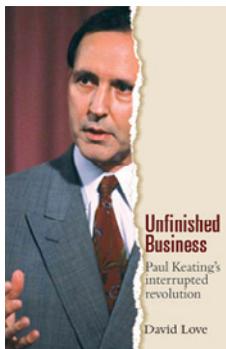


Superannuation and MacBank as the zenith of the Australian nation

Richard Allsop reviews

Unfinished Business: Paul Keating's interrupted revolution

by David Love
(Scribe, 2008, 264 pages)



According to David Love in his new book *Unfinished Business: Paul Keating's interrupted revolution*, Paul Keating and Macquarie Bank are the twin heroes of modern Australia.

The author's apparent wackiness does not end there. He also elevates the introduction of compulsory superannuation to the status of the nation's defining public policy issue in the last few decades.

However, these idiosyncratic ideas in many ways increase, rather than diminish, the enjoyment one derives from this highly readable, often insightful, pro-free market book that will potentially upset readers across the political spectrum.

The blurb of *Unfinished Business* states that Love 'becomes Keating's modern day Boswell', a somewhat ambitious claim given that the book cites three interviews with Keating the author conducted in ten years.

The reader is certainly left in no doubt about the author's regard for his hero:

In every generation, a person arises with a capacity well above the ordinary in foresight and in the ability to lead their community to greater things.

However, unlike most paeans to Keating, this one does not praise Keating's

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social agenda, dismissing it as irrelevant compared to his role as the greatest pro-free market reformer this nation has seen. For Love, Keating was the seminal figure in unleashing 'two forces—creative politics and creative finance' that have combined to create a phenomenon most of us have not yet grasped.

Certainly, if the further reading list at the end of the book is any guide, Love does not believe that previous biographers, or writers about Keating, have told the Keating story correctly. Where others have stressed Keating's working class origins, Love asserts that his background was in the *petit bourgeoisie*. He also makes the intriguing assertion that if Keating had been born in Melbourne, he would have joined the DLP, and remained in obscurity.

Thankfully, for Love's Australia, by middle age the boy from Bankstown 'could produce explanations of how the world worked that were remarkable for their breadth and internal consistency'. Even more fortuitously, he was able to bring the Labor Party and the trade unions along with him to deliver 'the golden circle'—rising household savings, rising capital supply, rising international strength, stable interest rates and back to rising household net worth.

And our hero is humble too. After the 1996 election defeat, Keating allegedly confounds 'the supposed innate arrogance of the man' by quietly trying to convince government and opposition

to press on with the move to the 15 per cent compulsory superannuation. Love laments that Keating's 'reasoned humility counted for nothing'.

The reason that Macquarie Bank features so strongly in *Unfinished Business* is because it showed 'what could be achieved once Australia was freed from the bonds' of the pre-Keating financial regime. Macquarie put the funds supplied by compulsory superannuation to work around the world.

If Macquarie is Keating's love child, then neither parent, nor child, seem quite to share the author's enthusiasm for the relationship. Love interviewed Macquarie boss David Clarke in 2006 and tried to badger him into saying that Keating was much better for their business than Howard. Clarke refused to agree, insisting that 'both Keating and Howard contributed'.

To Love this is nonsensical. As the title of the work makes clear, Love does not share the view, encapsulated in the title of the George Megalogenis book, *The Longest Decade*, that there has been a policy continuum across the past two decades. How can there have been, when there was such a capricious halt to the most important policy—increasing compulsory superannuation contributions to 15 per cent?

Love cites 'international observers' who have claimed stopping at nine per cent compulsory superannuation was 'the strangest act on the part of a conservative government seen ever, anywhere in the world'. He also has sources in Treasury who were 'amazed' to find that the Howard government did not continue with the planned increases. Everyone agrees Peter Costello was an 'intelligent man', so the only explanation must be 'political'. Love concludes that the motives of Howard and Costello were a mixture of 'political spleen, distrust of the unions, and a tactical desire to keep budget tax cuts uncomplicated'.

This criticism is certainly too harsh

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given that on the one hand Howard generally supported Labor's key economic reforms from opposition in the 1980s, and continued to acknowledge their worth when he was in government, while on the other Keating has scarcely ever praised a political opponent for anything.

However in Love's view, one man is even more culpable than the evil Liberals—the unfortunate Nick Sherry who, as Labor spokesperson on retirement incomes policy, 'had no real concept of the glories of Keating's savings plan'. Sherry's failure to support further increasing the rate of compulsory super contributions is a symptom of a Labor Party with 'the same old primitive grasp of financial economics'.

According to Love, the pensions' policy that Labor took to the 2007 election demonstrates that Labor as a whole has not been converted to support for free markets. He believes significant elements of Labor and the unions are still full of 'real Australian conservatives ... in the Bolshevik sense of hard line left-wingers who refuse to change' and these types are just waiting for a chance 'to turn the clock back to state pensions and other nanny-state measures'.

Earlier in the book, Love provides a nice critique of how the old fortress Australia economy used to operate saying that it produced 'a dull, tight little island run as a conspiracy against the nation as a whole'. He also acknowledges that Keating himself was once a supporter of the conspiracy, describing his position as a protégé of the 'crazy old patriot' Rex Connor as 'an embarrassment to his later friends and mentors in Treasury, the Reserve Bank and elsewhere'.

What does not trouble Love's narrative is any consideration of whether opposition to compulsory superannuation can be a sign of anything other

than unreconstructed socialism. While free marketers generally do like saving, they also tend to have an aversion to compulsion.

Similarly, there are other glaring omissions. From Love's telling one would conclude that Bob Hawke had no role in the Hawke government. While Keating deserves his share of credit for the economic reforms, 'old jellyback' needs far more coverage, even if only to explain why Love believes it was more Keating's work than Hawke's. Also lacking is an assessment of other key areas of economic policy from the 1980s to the present, such as industrial relations and industry policy.

Of course, the combined failings of Howard, Costello and Sherry would not even be on Love's radar if it were not for Keating's loss of the 1996 election. For Love, neither blaming Keating nor praising Howard are possible options for explaining this terrible event. He finds his explanation and his culprit—rising interest rates and Bernie Fraser.

First, the reader is told how Keating wanted Reserve Bank chief Fraser to cut rates sooner in 1989 which would have avoided 'the recession we had to have' and then, in 1994, Fraser increased rates by 2.75 per cent in six months, which led in the election of March 1996 to Keating being 'executed for a crime he did not commit'. The supposed dire consequences of this were twofold—Howard and Costello were able to claim credit for ongoing low inflation, and, more fundamentally, it got them elected which in turn ended the march to 15 per cent superannuation.

In case any reader fails to grasp the seriousness of Keating's defeat, Love provides analogies with Cardinal Wolsey and Prometheus, to prove both martyrdom and tragedy.

There are some delightfully quirky tangents in this book, including fas-

cinating recollections of 'Doc' Evatt's 1955 election campaign, an explanation of the significance of Scottish investment in United States railways in the 1870s, and engaging descriptions of the settings for his interviews with Keating and Clarke. There is also praise for an old Keating opponent, John Hewson, to whom Love gives credit for having first initiated reform in the late 1970s, by getting the Campbell Committee underway.

Love also gets into the predictive business when, perhaps surprisingly given his view of Sherry, Love opines that 'we can be fairly certain' that the Rudd government will move towards raising the compulsory contribution to 15 per cent.

Love is now 75 years old and this is just his second book, following his 2001 collection, *Straw Polls, Paper Money* which contained interviews and comment about the previous thirty years in Australian politics and finance, and contained the genesis of many of the ideas Love is espousing here. One hopes that there are more, because an author whose greatest hope is that Macquarie Bank can employ even more of the brightest young Australians is welcome in the nation's public discourse. Love finds it a tragedy that Macquarie can only employ 300 to 400 of its 60,000 annual applicants.

Love's view that working for Macquarie should be the highest aspiration for bright young Australians will upset many on the left, and his praise of Keating will upset many on the right, which underscores Love's value as an independent thinker. One does not have to agree with everything he writes to enjoy his stimulating contribution to our understanding of how far Australia has come since the 1970s.

