# PROFILE

## *Paul Keating*

**For sheer entertainment value, Paul Keating was the best treasurer we've had for years. By his panache and style, Keating made economics sexy. A verbal spell-binder, his ability to coin a phrase to describe problems afflicting the economy would leave lesser mortals groping for words. Keating has popularised economics - we now breathe economics, speak economics and feast on economics. The monthly balance of payments figures are received like the latest cricket score. From the shop-floor to the dance-floor, everyone is squawking about micro-economic reform.**

In the roll-call of past treasurers - Cairns, Hayden, Lynch and Howard - Keating stood, literally and figuratively, head and shoulders above them all. He twice tackled the ramshackle taxation system, put the last vestiges of McEwanism to the sword, and was the first treasurer to decode the stagflation puzzle that had earlier plagued Australia, by consigning the wages problem to the Accord.

In his boldest, but perhaps ill-founded break with tradition, Keating deregulated the financial system and floated the dollar. This gave Australia a vibrant financial services sector, albeit one incapable of churning out anything of productive value. As it turned out, neither the Campbell Committee, which first examined the case for financial deregulation, nor the Keating-appointed review committee that inspected its findings, ever seriously contemplated the macroeconomic consequences of deregulation. They are, regrettably, now apparent to all.

The newly liberated financial sector returned Keating the compliment by playing a key role in the squandering of investable capital garnered from overseas borrowing and local profit windfalls. Little of the capital flowed as it was intended to, and as Keating then boasted it would, into the tradeable industries. All the while, his constituency, the ordinary folk, paid the price for this economic experiment with real wage cuts and now, ultimately, with their jobs.

Cynics might interpret Keating's retreat to the backbenches as a crafty career move. With unemployment tipped to touch the million mark and the current account deficit still as stubborn as ever, who would want to be treasurer? The April trade figures showed a daily import consumption rate of $180 million, the same as that prevalent through the booming economy of 1988. Having a recession-laden economy with a current account deficit pitched at 4.5% of GDP almost defies explanation. Had Keating still been in office, he would have had to announce with more hand-wringing the arrival of double-digit unemployment to his pals in the press gallery.

It is unfortunate for Keating that while no longer Treasurer, he cannot leave the blame behind. His great vulnerability was that he wore his inveterate optimism for the Australian economy's ability to adapt on his Italian suit sleeves. J-curve aside, how many times has he been ribbed for his over-exuberance in his 'Bring home the bacon' budget speech of 1988-89? Yet only a few weeks ago Keating was at it again. In his last days as Treasurer, he told parliament that the current account deficit and debt problems were basically licked. He went round the Canberra press gallery with graphic proofs of the 'bucking bronco' of terms of trade swings which had put the economy on a rollercoaster ride and made the job of economic management all the harder.

He does have a case. The Australian economy, for all Keating's engineering, is still extremely vulnerable - some would say even more exposed than ever - to the vicissitudes of the world economy. Alas, Keating would be hard put explaining his difficulties with economic management to an impatient, sceptical public.

Now on the backbenches, Keating is not one to waste time. He will, I'm sure, channel his hyperactive mind into some wide reading. Perhaps he should dabble in some Keynes. In the light of our asset price driven investment boom of the eighties, he might like to consider what Keynes said of a similar occurence in the 20s:

> Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.

Another book Keating may re-read is *The Caged Lion*, the second in William Manchester's trilogy on the life of Winston Churchill. Keating was reportedly much taken by it when he first read it some time before the March 1990 election. Keating surely identified with Churchill's banishment to the political wilderness and will, I'm sure, be itching for the third volume. The circumstances behind Churchill's forced departure from No.10 Downing Street should make compulsive reading.

The story goes that Churchill was continually pestered to go by his dashing, dapper Foreign Secretary, Anthony Eden. Churchill resisted until backroom pressure forced his exit, but then Eden lost his marbles over Nasser, and his job over the Suez crisis. His downfall was essentially the result of his self-righteous, inflated, vain demeanour, the product, no doubt, of being the pin-up boy of British politics, an accolade foisted upon him by an adoring Fleet Street press. The lessons are obvious for the Canberra press gallery's own pin-up boy of Australian politics.

**ALEX MILLMOW, a former Treasury officer, teaches in economics at Charles Sturt University-Riverina, Wagga Wagga.**