Labor and financial deregulation: the Hawke/Keating governments, banking and new labor

Stephen Martin
University of Wollongong

UNIVERSITY OF WOLLONGONG
COPYRIGHT WARNING

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site. You are reminded of the following:

This work is copyright. Apart from any use permitted under the Copyright Act 1968, no part of this work may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of the author.

Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

Unless otherwise indicated, the views expressed in this thesis are those of the author and do not necessarily represent the views of the University of Wollongong.

Recommended Citation

Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au
LABOR AND FINANCIAL DEREGULATION
The Hawke/Keating Governments, Banking and New Labor

A thesis submitted in fulfilment of the requirements for the award of the degree

Doctor of Philosophy

from

University of Wollongong

by

Stephen Martin

B.A. (Australian National University)
M.A. (University of Alberta, Canada)
M.T.C.P. (University of Sydney)
Dip. Ed. (University of New South Wales)

December 1999

Department of Economics
Department of History and Politics
ACKNOWLEDGEMENTS

I wish to acknowledge and express my sincere thanks and appreciation to my supervisors, Professor Robert Castle and Associate Professor Andrew Wells, who provided guidance and encouragement throughout the writing of this thesis. Their suggestions and comments were invaluable.

I convey my thanks to Ms Alison Byrnes, who assisted in computing and administration needs over the entire process of producing this study.

My appreciation to Mr Bernie Fitzpatrick for his proof-reading skills.

My special thanks to my Parliamentary colleagues, both present and former, who, knowingly and unknowingly, contributed in a variety of ways, their knowledge and insights.

To my understanding staff, thanks for their patience during a long and seemingly interminable journey producing this thesis.

Finally, to my wife Carol and my children, Kiley, Cassandra, Luke and Tegan, to whom this thesis is dedicated, my thanks.
ABSTRACT

This thesis is an insider’s analysis of the decision-making processes of the Australian Labor Party in dealing with substantive economic issues during its tenure in office between 1983 and 1996. It presents a study of how the Party “reinvented” itself as a “New Labor” Party during this time, how this process occurred and who was most responsible for this fundamental change in the Party’s philosophy.

As a necessary precursor to examining these two central themes, an analysis was undertaken of the foundations and philosophy of social democratic parties. In particular, the unique type of social democratic party that evolved in Australia, based on the notion of Labourism, is outlined. Through this examination, an appreciation emerges of the philosophical underpinnings, historical evolution and policies of the Australian Labor Party from its creation.

Any study of Australia’s economic history must consider the relationship between banking and the Australian Labor Party. Accordingly, the evolution of Australia’s financial system, and how Labor’s policies and platforms for decades reflected outright antagonism towards banks, is presented. Issues such as the Money Power, creation of the Commonwealth Bank, bank nationalisation and financial deregulation all provide a background to Labor’s modernising agenda in the 1980s and 1990s.

The thesis uses financial deregulation to examine how and why Labor embraced non-traditional, market-oriented economic policies during the Hawke/Keating Governments. It considers three case studies of financial deregulation in detail: the float of the dollar, the entry of foreign banks, and the sale of the Commonwealth Bank. In doing so, this analysis concludes that financial deregulation became part of a wider process of modernising the Australian Labor Party.

Each of the case studies examines the roles of various actors along this modernisation path to elicit an understanding of the magnitude of the changes to the Party’s economic policy. The roles of Cabinet, Caucus, National Conference, National Executive and the factions presents a unique insight into a Party embracing fundamental change.

Using the writer’s inside knowledge as a member of the Hawke/Keating Governments, and drawing on the recollections of past and present Parliamentary colleagues, bankers, Party officials and advisers, the study concludes that Labor’s embrace of deregulatory economic policies did create a “new-style” Labor Party. Most credit for this philosophical leap of faith is given to Paul Keating, whose intellectual drive and sheer persistence saw Labor become a modern, outward-looking and relevant political party.
The study has taken many secondary accounts of the ways in which policies were developed under the Hawke and Keating Governments and subjected them to rigorous analysis. The writer’s position as a participant in the government, as an author of elements of financial deregulation policies, and as a person with access to many of the major actors, ensures that the study makes a unique contribution to the understanding of policy development processes in the Labor Governments of the 1980s and 1990s.
# TABLE OF CONTENTS

DECLARATION ........................................................................................................... ii

ACKNOWLEDGMENTS ................................................................................................. iii

ABSTRACT ................................................................................................................ iv

TABLE OF CONTENTS ............................................................................................... vi

LIST OF TABLES ........................................................................................................... ix

ABBREVIATIONS ......................................................................................................... x

CHAPTER 1 – INTRODUCTION

1.1 Background to the Study ................................................................. 1
1.2 Scope of the Study ................................................................. 4
1.3 Methodology ........................................................................ 10

CHAPTER 2 – SOCIAL DEMOCRACY AND LABOR

2.1 Introduction ........................................................................ 13
2.2 Social Democratic Parties ................................................... 14
2.3 The British Experience ....................................................... 27
2.4 The Australian Context ...................................................... 31
2.5 Emergence of the Australian Labor Party ........................... 34
   2.5.1 Unions, Labor and Labourism .................................. 36
   2.5.2 Political and Economic Change……………………… 41
2.6 The Whitlam Years .......................................................... 45
2.7 1975–1983 – Labor Pragmatism Emerges ......................... 50
2.8 1983–1996 – Labor’s New Age........................................... 56
   2.8.1 Factions in the Modern Labor Party ......................... 56
   2.8.2 Policy Development ................................................. 65
   2.8.3 The Hawke/Keating Governments – Contemporary Assessments ........................................ 67
LIST OF TABLES

TABLES

1. Backgrounds of Members of Labor Caucus, as measured by their former occupations.

2. Average age and gender of Members of Labor Caucus.

3. A selection of Campbell Committee Recommendations.

4. Selected events in the evolution of the Australian financial system.
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABEU</td>
<td>Australian Bank Employees Union</td>
</tr>
<tr>
<td>ACTU</td>
<td>Australian Council of Trade Unions</td>
</tr>
<tr>
<td>AFR</td>
<td>Australian Financial Review</td>
</tr>
<tr>
<td>AGC</td>
<td>Australian Guarantee Corporation</td>
</tr>
<tr>
<td>ALP</td>
<td>Australian Labor Party</td>
</tr>
<tr>
<td>ANZ</td>
<td>Australia and New Zealand Bank</td>
</tr>
<tr>
<td>ES&amp;A</td>
<td>English, Scottish and Australia Bank</td>
</tr>
<tr>
<td>GBE</td>
<td>Government Business Enterprises</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GSB</td>
<td>Government Savings Bank</td>
</tr>
<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
</tr>
<tr>
<td>LGS</td>
<td>Liquid Assets and Government Securities</td>
</tr>
<tr>
<td>NAB</td>
<td>National Australia Bank</td>
</tr>
<tr>
<td>NBFIs</td>
<td>Non-Bank Financial Intermediaries (Institutions)</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>RBA</td>
<td>Reserve Bank of Australia</td>
</tr>
<tr>
<td>SBV</td>
<td>State Bank of Victoria</td>
</tr>
<tr>
<td>SRD</td>
<td>Statutory Reserve Deposits</td>
</tr>
<tr>
<td>TAA</td>
<td>Trans Australia Airways</td>
</tr>
<tr>
<td>WATLC</td>
<td>West Australian Trades and Labor Council</td>
</tr>
</tbody>
</table>