACTU hierarchy. And after 1997 in Britain the policy drive came from two places – the offices of Tony Blair and Gordon Brown.

New Labo(u)r in practice: policy

On many individual policy fronts, Blairism echoed traditional Liberal positions. Blair and Gordon Brown were enthusiastically pro-market and free trade. The Blairite emphasis on education as the route to social and economic fulfilment had long been integral to the Liberal view of the world. Blair himself and other party modernisers like Peter Mandelson were keenly pro-Europe. Paul Webb concluded that it was hard to dispute the 'fascinating and not implausible' suggestion that the cumulative effect of all these parallels meant the Third Way boiled down to a form of liberalism (Webb, 2000, 99, 105). This suspicion is further borne out by closely examining the high-profile policy domains of macro-economics, social welfare, the public sector, industrial relations and, particularly in the British case, law and order and constitutional change.

In terms of overarching economic policy, it is difficult to dispute the conclusions of scholars like Stephen Driver, Luke Martell, Colin Hay and Matthew Watson that Blair–Brown implemented a pretty comprehensive market liberal programme (Driver and Martell, 2002, 32–6). Some saw New Labour as 'post-Thatcherite' in all this, others detecting nothing but a clear neo-liberal convergence with Thatcherism (Hay, 1999, 140). Indisputably, the Hawke–Keating period drew on economic liberalism. In the end, the heavily interventionist, protectionist, public sector-enhancing party that had worked from the early Commonwealth parliaments to help sculpt the Deakinite Settlement arrived, in the 1980s, in the embrace of a deregulatory, free trade market liberalism, notwithstanding Keating's pretensions to also be forging a contemporary social liberalism for post-materialist times. In relation to broader social policy, Chapter 6 focused in some detail on the processes of transference of a number of ideas to New Labour, from New Labor. The Australian policy entrepreneurs, the Odysseans, only developed a modest number of innovations. These ideas were ideologically challenging for many in the ALP at the time. They were later embraced in the UK. The key point here, though, is that they disclose a common underlying philosophical cadence; and it is possible to interpret it as having a provenance within the liberal tradition.

It was not until the mid-1990s that the Keating policy people began consciously using 'mutual' or 'reciprocal' obligation terminology to describe what they were doing. But in Brian Howe's 1980s targeting of benefits and crackdown on fraud, it is possible to see the beginning of this very distinctive shift in approach that was sharply reinforced in the Keating government's policy response to the 1991 recession, and then, as we shall see later, taken to an even more refined level by the Howard Coalition government after 1996. New Labor pioneered the shift in the notion of welfare as an entitlement – long part of a democratic socialist ethic – to the idea that welfare recipients had specific obligations, binding them in return for their benefits. The left had always been 'preoccupied with enshrining and protecting the principle of a right to welfare' (Roskam, 2001, 272). At the heart of this New Labor shift to conditionality was 'an understanding that the provision of welfare should no longer be seen as a general economic safety net below which no member of the community should fall', but as a 'two-way-street' whereby recipients had to 'give something back to qualify for assistance' (Macintyre, 1999, 103).

Keating's 1994 *Working Nation* programme was the culmination of this trend. But this book ties this innovation together with the HECS scheme, where the onus shifted to the individual to finance his or her education, and the Child Support Agency, with its drive to require non-custodial parents to play a greater role in financially supporting their children. Clement Macintyre argued the Australian initiatives in the 1980s to shift part of the cost of aged care from state-funded pensions to private superannuation schemes could be seen as another example. Each of these policies made impacts on politicians and bureaucrats in the UK. And through all of them ran the underlying principle of a burden shift from the state to the individual, placing the emphasis on the responsibility owed by the latter. In this new approach to relative responsibility, government involvement was reduced, the pressure on the public purse eased and individuals forced to take greater control over their lives.

Previous chapters demonstrated the impact on Blair of two sets of Australian ideas – Peter Thomson's theologically grounded arguments about the relationship between individualism and wider society, and also about rights and responsibilities; and the Odysseans' work, grounded in this political application of reciprocal obligation. By conjoining liberalism and collectivism, through his location of the rights of the individual within what he called 'the social nexus of others', Thomson clearly influenced Blair very deeply. 'My politics are rooted in the belief that we can only realise ourselves as individuals in a thriving civil society … for most individuals to succeed, society must be strong,' Blair said. It was this mix that released the 'key value' Blair saw in the 'new politics' – opportunity. The individual was empowered to pursue opportunity, but this was creatively locked in place by the concept of two-way obligation. As Blair himself repeatedly acknowledged, it marked a significant shift away from old Labour thinking (Blair, 1998d).

As noted earlier, in particular on the welfare and law and order policy fronts and then in the issues that flowed from the terrorism crackdown of the early 21st century, civil libertarians voiced ongoing, serious concerns that Blairism was being unacceptably illiberal. The key question here, though, is whether it is possible to see beyond the charges of illiberalism that flow from a modernist, 'civil rights' interpretation of freedom, to discern meaning elsewhere – in fact, in the earliest historical roots of classical liberalism. Does New Labo(u)r's dalliance with notions of rights and responsibilities and reciprocal social and economic obligations locate it within the great theoretical tradition of liberal rights which had its origins in the premodern Hobbesian social contract, and then flowered with the classical nineteenth-century thinking of J.S. Mill (Mill, 1946, 67) and Jeremy Bentham (Steintrager, 1977, 58; Manning, 1968, 92)? Are tenets of Millian and Benthamite liberalism detectable in the Thomsonite melding of individualism and collectivism?

As Ian Shapiro showed, conceptions of economic, social and political rights became the cornerstone of the tradition of Western liberal theorising in the seventeenth century and have been evolving, as such, ever since (Shapiro, 1986). The precise nature of rights fired the writings of the great thinkers on the meaning of freedom from Rousseau to Kant, T.H. Green, Berlin, Rawls and Nozick. Here, though, it is necessary to invoke the distinction between positive and negative freedom, given lucidity by John Gray (Gray, 1986, 57), and which flowed from the work of Isaiah Berlin (Berlin, 1969). On one hand, liberals hold that individuals have a right to be free from constraints or interference from the State, other individuals or entities – negative freedom. This was the notion of liberty adhered to by classical liberal theorists – including Locke, Kant and Mill. On the other hand, the positive view of freedom, flowing from Hegel and his followers, holds that liberty in the fullest sense involves the opportunity for self-realisation. This is the basis on which the 'revisionist' liberalism identified by Gray insisted that freedom involved having more than the legal right to act. Thus, the modern welfare state was validated as a freedom-enhancing tool. The point here, though, is that the Blairite morality of rights and responsibilities – encompassing welfare and law and order policy – cohered with notions of negative freedom. Blair's 1995 party manifesto, *Labour Aims and Values,* could not have spelled it out more clearly. New Labour declared: 'We consider that the boundaries of liberty are drawn at the point where the exercise of freedom by one individual or group invades the freedom of others' (Labour Party, 1995).

Stuart White suggested that the Millian notion of negative freedom may indeed have underwritten the rights and responsibilities ethos of New Labour. The 'pains' that so concerned classical liberals represented a physical notion. But White argued it also could entail damage to 'shared civil interests' – and this extended to what he called 'the economic exploitation that arises when one citizen opts to free-ride on, and so curtail the economic opportunities of, his or her fellow citizens' (White, 1999, 174). Against this backdrop, should we not temper the leftist-civil libertarian complaint about the intrusive nature of New Labour's tough welfare code and its authoritarian law and order agenda? The law and order reforms implemented by Jack Straw and David Blunkett in the late 1990s did amount to a revolutionary shift, at least in terms of Labour's traditional post-war stance. But were they really cynical illiberal or paternalistic ploys to win plaudits from right-wing British tabloid newspapers, as some argued? In response to some heated allegations of illiberalism, and denying he was a conservative in this, Blair battled to spell out a subtle distinction. He argued that he was not intent on 'a lurch into authoritarianism or attempt to impose a regressive morality' (Blair, 1996b, 8). Elsewhere, he said:

> I have no desire to return to the age of Victorian hypocrisy about sex, to women's place being only in the kitchen, to homophobia or preaching

> to people about their private lives … But the absence of prejudice does not mean the absence of rules, of order, of stability. Let us construct then for today … a social morality based on reason, not bigotry. But let us not delude ourselves that we can build a society fit for our children to grow up in without making a moral judgement about the nature of that society. This isn't a killjoy philosophy. This is enlightened self-interest. (*Independent*, 15 October 1996, 9)

Basically, Blair and his colleagues tried to ideologically ring-fence the law and order crack-down, isolating it as a distinct pocket of policy ideas. It was not part of a much wider socially conservative matrix; that was the difference. Despite the revulsion of so many on the left, the anti-terrorist crackdown by the government may also be seen in this light. In fact, to align, for a moment, British and Australian politics directly in time, it's interesting to note that John Howard's own Blair-like, tough anti-terrorism legislation in 2006 was explicitly defended as entirely consistent with Thomas Hobbes' view that the legitimacy of the state and its citizens is rationally and ethically mandated by the notional social contract under which individuals agree to constrain their unlimited freedoms for the sake of security, safety, civility and public order which the state guarantees on the basis of mutually acceptable moral principles (*Sydney Morning Herald*, 21 November 2005).

In 1998 Stuart White had been alive to the distinction Blair was making here – one that helped explain, for example, Peter Thomson's apprehension about Etzionian communitarianism, on the right. White showed that Blairism was far more in accord with liberal sentiment than the Fabian tradition. While the left downplayed the idea that the individual had enforceable responsibilities towards the wider community, civic liberalism affirmed the state's role in defining and enforcing responsible behaviour. There was a plausible range of consensus on what responsibilities should be demanded of citizenry – responsibility to work, acquire relevant skills, be a good parent, pay taxes fairly and respect the environment, for example. In short, the liberal wanted to 'identify a limited number of very specific civic obligations' and acknowledged the legitimate role of the state in enforcing them. White did say liberals would reject the idea that the state should enforce good behaviour in the very general sense, in the way suggested by some prophets of communitarianism. They would see this as dangerously moralistic, providing alarming opportunities for an attack against perceived deviancy or non-conformity (White, 1998). The civil libertarian refrain was that in some of the crackdowns on public behaviour and family management of children, for example, this point had been reached under New Labour. The Blairite retort so often seemed grounded in this dispute about the real meaning of liberalism.

The public realm: privatisation, arbitration, devolution and PPPs

In its two-country analysis, this book has focused on four elements that can be defined as helping comprise the New Labo(u)r approach to the public realm. In Australia, key interview respondents made clear their private discomfort at how far Keating had pushed the Thatcherite privatisation agenda and his desire to deregulate the wage system. In the UK, Blair oversaw an historic restructure of Britain's constitutional arrangements – devolution from the centre, which actually won him plaudits from many progressives. Devolved power was a core ingredient of Blair's revolutionary 'post-privatisation', localised, public–private rethink of public service delivery. These four elements also help locate New Labo(u)r within the liberal tradition, estranged once again from a democratic socialist conception of the role of the state.

Australian scholars long noted one of the important factors delineating liberal and socialist thinking – the latter's firm commitment to the efficacy of an interventionist state built, where necessary, upon the nurturing of state-owned or managed agencies. Bruce O'Meagher said that as well as the issue of unionism, in Australia 'labourism and liberalism parted company ... over the role of the state' (O'Meagher, 1983, 14). As well as the organisational constraints it was trying to impose on its MPs, the thing that drove Alfred Deakin's decision back in 1909 to scupper his links with the ALP and align with the conservatives was his concern over Labor's emerging attitude to the extent of state intervention – what he called a 'real line of division' (Deakin, 1912). During the 20th century, state intervention was a key delineating boundary between Australian Liberalism and Laborism, Marian Simms demonstrating how it was always the non-Labor parties that sought to privatise government agencies. The 'central ideological strain' of the Liberal Party of Australia had been the 'integration of the functions of the state with the operation of the private sector' (Simms, 1982, 77). Indisputably, the Hawke–Keating era embraced this ethos in its efforts to roll back state ownership.

On the face of it, an Australian government's attitude to management of public sector agencies may seem unconnected to its view of the wages system. But the century-old arbitration system was a central agency of the Australian public realm. And New Labor's approach was built on ministers' preconceptions about its efficacy and legitimacy as such. In a sense, wage system deregulation would bring a form of privatisation. And to reiterate the judgement of experts in the IR field: with Keating's landmark Institute of Directors speech of April 1993, it had become difficult to detect any difference between the ALP and Coalition IR approaches. In 1989, before the Labor assault on the wage-fixing system really gathered momentum, an analysis by historian Stuart Macintyre contained a prescient warning.

While the Hawke–Keating revolution had, by then, brought an historic dismantling of 'public controls', were this to extend to IR, Macintyre said, then Australia's unique system of political economy would be dead (Macintyre, 1989). Notwithstanding the fact that many saw the Accord giving unions unprecedented leverage in national policy-making and despite its undoubted effectiveness mitigating rising market wage inequality, the Keating administration arguably left the centralised wage system more in need of philosophical defence than ever in its history. Few Australian social institutions were subjected to more New Right political abuse in the 1980s. But the Keating period closed with Labor embracing the enterprise bargaining it had repudiated for years; the Prime Ministerial and ACTU inner sanctum privately talking about smashing the arbitration system; and the Prime Minister himself unilaterally moving to dismantle the award system. Some critics saw New Labor's broad repudiation of the public realm as setting back decades of nation-building during which the Australian people had come to accept an extensive system of state ownership as the natural order of things. Hawke and Keating had set out to lower their followers' expectations of state action, even to make it 'disreputable' (Maddox, 1996, 16).

Built, in part, upon (Peter) Thomsonian influences, it is possible to see in Tony Blair's general attitude to the public realm a major shift away from British democratic socialist idioms. In the last chapter's elaboration of Blair's PFI–PPP revolution can be detected the traditional suspicion of centralised bureaucracy that is a liberal hallmark. Early twentieth-century New Liberals specifically rejected Fabian centralism, pressing for a bottom-up democratic collectivism. Blair's re-think of the philosophical basis of state provision melded this downplayed centrism with an enhanced emphasis on devolved decision-making. By the end of its first term in power, New Labour's plans for broad constitutional reform, including devolution of power to Scotland, Wales and Northern Ireland and the restructure of the House of Lords, had won broad applause. In fact, it is arguable that ordinary Britons had little conception of the cumulative potential in the change that Tony Blair, the former lawyer, had overseen (Marquand, 2000). Constitutional expert Vernon Bogdanor called the reforms 'astonishing' and probably the most radical such programme in Britain's entire history. But as Paul Webb argued, though it had not been part of Labour party thinking prior to the 1980s, this commitment to constitutional devolution, and to decentralisation in a bid to empower local communities, had always been a 'major theme' within British Liberalism (Webb, 2000, 104). Historically, the Labour movement had been a centralising force in politics. Bogdanor said the Blair reforms marked the end of one strand, at least, of socialism – 'namely, the belief that a benign government at Westminster can secure the distribution of benefits and burdens on the basis not of geography but of need'. In fact, this kind of change, Bogdanor said, had been the historic task pursued by the Liberal Party. The fundamental case for devolution was based on liberal values rather than socialist ones (Bogdanor, 2001, 153–5).

Inequality

In the end, if one stand-out characteristic binds the Hawke–Keating and Blair–Brown projects, it is probably their view of inequality. Here is a dividing line that cuts off the two periods in office from their respective parties' most distinctive modern aspiration – that is, the democratic socialism of Tony Crosland and Gough Whitlam. But it is also the point that most clearly locates New Labo(u)r in liberal terrain. As thinkers like Edward Broadbent argued, liberals and socialists diverge, above all, on one key point (Broadbent, 1999). Whereas the former believe in equality of opportunity, the latter look more ambitiously to equality of outcomes, what Hugh Emy called the demand for 'equalising social conditions' (Emy, 1993b). In making his distinction with social democracy in 1983, Hawke's later Foreign Minister, Gareth Evans, also argued that it was equality of outcome that had to be achieved by his preferred Laborite strand, democratic socialism – not merely equality of opportunity which, he said, was 'an aspiration that ordinary common-and-garden liberals can share'.

Bob Hawke insisted he was a social democrat, in the tradition of Fabian gradualism. But, as he made clear in the interview for this book, he believed the 'opportunity for individuals to improve themselves' was what drove society. Government had first to make the economy grow and then ensure a 'fair go' for the underprivileged. Thus, its job was to 'establish a society in which there is equality of opportunity, not equality of outcomes because people are different and some people will do better. But you've got to have equality of opportunity' (Hawke: Interview). From his maiden parliamentary speech, Blair insisted he believed in equality of opportunity and nothing more; he eschewed any suggestion of radical steps by which government should intervene to address the structural distribution of wealth. His brand of socialism stood for equality 'not because it wants people to be the same but because only through equality in our economic circumstances can our individuality develop properly' (Blair, 1983). If there was a clear symmetry in the philosophical approach the New Labo(u)r leaders brought to the issue of inequality, there was also a startling commonality in their policy approaches that impinged on it – and also in how it manifested in national economic performance. Delineating the inequality phenomenon is a notoriously problematic enterprise in any country, depending on what criteria, data and methodologies are used. In short though, the trend that emerged during the Hawke–Keating era seemed replicated under Blair. Inequality in market wages substantially increased – keen arguments came to settle in both countries around the extent to which welfare transfers and social wage reforms helped offset this differential. Like Hawke and Keating, Blair willingly subsumed the notion of equality within the higher priority of economic efficiency. His 'utter conviction' was that only through 'economic modernisation' could a more just society be created (Blair, 1997b).

Blair relentlessly argued the case for meritocracy; but the discomfort inherent in this for a Labour leader was best exemplified during the 2001 election campaign when part of the 'audit' analysis of his government's first term rested on the claim that the inequality gap between rich and poor had, in fact, widened since 1997. Through measures like more generous means-tested benefits, increases in child benefit, the introduction of a child tax credit and changes to pensions including a Minimum Income Guarantee, New Labour disproportionately improved the lot of some of the most disadvantaged people in Britain, particularly poor families with children (Toynbee and Walker, 2001). Interpreting the complex statistics relating to broad measures of inequality had always been problematic. The dramatic and inexorable growth in inequality under Thatcher had been a political totem, one Labour had promised vehemently to redress before it came to office (Goodman, Johnson, and Webb, 1997). But as the Blair period unfolded, research from bodies like the Institute for Fiscal Studies indicated the inequality gap had continued to widen. Some said inequality had never been so entrenched in British society (Shephard, 2003). While the low paid were getting nowhere (*Guardian,* 27 March 2002, 27), the salaries, dividend payments and even retirement packages of company executives were reaching unprecedented levels of generosity. Former Blair ministers could not disguise their fury at the situation (*Guardian*, 15 July 2003, 19; *Observer*, 26 January 2003, 17). While basically applauding Brown's efforts for the very least privileged, Toynbee and Walker went to the heart of it: Labour had worked diligently to try to share the proceeds of growth fairly for the near-destitute, but it was terrified of 'taking much away' from anyone. This was hardly redistribution, they argued, because at no point was income ever really taxed away from the super-rich (Toynbee and Walker, 2001, 41). Blair's response was always that it was more important for him 'not to level down but to level up'. Asked in 2001 whether he was happy to see the inequality gap expanding, he talked of how perhaps the picture might alter in the future when Brown's welfare and other reforms had flowed through:

> But to deal with your basic point though, it is of greater importance to me, frankly, that those who are poor and unemployed are lifted up, rather than those who are successful and wealthy are brought down … you know, for me the most important thing is to give everyone the chance to succeed rather than saying I am against the successful entrepreneurs that we have, because I'm not, I think it's a good thing and we need more of them. (Toynbee and Walker, 2001)

Blair's position seemed either to confuse or alarm Third Way theorists. But for many in the Labour party, it was simply untenable. The line in the sand was not drawn by the Old Left but by the remnant standard bearers of Croslandite revisionism, led by Roy Hattersley. Tony Crosland had unselfconsciously talked of his own socialism, asserting that the belief in equality had been 'the strongest ethical inspiration' of virtually every school of British socialist doctrine. Quite apart from it being listed specifically as one of them, the need for greater social and economic equality can be interpreted as underpinning every one of the five 'underlying moral values' or 'ethical and emotional ideals' that Crosland identified as common to all the 'schools of thought' within the socialist tradition. While he accepted that there should be a 'definite limit' to the degree of desirable equality in society, Crosland was adamant Britain needed 'more equality than we now have'. In Chapter 8 of *The Future of Socialism* he argued that equality of opportunity was not enough; that it simply reinforced existing social privilege. Unlike Blair, he did not have unconditional confidence in meritocracy; though it was better than 'hereditary aristocracy', a 'talent aristocracy' would not produce a just society (Crosland, 1964, 167). The previous chapter adverted to the chasm between Croslandite and Blairite ideas about the appropriate forms and degree of government intervention in the economy; essentially polarised notions of the nature of the public realm. All the measures proposed by Crosland had one simple aim: intervention to redress the social injustices that he saw as creating a 'mal-distribution of wealth'. As Roy Hattersley observed, such ideas would position Crosland as an 'extremist' by the standards of Blair's party (*Guardian,* 28 September 1999, 19). And as the Introduction made clear, Hattersley's view was that the issue of inequality, above all others, located Blair not just outside the Labour tradition, but 'alien' to it (*New Statesman*, 22 January 1999).

Conclusion

The suggestion offered in this chapter is that by the mid 1990s in Australia and by Blair's third term in the UK, the cumulative effect of the changes enacted in a number of important areas meant both parties' philosophical centres of gravity had, indeed, been shifted onto liberal terrain. The effect of the New Labo(u)r revolution was that both had gradually absorbed not only many specific policy ideas but also underlying political values that inform various streams of thinking within the liberal tradition – economic liberalism, social liberalism and classical liberalism. Rather than reflecting any one of liberalism's various strands, New Labo(u)r drew defining elements from each of them. It embraced cornerstone elements of neo-liberal economics but, through its Odyssean policy-making, tempered this laissez-faire drift with a counterbalancing mix of measures that signalled both New Liberalism-style social concern and classical liberalism-inspired invention. This cherry-picking from the diverse liberal tradition invested the project with a vibrancy that, for a short period at least, made the Australians influential internationally. And it was this that gave Blairism a distinctiveness that, by the third term in office, so many British party traditionalists were finding so hard to reconcile.

In wrestling with the New Labour phenomenon, Michele Salvati argued that twentieth-century social democracy itself had always amounted to what the Third Way aspired to – a 'blend' of the 'theories, practices, principles and values' drawn from both liberalism and socialism. Particularly since the war, social democracy had evolved as a kind of third way: 'i.e. a rather muddled and unprincipled array of theoretical tools, ideological references and actual practices: a political compromise shifting in time and varying according to national contexts'. Salvati said that today's social democracy was already a liberal–socialist compromise. The 1990s talk of a Third Way had flowed from the collapse of communism and the discrediting of Keynes–Beveridge. The left was desperate to identify some new overarching meaning, all the time remaining within the traditional socialist–liberal 'compromise'. Salvati went on: 'And here, at last, we reach the nub of the matter: in the search for such a strategy, those who want to strengthen the liberal aspects of the compromise talk about a third way; those who want to defend its socialist aspects stand on the social-democratic side of the debate.' Salvati concluded that if one bore in mind the fact that, for much of the twentieth century, the social democracy to which Blair referred was, in fact, this liberal–socialist compromise, 'it becomes clear that the third way he advocates is a re-negotiation of that compromise characterised by a strengthening of the liberal element'. This he dubbed 'lib-lib-lab' politics ...' (Salvati, 2001, 155–8).

New Labo(u)r endnotes

Blair's secret negotiations with Paddy Ashdown eventually stalled because the latter pushed hard for the undeliverable *quid pro quo* of proportional representation. In the end, Labour's massive 1997 election parliamentary majority meant the new government did not need the Liberal Democrats. But the Ashdown diaries were also deeply revealing in that they showed Gordon Brown had privately conceded to Ashdown that he had reviewed Labour's economic policy in 1992 and had 'discovered that you lot were right'. Ashdown quoted Brown as saying that he had decided to 'basically adopt the classic Liberal agenda, in favour of competition, in favour of enterprise and centred around equality of opportunity'. In those same secret talks, Ashdown also revealed Robin Cook admitted that many in the Labour party knew Blair was not 'of' it at all. 'That's what makes him so dangerous and so frightening,' Cook reportedly said. 'But it is also what makes him so interesting, so useful and so imaginative. No doubt, that's what you find exciting about him. I really don't know why he didn't join you' (Ashdown, 2000, 423, 484).

If the New Labo(u)r endpoint was, indeed, liberalism, a signpost on the way was the poignant, resigned frustration of the movement's Australian pioneer and ALP leader before Hawke, Bill Hayden. Hayden's ideological journey is illustrative of the way the early radicalism of Laborites buckled under the pressures of office. He had first caught the eye with the publication in 1968 of an essay that purported to lay down his political philosophy, 'The Implications of Democratic Socialism'. From the perspective of Hayden's evolving political education, the pamphlet is intriguing. At the time, it resounded with orthodox Labor radicalism, burning with anger at inequality; Hayden projecting himself to the world as ardent democratic socialist proposing full-blown interventionism (Hayden, 1968). But in fact, by the end of the 1960s, his deepest democratic socialist beliefs were gradually being overturned by his study of economics. Into the 1970s, Hayden's career was characterised by the gradual collapse of his faith in government as a vehicle for planning, intervention and compromise with special interests. In his 1996 autobiography, he revealed that his years in politics had taught him that not only was government incapable of playing a role; it should not be permitted to do so. His insistence that the challenge lay in finding a balance between 'absolute libertarianism and absolute state authority' presaged Third Way theorising. But if he was espousing a form of that phenomenon, then it is clear that the child of working class privation who horrified many of his supporters on the left by ultimately accepting the job as Governor-General of Australia spent a political lifetime on a journey to a destination beyond the party that nurtured him. Looking back over his career from retirement, Hayden said he had learned an important truth:

> As an impatient young idealist, I believed in the perfectibility of humankind. That I now acknowledge to be a potentially dangerous illusion. The inherently flawed condition of humans, their variety and frequent unpredictability are among the most important bulwarks we have against an 'ideal', conforming State; a grey, boring, servile State. I am no longer a Democratic Socialist nor even a Social Democrat. But I am dedicated to operating, as a liberal humanist, within a democratic, pluralist State where we work to maintain a healthy trade-off between collective responsibilities and individual rights. (Hayden, 1996, 197)

9

Howard's (Third) Way: 1996–2006

This book has demonstrated that, in an international context, the Blairite revolution was by no means unique. Exactly the same innovations happened elsewhere, and at an earlier moment – as it happens, in probably *the* country with the most familiar political, party and institutional linkages to the UK. Moreover, this book has tried to probe the extent to which Australian influences helped mould Blairism, as it cherry-picked inspiration from around the world, not only in the US. It has homed in on specific ideas – political practices and also policy-making – that the Blairites took from New Labor. Given the labourite UK–Australia linkages, this book has also posed questions about the nature of the ideology that informed the party political revolutions in these two places. But in the first decade of the twenty-first century, New Labor in Australia was long gone, politically dead and buried; replaced with something very different. This chapter looks closely to the phenomenon that followed it. What did the conservative John Howard do with what Hawke and Keating began? More than a decade after its demise, what could be said of the legacy in Australia of New Labor?

The new Menzies

In his third incarnation as a prominent Australian politician, John Howard's triumph finally seemed unbounded. He had first appeared on the scene as a young Coalition minister and then Treasurer in the 1970s – balding, bespectacled and dour; a short man with a tendency to stiffen his back, seemingly to somehow pump himself up, particularly in the presence of his then boss, the imperious, granite-faced giant, Prime Minister Malcolm Fraser. Howard's second manifestation was actually the defining one, though no one realised at the time; the time after Fraser, the 1980s. A time of bloodletting. A time of testing, of lesson-learning, of doggedly persisting, never mind the setbacks. It was the time of Hawke–Keating in power, getting on for a decade and a half. That was a long, long time to keep fighting for a cause driven by a relatively arcane set of beliefs about economics. A long time to have to

Figure 9.1: Prime Minister John Howard and Janette Howard during the Prime Minister's XI cricket match against the West Indies in Canberra 2/12/2005

manoeuvre to survive; to face down opponents, including some on his own side of politics. It was a long time for Howard to keep going out to make the case why this new form of ALP government was never good enough, never going far enough. Even though it managed to hold the public transfixed with its novelty, apparent coherence and animation; and even though it was basically doing exactly what Howard believed needed to be done.

And then the third John Howard arrived: Prime Minister. Delivered, as much as anything, by the vagaries of political good fortune. Directly after Fraser, the LPA actually opted for Howard's long-time rival, Andrew Peacock, as leader, then ditched him and installed Howard. Peacock then mounted a party room coup in 1989 that Howard simply did not see coming. But as five successive elections were lost, the Coalition reached for other, younger alternatives including the ex-banker John Hewson in 1993. When the younger generation couldn't do the trick, there seemed no one else. Now it was really desperate so the truncheons were finally put to the side. In 1995, the men who ran the LPA decided to give Howard another chance. But it was, by now, the time of retribution for the ALP after that awful early 1990s recession; the Australian public had simply had a gutful of the arrogant Keating. This was their payback moment. Or was it that they had somehow grown so familiar with 'Little Johnnie' they were ready to accept he couldn't be that bad? Was it that all his persistence had paid off? Or that he was right all along? Or that, despite the image problems that at times in the 1980s had made him a bit of a laughing stock; despite the opinion poll ratings that sometimes suggested people simply could not stand the thought of him as a potential Prime Minister; despite his odd ill-judged move, like an immigration policy gambit that left him open to the charge of racism, here was a man with such strength of purpose, resolve and firm beliefs that somehow he had metamorphosed into the sort of guy a country needs as its leader? There is truth in all that. But what is certainly true is the key point here that Bob Hawke and Paul Keating did a gigantic amount of political and policy-making spade work for John Howard. Perhaps they did it because he worked so hard behind the scenes in the lean years to keep pressuring them more and more towards it. But the fact is that in the desperately deep pit of political irrelevance into which the ALP collapsed after 1996, the Keating apologists could only whine that the public should disregard Howard now because the person who had really paved the road to prosperity, stability and security was the man the electorate had just thunderously sent packing. In the evolution of John Howard into a politically untouchable Prime Minister, his third incarnation, there are a couple of landmark moments. Moments that mark the scale of his achievement, but also point to the political dismemberment of the Australian Labor Party in the form the country had known it for a century.

The first moment was the election in March 1996, which Keating lost in a devastating landslide to Howard before retiring from politics. There the Coalition grabbed a 5.1 per cent swing nationally, with every state and territory in the country shifting to it, giving it 94 seats in the equivalent of the Commons, the House of Representatives, compared with the ALP's 49 seats. With its thumping majority, the Coalition had taken 31 seats off Keating, who endured the final ignominy of leading his party to one of its most devastating losses. The comprehensive analysis of the election by a group of Australia's foremost political scientists was entitled 'The Politics of Retribution' (Bean et al., 1997). The second moment came eight years later, on 25 October 2004, when Howard won his fourth straight national election so comprehensively that he was acclaimed the 'new Menzies' and the ALP Opposition was cast further into an ideological crisis as deep as any in its history. In this, Australia's 41st national election, the Coalition government secured a remarkable 2 per cent overall swing, with inroads in every part of the country. No Australian government had increased its majority in this way at an election for forty years. To have done so at his fourth contest made Howard untouchable in the Coalition – free from the agitation of young turks around him (Aubin, 1999) and able to decide the moment and circumstances of his eventual departure from politics. But the third key moment flowed from the stunning development that came in the 2004 election count that went on for weeks to decide the last of the seats in the Upper House of the Australian parliament, the Senate.

For generations, the outcome of voting in the Senate has been largely a sub-plot in the wider story of Australia's bicameral federal elections. Not so in 2004. The Senate result was not declared for weeks, because of the tightness of the result and the complexities of the chamber's proportional representation system. Crucially, under the Australian system, the Senate has the power to sign off on all laws. Without a majority there, governments over the years, including the whole Hawke–Keating period, routinely had to negotiate compromises on the nature of its law-making with minor parties holding the balance of power – and since the 1970s that had meant conservative-minded independents, minor parties of the left and Greens. The clinching of the last Senate seat to be counted in Queensland in 2004 gave the Coalition the 39 seats it needed to be the first government in decades to exercise a majority in both houses of parliament.

A crowning achievement

For Howard, this triumph represented the crowning achievement of a long and eventful career – the heaven-sent opportunity for the radical reformer to complete the job of nation-changing he had envisaged over thirty years earlier. At last he would have unimpeded control of the parliament to drive through whatever legislative change he wanted. And the jewel in that crown would be the final push to dismantle Australia's centralised industrial relations system. As part of the neo-liberal agenda outlined in Chapter 2, the dream of smashing trade unions and dismantling the so-called industrial relations 'club' had become the political holy grail of the conservative right in Australia in the second half of the 20th century. Powerful business interests poured money into the campaign to try to inch towards it; Thatcherite think tanks and pressure groups were formed in the 1980s for that specific purpose. Some of Howard's closest personal friends dreamed of an IR revolution with a fervour that bordered on obsession. Conservative political strategists privately postulated that if somehow the IR system could be destroyed, the ALP's support base in the wider labour movement would be in disarray, and the party potentially crippled. It would represent not only historic change to the Deakinite Settlement; it would be a massive reordering of power in contemporary Australian politics.

Howard's first gambit in this direction came in 1996 when his ministers managed to negotiate past the Senate's small parties a tranche of measures that changed the way the wages award system operated, brought an end to compulsory unionism and a crackdown on secondary boycotts and eased unfair dismissal laws. This legislation gave the go-ahead to a new system of individual work contracts between bosses and employees to operate in tandem with the award system. But to get some change in place, the government had to agree to leave the centralised arbitration system in place; this was not yet a fully deregulated system. It was the Coalition triumph eight years later in the 2004 election, and the securing of the Senate, that finally cleared the pathway to the truly historic IR recalibration, one that would stand as an enduring monument to John Howard's persistence and ideological determination.

Labor in crisis

That 2004 election win left Howard lauded as the most influential conservative politician in modern Australian history – certainly since Robert Menzies (*The Australian*, 11 December 2004). The scope of conservative inroads in seats across the country suggested it was unlikely the ALP could hope for a return to office before 2010. Rupert Murdoch's national daily, *The Australian,* talked of the era of the 'Howard Supremacy' (Editorial, 6 December 2004). Across the free market/social liberal divide, there continued to be background debate about whether Howard was the direct ideological heir to Menzies or, a populist conservative radical burying forever the ameliorative stream of the Australian liberal tradition. What was beyond doubt was that since an uncertain start in 1996, Howard had managed his government with as much shrewdness as luck. In fact, his first term in power had been unsettled, with various scandal-ridden ministers forced to resign. At the 1998 election he had only just defeated the man who had replaced Keating as ALP leader, Kim Beazley. By 2001 Howard was clearly learning from his mistakes, ditching some unpopular policies and, riding ongoing economic prosperity, unveiling massive spending in the 2001 Federal Budget. And then came the horror of 9/11 and the high-voltage issue of boatloads of illegal refugees arriving off Australia's coast – the infamous *Tampa* boat stand-off where Howard signalled the start of his no-nonsense, Blair-like tough line on asylum seekers and the wider issue of terrorism. The post 9/11 climate irrevocably changed politics in Australia as it did elsewhere, and Howard exploited the new mood shrewdly in defeating Beazley again in a 2001 election where he won an increase on his 1998 majority.

In *Losing It*, her 2005 account of the ALP's traumatic years in Opposition after 1996, journalist Annabel Crabb showed how the raw sense of community fear, apprehension and hostility engendered by the so-called war on terror, and the crackdown on supposedly threatening aliens, helped Howard wedge the ALP into a politically impossible corner. To be fair, for a while prior to 2001 Labor had been in the contest – even hopeful of victory at the election that year. But in having to respond to the new dynamic of uncertainty over security, and Howard's brilliant positioning of his government in response, the opposition ALP was ideologically rent in two. Its right-wing faction saw no alternative but to back Howard's tough line, while its liberal progressive elements reeled in horror at the affront to civil liberties. Such was the sense of a fearful community fully behind Howard's tough line, though, the electoral dilemma was unavoidable: to oppose him meant the ALP would face excoriation for being soft on terror; to back him meant it offered no alternative at a time of apparent crisis. This was the background dynamic to the early years of the twenty-first century in which Howard was able to press on with his programme of policy reforms – and the context in which a resultant new conservative ideational hegemony flowered in Australia.

In 2003, scholar Judith Brett argued that with his combination of economic liberalism and social conservatism, Howard had understood the implications of the erosion of class-based politics and cleverly adjusted his pitch to claim ownership of what had traditionally been the ALP's working class electoral heartland (Brett, 2003). The crisis that engulfed Labor was not simply that it repeatedly lost elections; it was that it seemed completely incapable of establishing a philosophical beachhead from which to plan an electoral recovery. The party seemed to have run out of ideas. Straight after the 2004 election, prominent ALP MP Lindsay Tanner summed it up: 'We have got to decide who we are. I think that's our core problem' (*Lateline*, ABC television, 12 October 2004). Howard ministers eagerly exploited this climate of misery. 'I think the Labor Party is suffering from a malaise that is much deeper than mere leadership,' said Howard lieutenant Tony Abbott. 'It has a crisis of identity and a crisis of belief. It's because they don't know what they stand for and they don't know who they represent … ' (*Sydney Morning Herald*, 27 November 2003). At the core of Labor's problem was determining a policy direction in the wake of the revolution that the Hawke–Keating period had imposed upon it.

Over recent years in Australia, much of the retrospective debate about Keating focused on the issue of whether the Hawke–Keating reforms had really created the economic prosperity the Coalition presided over. The argument in this book suggests the debate should more fulsomely home in on the extent to which the New Labor era actually helped create the ALP's post-1996 ideological crisis – particularly as the next section of this chapter will suggest a rethink about the rationale for some of what Hawke and Keating did in the first place. In the decade after 1996, Labor had four changes of leader. Initially, Kim Beazley announced a new party platform that was interpreted as a substantial retreat from the Hawke–Keating agenda. One commentator described Beazley's tone as 'one of apology for the discomfort occasioned by the former Labor government's activities' (Crabb, 2005, 17). Beazley played with old-style interventionist ideas like re-regulating the workplace, increasing taxes for the wealthy and expanding assistance to uncompetitive industries. All this did was exacerbate already heated internal party tensions. The ALP was mercilessly pilloried by the Howard-supporting right when various spokespeople tried to construct a policy that would allow for a return to a regulated wages system. Keating himself argued vociferously from retirement the folly of veering away from

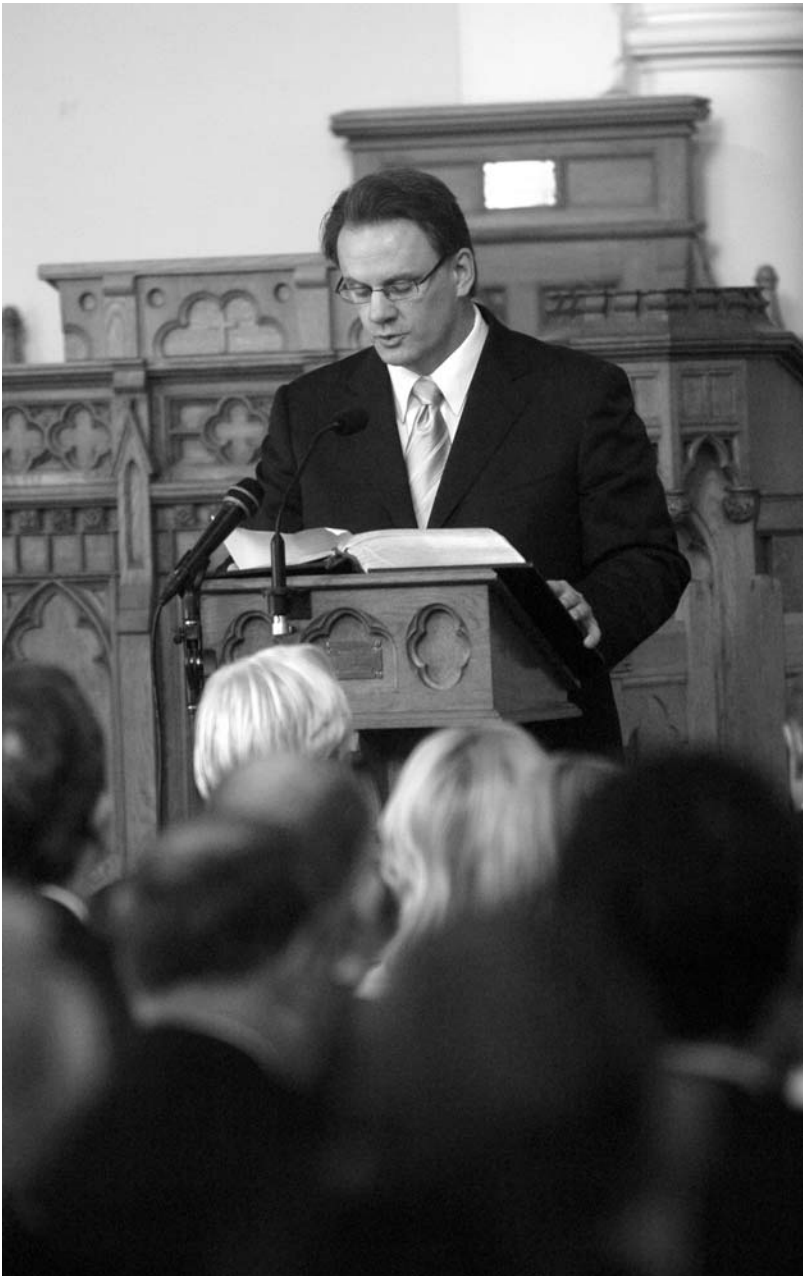

Figure 9.2: Opposition leader Mark Latham during a church service in Canberra 16/11/2004

the economic policy direction he had charted. The problem with this Keating intervention was that a reprise of his old ideas seemed to inject nothing particularly novel, distinctive or appealing by way of an alternative to what Howard himself was doing.

For the 2004 election, the ALP opted for yet another leader – this time, in an echo of the Conservative party 'next generation' shift to David Cameron in Britain in 2005, promoting the untried novice Mark Latham. Latham had won a reputation as something of a policy 'wonk', in part because, ironically, he studiously embraced much of the Third Way theorising that had surrounded early Blair and Bill Clinton. But his tilt at government was a catastrophic failure, partially because of the pall of ideological confusion that crowded in on his policy agenda. In his early months as leader, Latham loomed as a possible real threat to Howard. Yet he began to flounder as uncertainties about his policy positions developed into worrying confusion about his ideological identity. Initially, Latham embraced macro-economic fiscal rigour yet in time proposed some 'left-field' policy ideas. By election time he was advocating a deep-green environmental policy, strictures on business, a health system spending splurge and a crackdown on government funding of rich private schools. This confusing pitch saw the old-stager Howard go for the throat. Latham, he charged, was a throwback to the profligate and unstable Whitlam era. As the politician who always held himself to be above ideology, Howard said there were 'sharp philosophical differences' between himself and Latham. 'I think his education policies are based on class and envy. They're just old-fashioned attempts to whip up hostility towards people that are presumed to be wealthy' (*Sydney Morning Herald,* 5 October 2004).

After his disastrous loss to Howard, Latham quickly politically imploded, with a series of furious public rows with the ALP factions, his former colleagues and the media – after which he angrily resigned from parliament. In his devastating 2005 memoirs, Latham lacerated his old party, and many of its prominent players. Labor, he charged, was 'an organisation based on a corrosive and dysfunctional culture', one that was 'irreparably broken'. He said he no longer regarded it as a viable force for social justice. The massive cultural and structural problems of the party he had so recently led were 'insoluble'. Beyond repair because of its factions and processes, the ALP was a 'museum relic' (Latham, 2005). In the face of Howard's brilliant ability to manoeuvre in response to community sentiment and with the fervent anti-Labor support he got from a cheer-squad in the triumphalist right-wing intelligentsia, the ALP seemed in the early years of the 21st century to be a political party cowed – unsure and unsteady, at grievous odds with itself to the point of self-cannibalisation, suffering a massive identity crisis. Not just ideologically confused, it seemed shattered; unable to find any philosophical firm ground on which to begin the task of building a coherent rationale.

Figure 9.3: Prime Minister John Howard and opposition leader Mark Latham during question time 16/11/2004

Australia: a new perspective?

By the early years of the twenty-first century, much political analysis in Australia demonstrated the extent to which a normative local political orthodoxy had become embedded – founded as it was upon the bedrock of the New Economics orthodoxy. Like the outpourings of so many other commentators in the previous decade and a half, Annabel Crabb's book, *Losing It*, for example, unquestioningly accepted the idea that in the 1980s Hawke and Keating had had no alternative but to embrace the New Economics. Globalisation had stripped away the ability of any government to regulate industry or resist the challenges from cheap foreign goods and cheap foreign labour. As all this had meant Australia's traditional approach to industry was defunct, and the organised labour base eroding, the ALP had lost its 'easy access' to the support of a vast group of voters. It no longer had a clear sense of what the working class was, let alone how it thought. But because, for example, Howard's industrial relations changes had created an assumed new army of 'aspirational' self-employed people – 'electricians, plumbers and contractors who found themselves released from restrictive work practices and free to name their own price as small business people', as Crabb described it (Crabb, 2005, 6) – the old working class was easily wooed to the Coalition cause away from its traditional electoral moorings.

Whereas in the old days the tangible gains of active government intervention kept these voters tied to the ALP, the free market had freed them to gravitate to Howard, seemingly in gratitude for his setting them 'free'.

Crabb did make the point that the seeds of the ALP's identity crisis were sown in the Hawke–Keating years; that while they thought they were guaranteeing New Labor's survival in the 1980s, 'the slow burning effect' of what they inaugurated guaranteed a crisis 'down the track' (though it would be a crisis of a different order than the one Crabb had in mind; and one with international implications she perhaps did not foresee). The key point here is that so much contemporary political analysis was guided – even ring-fenced – by the apparently cogent and certainly incredibly influential paradigm Paul Kelly had staked out in 1992. Probably the key paragraph in his totemic *The End of Certainty* had looked to the paradox in the way Hawke and Keating had endured such great hostility in the betrayal debate. As they pressed on with their heretical policies, it had become clear that 'the very institutions which had sustained the Labor Party throughout its history were being destroyed', Kelly opined. He reiterated that factors like arbitration and union power could not be 'quarantined' from international market forces: 'The underlying dilemma of the Hawke–Keating years is that the policies needed to make Australia competitive would strike deep into the wellsprings of Labor's institutional base' (Kelly, 1994, 33).

Kelly's basically supportive rationale for the New Economics and his interpretation of its implications for the left prevailed, largely unchallenged, for a long time. Over the years, some influential scholars like the Melbourne-based academic Professor James Walter questioned the legitimacy of an unbridled faith in market outcomes, claiming it crowded out alternative ideas and destroyed a nation's 'political imagination'(Walter, 1996). But from around 2004, more questioning voices began to be raised (Stokes, 2004). Central was their suggestion that the Kelly analysis – with its hallmark constrictions imposed on labourite sensibilities – had been overly simplistic. The doubters now pointed to a new possibility: what if the original Kelly thesis was incomplete or inadequate? A comprehensive critique of it was then contained in a book published in 2005 by the respected Melbourne political scientist, Dennis Woodward (Woodward, 2005). In *Australian Unsettled*, Woodward attempted to make some of the complex economic issues involved more explicable to the lay reader. Though he agreed with Kelly's basic point that Australia's historic reliance on rural and mining exports was inadequate to keep the nation afloat economically in the globalised new order, Woodward took issue with the ways in which this problem had been addressed politically. He worried that Kelly's interpretation had been based on selective reading of history and amounted to an over-simplification. Different interpretations could be placed on the five elements Kelly had defined as the pillars of the Settlement. A number of other formative elements that could easily have been included as 'settled' assumptions in the construction of Australian nationhood had not been considered – for example, the concept of Terra Nullius; state secularism; Australia's very distinctive, and very advanced, nineteenth-century version of democracy; or the consensus from the very first that in such a massive continent, urban Australia would cross-subsidise the cost of developing the hinterland. (Kelly could have also made a case for seeing a distinctive Australian egalitarianism as a composite of its agreed 'Settlement'.)

Woodward further argued that the pillars Kelly *did* target may not have been as fixed as he implied and were subject to renegotiation or revision during the twentieth century. Woodward might have added that the three Kelly pillars that really remained relevant in 1980s Australia (industry protection, wage arbitration and state paternalism) just happened to be the top three targets of the 'hit-list' of ideologically obsessed 1980s free marketers. Woodward developed the point first made by Walter; that elements of the settlement had their place in time, may not have been 'wrong' when first implemented, and actually had been then wholly defensible – and successful – elements of public policy-making. The notion that government intervention was wrong *per se* ignored the fundamental point that in 1901 so much social infrastructure in Australia had to be constructed from scratch; necessarily government was pivotal in this.

But the most telling Woodward point exploited the hindsight in the time that had elapsed since the Hawke–Keating period – and since Kelly's original supportive writing. It also somewhat flew in the face of the conventional wisdom that suggested Australia by 2005 had long enjoyed a kind of economic nirvana, one that Howard claimed he had orchestrated but one that Keating acolytes insisted would not have been possible had New Labor not put its reforms in place first. Aside from the uncomfortable fact that after seven years in power, the Hawke–Keating reforms had seen Australia plunged into a horrendous recession, in 2005 Woodward was able to take a longer view. Leaving aside the various measures that did indeed point to a level of sustained prosperity in Australia (in common with many other Western nations, it needs be said) Woodward argued that in some very important fundamentals the evidence suggested that after twenty years of so-called 'structural reform', the promised benefits of neo-liberal economic prescriptions 'appear as elusive as ever'. Tariff protection was a thing of the past yet Australia's manufacturing still had difficulties and the trade deficit in manufactures continued to grow. Deregulation had not stopped currency speculation nor brought trade into balance. It had encouraged speculation and brought massive corporate collapses as much as it had aided sound investment. It had also led to massive household debt. Privatisation had not brought its promised benefits. Economic growth had been substantial but had not delivered full employment. IR reform had not brought more secure fulltime employment; rather it had generated quite the opposite. Australia's current account and level of foreign debt had continued their worrying upward trajectories. And Australia was as reliant as ever on its commodity exports. The latter, Woodward pointed out, was of course the fundamental problem that all the reforms had supposedly been designed to fix in the first place (Woodward, 2005, 197).

The fact that fifteen years later, a coherent critique was beginning to emerge about the philosophical under-girding of the original New Labor platform in Australia is of no small importance for the New Labour debate in Britain. The fact is the policy debate in Australia since the early 1980s was couched in a more overt delineation of the 'theoretical' Keynesian/New Economics tensions. In the UK since the mid 1990s no one used a term equivalent to 'economic rationalism', though anyone with the slightest interest in domestic politics in Australia over the years would have been aware of its meaning in the national polity. In this respect, the debate in Britain was the one lacking a distinctive umbrella sobriquet. But everyone in Britain following politics after 1994 *was* aware of the fierce battle raging inside the Labour Party about the shift in policy emphasis away from unambiguous support of a interventionist public realm to the much-lauded 'market outcomes' – with their supposed greater efficiencies, responsiveness to consumer demand instead of producer rent-seeking, and inherent higher benefit through provision of greater 'choice'.

The phases of the progressive dilemma

As the Introduction made clear, both the New Labo(u)r projects deployed a consensus political strategy in one form or another, arguing that the old ideological divisions of the past were outmoded, and embracing many ideas traditionally held by their opponents. A key argument of this book is that such a strategy carries enormous long term dangers. Interwoven here is another attribute shared by the projects. Keating and Blair, in particular, deployed the tactic of tartly warning their own parties that unless dissidents fell into line and New Labo(u)r was allowed to press on with the big reforms, the Coalition–Conservatives would come into power and then proceed to do it all far more ruthlessly. Keating actually railed in Parliament at one point about how the Coalition would privatise welfare, with employment benefits paid out from the foyers of multinational companies. Bill Kelty predicated his decision to throw the ACTU in with Keating in changing the industrial relations system on the judgement that it would thus be getting in first with its version before Coalition ministers won office and did it their way. In Britain, Blair repeatedly warned his party that unless he was allowed to change the welfare state, the Tories 'will come and dismantle it' (*Guardian*, 15 May 1998, 4). The unspoken implication was that if Labo(u)r could get on with the job unimpeded, the conservatives' plans would somehow be thwarted. But the problem for this line of political argument was that – as Australia showed after 1996 – once back in power the conservatives would always head in this direction anyway. In some ways, what New Labor may have done to prepare for Howard's arrival was largely irrelevant; except that – and this is the vital point – the effect of what it did do was to tie the hands of the ALP in the future. In this misconceived tactical thinking can be found the first stirrings of the phenomenon identified here as a New Progressive Dilemma – wrought by New Labo(u)r, materialising first in Australia, and the prospect that could await the British party in a not too distant future beyond Blair.

Hawke–Keating went part of the way towards implementing many of the reforms demanded by neo-liberalism. When the electoral cycle turned, the Coalition came to power and in some key areas just finished the job off. This chapter will demonstrate that what Keating began with the deregulation of the wages system, John Howard then deeply embedded, with the effect, according to some experts, that protection from waged poverty was no longer tenable in Australia (Castles, 2001). Under Howard, the welfare 'reciprocal obligations' ideas inaugurated by Keating were redefined into something quite different – something harder, and according to some, something foreign to the core values of one hundred years of nation-building (Eardley, 2002). The long term effect of the Hawke–Keating privatisation back-flip was to destroy the credibility of ALP protests when, after 1996, Howard began the moves to complete the sale of the most controversial national asset of them all, Australia's telecommunications system (Quiggin, 1999, 201). Building on the Keating government's HECS idea, Howard's deregulation of higher education led critics to argue that Australia was reaching the point where only wealthy families would be able to buy places in top universities for their offspring (*The Age*, 15 May 2004).

The Australian experience of 1983–1996 reveals the New Progressive Dilemma to be the essential fatal flaw in this historic reinvention of the Labour parties. The Dilemma has five unfolding elements or phases, the first four of which are outlined here. The last is explained in the next chapter. The first phase is the cornerstone problem of *directional validation*. By taking the troubled, initial steps in the direction of the policy and philosophical approach of their traditional political opponents, these labour parties created both short term and long term difficulties for themselves. In the Australian case (though not so with Blair, who was much more honest about what he wanted to do from the start), this strategy opened the ALP to direct criticism for dishonesty. By getting into power as Old Labor and then morphing into New, if nothing else Hawke–Keating faced immense early pressure to rhetorically justify the apparent betrayal. By far, though, the more alarming problem is that by embracing their opponents' ideas like this, the labour parties validated the entire directional thrust of them. This was the sea change. And it was not just that the specific pieces of reform at any particular moment were validated – it was that the principles, even values, that underlay the policies, were embraced. By giving the green light to ideas they had so recently opposed, the New Labo(u)r parties wielded a powerful short term political weapon. But in the longer term that weapon would be so easily turned back against them.

Here it is important to contemplate just how pervasive was the annexation of policy-framing in Britain, Australia, and around the rest of the world by post-Keynesian New Economics after the 1970s. The rights and wrongs of the arguments proposed by the New Economics are not being debated here. What is being analysed is the ongoing political effect of it. Hard upon the heels of the first phase of the new dilemma for Labo(u)r comes the second – what might be called *tradition de-legitimisation*. No one can be under any illusions about the extent to which New Labo(u)r modernisers in both parties embraced market economics nostrums that not only proposed a new direction but vengefully targeted ideas associated with Keynesianism or 'Old' Labour with the explicit intention of politically delegitimising them. The labour parties disowned their histories because a set of theories suggested it was imperative to do so. The question then simply became how far the modernisers wanted to go – and how far they felt they could drag their reluctant parties. The fact is that in both countries, in the end, they took their parties a long, long way.

What the Australian experience then shows is the impact of all this on the Labo(u)r parties when they go back into opposition in parliament, as inevitably occurs. This phase might best be described as *oppositional constraint*. Shortly, we will focus in more detail on this in the Australian context. The New Economics was always a contested doctrine inside the parties. In office, the Odysseans had worked diligently, if discreetly, to try to put the best gloss on things, to smooth the harsh edges of pure market prescriptions. But Australia shows that, once back in opposition, the potential for an internal backlash against New Labo(u)r ideas grows. Some on the labour left argue that the party lost office because of the harshness of the market liberal policies it pursued in office. In opposition, their long held qualms galvanise into even more deeply-felt points of principle. But the key becomes sorting out the territory upon which a labour party in opposition can base its critique of what the incoming conservative government is then doing. How coherent can it be – especially with renewed distracting dispute internally about the meaning of labour's own recent period in office? As the John Howard story shows, the new conservative government, of course, gleefully picks up what New Labo(u)r did on the policy front and enhances it, embeds it, reinforces it, extends it, finishes it. It presses on with even more policy reform of the same ilk. The question then becomes how should the labour opposition respond? If it disagrees with the new government's moves, how can it argue that extensions to the original New Labo(u)r reforms are somehow wrong in principle? As we shall shortly see, any substantive attempt to take issue with conservative furtherance of policy was repeatedly met by Howard and his ministers with the politically devastating reminder of where the reforms had originated. This phase of oppositional constraint sees a Labour party marooned in a strategic no man's land. If it stays true to the New Labo(u)r approach, it has little leeway to attack the conservatives who are, after all, just carrying on with the job. One thing is certain: the party cannot retreat to Old Labo(u)r positions. To do that pulls down upon it excoriating criticism about a throwback to dangerous, archaic thinking that the New Labo(u)r modernisers had so memorably repudiated. Tony Blair so comprehensively and so repeatedly junked Labour's leftist history that any frontline politician who openly invoked it in the foreseeable future would be a laughing stock. Conservative MPs could campaign throughout the country with a simple comparison between Labo(u)r's new oppositional approach and the records of Hawke and Keating, Blair and Brown. So what, precisely becomes the 'new' New Labo(u)r vision – the Mark II model for opposition?

Labour parties then encounter the fourth problem in the New Progressive Dilemma – that of *product differentiation eclipse*. When policies and values have been intentionally allowed to elide into the middle like this by the party modernisers themselves, what is bequeathed is a future politics characterised by arguments about detail at the margin, not over big principles, defining values or fundamental philosophies. Politics becomes bogged down with 'bitsy' arguments about arcane, obscure or hair-splitting detail, with the parties desperate to paint opponents into corners. All this the ordinary voter finds either more tiresome than ever, or quite difficult to interpret and differentiate. What is lost here by New Labo(u)r is distinctiveness, characteristics that once were the elements of political product differentiation. Leaving aside the contentious proposition that people on the left long saw a higher moral imperative in what the parties of the left stood for, by moving to resolve the original Progressive Dilemma in an embrace of the ideas of its opponents, New Labo(u)r was the one that shifted its ideological ground. But in this relocation to the middle, Labour forfeits its exceptionalism. Right at the start, the Australian author Craig McGregor pointed out the tactical downside of Bob Hawke's consensus model: the politician who meets his opponents halfway has already given away half his ground (McGregor, 1983, 169). In embracing the heavily contested, heterogeneous ideological framework that is liberalism, New Labo(u)r repudiates another – democratic socialism – that, whatever its faults, was at least coherent and distinguishable in its aims and maxims. Ultimately, the danger is the party loses its distinctiveness as, essentially, it finally settles into place as an undeclared variant of broad church liberalism.

If the above has any traction as an attempt to bring some kind of quasi-theoretical analysis to the ALP's plight in Australia – and potentially to what it might mean for the British Labour party – then it is important to look to the dynamics of how the New Progressive Dilemma actually played out in John Howard's Australia. Here we can look to a number of key policy changes unveiled by Howard and his ministers. What exactly did Howard do in his determination, once and for all, to make permanent changes to Australia's system of industrial relations; in his version of welfare-to-work reform; in privatisation; and in his government's answer to the dilemmas confronting the higher education sector? On each of these fronts, this book has studied the antecedents to reform laid down by the Hawke–Keating period. What did Howard do with those reforms? How far did he take them? How did he build on them? What was the response of the contemporary ALP, and what were the dynamics of the political environment in which it tried to respond? The answers to these questions hold key messages for the post-Blair British Labour party.

Industrial relations

It was the moment Keating's old speech writer, Don Watson, described as 'political glory beyond measure' for John Howard – the afternoon of 10 November 2005, when the conservative Coalition government's restructuring of Australia's 100-year-old industrial relation system was guillotined through parliament. The Bill was enacted amid a vicious public relations war between the government and union movement and in the face of a wave of public condemnation in which tens of thousands of people marched in street protests around the country. The new law dismantled the structure of arbitration as it had existed for over 100 years – not only at the federal level but also affecting the state one too. It pared back unions' powers and rights to access workplaces and be involved in wage bargaining. Unlike in the US, UK, Canada, Japan and New Zealand, it withdrew the right of employees to collective bargaining. It even prevented unfair dismissal protections from being woven into workplace agreements. As journalist Mike Steketee observed, the legislation was trying to force employers not to succumb to union pressure. Unions claimed that a century of workers' rights were just swept away, leaving employers free to manipulate people onto individual work contracts with lower pay. Employers claimed the changes would boost productivity and increase business flexibility. Steketee revealed that one of the Howard government's own appointments to the arbitration system had conceded the legislation would have a 'significant effect' on the wages of the lowest paid in the Australian community. There would be a 'slowdown in the rate of growth of minimum wages' which might require a reduction in welfare support, 'otherwise the incentive to work will reduce,' the official had said (*The Australian*, 23 March 2006). For his part, Don Watson saw the legislation as the 'passing of a whole epoch, a spirit, a world view'. For the labour movement, it was an inescapable statement of failure, exhaustion and irrelevance. 'Historians will say this was the time when Australia ceased to be the Australia of Deakin, Curtin, Menzies and Hawke and became the Australia of John Howard,' Watson wrote (*Sydney Morning Herald*, 30 June 2005).

Faced with hyperbole of such epic dimensions, how did senior Coalition ministers respond to the massed chorus of disapproval over the landmark IR reforms? Answer: by exploiting the obvious hypocrisy of an ALP Opposition that was now so stridently opposing them. The Minister responsible, Kevin Andrews, admonished then-ALP leader Kim Beazley for his 'confected outrage', taking great pleasure in pointing out that, as a senior minister at the time, Beazley had happily gone along with Paul Keating's efforts back in 1993 to strike out in exactly this policy direction. But now, for totally expedient political reasons, Beazley was opposing the Coalition government's attempts to finish the job properly (Andrew, 2005). Over the years, conservative MPs, one after another, have not wasted any opportunity to get to their feet in the parliament or in the wider community and quote Keating's notorious 1993 speech calling for the replacement of awards with enterprise deals. At the time the Coalition had supported this approach, though it had wanted Keating to go further. This was now precisely what the Howard government was pressing on with in 2005–06; yet the ALP had back-flipped and was opposing the moves as, somehow, a matter of principle (Barresi, 2005). In welcoming the 2005 laws, former senior Coalition strategist Andrew Robb was one MP who took exquisite delight in ramming home this discomfort for his opponents. Robb accused the ALP of being 'saturated with hypocrisy'. Since Hawke and Keating first began the process, he said, all politicians had realised the need in Australia to modernise the workplace – to 'turn away from the centralised way of doing things'. Robb quoted Keating arguing as far back as 1992 that the Australian wages system had 'just about run out of possibilities'. He too used the Keating 1993 speech, quoting it at length.

'This is not John Howard in 2005,' Robb said. 'This is Paul Keating in 1993, and it was the forerunner to this attempt to bring in legislation to give effect to that model. To deliver this Keating model – that is, to make agreements full substitutes for awards rather than add-ons to awards … this is exactly what our legislation proposes.' Despite the 2005 union–ALP campaign to try to scaremonger, Labor MPs 'knew in their hearts' that the Howard legislation was good for the country – just as Keating had argued. The Keating model had indeed been the start, Robb conceded. 'It was a start in the move to true agreement made at the workplace level – a start we aim to complete with these reforms. Labor's crass opposition runs counter to their own policy disposition when in government' (Robb, 2005).

Welfare to work

When the Howard government came to power, its senior ministers eagerly stepped forward to take up the cudgels in the fight to get so-called 'dole-bludgers' and other welfare 'scroungers' to pay their way. The new conservative government moved quickly to stamp its own mark on the approach first signalled by New Labor; Brian Howe's original extension of the ideas about an 'active labour market' which had culminated in Keating's 1994 *Working Nation* warning that unless they tried harder to get jobs, the unemployed could face loss of welfare assistance. Basically, Howard toughened, expanded and entrenched reciprocal demands imposed on a wider range of welfare beneficiaries. Whereas it started life as a crackdown on the unemployed, under Howard the principle of 'mutual obligation' (MO) was given startlingly broad effect throughout the Australian social welfare apparatus.

Across the board in welfare, MO requirements were now being backed by the threat of partial or complete loss of benefits. Among job seekers, it gradually hit various age categories, by 2000 morphing into a full fledged Work-for-the-Dole scheme. Early on, the Howard government had made harsh cuts to expenditure on training, work experience and other programmes that helped unemployed people find work. As Julian Disney explained, the emphasis shifted to forcing people into work *per se*, and away from trying to give them training in or experience of the type of job that might become available, and be suitable (Disney, 2004). By 2005 the Howard government had extended its so-called 'welfare to work' measures to hit sole parents and people with disabilities. It abolished the pension for sole parents whose youngest child was eight or older and for people with moderately severe disabilities – those assessed as being able to work at least 15 hours a week. These groups were instead herded into the lower paid Newstart work scheme, under which they were then required to go out and seek employment.

Rolled out at much the same time as the industrial relations changes, the 2005 round of welfare changes sparked waves of criticism from welfare groups. 'We fear it will create a new class of working poor, the scale of which Australia has never seen' said Tony Nicholson, the Executive Director of the Brotherhood of St Laurence welfare group. Overall, informed critics like Julian Disney agreed that there had been scope for some of the things the Howard government had been pursuing – greater emphasis on personal obligations, self-help, encouraging family cohesion, a bigger role for market forces and non-government delivery of social services. But the critics argued that these goals would only be achievable if the aim of reform was to relieve hardship, and if they were implemented carefully and with moderation, were funded properly and ran hand-in-hand with appropriate wider economic policies. Initiatives like MO fell far short of these goals under Howard, the critics said. 'Accordingly, their potential was substantially compromised and unjustifiable hardship was caused to many people who were already struggling and vulnerable,' the influential Disney concluded.

In the debate over MO, Howard-style, the post-Keating ALP was once again floundering. Having inaugurated the idea, Labor's bosses became bogged down in semantic intricacies as they desperately tried to articulate

Figure 9.4: Prime Minister John Howard during Question Time in the House of Representatives, Parliament House, Canberra

why their approach was different to what Howard was doing; let alone why it had some kind of higher integrity. The ALP discord had numerous manifestations. In 1997, Keating's successor, Beazley, was complaining that Howard had 'stolen' the MO term from Keating; yet in the same breath he struggled to explain that Labor's version meant a two-way deal, whereas the conservatives imposed 'self-provision', with the government refusing to play a role as 'partner' (Macintyre, C., 1999, 103). This hair-splitting was only part of the problem. Clearly there were huge differences of opinion inside the ALP about what its response should be; whether Keating had been right to head in this direction in the first place; how critical should be the offensive against Howard. As Richard Curtain showed, Beazley and Mark Latham had had very different views on how tough the ALP should be in implementing MO (Curtain, 1999). And so anxious was the Government to ideologically discredit Keating's *Working Nation* package, on this front it eschewed the tactic of damning with faint praise. *Working Nation* may have helped erect the policy-making architecture upon which Howard's MO was built, but that blueprint was rhetorically traduced from the outset. It had failed abysmally, the conservatives charged. The Howard government's alternative was tougher because it had to be. As one conservative politician said: 'We have delivered the crackdown on welfare cheats that Labor was too weak to do' (Slipper, 1997).

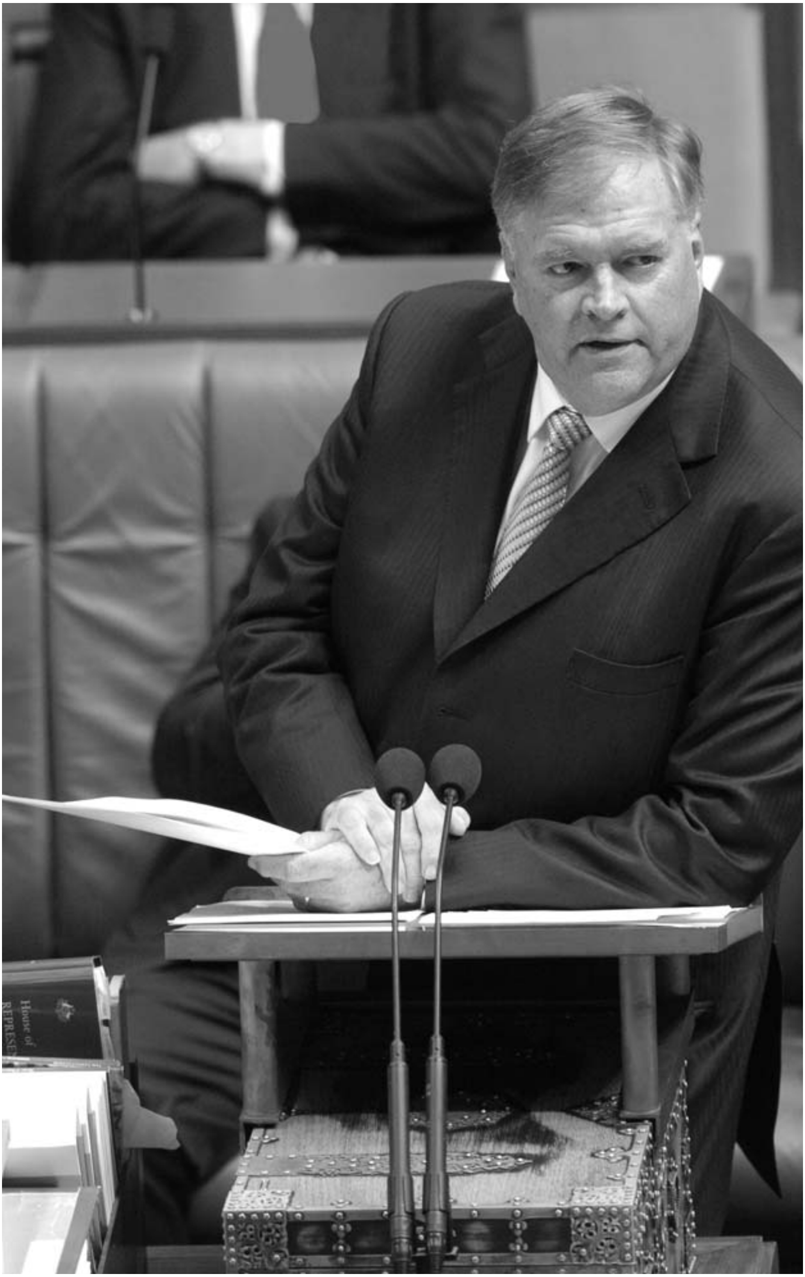

Figure 9.5: Opposition MPs sit behind one-time opposition leader Kim Beazley as they listen to Prime Minister John Howard during Question Time 28/2/2006

Privatisation

The proposed privatisation of Australia's telecommunications carrier Telecom (renamed Telstra) was one of the enduring public policy debates in Australia in the last twenty years of the twentieth century (O'Leary, 2003). Opposition to the idea was entrenched in two powerful constituencies – rural residents of a massive continent, long sheltered from the full cost of telecommunication services by taxpayer cross-subsidisation, and powerful trade unions. The latter was a prime mover in ensuring that although Hawke–Keating privatised so much else, and personally wanted to sell off telecommunications too, Telstra remained off limits. Given the pressure for change driven by technological advance though, New Labor did massively free up the overall market. As Opposition Leader at the time, Howard strenuously argued the ALP did not go far enough. But by the 1996 election, there was such a growing sentiment against the idea in the wider community that Howard, for the moment, himself backed off. He campaigned on a proposal for a partial sale only, saying his government would only sell a third of the communications carrier in its first term and seek a mandate for a further sell-down in its second.

In office, Howard did move almost immediately to sell the one-third of Telstra, introducing legislation in May 1996, the Bill passing the Senate in December that year. Following what was considered a highly successful first tranche float, the government then moved to introduce legislation to fully privatise, but its efforts floundered on Senate opposition. It had to settle for selling off a further 16 per cent, enabling it to privatise almost half of Telstra, though maintaining a majority shareholding. From this point till late 2005, the Telstra saga became a cat-and-mouse game between the government and various special interests, as guarantees or compensations were gradually negotiated to assuage concerns about rural pricing and service reliability. The upshot was that it wasn't until September 2005 that Howard got the all-clear to sell the majority holding, finally winning the support of the Senate with a $3 billion package of sweetener guarantees for rural services (*Sydney Morning Herald*, 15 September 2005).

Once again, various ALP figures struggled valiantly for years to contest Howard's unfolding plans. Even though, technically, telecommunications had not been privatised by Labor in power, its wholesale sell-offs in so many other areas created a perception of hypocrisy that the Coalition fed off. For years, Coalition MPs took delight in assailing the ALP for its confusion on privatisation generally. Ministers admonished the Opposition for 'preaching the virtues of government ownership' when, under Keating, it had 'flogged off anything that moved' (Anthony, 2003). The Coalition even claimed the moral high ground by charging that Keating sold assets to spend the proceeds, whereas it retired government debt. Coalition players relentlessly targeted former Keating ministers still in the parliament who had been party to the 1980s privatisation decisions but did not have the integrity to support the end game in this long and historic march towards full marketisation. Post-Keating, the ALP was lurching back to the fifties, the glories of the old socialist past, even as Eastern bloc nations in Europe were embracing privatisation, conservative MPs crowed. 'They have not been true to their own mantra,' one said. 'They have not been true to the privatisation policies of Keating!' (Neville, 2003).

Higher education and HECS

Where the original Hawke–Keating reforms of tertiary education prised open the door to user-pays deregulation, the Howard government tore the door off its hinges. In cumulative moves in 1999, 2003 and 2005, the Coalition refashioned the structure and management of the university sector, and the controversial HECS funding scheme, into a far more comprehensive market-driven programme. In a massive shake-up, in May 2003 Education Minister Brendan Nelson gave universities the right to increase their fees well above the government-nominated HECS rate. He lifted the ceiling on how many students could be charged full fees and permitted universities to charge full up-front fees to students who missed out on a HECS place, in return for entry into a course (Nelson, 2003). The sweetener in the package was that graduates would not have to start repaying their debt until their salaries hit $30,000 – previously this was $24,000. Australian students taking a full fee-paying place were given access to a new $800 million loans scheme called FEE-HELP – the first time full-fee students in Australia were given access to government loans. But universities would also be freed to start charging students up-front if they failed to complete their courses on time. In return for extra spending, and hand-in-hand with its wider IR reforms, the Government also demanded deregulation of on-campus workplace negotiations. The government had also taken other steps to shut down student unionism on campus.

This increase in HECS charges and the ramping up of full-fee paying places amounted to a dramatic transfer of the burden of higher education funding away from government to students and their families. The Nelson reforms sparked uproar, with student groups protesting, and experts suggesting the rising costs simply cut the poor off from higher education. Critics complained that by the end of 2005 one Australian university was preparing to charge $256,000 for a medicine/law degree amid a surge in courses around the country charging $100,000-plus (*Sydney Morning Herald*, 3 August 2005). The Nelson reforms, probably the most important structural reform of the third Howard administration, were vehemently opposed by the ALP. The Opposition charged that the government was not actually increasing university places, just pricing youngsters out of education or forcing them into massive lifetime debt, while the rich could 'buy their way in' (Macklin 2003). But, here, once again, the ALP laboured under that fundamental handicap. Whenever they came under pressure over their policies, Howard and Nelson took refuge in the obvious – where the reforms had originated. It was Hawke and Keating who had launched this experiment in user-pays education. Nelson was fond of pointing out that the New Labor minister originally responsible for the policy, John Dawkins, had also been subjected to abuse back in 1989. Nelson described as 'outrageous behaviour' the way the ALP was misrepresenting elements of his scheme – because the fact was the basics of the original HECS remained in place.

'The facts are these. HECS remains. This is the interest-free loan scheme introduced by John Dawkins,' Nelson told his audiences (*The Age*, 5 June 2003).

10

The New Progressive Dilemma

This book argues that in different ways, at different junctures, the British and Australian New Labo(u)r projects foreclosed on the traditional assumption that their purpose as political parties was to enhance and celebrate the public realm in the cause of equilibrating social inequality. That we are talking here about different specific manifestations of the public realm in the two countries is immaterial. The important thing is that what both labour governments did, vis-à-vis their public realms, was borne of the same ideological recalibration and amounted in some measure to the same prescriptions; in some cases it was actually exactly the same policy change. There are two reasons why it is valid to draw a comparative line through diverse programmes of direct or effective privatisation, strategic deregulation, the imposition of user-pays principles and new mandatory 'reciprocal' sanctions on the citizenry – even though they are implemented in different countries. One reason is because these activities were bound together by a revolutionary new set of philosophical and political attitudes and aims. The other is that the cornerstone of that new approach was the privileging of one particular ideologically driven set of economic theories. New Labo(u)rites might have denied that their new approach was about repudiating the state – asserting that it was about making government 'steer, not row'; about devolving power away from a discredited centralised statism; about giving citizens choice and prioritising their interests above producers. In the end, though, what all the fancy words amounted to was the gradual political de-legitimisation of the public realm and the heightened ascendancy of market forces.

As Tony Blair's faltering premiership trudged through its final phase – tragically discredited by the war in Iraq and punch-drunk by the ideological war within – as ever it was Blair himself to be fair to him, who pronounced the defining territory of his crazy-heroic decade-long odyssey to change British politics. In his last term, Blair pointed to the two specific areas of the public realm that would define his achievement: health policy – the kind of NHS Britain would have for the future; and education policy – the type of schools that would shape future generations. Like the industrial relations system in Australia, health and education stood as totems of labourite traditionalism, standard bearers of the party's perceived historic missions to care for the less advantaged, and guarantee a semblance of equality of outcome. As Peter Wilby argued, if and when the NHS and comprehensive schools went the way of the other discredited Labour 'articles of faith' – public ownership, union power, state planning, free university education and high taxes on the rich – 'you may as well write off the first century of Labour history' (*New Statesman*, 6 March 2006). Just as in Australia, the debates in Britain centred on the extent to which these public instruments should be bent to the will of the market.

It needs repeating here that among the rhetorical tools frequently deployed by New Labo(u)r modernisers in shifting their parties to the right was fear. Fear of the future. Specifically, fear of what would happen under re-elected conservative governments. Right from the start, Blair often fell back on this device when under pressure, just as Keating had. In 1998, while arguing that governments everywhere had to grapple with reform of the welfare state, Blair said that unless Labour got on with it, the Tories would just come in and 'dismantle it' (*Guardian*, 15 May 1998, 4). In 2005, Blairite Alan Milburn was running his version of this future Tory 'dogs-of-war' scenario by arguing that unless Labour introduced school system reforms along the lines of the education White Paper of that year, the Conservatives would just take the reforms as their own (*Independent*, 18 October 2005). In 2006 Blair warned that unless public services were 'opened up', revitalised Tories would storm in and seize this reform terrain: 'That's what will happen if we don't hold to the progressive centre ground. We will simply vacate chunks of political territory that the Conservatives can move into – with probably different policies and sometimes different attitudes. It would be strategically, politically, a big mistake' (*Sunday Telegraph*, 6 November 2005).

In retrospect, it is extraordinary that this tactic played so easily in both countries; that its logical inexactitude was not leapt upon by labour traditionalists. For it was actually sometimes difficult to interpret precisely what New Labour was saying here. Was it that unless recalcitrant labour elements fell into line, the Tories would be prompted to steal all New Labour's good ideas? Or that New Labour could somehow forestall forever Tory embrace of the ideas, and their implementation in a more hateful version? The argument of this book is that the 'hateful' version was always going to come eventually anyway. Anyone contemplating politics beyond the here-and-now would understand that. So what was gained by using this argument to defend a 'half-pregnant' Labour position? In the longer term what would this achieve? This routine finger-waving showed how threadbare the New Labo(u)r political rationale could be.

The previous chapter indicated what happened when a future conservative government *did* come to power, and pick up the pieces of a New Labor reform agenda. That conservative intent was not swayed from its long-term purpose one iota by some feeble New Labor argument that it could be somehow pre-empted by the ALP getting the process of reform underway in advance. In fact, once in power, John Howard's government was free to play its rhetoric either of two ways. Particularly when under attack, it could declare – sometimes even with a hint of magnanimity – that its direction was wholly validated by the preceding New Labor reforms. Or it could politically castigate New Labor for not having had the courage and vision to go far enough.

Political valve or swing-door?

This chapter will apply to Britain lessons divined from Australian experience of the New Progressive Dilemma. After three election victories, Blairism had traversed the first two of the Dilemma stages outlined in the previous chapter. Beginning with the Labour leader's public embrace of Thatcher, it had validated the policy and attitudinal direction of its opponents, endorsing key precepts of the New Economics as well as embracing conservative-liberal values that underlay so much of it all. But Blair also embroidered onto this directional validation the de-legitimisation of so many traditional Labour assumptions. By the third term, intimately interwoven into discussions about the future beyond Blairism was Blair's near-dysfunctional relationship with Gordon Brown; and the critical issue of where Brown really stood ideologically. Despite the apparent reconciliation that got Labour through the 2005 election, by early the following year informed observers at Westminster described the rivalry between the two over the leadership of the Labour Party as still 'seething resentment and distrust' (Observer, 12 February 2006). The short term question dominating British politics was: after Blair, what kind of New Labour government would it be? Yet the far more serious question which should have been preoccupying the British left was the longer term one: after Labour, what?

To deal with both these questions, it is necessary to look to the big public realm issues of Blair's third term. Amid the controversy over so-called 'foundation hospitals', the impact of the PFI revolution and the wider shift towards greater private sector involvement in the NHS, in October 2005 Niall Dickson, the chief executive of the King's Fund, made a startling observation. The way New Labour was driving break-neck health system structural reform was 'more radical and more extensive than has ever been attempted'. Basically asking why the rush, Dickson said: 'The inescapable conclusion is that it is driven by a political timetable: a fear on the part of Blairite radicals that they need to have advanced far enough to make any retreat impossible when the handover of power comes.' Dickson referred to the fact that Gordon Brown had appeared to be strongly opposed to elements of the health system revolution that Blair, and his closest ministerial colleagues and advisers, had been driving through. The Blairites knew, Dickson said, 'that Gordon Brown has been wary of some of their reforms – indeed at times hostile, especially to the idea of bringing in the independent sector as a major NHS provider. So they want to ensure this is a valve the NHS is passing through, not a swing-door.' Dickson warned, however, that it would be 'a terrible irony' if, in their anxiety to get things done quickly, the Blairites 'jeopardised their own reforms' (*New Statesman,* 10 October 2005). As the issue of groaning hospital trust financial deficits put the government on the back-foot in 2006–7, Blair's aides were briefing newspapers that one reason he was not ready to stand aside for Brown was his determination to tackle the immediate financial crisis and see the wider NHS reforms finally put into place as actual management apparatus (*Guardian,* 27 March 2006).

All this suggested Blair was determined to stay around until a reform 'tipping point' was reached – when it would no longer be possible for Gordon Brown PM to somehow turn things back to a kind of pre-Blair policy nirvana envisaged by some of the Chancellor's supporters. If this was indeed the Blairite strategy, then once again it was as revealing for its short-termism as for its obsessive personal enmities. For the larger question proposed by this book is whether the 'tipping point strategy' might in the longer term prove to be far more damaging than just a curb on the potential for Brown to somehow row back from New Labour's achievements. Would it not mark the new policy starting point when the next Conservative government was ensconced in Downing Street? Blair had bizarrely warned that rejection by his own side of his prescriptions would clear the way for the Conservatives to move in 'with probably different policies and sometimes different attitudes' – when the fact is his prescriptions would almost certainly clear the way for that. Particularly if it enjoyed a large majority, there would be few impediments to a Tory government picking up the philosophical thrust of Blair's work and developing and embedding it. Just like John Howard did in Australia.

The NHS

In the duplicitous world of politician-speak, nowhere was the debate about privatisation fudged in greater measure than with the NHS. The starting point here is that in seeking office in 1997, New Labour had actually campaigned on a manifesto commitment to sweep away the 'internal market' tentatively set up in health policy by the Thatcher and Major governments. Under the Tories, support services in areas like cleaning and catering and ancillary services in hospitals were privatised, with mixed success.

But this was very much only a budding effort. The Tories talked about PFI hospitals but never actually got a substantial project off the drawing boards. Astoundingly, over the next decade it was the Blair Labour government which masterminded the rush that saw more and more of the NHS 'handed' to the private sector. Starting with Alan Milburn's efforts to set up foundation hospitals in 2002–3, by 2006 Health Minister Patricia Hewitt was overseeing a massive new impetus towards private sector health service provision.

In the immensely complex area of public policy that is the NHS, it is possible to identify three fronts upon which this privatisation agenda proceeded under Labour. First, there were the PFI hospital deals about which academic critic Allyson Pollock so vociferously complained. After a decade in power, Labour had completed or was negotiating something like eighty such projects, valued at £15–£20 billion. The second controversial area of privatisation was in the creation of private sector treatment centres. Here there were two waves of reform. Up until 2006, the Health Department was contracting with private centres to take over elective and non-complicated cases for treatment, such as hip, knee or hernia surgery. The rationale here was that this would help take the pressure off waiting lists and clear backlogs in overstretched hospitals. Beyond 2006–7, however, a second wave of deals was mooted in which health administrators hoped to create a much fuller competitive market environment between the NHS and the private sector. This was not about improving NHS capacity but actually transferring work direct to private operators, and in some cases, to former NHS hospitals taken over by private health service companies. The third general area set in train under Milburn involved the referral of NHS patients to private hospitals *per se*.

Labour modernisers argued strenuously that none of this was about creating an internal market at all. Their version of a competitive ethos was vastly different from that sought by the ideologues of Thatcherism. How could anyone doubt that? At the heart of the debate, New Labour argued two defences: one, that to some degree service provision had always been handled by private contractors inside the NHS anyway. And, second, to the extent that private sector involvement was being widened, it would always be kept on a leash. From the very start many informed observers in politics, the health industry, academia and the industrial movement simply did not swallow these assurances. Based on the work of a team of researchers at the Public Health Policy Unit at University College London, Allyson Pollock's disturbing 2004 book *NHS plc* accused Labour of overseeing a 'profoundly anti-democratic' transformation in health that concealed behind 'a thousand half-truths the wanton destruction of public institutions and systems of democratic accountability'. Despite all the talk of modernisation and keeping health true to the Labour tradition of a 'free' system, Pollock said the British public had no real conception that Labour was in the process of nothing less than dismantling and privatising the NHS. She wrote: 'The disaster that is unfolding is overwhelming in its complexity and magnitude. Even rail privatisation looks modest alongside it' (Pollock, 2005). Pollock's research suggested that the 'institutions that made the NHS strong, economical and popular' were being 'dissolved and overturned'. New Labour's 'death sentence on Attlee's and Bevan's NHS', unveiled in a major privatisation plan in June 2004, would gradually transform the NHS to the point where the state would simply have the job of raising the taxes 'to pay the bills and shareholders' dividends' in a system dominated by private interests.

In yet another damning critique, health policy analyst John Lister argued that while the government had come to power pledging to scrap the internal market, it had fallen under the sway of neo-liberal economics and been populated by 'private sector acolytes' and, as a result, had turned rapidly towards creating a market loaded against, not operating in cooperation with, the NHS (Lister, 2005). Figures provided by Lister's health policy campaign body, London Health Emergency, suggested that while the Major government had bought less than £200 million worth of treatment from private hospitals, this had increased tenfold by 2006. Lister charged that billions were being diverted from NHS budgets to create this new, expanding private sector. He argued that the private sector in health only wanted access to certain kinds of business; it was not interested in long term treatment or complex or emergency cases. But where it did operate, the effect over time would be that patients would be herded into private treatment centres, denuding NHS hospitals of patients, and thus funding. This would 'pull the rug out from under' departments in many hospitals which would be left with only serious, long term cases and emergencies. Without routine cases, hospitals would no longer be able to train new staff or carry out research. And the private sector agencies were then given free rein to poach NHS staff. Thus, whole departments in public hospitals ran the risk of closing or being substantially rationalised. Even though the whole philosophical pitch of the reforms was supposed to be based on creating greater 'choice' for patients, the patients in greatest need would be forced to travel far afield to get treatment. Ministers, Lister argued, had actually blundered into designing a system that would guarantee maximum disruption to existing services in many areas across Britain. By 2006, Lister and Pollock insisted, it had become clear that on many fronts this process was just not providing the benefits its advocates had predicted. And the truth about where funding was going was being concealed by the encroachment of 'commercial-in-confidence' protocols. In an interview for this book, Lister said:

> What New Labour has done is bring in a far more radical version of the market than the Tories ever proposed. 'Creeping privatisation' is not the right term. The pace of it all has been absolutely alarming. This is not

> competition … it's a forced sharing of resources with private providers on a massively larger scale than the Tories ever dreamt of. It is a kind of privatisation. It clearly involves clinical care. (John Lister: Interview with author, London, April 2006)

To be fair, Patricia Hewitt's 2006 White paper *Our Health, Our Care, Our Say*, contained a range of innovative reforms that were widely welcomed by the public health industry. And Gordon Brown's Treasury poured massive funding into the effort to improve health services nationally. Government expenditure on the NHS was projected to climb from 7 per cent of GDP in 2003 to 9.2 per cent in 2008, representing something like an extra £20 billion a year. Despite this, front line staff, particularly some doctors, increasingly joined with academics and specialist researchers to decry the direction of things. Doctors who expressed real anxiety about the extent of privatisation argued that the increased funding muddied the water of the NHS debate. On one hand, the government could argue it was rebuilding the service; on the other, critics insisted much of the extra money was lining the pockets of private industry. Dr Jacky Davis, from the National Health Service Consultants' Association, argued in mid-2005 that, just like in 1991, much of this increase in government spending was 'going to meet the costs involved in bringing in the private sector' (*Guardian*, 27 June 2005, 18). In February 2006, *New Statesman* magazine published a startling first-person, anonymous account of a doctor who talked of working in one of Britain's 78 PFI hospitals. The article went so far as to suggest that because of a new obsession with cost-effectiveness among PFI managers, privatisation was posing 'a serious threat to the quality of patient care and to the safety of patients on the wards'. The article concluded:

> The bottom line is no longer medical effectiveness: it is cost-effectiveness. As far as I can see … [in this] modern template of an NHS hospital there is enough money for shiny windows, for an advertising budget and for more managers to push through their political targets; and enough money to guarantee generous profits for the consortium. What cannot be afforded, not without an almost continuous fight, is the cash to find plaster of Paris when it is needed, to have the people available when necessary to authorise releasing a doctor from an auto-locking corridor, or to pay a bare minimum of two junior doctors overnight to cover the surgical wards full of patients. Costs are being cut where they won't be evident to the public, at least not until it really matters. This is the 'choice agenda' in action. (*New Statesman*, 6 February 2006, 12–14)

Jacky Davis pointed out that in 1997 the Labour party had asked doctors to sign a letter which described the internal market as a cancer eating away at the NHS. 'Doctors agreed and voted for them, and now we feel betrayed.

We see hospitals closing wards and operating theatres. We see huge profits already going to PFI companies. We are not deceived by the rhetoric about patient choice and predict the patients may lose the one choice that is important – a good comprehensive local hospital.' Davis said that if the Blair government did not heed the warning of doctors, 'the cancer they correctly diagnosed eight years ago will destroy the NHS'.

Schools

As with the NHS, in the lead-up to, and then beyond the 2005 election, Blairites struggled to dismiss the suggestion that the Prime Minister's campaign to 'modernise' British schools was just another manifestation of privatisation. Prior to 2005, the idea of city 'academies' had driven the blue-sky thinking about schools, with the government envisaging some 200 institutions operating by 2010. Each academy would have a 'sponsor' – a business, consortium, individual, church or faith group – expected to stump up some £2 million, in return for controlling management, curriculum, hiring of staff, design of buildings and so on. Then in October 2005 the government unveiled its long-awaited White Paper proposals for a 'parent power' revolution in the way schools were run in Britain. Under the plan, all schools would have the right to become independent self-governing 'trust' operations. A new schools commissioner would be created to help advise parents and trusts on this new pathway to 'choice'. Parents would have new rights to force weak schools to improve. And trust schools would be free to get financial support and other backing from businesses, churches, universities, voluntary bodies and parent groups. Importantly, the White Paper seemed to suggest the onus would fall on local authorities to ascertain the desires of parents and 'respond' to their demands for new types of schools. The overall effect of the proposals however was to create a storm of political consternation that raged for months. An avalanche of criticism from dissenting MPs, unions, teachers and academics suggested all the rhetoric about choice and freedom was merely a front for allowing schools to opt out of local government control, free to set their own curricula and admission policies. Critics on the left saw all this as a backdoor process of entrenching selection. As with the NHS changes, critics claimed the parental 'choice' agenda sounded good – but was, in fact, impractical, if not just gimmickry. Teachers like Phil Revell argued parents wanted a voice in schools; but they lacked the time, expertise or interest to get involved in the detail of school management on schools' councils (Revell, 2005). The embarrassment for the government deepened when former leader Neil Kinnock and Fiona Millar, the ex-aide to Cherie Blair, went public to voice their concerns; and it emerged that John Prescott had protested in the cabinet room that the reforms would discriminate against the poor and amounted to an unsupportable reversal of Labour's commitment to comprehensive education.

Faced with the prospect of a backbench revolt that could scupper the schools plan altogether, and potentially even end Blair's Premiership, Blairites were drawn into weeks of negotiation with backbench rebels that essentially watered down the original White Paper specifics. Blair and his Education Minister Ruth Kelly were forced to accept that local councils would continue to have a strategic role in admissions to schools; that a government code covering admissions policy would be enforceable; and that parental interviews for selection to schools would be banned. As well, to avert fears of the rise of a kind of asset stripping, the assets of a trust school would revert back to the local authority in the event of closure. A continuing bone of contention related however to the power of local authorities themselves to open community schools. The Blairites insisted that local authorities would evolve into strategic commissioners rather than service providers. They would have to get specific approval from the secretary of state to set up schools. The upshot of all the turmoil was the eventual passage of the reform package in the House of Commons in March 2006 by 458 votes to 115. But the problem for Blair was that with the defection of 52 Labour MPs, the education bill went through with the support of the Conservative Opposition.

The size of the Labour revolt was smaller than the 72-strong rebellion against tuition fees in 2004 and the 65-strong rebellion against foundation hospitals in 2003. But in those votes Blair had enjoyed the 'buffer' of a much larger parliamentary majority. The effort required in talking labour dissidents onside this time badly debilitated the government. The Prime Minister was mocked when he declared in the parliament that this was a Labour Bill 'and should be supported by Labour MPs'.

Three mysteries

Three mysteries dominated British politics as Tony Blair's third term in Number 10 wound down. The first related to the chasm that appeared to have opened between, on the one hand, Blairite rhetoric about the impact modernisation would bring in health and education and, on the other, the sceptical views of the general public, and a corps of independent and informed specialist commentators in those areas of policy-making. Patricia Hewitt's April 2006 claim that the NHS was having 'its best year ever' set off a chorus of protests that the government was simply blind to the real effects on the ground (Patricia Hewitt, Interview Radio Five Live, 25 April 2006). To some it appeared Blair and many around him were clutching onto a desperate ideological faith in marketisation. Policy experts like Pollock and Lister were incredulous that ministers seemed inured to evidence suggesting the direction of things may have been ill-conceived, what with escalating health trust deficits and forced cutbacks in patient services and NHS jobs. The second mystery related to Gordon Brown. One of the truly intriguing elements of the Blair years was how Brown's ideological disposition remained so veiled; and whether it could possibly stay that way if and when he moved into Number 10. Few people in Westminster truly claimed to know the Chancellor's mind; the health debate was a case in point. One interpretation of people involved in the health industry was that Brown was basically quite in favour of major systemic reform. Others, however, including some media commentators with access to Brown's supporters, claimed this was very much not the full story. In particular, Robert Peston's 2005 account of Brown's ideas described behind-the-scenes attempts to thwart Blairite efforts to comprehensively privatise health (Peston, 2005, 288–323). According to Peston, Brown's was a 'thus far and no further' approach – he believed in an internal market for health, but had concerns about the extent and form of 'importation' of private sector interests. He argued this would drive up healthcare costs and disadvantage the poorest patients in the long term. In briefings for this book, Brown's supporters said he had grown privately irate at the direction of the PFI revolution; that while he could see a place for the private sector building and managing health infrastructure, there should be limits on it running clinical services. But more important even than Brown's disposition, the third great mystery related to the intent of the Conservative party, and in particular, to the real meaning of the policy changes enacted by new leader David Cameron. That election, and its immediate aftermath, signalled the arrival of the longer term problem that would come to plague the British Labour party – the onset of the New Progressive Dilemma. The 2005 election campaign was one in which Blair could proudly boast:

> The single most important strategic shift in British politics over the last decade is that Labour has now replaced the Conservatives as the party of the economy, the party of stability, the party of entrepreneurs. Today, New Labour is the party of wealth creation and personal prosperity; the party of employment and enterprise. (Blair, 2005)

But it was a campaign that developed into a referendum on Blair himself, with its last hours witnessing an increasingly desperate party begging its supporters to get out and vote, lest Michael Howard's Conservatives be elected, back-door, through tactical voter defection to the Liberal Democrats. By adopting for so long so much of its opponents' policy position and philosophical cadence, it was not just that Labour's appeal to its traditional base on the left was dangerously ebbing. Its ability to actually differentiate itself as a political product, and thus characterise and target its opponents, was seriously eroding. It was hemming itself in, diminishing its own distinctiveness, giving itself less and less room to manoeuvre without looking hypocritical, petty or plain shabby. With Labour insisting on fighting the fight in the middle of the ideological roadway, voters looked at the protagonist offerings and saw not much between them. Or, rather, they saw such a confusing policy blur that it all just reinforced their apathy. By adopting so many of the ideas driven by neo-liberal economics, Labour increasingly had to rhetorically split hairs to make itself distinctive. Its attempts to position the Conservatives as extreme on some fronts came unstuck because it believed in more muted versions or associated elements of the self-same policy ideas. Nowhere was this clearer than in Labour's strained point-scoring during the 2005 election campaign.

On the hustings, ministers attempted to divert attention from their own expansive plans for NHS privatisation by targeting Michael Howard's idea for a voucher system to allow individuals to pay top-up co-payments to access private health treatment (Reid, 2005). This, despite the fact that in an important speech in 2002 Blair himself talked of the need for the progressive left to 'be willing to experiment with new forms of co-payment in the public sector' (Blair, 2002). In the campaign, ministers valiantly tried to differentiate their plans for choice, local autonomy and flexibility in schools policy from those of the Conservatives by attacking Howard's plan for a voucher system or 'pupils' passport' (Brown, 2005). This despite the fact that amid the controversy over the education White Paper, the point was made embarrassingly by Labour MP Jon Trickett that the original Blair–Kelly White paper bore eerie similarities to the Conservative party's own education manifesto. Both stressed 'parental choice, school discipline, autonomy and freedom from bureaucracy'. Trickett showed that not just sentiment but the actual wording was strikingly similar. There was 'confluence of thought and aspiration' between the two in who should be allowed to run modern schools. Trickett pointed out that Labour MPs had campaigned at the election on the basis of giving local authorities more control in education, not less. They had campaigned *against* the Tory manifesto, only to see its recipes included shortly after in the White Paper (*New Statesman*, 28 November 2005, 12). Through his plans for reforms of health and education, but also through the gradual privatisation of welfare sector service provision and in his plans for a crackdown on the systems of unemployed, single parents and incapacity benefits (*Guardian*, 25 October 2005, 6), the problem of political product differentiation loomed uncomfortably large for Labour during Blair's third term. It was a phenomenon that would not go away. What many in politics could not foresee was that once the electoral cycle turned again and the Conservatives eventually returned to office, this could become Labour's embedded crisis. So the intriguing questions about the future did indeed lie with the Tories, and, in the first instance, with David Cameron.

The Cameron game-plan

The earliest hint of the possibility of a long term product differentiation problem for New Labour came in 1999 – and, ironically enough, from David Marquand. In a *New Statesman* article he made the point that even though Blair at that time appeared politically untouchable, once memories of Thatcherism had fully faded and once public patience with New Labour ran out, it might not be difficult for a clever Conservative government to take up the New Labour ideas and give them a 'pluralistic and democratic gloss' (*New Statesman*, 27 September 1999). At around the time Blair was becoming mired in the Iraq catastrophe, community patience with him was, indeed, beginning to run down. And in 2003 came a sharp hint about the future direction of things in health. Policy researcher Daniel Kruger was urging the Conservative Party to rejoice that, with his legislation setting up the controversial foundation hospitals, Blair had taken the first steps towards the 'holy grail of modern medicine' (*Daily Telegraph*, 7 May 2003, 20). Kruger complained that New Labour was not going far enough. But insisting that, like university tuition fees, the shift to foundation hospitals was in essence a 'Tory measure', Kruger intimated that the Conservatives in Opposition should take a 'longer view' – awaiting the moment it would fall to them to take the NHS reform further towards 'customised, responsive, integrated healthcare' (Bosquanet and Kruger, 2003).

David Cameron's election in December 2005 as Conservative leader was potentially a landmark in the unfolding Dilemma. Important parallels existed between this moment and the attempts in the early 1990s in Australia for the conservative parties there to find a way to contend with New Labor. In 1993, a desperate Coalition in Canberra had shifted rightwards under the Thatcherite economist John Hewson. But this was a flawed strategy because Keating was able to brilliantly distract attention from his own abundant failings in a blistering 1993 election campaign, warning about what an unleashed hard-line version of New Economics would do to Australia. With John Howard installed as leader in the run up to the 1996 election, the Coalition had learned from those mistakes. Howard refused to reveal policy detail that Keating could exploit, talked soothingly about his aim to make Australia a 'relaxed and comfortable' place, complained that 'elites' had done well under Labor at the expense of ordinary folk, but otherwise allowed the election to become a referendum on Keating. With some hallmark similarities, the opening phases of David Cameron's period as leader in the UK signalled an even more sophisticated repositioning.

As in Australia in 1996, gone were some of the more right-wing prescriptions that had failed Michael Howard in 2005. Cameron's first volley of policy repositioning was surprisingly innovative. In a series of U-turns which he acknowledged were about 're-branding' and 'modernising' his party, he jettisoned the aspiration to low taxes *per se*, replacing this traditional Tory policy priority with a commitment to achieving public finance stability, and pledging that taxes would come down over the course of an entire economic cycle when and if they could be afforded. Unlike Michael Howard, he was ready to concede that the minimum wage had been a success. He seemed to embrace a green environmental agenda and talked volubly of wanting both a vibrant, open economy and a decent compassionate society. His whole approach on the issue of the role of the state in people's lives had about it a look of subtle adjustment. Cameron argued that Thatcher's old maxim about there being 'no such thing as society' had been taken out of context. He intimated that what she had precisely meant was there *was* such a thing as society; but this was 'not the same thing as the state'. On one hand, he appeared to represent a shift to the left on the Conservative side because he kept stressing that 'rolling back the state must never leave the poor, the vulnerable and the weak behind, and that's where the state clearly has a role'. Yet on the other, he argued that there was no need for public service and social action to always be delivered by government. He saw huge scope for social enterprises, voluntary bodies and private businesses stepping in. Importantly, Cameron made careful adjustments to health and education policy. On one hand he defused the potential for his party to be attacked by Labour; he ruled out reintroducing grammar schools and ditched the idea of subsidising private health care. Much more importantly, on the other hand he shifted position to annex some of Labour's own prescriptions. He declared Blair's city academies idea a good one; he dropped Conservative opposition to tuition fees.

Cameron was able to exploit Labour's dire parliamentary difficulties over the schools debate. For a start, by delivering Blair the numbers to easily get the package through the Commons, Conservatives crowed that Blair was firmly 'in the Thatcher mould'. Cameron's able colleague, David Willetts, who said there was 'something very exciting' in the schools reforms, complained that Blair was 'timid' and constrained by his backbench rebels, when the Opposition was willing to back him to implement all the original White Paper ideas (*Independent*, 28 February 2006, 14). On the other side, Labour rebels shouted 'Tory Bill' when the result of the vote was read in the chamber. In the members' lobby, Labour MPs pointed to the bust of Ramsay MacDonald, hated for forming a coalition with the Tories. 'Ramsay McBlair,' they said (*Independent*, 16 March 2006, 7).

Turning the political screws

When John Howard returned to the Coalition leadership in 1995, he faced Keating as Prime Minister, Hawke having been relieved of the job four years earlier. When he won the leadership, David Cameron still faced Blair in Number 10, with Brown edgily biding his time in the political wings. In fact, Cameron's strategy cleverly accommodated this. Basically, he began by praising Blair for many of his efforts, clearly reminding everyone of the Labour leader's early olive branch to Margaret Thatcher. Happy to concede Blair had been on the right track in many things, Cameron said he had demonstrated a particularly 'profound' understanding by embracing Thatcher. The problem was, Cameron said, Blair had been held back by his own party from going far enough. And the key obstacle on that road was none other than Brown, the 'pretend' New Labour man who was, as everyone knew, an old Labour statist obsessive at heart who really didn't believe in freedom at all (Cameron, 2006a). Not only did Brown overtax and overregulate Britain, Cameron said:

> Here is the guy who opposed foundation hospitals, neutered them, probably helped neuter the education White Paper and is standing in the way of proper reform of public services. There is a real opportunity to say to the public and the Labour Party that Tony Blair has some ideas about public service reform that *we would like to take forward and really push through in a meaningful way* [my italics]. And it would be great to have Tony Blair's support for that, but there won't be the support of Gordon Brown, there won't be the support of Labour backbenchers. (*Sunday Telegraph*, 6 November 2005)

As a strategy, this was by far the most effective counter to New Labour that the Tories had been able to muster since 1997. Irrespective of whether Cameron would make a long term go of the Conservative leadership, in its moment his strategy cleverly turned the political screws on Labour. For the first time in recent memory, the government was squirming, straining to put clear water between it and a Conservative politician who was suddenly doing to it what Blair had done to the Conservative Party in the 1990s. The unease within New Labour at this new pitch from Cameron was palpable; and with good reason. Labour Party MPs and activists were intensely discomforted by the Tory leader's embrace of his ideological fellow traveller Blair. And the ground was clearly being staked out for an assault on Brown when and if he became PM. Under pressure, Blair fought back – but the real impact of what the PM was saying only exacerbated the pressures on Brown. In a round of media interviews in early 2006, Blair argued that just because Cameron had moved to the centre ground, a Labour flight to the left would be a 'kamikaze strategy'. Blair confirmed Brown as his successor; but said the Chancellor would 'continue New Labour after I am gone' because he was 'completely and totally' New Labour:

> There is no doubt in my mind that New Labour will continue and will continue well after I've gone. I mean, I've absolutely no doubt about that ... it's sometimes said that Gordon is not New Labour, he's Old

> Labour, he's a roadblock to reform. It's complete nonsense. He is completely … on the same line as New Labour. (*Guardian*, 9 January 2006)

As Blairites well knew, such public reinforcement of Brown as a continuing, and fervent, New Labourite significantly reduced the Chancellor's capacity for subterranean manoeuvre when so many of his supporters had their hopes pinned on him one day putting parts of the New Labour agenda behind them. But, from the Conservative point of view, this was also manna from political heaven because if Cameron, or any other future Tory leader, was savvy enough, it would be relatively easy to use Blair's words to torment Brown if as Prime Minister he did diverge from the New Labour approach. For his part, Brown's aides at Treasury could only lamely complain that Cameron was 'stealing' some of the more innovative ideas of the Prime Minister-in-waiting (*Guardian*, 7 February 2006).

After agonising over the appropriate response to Cameron, the government initially settled on a strategy of arguing he was, underneath, an 'old-style' Tory masquerading behind dressed-up rhetoric stolen from New Labour. A pamphlet published by the think-tank group *Compass* argued that even George W. Bush had started out pretending to be a compassionate conservative and urged voters to look at how Cameron had sprinkled right-wingers and ideologues through his new policy-making apparatus (*Observer*, 5 February 2006). This was – perhaps even more so than its authors realised – an acute observation. The short term question was: how would Brown fare when he finally replaced Blair? But the far more important longer term question for the British Labour party was: irrespective of the early re-branding exercise Cameron clearly hoped would win back lost middle-of-the-road voters, what kind of policy agenda ultimately would the next Tory government put in place? Blair himself had pointed to this: questioned about the new pressure Cameron had imposed on him, he told one interviewer to wait and see exactly what the new Tory leader did. 'The question is not whether they talk about the centre ground but whether they do it – whether they believe in the NHS and state schools' (Blair, 2005b).

In fact, Cameron's early political strategy had about it some sophisticated elements. He was plainly about projecting a modern, moderate image to try to win back a middle-class heartland lost to Labour in 1997. Despite their grumblings, the Tory right could content themselves with the hope that once the party was safely back in power, traditional party policy ideas would reassert themselves. Cameron may well have acted to defuse problems by declaring his intention to keep the NHS 'free at the point of need and available to everyone regardless of how much money they have in the bank'. He may have declared he had no truck with the argument that people should be forced into private insurance. But he also said that the left had spent too long 'trying to get the private sector out of the NHS'. He said that while in some ways New Labour had agreed with Conservative views on the way to manage the system, it had nevertheless 'failed to follow through with sufficient boldness'. Cameron said New Labour had agreed that the NHS 'does not have to mean a nationalised health service'. But, he added: 'They haven't gone far enough in giving a wide range of health providers the right to supply services to the NHS.' New Labour had come to accept that power and control in the system had to be devolved to the local level. 'But their foundation hospitals are not truly autonomous, and even under Labour's new plans, GPs will still not be in the driving seat.' In fact, he said, 'in every area where Labour are moving in our direction – whether giving patients more choice or cutting bureaucracy – we think they could and should go further'. Cameron charged that New Labour's approach had been a 'values-free zone'; lurching wildly from one approach to another under the pressure of backbench resistance. It had bounced between outright centralisation to a morass of targets and plans. He promised to keep pressuring Blair and Brown to give greater control to medical professionals. He called for 'more power for GPs, giving them the ability to access care they know patients need'. He wanted 'genuine' foundation hospitals only. He demanded 'real freedom for new services to be developed and offered to the NHS', true devolution of responsibility to the professionals and 'an end to targets and bureaucracy which prevent them from doing what is right' (Cameron, 2006).

The dilemma's fifth stage: statist structural extinction

A whole range of potential difficulties clouded the hopes of many on the progressive left that, post-Blair, a new leader could just step in and somehow repair the 'damage' done during the New Labour era. In a sense, time worked against Labour traditionalists. Blair was intent on buying as much of it as he could before departing, to achieve that public services 'tipping point'. But how much scope would there actually be for a new leader to row back on the Blairite reforms even if he was inclined to do it? Rhetorically, this would create enormous political pressures for him. But would it be possible administratively? The longer term question, though, was the scenario that pertained with the eventual, inevitable change of the party in power – a moment that would hold out much the same massive opportunities for the British Conservatives as it had for John Howard in Australia in 1996. For whether Brown, or anyone else, had managed to row back or not, the Conservatives had the ground prepared for them by New Labour. A long period of deliberate public policy-making reform would beckon for the Tories; a period in which they would have been ceded powerful factual and rhetorical weapons in making their case for even more far-reaching structural change. Once in the job he so long craved, if Brown could not staunch New Labour's electoral slide, a long and bitter period in irrelevant opposition beckoned for the Labour Party. This would be more than just a period characterised by the new Labour crisis in product differentiation. It would be more than just a period of intense internal ideological discord for Labour. It would be a period in which the aspirations of party traditionalists faded beyond irrelevance towards obsolescence. It would be the time for the dawning of the last phase of the New Progressive Dilemma – what might be called statist structural extinction. Potentially, it would be a time when structures and processes in traditional public sector management were eliminated altogether or radically reshaped beyond recognition into complex new 'semi-private' arrangements by the Tories; and all this put in place by building on the platform erected for them by New Labour. Tony Blair was not exaggerating when he said he wanted to be the revolutionary who shattered the traditional structure of statist, centralised public sector management.

Once again it is illuminating to refer to the Australian experience. In some ways it is possible to see the whole early twenty-first-century international debate about the nature of the state, the proper role of government, the most appropriate structures for public administration – and in particular the British variant of it – as heir to the privatisation revolution inaugurated by Thatcher. A crucial point, cited in Chapter 7, was made by the former inside participant in the Hawke–Keating years, the ex-MP Neil O'Keefe who, after resigning parliament, remained involved in Australia's PFI–PPP policy debate. O'Keefe made a telling point about there being one little-appreciated effect of the 1980s privatisation push. It was that the downsizing of government and the shift of resources to the private sector gradually reduced the capacity of government agencies to research, initiate and manage tasks they had traditionally been required to handle. O'Keefe was talking about more than just a short-term brain drain. This was the dissipation of the state's 'corporate capacities', built up in some cases over generations. It was as if, over time, the intellectual potency of government had ebbed away. The old statist structures faced two problems – they were either sidelined *per se*; or, denuded of personnel, resources and responsibility in the shift to public–private provision, found themselves forced to work in administratively complex terrain that was made newly challenging, maybe even overwhelming. In fact, a stark illustration of the way statist structures could actually be dismantled to the point of extinction lay in the fate of the Australian industrial relations system.

Stephen Rothman was for many years one of Australia's most experienced and influential barristers in the industrial jurisdiction. An intimate of top politicians, union bosses, employer bodies, jurists and arbitration system insiders, he had a startling take on the impact of the dismantling of Australia's IR system begun under Keating. In an interview for this book two years before he was appointed to the bench of the NSW Supreme Court, Rothman argued that the gradual drift towards deregulation had in fact begun at the state level in Australia at the end of the 1980s before being stepped up nationally by Keating in 1993. What it all meant, Rothman argued, was that twenty years down the line, 'corporate memory' of how the old IR system operated was ebbing away. Trade unions had been forced to set up training schemes to try to educate their new generation leaders in what it was to actually go out into the field and organise in the workplace. As well, former arbitration commissioners and judges had retired, taking hands-on experience of a century of case law with them:

> There are now aspects of collective jurisprudence that was the mainstay of arbitration where there are few people left with any detailed understanding of how these thing used to operate. There are members of the Industrial Relations Commission who don't know anything about the history of the thing because they don't do it anymore. Deregulation has denuded practitioners of the corporate knowledge of what it is to even think in these terms. They don't even understand the issues in collective arbitration ... That's because it has basically not happened, not been practiced in Australia, since the first changes at the state level and certainly since the moves Keating put in place. I mean, that's a long time ago now. How many people are there still around who understand how the old systems used to operate? They are all gone ... or going. There are still some pockets where that corporate memory exists in Australia. But John Howard has been in power since 1996. It's all just disappearing. (Stephen Rothman: Interview with author, Sydney, May 2003)

The key question this provokes for British politics is whether the long term effect of Blairism will be to set the stage for the extinction of statist structural agencies in some form in the UK too. Did New Labour's public sector reforms, particularly in health and education, open the way for a future Conservative government to come in and carry forward privatising change to such a comprehensive degree that there would thereafter be no 'going back' to the traditional mechanisms and strategies through which statist collectivism operated? By the time the third Blair administration was drawing to a close, some experts interviewed for this book could see dangerous precedents having been established – and the possibility of the arrival of a structural tipping point in these areas of policy-making beyond which it would be very difficult to 'row back'. This was not merely a question, for example, of government being locked into long-term contracts with health service providers and companies running schools. In her devastating treatise on the progressive dismantlement of Bevan's vision of a health system, Allyson Pollock also warned of the danger that the 'institutional memory' of the NHS was being 'rapidly eroded' and could be lost forever. In the book *NHS plc* she predicted that 'very soon' every part of it would have been ‘unbundled and commodified’. Pollock seemed to suggest that the forensic work carried out by her UCL research team had been motivated by the need to get a clear account of this intensely complex policy revolution down on paper. ‘One day,’ she said, ‘people will demand the restoration of a national health service, but the institutional memory will have been lost.’ By the time most hospital trusts in the UK were given foundation status and freed to function like private corporations, unsupervised by strategic health authorities, the privatisation process will have become deeply entrenched, she said:

> The most expensive part of the NHS – the hospital sector – will then be in the hands of chief executives dealing with a growing system of private providers within and around the hospitals they are operating. It does not follow that they will absorb the ambient corporate culture and start awarding themselves higher salaries, and restructuring hospital services on more and more market-oriented lines. But it takes a lot of optimism not to believe that this is a rather likely outcome, especially in the foreseeable context of the eventual return of a Conservative government pledged to push the privatisation of health further still. (Pollock, 2005, 85)

Pollock saw the importance of focusing on the Conservatives’ intent longer term. And she argued that the question of the future should not be seen simplistically in straight public/private terms. The private health care industry was not in favour of wholesale annexation – the arrival of a purely private market. Private agencies wanted to be given status as for-profit providers because there would always be profits to be made out of taxpayer funding of the system, as well as through charging additional fees or ‘co-payments’ from those who could afford to pay.

‘The Conservatives’ policy would provide exactly that, and Labour’s conversion of the NHS into a market is the perfect preparation for it,’ Pollock wrote.

Health policy analyst John Lister was another one who saw Blairite New Labour playing right into the hands of the Conservative Party in the longer term. Blair’s health policy revolution meant that bit by bit, elements of the NHS were gradually just lopped off. ‘And the effect of this is that, bit by bit, you force more and more people to contemplate paying privately for health care; you force more and more people who can afford it towards private insurance; and you demoralise the other people who have historically relied on the NHS and now don’t know where to turn,’ Lister said. All that would create the situation where politicians or certain private sector interests could come along and insist a point had been reached where the NHS was no longer sustainable and should be shelved in favour of a system based on various forms of insurance.

Lister went so far as to charge that the Blairite health policy changes boiled down to a deliberate rendering of traditional NHS services non-viable so as to create space for the private sector to operate. 'But eventually you reach a tipping point where there is not enough of the public sector left to actually provide the services in a local area. You become utterly dependent on the private sector delivering a component of your service.' In 2006, Lister's judgement was that there was still a way to go before that point was reached. 'But the problem is there is only a one-way trajectory at the moment,' he said.

On a number of levels politically, Lister saw the New Labour approach as setting the scene for serious political problems, both short and long term. Voters would actually turn away from Labour, so increasing the chances of the Conservatives winning the 2009 election. The Blair government response had been to try to get in quick with the hard parts of the NHS reform:

> But New Labour has set all this going. All the Conservatives will have to do is carry on down the same path. Blair is just leaving an open door … once the basics are done. New Labour takes all the flak … I mean, in 2006 Patricia Hewitt was talking about taking the pain then because they had the 2005 election victory under their belts. They made it very clear that they had to get all the painful things done in the first two years after 2005 and hopefully allow the electorate to forget about it in the run-up to the following election. If they are in the throes of shutting down major hospitals at the time of an election, they're going to lose. So they had this theory to do the tough things early and get away with it later. But the reality is that by doing the tough things early, they drive even more of their natural supporters away. And they create the circumstances in which the Tories will just move in and clean up. (Lister: Interview)

Ideological fissures

By the end of the third Blair administration, would a stage have been reached where the New Progressive Dilemma was indeed the inevitable outcome of 'New Labour', and the looming endpoint for Labourite politics? Could a new Labour PM replacing Blair make an impact sufficient that the Dilemma was no longer a likely long-term possibility? Would a fourth straight Labour election win hold off, or merely delay, the inevitable? The installation of a Blairite in Downing Street or a continuance of New Labour policies under Gordon Brown would mean it was only a question of time. Looking to Australia again, the fact is Keating won an election after Hawke was removed. But that was because the conservative opposition made the mistake of offering the Australian electorate a massive dose of hard-line

Thatcherism in 1993 – not a mistake the Conservative party was intent on emulating after the 2005 British election. Cameron's repositioning was potentially the most important thing the Tories had done since 1997. Blair's third election win set off some quite unreal soul-searching on the Conservative side about the danger the party may never again obtain office, about it facing a 'final dead end' (Wheatcroft, 2005). Clearly, the agonising about how, and in what form, Conservatism could be made relevant again, had not looked to Australia (O'Hara, 2005). In fact, Cameron's strategy had all the hallmarks of John Howard's 1996 campaign where he made the Australian Coalition a very small target by keeping policy plans non-threatening. But the point here is that even with the three-year reprieve, Keating's departure in 1996 just cleared the way for the onset of the New Progressive Dilemma Down Under.

Were British Labour to lose the 2009 election, the party would certainly be confronted with the Dilemma – in the impotence of Opposition reduced to looking on at what a resurgent Conservative party did with what Blair had started. What sort of labour party then? How fevered would be the internal factional civil war as all the pressures of a decade of pent-up animosity over Blair's direction exploded into the open? Would Old Labour prevail, blaming Blairites for wasting a once-in-a-century opportunity to really *do* something? Would the Blairites stand their ground, saying that none of the years in power would have been possible without Blair, that what was possible to do was done, and that unless New Labour became the new ideology, the party would have no future? Who would call the shots in the PLP? Who would – could – lead the party in Opposition? Across the new ideological fissure opened up in this party by Blairism, and the debilitating years of infighting between Blairite and Brownite forces, who would comprise the team given the task of rebuilding the future? Could Blairites and Brownites work together; or would the enmities live long and hard? But crucially, what would be the Labour policy response as it became clear just which direction the Conservatives wanted to take the nation?

The last question brings us to the next phase of the Dilemma: the battle Labour would face to construct a distinctive post-Blair identity for the long haul. Ideologically, what would the British Labour Party say it believed in? If it was reheated Blairism, what would set that offering apart from a cleverly marketed Conservatism, as David Marquand wondered in 1999? So much here would depend upon the dexterity of the Conservative party and its leadership. How cleverly could it exploit the central ideological crisis enveloping Labour – built upon the fact that Blair wanted what the Conservatives want, but didn't have the support of his party to go far enough in doing it? Wasn't it Blair who told his party conference: 'Every time I've introduced a reform in government, I wish in retrospect I'd gone further' (Blair, 2005a)? The evidence of Australia suggests this would be a relatively simple political task for the Conservatives, as Labour's internal tensions boiled over publicly for all to see, newspapers filled, week in, week out, with labourite soul-searching about its lost mission.

And, what of the moment when the New Progressive Dilemma for Labour in opposition reaches its final phase – when a Conservative government begins implementing its own radical plans to change the way health and education systems, for example, are run? Labourites will know a new era of obsolescence has dawned when a Conservative government finally pushes things so far that even former fervent Blairites are minded to go to the barricades to protest at its excesses. The hypocrisy of this situation will make it the limpest of protests; the final test of Blairite political product differentiation skills. But at that moment the progressive left should also take care to look around for the signs, which by then may well be emerging, of irredeemable change to the very architecture of the state upon which their forebears had invested such hope.

Whence the mystery man?

As Blair's time in Downing Street ebbed away in his third term, there was no shortage of innovative thinking in the progressive left about how Labour in power could be remade after him. Much of it was coming from pro-Brown agents. But the effect of the heightening expectation would ultimately only impose huge pressures on the Chancellor if and when Blair did give way to him. In fact, enormous challenges were quietly building in the expectation of a Brown Prime Ministership. For their part, some Blairites privately scowled that Brown did not actually have what it takes. But one question related to the personal dynamics inside the post-Blair PLP. On this front, once again, the Hawke–Keating situation held out some parallels.

In 1990, Hawke had dug in as Prime Minister, despite having promised Keating he would step aside. This resulted in Keating's supporters mounting the coup that was the first political assassination of a sitting Labor Prime Minister in ALP history. Incredibly, Hawke supporters immediately agreed not to destabilise the government after Keating had taken over. It was actually destabilised by other factors – such as the fact Keating 'owed' so many MPs for their support in the coup and its planning. The resulting reshuffles also created a ministry in which too many individuals tended to defer to the leader and not challenge his ideas. The Keating team came to be seen by some as not containing quality thinkers of the early New Labour period. Also, once in the job, there was a question about whether Keating had energy and enthusiasm left after such a long period working on demanding policy reform; he even said privately that his most creative period had been as Treasurer. Irrespective of whether Blair was removed or departed voluntarily, there was always going to be a loyalty problem for Brown on his backbench. Many MPs had watched his own manoeuvring as his supporters had destabilised Blair for many years. Now the boot would be on the other foot. Would former Blairites be happy to work with Brown? How would he work with his own new Chancellor?

But the real problem for Brown would not be party politics – many inside the Labour system longed for his accession, and argued that Blair had had his time. The problem would be what a Brown-led government could actually do; and in particular, how he could walk the policy tightrope, given his credentials as joint architect of New Labour and the high expectations of change that motivated his support base. For years the Chancellor had operated in the shadows – wedged there, in part, by Blairism. The great irony was that although this was one of the stand-out politician partnerships in British history, after a decade in power no one really seemed sure what Gordon Brown stood for ideologically. Were the 'insider' accounts (Peston, 2005) correct? Was Brown really ideologically incensed, for example, by the extent to which Blairite loyalists in the ministry had pushed the privatisation of health? The problem here was that once in Number 10, Brown's scope for disingenuously avoiding the tough questions would instantly evaporate. Right from his very first press conference, this would no longer be a politician of the backrooms; an enormous challenge awaited Brown and those around him in readying him for the wave of pressure for clarity about his intent that would come from the media and his political opponents. The first big, post-Blair question was: would Brown be up to the job? The second was: what sort of Labour PM, exactly, would this be?

The left pressure group *Compass* took a frontline role from early 2005 in urging boldness from Brown. Compass chairman Neal Lawson made the key point about the great Brown 'ambiguity'. Ultimately, would it be Brown the 'social democrat' (or even democratic socialist) – or Brown the 'flexible marketeer'? 'Which Gordon Brown we get will determine the hopes of progressive politics. It is whether he can listen and change that matters,' Lawson wrote. In fact, these key questions would hang over whoever finally replaced Blair, be it Brown or an alternative. There was no shortage of specific advice on what the next leader had to do to create a distinctive new Labour phase. Lawson talked of the need for a direction change in two areas: Labour's attitude to markets; and the form of British democracy. Britain needed a written constitution, an elected House of Lords, electoral reform and a new settlement with local government. But Lawson urged Labour to confront some of the negative practices of big business as well as society's 'consumption addiction'. Crucially, he said, any future Brown government had to lay down new boundaries between the private sector and the public realm. 'On the grounds of efficiency and morality', the next Labour leader had to ditch the PFI revolution (*Guardian*, 9 May 2005, 20).

The irony of all the speculation about Brown's intent was that ultimately the future probably lay with the Conservatives, not a New Labour Mark 2 version. Perhaps Brown would just prove to be a second Jim Callaghan. The

Blair tipping point may have seen to that. But if somehow the descent into the New Progressive Dilemma is to be avoided – in a way that no Blairite nor New Labor leader in Australia could manage – then, early on, Brown, or whoever else succeeded Blair, could at least make a start by doing two things. The first is to declare ideology alive and well. As Richard Reeves argued, talking 'values' and decrying ideology at the same time is simply nonsense. Despite his pretension to one, the absence of any 'coherent set of ideas' or 'guiding philosophy' under Blair meant the entire centre-left of politics has been pitched into an ideas vacuum. Tellingly, Reeves asserted that under Blair civil servants had reported privately that they never knew what 'line' would be taken on any particular policy. 'It could be interventionist or laissez faire; liberal or authoritarian; populist or principled; centralising or decentralising, depending on the minister and the mood of Nos. 10 or 11 Downing Street.' The absence of ideology also meant the 'lack of a clear anatomy of power relations', Reeves said. Political ideology needs to be based on a view of the operation and distribution of power in society – and how to alter it. Thus, purely pragmatic, managerial politics could not tackle the big questions of power and inequality in human affairs. A clear philosophy also enables a politician to bring the community along. It is just not enough to offer the electorate policies; there also has to be 'compelling and distinct' views of how the world was; and what it could, and should, be. The point of progressive politics is not to capture the middle ground, but to shift it. 'Unless the ideas gap can be filled, we face either an intellectual revival of the right or a succession of election contests between little more than competing brands – the ultimate triumph of the market,' Reeves wrote. Without ideology, the role of the politicians was no longer to persuade, merely to sell (*New Statesman*, 27 September 2004).

The second starting point towards a re-born Labour Party is for a new leader to step up to the plate, finally, on inequality. But how would Gordon Brown deal with this? In April 2006, the Fabian Society released the report of its 'commission on life chances and poverty' which recommended a startling new brace of tough measures to try to target and resolve continuing problems of inequality in British society. Measures included a hike in income tax to 50p for top-earners to pay for more childcare, benefits for single mothers and new parent leave arrangements, the convening of a Royal Commission on income and wealth inequality and an increase in the minimum wage. Basically, the Fabian Society work suggested the new dividing line between post-Blair Labour and the Conservatives could well veer into the debate over inequality (Bamfield and Brooks, 2006). Commentators even saw this as a new Clause IV moment. But faced with these proposals, the Chancellor was reported to be hostile to the idea of a tax hike, believing it would not raise much revenue and could 'send a negative signal about Britain to foreign entrepreneurs' (*Independent,* 31 March 2006). Here it needs to be recalled that back in 1999 Brown argued that equality was necessary not just for 'social justice' but for 'economic success'. At that time, he insisted that 'what matters on ethical and economic grounds' was 'the equal right to realise potential', adding that he rejected 'an unrealisable equality of outcome'.

'Indeed we reject equality of outcome not because it is too radical but because it is neither desirable nor feasible,' the Chancellor said. Brown did attempt to find common ground with what he called Crosland's definition of 'democratic equality', but this was in a piece of writing in which he also argued that the 'issue for socialists is not so much about what the state can do for you but about what the state can enable you to do for yourself' (Brown, 1999).

The Labour tribe waited long and patiently in the early twenty-first century for what it hoped would be a saviour. History might one day show that Tony Blair carried heavy responsibility in a variety of important ways for his decade in power. But so would Gordon Brown. From Brown's point of view, a start could be made in distinguishing two legacies here, and not just one, by the open assertion at the outset of his leadership that equality of opportunity was fine and well, but that the true Labour aspiration was for a better world built on a fairer share for all. Whatever his constrained public rhetoric, this sentiment had sometimes seemed to be the sub-plot in his stealthy redistributive policies as Chancellor. As Neal Lawson argued, Brown instilled in some the belief that he was the most inspiring and capable politician of his generation. Lawson's bet was that if and when he became PM, a mix of 'Gordon the cautious and Gordon the brave' would emerge. The latter would face the might of a formidable right-wing British Establishment – the same forces that cowed Blairism. But, if he could find the courage, at least Brown as Prime Minister would have a newly galvanised progressive left standing firmly behind him in the battles to come.

Notes

Introduction

1 This term is a variant of the idea put forward by Australian author and political commentator Paul Kelly (Kelly, 1994).
2 As will be elaborated later, this book takes a lead from Michael Freeden's assertion that ideology is a valid and explicable component of British political practice; that ideologies do not have to be 'grand narratives' or 'closed, doctrinaire and abstract systems' (Freeden, 1999, 42–51).
3 By way of clarification, it should be noted that though fundamentally moulded by many of the same nineteenth-century formative influences as the British, from the very early twentieth century the Australian party embraced the distinctive spelling, *Labor*; thus in the sections of conjoined analysis that follow, I will refer to 'New Labo(u)r'. Here it also needs to be said that after 1994 Tony Blair promoted at every turn the leitmotif 'New Labour', intent on reinforcing the notion that his was a party completely transformed. In stark contrast, the Hawke–Keating period had no emblem or slogan that encapsulated what was unfolding; nevertheless, this study will dub the Australian experience 'New Labor.'
4 This term is adapted from one used during an interview with the author by Gary Gray, the ALP National Secretary 1993–99 who argued that in the 1980s Australian Labor developed a tranche of electioneering and management techniques more innovative than those employed at the time by any other labour or social democrat party in the world.

1 Startling Parallels

1 Interestingly, in 2006 Blair admitted that when he talked of re-making Britain into a 'young country', as he did in his 1995 speech to the party National Conference, he was inspired by Australia.
2 By 1987 Keating had replaced Hawke as chair of the all-important Cabinet Expenditure Review Committee. From the outset, Gordon Brown presided over the Comprehensive Spending Review, with Blair the first PM for thirty years not to chair Cabinet's economic committee.
3 The Prime Minister's harbour-side residence in Sydney where the meeting took place.

4 Tradition(s) Betrayed?

1 As the Introduction made clear, the main impact of Hawke–Keating on British Labour came from the late 1980s, through the lead up to the 1997 British election and then during the first Blair term in office.

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Index

Abbott, Tony, 191
ACTU Australian Council of Trade Unions, 36, 37, 49, 65, 101, 103, 104, 105, 197
ALP Australian Labor Party, 41, 52
  fall from power and after, 10, 190–1, 194–7, 202, 203, 204, 206–8
  Hawke–Keating legacy, 186–8, 198–9
  Hawke–Keating revolution, 43, 44, 180
  indentity crisis, 191, 195
  new economic thinking, 53–4
  see also Beazley, Kim; New Labor, Australia; Whitlam, Gough
Andrews, Kevin, 202
Anglo-Australian parallels, 9–10, 11, 13–14, 19–20, 127, 172, 220
  anti-left bias, 23–4
  competitiveness, 31–2
  consensualism, 38–40, 197
  education/training, 30–2
  electoralism, 19–20
  inequality, 39, 181–3, 209
  legitimacy, 20, 110–11, 114
  liberalism, 8, 92, 168, 172–85, 200
  negative legacy, 18, 225–8
  'New' Economics, 14, 26–30, 210
  party apparatchiks, 26, 68
  party leaders, 32–5
  party reform/discipline, 20, 22–3, 68, 111, 174
  political Opposition, 197–8, 210
  political strategies, 38, 67–8
  public realm, 209, 210
  social policies, 32, 144
  traditions inherited, 91–2, 93
  see also Child Support; HECS; international policy transfer; liberalism; stealth strategies; student loans; welfare-to-work
Ashdown, Paddy, 8, 38, 171–2, 184–5
Attlee, Clement, 7, 33, 93, 171, 214
Australia
  arbitration system, 43, 107, 179, 201
  Coalition, Liberal/conservative, 42
  Commonwealth Bank privatisation, 100, 101
  Country(National) Party, 42
  'Deakinite' Settlement, 41, 42, 43, 49, 61, 175
  'economic rationalism', 49–51
  historic change, 201
  Industrial Relations Commission IRC, 103, 104
  Liberal Party of Australia LPA, 42, 179
  New Right, 50, 52, 98, 101, 104
  political background, 10, 16–18, 22–3, 41, 171
  political system, 35, 36, 39, 169, 189
  see also ALP; Coalition Party, Australia; New Labor, Australia

Ball, Leo, 155
Balls, Ed, 146
Bank of England/independence, 29, 78
Barr, Nicholas, 135, 136, 137, 138, 139, 148
Beazley, Kim, 124, 131, 204, 205
  ALP leader, 190, 191
  in opposition, 202, 204
Beilharz, Peter, 172
Bevan, Nye, 167, 171, 214, 226
Beveridge, W.H., 171, 184
Bird, Sheila, 135
Blair–Brown relationship, 5, 15, 113, 211, 213, 222
Blairism, 1–3, 89
  Australian model, 3, 13–14, 15, 62, 75–86, 125–6
  consensual politics, 38, 39, 40
  criticism of, 3–4, 39, 87
  Crosland vision, 94–5, 168
  ideology/meaning, 3, 5, 7, 15, 38, 39, 77, 169
  inspirations, 11, 62, 63, 66, 129
  Keating, importance of, 77, 80, 83, 86

  legacy of, 2, 3, 18, 220
  liberal roots, 7–8, 92, 168, 171–7
  market economics, 27, 38, 39, 168
  New Economics, 168
  public ownership, 28, 38, 165, 180
  'rights and responsibilities', 145, 149, 158, 169
  Thatcherism, 87
  US Democrat influence, 11, 12, 13, 62, 69, 128, 144
  see also New Labour UK
Blair, Tony, 83, 86
  ambitions, 34–5, 225
  Australian connections/influences, 12, 18, 66, 74–5, 76, 77–8, 131, 150, 151, 176, 178
  background, 33–5, 113
  on Brown, 222–3
  Clinton, relationship with, 128
  election campaign (2005), 218–19
  ideology, 90, 91, 92, 93
  Keating, relationship with, 74, 75, 76, 77, 78, 80, 83, 128, 131
  Labour credentials, 77, 183, 184–5
  Left, attitude to, 23–4, 80, 200
  Liberal Democrats, alliance with, 3, 8, 171–2, 184–5
  Peter Thomson, 12, 153–61, 176, 178
  philosophical beliefs, 153–8, 161, 176
  political achievements, 209–10
  Rupert Murdoch, 131
  Thatcherism, 38, 211, 221, 222
  see also Blairism; New Labour, UK; Third Way
Blumenthal, Sidney, 74, 128
Blunkett, David, 170, 177
Bogdanor, Vernon, 180
Botsman, Peter, 74, 130
Brandt, Willie, 86
Brereton, Laurie, 105, 107
Brett, Judith, 89, 191
Brittan, Samuel, 94
Broadbent, Edward, 181
Brown, Gordon, 83, 130, 217
  ambitions, 34–5
  Australian influences/contacts, 12, 18, 76, 77–8, 85, 129, 131
  background, 33–4, 113
  Chancellor, 5–6, 35, 113, 215
  class allegiance, 33–4
  economic policy, 30, 152, 184
  ideological position, 4, 5–7, 113, 211, 218, 231, 232–3
  as leader, 3–4, 113, 223, 224–5, 228, 230–3
  Liberal Democrats, 172, 184
  NHS reform, 212, 215
  Old or New Labour, 4, 6–7, 15, 113, 222–3
  saviour, 4, 6, 112, 212, 223, 233
  stealth strategies, 15, 16, 40, 233
  student loans, 139
  US influence, 12, 85, 128, 146
  welfare-to-work, 145–7
  see also Blair–Brown relationship
Brzezinski, Zbigniew, 91
Buber, Martin, 156, 157, 158
Burgess, John, 45

Callaghan, Jim, 86, 231
Cameron, David, 219
  Brown, view of, 222
  Conservative leader, 218, 220–4
  middle-class heartland, 223
  New Labour policies, 221
  NHS, 223–4
  in Opposition, 222–4, 229
  party re-branding, 220–2, 223, 229
  Thatcher, reinterpretation, 221
Cameron, Rod, 68, 76
Campbell, Alistair, 68, 81, 82
Carter, Jimmy, 11, 70
Carvel, James, 74
Cass, Bettina, 117, 120
Castles, Frank, 13, 102
Chapman, Bruce, 123–5, 126
  HECS, 121–3, 135, 136, 137–8, 139, 148
Child Support, 149
  Australia, 119–21, 133–5
  Irwin Garfinkel, 132, 133, 134
  Meredith Edwards, 119–21, 133, 134
  New Labour, 134–5
  UK/Thatcher model, 134
  US/Wisconsin model, 132, 133, 134
Chiles, Lawton, 70
Christenson et al., 90, 91
Christian Socialism, 155, 157, 161
Clarke, Charles, 138
Clause IV, UK Labour, 4, 7, 20, 93, 94, 157, 173, 232

Clinton, Bill, 12, 23, 72
  Blair–Brown, 128, 129
  'Clinton Model', 62, 128, 129
  emergence of, 69–71
  Keating, meetings with, 73–4, 130
  new ideology, 74, 84, 85, 129
  'Third Way' thinking, 12, 129, 130
  see also Democratic Party US
Coalition Party, Australia, 11, 17, 24, 26
  election victories, 188
  in government, 175, 178
  the Hawke–Keating legacy, 198
  Hewson, 83, 98, 187, 220
  Howard, 10, 16, 17, 61, 187–8
  ideological divisions, 51–2
  IR hard-line, 102, 106
  New Labor, 68, 87
  in Opposition, 51–2, 69
  privatisation, 98, 99, 100
  Senate majority, 189
  tariff policy, 48, 56
Codd, Michael, 162
Conservative governments, 141, 142, 144, 147, 162
  see also Thatcher government
Conservative Party UK, 8, 24, 26
  after Blair, 229–30
  the future, 228
  legacy of Blairism, 220, 224, 225, 227–8
  the NHS, 227
  in Opposition, 220
  under Cameron, 218, 220–4
  under Michael Howard, 218, 219
Cook, Peter, 64, 65, 130
Cook, Robin, 172, 184
Coombs, H.C. 'Nugget', 87
Cox, David, 100
Crabb, Annabel, 190
  Losing It, 194, 195
Crawford, Iain, 136, 137, 138, 148
Crosby, Lynton, 17
Crosland, Anthony, 171
  inflence on Whitlam/ALP, 93–4
  political vision, 93–4, 95, 152, 167–8, 171, 181, 183
Curtain, Richard, 204

Dabscheck, Braham, 104, 106
Davey, Kevin, 37
Davis, Dr Jacky, 215–16
Dawkins, John, 53, 63, 64, 65
  Blair–Brown meeting, 131
  HECS, 121, 123, 124, 208
  policy innovator, 107, 119, 125
Deakin, Alfred, 41, 42, 179
'Deakinite' Settlement, 41, 42, 50, 175, 179
  destruction of, 43, 49, 61, 180, 189, 195–6, 225–6
Dearing Inquiry, UK, 137, 138, 148
Democratic Party US, 11
  Australian influence, 69–70, 71–4, 84, 162
  Clinton Presidency, 69–70, 71
  concept of mutual obligation, 129
  Leadership Council, 12, 23, 70, 71, 72, 129, 161
  New Democrats, 69–71, 128, 129, 150–1
  'reinventing' government, 161–2
democratic socialism, 39, 91–3, 94, 97, 113, 167, 168, 179, 180, 181, 185, 200
Dickson, Niall, 211–12
Disney, Julian, 203
Dobson, Frank, 165–6
Dolowitz, David, 140–1
Dolowitz, D. and Marsh, D., 63, 127
Downs, Anthony, 90, 91
Driver, Stephen, 175
Driver, S. and Martell, Luke, 29–30

Eccleshall, Robert, 173
Edwards, John, 54, 55, 103, 105
Edwards, Meredith, 106, 119, 120, 124, 125
  Child Support, 133, 134
  student loans, 136, 148
Emy, Hugh, 106, 181
Evans, Gareth, 77, 91–2, 94, 95, 96, 181
Evatt, Bert, 33

Fabian Society, 7, 93, 171, 232
Faux, Jeff, 130
Field, Frank, 112, 143, 145–6, 147
Finn, Dan, 144, 147–8
Foley, Michael, 128
Foster, Derek, 167
foundation hospitals, 164–7, 211, 213, 224

Fraser, Malcolm
  budget deficit, 27, 45
  Coalition Prime Minister, 10, 11, 38, 51, 52, 54, 108, 186
  Deakinite, 49–50
  high unemployment, 30, 46
Freeden, Michael, 89, 91, 98
Freudenberg, Graham, 96
Friedman, Milton, 135, 136
Friedrich, Carl J., 91
From, Al, 70, 71, 72, 161

Gaitskell, Hugh, 33, 93
Gallop, Geoff, 153, 157
Galston, William, 70, 71
Gamble, A. and Kelly, G., 112
Garfinkel, Irwin, 132, 133, 134
Garnaut, Ross, 58
Gephardt, Dick, 70
Gingrich, Newt, 73
Gore, Al, 23, 72, 162
Gould, Philip, 11, 12, 62, 68, 69, 76, 128
Graebler, Ted, *Reinventing Government*, 161
Gray, Gary, 66, 69, 72, 75, 83, 107
Gray, John, 170, 177
Green, Roy, 132
Gregory, Bob, 124
Grimond, Jo, 173

Hancock, Sir Keith, 41
Hand, Gerry, 116
Harding, A. and Beer, G., 46
Hattersley, Roy, 3–4, 5, 94, 113, 168, 183
Hawke, Bob
  ALP leader, 10, 12, 21
  ambitions, 34–5
  anti-left bias, 24, 116
  background, 33–4, 58–9, 101
  beliefs/philosophy, 56–8, 59–60, 90, 91, 108, 181
  Blair/Brown, contact with, 76
  consensus leader, 38, 39, 87, 200
  economic competence, 58, 59
  IR reform, 104, 108–9
  Kinnock, contact with, 66–7
  political assassination of, 11, 35, 45, 230
  Prime Minister, 44, 45–7, 56, 61, 84, 95
Hawke–Keating, 15, 23, 36
  the legacy, 16–18, 152–3, 186, 191, 194–7
  revolution, 13, 43–6, 54–6, 180
  tensions, 10–11, 15, 34–5
Hay, Colin, 175
Hayden, Bill
  ALP leader, 10, 12, 34, 38, 54, 58
  bridge from Old to New, 22, 53
  Governor-General, 185
Healey, Denis, 66, 67
HECS Higher Education Contribution Scheme 121–3, 125, 126, 135–9, 175, 207–8
  see also student loans
Henderson, Ian, 77
Hewitt, Patricia, 66
  Australia, policy intelligence, 12, 18, 67, 75–6, 131, 144
  campaigning techniques, 75–6
  Commission for Social Justice (1994), 131–2
  Director of IPPR, 67, 130, 131
  evolution of New Labour, 149–51
  Health Minister, 213, 217, 228
  Our Health, Our Care, Our Say, 215
  Third Way gatherings, 130
Hewson, John, 48, 61, 83, 98, 187, 220
Hill, David, 81
Hills, John, 113
Hogg, Bob, 22, 66, 69, 77
Howard Coalition Government
  asylum/terrorism, 178, 190–1
  Hawke–Keating legacy, 188, 199, 202–3, 211
  HECS, 207–8
  industrial relations, 102, 201–2
  mutual obligation, 175, 203, 204
  privatisation, 206–7
  sale of Telecom, 198, 206–7
  Senate majority, 189
  the Settlement, 61, 189, 198
Howard, John, 51, 186–7
  Coalition leader/Prime Minister, 10, 11, 17, 18, 98, 187–8
  election tactics, 190–1, 220, 229
  illustrations, 25, 52, 187, 194
  IR revolution, 61, 106, 189–90, 201–2
  'new Menzies', 16, 188, 190
Howard, Michael, 17, 39, 218, 220, 221

Howe, Brian, 22, 64
  ALP Left leader, 79, 116
  Child Support, 119–21, 133
  Minister for Social Welfare, 116, 117–19
  social security policy, 107–8, 123, 125, 142, 175, 203
Hyde, John, 50, 60–1

inequality, 5, 9, 181–3
international policy transfer/ideas exchange, 9, 13–14, 62–3, 71, 88, 127–30, 135, 140–1, 148–9, 162
  see also Third Way
Iraq War, 3, 165, 209, 220

Jenkins, Roy, 94, 171
Jones, B. and Keating, M., *Labour and the British State*, 92
Jones, Barry, 30, 173
  Sleepers, Wake!, 30–1
Joyce, Peter, *Realignment on the Left*, 173

Kamarck, Elaine, 70, 71
Kampfner, John, 24
Keating, Mike, 124
Keating, Paul, 22, 64, 84, 85
  ambitions, 34–5
  background, 33–4, 55–6
  beliefs/ideology, 55–6, 90, 114
  Blair, relationship with, 74, 75, 76, 77, 78, 79–80, 131
  Clinton, meetings with, 73–4, 130
  Creative Nation programme, 132
  economic confidence, 85–6
  economic U-turn, 48
  election tactics, 17, 83, 220
  Hawke, displacement of, 11, 35, 44–5, 230
  international reputation, 63, 74, 83, 85, 86
  justification of policies, 97, 114–15, 125, 138, 175, 197
  Kinnock, meeting with, 67, 132
  Left, attitude to, 79
  loss of office, 187–8
  New Labour UK, 79, 83
  Prime Minister, 10–11, 61, 230
  stealth strategies, 39–40
  'Third Way' thinking, 13, 28
  Trade Unions, 101, 103, 103–4
  Treasurer, 10, 29, 54, 55, 114, 230
  ultimate betrayal, 105–6
  wage deregulation, 49, 97, 103, 105–9, 179, 202
  see also Hawke–Keating; mutual obligation; New Labor, Australia; *Working Nation*
Kelly, Bert, 50, 51, 53
Kelly, Paul, *The End of Certainty*, 43, 47, 49, 51, 54, 55, 58, 97, 195, 196
Kelly, Ruth, 217
Kelty, Bill, 37, 101, 103–4, 197
Kemp, Fraser, 83
Keynes, J.M., 171, 184
Keynesian economics, 27, 30, 46, 48
  collapse of, 14, 28, 44, 49
  post-Keynesian, 26, 44, 199
  see also New Economics
Kilfoyle, Peter, 62
King, D. and Wickham-Jones, M., 143, 145, 146
Kinnock, Neil, 20, 22, 36, 143, 173
  critic of New Labour UK, 216
  election defeat, 4, 128
  New Labor, Australia, 66–7, 75, 132
Kruger, Daniel, 220

Labour Party, UK, 34, 78
  after Blair, 1, 39, 40, 224, 228–9: the issue of inequality, 232–3; search for an ideology, 232
  Blair, attitude to, 3–4, 33
  Commission for Social Justice (John Smith), 131–2, 134, 137, 144
  Hugh Gaitskell, 93, 94
  mutual obligation, 142–3
  New Labor, 65–7, 75, 132, 144
  SDP, 173
  traditional values/ideology, 5, 6, 7, 28, 86, 92–3
  see also Crosland, Anthony; democratic socialism; Hattersley, Roy
Lamont, Norman, 100, 162, 163
Latham, Mark, 10, 52, 192, 193, 194, 204
Lawson, Neal, 231, 233
Leadbeater, Charles, 160
legacy of New Labo(u)r, 225–8

Liberal Democrats, 7, 8–9, 38, 171–2, 184–5, 218
Liberalism, 8, 92, 168, 172–85, 200
Lieberman, Joe, 129
Lipset, Seymour Martin, 71
Lister, John, 214–15, 218, 227–8

McAlpine, Alistair, 103
McCartney, Ian, 166
McClelland, Alison, 142
MacDonald, Ramsay, 221
McGregor, Craig, 34, 39, 200
MacIntyre, Donald, 34
Macintyre, Stuart, 179–80
Macintyre, S. and Mitchell, R., 102
McMullan, Bob, 69, 75, 76, 107
Macmurray, John, 153, 155–8, 161
Major, John, 147, 214
Mandelson, Peter, 34, 62, 68, 69, 83, 128, 174
  media management, 82, 85
Marquand, David, 170–1, 220, 229
  progressive dilemma, 8, 9, 171
Marr, Andrew, 113
Marsh, Ian, 42
Marshall, T.H., 143
Marshall, Will, 70, 71, 130, 161
Martell, Luke, 29–30, 175
Mawson, Andrew, 159–60
Menzies, Sir Robert, 11, 26, 42, 190
Milburn, Alan, 210, 213
Militant Tendency, 36, 65
Mill, John Stuart, 176, 177
Millar, Fiona, 216
Milliband, David, 140–50, 144, 146
Mills, Stephen, 57
Mitchell, William, 48
Mohan, John, 166
Mondale, Walter, 11, 12, 70
Moore, Jo, 81
Morris, Estelle, 138
Murdoch, Rupert, 131, 190
mutual obligation, 129, 140, 142, 149, 175

Naughtie, James, 34
Nelson, Brendan, HECS reforms, 207–8
New Economics, 195, 199
  Australia, 14, 16, 43, 44, 97, 103, 105, 125, 132, 194, 197
  UK, 14, 97, 211
New Labor, Australia, 88
  Accord, Prices/Incomes, 36–7, 38, 45, 49, 64, 66, 77, 80, 101, 115, 180
  apparatchiks, 26, 68
  betrayal debate, 59, 87–8, 98, 195, 198
  Blairism, influence on, 74, 77, 81, 81–2, 84, 111, 125
  Brown/Blair visits, 77–8
  Child Support, 119–21, 125, 133–5, 149, 176
  Coalition policies, 68, 172, 173
  collapse of, 10, 17, 61, 188
  command structure, 68–9, 75–6
  ‘democratic socialism’, 39, 91–3, 97, 175
  economic policy, 26–9, 46, 47, 48, 49, 53–6: ‘economic rationalism’, 49–51, 114, 197; Expenditure Review Committee, 53, 117; pressures, 52–4, 99; ‘Trilogy’ promises, 30, 46, *see also* New Economics
  election tactics, 63, 76
  evolution of, 22–3, 53–4
  factions, 36, 77
  financial deregulation, 29, 45, 78
  Hawke Premiership, 44–7, 59–61
  HECS, 121, 125, 126, 135–9, 175
  higher education, 121–3
  ideology, 89–91, 92
  industrial relations reform, 101–8: arbitration, 108, 179, 180, 201; deregulation, 97, 103–7, 179; enterprise bargaining, 104, 105, 180; established system, 42–3, 98, 101–2, 107, 179; legacy of, 105, 106–8, *see also* Deakinite Settlement
  internal disquiet, 100, 106–8, 111, 114, 179
  international interest in, 63–4
  Keating Premiership, 44, 47–9
  Left, the, 23–4, 79, 116–17
  liberal leanings, 172, 173
  media/publicity, 68–9, 81, 84, 85
  mutual obligation concept, 123, 125, 142, 175–6
  New Democrats, 69–70, 71–3, 84
  ‘One Nation’ package, 48, 124
  party reform, 20, 22–3, 68, 174
  policy innovation, 68

New Labor, Australia – *continued*
  political 'skills set', 13, 63, 67–9, 73, 75
  pressure of economic theorists, 52–4, 99
  privatisation, 37, 44, 46, 49, 86, 97, 107, 152: forced through, 99–100, 101; pressures/resistance, 98, 99, 100; Thatcher model, 37, 99, 100; U-turn, 98, 100–1
  public sector reform, 161–2
  recession (1991–3) 45, 47–8, 123
  secrets of success, 68, 84–6
  'social democracy', 91–2
  social policy, 46, 117–19, 125–6: JET scheme, 123, 141–2, 144; Social Security Review, 117; trade-offs/innovation, 123–5
  stealth strategies, 114–16
  tension, social/market priorities, 46–7, 79, 86, 97, 105, 114, 119–20, 125, 126–7, 210: *see also* stealth strategies
  unemployment, 123
  'U'-turns in policy, 48, 98, 100, 124, 175
  victory by deceit, 4–5
  welfare to work, 141–2, 146, 175
  Whitlam disaster, reaction to, 20, 23, 49, 94, 111
  see also ALP; Anglo-Australian parallels; Hawke–Keating; New Economics; *Working Nation*
New Labour, UK, 88–97, 111, 152
  after Blair, 197, 211
  Australian influence, 12, 84–5, 86, 128, 140, 150–1: communications, 81–2; election strategy, 63, 83; policies, 132, 134–5; student loans, 121, 137–9, *see also* Hewitt, Patricia
  Child Support Agency, 134–5, 149
  Commission for Social Justice (1994), 131–2, 134–5
  communications revolution, 81–2
  constitutional reform, 180
  crime/law/order, 169–70, 177
  'democratic socialism', 39, 91–2, 93, 113, 167, 168
  economic competence, 85–6
  economic policy, 27–32, 174–5
  election campaign (2005), 218–19
  factions, 36, 76–7
  health policy, 164–7, 211–16, 218, 227–8
  ideology, 86, 89–91, 92: *see also* Blairism
  illiberality, 169–71, 176, 177–8
  internal disquiet, 111, 182, 183
  liberalism, 169–71, 173–8, 180–1
  Millbank modernisation, 81, 82, 85, 128
  privatisation *see* PPP
  product differentiation, 220
  schools reforms, 216–17, 221
  'social democracy', 91–2, 112
  Social Exclusion Unit, 160
  stealth strategies, 15, 16, 39–40, 112
  student loans, 135–9, 221
  Thatcher, negative legacy, 80
  Tory policy, 218, 219
  US Democrat influence, 12, 82, 83, 84, 85: New Democrats, 128–9; 'welfare-to-work', 140–1
  'welfare-to-work'/*New Deal*, 144, 147
  see also Anglo-Australian parallels; Blairism
New Progressive Dilemma, 8, 9, 171, 198, 228
  British Labour Party, 218–19, 229, 232
  directional validation, 198–9
  Howard's Australia, 200–8, 229
  oppositional constraint, 199–200
  product diffentiation eclipse, 200–1
  tradition de-legitimisation, 199
New Right, Australian Coalition, 98, 101, 104, 141, 180
New Zealand, 103, 144, 161, 162
  Child Support, 133, 135, 149
  economic policy, 63
  HECS, 139
  welfare-to-work, 140, 146
NHS, UK
  Blair–Brown views, 211–12
  Blairite privatisation, 213–16
  choice, 214, 215
  Conservative reforms, 212–13, 214
  extinction of, 226–8
  New Labour reforms, 211–12, 228
Nicholson, Tony, 203

Odysseans, 40, 116, 126, 127, 149, 150, 175, 183, 199

OECD, 63, 139, 140, 147
O'Keefe, Neil, 152
O'Meagher, Bruce, 179
Osborne, David, 71, 161–2
  (with Graebler, T.) *Reinventing Government*, 161
Owen, David, 'New Labour', 173

Pannetta, Leon, 129
Peacock, Andrew, 98, 187
Peston, Robert, 218
PFI/Private Finance Initiative, 162–3
Phillips, David, 124
Pierson, Chris, 13, 63, 127
Pirie, Madsen, 99
Plamenatz, John, 90
Plastrik, Peter, 162
policy entrepreneurs, 147, 149
  see also Odysseans
Pollock, Allyson, 166, 167, 213
  NHS plc, 213, 226–7
  NHS privatisation, 213–14, 218, 226–7
Porter, Henry, 170
Powell, Jonathan, 79
PPP/Public–Private Partnerships, 153, 163–8
  Blair/Brown defence of, 164–5
  criticism/opposition, 163–5
  party doubts, 165, 167
Prescott, John, 12, 18, 34, 130, 131, 216
Prest, Alan, 136
privatisation, 37
  Australia (Howard), 206–7
  effects of, 225
  Thatcher Britain, 99, 100, 162–3, 225
  see also New Labor, Australia; PPP
Pusey, Michael, 49

Quantas privatisation, 100, 101
Quiggin, John, 100, 101

Reagan, Ronald, 12, 50, 65, 83, 141
Reeves, Richard, 232
Reid, Brice, 72
Rentoul, John, 33, 154
Revell, Phil, 216
Robb, Andrew, 202
Robbins Royal Commission, 136
Rose, Richard, 62, 127
Rothman, Stephen, 225–6
Rowse, Tim, 95, 172
Russell, Don, 30, 73, 74, 78, 80, 84, 115

Salvati, Michele, 88, 184
Savage, S. and Atkinson, R., 38
Sawyer, Tom, 67, 80, 83, 84
Schacht, Chris, 77
Scollay, Moira, 135
Scott, Andrew, 13, 19, 36, 91, 93, 94
  Running On Empty, 13
SDP (Social Democratic Party) UK, 173
Settlement *see* Deakinite Settlement
Shapiro, Ian, 176–7
Shearer, Derek, 130
Sholl, Andrew, 81
Simms, Marian, 179
Smith, Adam, 59, 60
Smith, Chris, 132, 144–5
Smith, John, 4, 20, 67, 77, 128, 130, 143
social democracy, 91–2, 112, 172, 181, 184
social entrepreneurship, 159–61
socialism, 93, 155, 179, 181, 184
Squire, Bob, 72
state, role of, 93, 132, 179, 225
stealth strategies, 15, 16, 39–40, 112–13, 114–16, 233
  see also 'Trojan Horse strategy'
Steketee, Mike, 201
Stephen Savage and Mike Nash, 169, 170
Straw, Jack, 112, 170, 177
student loans/tuition fees, 135–6, 221
  Barr, 135, 136, 137
  Blair, 138–9
  Conservative Britain, 137, 221
  Friedman theories, 135–7
  New Labour UK, 137–9
  see also HECS
Sweden, economic model, 86

Tanner, Lindsay, 191
Telecom, Australia, 100, 198, 206
Thatcher government, 44, 134, 212–13
  privatisation, 162, 225
  right wing reform, 46, 50, 65, 75, 80, 83, 131, 143
  welfare to work, 141, 142

Thatcherism, 30, 51, 98, 175, 220, 229
  Blair's embrace of, 38, 221
Thatcherite ideas/policies, 16, 37, 48, 62, 78, 83, 115, 179
Thatcher, Margaret, 8, 11, 34, 103, 221
Third Way, 12, 128, 130, 151, 158
  Australia, 28, 29, 76, 83, 126, 150–1, 185
  Blairism, 28, 29, 37, 76, 83, 88, 89, 111, 126, 151
  development of, 13, 14, 66, 185
  'epochal' shift, 88
  ideology, 89, 91, 158, 183
  liberalism, 175
  US New Democrats, 28, 70–1, 72, 129, 150–1
Thomas, Richard, 112
Thomson, Peter, 12, 153–4, 159
  Andrew Mawson, work with, 159–61
  community, concept of, 156, 157, 158
  innovative activism, 159–61
  philosophical outlook, 153–8, 154–5, 161, 176, 178
  Tony Blair, influence on, 153–61, 176, 178, 180
Tingle, Laura, 47, 48
Toynbee, Polly, 113, 182
Trickett, Jon, 219
'Trojan Horse strategy', 15–16, 40, 111–12, 113, 115, 125
  see also stealth strategies
Tyson, Laura, 130

United States
  political background, 70–1
  social policy, 132
  welfare-to-work, 140, 141, 146
  see also Democratic Party, US

Walker, David, 167, 182
Walsh, Peter, 53, 100
Walter, Professor James, 195
Watson, Don, 103, 105, 106, 114, 115, 130, 201
Watson, Matthew, 175
Webb, Paul, 90, 174–5, 180
Welfare-to-work, 140–1, 145
  tradition, 142, 145
White, Stuart, 177, 178
Whitlam, Gough, 34, 53, 94, 95–7, 181
  era of disaster, 20, 22, 23, 49, 111, 193
  traditional laborism, 33, 52, 94, 95–7, 121, 181
Wilby, Peter, 210
Willetts, David, 221
Willis, Ralph, 53, 55, 102
Wilson, Harold, 33, 66, 86, 111
Woodward, Dennis, *Australian Unsettled*, 195–7
Working Nation
  Keating's response to unemployment, 48–9, 115, 124
  mutual obligation, 125, 126, 142, 149, 175, 203
  UK interest in, 144, 147, 148, 149