How Labor factions broke New South Wales

NSW’s conservative ALP was good at fending off communism, but now it can’t seem to do anything else, writes Richard Allsop.

In the six months following the 1975 defeat of the Whitlam Government, Australia’s two most populous states held elections.

In Victoria, the voters re-elected a Liberal government that had been in office for 21 years; in NSW they rejected one that had been in office for 11 years.

A large part of the reason for those results was voters perceptions of the Labor opposition in both states. In Victoria, despite federal intervention in 1970, the Labor Party was still seen as too left wing and too dysfunctional to be entrusted with office.

In contrast, under Neville Wran, the ALP in NSW was sufficiently centralist and sensible to be entrusted with office. NSW voters obviously felt they got it right in 1976, because that narrow Labor win was followed by the ‘Wranslide’ victories of 1978 and 1981. By both boosting shattered morale, and providing a workable model of Labor governance, Wran’s success paved the way for the successful Hawke and Keating Governments. It provided part of the foundations that helped make Labor ready in the 1980s to undertake vital economic reforms.

Yet, thirty years later, NSW Labor would probably just about be the last place in Australia where one would look for the rise of economic reformers. As Paul Kelly recently observed in The Australian, NSW is the Australian state ‘least supportive of economic reform’. The defeat of the Iemma/Costa electricity privatisation plan underscored the fact that decent reform in NSW has become just about impossible.

It is not as if the place does not need reforming. On almost every criterion New South Wales seems to be in a worse situation than any other state in the nation. The most recent GDP figures, while showing a nationwide decline in growth still showed positive growth in every state, except NSW which went marginally backwards. At 4.9 per cent in August, New South Wales also has the highest unemployment rate. The economic performance has also impacted the budgetary position with projected shortfalls of $90 million per month in revenue leading to a $1 billion black hole.

Perhaps even more striking than the ebbs and flows of economic data are the projections that Melbourne will grow to be bigger than Sydney at some time in the second quarter of the twentieth century. Sydney regained the population lead from Melbourne in the 1890s and just as that decade demonstrated the benefits of free trade liberalism over protectionism so much, the current policy settings also help explain recent population movements.

Only in the 1920s and 1930s, when Jack Lang dominated NSW Labor, was that state demonstrably worse governed than Victoria in the twentieth century. However, the twenty-first century definitely sees the boot on the other foot. The most obvious starting point of comparison is industrial relations, as Kelly observed:

On IR, the contrast between Victoria and NSW could not be greater. Victoria referred its industrial powers to the national government a decade ago and this referral has been validated by Liberal and Labor premiers in Melbourne. The insight this offers is that NSW resistance is not about equity or workers rights but about the hollow perpetuation of a self-justifying power structure that has run out of arguments to defend its existence. It is time to pull the plug.

One would think that voters will indeed ‘pull the plug’ when they get the opportunity.

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Is this the end of Labor hegemony in NSW?

Labor’s dominance of NSW dates back to the election of the McKell Government in 1941, an election described by Labor politician and historian, Rodney Cavalier, as ‘the seminal New South Wales election of the twentieth century’. By the time NSW voters head to the polls in 2011, Labor will have been in power in NSW for 52 out of the 70 years since 1941. There have only been two interruptions—1965 to 1976 and 1988 to 1995.

‘Boilermaker Bill’ McKell established the sensible centrist style of Labor in New South Wales. One of the best summations of McKell was written by then Bulletin journalist, Bob Carr, in 1978. Carr explained that when McKell became leader of the NSW parliamentary Labor Party in September, 1939, he took over from Jack Lang ‘a run-down, shattered party’. Lang had led Labor to three consecutive defeats in the state and had alienated any prospect of support amongst swinging or country voters. Further, his followers operated as a separate party federally for much of the 1930s, thus spoiling any prospects for Labor success at that level. The Bulletin article quoted a prominent Labor lawyer saying that the McKell inheritance in NSW was that the party ‘had avoided a sectional or class appearance’, while in most other states Labor had ‘a seedy, permanent opposition image’.

However, the lesson had not been fully understood by everyone in the Labor class. For decades large elements of Labor continued to idealise Lang, with Paul Keating being the most well known pupil of the ageing ratbag. For some in the ALP, McKell blotted his copybook somewhat by becoming Governor General, even though appointed by the Chifley Government, and especially for automatically granting Menzies a double dissolution in 1951, although they were happy to cite that as a precedent in 1975.

When he reproduced the McKell article in his 2002 book Thoughtlines: Reflections of a Public Man, Carr observed that when he had written the piece a quarter of a century earlier he had ‘no intimation that I would myself head a state government in the McKell tradition’. Of course, this is in part a show of false modesty, but it is true to the extent that right up until and probably beyond the point when the bruvers told Carr that his future was in state politics, he had genuinely never considered that state Premier would be the apex of his career. So while he might have understood the McKell tradition, his heart was never really in the problems of delivering basic services to ordinary voters. Carr’s journalistic background and interests were very different from those of ‘boilermaker Bill’.

In a recent article, Terry Barnes pointed to the fact that several recent state Labor leaders were journalists and observed that ‘they can frame a sound-bite brilliantly, yet when their leadership records are scrutinised they show very little’. Barnes continued:

Carr was the standout case. While he was a media and parliamentary master, Carr’s decade as NSW premier has left little but a Ozymandis-like legacy of poor economic management and shambolic public services.

Watching Sydney news bulletins at the height of Carr’s reign highlighted the point that Barnes is making. There would be problems in the hospitals, or problems on the trains, and sometimes there would be a frazzled public servant or a minister under pressure, but Carr himself would never be part of the story. He would pop up later in the bulletin delivering some piece of good news, or announcing some sweet new initiative. Carr himself was able to glide along unperturbed by the service delivery problems.

While, at the time, the media let him get away with it, they now condemn him. For example, here is Tony Wright in The Age in September:

Carr had seemed such a political talent: a bookish man who brought a love of culture and a sense of sophistication to bawdy Sydney. But he didn’t deign to consider the future of the roads or the railways or many of the other tedious necessities that make a city and a state liveable. He had dealt in glamour and left the future to look after itself, which it rarely does well.

Carr also made the amazing statement that Sydney was closed for new residents and followed land release policies that have seen Sydney now have the world’s most expensive property.

Of course, Carr had never envisaged a future that involved roads, railways, water or hospitals. He had always expected to have a career in Canberra and he could well have been an outstanding foreign minister in a federal Labor government. It should also be said that there are a couple of policy areas where Carr’s innate conservatism had advantages, such as in his protection of the place of history in the school curriculum.

The modus operandi of NSW Labor established by McKell contributed to the fact that the Split, which cruelled Labor for more than a generation in Victoria and Queensland, did not occur in NSW. This estimation of McKell’s influence is confirmed by Labor speechwriter and historian, Graham Freudenberg, who wrote in the official history of Labor in NSW:

The strength of the New South Wales Labor Party... lay in the lessons of the thirties. The New South Wales Labor Government survived the Great Split of 1955 not least because its leadership had learnt those lessons and was strong enough to apply them.

In turn, the fact that Labor’s strongly anti-communist Catholic elements did not join the DLP as they did both north and south of the border, meant that some key figures were available to the ALP in NSW.

Factions beat governments

Carr attempted electricity privatisation in his first term, but dropped it when the heat got too much. To their credit, Morris Iemma and Michael Costa stuck to their guns for longer, perhaps partly because the state’s budgetary position was now more critical. The Owen Report released in September 2007 had explained that the state’s electricity industry would need $15 billion of investment over the next 15 years just to maintain standards.
The focus on electricity for the past twelve months meant that other areas of potential reform also had little chance of getting up. The Walker Report that recommended contracting out Sydney Ferries sat in the too-hard basket. And yet in the same area of transport, the government had been able to announce a $12 billion north-west metro, a project that Costa had clearly personally opposed. When a Treasury-engaged transport expert found the project was untenable, the expert was sacked at Iemma’s insistence and the report buried, only to re-emerge after a freedom of information request.

As well as supporting Transport Minister Watkins, rather than Treasurer Costa, on the metro, Iemma also had other failings. One of the first actions of Iemma’s replacement as Premier, Nathan Rees, was to take one small step in the McKell direction. By sacking some of Iemma’s over-staffed media unit, he went a little way towards McKell’s edict of no press secretaries.

Maybe, Rees could also turn his attention to the fact that 56 of the 71 Labor MPs have extra appointments (parliamentary secretaryships, committee chairs etc.) and that this is encouraged by the party which dictates that 4 per cent of salary goes to Susse克斯 Street. Contrast this to McKell, who once found that in his absence the Labor caucus had dreamt up the idea of appointing four extra ministers to provide more jobs for the boys. He insisted they go, or he would.

Rees of the Left was happy to admit that when it came to choosing his new ministry he left it to the Right at Susse克斯 Street. So with Karl Bitar, John Robertson, Joe Trippodi and Eddie Obeid picking the cabinet it is hard to disagree with Mark Latham’s description of his home-state party: ‘It has become a conservative institution run by conservative people, the worst elements of machine politics’. Latham’s use of the term conservative in this context underlines the fact that the factional terms ‘Left’ and ‘Right’ have no ideological relevance within the Labor Party. The NSW Right is deeply conservative—and always has been. This was a good thing when those pushing ideological change were pushing communism; this is a bad thing when those pushing ideological change want to privatise NSW’s electricity assets and Sydney’s ferries. The power of the troglodytes in the NSW Labor Council means in Paul Kelly’s words that ‘the NSW IR system is one of the last decaying fortresses of a system of political and industrial power that gave Labor an institutional hold on the nation’s largest economy’.

None of this is to say with conviction that their current troubles mark the end of sensible centrist Labor in NSW. In his 1978 Bulletin article, Carr commented that post-McKell the quality of governance in the ALP’s 24 year unbroken period of power ‘deteriorated under the leadership of McGirr, Heffron and Renshaw’ and that ‘even the term of the popular Joe Cahill lacked the zest for achievement that had marked McKell’s leadership’.

Even electorally, the final Newspoll of Iemma’s premiership only showed Labor trailing 48 to 52 on a two party preferred basis, so there is scope for Labor to win in March 2011—an election that would be able to be held sooner if not for the political class’ obsession with lengthening terms.

One could also look forward to the next NSW election with more confidence if the Liberal opposition had declared from the start their in principle support for electricity privatisation. John Howard often commented that an important part of Labor’s ability to implement economic reforms under Hawke and Keating was that the Liberal opposition did not oppose them.

Yet in NSW in 2008, Liberal leader, Barry O’Farrell, in the words of an editorial in The Australian, chose to join ‘Labor in a race to the bottom on economic policy’. NSW remains the great state of inertia. In the long period from McKell to Wran, when the ideological tide was moving towards collectivism, this was a good thing. In the past twenty years, when the general move has been towards liberalism, it has taken NSW from a premier state to a failed state.