

A close-up portrait of John Howard, an older man with white hair and glasses, wearing a dark suit, white shirt, and a patterned tie. He is looking directly at the camera with a serious expression. The background is blurred, showing what appears to be a bookshelf.

JOHN HOWARD

Lazarus Rising

A PERSONAL AND POLITICAL AUTOBIOGRAPHY

John Howard
Lazarus Rising

«HarperCollins»

Howard J.

Lazarus Rising / J. Howard — «HarperCollins»,

Ex-prime minister of Australia John Howard's compelling autobiography. He has been one of Australia's most controversial prime ministers, leading the Liberal Party to victory over four elections and becoming the second-longest-serving PM in the nation's history. John Winston Howard is the face of the modern Liberal Party, an economic radical and social conservative whose ideology has united many Australians and divided just as many others. But what people often forget is that long before he became Prime Minister, John Howard was an idealistic politician. This book looks back over 30 years in politics, and at the changes Howard has seen both inside and outside the Government during that time. From his modest beginnings, to his steep ascent in Liberal Party ranks, and subsequent time in the wilderness during the Coalition's opposition years, to a victory almost no one had predicted, and on to some of the most tumultuous years in Australia's recent past, this is history seen through the eyes of the ultimate insider. Here, Howard tells how he responded on issues vital to Australia, such as gun control, East Timor and the relationship with Indonesia, the aftermath of 9/11, and the rising tide of asylum-seekers. LAZARUS RISING takes us through the life and motivations of John Howard, and through the forces which have changed and shaped both him and the country he led for 11 years.

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*To my parents, who gave me the values and determination I took into public life
To John Carrick, my mentor, from whom I learned more about politics than anyone else
To my family, whose love and support sustained me through my years in parliament and
government*

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PART 1 EARLY LIFE AND THE FRASER GOVERNMENT

1 THE SOURCE

Towards the bottom of William Street, Earlwood, in the 1940s there was a paddock; it was next to a baby health centre. Later, the paddock disappeared when a library and new baby health centre were built. Near the end of 1949 that paddock was a hive of activity as the nerve centre of the local efforts to re-elect Daniel Mulcahy as Labor member for the division of Lang, in the federal parliament. The Howard household, at 25 William Street, lay diagonally opposite this paddock. Mulcahy was the first member of parliament I had consciously set eyes on. He wore a three-piece suit and smoked a pipe.

The Labor campaign team for Lang had put up a temporary shed on the paddock. Plenty of people, mainly men, came and went, picking up leaflets and generally looking very busy. This was my first contact with local grassroots election campaigning. Although the suburb of Earlwood then produced a Liberal vote of about 45 to 50 per cent, the Labor Party never had much trouble in holding the seat; the other suburbs in Lang, like Campsie, Canterbury and Belmore, were very solidly Labor.

I knew nothing about Mulcahy other than what my mother told me: he lived in Darling Point, in Sydney's wealthy eastern suburbs, owned a number of hotels and by reputation was one of the most affluent MPs in the parliament.

I once saw him speaking outside the Earlwood Hotel. Later I heard Liberal supporters say that he only turned up at election time, shouted the bar and on the strength of that got re-elected. I am sure that this was quite unfair, and that he was probably a conscientious member, but that was the typecasting of political opponents.

That Labor shed really interested me. I would stand on the edge of the paddock looking at it and the campaign workers milling around. They gave the impression of doing something important. Observing it began a lifelong fascination of mine with politics. This book is my story of that fascination, my career in Australian and world politics and a commentary on the changes in Australian society and national life during the 60 years which have passed since I first gazed at that shed.

Any narrative of politics must include the shaping and implementation of policies which influence the direction of a nation and as well the constant interaction of personalities, particularly within political parties. The regular swirl of ideas, ambition and egos inevitably produces rivalries and, in some instances, alienation.

In this book I explore the public policy issues I grappled with as a member of parliament for more than 33 years. In addition, I endeavour to deal objectively with the key relationships of my years in politics, the difficulties in them as well as the generosity, loyalty and decency which they involved.

Mum and Dad were born at the tail end of the 19th century, my father in 1896 and my mother in 1899. As such, their lives were forever shaped by the three historic tragedies of the 20th century — World War I, the Great Depression and World War II. To this day I marvel at the stoicism of a generation which coped with the trauma, deprivation and sadness of those epic events, but still kept intact the cohesive and optimistic society which later generations were to inherit.

The American journalist Tom Brokaw called the generation which came of age during the Great Depression and World War II the Greatest Generation, and that phrase has resonated powerfully amongst Americans. That same generation of Australians also is owed an immense debt of gratitude by mine and later generations for what they endured for Australia. In Australia, however, the description of the Greatest Generation would have to belong to the generation before the one of which Brokaw wrote. That was my parents' generation, because it directly experienced the impact of World War I.

Although America joined the Great War in 1917, its effect on that nation was nothing like it was for Australia. For our nation, no tragedy has matched that of World War I. The loss of life was on a scale that today's generation would find impossible to come to terms with. Many small country

towns never recovered from the staggering losses of their young manhood. To lose more than 60,000 dead, with tens of thousands more blinded and crippled, from a male population of no more than 2.5 million, was a terrible depletion of our precious human resources. Les Carlyon, in his book *The Great War*, wrote, 'There were so many of them, and we never really, saw them.'¹

Both of my parents left school at the age of 14, as did most children of that era. It was their children's generation that completed secondary education in large numbers, and often went on to university.

My father, Lyall Falconer Howard, was born at Cowper, near Maclean on the Clarence River in northern New South Wales, the eldest of nine children. He attended Maclean Public School. His parents had very little money, and shortly after leaving school he secured an apprenticeship as a fitter and turner at the Harwood Island Mill, on the Clarence River, owned by Colonial Sugar Refinery (CSR). He enlisted in the Australian Imperial Force (AIF) on 27 January 1916 at the age of 19. His first attempt to join up had been unsuccessful because he did not meet the height requirements. He became a signaller with C Company of the 3rd Pioneer Battalion of the 3rd Division.

After several months training in both Brisbane and Melbourne his unit sailed for England on the *Wandilla* on 6 June 1916. His youngest sibling, Ian, was barely a year old when my father left on the troopship for Europe. The 3rd Division was commanded by Sir John Monash, certainly the best field commander Australia has ever produced. Many rank him and Sir Arthur Currie of Canada as the most talented commanders of World War I. Monash insisted that his men undergo extensive training in England before being sent to the front.

Dad's unit spent several months encamped on Salisbury Plain, in Wiltshire, undergoing rigorous training. It left for France late in November. My father spent his first day in the horrible trenches of the Western Front on 1 December 1916, near Armentières.

While my father was at the war, his parents and the remaining eight children moved from Maclean to the suburb of Petersham, in Sydney. My grandfather, who was a marine engineer, had a number of very different jobs in his working life, from harbourmaster at Coffs Harbour to starting what was believed to be the first motion picture show in northern New South Wales, at the Caledonian Hall in Maclean. I suspect that the reason for the family leaving the Clarence during the war was that my grandfather would have found it easier to obtain work in Sydney.

In July 1917, and at the age of 44, my grandfather, Walter Herbert Howard, also enlisted in the 1st AIF. He wound up in the 56th Battalion of the 5th Division, arriving in France during the early part of 1918. Meanwhile, my father had been gassed during a German attack near Messine Ridge, in Belgium, in July 1917; he returned to the front after a brief hospitalisation. For the rest of his life he would experience the aftereffects of the mustard gas he ingested, in the form of weakened lungs and recurring bouts of dermatitis.

The Australian divisions to which my father and grandfather were attached both took part in the Battle of Villers-Bretonneux in April 1918. The gratitude of the villagers from there to *les Australiens*, who halted a major German advance during the liberation of the town, persists to this day. Villers-Bretonneux is the site of the giant Australian War Memorial to those who perished on the Western Front, and the place where a special Anzac Day ceremony is now held.

Later that year, by a remarkable coincidence, my father and grandfather met near the French village of Clery on 30 August 1918, on the eve of the battle of Mont St Quentin, in which my father's unit participated. Just three days later my grandfather was wounded in the stomach, evacuated and took no further part in the war.

Eighty-two years later, as Prime Minister of Australia, and with the assistance of the very helpful army defence attaché, Colonel Chris Galvin, from the Australian Embassy in Paris, I was able to establish roughly where my father and grandfather had met up all those years ago.

One of the journalists who accompanied me on that visit, Tony Wright of the *Age*, described the scene thus:

On Friday, at the village of Clery, between a farmhouse and the great marshes and ponds and swiftly-flowing streams of the Upper Somme River, those experts found for him the most likely spot where his father and grandfather had met. Howard carried with him excerpts from his father's wartime diary. The entry for August 30 1918, reads simply 'Met dad at Clery'. Here in Clery, close to the slopes of Mont St Quentin, the site of one of the great battles of World War I, Howard experienced a sort of coming home of the heart. You could see it in his face as he peered intently at the map laid out before him, not heeding the rain falling or the small crowd milling about him.²

Wright had captured the emotion of the occasion for me.

I had attended the 85th anniversary of the landing at Gallipoli, at Anzac Cove, and then called to see President Chirac in Paris before visiting the battlefields. French gratitude for the huge sacrifice of Australia in defence of France, so many years before, was not forgotten. At the beginning of our discussion, the President expressed the thanks of his nation for the war service of my father and grandfather.

It was fairly unusual to have father and son fight in the same war. My grandfather died when I was only nine, and it was only occasionally that I talked to my father about his wartime experiences. His generation were a reticent lot. Who could blame them? They had lived through unimaginable horrors, and to come home alive and intact would have been a miracle to celebrate in itself. All those years ago, veterans were encouraged to forget about things, and not talk about their experiences. That was thought to be the right therapy. There weren't too many counsellors then, but returned soldiers were welcomed home as heroes, and in addition to repatriation benefits a variety of special schemes were set up to help them.

My father usually marched on Anzac Day, in Sydney, and the family would go and watch the march. The last Anzac Day that he was alive was in 1955. He hadn't been very well that year so didn't march. Instead he stayed at home, propped himself up on the couch in our back room, and reminisced with me, his youngest son, about his time on the Western Front 40 years earlier.

He told me of being detailed to escort an Australian officer back from the front, towards the end of the war. When they came under heavy attack the other man panicked, telling my father that he had been at the front for three years and was going on extended leave, and feared he would get hit before he made it to safety. There would have been numerous stories of men who had dodged bullets for several years, only to be hit minutes from the relative safety of being away from the front. I recall the story so vividly because Dad rarely spoke about the war. Like most Australians who served in that conflict, he thought that Australian soldiers were the equal of, or superior to, any others. Dad had no hostility towards the Germans who had been his enemies.

When my father came back from the war, he resumed his apprenticeship with CSR, only this time it was at Pyrmont, in inner Sydney, as his family had decamped there. According to my mother, he was retrenched in the early 1920s, during a slump, when the company had a policy of giving preference to the retention of married employees. My father was then still single.

After my mother left school she was employed doing office work with Nock & Kirby's, then a well-known Sydney department store, which disappeared as a separate entity in the 1980s. Two of Dad's sisters also worked in the office at N&K, and it was through them that my parents met.

I took a part-time job with that store in the late 1950s whilst going through university. I was in the pet section for a time, which resulted in Bill Hayden as Opposition leader, years later, dubbing me a budgerigar salesman. The description amused me.

My parents married at the Presbyterian church, Marrickville, on 11 July 1925 and honeymooned at the still-standing Clarendon Guesthouse, Katoomba, in the Blue Mountains west of Sydney.

My mother, born Mona Jane Kell in 1899 in Smith Street, Summer Hill, an inner suburb of Sydney, always found immense security in the familiarity of her home environment. She would often say to me that if she started early in the morning, she could walk to all of the locations in which she

had lived and be back at home by lunchtime. Whilst a bit of a stretch, the point being made said a lot about my mother. Mum did not like straying far from her roots, either geographically or the value system by which she lived.

To my mother, family was everything. From her immediate family of husband and four sons to the very large extended Howard family, my mother's life was all about the welfare and, importantly, the stability of her family. Her early family life had been far from happy: losing her mother to a brain tumour at age eight, and having a father whom she clearly adored, but who was a heavy drinker, she plainly found in my responsible and sober father a source of security and dependability.

The heavy drinking of my grandfather had a lasting impact on my mother. She retained throughout her life a real dread of alcoholism and virtually anything associated with drinking. I enjoy a drink but realised, as the years went by, how deep and understandable had been my mother's reaction.

Many years ago, drinking habits were different; women drank a lot less. It was very much a male pursuit. Men got drunk at hotels and staggered home, often to the great public embarrassment of their families. There was much less drinking at home than is the case today. For many women and children, the local hotel was anything but a place associated with warm conviviality.

Something else was to touch Mum's younger years: that was sectarianism. She was a child of what was once called a 'mixed marriage'; that is, her father was a Protestant and her mother a Catholic. After her mother's death, although Mum had been baptised a Catholic, her father sent her to a Church of England Sunday school. There was subsequent estrangement with her mother's family and, given the Catholic/Protestant divide of the time, that action of my grandfather had likely been a cause.

Mum was a good Christian, totally lacking any pretensions in her dealings with others. She was privately devout. Every night she would kneel at her bedside to say her prayers. Sadly, however, she was always self-conscious about the fact that she had been born Catholic, but raised Protestant. For people of her generation, regrettably, those differences mattered much more than would later become the case. For all of her life she retained what I thought to be an unreasonable suspicion of Catholicism. Then I was of a generation which, in the 1960s, would experience the welcome disintegration of sectarianism.

Mum had a sister, May, and a brother, Charlie, and after her father's remarriage following her mother's death, two half-brothers, Ted and Arthur. She spoke frequently of her affection for her stepmother, and how fortunate she had been in having her after losing her mother at such an early age.

Premature death returned to Mum's family in a particularly tragic way, several months before I was born. Ted, who had been diagnosed with epilepsy at the age of 16, suffered a seizure while standing on Newtown Railway Station, in inner Sydney, and fell under an oncoming train. He died from the terrible injuries he sustained. To add to the family's grief, May, Mum's sister, was a passenger on the train.

Mum's family never owned their own home, and always lived in rented accommodation in and around Petersham and Lewisham, inner suburbs of Sydney. I suspect that my grandfather was an unsuccessful punter, and that his gambling habits were strongly disapproved of by both his wife and his elder daughter. Whenever I visited their home as a young child there was a sad atmosphere. As I grew older, and learned more of the background, I understood why.

Grandfather Joe Kell was a great walker. When over 80 he would regularly walk from his home in New Canterbury Road, Petersham, to his daughter May's place in Wardell Road, Earlwood, a distance of almost 4 kilometres. That is something he passed on to one of his grandsons.

Mum's brothers, Charlie and Arthur, had both fought in World War II, Charlie in the army, and Arthur in the Royal Australian Air Force (RAAF). Charlie had been part of an army unit guarding the Cowra prisoner of war camp when the Japanese breakout occurred. The experience permanently clouded his attitude towards the Japanese because of their behaviour during the breakout.

Charlie's marriage had broken up by the time I was in my teens, and his only close family were his two sisters. Charlie had always drunk heavily, and his failed marriage only made this worse. I

respected the way in which Mum tried to help him, having him home regularly, despite Charlie often being the worse for wear. Her tense reaction whenever he was affected by drink showed just how strongly her childhood experiences of alcoholism had affected her. She often told me that she thought Charlie had had a tough life, frequently mentioning the fact that he had spent the night of his 21st birthday sleeping under a bridge, whilst on the track for work in the Shepparton area of Victoria in the mid-1920s.

My mother and her sister May (Roberts) were very close. May did not marry until her early 40s and had no children. She lived in the same suburb as us and saw a great deal of our family, especially me. We formed a very close bond, as she also did with my brother Bob, when we were all a good deal older. May had a genuinely sunny and positive disposition. To employ a phrase typical of her generation, her life had been no 'bed of roses', yet she always seemed happy with her lot. She was a wonderful woman, and like my wife's mother, Beryl Parker, had an extraordinary capacity always to see the best in people. She was a special person and I remember her with very deep love and affection.

Lyall and Mona Howard had four sons: Walter (Wal), born in 1926, Stanley (Stan) in 1930, Robert (Bob) in 1936 and me in 1939. The Great Depression had its impact on family planning.

As best I could describe it, I grew up in a stable, lower middle-class home. When Dad went into business, establishing a garage with his father, he was able to make a reasonably comfortable living for our family. Mum was a full-time homemaker, who dedicated her life to the care and upbringing of her four sons. Mum and Dad were both conservative, patriotic Australians.

The house I grew up in was a Californian bungalow, built in the early 1920s. Earlwood, in Sydney's inner southwest, was full of them. It was heavily settled after the Great War. Street names such as Flers, Hamilton, Dellwood, Kitchener and Fricourt were testament to that. It was a three-bedroom home, so until I was well into my teens I shared a bedroom with Bob. About my earliest memory was looking at the blackout paper which my parents had placed over the small casement window in the lounge room. That must have been in 1942, when there were frequent blackouts in Sydney through fear of possible air raids.

Politics was talked a lot at home. From a very early age I listened to discussions about world events, as well as particular issues affecting Sydney and Australia. Being the youngest in the family, it was natural that I imbibed much from my parents and elder brothers.

Towards the end of 1949, I knew that there was an election coming up from the talk at home, seeing the newspapers and listening to the Australian Broadcasting Commission (ABC) news. Mum and Dad were both strong Liberals and had plenty of good things to say about Bob Menzies, then Leader of the Opposition, but soon to become prime minister and to stay in that position longer than any other person in Australian history.

Owning a garage, or service station, my father had been bedevilled from the war years onwards by petrol rationing. Dad would bring home the ration tickets and my brother Bob would join me in counting them on the breakfast-room table. I thought this was a lot of fun, and I missed it when it ended. My parents didn't. Menzies' 1949 election promise to remove petrol rationing attracted them greatly, and they were delighted when it was abolished.

Petrol rationing had been an understandable wartime measure, but in peacetime it was a real bugbear for anyone in my father's business, and motorists generally. It was abolished for a period and then brought back shortly before the 1949 election.

The Labor PM at the time, Ben Chifley, was well liked. To his credit, his Government began the great postwar migration surge — then overseen by his Immigration Minister Arthur Calwell — which helped shape the modern Australia. He also launched the Snowy Mountains Hydro-Electric Scheme, which remains a national development icon.

But when it came to economics, the Chifley Labor Government, in the late '40s, remained locked in the wartime mindset of controls and micromanagement of the economy.

Chifley led a government which tried to nationalise the private trading banks. This move galvanised into action many supporters of free enterprise, and not just the banks. Everything had gone wrong for Chifley following his Government's re-election in 1946. His attempt to nationalise the banks had been rejected as unconstitutional by both the High Court of Australia and the Privy Council. Massive strikes on the NSW coalfields in 1949 produced prolonged blackouts in Sydney. In the end Chifley had to embrace what for a Labor man like him must have been a nightmare: the use of troops on the coalfields to keep essential supplies moving.

The times were clearly right for a man and a party preaching the gospel of competition and fewer government controls. Bob Menzies and the Liberal Party neatly filled the bill. Anyhow, that was what my parents, Lyall and Mona Howard, thought. So did my eldest brother, Wal, the only one of their children then to have a vote.

My parents were part of the 'forgotten people' who Menzies had defined in his famous radio broadcast in 1942: they neither belonged to organised labour, nor were rich and powerful. He called them middle class, with the description of 'salary-earners, shopkeepers, skilled artisans, professional men and women, farmers, and so on'. Mum and Dad aimed to give their four sons more security and more opportunities than they themselves had had. In that, they were successful, for which I and my brothers are eternally grateful.

Several days before the election took place a newspaper I bought carried the headline 'Final Gallup Poll Predicts Coalition Victory'. On election night, my brother Bob and I had gone to a local picture theatre with our parents. During the screening of the second film, the theatre management displayed a slide which showed that the Coalition had taken an early lead. In those days polling booths remained open until 8 pm.

When we got home, we found my brother Wal sitting on the floor in front of the radio. He said that Menzies had won and that the biggest swing had been in Queensland. On that latter score at least, nothing much has changed in almost 60 years. When the Coalition won government in 1996, Labor was routed in the Sunshine State, and in 2007 the Labor Party achieved a greater swing in that state than in any other part of Australia. Everyone in our household was very happy with the result. Daniel Mulcahy was comfortably returned as the Labor member for Lang. Those shed workers across the road had done their job.

For as long as I can remember, I was a regular listener to sport on ABC Radio, mainly cricket and rugby league. Cricket always came first. I knew the names of Bradman, Miller and Lindwall before I learned the name Menzies. My father took me to the Sydney Cricket Ground on 28 February 1949 to see Don Bradman play for the last time at that ground, in the Kippax-Oldfield Testimonial. It was the only occasion on which I saw the great man play.

I also had a keen interest in boxing. I could recite, in order, all of the heavyweight champions of the world from James J. Corbett onwards. Controversies in boxing, such as the famous long count in the bout between Jack Dempsey and Gene Tunney, enthralled me. I was fascinated when I read that Sydney had hosted a fight for the heavyweight title in 1909 between Tommy Burns and Jack Johnson. In my late teens I went to Sydney Stadium, in Rushcutters Bay, to see several bouts. Years later, when I was in politics, some of my friends were horrified when I confessed to my boyhood interest in boxing. As I grew older I lost interest in it, in part because I realised the terrible damage people suffered, but I had been quite taken by it in my youth.

From a young age I was an avid reader of the Biggles books, authored by Captain W.E. Johns, which told the story of a group of British airmen who not only fought heroically in the Battle of Britain but did other great things in defence of liberty. A little later I devoured books such as *Reach for the Sky*, by Paul Brickhill, an Australian, which covered the amazing war service of Douglas Bader, who lost both legs but resumed flying in the Royal Air Force (RAF); *The Dambusters*, the saga of the RAF bombing raids on the dams of the Ruhr Valley; and Nicholas Monsarrat's classic *The Cruel Sea*. This book, which like the other two led to a film of the same name, covered the perils and heavy

human losses involved in keeping open the sea lanes from Britain to Russia through the North Sea. Barely a decade had passed since the end of World War II and books and films about aspects of that huge conflict abounded.

I read a lot of sporting books, naturally starting with cricket. Two which I still have in the sports section of my bookshelves at home are *Straight Hit*, co-written by Keith Miller, one of Australia's greatest-ever all-rounders, and R.S. Whittington. It told of the West Indies' tour of Australia in 1951–52. I read it again and again over a period of years. The other was *A Century of Cricketers*, by A.G. 'Johnny' Moyes. He had compiled the stories of one hundred famous cricketers, ending in about 1950. Moyes was an accomplished analyst. It was a different era and a vastly different medium, but he was something of a Richie Benaud of radio.

As I grew older my reading tastes expanded to include history as well as biographies. To this day I maintain a marked preference for books in these two categories. My father subscribed to the *Saturday Evening Post*, a well-illustrated American periodical, which I read thoroughly. It gave me an early feel for some of the differences in both American culture and politics. This was the early 1950s, and hostility to communism came through strongly in the pages of the magazine.

We always had a dog. For almost 14 years we had a marvellous Irish setter named Caesar. He went everywhere with me, even to church, where he would position himself in the back vestibule. Nobody seemed to mind; it was, after all, his home territory. He had to be put down not long before I turned 21. I took him to the vet, and I cried as he died in my arms.

The 1950s, when I grew up, was probably the most stable, secure and prosperous decade Australia had yet experienced in the 20th century. There are many now who belittle 1950s Australia. In the process they do their country and an earlier generation much disservice. True, the Australia I was raised in was far from perfect. Women were denied many opportunities; the white Australia policy was still in place; and the plight of Indigenous Australians had yet to stir the national consciousness.

But it is beyond churlish to deny the achievement of an era when so many struggling Australian families secured a modest level of material comfort, sent children to university for the first time and laid the economic and social foundations of modern Australia.

Television arrived in 1956, the year that I did my Leaving Certificate. For most of the decade, and before television changed forever the leisure habits of Australians, going to the pictures was a major social pursuit. It certainly was for the Howards, and going to the pictures for us meant on Saturday nights. Saturday afternoon matinees were off limits. That was when young men were meant to be in the open air, playing sport.

This was Hollywood's golden era, years before the renaissance of the Australian film industry. American films dominated the screen, although there was a reasonable stream of British productions featuring such talented actors as Alec Guinness. The familiarity I felt with both London and New York, especially the latter, when I first saw those cities in the 1960s was a mark of the cultural deposit left by Hollywood in its hey-day.

We four boys and our mother attended and were involved in the activities of the local Methodist church, which stood opposite our home at 25 William Street. The church played a big part in the lives of all of us, but in different ways. For my eldest brothers, Wal and Stan, it was in their teen years a large part of their social life, more so than for Bob and me. I maintained regular attendance at the church until I left Earlwood in my late 20s. My brothers and I indulged our sporting passions through the church.

Earlwood Methodist Church had a large congregation, and was able to field several teams in the very extensive Protestant church cricket and soccer competitions. At one stage the four of us, and one of our uncles, making five Howards in all, played in the church cricket team. I have fond memories of many Saturday afternoons in the sun, playing cricket for Earlwood Meths at grounds such as Rudd Park in Belmore, and Tempe Reserve and Steele Park in Undercliffe. This cricket

competition proudly boasts Bob Simpson and Brian Booth, both Australian Test Cricket captains, amongst those who played for their local church teams at a very young age.

Although our lives revolved very much around the church, religion and theology were rarely discussed at home. My father was a very infrequent churchgoer. He was a believer, but not a participant. My parents belonged to a generation of Australians which did not talk a lot about religion, even if they held to their faith. Then again, it was an era in which personal feelings generally, and not just about religion, tended to be internalised. The willingness of today's generation, especially men, to speak more openly about their feelings is something to be welcomed. This is an area where the good old days were definitely not better.

We grew up at a time when church attendance was much higher, and when a moral consensus flowing from the Judaeo-Christian ethic held a largely unchallenged place in Australian society. The influence of the Christian religion, even amongst those who privately repudiated it, was both strong and pervasive.

The fundamentals of Christian belief and practice which I learned at the Earlwood Methodist Church have stayed with me to this day, although I would not pretend to be other than an imperfect adherent to them. I now attend a local Anglican church, denominational labels within Christianity meaning nothing to me. Any religious belief requires a large act of faith. To many people, believing in something that cannot be proved is simply a step too far. To me, by contrast, human life seems so complex and hard to explain yet so extraordinary that the existence of God has always seemed to offer a better explanation of its meaning than any other.

The extended Howard family, given that Dad had been one of nine children, was quite large. My paternal grandmother, Jane Falconer Howard, lived with one or other of her daughters for the last years of her life. Most Sunday afternoons involved visits to my grandmother. She was a stoic woman, confined to a wheelchair from the age of 62 as a result of rheumatoid arthritis. Deeply religious, she was in every way the matriarch of the family until her death in 1953, when I was aged 14. I have quite happy recollections of extended Howard family gatherings for special occasions, which brought me in touch with my numerous cousins.

A great Howard family ritual was observance of Bonfire Night, strictly speaking Empire Day, 24 May, that date being marked because it had been Queen Victoria's birthday. We always had large amounts of fireworks, built huge bonfires, had a half-day school holiday and enjoyed ourselves immensely. Like all Western societies Australia has become a nanny state on activities such as this. As a consequence today's children are denied much innocent fun. I think that fireworks prohibitions are ridiculous.

My parents were quiet, even shy people whose total focus was the care and upbringing of their four children. They wanted us to have better educational opportunities than they had enjoyed. Doing homework or studying for university exams took precedence over everything else at home. My mother and father would frequently forgo listening to the radio — after the ABC news of course — so that one or more of their children could study undistracted. Often Stan would be at his desk in his bedroom, and Bob and I would be working on the dining-room table. They wanted their children to succeed, and did all in their power to bring that about.

There was nothing self-important or pompous about either of my parents. They actively discouraged such character traits in their children and were scornful of anyone who exhibited what their generation called 'side'. We were taught to be polite to people doing menial tasks. My mother rebuked me at the pictures one night because I had used my foot to push a sweet wrapper towards a cleaning lady who was collecting rubbish during interval. She said that I should have picked it up and handed it to her.

Due to the age difference, I had a minor form of hero worship towards my two eldest brothers, Wal and Stan. At the age of 15, I was absolutely devastated when Wal was not elected captain of the church cricket team. This was because he took it for granted, owing to his seniority, that he would

be elected. He had not bothered to organise his numbers. I thought the decision of the team was most unfair, and it left me feeling upset and angry for weeks. I found it hard to accept that the other members of the team would not all want Wal as captain. It also taught me a lesson about ballots, which I have never forgotten.

I attended Earlwood Public School, the local primary school, and won admission to Canterbury Boys' High School, then one of the nine selective high schools in Sydney. Its catchment area was the St George and Canterbury-Bankstown districts, a large chunk of southwestern Sydney.

Earlwood Primary School reflected the locality which it serviced. About half of my final-year class had fathers who were tradesmen, and in most other cases they worked in banks, insurance companies or utilities, with just two or three in small business.

In my last year at Earlwood, I had a wonderful teacher, Jack Doherty. He constantly fed my interest in current affairs and conducted plenty of additional question periods on the news of the time. A very fine ABC Radio program called *The World We Live In*, narrated by H.D. Black (later Sir Hermann and Chancellor of Sydney University) and which extensively covered world affairs, was a regular part of our class work. This was in 1951, and the Korean War was still raging. One of the hotly debated issues then was the sacking of General Douglas MacArthur by President Harry Truman. This was a big call by Truman. MacArthur was an iconic World War II figure who had established his headquarters in Brisbane after being pushed out of the Philippines by the Japanese. From there he led the Allied fightback, which ended in victory. When the Korean War started in June 1950 with communist North Korea invading South Korea, MacArthur was the Supreme Allied Commander in the Pacific.

He clashed with Truman over the conduct of the Korean War, wanting to carry the fight against the Chinese, who had come in on the side of the North, over the North Korean border into China itself. Truman opposed this and when their differences could not be resolved, Truman, as Commander-in-Chief, sacked him. I followed these developments avidly.

At the end of primary school, when I was 12, I made my first public speech, at the school presentation day at the local Mayfair Theatre in Earlwood. The headmaster was retiring, and I gave a short speech of thanks on behalf of the teachers and pupils, and presented him with a watch. I was nervous, but it seemed to go well. My father and mother were both there and appeared very proud. Dad was so pleased he gave me my first fountain pen to mark the occasion. I needed one for high school.

My interest in politics mounted during my years at Canterbury Boys' High School, where my active participation in school debates and as a member of the school's debating team in the Combined High Schools' (CHS) competition laid the groundwork for such speaking skills as I was able to bring with me into public life years later. I learned then the great value of speaking 'off the cuff', because a significant part of the debating curriculum required me to speak in an impromptu fashion on subjects of which I had no prior notice. It was marvellous training. It was invaluable during my early years in parliament when, at a moment's notice, I was able to respond to the whip's call and jump into a debate.

The immense merit of formal debating is the discipline of having to articulate the reasons for holding a particular opinion. Years later, in public life, I learned that it was not enough simply to assert a strongly held view. Logically arranged arguments, explaining why that view was held, were crucial. My friend and long-time advisor Grahame Morris would often say to me, when discussing an announcement, 'Boss, what's the why?' In other words, he wanted to hear my explanation.

Perhaps my love of debating, or the chronological memory gifted to me by my mother, or both of them, meant that I never felt comfortable reading a prepared speech. In senior office, it was essential, on certain occasions, to do so. Nonetheless, less than 10 per cent of the speeches I gave as Prime Minister were read from a prepared text. I feel that I always give my best speeches when, having thought about what I will say, I then eyeball the audience, and speak directly to the people in it. Never in my life have I used an autocue or teleprompter. I hold them in contempt as rhetorical crutches.

Canterbury High wasn't all debating though. I played both cricket and rugby in the school's second XI and second XV respectively, in the CHS competition. History and English were far and away the subjects I enjoyed and excelled in most. History fascinated me. One of my real educational regrets was that I never did an arts or economics degree as a precursor to law. Amongst other benefits, it would have allowed me to further indulge my passion for history.

My Leaving Certificate exams, in 1956, were sat against the backdrop of the brutal Soviet invasion of Hungary and the controversial Anglo-French Suez operation. On the happier side there was the great excitement of the Olympic Games coming to Melbourne. It was also a time when Robert Menzies appeared to have established a stranglehold on Australian politics, courtesy of the bitter Labor split of 1955 and the ultimate emergence of the Democratic Labor Party (DLP), initially called the Labor Party (Anti-Communist), which in 1961 would save Menzies from otherwise certain defeat.

Both of my parents were fierce believers in private enterprise. This was barely surprising, given that my father had worked incredibly long hours for more than 20 years in building up his garage business in Dulwich Hill, an inner suburb of Sydney. He was a qualified motor mechanic, and the garage he ran provided the full range: not only did he serve petrol, but he also serviced and repaired cars. In my lifetime, Dad always opened the garage on Saturday and Sunday mornings. Only on Christmas Day, Good Friday and Anzac Day was the garage closed all day. Years earlier it had been even tougher, with Dad not getting home until about 10 o'clock at night, after he had closed.

If you ran a small business, there was nothing particularly strange about this. Both then and now, running a small business of the sole trader or sole owner type entails a total commitment of time and energy. There are no guaranteed market shares, and no penalty rates or overtime for effort beyond normal working hours. The qualitative difference between owning and operating a genuinely small business and working, even at a senior executive level, in a large corporation is immense and rarely understood by those not involved in it.

My father was always very tired when he came home from the garage, particularly on Saturdays, when he would often spend most of the afternoon resting. The business was discussed over the dinner table. My brothers had helped out, serving petrol and doing other tasks at the garage. I couldn't wait until I was old enough so I could have a go as well. I started when I was about 14. I loved it. It was a real buzz serving petrol, checking oil levels, pumping up tyres and trying to sell a few 'sundries', such as new spark plugs. Years later Paul Keating would sneeringly refer to the 'bowser boy from Canterbury' (sic). To me it was a badge of honour.

I enjoyed meeting the customers, who, my father reminded me, were always right. I had quite an argument with one customer, who insisted on smoking a cigarette as he stood beside me while I pumped petrol into the tank of his car. In the end I pulled the nozzle of the pump out of the tank. Then he put out his cigarette. I hope he stayed as a customer.

Like all service stations of that time, my father's sold all different brands of petrol. Unlike many others, though, Dad owned the freehold of his garage. From the early 1950s onwards, the major oil companies began an aggressive 'one brand' service station expansion policy of either building new service stations or doing deals, of various kinds, with existing operators, so that only one brand of fuel was sold at a site. This intensified competition as the number of sites expanded rapidly, with new operators often being obliged to open for longer hours. It was hard for someone in my father's position to match this. The inevitable business pressure affected Dad's health. Although he didn't want to go one-brand, it became a commercial necessity as there was a small rebate per gallon paid to owners who sold only one brand. He signed up with Mobilgas in 1954.

The one-brand switch badly affected Dad's business, but it had to be accepted as a tough but unavoidable competitive development which could occur in any market. What could not, however, be viewed in the same light was an arbitrary edict delivered by the local Marrickville Council later in the year.

The council told him to remove his petrol bowsers from the kerbside in front of his service station, as it wanted traffic lights installed on the street corner where the garage stood. This was tantamount to telling Dad to close down his business. Neither the council nor the NSW Government authority, at whose instigation the council would have acted, offered any compensation for the potential destruction of my father's business. It dealt a real body blow to my father and, coming on top of the market-related setbacks he had suffered, left Dad deeply dispirited and worsened his health.

As a 15-year-old boy, I thought that my father had been treated outrageously by an insensitive, high-handed council, against which he had no redress. This edict hung over my father and was still there when he died at the end of 1955. Exchanges went on for some time after that, and it was not until the early '60s that traffic lights were finally installed on the corner.

This incident reinforced the feeling in my family that governments, generally speaking, weren't all that sympathetic to small business; that if you had one, you were very much on your own. Big companies could look after themselves and unions were strong, but the little bloke got squeezed. Such attitudes weren't entirely logical, and in government I always emphasised the common interests of businesses, large and small. Yet, when on-balance judgements were called for, I confess to usually siding with the small operator, even if some violation of free-market principles might be involved; my support for newsagents and pharmacies come readily to mind.

* * *

As I've said, politics and current affairs were frequently discussed, not only around the dinner table, but also in direct conversation between my mother and father. There was no particular starting point for the discussion of politics at home. I can remember it always being there. My eldest brothers usually joined the discussions quite freely.

Occasionally, my father would listen to important parliamentary broadcasts on the ABC. We all followed the events leading up to the double dissolution of federal parliament obtained by Bob Menzies in 1951. It was the first time that a double dissolution had been sought since World War I, and — particularly given the political antecedents of the Governor-General, Sir William McKell, who had been the Labor Premier of New South Wales — there was much conjecture as to whether he would agree with the advice offered by Menzies supporting the request for a double dissolution.

In the end, McKell did the right thing and granted the dissolution. For doing his sworn duty he incurred the lifelong hostility of some Labor people, who simply believed that he should have done the bidding of his old political party rather than discharge his constitutional responsibility. This was a precursor to a much more savage application of the Labor belief that the party always owned the man, irrespective of the circumstances, some 25 years later.

Although my parents were united in their commitment to the Liberal Party, I suspect that they voted differently on one important occasion, and that was the referendum, held on 22 September 1951, to ban the Communist Party of Australia.

At that time the Cold War was intense, the communists had taken over in China only two years before, and Soviet communism was seen as a real threat to the peace of the world. On top of this, communist officials held many senior positions in Australian trade unions. The Communist Party in Australia was regarded by many as a subversive organisation because it sought the overthrow of the economic and social order under which Australians then lived. Menzies had secured passage of a law which declared the Communist Party an illegal organisation.

The validity of that law was challenged, and the High Court of Australia declared the law unconstitutional, as being beyond the power of the federal parliament to enact. Menzies' response had been to propose a referendum asking the people to agree to change the Constitution of the Commonwealth to give the federal parliament the power to pass the law which had previously been ruled invalid. The referendum campaign provoked intense debate and division. Menzies and his followers argued that the free world was engaged in a life-and-death struggle against communism, and Australia should not tolerate what he believed amounted to a fifth column in our country. Against

that, many argued that the proposal violated free speech, and that it was never desirable to drive political movements underground.

This debate spilled over into the kitchen of our household. I recall quite clearly my mother's strong reservations about the additional power being sought by Menzies. One night she said, 'Menzies would be a bit of a dictator, if he had his way.' My father would have none of this. This was the one particularly short and sharp exchange on the subject, and after that I heard nothing more. Knowing my mother's determination once she had made up her mind, I am sure that she ended up voting against the proposal. If such loyal Liberals as my mother had reservations, then it is not surprising that the referendum went down.

This incident said a lot about my parents. They were both politically and socially conservative, but that was the result of their separate convictions. In no way did my mother automatically embrace the views of my father. Although in so many ways Mum fulfilled the traditional homemaker role typical of the times, she was a woman who held fiercely to her own independent opinions. Like my father, she had a well-developed interest in politics, and for years after Dad's death she and I would have quite lengthy discussions about political events in Australia in the 1920s and '30s.

I became totally absorbed in the Petrov Affair. Vladimir Petrov had been the third secretary in the Soviet Embassy in Canberra (but in reality a low-level spy) when suddenly, in April 1954, he defected and sought political asylum in Australia, which was granted in return for Petrov providing details of Soviet spying in Australia. It was a dramatic event, complete with KGB agents arriving to take Mrs Petrov back to Moscow. There were wild scenes at Sydney Airport as, seemingly against her will, she was taken on board an aircraft, Soviet-bound. On instructions from the Government, police intervened when the plane stopped for refuelling at Darwin, and having satisfied themselves that she did not wish to return to Moscow, relieved her KGB escort. The agents returned empty-handed to an uncertain welcome in Russia, and Mrs Petrov rejoined her husband. They spent the rest of their lives in Australia.

Menzies swiftly established a Royal Commission to examine the extent of Soviet espionage in Australia. This happened on the eve of the 1954 federal election. When the ALP lost that election quite narrowly, its leader, Dr Bert Evatt, convinced himself that the whole Petrov Affair had been a giant conspiracy, orchestrated by Bob Menzies to damage the ALP by raising the communist issue on the eve of the election. As a barrister, Evatt had appeared before the commission, representing people who had previously worked for him. He attacked the Royal Commissioners who, ultimately, withdrew his right to appear.

Dad and I both listened in astonishment as Evatt told parliament that he had written to the Soviet Foreign Minister, Molotov, asking whether or not Petrov had been a Russian spy. Molotov had written back denying that Petrov had spied for the Soviet Union. Evatt actually believed Molotov. This extraordinary incident did immense damage to Evatt's credibility, and was a clear sign of the paranoia that he had developed as a result of losing the 1954 election. It was a forewarning to many in his party of the erratic behaviour of his which was to come, and which contributed so much to the momentous split in the Labor Party in 1955.

My parents held conservative foreign policy views. They were staunchly anti-communist and saw Britain and America, in that order, as our real friends. Whenever we talked history, and this would have been in the 1950s, when memories of World War II were still relatively fresh, I was left in no doubt that my parents felt that the appeasement policies of the '30s, espoused by Neville Chamberlain and supported, to varying degrees, by most Australian leaders, including Robert Menzies and John Curtin, had been wrong.

Mum and Dad, especially the latter, were ardent admirers of Winston Churchill. I was born on 26 July 1939, at a time when Churchill was still out of favour, regarded as too belligerent and scorned by many in the British Establishment as temperamentally unsuited for leading the nation. Few thought that just 10 months later the House of Commons would, in desperation, turn to him.

My parents gave me Winston as a second Christian name because my father had strongly supported Churchill's opposition to appeasement and shared his forebodings about its consequences. All my life, I have taken quiet pride in the fact that my own father was on the side of history in his attitudes to the 1930s, and I have a second name and a birth date to prove it.

I have often wondered how it was that I developed such an intense interest in politics so early, and why it was that it became such a lifelong passion. A big reason was that politics was talked about at home from as long as I can remember. Being the youngest, I was exposed to politics from an early age, with my parents being willing to explain issues and never hustling me away because I was too young. My parents often disagreed with actions of governments, but were not cynical about them and always encouraged in their children respect for society's institutions. I was brought up to believe that governments could do good things, if only they were comprised of the right people.

These were all influences which meant that I saw politics as good public service, as a way in which change could be achieved. That was important, but not as crucial as my seeing politics as an arena in which ideas and values could be debated, contested and adopted. That was the foundation of my lifelong view that politics is, more than anything else, a battle of ideas. Not only did I enthuse about the contest of ideas, I revelled in the experience of the contest itself. Debating, arguing, testing ideas about how society could be improved energised me.

The influence of parents on their children's political views is a fascinating study. I embraced most of my parents' political attitudes, particularly their support for private enterprise and especially of the small-business variety. Mum and Dad were often quite tough on people who worked for the Government. They thought that people in the private sector did all the work. In politics, I encountered numerous public servants who worked very hard indeed.

Dad had been a heavy smoker all his life, which no doubt aggravated his lungs, already damaged by the gassing he had suffered close to 40 years earlier during his war service. With all that is now known of the harmful consequences of smoking, we tend to shake our heads at the foolishness of a generation which so extensively embraced the habit, often, as in my father's case, worsening a war-caused condition.

Yet, given the older belief that smoking calmed the nerves, and the horrors which these men had experienced, their nicotine addiction was entirely understandable. With none of the reasons my father had, I smoked from the age of 21 until I was 39, finally kicking the habit while I was Treasurer in the Fraser Government. I didn't find it easy, and given what Dad had experienced in war, I could understand why he kept smoking until a few months before his death.

1954 was the last year that my father enjoyed reasonably good health. A combination of the chronic bronchitis which afflicted him as well as intense worrying about his business exacted its toll. The following year saw his health collapse dramatically: he suffered in rapid succession from pleurisy and an attack of double pneumonia. Dad spent a large part of 1955 resting at home, away from his business. He would be there when I returned from school. We would often talk politics or play chess. It was, despite Dad's ill-health, a wonderful conjunction in our lives which drew us much closer together in the space of just a few months. Regrettably it was not to last.

Towards the end of the year he made arrangements to lease the business to a trusted associate who had operated the workshop in the garage for close to a decade. Sadly, on the very day, 30 November, that he was to hand over he died suddenly of a cerebral haemorrhage, at the age of 59. When it happened I was playing cricket for my school at Blick Oval, Canterbury. My brother Wal arrived and told me that Dad had suffered a stroke, and that I should come home. When we were both in his car he put his arm around me and simply said, 'He's gone.'

I missed my father intensely. We had really got to know each other so much better during the last two years of his life; we had found a great common point of interest in politics. On many occasions, years later, I would think to myself how much pride Dad would have derived from my

political career. Those last months in 1955, when we spent much more time with each other, I recall even to this day.

Understandably, my life changed enormously after the death of my father. My two eldest brothers had both married only months before his death, Bob had left school and gone to teachers' college and, as a result, I was thrown even more into the company of my mother. We talked endlessly about family history, current events and, of course, the need for me to succeed at school and go on to university.

2 INDULGING THE TASTE

Although undecided until my last year at school, I enrolled at Sydney University for a law degree. There is no doubt that I was influenced by my brother Stan having become a lawyer. He became a partner in one of Sydney's best-known firms, Stephen Jaques and Stephen (much later Mallesons), aged only 27, and would be a most successful and highly regarded corporate lawyer as the years went by.

Thanks to Stan I had a great experience for eight weeks between school and university. He arranged a job for me as an assistant to a barrister's clerk in Denman Chambers in Phillip Street, Sydney. In Phillip Street, each floor of barristers was looked after by a clerk; the really good ones were invaluable, such as Jack Craig, with whom Stan had arranged my job. The barristers looked after by Jack Craig were some of the best and most colourful then at the Sydney bar. They included Clive Evatt QC, brother of Bert, then still federal Labor leader. The latter often turned up and used the chambers for some of his meetings. The brothers were a big contrast. Clive was likeable and amusing. Bert was sullen and unfriendly. John Kerr was another cared for by Jack Craig. Kerr was friendly and stylish. Amongst other things, I did his banking. He had a good practice.

Another prominent one in the group was Ken Asprey QC, who became a judge, and who in the 1970s would write a report for the federal government recommending major taxation reform. I was just the office boy but, given the personalities involved and the taste of the legal profession I was able to indulge, it was a heady experience. I was very grateful to Stan for setting it up. It was my first paying job. When I served petrol in my father's garage I was paid son's rates!

When aged about nine, I had been identified with a hearing problem, during a routine health check conducted at my school. It was an affliction that I had been born with and, whilst something of a nuisance during my younger days, it was not until I entered my later teens that it became a real hindrance. It worsened quite markedly during my first year at university, and by my second year I had to wear a large and not particularly effective hearing aid.

Deafness made it very difficult for me at lectures. I would sit as close as possible to the lecturer with my hearing aid turned up, but still missed a lot. I owed much to some of my law school friends, who generously lent me their notes. Although I was reluctant to admit it to myself at the time, my bad hearing really meant that I could never become a barrister, something which I had had at the back of my mind for a long time. In 1960, I underwent an operation which gave me back some hearing in my right ear, and in 1963 there was a similar operation on my left ear. These two operations gave me about 60 per cent of normal hearing. This was a huge improvement, and I felt very grateful to the surgeon, the late Sir George Halliday.

Despite a restorative operation on my right ear in 1985, my hearing continued to deteriorate, but fortunately the development of modern and inconspicuous hearing aids meant that I have been able to retain reasonably serviceable hearing.

Directly enrolling for a law degree meant that all of my university time was spent at the law school in Phillip Street, Sydney. I only ever went to the main university campus to sit for exams, or attend Union Night debates, which I did fairly frequently. Lectures in Phillip Street were spread amongst the main law school building, the old Phillip Street Theatre and the Teachers Federation Building.

Some 250 enrolled in the first year, of which fewer than 20 were women. Thirty-five years later, when my daughter, Melanie, enrolled at Sydney University Law School, more than 50 per cent of the first-year intake were women.

Like all academic years the class of '57 had its share of students who achieved eminence in their chosen profession. It included Terry Cole, later a Supreme Court judge, a Building Industry Royal Commissioner and the man who conducted the Australian Wheat Board Inquiry. There was also

Roger Gyles QC, who became a Federal Court judge and had previously been a Special Prosecutor pursuing illegally evaded tax. Murray Gleeson and Michael Kirby, later Chief Justice and a justice, respectively, of the High Court were in the class of '58.

My first two years were full-time, and then I commenced three years of articles with a solicitor, attending lectures early in the day and late in the afternoon. With the law school in easy walking distance, such a daily schedule worked smoothly.

My lecturers were a mixture of academics and practising lawyers. The doyen of the academics was Professor Julius Stone, Challis Professor of Jurisprudence and International Law. Julius Stone had a formidable intellect. An erudite English Jew, he had written a landmark textbook on international law. He was a lecturer of mine in 1960, the year in which the Israelis snatched Adolf Eichmann from Argentina and flew him to Israel for trial for his alleged major role in the Holocaust. There was much debate about the legality of what the Israelis had done. Stone held a public lecture on the legality of the Israeli action at the old Assembly Hall in Margaret Street, Sydney. I went to the lecture with three of my law school friends, Marcus Einfeld, Peter Strasser and Murray Tobias, all of whom were Jewish.

It was an emotional issue for them, especially for Peter, whose family had been directly touched by the Holocaust. After the lecture, the four of us stood on the steps of the hall, locked in furious argument about what Stone had said. Despite his understandable sympathy with the Jewish cause, Stone had applied his customary juridical objectivity to the issue. I fully agreed with what Israel had done. Eichmann, who played a key role in implementing the Nazis' 'Final Solution' for the extermination of the Jewish people, decided upon in 1942, was convicted and hanged in Israel.

A relatively young Bill Deane tutored me in the subject of succession (probate and death duties). He became a judge of the High Court, and was appointed Governor-General, on the recommendation of Paul Keating, taking up that position just before the change of government in 1996. Deane's first major duty as Governor-General was to swear me in as Prime Minister, on 11 March 1996.

I had graduated from the Sydney University Law School in early 1961, and in June 1962, having completed my articles, was admitted to practise as a solicitor of the Supreme Court of New South Wales. My articles were served with one of the most colourful and remarkable people I have ever known, Myer Rosenblum. As a youngster Myer had emigrated from South Africa with his family, who settled in Marrickville, not far from my father's garage. Myer's father became a regular customer at the garage. When Myer qualified as a solicitor and commenced his own practice, my father returned the compliment and engaged him as his solicitor.

Myer Rosenblum had very diverse tastes and talents. He had represented Australia at rugby union, having played breakaway (flanker) for the 1928 Waratahs; was a hurdler at the 1932 NSW Championships; represented Australia as a hammer thrower in the 1938 Empire Games in Sydney; and held the NSW hammer throw record for something like 20 years. A cultivated person, he played the bassoon in the Sydney Conservatorium Orchestra, spoke fluent German and Yiddish, and began to teach himself Italian when in his 50s.

My becoming articled to Myer Rosenblum followed the making of close friendships with a number of Jewish students at law school. One of them, Peter Strasser, remains a very close friend. Thus began, for me, a long association with members of the Jewish community in Australia. Those early friendships, and the experience I gained from working with much of the Jewish clientele which Myer's firm attracted, created within me a deep respect, and in many ways affection, for the Jewish people.

As Prime Minister, I saw to it that Australia remained a staunch ally and friend of Israel. This was more than just a projection onto the international stage of my home-grown regard for Jewish people. I admired the remarkable struggle of the people of Israel against hostile Arab neighbours, and the democratic character of that country.

In 2006, Australia and the United States, almost alone amongst Western democracies, backed Israel in opposing a UN resolution condemning the latter for constructing a wall to protect its people

against terrorists. I was staggered at the level of international hostility towards Israel over her action, which seemed to me to be a clear-cut case of self-defence.

Although I had joined the Earlwood branch of the Young Liberals when I was 18, participated in general campaigning for the 1958 federal election in the local area where I lived, and was briefly a member of the Sydney University Liberal Club, it was not until I had left university that I became really active in politics.

Largely due to my hearing problem, I found university quite taxing. I was reluctant to get too heavily involved in other activities until I knew that I would qualify as a lawyer. As a result, my experience was very different from that of many of my colleagues, who cut their teeth on university politics.

Once out of university, I hurled myself into Liberal Party activities, both at a local and NSW level. I took over the presidency of the local Young Liberal branch and became very active in the Youth Council, which comprised delegates from the various Young Liberal branches in the Sydney metropolitan area.

It was easy for cynics to dismiss Young Liberal activities as being entirely social and lacking in political gravitas. That was a superficial judgement. Sure there was plenty of social activity — and of course, why not? — but to those who were so inclined there were ample opportunities for political involvement. The Youth Council was a great forum for debate on contemporary political issues, and the physical participation of young people in local campaigns was especially welcome.

In those days members of parliament (MPs) did not have postal allowances; we were years away from direct-mail campaigns. Hand delivery of pamphlets to individual letterboxes, usually at night, was the staple way of getting the local candidate's message across.

My first experience of serious organisational politics was my election, in 1962, as the Young Liberal representative on the state executive of the NSW division of the Liberal Party. This body was the power centre of the party in NSW and included the leader and deputy leader of the state parliamentary party as well as the most senior member from New South Wales of the Menzies Government. I was now involved in genuine politics.

It was then that I first really got to know John Carrick, the general secretary of the party in New South Wales, a person who would influence me enormously over the years. He was to become my political mentor. I learned more about politics from John than from any other person I have known.

He had become the party's general secretary, the chief executive officer, in 1948 at the age of 29. During World War II, when a member of the Sparrow Force in Timor, he was captured by the Japanese and as a prisoner of war spent time working on the infamous Burma–Thailand railway. John would hold the position of general secretary for 23 years, until his election to the Senate in 1971. He became a senior minister in the Fraser Government, and served as Leader of the Government in the Senate, until that government was defeated in 1983.

Possessed of abundant energy, as well as immense organisational skills, John always realised that politics was a battle of ideas — a philosophical contest — and not merely a public relations competition. He drew many people to his orbit through the force of his intellect and his indefatigable commitment to the political cause of the Liberal Party. To him, one of the roles of a general secretary was to act as a constant talent scout for people who might contribute as members of parliament, irrespective of whether they were members of the party.

He formed a close relationship with Menzies, who much admired his tactical and strategic abilities. To my mind, one of John Carrick's immense contributions to the continuing political success of the Liberal Party was the role he played along with others in persuading the Prime Minister to embrace a policy of direct government assistance to independent (principally Catholic) schools. This change was an important factor in the Liberal victory, federally, in 1963. Thus began the most enduring demographic shift in Australian politics in the past generation, namely the change in

allegiance of a whole swag of middle-class Catholic voters, who hitherto had remained loyal to the Labor Party for none other than tribal reasons.

Until the 1960s the ALP was the party of choice for the majority of Australian Catholics. Theology played no part in this; it was driven by socioeconomic factors, with Irish Catholics being predominantly of a working-class background. The sectarianism of earlier generations served to reinforce this alignment. Although the warming of Catholics towards the Liberal Party had begun in earnest with Menzies' state aid gesture in 1963, the first Fraser cabinet of 1975 still included only one Catholic, Phillip Lynch. Over the coming years the dam would really burst on this old divide. One-half of the final Howard cabinet in 2007 were Catholics. Once again this had nothing to do with religion, it being the inevitable consequence of a socioeconomic realignment.

When education became 'free, compulsory and secular' in the 1860s, Australian Catholics resolved to maintain their own school system, at enormous ongoing cost both to parents and the faithful. There was no government help for them. The prevailing view, in a much more sectarian age, was that those who sent their children to Catholic schools should bear the full cost of that choice: the free public system was available to Catholics and Protestants alike. As the decades rolled on, Catholic resentment grew, especially as, there being 20 per cent or so of the school-age population in Catholic schools, the state was relieved of a large financial burden.

By the 1960s attitudes had changed. There was more recognition of the immense sacrifice made by Catholics to keep their education system; sectarianism had begun to crumble and there was a realisation that state schools would not cope if the Catholic system collapsed.

Menzies, the self-styled 'simply Presbyterian', became persuaded of the justice of the Catholic argument. In the 1963 election campaign he promised money for all schools in Australia to construct science blocks. Inspired politics, it was also cultural balm, and aided the decline of sectarianism. This symbolic breakthrough led over time to extensive funding of independent schools in Australia, with the greatest help going to those who were in most need.

The Menzies thrust was not easily accepted throughout the Liberal Party and internal debate continued to rage. Early in 1964 I pushed a pro-state aid motion through the Youth Council, which struck real turbulence. The Liberal leader in New South Wales (later premier), Bob Askin, remained very sensitive about opposition to the policy within the party and was still to summon the courage to assert the merits of it at a state level in the way that Menzies had federally. During a telephone conversation with me, Askin remonstrated about the pro-state aid position of the Young Liberals, even musing that perhaps the Young Liberals might have to be closed down if they continued to cause trouble. That did not change the Youth Council's view.

Askin was an earthy and instinctive politician who loved horseracing, rugby league and card playing. He won four elections for the NSW Liberals, far ahead of any other Liberal leader in that state.

The 1963 election was a real triumph for Menzies. He called it a year early and increased his slender majority of two to 22. For me, the personal high of that election was the victory of Tom Hughes QC in the electorate of Parkes. I was still living in Earlwood, which was in this electorate, and was Tom's campaign director. He needed a swing of some 6 to 7 per cent, something he did not believe that he would achieve. It was a classic grassroots campaign, attracting much high-profile attention.

Tom Hughes came from a well-known family of Sydney's eastern suburbs. He had served in the RAAF in World War II. He was intelligent and engaging. I took an instant liking to him, and we have remained friends ever since. His Bellevue Hill address did not bother the Liberal locals in Parkes. They liked the way in which he quickly adapted his speaking style from the courtroom to the back of a truck.

Tom had close links with the Packer family, which led to him being dubbed 'Packer's pea for Parkes'. He enlisted their help to produce a local campaign newspaper, called the *Parkes Examiner*.

I spent several hours, a week out from the election, in the office of the now defunct magazine the *Bulletin*, with Clyde Packer, elder brother of Kerry, Tom Hughes and Tom's younger brother, Robert, working on the newspaper. Robert was at that time quite an accomplished cartoonist. Clyde Packer's editorial skill did wonders with the copy written by Tom and me.

The incumbent Labor member for Parkes, Leslie Haylen, had a left-wing reputation. He had visited China, and we decided on a cartoon which depicted Haylen dancing arm in arm with the Chinese leader, Mao Zedong. They were doing the 'Peking two-step'. This was 1963 after all; the Cold War was still in full swing, and consorting with the Chinese communist leadership was not calculated to impress middle Australia.

The 1963 election took place under the shadow of the assassination of President John F. Kennedy. 'Where were you when Kennedy was assassinated?' forever and a day would become a question asked of my generation. I was at home in Earlwood, about to leave and meet Tom Hughes in the Campsie shopping centre for some campaigning. My brother Bob telephoned me at about 8.30 am, and said simply, 'Kennedy has been shot dead in Dallas.' What more could be said! When I arrived at the campaign headquarters on the way to the Campsie shopping centre, volunteers had already assembled to help with pamphlet distribution. One of them, Roddy Meagher, a brilliant barrister who went on to become a much-admired judge of the Court of Appeal in New South Wales, speculated about the possibility of the Russians taking advantage of the situation.

Whatever one's politics, and whatever one's opinion of the quality of Kennedy's presidency at that time, it was impossible to shake the view that a remarkably talented and attractive young president, offering much hope for the future, had been cut down before he really had a chance to prove himself.

In 1964, as NSW Young Liberal leader, I was a delegate to the federal council meeting of the party in Canberra in April. It was a memorable event for me, as it included my one and only meeting with Sir Robert Menzies. It was at the traditional cocktail party for federal council delegates at the Lodge hosted by the Prime Minister. He was a big man, with a commanding presence, who chatted amiably with the six Young Liberals present. The great man demonstrated his reputed passion for martinis by mixing some for his guests.

Thirty-two years later, on my first weekend at the Lodge as Prime Minister, Janette and I invited Menzies' daughter, Heather Henderson, and her husband, Peter, over for a drink. We mixed and drank martinis in memory and honour of her late father. I have not had one since; I don't like them, shaken or stirred, but proper respect had been paid.

There was an unhealthy air of smug self-satisfaction at that 1964 Federal Council meeting. Several speeches, including one from Menzies himself, suggested that the Liberal Party would remain in office indefinitely. As things turned out it was to be more than eight years before the party finally lost, but nonetheless the tone seemed wrong. Perhaps I was not sufficiently attuned to the 'natural party of government' sentiment amongst Liberals from Victoria. Henry Bolte had been Premier since 1955 and the Liberals would hold office in that state for a further 18 years.

By contrast, Labor seemed to have an iron grip on power in New South Wales. Moreover, there had been a very heavy swing against the Liberal Party in New South Wales at the 1961 federal election, prior to the 1963 resurgence. By contrast, again despite the recession, the Liberal Party had given no ground to Labor at the 1961 election in Victoria. This had been due, overwhelmingly, to the great bulk of DLP preferences flowing to Menzies.

The DLP emerged from the great Labor split of the mid-1950s, which played a major role in keeping Labor from office until 1972. The split was caused by a clash between, on the one hand, Labor trade unionists and branch members worried about communist influence in the unions and, on the other hand, the rest of the ALP, who regarded the activities of those worried about communist influence as having ulterior motives, subversive to the true interests of the Labor Party.

Those concerned about communist influence banded together in what were called industrial groups, in turn strongly supported by a Catholic lay organisation known as the Movement, led by B.A. (Bob) Santamaria, certainly the most influential person in post-World War II politics never to serve in parliament. Possessed of high intelligence and strong Catholic beliefs, he was a compelling and articulate critic of communism within both the ALP and elsewhere. He was a person for whom I developed enormous respect.

In 1955 the ALP's National Conference declared membership of the industrial groups as out of bounds for ALP members. Many rank-and-file branch members, especially in Victoria, reacted against this and left the Labor Party. Seven federal Labor MPs resigned to form a new parliamentary Party, later called the DLP. As most Catholics then supported the Labor party, the split caused huge tension within the Church. Senior prelates took different positions: Archbishop Daniel Mannix of Melbourne backed the DLP, whereas his Sydney counterpart, Cardinal Norman Gilroy, urged Catholics to 'stay in [the ALP] and fight'.

The new party, at first called the Labor Party (Anti-Communist) made a crucial decision to give its second preferences to the Coalition ahead of the ALP when Menzies called an early election for late in 1955, in part to capitalise on the ALP split. Menzies had already seen the split destroy Victoria's Cain Labor Government; this catapulted Henry Bolte to office, with the help of Labor Party (Anti-Communist) preferences in May 1955. This preference decision was largely justified by the belief of the new party that the ALP's foreign policy was not sufficiently anti-communist. Even though all of the seven MPs who had resigned from the ALP lost their seats to the Labor Party in the 1955 poll, that preference decision had far-reaching consequences. It conferred a huge advantage on the Liberal Party in marginal seats, not only in 1955 but also in subsequent elections. Normally 90 per cent of DLP preferences flowed to Liberals.

Many Liberals hung on in circumstances where they would otherwise have lost. This made the decisive difference in the 1961 election, which saw a huge swing against the Menzies Government, resulting in its majority being reduced from 32 at the 1958 election, to just two. Amazingly, in Victoria, where the DLP presence was greatest, the Liberal Party did not lose a single seat. In other states, Coalition seats tumbled. The DLP had saved Bob Menzies. He and other Liberals, such as Malcolm Fraser, never forgot this.

In July of 1964 I gave up the leadership of the Young Liberals and went overseas, following the familiar Australian pattern of the time. Go to London, work for a while, then 'do Europe', return home. Although I added, atypically then, visits to India and Israel on the way across and a period of weeks in Canada and the United States on the way home. In London I worked for solicitors at Ilford, Essex. This frequently took me to the Stratford Magistrates Court, in East London, putting me in touch with a cross-section of Londoners. Representing people charged with all manner of offences was a huge experience, one that I would like to have pursued for longer.

My time in London coincided with the election of the Labour Government led by Harold Wilson, in October 1964. The Conservatives had been in power for 13 years, having been returned to office under Winston Churchill in 1951. Naturally, I volunteered my services to the Conservative Party, and helped out in a very narrowly held Tory constituency in London, Holborn and St Pancras. Polling day was a cultural shock for an Australian. It was all about getting people out to vote, not handing out how-to-vote tickets at polling booths. Voting in Britain is not compulsory. I spent hours running up and down flights of stairs of council flats in inner London, knocking on the doors of people believed to be Conservative voters, reminding them to vote. I was still on this round at 9.30 pm, and given that the polling booths closed at 10 pm, I developed a diminishing belief that the assurances I would receive that 'She'll be right, gov' meant anything. The Tories lost Holborn and St Pancras.

Winston Churchill died whilst I was living in London, and I watched his funeral procession from Ludgate Hill with an English girlfriend. Returning to her home, I then, with her family, viewed a marvellous speech by our own Prime Minister, Sir Robert Menzies, delivered from the crypt of

St Paul's Cathedral. Menzies' eloquence and sense of history deeply impressed this small English gathering, and left an Australian supporter feeling very proud.

The Britain I experienced was a nation in clear economic decline; worse than that, it had begun to lose that priceless quality of self-belief. I would not return to Britain for another 13 years when, as a junior minister in the Fraser Government, I paid a short visit. The process that I had sensed in 1964 was much further advanced in 1977.

It was to take that remarkable woman Margaret Thatcher to turn around her nation. I don't remember her promising any revolutions during her 1979 election campaign. She did, however, deliver one in many areas of British life. The most important one was that of self-belief. She restored Britain's pride and sense of achievement, as well as her economy.

My brief visit to the United States, on the way home from Europe, had me staying at Columbia University in New York with my cousin Glenda Felton (later Adams), who years later would win the Miles Franklin award with her book *Dancing on Coral*. It was well into 1965 by the time of my visit, and already mounting opposition to American involvement in Vietnam could be felt on university campuses. Not long before, the civil rights movement, led by Martin Luther King, Jr, had grabbed national consciousness. The enthusiasm of student bodies for the civil rights cause was strong and widespread.

When I returned to Australia I found that a full-scale debate was under way, not only about Australia's involvement, side by side with the United States, in the war in Vietnam, but also about the decision of the Menzies Government, early in 1965, to bring in conscription to obtain the necessary numbers of troops to meet our country's commitment. This debate was to continue for another seven years, until all of Australia's combat troops had been withdrawn from South Vietnam. In that time a huge shift in public opinion took place.

Although the introduction of conscription was always a touchy subject, the Australian public began by endorsing the sending of troops to fight with the Americans. Support for the American alliance was strong; in addition, most Australians broadly accepted the so-called domino theory, namely that if one Southeast Asian country fell to communism, then others might follow, and this could bring potential aggressors closer to Australia.

In 1966 Lyndon Johnson became the first serving American President to visit Australia. He received an enthusiastic reception, and at the federal election at the end of the year the Coalition, led by Harold Holt (who had replaced Menzies as Liberal leader in January 1966), won with a significantly increased majority. Although there remained controversy over conscription, the war itself still attracted support; Holt benefited from that. Over time that would change. As the conflict dragged on, seemingly without end, domestic support for Australia's commitment declined, and with a spitefulness of which this country should be ashamed, many of those opposed to our military support of South Vietnam vented their hostility towards our soldiers.

Labor's defeat brought Arthur Calwell's leadership of the Labor Party to an end and delivered stewardship of the opposition to Gough Whitlam, whose intellect, energy and modernity were to transform the Labor Party and make it an election-winning force.

After my return to Australia I re-entered Liberal Party activities wholeheartedly, and within a few months was back on the state executive, not as a Young Liberal but as a representative of the full membership of the party; this was a big step forward, once again putting me at the centre of the party's affairs in New South Wales. My association with John Carrick strengthened, as it did with Eric Willis, deputy Liberal leader and, by then, a senior minister in the newly elected Askin Government.

From 1967 onwards, I began to participate in debates on Australia's involvement in Vietnam. Before long they included opponents such as Jim Cairns, the federal Labor MP and future deputy prime minister, who was a relentless critic of the Australian commitment. These were tough encounters, before large and normally hostile audiences, but the political experience was priceless. Many of them were at universities, and they were sometimes euphemistically called 'teach-ins'.

The bulk of the audiences were strongly opposed to our being in Vietnam. Many academics were active in their criticism of the war. Often they comprised the most vocal part of an audience, asking hostile but effective questions. It is impossible to exaggerate the extent to which this experience hardened me for later political life. Being booed and cat-called by hundreds of students in my late 20s, and receiving abuse delivered without a skerrick of good humour, was not only rigorous training for later public life, it also forced me to confront and be satisfied of the strength of my own beliefs on issues. By 1968 Vietnam had begun to deeply divide the Australian community. There were bitter feelings on the conflict which would only intensify as time passed.

3 DRUMMOYNE

During 1967 I decided to seek the Liberal Party's nomination for the state seat of Drummoyne. A redistribution of electoral boundaries carried out in 1966 had made the seat winnable for the Liberal Party. A very pro-Labor slice had been removed from the electorate, leaving a small but useful Liberal majority, based on the results obtained in the 1965 election. The electorate was comprised of the suburbs of Drummoyne, Five Dock, Abbotsford, Haberfield and Croydon, all inner-western suburbs of Sydney.

Although my real goal was federal politics, I had the naïve belief that a seat in state parliament was a stepping stone to Canberra. It might have been so in the earlier days of Federation, but it became increasingly less so from the '60s onwards.

Also at that time, I saw a superficial connection between most of the law I was practising, such as dealing with commercial leases, other property transactions and common law matters, and state politics. State parliaments enacted most of the laws on which I gave advice.

I was encouraged to seek the Drummoyne nomination by both John Carrick and Eric Willis, who had held the seat of Earlwood since 1950. Through my activities in the local Young Liberals and ordinary party branches in the area, I had come to know Willis extremely well. I liked him a lot. He became something of a public patron of mine, and openly encouraged me to run for Drummoyne. He was Askin's deputy and heir apparent for nine years. In 1976 he served briefly as premier, then lost narrowly to Neville Wran, after having called an election way too early.

I won the preselection for Drummoyne and set about campaigning for the seat. What I had not taken into calculation was the immense popularity and appeal of the sitting Labor member for Drummoyne, Reg Coady. He was a likeable, knockabout and hard-working local member. Partly crippled with polio at an early age, he continued, as a bachelor, to live in the old family home in Leichhardt. He had been an official in the union representing brewery workers and was a classic example of the committed Irish-Catholic working-class member of the Labor Party.

Whenever we met, he killed me with kindness, never saying anything critical of me. On the upcoming election his standard public lament was that because of the redistribution he had no hope of winning. It worked a treat. After a few months it was obvious to me that I'd face a real uphill battle to win the seat.

There was a lot of local resentment within the Liberal Party at my having won the preselection. Most of it came from a number of aldermen on the local council who had contested the preselection. Although I moved into the area, I continued to be regarded as an outsider, and a young, inexperienced one at that. Everywhere I went I was told what a decent, hard-working man Reg Coady was. This came back to me even from hardened Liberals.

I sensed that many people thought it unfair Coady might be removed as the member. And even some strong Liberals thought that they could have both a state Liberal Government and Reg Coady as their local member. The local Liberal Party branches were small, but willing to help. Many of my friends and family members came to assist in the campaign, but at no stage did I feel that I had gained any traction. I would comfort myself by regularly looking at the figures from the 1965 election, which showed that I should win.

The election was scheduled for 28 February 1968. It had been just under three years since the election of the Askin Government, and there was a widespread belief that the Government would gain ground against Labor at the election. Three seats, including Drummoyne, were generally regarded as near-certain wins for the Government. It had performed well during its first three years. Having been in office for almost 25 years before its defeat, the Labor Party was seen as tired and needing fresh blood at the top.

One of the other seats thought to be an easy Liberal win was the newly created seat of Fuller, which adjoined Drummoyne, and for which Peter Coleman, the journalist and former editor of the *Bulletin* magazine, had been chosen. I could not know it at the time, but both Coleman and the seat of Fuller would touch my life considerably in the future. Fuller included suburbs such as Gladesville, Hunters Hill and East Ryde, all within the federal electorate of Bennelong.

Reg Coady achieved a swing of about 3 per cent, which was contrary to a state-wide movement to the Liberals elsewhere, and held Drummoyne by 839 votes. Given the general result, it was a remarkable performance and a tribute to his hard work and popularity as a local member. It was a grim night for me and my supporters. When the first tally came in from a booth in Haberfield, then a pro-Liberal area, the sign was ominous. Malcolm Mackay, the federal member for the area, was with me that night and flinched at that first result. He lived in Haberfield, and would himself face the voters within a year or 18 months.

I was devastated by the outcome. In a climate which had been favourable to the Liberal Party, there had been a swing against me. There could be no excuses; I had been beaten by a much better man in a seat to which he had become deeply attached. Certainly I was young, not inexperienced in a political sense, but still very raw when it came to community activism, particularly when pitted against a sitting member who knew his electorate intimately. Coady had tentacles which reached into every organisation of any moment in the area.

The outcome was an early and hard lesson for me about the maturity of the voting public in Australia. Despite the condescending attitude of many commentators, the voters are very deliberate, and know what they are doing. In Drummoyne, on 28 February 1968, sufficient numbers of them knew that they could hang onto their well-loved Reg Coady and still keep the Askin Government, and as for that young fellow Howard, he was a bit of a blow-in anyway and could wait his turn.

When the result was known on the night, and quite on impulse, I went to the Labor campaign headquarters to congratulate Coady. The civic centre in Great North Road, Five Dock, was jam-packed with people celebrating a stunning victory. I made a short speech, paying tribute to him and the decency of his campaign. Not surprisingly, they liked that, and the mayor of Drummoyne, a Labor stalwart, Peg Armitage, who still possessed the rich brogue of her native Belfast, pulled me aside and said, 'I hope you get a safe Liberal seat.' It was the sort of generous remark, no doubt well meant, which the luxury of a political triumph encourages. Several years later, and after I had entered parliament as the member for Bennelong, which at that stage was a fairly safe Liberal electorate, I ran into Peg and reminded her of that comment. She seemed pleased for me; by that time she had become very disillusioned with the Labor Party.

The range of people who had come to the civic centre that night bore testament to the pull of a very popular local member. Many were staunch Labor people, proud of what they had brought off, but quite a lot were there because of Reg Coady, and would, in other circumstances, have voted Liberal. Local sporting and community leaders were thick on the ground.

It had been a big mistake going for Drummoyne, but I didn't think so when I nominated. Even more importantly, it was a blessing that I had lost — I certainly didn't think that then! I thought that I had let down the party and had blown a golden opportunity to get into parliament at the age of only 28. Moreover, I felt the loss had put paid to my future prospects of preselection, federal or state. I went through the miseries for quite a while. Amongst other things, I had failed all those family and friends who had toiled for me. My mother had upended her life by moving house with me to Drummoyne, and had then worked incredibly hard in the campaign.

That was the jumble of thoughts that consumed me in the wake of the Drummoyne defeat. It became crystal clear later, after I had won preselection for Bennelong, that my loss in Drummoyne had been a huge stroke of good fortune. If I had won Drummoyne it would have only been by the narrowest of margins, the demographics of the area were to move for some years against the Liberals, and with the natural swing of the pendulum I might have had no more than two terms and then lost.

Perfect field evidence for this piece of ex post facto rationalisation was, ironically, provided by my marginal-seat candidate in arms from 1968, Peter Coleman. He succeeded in Fuller where I had failed in Drummoyne. Sir John Cramer, the member for Bennelong, which enveloped Fuller, announced in 1973 that he would not fight the next federal election, and predictably Peter Coleman sought Liberal endorsement for Bennelong. So did I, and I was successful, beating him in the final ballot. So the 1968 state election failure had defeated a 1968 success, for a much greater prize than either had been aiming for in 1968. Apart from again demonstrating the vagaries of politics, it illustrated the difficulty of transferring from state to federal politics, particularly when any degree of marginality is involved.

Drummoyne had one marvellous human interest story which was a reminder of the often conflicting loyalties in politics. For many years Bill Brown had been the superintendent of the Sunday school at Earlwood Methodist Church, which I attended from early childhood. He was a Geordie, having come from Newcastle-on-Tyne as a young man to work with Dorman Long, the company that built the Sydney Harbour Bridge. He was a staunch unionist and Labor supporter. Bill typified the strong link there had always been between the organised labour movement and the Methodist Church in Great Britain. One wouldn't meet a finer practical Christian. For a number of years I had helped him in running the Sunday school at Earlwood.

Bill and his wife had moved to Drummoyne to live, and I caught up with them when I began attending the Drummoyne Methodist Church. As the election approached, he sought me out to discuss the voting intentions of him and his wife. He said that in other circumstances both of them would have followed their normal loyalty and voted Labor. My being the Liberal candidate had complicated things. Bill told me that, after a lot of soul-searching, they had decided that one of them would vote for me and the other, as usual, vote Labor. I didn't ask which would be which. I was pleased to know that I would receive at least one vote from the Brown household. I was quite touched by their gesture.

4 REGROUPING AND REBUILDING

I stayed in Drummoyne after my 1968 loss, even though I knew that I would never run for the seat again. It was a question of regrouping, and working out where I went next in politics. Besides, I had more or less agreed to be Malcolm Mackay's campaign director, in the federal seat of Evans, at the election due at the end of 1969. It was going to be a tough fight for him; Gough Whitlam had given the Labor Party a new edge, and at least some movement back to Labor from the devastating loss of 1966 seemed likely. Evans would need a lot of work to hold. Mackay was a good local member. He listened well to people's concerns, and both he and his wife, Ruth, had established close links with key organisations.

We had become good friends. The Mackays welcomed me into their home and we swapped thoughts on all political issues. I was in constant touch with Malcolm through the drama-packed days which followed Harold Holt's drowning on 17 December 1967. In fact I had been at his home in Haberfield when news that Holt was missing came through. It was such an Australian tragedy. The Prime Minister had apparently drowned after plunging into a rough surf at Cheviot Beach near Portsea in Victoria. His body was never found.

John McEwen, Deputy Prime Minister and Leader of the Country Party, announced that the Country Party would not serve in a government led by Holt's Liberal Party deputy and Treasurer, Bill McMahon. That complicated the imminent leadership stoush within the party. Due to the McEwen veto, McMahon ruled himself out of contention. Mackay started out as a supporter of 64-year-old Paul Hasluck, but over time, I watched him shift to John Gorton, who was energetic in pursuit of his leadership ambitions. This contrasted with Hasluck's 'merit unheralded' approach, which shunned overt canvassing for support.

The real clincher for Gorton, however, was his appearances on television in the lead-up to the leadership vote. His relaxed laconic manner, coupled with his crumpled war-hero face, really appealed to viewers. He was new. Most Australians had not previously noticed him. On first blush they liked him a lot; he gave direct answers and clearly wanted the job. He was the first person to win the leadership of a major political party in Australia largely through the force of his television appearances.

I remained on the party's state executive and, therefore, heavily involved in the party's organisational affairs. This was also the time when I went into partnership with Peter Truman, and the following year we were joined by John Nelson to form the firm Truman, Nelson and Howard. Although my passion for politics never receded, this was a period when I derived considerable satisfaction from the practice of law. The firm had offices in Pitt Street, Sydney.

There was nothing quite like having a direct stake in the business. It was a mixed practice, and I handled any variety of work. I had carriage of any litigation which came the firm's way, including divorce work. I didn't like doing divorce work very much, but it was part of the practice and someone had to look after it. Time and time again I was reminded of how irrational people would become when a formerly close relationship had broken down altogether. Levels of intelligence or wealth made no difference to the degrees of irrationality.

I drew much professional encouragement from a personal injury case I ran on behalf of a man called Bozanic. He was an immigrant from the old Yugoslavia, and had been injured whilst working on the Snowy Mountains Hydro-Electric Scheme. The injuries he sustained resulted from his being thrown from a loader. Bozanic had tried a number of solicitors who, after a while, told him he did not have a strong enough case. I felt sorry for him and took his case on, essentially on a speculative basis.

It took a long time for a hearing date to be fixed, and at times I wondered about the wisdom of having taken on the matter in the first place. The poor man had been referred to me by a friend in the Liberal Party who felt that because of his age and poor language skills Bozanic had been pushed

around. The date of the court hearing finally arrived; the case went extremely well, and Bozanic was awarded \$40,000 plus costs. In 1969, given the nature of his injuries, this was a terrific outcome. To me this was a good example of how the law could be used to help someone who really needed assistance.

The 1969 election saw Harold Holt's 1966 majority of 38 reduced to seven. Whitlam outperformed Gorton during the campaign. At one stage, there had been real concern that Gorton might lose. He came to Mackay's electorate, where I presided at a Liberal Party dinner held at the Western Suburbs Leagues Club, in Ashfield. He was late for the dinner because he had detoured to the members' room of the club to have a game of darts and a beer with local club members. Some at the dinner were aggravated by this, but next morning a marvellous photo appeared in the *Sydney Morning Herald* showing the Prime Minister throwing darts. This kind of behaviour now by prime ministers would be regarded as quite commonplace and natural, but 40 years ago it was seen by some as unconventional.

John Gorton made no secret of his liking for parties and conviviality. This would not have mattered if he had applied more discipline and routine hard work to the job of being prime minister. He had an appealing personality, a direct style and was extremely intelligent. It was his lack of general discipline over such things as punctuality that did him damage. I had not been attracted to him when he was chosen as the party's leader and would have preferred Paul Hasluck, but several people close to me, such as Tom Hughes, were strong Gorton supporters, and suffered in their own careers when Gorton was later removed as prime minister. I maintained my scepticism throughout his time in office. In later years, however, I changed my mind about Gorton.

The experience of government led me to identify more strongly with Gorton's nationalistic views. During the last few years of his life I saw him and his wife, Nancy, often, and I felt that we had become quite good friends, overcoming earlier estrangement on account, firstly, of my closeness to Malcolm Fraser, whom he loathed, and my rivalry with Andrew Peacock, who had been a Gorton supporter. I spoke at a wonderful dinner to mark Gorton's 90th birthday on 7 September 2001 and felt honoured to launch his biography, written by Ian Hancock.

Although he won the 1969 election, Gorton lost a lot of seats and had to beat off leadership challenges from both David Fairbairn, a senior minister from New South Wales, and Bill McMahon, then still deputy Liberal leader. By this time, John McEwen had dropped his veto of McMahon, a sure sign that the Country Party had grown uneasy with Gorton's governing style.

It was an inauspicious start to a new term of government, having an incumbent prime minister challenged by two of his ministers. Gough Whitlam's impressive performance in the campaign added to the list of ominous signs. Yet so lengthy had been the Coalition's grip on power that the possibility of being defeated by Labor was still not seriously entertained by many people.

About this time, my brother Bob began to question his earlier support for the Liberals, and by the early 1970s he had joined the ALP. I respected his right to change his opinion and his political allegiance and, for that reason, I never asked him exactly why he had shifted. Over the years I divined that it had been a case of two people growing up in the same environment ultimately having a different take on events and society. For example, where I responded positively to people defeating disadvantage by personal initiative, Bob was repelled by the disadvantage and the fact that not all people could overcome it. That is where he saw a larger role for government. He opposed Australia's involvement in the Vietnam War, but that was a companion to his change of political heart, not the main driver.

For several years Bob had been a Liberal Party member. Like me, he is an activist, and he became quite heavily involved in the local branches in the Earlwood area. He and his wife were living there. Later, and after they had moved to Armidale so that Bob could continue his studies at New England University, his political leanings shifted.

Although her personal commitment to the Liberal cause never faltered, our mother worried that politics would divide Bob from the rest of the family. Sometimes she asked that we steer clear of too many political discussions when all of us were together. Mum was especially anxious about our traditional family gathering on Christmas night, 1975. Bob, by then a staunch Labor man, was in high dudgeon about the dismissal of the Whitlam Government, and had been shattered by the electoral rout of his party. To cap it all, his young brother had just been made a minister by the dreaded Malcolm Fraser. It was a bit tense, but we made it.

Both of us were determined not to allow our political differences to come between us and, although we had plenty of intense arguments, particularly over the 1975 dismissal of Whitlam, this did not happen. By contrast Wal and Stan, my other brothers, who had always been Liberal followers, increased their active involvement and support, particularly after I entered parliament. Wal had been an enthusiastic branch office-bearer for years, and Stan would help out in a variety of ways, including with fund-raising.

In the 33 years that I was in parliament, including some of those difficult opposition years, Wal and Stan were loyal and consistent backers. They were the ultimate in true believers. And it was not just the loyalty that I valued. As a small businessman for much of his working life, Wal was a constant window into a world so important to the Liberal Party's base of support. Stan was a senior partner for many years in one of Australia's largest legal firms (Mallesons) and his professional activities gave him insights into the thinking of corporate Australia. In different ways they were both great sources of counsel and advice.

During the years that I was Prime Minister, Wal, Stan and their families joined Janette, me and our children in election-night celebrations (commiserations on one occasion), as well as other landmark events. Naturally Bob did not. He did, however, find personal ways of marking my success, consistent with his ongoing Labor convictions. When I was sworn in as Prime Minister on 11 March 1996, Bob came to the first part of the ceremony, when I took my oath of office alongside Tim Fischer as Deputy Prime Minister. Bob gave the rest a miss; that involved the swearing in of the remainder of the new Government. 'You've got to draw the line somewhere,' he joked. Likewise, he didn't come to a large Liberal Party celebration of my 30 years in parliament in 2004, but instead asked me and my family to his home for a dinner to mark the occasion. Today we continue to discuss politics in an avid fashion, but with a sense of detachment.

My mother left me with a fount of old aphorisms and sayings, some of which endure today, others having slipped out of usage. 'It's a long road that has no turning' is one that has largely disappeared. 'Blood is thicker than water', though, remains a reasonably commonplace expression. It most certainly applied to the way my family handled political differences within.

5 'THE ONLY GAME IN TOWN'

The year 1970 was to be, for me, at a personal level, momentous. On 14 February I met Janette Parker, and was immediately smitten. She was a fantastic mix of brains and good looks. Fittingly, I suppose, the meeting had a political context. There was a by-election that day for the seat of Randwick, in the NSW Legislative Assembly. The previous incumbent, Lionel Bowen, had been elected as the federal Labor member for the seat of Kingsford Smith at the election late in 1969. The Labor candidate for Randwick was a very youthful Laurie Brereton, who became a senior minister both in state and federal Labor governments.

Janette had agreed to hand out how-to-vote tickets for the Liberal candidate, John McLaughlin, who, by coincidence, had been a law school colleague of mine a decade earlier. He had no chance of winning, and the Liberal campaign was very much a flag-flying exercise.

I had played cricket in the afternoon, but arrived in the electorate to help with scrutineering after the close of the polls at 8 pm. When the count had been completed, Liberal workers gathered at the Centennial Park home of a barrister, Malcolm Broun, to engage in the obligatory wake. It was there that Janette and I met.

From then on, we saw each other constantly. Janette was a high school teacher. She taught English and history at St Catherine's Girls School, at Waverley, in Sydney. Before and after being at St Catherine's Janette also taught, respectively, at Randwick Girls High School and at Killarney Heights High School. Though Janette never harboured a desire to enter the political arena herself, she was fascinated by the ongoing nature of the political contest. Over the years we have often agreed that politics is 'the only game in town'.

Our views were similar on many issues, and she was a natural Liberal supporter, but her assessments were always self-generated. Like me, Janette had grown up in a household where both of her parents discussed politics. Her father, Charles Parker, had worked for the NSW railways, having joined the railway workshop in Newcastle as a young man prior to World War II. By the time of his retirement in 1973, he had risen to the position of Chief Civil Engineer. Although he held conservative views on most issues, because he had always been a public servant, he came at them often from a different perspective to mine.

Janette's support and counsel throughout my career has been invaluable. To share a common interest in one's vocation with one's life's partner is a real blessing. I know many politicians whose wives or husbands simply do not like politics and are constantly urging them, in one fashion or another, to leave the political arena. That never happened to me. From the start of our relationship Janette knew that my heart was set on a political career.

We became engaged in January 1971, and married on 4 April 1971 at St Peter's Anglican Church, Watsons Bay, the local parish church attended by Janette and her mother. It is a beautiful church, perched on a cliff right beside the ocean, and close to the lighthouse at Watsons Bay. My best man was Alan Plumb, a fellow Young Liberal, who remains a close friend.

After we married, Janette and I rented a home unit in north Lane Cove, in the electorate of Bennelong. The Bennelong Liberal MP Sir John Cramer was 75 and would likely retire in the near future. I had firmly fixed my sights on winning preselection for that seat when Cramer went.

1970 ended poorly for both John Gorton and the Liberal Party. The Coalition fared very badly at a half-Senate election held in November. His detractors quickly blamed Gorton for the result. This added to the pressure on the Prime Minister.

The legendary political journalist Alan Reid had a colourful saying to describe a situation within a political party where an event, coming from nowhere, could bring about sudden change, usually of leadership. He would speak of there being 'plenty of dry grass around', meaning that the leader's position was inherently unstable, and all that was needed was for someone to throw a match to the

dry grass. That was the position for John Gorton early in 1971. The person who threw the match was Malcolm Fraser.

Fraser had been one of John Gorton's principal backers in 1968, when Gorton secured the leadership to succeed Holt and became PM. Yet it was Fraser quitting the Government, followed by a searing resignation speech, which triggered the events producing Gorton's removal. Fraser had resigned because of what he regarded as Gorton's disloyalty to him as Defence Minister, concerning press reports damaging to Fraser of army activities in Vietnam. He believed that Gorton could easily have stopped the story appearing, but had been content to let it go ahead — to Fraser's embarrassment. In his speech Fraser went way beyond the immediate cause of his resignation, delivering a general broadside against Gorton's style of government. This provoked the moving of a motion of confidence in Gorton in the party room which was sensationally tied — 33 each. Gorton used his casting vote to oust himself, thus surrendering the prime ministership.

The totally chaotic, and hopelessly compromised, way in which the Liberals changed from Gorton to McMahon was a symptom and not the cause of the party's malaise after so long in office. Contested leadership changes should only occur where a majority clearly believe that an alternative to the incumbent can do a better job. In 1971, McMahon was not the preferred choice over Gorton. Rather, half the party room, for a whole variety of reasons, could no longer stomach Gorton. This was as much a reflection on their lack of foresight as it was on Gorton's failings as a leader. They must have known that McMahon was the only alternative to Gorton.

The personal animosity which flowed from the manner of Gorton's removal as prime minister was the most intense that I have ever seen in politics. Gorton never forgave Fraser for his perceived betrayal. In March 1975, when Malcolm Fraser was elected Leader of the Liberal Party, Gorton, who had voted for Snedden, immediately the result of the ballot was announced, walked out of the party room, slamming the door behind him, and never returned to the room again. In the 1975 election, sadly, the former Liberal Prime Minister contested a Senate seat from the ACT as an independent.

On two occasions I witnessed the refusal, some 30 years after the events of early 1971, of John Gorton to speak to Malcolm Fraser. One was at a Liberal Party dinner in the Great Hall of Parliament House to mark the 50th anniversary of the election of the Menzies Government, when Malcolm Fraser, John Gorton and I, with our wives, were left together as the last entrants to the dinner. Janette looked after the Gortons; I entertained Malcolm and Tamie. The other occasion was a formal dinner hosted by the Queen and Prince Philip at Buckingham Palace, where the six of us plus Gough Whitlam and Bob Hawke and their wives, Margaret and Blanche respectively, were also present. This dinner was one of a series of events honouring the centenary of the passage through the British Parliament of the Australian Constitution Act. With typical Buckingham Palace efficiency, the seating arrangements made appropriate allowance for all sensitivities, and no difficulties arose. I have reflected since that Her Majesty would not have minded Gorton's intransigence, because he was the only one of her former Australian prime ministers who would have voted for her in the republic referendum in October 1999!¹

Thirty-one years after Gorton's deposing as leader, Tom Hughes, his former Attorney General, delivered the eulogy at Gorton's state memorial service in Sydney. It consisted, largely, of a blow-by-blow account of what he saw as Malcolm Fraser's dishonourable role in Gorton's downfall. In the eulogy Hughes traversed many of the points of criticism of Gorton contained in Fraser's resignation speech, rebutting all of them. It was an amazing performance, and largely reflected Hughes' loyalty towards Gorton.

Towards the end of 1971, Tom Hughes presented me with an unexpected opportunity to obtain preselection for a safe seat in federal parliament. Disillusioned with federal politics, he had decided to retire from parliament and return full-time to the Sydney bar. McMahon had sacked him as Attorney General. Few people saw this as anything other than a pay-off to Gorton's opponents within the party. It was an unwise and spiteful act. Hughes had been an extremely good Attorney General; on merit

he should have been left there. His seat of Berowra was very safe and attracted a huge field. I lived a fair distance from the area, however had lots of Liberal Party contacts there, including my eldest brother, Wal, who was the president of one of the local branches.

Several people encouraged me to stand, including some who wished me out of the way of their own ambitions in other seats they believed would become vacant through retirements within the next few years. The party was fast reaching a stage when there would be a batch of sitting members retiring in seats like Bennelong, North Sydney, Mackellar, Bradfield and Wentworth. These were safe Liberal seats, and a once-in-a-generation cornucopia of opportunity for those wanting to get into federal parliament.

The fact that I did not live in Berowra at the time was not a problem. I had not long married and it would be quite easy for Janette and me to move to the electorate. My pitch to the preselectors was very much that, although young, I had a lot of political experience on my side. Preselection campaigns then were not as 'full on' as they are now. Too much overt campaigning could be counter-productive. Making sure that, on the day, the speech delivered and answers to questions were the best possible meant everything — even more so than now.

I didn't win the preselection; it went to a local resident, Dr Harry Edwards, who was a professor of economics at Macquarie University. It became apparent prior to the ballot that many local branch members wanted somebody strongly identified with the electorate. I did, however, poll much better than anyone expected. I finished third behind Edwards and the local state member, Jim Cameron.

This surprised a lot of people, particularly given the high profile of other aspirants, such as the Commonwealth Solicitor General, Bob Ellicott QC, and Dr Peter Baume, a highly respected consultant physician. They both won seats in parliament at the 1974 federal election. The outcome boosted my stocks in the party. Incidentally, my brother Wal was precluded by party rules from sitting on the preselection committee. The Liberal Party in New South Wales, to its credit, is a lot stricter about family influences than is the Labor Party.

My morale-boosting performance in Berowra was followed by an unexpected request to assist the Prime Minister, Bill McMahon, in the two months immediately prior to the 1972 election. By that time I was metropolitan vice-president of the party in New South Wales. I was asked to go full-time onto his staff, to assist with liaison between his office and the party organisation as well as provide some campaign advice and help out with speechwriting. After some arm-twisting by my two partners (one of them kept saying, 'John, it's time'), I secured the necessary leave from my practice and hurled myself into what turned out to be the final weeks of 23 years of Coalition Government in Australia.

I travelled around Australia with McMahon and, despite some hilarious and erratic moments, took from the experience a healthy respect for the dignified manner in which he accepted defeat on 2 December 1972. Janette and I were both with him at his home in Drumalbyn Road, Bellevue Hill, and he showed a lot of grace under pressure. Later, we drowned our sorrows with those great Liberal stalwarts John and Sue Atwill, at their nearby Woollahra home. Whitlam, despite the length of time the Coalition had been in office and the skill of Labor's advertising campaign, won by only nine seats. As was the case in 2007, the swing in Western Australia was to the Coalition and not to Labor.

Having spent so long in the wilderness, it was natural that Whitlam and his colleagues would luxuriate in the very experience of being in government. Yet shrewder political heads would have detected warning signs in the narrowness of his victory. It was not the clear rejection of the Coalition that the Fraser defeat represented in 1983, and it was narrower than Kevin Rudd's victory in 2007. And on the other side, of course, it was nothing like the thumping victories achieved by the Coalition in 1975 and 1996. The truth is, despite all the hype and mythmaking of a generation, the Australian public barely thought that it was time in 1972.

The obverse of this was that a narrow defeat for the Coalition left it with a false sense of complacency about the need for fundamental policy reassessment. Both the ALP and the Coalition went to the watershed election of 1972 on the assumption that the good economic times would

continue to roll on. In his Blacktown policy speech, Gough Whitlam declared that Labor would fund its vast public sector expansion from 'the huge and automatic increase in Commonwealth revenue'.² He fantasised about annual growth rates of 6 or 7 per cent a year, displaying fearful ignorance of the economic task ahead. When the economic upheaval flowing from the quadrupling of oil prices and the collapse of the old Bretton Woods-inspired fixed exchange system hit Australia, the responses of the ALP Government would massively aggravate rather than mitigate their effects. Labor would be hounded from office in 1975, with its economic reputation in tatters.

The early 1970s were a period of huge global economic change and turmoil, yet the two major political parties in Australia contrived in their different ways to ignore this. Whitlam had no coherent economic plan for government; that is why he proved completely unable to handle economic adversity when it confronted him.

Most in the Coalition felt that having only just lost, there was no need for a full policy appraisal. There were plenty of reviews, but there was no fundamental examination of such things as the heavy regulation of the Australian economy, our high tariffs or our increasingly out-of-date taxation system. As for any questioning of centralised wage fixation, that was not even thought to be a problem.

Like most people, I assumed that Whitlam would govern uninterrupted for three years. There was no perception of what lay ahead, or what Labor had in store for the Australian people.

The story of the disintegration of the Whitlam Government has been told in much detail many times. Labor inherited a strong economy, with low unemployment and apparently good prospects for growth. Whitlam assumed that the benign economic conditions, which he had seen as the natural order of things in Australia, would simply go on. From the start he was uninterested in economic issues and paid little attention to mounting inflationary pressures. By October 1973 when OPEC countries quadrupled the price of oil, with all the inflationary consequences that entailed, inflation in Australia already stood at 10 per cent — well above what it had been less than 12 months earlier. Worldwide inflation became the big problem, and national governments were required to manage their economies with imagination and flexibility and take hard decisions which courted short-term unpopularity, not lazily assume that the good times would always be there.

Whitlam found economics irksome, far less exciting than the foreign excursions and progressive social posturing that he had been elected to champion. This disconnection between the needs of the nation and the disposition of its leader was to prove very damaging to the former and fatal to the latter. Although the chaos of 1975 is seen as basic to Labor's annihilation at the end of that year, the Government's fate was really sealed in 1973 when, in the face of a clear need for a fresh policy direction, Whitlam ploughed on regardless.

He never once confronted the Australian people with the reality of the times and, therefore, the need for a different approach. He may well have been surprised with the response he would have received.

Australians are pragmatic, worldly people who respond well to governments which ask of them difficult things, provided they are taken into the confidence of the Government, and the nature of the national interest is laid out.

If Whitlam had told the people very directly in 1973 that the altered world circumstances meant that many parts of his electoral platform must either be put to one side or at least deferred, the popularity he still then enjoyed as the first Labor prime minister in a generation would have carried the day.

When the people decide to change their government, they cut the new man a lot of slack. They are slow to admit to themselves that they may have made a mistake. As a consequence, the public will accept a change in the direction of a fresh government early in its new term, provided a proper explanation is given. Gough Whitlam seemed oblivious to these political realities. He received an early warning from the electorate that they were not all that enchanted with the beginnings of his Government when Labor suffered a swing of 7 per cent against it in the Parramatta by-election held

in September 1973. The seat was won by Philip Ruddock. He became a close and trusted colleague in my Government. Philip was an excellent Immigration Minister and Attorney General. In March of 2010 he became the third-longest-serving member of the House of Representatives since Federation.

The swing in the by-election was much larger than might have been expected for a newly elected government after less than 12 months in office. A lot of this was due to growing unease about the economy; some to the already apparent erraticism in the new Government's style; and, as a local issue, Gough Whitlam's arrogant declaration that the people of western Sydney would have the city's second airport at Galston (which was close to the Parramatta electorate) didn't help matters for Labor.

The by-election should have been a real warning for Whitlam, but it wasn't. If anything, he pushed even harder on the accelerator. It gave Bill Snedden, the Opposition leader, a huge boost, perhaps engendering some of the false optimism which led the opposition to threaten the blocking of supply some months later.

The Liberal Party of late 1973 was static, policy-wise. Its personnel were beginning to change, but only gradually and not at the top. Certainly McMahon had gone from the leadership, but not from parliament. Nigel Bowen had gone to the Bench, but other big names from government days, such as Snedden, Lynch, Fraser, Peacock and Chipp remained, as did the National Country Party trio of Doug Anthony, Ian Sinclair and Peter Nixon. In fact, given the length of time the Coalition had been in power prior to 1972, there was remarkably little turnover. That was because those occupying senior positions were still relatively young themselves. Those on the backbench tended to be older, and it was there that generational change would begin in 1974.

Meanwhile, Janette and I had scraped together enough money to buy a home unit near Wollstonecraft station, in Sydney. It is the suburb in which we lived until I became Prime Minister, and the suburb to which we returned after the end of my parliamentary career. One of our happy recollections of living at the unit was to wake up on Sunday mornings to the sound of tennis being played on the grass court in a large home next door. That home was owned by the L'Estrange family. Dr Jim L'Estrange was one of Sydney's most respected paediatricians. He was highly regarded in the Catholic Church, which conferred on him the honour of a papal knighthood. One of his sons, Michael, would become one of my closest advisors as PM.

6 A SAFE SEAT

As 1973 drew to a close, Australians had begun to feel nervous about Whitlam's lack of interest in economic matters. They were also troubled by Lionel Murphy's provocative 'raid' on the Australian Security Intelligence Organisation (ASIO), when, accompanied by federal police, he marched unannounced on the agency's headquarters demanding access to papers. The Attorney General did not usually behave like this. ASIO may not have been everyone's cup of tea, but it was pledged to protect the national interest. Murphy also tried to radically change the divorce laws by regulation, rather than legislation. Inevitably this was blocked by the Senate. The new Government was beginning to unsettle people.

Ensnared in our unit in Wollstonecraft, Janette and I were blissfully enjoying the early years of married life. Politics remained the main preoccupation. From almost the moment we had met, it was common ground between us that I would go into politics. I wanted it, and Janette wanted it for me. I had standing and respect in Liberal circles, but the challenge was to realise my ambition.

In the second half of 1973, the NSW division of the Liberal Party decided to call nominations for the preselection of candidates for safe seats in the federal parliament. I knew the moment of truth had arrived. It was inevitable that there would be a number of retirements, and possibly serious challenges to other sitting members of long standing. Both John Cramer in Bennelong and Harry Turner in Bradfield announced that they would retire. Naturally, I nominated for Bennelong, where we lived. I knew that I faced a tough battle.

My principal rival was Peter Coleman, the state MLA for the electorate of Fuller, which was entirely enclosed within Bennelong.

Coleman had a lot of support. Cramer backed him quite strongly, regarding me as a bit of an interloper, and because I was metropolitan vice-president of the division, he saw me as the head-office candidate. That was not entirely accurate. Although I had a close association with John Carrick and, as well, had developed a good friendship with Jim Carlton, the new general secretary, both of them had a high regard for Peter Coleman.

The committee to choose a candidate then comprised 50 people. Thirty were from the local branches in Bennelong, broadly according to the membership size of each branch, and the remainder from the membership of the state executive and the state council of the party. The logic of this approach was that a mixture of locals and others, with the locals having a majority, would more often than not produce the right result.

It will sound self-serving but, at that time, I thought this was a very balanced way to choose candidates. Some years ago I became a strong supporter of the branch plebiscite system, in which every financial member of the party in a given electorate, perhaps subject to some minimum membership time, has a vote. I have more to say about this at the conclusion of the book.

I knew virtually all of the 50 people who were to make the choice in Bennelong; some well, others only casually. Apart from Coleman and me, there were 21 other candidates. It was a very strong field. Although not absolutely blue-ribbon, Bennelong at that time was regarded as a safe Liberal seat.

Campaigning for the preselection meant some personal visits — but not too many, because the culture of the party at that time deprecated the hard sell — as well as participating in various branch forums with question-and-answer sessions. I had a good idea how the 20 people from state executive/state council would vote, but was less certain about how the locals would go. Bennelong was exactly composed of the two state electorates: Fuller, held by Coleman, and Lane Cove, held by Ken McCaw, Attorney General in the Askin Government, who pretty well kept out of local party political matters. The branches in Fuller were loyal to Coleman, but those from the Lane Cove end were up for grabs.

There was a bit of drama the day before the preselection. Whitlam had called a referendum to secure Commonwealth power to control both prices and wages. It was an unworkable notion,

and despite public concern about inflation, the proposal was doomed to defeat. Liberal workers in Bennelong, including most of the preselectors, manned polling booths in support of the 'no' case. John Cramer, as the sitting member, visited all of the booths in his electorate, and lobbied hard for Coleman.

Some of Coleman's supporters alleged that I had not done enough to keep the polling places in my part of the electorate adequately staffed with volunteers. These were signs that I was seen as a big threat to Coleman, who many observers originally had assumed would walk it in because he was already a local state member. My mood was far from good the night before the fateful day, which had been appointed for Sunday 9 December 1973 at the Menzies Hotel in Sydney. I was very nervous about what had happened during Saturday, and Janette had to keep telling me to concentrate on my speech and forget about other things.

There was a lot at stake for me. This would be my third preselection. I had won the first, for Drummoyne, but had failed to win the seat. I had lost the second, Berowra, but had done better than expected. If I missed out on Bennelong, the view might form that perhaps I wouldn't end up making it. This was, after all, where Janette and I had made our home. If the Liberals of Bennelong knocked me back, what particular appeal might I have to those in other Sydney electorates? Bradfield was no longer available. Its preselection had been held the previous Friday and had been won by David Connolly, a serving diplomat. A preselection was scheduled for Wentworth within a few days and, although I could have flowed on to it under the party's rules, that would have looked like an afterthought. The sitting member, Leslie Bury, a former Treasurer, was facing a strong challenge from Bob Ellicott, the Commonwealth Solicitor General, and there wouldn't have been many spare votes around for a latecomer whose first choice had been another seat.

A lot hung on the Bennelong outcome, and it was a gruelling day. All of the candidates were assembled in front of the preselection committee, and the rules explained. Voting was by secret exhaustive ballot. That meant, in the absence of a tie, preselectors were always asked to write on a ballot paper the name of the candidate they wanted to be the Liberal representative in the electorate concerned.

Each candidate was to address the preselection committee for a maximum of eight minutes and then a period of seven minutes was allowed for questions. With large fields of candidates, such as in Bennelong in 1973, the field was reduced to six (unless of course a candidate had secured an absolute majority), who were invited to address the committee again for a shortened period, with an equally truncated time for questions. After this, the balloting resumed until a candidate was chosen.

The tension during the day was extraordinary. Candidates could not listen in on any of their opponents. There was a candidates' room, and although we were free to come and go, no fraternising with preselectors was allowed. There was plenty of false bonhomie, but the whole day seemed to go on for an eternity.

I expected to make the final six. The real question was what happened after that. There is no rule of thumb about the type of speech which will appeal to a preselection committee. It depends entirely on the man or woman seeking selection, the character of the electorate and the political circumstances of the time. In my case I decided that, because the best quality I thought I could bring to the Liberals of Bennelong was a political appreciation of the circumstances in which the Liberals found themselves in 1973, I would focus on what was needed for the Liberal Party to win back political support in the Australian community.

Quite a lot of new, youngish business and professional people had joined branches in Bennelong, especially in the Lane Cove and Longueville areas. They were already angry with the economic policies of the Whitlam Government, and wanted a road map for a return to Liberal government. That was the pitch I took. The mood amongst many Liberal supporters was that while, in a very short period of time, the economy had begun to deteriorate, they were not at all sure that the Liberal Party had either the policies or the political strategy to offer an effective alternative. I intended

to tell the preselectors of Bennelong what those policies and that strategy should be. Australia needed to stop spending recklessly, get on top of inflation, understand how the world economy had changed and stop insulting our traditional friends, such as the United States.

As I expected, I made the final six and was called to make my second speech and answer more questions. During my second appearance I sensed an interest in what I was saying beyond what I had experienced earlier in the day. It could have been imagination, but I nonetheless felt that. When the final six had made their speeches and answered further questions, the balloting recommenced, and finally Jim Carlton, who was returning officer, came to the candidates' room and said that there was a result and that all of the candidates should join the preselectors for the announcement of the winner.

Back in the meeting room, Carlton was asked to declare the ballot. I shall never forget this moment. He announced that the ballot had been properly conducted and that 'Mr J.W. Howard has been chosen as the candidate for Bennelong.' In the final ballot I had defeated Coleman by 28 to 20. Two members of the committee had not turned up. At least one of them, I felt, would have been a certain supporter of mine. It's as well he wasn't needed.

It is impossible to exaggerate the significance of this moment in the life of someone who had dedicated his career to the profession of representative politics. I had achieved something that I had wanted for most of my adult life. I now knew that, all things being equal, I would be a member of the House of Representatives after the next federal election. I also knew that if I worked hard and was available to, and regularly communicated with, the Liberal Party branches in Bennelong, I would remain in parliament for a long time.

There was absolutely no doubt about my intention, or indeed ability, to both work hard and look after my Liberal Party branches. Already Janette and I had immersed ourselves in the activities of the Liberal Party in Bennelong. We had made, even at this early stage, some new and close friendships, particularly with people who had come into the party in reaction to the policies of the Whitlam Government.

As soon as I could decently escape the aftermath of the ballot result I rang Janette, who was overjoyed with the result. She came into the Menzies Hotel to collect me, and we invited plenty of people to the unit at Wollstonecraft for a celebration. It was a day that I would never forget, for the simple reason that it had launched me on a parliamentary career, which would be as secure as any in that uncertain profession could be. To say this is to put into context the real significance, in a parliamentary system, of winning the endorsement of one's party for a seat in parliament. I have never forgotten my Liberal Party roots. I would never have been a member of parliament without the Liberal Party, nor a minister, and certainly not prime minister.

The evening of 9 December 1973 had been a high point, career-wise. The next day that experience was trumped by Janette informing me that she was pregnant. That was fantastic news. She had known for a few days, but had held back from telling me until after the preselection. It was one of many examples, throughout our life together, of the care and sensitivity she displayed towards my political career.

In the space of a few days my life had been irrevocably changed. We were thrilled at the prospect of having children. They have been not only the joy but, equally, the great success of our lives. To watch one's children grow to adulthood, to see their professional and other achievements, but most precious of all maintain a close and loving relationship with each of them, and also observe their obvious affection for each other, is the most rewarding experience imaginable. For me it dwarfs anything I may have realised in public life. I don't say that lightly; I am proud of what I did in politics, but I am even prouder of what my family represents.

The Bennelong branches were very accepting of the result. Peter Coleman was most friendly; we both realised that we would need to work closely together looking after our common constituents. Eight years later, and after he had lost his state seat to the Neville Wran juggernaut of 1978, Peter entered federal parliament as the member for Wentworth. His daughter Tanya married Peter Costello

in 1982. I continued working in my practice, expecting it to be some two years before my partners and I would need to work out arrangements once I entered parliament.

Janette and I indulged in some desultory house hunting, feeling that much as we liked our unit, we should have a house for our children to grow up in. Nine months later we bought a Federation-era house in a nearby street in Wollstonecraft. It needed a lot of work, but was by far the best investment we ever made. It was renovated and extended through the years, with a whole storey being added in the early 1980s. It was the house in which our children were raised; it remained vacant for almost 12 years whilst I was Prime Minister, and it was the home to which Janette and I returned after the election loss in November 2007. Incredibly, by the time we bought the house, in October 1974, I had already been a member of parliament for five months.

Despite Whitlam winning government in 1972, the Coalition, the DLP and independents controlled the Senate. As a result, many of the Whitlam Government's initiatives in sensitive areas were blocked by the Senate. There were constant allegations that the Coalition was behaving in a negative fashion, although most of those who made those allegations ignored the frequent declarations made by both Gough Whitlam and Lionel Murphy, in earlier years, that it was the role of the Senate to oppose government legislation with which it disagreed.

Despite being aware, from closely following events in Canberra, that a lot of government legislation had been blocked, it came as a surprise to me when the opposition threatened to block supply in April 1974.

The catalyst had been Whitlam's appointment of the DLP senator and former Queensland Premier Vince Gair as Australian Ambassador to Ireland. This appointment was designed to ensure there would be a sixth Senate vacancy from Queensland in the half-Senate election which Whitlam had called for 18 May 1974. If six vacancies were being filled from Queensland, there was a chance that the ALP could win control of the Senate. But Whitlam would be outsmarted in this ploy by the Premier of Queensland, Joh Bjelke-Petersen, who advised the Queensland Governor to issue the writs for the five Senate vacancies from that state normally up for election, separately from the vacancy caused by Gair's appointment to Ireland. This meant that the Gair vacancy would be treated as a casual one; under the Constitution, casual Senate vacancies are filled by state parliaments.

There was plenty of Coalition outrage over the Gair Affair, and a lot of Liberal supporters wanted an early poll, but in the broader community, although there was growing disillusionment with the Whitlam Government, there was still a fundamental sense that the Government should be given a fair go. After all, Vince Gair had not been the first politically expedient diplomatic appointment. To my mind, the most reprehensible feature of the whole affair was Gair's betrayal of his own party, the DLP, by doing the political bidding of the ALP for personal advancement. He was deservedly expelled from the DLP. It was the beginning of the end for the party. Its remaining senators would lose their seats in the coming election.

Whitlam responded to the Coalition threat by seeking and obtaining from the Governor-General, Sir Paul Hasluck, a double dissolution based on previous Senate rejection of several government bills. The election was to be on the same date, 18 May, originally chosen for a quiet half-Senate poll. In a double dissolution election, every Senate seat is vacant, so the original shenanigans about the Gair vacancy became academic.

Personally, I was pleased at the prospect of an early election. Within the space of a week, I went from being an endorsed Liberal candidate for an election still at least 18 months away to being someone who should start campaigning immediately. At long last I could get my teeth into the real business of winning a seat in parliament.

Naturally I campaigned entirely in Bennelong. My campaign was opened at St Mark's Anglican Church hall in Hunters Hill by Andrew Peacock, shadow minister for Foreign Affairs. He was destined in the years ahead to play a major role in my political life. The local campaign attracted plenty of helpers.

Local branches of the ALP voted to install the left-wing legal activist Jim Staples as their Bennelong candidate. The Labor Party head office, however, would not have a bar of Staples, so they imposed the writer, and Whitlam confidant, Richard Hall as the ALP candidate.

Although I had nervous moments, particularly on the night of the election before the first results came in, deep down I expected to win Bennelong. I was far from sure, however, about the overall result. Whitlam campaigned extremely well, and was able to exploit the claim that his government had not been given a fair go. On the face of it this was a good argument. There had been a Coalition Government for 23 years, yet after less than 18 months the newly elected Labor Government had been forced to go back to the people by the non-Labor majority in the Senate.

One of the problems the Coalition had was that it had not really completed serious policy work when the election was called. This made it easier for Whitlam to claim that we were not ready for government. Much play was made of an intensive policy weekend which produced the Coalition's manifesto 'The Way Ahead'. Policy written in the pressure cooker of a weekend, in the shadow of an election which has already been called, is unlikely to be well thought through.

For my campaign we had established an office in Lane Cove Plaza. Although she was five months pregnant, Janette worked very hard and thoroughly enjoyed the campaign. She is a meticulous organiser and kept me and many others up to the mark with campaign tasks. I treated it as a marginal seat campaign.

Bennelong had scores of active community groups, particularly in areas of nature conservation. It also had, in 1974, an active Women's Electoral Lobby, which played a particularly prominent role in the campaign with candidates' forums, questionnaires and the like. The convener of the Bennelong WEL was Janelle Kidman, mother of Nicole. She, her husband, Antony, and children lived in the electorate at Longueville. They were strong Labor supporters.

They were cordial to me but I had no doubt that the majority of WEL's members were sympathetic to Labor's social agenda. The main WEL meeting was held at the Lane Cove Town Hall, attended by hundreds of people. I was asked my opinion about abortion; not surprisingly my rather conservative response caused an audible intake of breath from most of those in the audience. I hadn't tried to sugar-coat the reply; that wins no one's respect. On sensitive social issues it is always desirable to be direct and clear.

On polling day, 18 May 1974, it rained heavily all day, and must have been a nightmare for the booth workers. There were a record number of candidates for the Senate, and as a consequence the large how-to-vote papers became very sodden and cumbersome. It was a long day as I worked my way around each of the 34 polling booths in the electorate.

I went home to our unit in Wollstonecraft for dinner at 7 pm. I didn't eat a lot, as I was very nervous. Janette's parents came over for dinner and drove up to the campaign office with us. I had arranged for my mother to come to the office with one of my brothers. Wal and Stan had worked on polling booths during the day. We all waited in the campaign rooms, the arrangement being that as soon as a booth count had been completed, a scrutineer would ring through the result.

The first result was rung through at about 8.38 pm, and it was from the Congregational hall in Lane Cove. They were good figures, showing a lift in the Liberal vote of about 6 per cent. Figures then came in rapidly, and it became very apparent that not only had I won, but I had increased the majority won by Cramer in 1972. I had no reason to get delusions of grandeur, but it had been a good outcome. Nonetheless, Bennelong was not as blue-ribbon as Bradfield or North Sydney. The two-party-preferred Liberal vote was only 53–54 per cent. I would need to work hard. Having, at the age of 34, achieved my longstanding ambition to be a member of the national parliament, I had every intention of doing just that.

There had been a small swing against the Labor Government nationwide, its majority falling from nine to five seats. The Senate count took six weeks to complete, with the ALP picking up an extra three seats in the upper house. The initial reaction had been that Snedden had fought a good

campaign and there was little doubt that he would be re-elected unopposed as leader. Nevertheless there remained, amongst many, real doubts about him as leader in the longer term. I shared those doubts. Even then I was attracted to Malcolm Fraser as a possible leader of the party. It was a tough judgement to make, but to me Bill Snedden seemed out of his depth as leader against Whitlam. There was too much bluster and not enough substance. He did not have strong philosophical positions on anything. I barely knew Fraser, but he seemed to have policy substance and clear attitudes on certain foreign policy issues.

Ironically, given his later change of heart on the issue, I had first been drawn to Fraser several years earlier when he had strongly and effectively argued the case for Australia's involvement in Vietnam. He did a much better job than any other minister, or either Holt or Gorton. Fraser had presence and seemed to possess that streak of toughness and ruthlessness needed in a political leader. Although economic policy would dominate so much of my political thinking and action in the years ahead, at the time I entered parliament, foreign affairs was uppermost in my mind. It seemed that Malcolm Fraser's attitudes on this subject were very close to mine.

After the election I remained a partner in my firm. There was no conflict of interest and I wanted to retain as much contact with the law as possible, feeling that this added to my usefulness as a member of parliament. Naturally I was not able to do as much work.

John Cramer had maintained his electorate office in the Commonwealth Bank building in Martin Place. So I decided, for the time being, to follow suit. Many of my federal colleagues from New South Wales, such as John Carrick and Bob Cotton, also had their offices there. It is a stylish old building and was used for cabinet, ministerial and parliamentary purposes up until the mid-1980s, when the Hawke Government finally agreed to the repeated urgings of the bank and shifted the last of the cabinet and ministerial facilities to the current Commonwealth Parliamentary Office in 70 Phillip Street, where they remain to this day.

7 THE HONOURABLE MEMBER FOR BENNELONG

When I took my seat in federal parliament in 1974, Islamic extremism was unknown to the world. International politics was still shaped by the Cold War; the Berlin Wall stood as a metaphor for all that divided East and West. Australian politics reflected that mindset; our nation was still in the slipstream of the fierce and divisive debate regarding our involvement in the Vietnam War.

There was still a serious constituency within Australia for the state having a larger share of the economic pie. In his budget speech on 17 September 1974, the Treasurer, Frank Crean, said, ‘The relatively subdued conditions in prospect in the private sector provide the first real opportunity we have had to transfer resources to the public sector.’¹ He saw the private sector’s adversity as the public sector’s opportunity. Thirty-five years later, another Labor Treasurer would justify spending a large budget surplus in the name of shoring up, not replacing, the private sector.

The new parliament, to which I had been elected as the member for Bennelong, assembled for the first time on 9 July 1974. It was an unforgettable day for me. The sheer awe of entering the House of Representatives for the first time as an elected member is a feeling which has stayed with me ever since. Although I was a member of parliament for more than 33 years, I never lost my sense of respect, indeed a nervous edge, at being in that House of Representatives chamber.

As a new boy I soaked it all up. With Janette, by then heavily pregnant, I drove to Canberra for the opening ceremonies. My brother Bob sat in the public gallery with Janette to watch the swearing-in ceremony. The older hands were immensely courteous to the new members. David Fairbairn and his wife, Ruth, took Janette and me to lunch, making us feel very much at home. David had a distinguished war record in the Royal Australian Air Force: he had been awarded a Distinguished Flying Cross (DFC); and was an old-school gentleman. That evening there was a formal reception in Kings Hall in Parliament House, a building richly steeped in Australian history.

There was a party meeting at which the new members were welcomed. Bill Snedden and Phillip Lynch were re-elected unopposed as leader and deputy leader, but not before some jousting over whether or not the ballots should then proceed, given that the Senate count had not been completed, and the final composition of the parliamentary party not determined. This suggested to me that, even at this very early stage after an election, there was some unease within the parliamentary party about the direction in which it was heading.

After the week of the swearing-in, we next assembled at the historic joint sitting of the two houses of parliament, on 18 July, to consider and pass the legislation blocked by the Senate in the previous parliament, and on which the double dissolution of 18 May 1974 had been granted. It was historic because on the two previous occasions when a double dissolution had been granted, the Government had either been defeated at the polls (1914) or had won control of the Senate (1951), in which latter event no joint sitting was needed, as it had the numbers in both houses to pass the bills on which the double dissolution had been granted.

The Constitutional provisions covering double dissolutions had been inserted to provide a mechanism to resolve deadlocks between the two houses. They therefore allow a joint sitting of the two houses when a government has been returned at a double-dissolution election, but without a majority in the Senate. That was Whitlam’s position in 1974.

In the course of that week, I got to know many of my new parliamentary colleagues, and found that I was to share an office in a remote part of the house with my fellow NSW MPs David Connolly from Bradfield and Alan Cadman from Mitchell. They had also been elected for the first time at the 1974 poll.

The room was very crowded. At that time I smoked cigarettes, and so did Alan Cadman. It must have been stifling for David Connolly, a non-smoker, but he displayed considerable forbearance.

Unquestionably the larger New Parliament House has given excellent office facilities to the ordinary member and senator. Everyone now has some staff, and working conditions are a world away from what they were in the old building. Something has, however, been lost in the process. There is far less camaraderie. In the old building not only did the average member and senator have to share a room with one or two other colleagues, but this very fact resulted in many of the members and senators spending a lot more time in the party room. It functioned as a common room. It was immediately adjacent to a side entrance to the parliamentary chamber, and a frequent occurrence, after a division had occurred, was for members to wander into the party room to talk, make telephone calls or read newspapers. I know that this sounds faintly nostalgic, but it does have a real impact on the atmosphere of a parliament. It can dramatically change the group dynamic of a political party, especially during times of internal crisis.

Several long-serving members, such as Jim Forbes, Bert Kelly and Duke Bonnett, went out of their way to make new members welcome. We spent some relaxed time in the parliamentary bar, listening to the veterans. Jim and Duke were veterans of war as well. Jim Forbes had won a Military Cross in World War II, and Duke had served in the airborne units, or paras. They were generous with their time and friendship, teaching me a great deal about both good political representation and human nature.

During my very first days in parliament, Malcolm Fraser, shadow minister for industrial relations, saw to it that I joined him and several other colleagues for afternoon tea. He wasn't overtly touting for support, but had taken the trouble to demonstrate an interest in new members. I already had a good view of his abilities and I listened keenly to what he had to say. He argued that the Coalition had to produce policy alternatives, not just oppose the Government.

For a brand-new member, the joint sitting was an amazing experience. All members and senators were seated in the House of Representatives chamber; there were special rules of procedure for the sitting, which was fully televised. Bill Snedden wisely used it as a forum to continue his general attack on the Government's handling of the economy. Economic conditions were deteriorating quite rapidly, and further debate on the substance of the bills which had been blocked in the previous parliament was largely academic. Those bills were going to be passed at the joint sitting. I was placed at the joint sitting with John Carrick and Margaret Guilfoyle from the Senate, and one of my fellow new members, Alan Cadman. John and Margaret were very helpful.

Being a new member who was yet to make his maiden speech, I naturally did not participate in any of the debates at the joint sitting. I was pleased about this, as it was, uniquely, an opportunity to listen to speakers from both sides, and for the first time make my own assessments of their respective abilities. I was tremendously impressed with Kim Beazley (father of the subsequent Opposition leader), the Labor Education Minister, who was a very powerful orator.

I joined several parliamentary and party committees and became secretary of the opposition's education committee. The shadow minister for education was Jim Killen, and our main line of attack against Labor was its ambiguous policy towards helping independent schools. After the joint sitting, parliament resumed a more normal pattern, and I had my first opportunity of witnessing Whitlam's performance at question time. He was a fine parliamentarian, much better than Snedden. With his sharp wit and rhetorical flourishes he was superior to anyone on our side. That, of course, was not enough. The economic situation was worsening, and already the Labor caucus was behaving in a completely undisciplined fashion.

Frank Crean was Treasurer at the time and had an unenviable task. The economy was sliding rapidly and he had a Prime Minister who would never back him on really major issues and was himself often responsible for unjustified increases in government spending. On top of this the Labor caucus reserved the right to overrule the cabinet on the detail of economic policy. This was precisely what happened to a statement announcing certain economic measures, deemed necessary by the Government, which Frank Crean had planned to make on 23 July 1974.

Most of those measures were rejected by the Labor caucus immediately before the statement was due to be delivered. It was too late to alter the statement, so Frank Crean was left with the highly embarrassing predicament of delivering a statement full of rhetoric about the Government's determination to take control of a difficult situation, but without any announcements of substance to support it. It was hard not to feel sorry for him.

After this incident, it was obvious that Frank Crean's days as Treasurer were numbered. Crean was no great believer in fiscal restraint, but he did have some idea of how difficult the Government's challenge had become, due to changed international and domestic economic conditions. Inflation had become a big problem and unemployment had begun to rise. By contrast, Gough Whitlam not only failed or was unwilling to acknowledge the new realities, but appeared hurt by them, as if such diversions had no right to interfere with his grand plan for Australia.

My real induction into parliamentary life was my maiden speech. Our first child, Melanie, was only a few weeks old, so Janette could not come to the maiden speech. Melanie had been born on 1 August, and I had been present at the birth, as would be the case with our two sons. It has been common practice for a long time now for fathers to be present at the births of their children, but it was not so common more than 30 years ago. I am so glad that I was, as it was an added link in our lives, and I am sure of help to Janette.

My mother was able to attend and sit in the Speaker's Gallery during my speech. I was very grateful for that. Mum was a shy person, but she took an enormous pride in what I had achieved by being elected to the national parliament. I was nervous, which was natural, but I was well satisfied with the speech. Delivered on 26 September 1974, it emphasised the importance I attached to individual effort, the need to combat loneliness in big cities, the value of the coalition between the Liberals and the Country Party, freedom of choice in education and, very importantly, it contained a strong attack on the big increase in government spending contained in the recent budget. I did not read my speech, but delivered it from headings. That was to be the pattern for the long years I spent in parliament. Almost all of the other maiden speeches were read in their entirety.

Within days I was called upon at short notice to support Jim Killen, the shadow Education minister, in a matter-of-public-importance debate concerning the Whitlam Government's policies towards independent schools. This is a traditional debate, which occurs after question time each day, when the opposition has a go at the Government on some current issue, and because I was able, at short notice, to participate in this debate I won some brownie points in the whip's office. All that impromptu high school debating practice was now being put to good use.

* * *

The Family Law Bill, which was designed fundamentally to restructure Australia's divorce law, had been introduced into parliament (in the Senate) on 1 August 1974. The bill was the brainchild of Lionel Murphy, Gough Whitlam's Attorney General. It had Whitlam's enthusiastic support, and directly mirrored progressive thinking at the time that Australia should embrace no-fault divorce. There was strong support in the community for overthrowing the existing framework, which only permitted divorce on specific grounds, such as adultery, desertion or cruelty.

Having done some divorce work as a lawyer, I was familiar with the rancour usually surrounding marriage breakdown, and believed that big changes were needed. I felt that where a marriage had completely broken down, no good purpose was served by barriers being placed in the way of legally dissolving that marriage, provided that proper regard was paid to the welfare of any children.

A particularly distasteful aspect of the old law was the frequent practice of private investigators, at the instigation of an aggrieved husband or wife, conducting divorce raids to obtain photographs of people in compromising circumstances. In many hours of debate on the Family Law Bill there was general agreement about the need for significant change. The question was, how far the changes should go. There was concern, which I shared, that the bill might tip the balance too far in the direction of diminishing the value of marriage through making it too easy to obtain a divorce.

The strongest push for change came from the more strident feminist groups, who saw easier divorce laws as a way of obtaining greater equality of treatment for women.

There was no more important piece of social legislation debated in the time that I was in federal parliament than the Family Law Bill. All parties allowed their members a free vote, and this exposed real fissures and bitterness within the Labor Party. The divide was between its more conservative members, the majority having an Irish Catholic heritage, who had worries about the bill, as opposed to the growing number of progressive and socially libertarian MPs in Labor ranks, who saw the measure as a test of the Labor Party's modernist virility.

Lionel Murphy had a barely disguised contempt for the influence of the Judaeo-Christian ethic on Australian society. When he died, the historian Manning Clark said that one of Murphy's aims had been to dismantle the influence of the ethic on Australian life. To some people, the Family Law Bill was a bite-sized attempt to do just that.

I experienced, first-hand, the depth of rancour and personal hostility the bill had brought forth in Labor ranks. Frank Stewart, Minister for Tourism and Recreation, strongly opposed the bill, despised Murphy and was scornful of Whitlam's encouragement of Murphy. Stewart was a strong Catholic, one of those Labor men in New South Wales who had heeded the injunction of Cardinal Gilroy and Archbishop James Carroll, the leaders of the Sydney Catholic hierarchy, to 'stay in [the Labor Party] and fight' rather than join the DLP at the time of the great Labor split in the 1950s.

Stewart had waited a long time to taste government, having in fact succeeded Dan Mulcahy in the seat of Lang way back in 1953, in a by-election following Mulcahy's death. But the party he now belonged to was drifting further away from the party he had decided to stay in and fight to preserve from communist influence. It was people like Lionel Murphy who were pushing it even further away from the party of his youth. He was a decent, straightforward man who never hid his feelings.

He gave vent to those feelings about the Family Law Bill, and the roles of Whitlam and Murphy relating to it, in no uncertain terms. It was late one night, in a discussion also involving Ralph Hunt, the Country Party MP for Gwydir, who had similar reservations about the effects of the bill to mine. The three of us met in Stewart's office to discuss a tactical approach to the debate on the measure. Stewart was deeply angered by Whitlam's open support for the bill, being particularly incensed that the PM had himself introduced the bill into the house, instead of leaving it to Murphy's representative, Kep Enderby. Sarcastically, he declared that Whitlam had even done the introduction 'in a dinner suit'. No doubt Whitlam was dressed for a formal occasion, but I could see the point Stewart was getting at: the PM had an eye for the theatre of things, and would not have minded one bit being in formal wear when introducing this controversial bill.

The bellwether vote on the bill was a committee amendment moved by Bob Ellicott, the Liberal MP for Wentworth, which effectively aimed to increase the period of separation as the sole ground of divorce from one year to two. There were other changes proposed, some of which succeeded, including one from Malcolm Fraser which sought to protect a woman who wished only to continue her role as a wife and mother. But the Ellicott amendment symbolised the divide between those who thought that the bill went too far and those who did not. I voted for the Ellicott amendment. So did Paul Keating and Malcolm Fraser. Naturally Whitlam voted against it, as did the two former PMs still in the house, John Gorton and Bill McMahon. It was defeated by just one vote: 60 to 59. Thus came to pass a huge change to our divorce laws, untrammelled even by quite moderate concerns not to change too much too quickly.

A two-year period of separation as the sole ground for divorce, replacing the old multiple-fault provisions, would have constituted a profound modernisation, without the signal the bare 12-month period sent, that marriage mattered somewhat less than used to be the case. More than 30 years later, it is hard to dispute the fact that marriage has been weakened as the bedrock institution of our society. It is at least arguable that the Family Law Act has played a part in this process.

8 FRASER TAKES OVER

As 1974 wore on, the grass around Bill Snedden, the Opposition leader, had become drier and drier. There was natural loyalty to him. We all saw him as the good bloke, and wanted desperately for him to succeed. Yet, especially amongst the more recent arrivals as MPs, there were mounting doubts that he could effectively exploit growing concern in the community regarding the economy, and fix Whitlam with the necessary degree of responsibility for it. Snedden's strongest support came from amongst longer-serving members and senators, who had gone through the pro- and anti-Gorton upheaval three years earlier. Many of them had had enough of leadership stoushes, and in the absence of a Messiah were content to stay with Snedden.

To me, and many others, Malcolm Fraser was the logical alternative to Snedden, but he was a deeply divisive figure, largely because of the part he had played in Gorton's downfall. There were still plenty of Gorton supporters whose organising principle was not the return of Gorton to the leadership, but to keep it away from Fraser. There were some ideological drivers: people like Andrew Peacock and Don Chipp, identified as progressives, labelled Fraser too conservative and backed Snedden. That also kept open Peacock's own aspirations for the leadership, should Snedden fall over.

Snedden's support base also included people with very conservative stances on issues such as South Africa and Rhodesia (now Zimbabwe); John McLeay and Don Jessop, both South Australians, were firmly in this group. It was another reminder that one should not over-simplify the use of philosophical labels when it comes to the choice of a leader. In the end the dominant influence is always who is more likely to deliver victory. Ultimately, that led to Snedden's replacement by Fraser.

Tony Staley, a Victorian MP, was Malcolm Fraser's principal spear carrier. In his first attempt to topple Snedden, in October 1974, he was joined by Eric Robinson, MP for the Gold Coast seat of McPherson; John Burchier, MP for Bendigo; and Peter Drummond, a farmer MP from Western Australia. Staley and his group were ridiculed for the tactics they employed. They openly waited on Snedden and told him that he should stand down in the interests of the party. There were strenuous denials of any involvement by Fraser in the actions of Staley's group. It was easy to accept that Staley was the prime mover; he had been actively touting for Fraser for some time. It seems implausible that Fraser knew nothing at all of what was to happen when Staley's group went to see Snedden.

Although there were predictable cries of treachery and disloyalty about the behaviour of Staley's group, it was quite the reverse. They had been very open, having directly confronted Snedden with their concerns and asking him to resign. Naïve it might have been, but it was not treasonable.

At a party meeting late in November 1974, Staley moved a motion to declare the party leadership vacant. A clumsy attempt was made by some of Snedden's supporters to prevent a secret ballot. One of them even called out, 'Let's see the dogs.' The spill motion was lost, but the figures were not announced. I understand that this was the last time that the practice of not publicly disclosing numbers was employed by the Liberal Party. It was open to all sorts of mischief. Snedden's supporters put around the story that he had won overwhelmingly. He had not. The vote was probably 36 to 26 in support of Snedden. I deduced from widespread discussion with colleagues in both houses that a majority of the Liberal members in the house had voted for a spill, a very clear sign that Bill Snedden's days were numbered. I voted for Staley's spill motion.

From then on the leadership issue was never far below the surface. The grass didn't get green again until the change to Fraser in March 1975. It had remained tinder-dry over Christmas of 1974, which was dominated by the devastating Cyclone Tracy, which flattened Darwin and claimed 71 lives.

Whitlam's breathtaking arrogance was on full display. He was on an extended overseas trip when the cyclone hit. He came home, went to Darwin and announced the Government's response and then resumed his overseas visit, as if nothing had happened.

During this time, some absurd attempts were made by some of Snedden's supporters to obtain a public undertaking from Fraser that he would not challenge for the leadership. The ridiculous word game further weakened Snedden. Fraser owed it to the party to be available, if it wanted him.

Snedden was also weakened by his dismal parliamentary performances. One of them involved him calling out 'woof woof' to Whitlam, to which the Prime Minister replied, 'The Leader of the Opposition is going ga ga.' It was one of those parliamentary moments when a short exchange alters the whole dynamic of the chamber, and is perceived to have wider significance.

But it was Andrew Peacock who struck the match that set that dry grass alight. Asked one of those interminable questions about the leadership at Adelaide Airport on 14 March 1975, Peacock flicked back the response that, 'Rumours and divisive speculation about the leadership are doing great damage to the Party. Mr Snedden should call a meeting and ask for a vote of confidence so that speculation can be ended.'¹ Peacock's intervention surprised many. He was a Snedden man. Fraser's camp was ecstatic. Another vote for the leadership now had to be held.

Facing the inevitable, Snedden called a party meeting for 21 March.

The motion to declare the leadership of the party vacant was carried by 36 to 28, and Fraser was elected leader by 37 to 27. It was the right decision, as events over coming months were to show. During that time, Fraser was to demonstrate a steadfast pursuit of a given objective unmatched at any other time in his career. He also changed the mood of the party immediately. Although there was plenty of residual affection for Bill Snedden, and continuing lack of warmth towards Fraser from many colleagues, the mainstream of the Liberal Party knew that it had done the right thing by going for Fraser. He sounded strong and looked like a winner.

Although Fraser and I talked regularly, both of us believed the opposition should have sharper policies, and I had made some impact as a debater in the house, I had no expectation of promotion under Fraser. It was a complete surprise when he asked me to be opposition whip. It took me all of two seconds to say yes. I was bowled over to have any job, knowing that if I did it well, other things could follow.

Politics is a very competitive profession. The golden rule, if you want promotion, is always says yes when the leader offers you a job. If you don't then the leader is entitled to, and will, move on to someone else.

In 1997 as Prime Minister, when doing a reshuffle, I offered Petro Georgiou, the MP for Kooyong, a position as a parliamentary secretary. He knocked it back, implying that it was beneath his dignity, saying 'I'm too old and ugly to be a parliamentary secretary.' This was several years before refugee and asylum-seeker issues were under debate, so Petro did not reject the job on policy principle. Whatever his motives, it was a foolish response. I never offered him another job. Brendan Nelson, Malcolm Turnbull and Tony Abbott all started off as parliamentary secretaries; each was made a cabinet minister by me. All of them would ultimately lead the party. Who did Petro imagine he was?

My surprise at being offered the whip's responsibility was exceeded just two days later when Fraser rang to say that he now wanted me to be the shadow minister for consumers affairs and commerce. The reason was that Bob Ellicott, to whom he had offered the job, had refused Fraser's edict that shadow ministers not do any non-parliamentary work. Ellicott had wanted to keep his hand in at the bar with a small amount of legal work. His position was quite reasonable. I certainly reserved the right, in opposition, to keep my hand in at the law. There was a double standard here. Apparently it was in order for people like Fraser and Tony Street and many others to own farms, or for Eric Robinson to maintain a string of sports equipment stores throughout Queensland, but Ellicott couldn't do some legal work.

The distinction drawn at the time was that there was a manager in charge of the farm or the business. Of course, the principal had no contact with the manager, nor did he take any interest in what happened to the asset!

In any event, Ellicott had the most eloquent precedent of all on his side. Menzies had kept taking briefs, even as Leader of the Opposition, maintaining that it kept him in touch with changes in the law. He was also not ashamed to admit that he needed the money. Before too long Ellicott had made his point; he and Fraser cobbled together some formula and he came back to the shadow ministry.

Nevertheless, Ellicott's temporary absence from the Coalition frontbench was a huge stroke of good fortune for me. Not only was I to speak for the opposition on a wide range of business issues, including competition law, but also to represent the shadow attorney general, Ivor Greenwood, in the lower house. At the time there was an avalanche of legislation in the AG's area, and I would, within a little over 12 months of entering parliament in the lower house, have carriage on behalf of the opposition of some of the most complicated bills of the Whitlam Government's second term. It was a fortuitous opportunity, which I relished.

9 THE DISMISSAL

When Fraser became leader, he cancelled the standing threat Snedden had made to block supply, at the first appropriate opportunity. He said that the Government should not be forced to an early election unless there were 'extraordinary and reprehensible circumstances'. In the light of what unfolded later in 1975, there was some scepticism about how genuine Fraser had been in withdrawing the early-election spectre. It was generally well received, as there continued to be a strong sense in the community that whatever doubts there might be about the competence of Whitlam and his team, they were entitled to a fair go, and that the threat to block supply which had precipitated the May 1974 double dissolution had been unreasonable.

Whatever his motives, and I believed that Fraser was genuine, his decision was clever politics. The consequence was to put the spotlight more sharply on Whitlam and his crew, precisely when their decline into chaos began to gather momentum.

The disintegration of Gough Whitlam's Government was very public. Disunity in government is usually caused by perceived or real challenges to its leadership, or arguments over policy direction or a combination of the two. Neither was the case in 1975.

Whitlam remained a messianic figure to the Labor faithful; he had brought them to the Promised Land, and no matter what political disasters befell the Government, he would remain in charge.

Gough Whitlam, though, did have a vicious streak, which was demonstrated when he cut down the speaker, Jim Cope, on the floor of the house. Cope had named Clyde Cameron, the Labour and Immigration Minister, for defying the chair. Whitlam delivered a humiliating vote of no confidence in Cope by refusing to support the removal of Cameron after he had been named. Cope resigned on the spot. It was dishonourable treatment of a man who had given years of service to his party.

Cope had a keen sense of humour. Ballots for a new speaker are secret, with each member writing on a voting slip the name of the candidate for whom they intend to vote. The Liberal candidate in the ballot following Cope's removal was Geoff Giles, the MP for Angas in South Australia. He had no hope against the ALP nominee, Gordon Scholes, and in the course of the ballot Jim Cope called out, in his piercing voice, 'How do you spell Giles?' It broke up the whole place.

The public beheading of Cope was but one example of Labor's progressive fragmentation through 1975. When Whitlam reshuffled his team mid-year, Clyde Cameron noisily resisted removal from his beloved Labour and Immigration post. During a division on a bill I was handling in the Attorney General's area, a very agitated Cameron worked on a document as he sat beside the Attorney General at the table. The Attorney said to him, 'Think of the party, Clyde'. Cameron's salty reply made it plain that all he wanted to do was pay out on Whitlam. It was impossible for us not to notice such unhappy division. They no longer seemed to care.

Not only was Whitlam's big-spending and permissive approach to public-service wages growth aggravating the rising inflation and higher unemployment which had become a feature of the Australian economy, but the suspicion grew that there was something irregular, even improper, about the Government's efforts to borrow money abroad for national development purposes.

The genesis of that suspicion was a meeting of the Federal Executive Council at the Lodge on 13 December 1974. It was an ad hoc meeting which emerged from a ministerial discussion involving Whitlam; the Deputy PM and Treasurer, Jim Cairns; the AG, Lionel Murphy; and Rex Connor, Minister for Minerals and Energy. The meeting authorised Connor to borrow up to \$4 billion. The Governor-General was not at the meeting and did not know of it until the next day, itself highly unusual; the loan was described as being for temporary purposes when so clearly it was not. Under the financial agreement, overseas borrowings other than for defence and temporary purposes required the approval of the states through the loan council. It was also unusual that authority was given to Connor

to undertake the borrowing; Treasury normally handled such matters through well-established and reputable channels.

The Government was never able to shake the impression of irregularity, especially when evidence emerged of dealings with fringe international financiers such as Tirath Khemlani, a Pakistani commodities dealer. When Australia had borrowed before, Morgan Stanley, a solid Wall Street bank, had usually done the work. Treasury could not understand why such a reliable path would not be followed again.

Labor's new Treasurer, Bill Hayden, was an outpost of sanity: bright and economically sensible. If he had been there from the beginning, things might have been different. Hayden's tragedy was that Labor was beyond the point of no return when he brought down his budget in August 1975. Its principal legacy was that of Hayden's reputation. He came out of 1975 as by far the most credible figure in the Labor Party.

There was a steady drip of press stories, keeping alive the sense of chaos, even scandal, which surrounded the Government. Hayden's budget was well received, but could not disperse the fog enveloping Whitlam's team. By September the mood in Liberal ranks had hardened. Many began to argue that the Government was so bad that we had an obligation to force an early election. Remembering what Fraser had said in March, they claimed that the continuing loans saga amounted to 'reprehensible circumstances' and that the Coalition would be justified in blocking supply to force an early election.

The Loans Affair, as it became known, ultimately claimed the scalps of both Cairns and Connor. Cairns finally went in July, when it emerged that, despite having denied it to parliament, he had signed a commission letter to a Melbourne businessman. Connor's resignation on 14 October was the final straw for the opposition; he had continued negotiations with Khemlani after his authority to do so was revoked.

Media pressure grew — typical being a front-page editorial from the *Sydney Morning Herald*, on 15 October, headed, 'Fraser Must Act'. He did. That very day Fraser announced that the Coalition in the Senate would vote to defer a decision on the supply bills until Whitlam agreed to have an election. The next day the opposition used its numbers in the Senate to achieve this. The bills deferred were routine ones authorising the spending of moneys on the ordinary annual services of government. If the bills were delayed indefinitely, the Government would run out of legally available funds and the business of government would grind to a halt. In political and constitutional terms, it was the nuclear option. Supply had never been refused or delayed before; there had only been the threat of it in 1974. Then, Whitlam countered with an election. He would not do this in 1975.

Just before his announcement, Fraser assembled the entire shadow ministry, tabled his recommendation that the opposition vote to defer supply, and one by one he asked each shadow his or her view. Along with every other shadow present, I supported Fraser's recommendation.

This should be recalled, as revisionism about 1975 has included suggestions that Malcolm Fraser had acted unilaterally on the supply issue. There was no dissent in the shadow cabinet ranks. Don Chipp, later to resign from the Liberal Party, form the Democrats and denounce the blocking of supply by Fraser, was one of those present at the meeting who strongly backed his leader's position. There was enthusiastic support for Fraser's push at the full Coalition party meeting, immediately following shadow cabinet. The late Alan Missen, a Victorian senator, was the only person to express concern. He stood and said, 'Leader, you know I have qualms about this.' Phillip Lynch, the Liberal deputy, replied, saying, 'Alan, let's have a talk about it.' They left the room together. A short while later Lynch came back and said that 'Everything [would] be okay'. Missen voted with the rest of his colleagues to defer supply.

Labor was understandably bitter at the failure of the Bjelke-Petersen Government to follow normal custom and replace the deceased Queensland ALP senator Bert Milliner with his chosen

Labor replacement, Mal Colston. The Labor Party was foolishly stubborn in rejecting the initial request of the Queensland Premier to submit three names from which a choice would be made.

The upshot was that Whitlam was left with only 29 senators supporting him against 30 from the Coalition when the crucial Senate vote to defer supply was taken in mid October. Patrick Field, Bjelke-Petersen's chosen replacement for Milliner, did not participate in the vote, but this did not alter the fact that if normal practice had been followed, the vote would have been tied at 30 each and supply blocked rather than deferred.

Several months earlier, the NSW Coalition Government had likewise chosen Cleaver Bunton, an Independent, to replace Lionel Murphy, who had been appointed to the High Court. This did not have the same consequences as the Queensland appointment because Bunton voted with Whitlam on the supply issue.

In 1977 the Australian people voted overwhelmingly for a constitutional change, effectively guaranteeing that when a casual vacancy occurred in the Senate the replacement would come from the same Party as the former senator.

Unlike May 1974, Whitlam did not call an election. He was determined to prevail, asserting that as governments were formed by the party having a majority in the lower house, the Senate had no right prematurely to terminate a government so formed by forcing an early election. Politically, he had no option. He would face annihilation at an early poll. Fraser's biggest challenge was to hold the Coalition together as the weeks of deadlock dragged on.

His argument was as simple as Whitlam's. Our Constitution gives coextensive powers to the Senate and House of Representatives, so the government of the day needs the approval of both houses to spend money. As the Senate had not given that approval, the Government could not continue to function and should call an election to resolve the issue. Politically, Fraser had to maintain his position. He knew that he would win an early poll, just as Whitlam knew he would lose it. Stripped of rhetorical excesses, it was a titanic clash of political wills between two determined men. A compromise was never likely once the Senate had deferred supply. Fraser did offer to pass supply if Whitlam agreed to hold an election the following May. This was rejected.

Once the two protagonists had staked out their ground, interest focused on who might blink first, and increasingly, as the weeks passed, how or when might the Governor-General act. Whitlam's operating assumption was that Kerr would always do as he was told. He badly misread his choice as Australia's effective Head of State. Kerr would be no cipher. No one understood this better than John Carrick. In the days that followed the deferral of supply, he said to me several times, 'John Kerr will want the judgement of history. He will do the right thing by the office.' Carrick had known Kerr for a number of years, and well enough to divine that he was not in any way beholden to the Labor Party.

John Kerr was called 'Old Silver' at the Sydney bar because of his impressive mane of white hair. Bob Ellicott knew him well. They had been barristers together. He shared Carrick's opinion that Kerr would want to be seen as having done his Constitutional duty. On 16 October, Ellicott published a prescient legal opinion of what Kerr might have to do; in it he raised the option of dismissal of Whitlam and his ministers as a way through. In a drama which involved many lawyers (mostly from the Sydney University Law School), Ellicott emerged, courtesy of this opinion, as the real star.

Tirath Khemlani, the Pakistani commodities dealer who had been put in touch with the former Minerals and Energy Minister Rex Connor when the latter was on the hunt for overseas loan moneys, landed in Canberra in the middle of the imbroglio, wanting to see the opposition. Ellicott and I were given the job of talking to him and getting details of his contact with Connor. It was disconcerting; if Australia wanted to borrow large amounts of money for development purposes, it beggared belief that it would not act through traditional banking channels. Khemlani was at most a fringe operator, and Connor's behaviour had made Australia look foolish. Bob Ellicott and I found Khemlani a likeable man when interviewed at the Wellington Hotel, Canberra, but we didn't see him and Australia borrowing abroad as a natural fit.

Canberra had a beautiful sunny day on 11 November, not a cloud in the sky. The view down from the War Memorial (surely the most impressive monument of its kind in the world) must have been as spectacular as ever, so ordered and serene. Sir John Kerr must have felt anything but serene as he attended the Remembrance Day service, having already resolved upon a course of action which would result, almost certainly, in him being the only Governor-General in Australia's history to dismiss an incumbent Prime Minister.

What followed is central to the political folklore of Australia. Judgements made are set in cement. It had been a defining political clash between two implacable foes. It fell to John Kerr to find a solution which referred that clash to the Australian people for resolution. He did just that, at immense personal cost.

The money was fast running out; Whitlam wanted a half-Senate election, which would resolve nothing; Fraser would not relent. So Kerr, recognising that it was, above all, a political stalemate, remitted that stalemate to the people for adjudication. It was a thoroughly democratic solution.

When Whitlam called on him to advise a half-Senate election, Kerr asked Whitlam if he would advise a general election, that being the only action which would secure Senate passage of the supply bills, thus resolving the deadlock. Whitlam refused to give that advice, whereupon the Governor-General withdrew Whitlam's commission as PM, handing him written reasons for his decision.

Kerr immediately commissioned Fraser as caretaker PM, on condition that he advised a general election; secured passage of the supply bills; and made no appointments or conducted any inquiries into activities of the Labor Government. Fraser naturally agreed with these conditions.

Earlier in the day, none of us knew this was coming when the scheduled joint party meeting took place, although most sensed that time was running out and something would soon give. Phillip Lynch said, 'Keep patient; I think things are coming to a head.' He had just participated in a meeting of party leaders, convened by the PM to see if common ground to solve the impasse could be found. The meeting was a public-relations prelude to Whitlam advising Kerr to call a half-Senate election.

When the house met, a debate on the supply issue ensued. I continued my normal routine. Leaving the library, I ran into journalists in Kings Hall, who informed me that there would be a half-Senate election, because that is what Whitlam had told his caucus.

The house rose for lunch at 12.55 pm. After eating I went for a walk. As I returned through the front door of Parliament House, Frank Crean, Deputy PM, hurried, and I mean hurried, past me. We exchanged brief greetings. Later I would learn that he was on his way to a hastily convened meeting at the Lodge to talk to the just-dismissed Prime Minister.

I also encountered Tony Eggleton, the Federal Director of the Liberal Party. He appeared to be waiting for someone. It was Malcolm Fraser, who was on his way back from Government House, having just been sworn in as caretaker prime minister. Tony gave nothing away, and I did not then know what had happened. Only minutes later I was in the opposition lobby, and the door from Kings Hall swung open and in strode Malcolm Fraser followed by Tony Eggleton; they both disappeared inside the Opposition leader's office. Fraser and I exchanged greetings on the way through. I noticed that he was holding something in his right hand. I realised later that it was the Bible on which he had just been sworn in.

The bells rang for the resumption of the house at 2 pm. I went straight to the chamber, and whilst the bells were still ringing Vic Garland, a shadow minister from Western Australia, came up to me and some other MPs and simply said, 'Kerr's sacked Gough.' I was stunned. Moments later Fraser entered the chamber as the bells stopped sounding. I knew that Garland had not been kidding when the speaker, Gordon Scholes, who knew the procedures precisely, called Fraser, not by his customary title of Leader of the Opposition, but by the title 'Honourable member for Wannon'. By then Fraser was no longer the Leader of the Opposition.

Fraser then told the house that he had been commissioned to form a caretaker government and that a double dissolution election would be held on 13 December 1975.

My lasting memory of the debate which followed — on a Labor no-confidence motion against the new caretaker Prime Minister — was the remarkable control that Scholes, the speaker, kept over the emotionally charged, angry Labor MPs. Only a few hours earlier, they had been told by their Prime Minister that there was to be a half-Senate election. They now faced an election for the whole parliament, which they knew in their hearts they could not win. That election would be fought on the record in office of the Whitlam Government.

The no-confidence moved by the Labor Party was carried on party lines, with little debate. The sitting was then suspended so that the speaker could call on the Governor-General with the motion, seeking the reinstatement of Whitlam as Prime Minister. Meanwhile, the Senate had met and passed the appropriation bills, thus guaranteeing supply, one of the conditions of Fraser's appointment as caretaker PM. Incredibly, Labor's Senate leader, Ken Wriedt, had not been informed of the dismissal and believed that the Coalition had capitulated when it agreed to pass the bills. This was a huge blunder by Whitlam. Armed with knowledge of the dismissal, the Labor Senate president could have delayed the sitting and at least given his party room for a tactical response.

After our sitting had been suspended, I mingled with a large crowd of angry Labor MPs, staffers and public servants that had gathered outside Parliament House. I ran into Clyde Cameron, who railed to me against what had happened. He predicted an anti-Fraser backlash and said, 'You won't win, and even if you do the country will be ungovernable.' He was wrong on both counts. It was this crowd which, later, gave such a hostile reception to David Smith, the Official Secretary to the Governor-General, when, as tradition required, he read from the steps of Parliament House the proclamation of the Governor-General dissolving the two houses of parliament. Watching over Smith's shoulder was Gough Whitlam, who then delivered his well-reported declaration, 'Well may we say "God save the Queen", because nothing will save the Governor-General.'¹

All of us felt shock and disbelief at what had happened. It troubled me that Kerr had had to intervene. I knew that he would cop intense abuse from Labor supporters. Yet he had been left with no alternative. Only he,

exercising the reserve powers of the Crown vested in him under the Constitution, could sever the Gordian knot.

Opposition MPs gathered in small groups, discussing the day's events, speculating about the campaign ahead and expressing just a tinge of apprehension about the reaction of the Australia public to such a momentous event.

That evening Bob Ellicott and I walked together through Kings Hall and came across Jim McClelland, Minister for Labour and Immigration in the Whitlam Government. Known in the Sydney legal profession as 'Diamond Jim' on account of his immaculate dressing, McClelland had, as a solicitor, briefed Kerr to appear in disputes involving the Federated Ironworkers' Association. They had been bitter encounters, and Kerr and McClelland had become good friends. McClelland was very irate and said, 'You had the Queen's man in the bag right from the beginning.' It was a revealing remark. It was untrue but, importantly, betrayed the fact that Labor had operated all along with the belief that because Kerr had been appointed by Whitlam, he would, when the crunch came, do what Labor wanted. It was a monumental miscalculation, for which McClelland, given his long association with Kerr, no doubt felt a special responsibility.

The next morning, the political analyst Malcolm Mackerras dropped into my office and boldly said, 'You realise that you are now enjoying your last weeks as member for Bennelong. There will be a massive reaction against Kerr sacking Whitlam, and even a safe seat like yours will be lost by the Liberal Party.' I both thought and hoped that he was wrong, which of course he was. Thirty-one years were to pass before Malcolm, in 2006 and following a redistribution which made my seat even more marginal, again predicted that I would lose Bennelong. This time his forecast proved accurate. In that three-decade period, both Australia and Bennelong had undergone much change.

10 A MINISTER

After 11 November I did not see or speak to Malcolm Fraser until the triumphant party meeting following his massive victory on 13 December 1975. The Coalition's majority of 55 was by far the largest in Australia's political history. There had been almost a clean sweep of seats in Queensland; only Bill Hayden's Oxley was narrowly held by the Labor Party. Even the staunchly pro-Labor city of Canberra had returned a Liberal in one of its two seats.

It had been a bitter campaign, before a deeply polarised electorate. The 35 per cent who habitually voted Labor exhibited their hostility over the dismissal by heaping enormous personal invective on Sir John Kerr, and in this they were aided and abetted by Whitlam and his former ministers. The remainder of the electorate, consisting of habitual Coalition supporters and those in the middle, were grateful for the opportunity of voting out what they regarded as the most incompetent government Australia had had, at least since World War II.

Once an election had been called, debate about the merits or otherwise of the Governor-General's actions receded into the background, except for those who would resentfully feed on this for the rest of their political lives. The election became a referendum on the performance of the Whitlam Government, and once this was the case, Fraser's victory was assured.

Naturally Malcolm Fraser and Phillip Lynch were unanimously re-elected to their respective positions at the start of the Liberal Party meeting following our victory. It was an amazing gathering, full of elation, with a sizeable chunk of the party room comprised of people I had never met before. Not only were our ranks swollen by people who had won seats from Labor, but also by those replacing a number of former members who had retired voluntarily.

As a shadow minister, I had some hope of becoming a very junior minister in the new government. I guess, like all other shadow ministers, I had done all sorts of calculations in my head about my prospects, and I knew that Fraser wanted a smaller cabinet than the 32 or 33 which made up the shadow ministry. So I was not overly optimistic.

Just after the meeting ended, John Bouchier, the chief whip, said that the Prime Minister wanted to see me in his office, and I got the clear impression that Bouchier knew I was to become a minister. I felt a keen sense of anticipation and my best hopes were realised when, a short while later, in the Prime Minister's office, Malcolm Fraser told me that he wanted me to become Minister for Business and Consumer Affairs. I was tremendously excited and couldn't wait to tell Janette.

Whilst I thought that I had done a good job as a shadow minister, I knew that it was a fine judgement for a leader when choosing younger members in a new ministry. Malcolm Fraser and I have had our differences over the years and our relationship became very distant after I became Prime Minister, but I will always be grateful for the opportunity he gave me back in December 1975. It was a generous promotion at a critical time.

Business and Consumer Affairs was a new portfolio arrangement which brought together many of the business regulatory functions of the federal government, including responsibility for the Trade Practices Act, the Prices Justification Act, and the Industries Assistance Commission and also, potentially, for the national regulation of companies and securities. Also included was the Customs Bureau, of which the Narcotics Bureau, carrying the federal fight against drugs, was part. The business community applauded this new grouping of responsibilities. The cluster of duties I had been given attracted intense scrutiny from the business media.

The Fraser Government inherited a fragile economy. Inflation had soared to 14.4 per cent; unemployment stood at 5.4 per cent; the budget deficit had blown out to a projected 1.8 per cent of gross domestic product (GDP). Federal government spending had risen by a staggering 46 per cent over the two-year period of 1973–74. The Whitlam Government had been an incompetent economic

manager; there was a near universal judgement that it would be a long time before Labor would again be trusted with the purse strings.

Most of the senior members of the incoming Government — Fraser, Lynch, Anthony, Sinclair, Nixon, Bob Cotton, Peacock and Greenwood — had been prominent in earlier Coalition governments, and were heirs of the Menzies years, which had been ones of stability and prosperity. They had been, also, years of government regulation, an inward-looking Australian economy, high levels of tariff protection and a centralised wage-fixation system. This regulatory, activist role for government had seemed to work during that time. There had been much activity and full employment. Why then should that approach be changed?

Maintenance of the status quo might have been justified if the world had not changed. The world, however, had changed quite dramatically in the early 1970s. The challenges for the Australian economy were quite different from what they had been previously; different responses were needed. The Whitlam Government had failed totally to realise this. The new Coalition Government would now have the opportunity of doing things differently, and better.

From the perspective of my portfolio responsibilities, I felt that we needed to restore business confidence by cutting government spending, pruning business regulation, providing more incentives for investment, and tackling some of the excesses of union power.

I appointed Paul McClintock, a Sydney lawyer and former president of the Liberal Club at the University of Sydney, as my principal private secretary. Paul had impressed me with his political courage in keeping the Liberal banner flying on a university campus during the early 1970s when, in the wake of debate over Vietnam and other issues, that was a particularly difficult task. Paul would later return when I was Prime Minister as head of the Cabinet Policy Unit.

Quite early, I established the Swanson Committee of Review into the Trade Practices Act. I wanted the act loosened and made more business-friendly; one of the reasons the Australian economy was performing badly was that too much red tape and regulation had been imposed on the business community. Malcolm Fraser strongly supported the review.

He did, however, backtrack on a promise to abolish the Prices Justification Tribunal. It was set up by Whitlam, and required large companies to obtain approval for price increases. It was impractical and a hindrance for business. Shortly after I became minister, Fraser rang and said it might be necessary to 'give Hawke a win by going soft on our pre-election promise to get rid of the Prices Justification Tribunal'. Although it ran against our deregulatory thrust, I didn't, at this early stage, question Fraser's judgement, and we eased away from our commitment to abolish the tribunal. In those early months of government I believe that Malcolm Fraser thought that, with the odd gesture, he might win the grudging cooperation of the union movement.

At that time the Trade Practices Act penalised secondary boycotts by companies, but not by unions. I thought that this was a double standard, and therefore wrong. Unions were, for example, placing boycotts on petrol deliveries by certain tanker drivers, which forced up the price of petrol for some motorists. If a company did something like that it would be penalised, yet the unions were not.

I asked Thomas Swanson to look at this. Perhaps influenced by the conventional thinking, Swanson's review did not recommend applying the secondary boycott law to unions. He did, however, suggest other changes which reduced the regulatory load on business, which we largely adopted. With Malcolm Fraser's support I persuaded cabinet to bring unions within the secondary boycott reach of the Trade Practices Act, despite Swanson's recommendation otherwise.

Thus was born what became Sections 45(D) and (E) of the Trade Practices Act, which imposed substantial penalties on unions similar to those for companies that engaged in secondary boycott conduct. It was removed from the Trade Practices Act for a period of time under the Keating Government, only to be returned to the legislation when I became Prime Minister. It survives to this day.

This was an historic change in the law affecting unions. It outraged the union leadership, particularly Bob Hawke. When the legislation was published I agreed to talk both to business groups and the unions regarding its provisions. At a meeting in Parliament House attended by Hawke as president of the Australian Council of Trade Unions (ACTU), as well as leaders of the public sector unions, Hawke glared at me across the committee room table and said, 'If this goes through there will be blood in the streets.' It was a nonsensical threat and one which was counterproductive. It confirmed my view that the proposal struck at the heart of the privileged position of the union movement, and I was more determined than ever that it should become law.

As Minister for Business and Consumer Affairs I had administrative responsibility for the Industries Assistance Commission. Tariff policy was, therefore, another issue I confronted. Up until then I had supported the prevailing orthodoxy.

This issue came to prominence after the Fraser Government, on 28 November 1976, devalued the Australian dollar by 17.5 per cent. Being a member of the economics committee of cabinet, I attended the cabinet discussion on devaluation. I strongly supported the decision, believing, as did Fraser, that Australian industry needed the competitive boost that the devaluation would confer on Australian exporters, because it would make their products cheaper on world markets. Likewise, it would help local manufacturers because the devaluation made imported products dearer and therefore less competitive.

It was that last point which brought in tariffs. Existing tariffs on imported goods already made them dearer for Australian consumers, therefore it was argued that unless some of those tariffs were cut following the devaluation, an unfair additional burden would be placed on consumers and importers. The contrary argument, which I supported, was that it would be self-defeating to reduce tariffs significantly, as one of the reasons for the devaluation had been to help local manufacturers.

Those who attacked our decision not to cut tariffs said that the higher prices of imported goods produced by devaluation would drive up inflation. This did not happen as fierce competition amongst retailers, in a still-recessed economy, meant that price increases were kept to a minimum.

In the early days of the Fraser Government, there was no stauncher high protectionist than Bob Hawke. He frequently invoked a cheap jibe against the Industries Assistance Commission, that it was really the Industries Assassination Commission. It would take the relative safety of government, and security in the knowledge that the Coalition opposition would support him, before Bob Hawke became a supporter of tariff reform.

Shortly after the devaluation, Fraser split the Treasury into two departments: Treasury and the Department of Finance. It made sense as Finance could focus more heavily on expenditure control. Fraser believed that Treasury had been responsible for a damaging press report of an earlier devaluation discussion in cabinet; this could have influenced at least the timing of his split of the Treasury. The circumstances provoked Treasury resentment, which was a pity because of the intrinsic worth of the change.

* * *

Malcolm Fraser frequently encouraged me to appear in the media and talk generally on economic issues, provided that I kept in line with government policy. My profile received a huge boost when, following a Premiers' Conference proposal, Fraser announced that there would be a price-wage freeze for a period of three months from 13 April 1977. The Prices Justification Tribunal was charged with monitoring the freeze. Whilst it had a certain popular, limited appeal, it was economically unrealistic and could not last long. I was put in charge of the freeze, not even knowing anything about it until the announcement was about to be made.

The public liked the idea because it appeared that the Government was 'doing something' about inflation. The serious media ridiculed the approach, whilst more popular media took an enormous interest in the issue. I had immediate contact with all of the major employer groups and for a period of time it looked, against all expectations, as if the proposal might do some good. After several weeks

it was accepted that it could not be continued because of its longer-term unworkability. There is some evidence it may have had a short-lived constraining influence on some price increases.

In May 1977 Malcolm Fraser appointed me as Minister Assisting the Prime Minister, which involved helping with the PM's correspondence and lower-order decision-making. I continued my full duties as Minister for Business and Consumer Affairs. It was a strong endorsement by the Prime Minister of the work that I had done there. I was happy with the promotion, but conscious of some resentment building amongst colleagues that my rise had been rather too rapid.

As a minister I worked closely with the National Country Party (later National Party) trio of Doug Anthony, Peter Nixon and Ian Sinclair. I liked them a lot. Anthony was strong and open, an ideal Deputy PM to Fraser. His languid, country style masked immense political shrewdness. Nixon was a tough political operator who defended country interests whilst recognising that electoral arithmetic was inexorably moving against his party. He gave me good early advice about being a minister. Sinclair was one of the most naturally gifted politicians I have known. He was intelligent, could absorb a brief rapidly — I don't think that he read any submissions until after cabinet meetings had started — and was versatile and talented on his feet.

In July 1977 I paid my first overseas visit as a minister and, accompanied by Janette, visited Washington, London and Ottawa. There was a shock when I returned. Fraser told me that he intended to appoint me as Minister for Special Trade Negotiations, with a specific brief to spend as much time as possible in Europe trying to extract a better trade deal for Australian exporters, particularly farmers.

Earlier, when visiting Europe, the Prime Minister had a stormy session with the European Common Market chieftains, particularly Roy Jenkins, a former British Labour Chancellor of the Exchequer, with whom Fraser had clashed in a very heated fashion. He came back convinced that the only way we would make real progress would be, effectively, to have a resident minister in Europe banging on doors the entire time.

This was a novel concept, involving the creation of a new department. I was not enthusiastic about the appointment, because Janette was several months pregnant with our second child, and I knew that I would be away for lengthy periods of time. Also, I really enjoyed the job I had. But it was a promotion, and would give an international dimension to my ministerial experience.

I assembled a small task group; it could not realistically be described as a department. Philip Flood, whom I had met only a few weeks earlier when I visited Washington, became head of the group. After receiving numerous briefings and meeting industry groups, my team and I set out for Europe in September. For the next seven weeks we traipsed around various European capitals putting our case, railing against high levels of European protection, particularly for agriculture, and not making a great deal of progress. Thirty-three years on, the essential elements of the Common Agricultural Policy, the main protective mechanism for agriculture in Europe, remain in place.

Australian and New Zealand farmers have been given a raw deal by the Europeans. By any measure, our primary producers are extremely efficient and do not receive high levels of protection from their respective governments, particularly when compared with the hefty support given to farmers in Europe, Japan and the United States.

Before I left for Europe, Phillip Lynch had brought down, in August, the second budget of the Fraser Government. For reasons I was not to know then, this budget would have a very significant impact on my political career over the following two years. Surprisingly, the budget contained significant tax cuts. I did not think that the tax cuts were necessary, nor had I thought the budget could afford them, but they would be popular.

Unfortunately, the budget had other problems: the revenue estimates on which it was put together would begin to come apart in only a few months. I learned later that there had been quite an argument between Treasury and the Department of Prime Minister and Cabinet regarding the wages growth figure: Treasury had estimated 7 per cent, the Department of Prime Minister and Cabinet

had said it could be as high as 7.5 per cent. The Budget Committee of Cabinet had opted for the higher figure; it produced more revenue, thus making the tax cuts more supportable. The Treasury estimate turned out to be more accurate.

Whilst I was in Europe, speculation grew that Fraser would call an election towards the end of 1977. There was a strong case for an election before 30 June 1978, otherwise the double-dissolution election of 1975 would oblige a separate half-Senate election well before the middle of 1978. Fraser's thinking, no doubt, was that if there were to be an early election then it was better to have it at the end of the calendar year so as to restore the more normal pattern in Australian politics. The speculation was in full swing when I returned to Australia towards the end of October.

On 27 October 1977, Fraser announced an election for 10 December. It was to be the fourth general election in five years. A rather lacklustre campaign commenced. With the benefit of hindsight, the result of the election was never really going to be in doubt. There was no way that the Australian public was going to re-elect Gough Whitlam, having so totally banished him from office just two years earlier. On the other hand, however, there was a bit of suspicion about the early election, despite the strong reasons for having simultaneous elections for the two houses, and a lack of interest in the campaign. Until late in the piece, the opinion polls were very equivocal. There was the further complication of the Australian Democrats.

Some months earlier, Don Chipp had resigned from the Liberal Party and launched the Australian Democrats. He ran as somebody seeking to occupy the centre ground of Australian politics. Chipp had been a discontented soul since Fraser excluded him from the government he formed after the 1975 election. This was a major influence in his decision to form the Democrats. Don Chipp was an engaging personality who was a traditional 'small l' Liberal of the Victorian mould. Our worry was that the Democrats would rip votes from the Liberal Party and, through the preferential system, too many would wind up in Labor hands.

11 ‘MAY I SPEAK TO THE TREASURER?’

Immediately after Malcolm Fraser called the 1977 election, there were unexpected and dramatic developments involving the Treasurer, Phillip Lynch, which derailed the campaign for three weeks. This was to have amazing consequences for me. The day before Fraser called the election, Peter Leake, a land developer, told a judicial inquiry in Victoria that he had been involved in local land speculation with his friend Phillip Lynch. Whitlam pursued the matter in parliament the day that Fraser called the election. The location of the investment was called Stumpy Gully, a colourful description which added to some of the drama. There were also questions raised about property Lynch had acquired. The press went ballistic.

Lynch had not done anything improper or illegal, but he had been politically indiscreet. It is never a good thing for a senior minister, particularly a Treasurer, to involve himself in anything that can be regarded as financial speculation. The country was still in the economic doldrums, and it was so easy for the Government’s opponents to allege double standards.

When the matter was raised in parliament, he had no immediate answer and, from the start, was on the defensive. Only a short time afterwards, the Treasurer became ill and, on 10 November, he entered Peninsula Private Hospital suffering severe kidney pains. It was at this point that I was caught up with the problems that had engulfed Phillip Lynch.

I was having dinner at home with my family on 10 November when Fraser rang and calmly told me that Lynch had gone into hospital and, therefore, had to stand aside as Treasurer, and that he wanted me to ‘become the Government’s spokesman on Treasury matters’. He didn’t say exactly that I was being appointed as acting Treasurer, although that was the case. Totally surprised, I relished the challenge; it would put me back in the mainstream of the political debate. But, at that stage, I did not imagine that this would be anything other than a temporary responsibility.

However, developments were to change that. Lynch went under the knife the next day, and five days later, convinced that it had an issue damaging to the Fraser Government, the ALP went for the jugular. Using parliamentary privilege, two Victorian upper-house MPs made sweeping allegations against Lynch. The issue ran strongly. The media and the Labor Party would not let it rest. They wanted the scalp of the Treasurer.

Fraser was unhappy with the explanations given by Lynch regarding his financial affairs and angry that every day was dominated by an issue which involved, at root, a bad judgement call by his deputy.

At a news conference called by Fraser and me, ostensibly to talk about Whitlam’s policy-speech highlight to abolish payroll tax, virtually every question focused on Lynch, and the news conference was a total wipe-out for the Government. Fraser walked from the conference with a stony face, and I knew that Phillip Lynch would not remain as Treasurer through to the election. Unless the Lynch issue was contained, it would overwhelm the entire election campaign.

Fraser correctly concluded that Lynch had to stand aside as Treasurer, leaving his future to be resolved after the election in the event of the Government being returned. But the way in which he achieved this disclosed real flaws in Fraser’s handling of people.

Sensibly Fraser should have gone to see Lynch in hospital and talked to him directly in the presence of the party president and federal director. Instead he sent Peter Nixon, a senior National Party man, to do the job. Nixon was close to Fraser, tough, honest and skilful, but here Fraser was dealing with his own deputy. He should have been personally engaged.

On Friday 18 November 1977, after a rather tortured six- or seven-hour period of negotiations between Malcolm Fraser, who was in the Commonwealth Parliamentary Offices in Martin Place in Sydney, and Phillip Lynch, who was in hospital on the Mornington Peninsula, Lynch agreed, reluctantly, to stand aside as Treasurer, though he would stay as Deputy Leader.

Almost all of Fraser's messages to Phillip Lynch were delivered by other people. Resentment against Fraser by Lynch's many followers, such as Fred Chaney and John Hyde, grew out of his mishandling of this situation. He would display similar clumsiness in handling a problem with Reg Withers a few months later, resulting in Withers leaving the Government and a lasting estrangement between the two men.

As acting Treasurer I thought that I might end up as Treasurer, albeit on a temporary basis, in the event of Lynch standing aside. That was the press speculation, although Fraser never canvassed the matter with me. It wasn't until Alan Carmody, Secretary of the Department of Prime Minister and Cabinet, said to me, after Lynch had agreed to go as Treasurer, 'The swearing in will be at Admiralty House on Saturday at 4 pm' that I realised that I would replace Lynch as Treasurer.

It had been an amazing day, indeed a series of amazing days. During the weekend, Janette told me that late on Friday afternoon, Sir Frederick Wheeler, the Secretary of the Treasury, had rung our home saying, 'May I speak to the Treasurer?' Janette deflected his enquiry by telling him that he wasn't at home. This incident validates a long-held view in Australian politics that public servants and Commonwealth car drivers always know important things well in advance of the politicians.

I was excited about what had happened, but I didn't believe that I was Treasurer for other than an interim period. I assumed that after the election, the Phillip Lynch issue would be resolved and I would return to some other, lesser, portfolio.

Meanwhile, my main concern was not to drop the ball on economic issues during the campaign. At that stage, despite our enormous majority, the Government was travelling badly, having been diverted by the Lynch Affair for several weeks and facing a public quite apathetic towards what we regarded as important campaign issues.

There was a further complication for me personally. Our second child, our elder son, Tim, was actually due on the very day that I was sworn in as Treasurer. He took his time, not arriving until 25 November. The events of these hectic weeks, coming on top of my prolonged absence overseas during the latter stages of Janette's pregnancy, had put a lot of pressure on her, which she handled quite remarkably. I was sworn in as Treasurer at Admiralty House in Sydney by the Governor-General, Sir John Kerr. Afterwards, Malcolm Fraser and I went on what was reported as a pub crawl, although from recollection we visited only one hotel, namely the Kirribilli local. Fraser was relaxed, and engaged in easy chit-chat with the locals. These were pre-mobile phone days, and the best that I could do to keep in touch with Janette was for my Commonwealth car driver, Bob Jenkins, who was at the hotel, to ring Janette periodically to check on her condition and report to me.

With the Lynch issue out of the way the campaign returned to what it always should have been about, namely whether or not Australians would re-elect a Whitlam Government. Once this became the principal issue, it was only a matter of time before the polls turned, and ultimately the Government won.

I had two major one-on-one debates during the campaign. The first was an ABC *Monday Conference* interview chaired by the late Bob Moore, immediately following Malcolm Fraser's policy speech in Melbourne. My opponent was Tom Uren, the Deputy Leader of the Opposition. The second debate was against Bill Hayden, who had been Whitlam's Treasurer. This was an appearance on the ABC's *This Day Tonight* program, and it was chaired by George Negus. These two debates were regarded as key events in the campaign, and the fact that I was judged to have won them convincingly did my reputation no harm at all.

The Fraser Government was returned on 10 December 1977 with a majority of 48 seats, only a fraction less than the record margin of 55 achieved two years before. It was an impressive result given the size of the 1975 majority. In retrospect, of course, there was never a chance that Whitlam would get re-elected. He gave a dignified speech on the night of the election, which ended his remarkable career at the top of the Labor Party.

To this day, Whitlam remains a legendary figure to devoted followers of the Labor Party and others in the community. Nobody can doubt his flair and style, his considerable sense of humour and his erudition. He did something for the Labor Party which seemed for so many years unattainable. He won government. Having won government, he proved to be a very poor Prime Minister. Sentimentality towards him should not smother that reality.

After the election Fraser did what I suspected might happen. Having made some positive comments about my efforts during the campaign, he kept me as Treasurer but gave the finance portfolio to a separate minister. Like Phillip Lynch, I had administered both portfolios from the time of my appointment as Treasurer.

Before any of this occurred, he had to resolve Phillip Lynch's position. Phillip's health had been restored, and he had easily retained his seat of Flinders. Stephen Charles, a well-regarded Melbourne silk, had prepared a report on Lynch's financial affairs, clearing him of any wrongdoing. Fraser called an ad hoc meeting, including Charles, Reg Withers, government leader in the Senate, Senator Fred Chaney and me. Although Charles had given Lynch a clean bill of health, Fraser was querulous at the meeting. He questioned one particular transaction, which, to me, seemed quite normal. When asked my opinion I said so. Reg Withers had the same view. That seemed to end the matter.

Lynch remained as deputy leader, but opted to become Minister for Industry and Commerce, specifically ringing and telling me that this is what he wanted. Thus, at the age of 38 years and 4 months, I became, unconditionally, Treasurer of the Commonwealth.

Again, I had every reason to be grateful to Malcolm Fraser for giving me what was a huge promotion.

Being Treasurer gave me access to the best concentration of brains in the federal bureaucracy. There are plenty of other departments with extremely talented people, but for concentration of brain power, the Treasury is hard to beat. The dominant figures in the Treasury at that time were Sir Frederick Wheeler as secretary and John Stone, the deputy secretary (economic). Wheeler was, with Sir Arthur Tange, Secretary of the Department of Defence, the last of the traditional mandarins of the federal public service. I liked Wheeler a lot.

I admired the way in which he had stood up for due process at the time of the Khemlani Affair, in the Whitlam years. He was tough and cunning and a firm believer in the independent sanctity, if I can put it that way, of the federal bureaucracy and most particularly the Treasury. His minutes were succinctly and strongly written. For all that he no doubt had the view that Treasurers came and went but the Treasury went on forever, I always thought he would give me advice that he believed was in the national interest. He was also a heavy smoker, and that suited me at the time because I was still addicted to the habit.

John Stone, who took over from Wheeler in 1979, was the brightest public servant with whom I ever dealt. That did not automatically make him the best, because, on occasions, his judgements did not match the purity of his intellectual arguments. He nevertheless held resolutely to all of the conclusions that he reached, and was quite uncompromising in the advice which he offered to his minister. Some ministers were nervous when I proposed appointing Stone head of Treasury, because they thought he was too doctrinaire in his economic thinking. My attitude was that people should be appointed to senior public service positions on merit. Passing over Stone would have been to deny that fundamental principle.

Early in April 1979, not long after Stone had been appointed secretary, Fraser asked Stone if he would prepare a memorandum of advice for an incoming Conservative Government in Britain, as to what should be done to fix their ailing economy. Fraser wanted to give it to Lord Peter Carrington, who was to see Fraser in Canberra. He was an old friend of Australia, and became Thatcher's first Foreign Secretary, staying in the post until the Falklands War.

Thirty years on, the Stone memo makes fascinating reading. For example, he wrote, 'Meanwhile union power has become a threat not merely to economic stability, but to civil liberties and the very

concept of the rule of law upon which the British society has been founded and of which it has been for so long such a notable exemplar.¹ The full memo appears as an appendix to this book.

Thatcher visited Canberra, very briefly, not long after her election in May 1979. She had been at a G7 meeting in Tokyo and came to Australia, ostensibly to discuss the situation in Rhodesia in advance of the Commonwealth Heads of Government (CHOGM) meeting in Lusaka. During her brief visit Mrs Thatcher attended a cabinet meeting, giving an uncompromising outline of what she intended to do in her own country. After she had left, quite a number of my colleagues were rather sceptical about some of her intentions, asserting that she was unrealistic. They had underestimated her.

I had badly needed expert advice on economic issues during the election campaign, as the Treasury had to maintain a certain distance during the caretaker period embracing the campaign.

This is when I met John Hewson. Already a professor of economics although only in his early 30s, John Hewson had had an impressive career at the Reserve Bank and the International Monetary Fund (IMF). He had joined Phillip Lynch's staff on a part-time basis, and worked closely with another economics professor, John Rose, who worked, also on a part-time basis, in Fraser's office. They were a real tandem. They provided joint advice to the Prime Minister and the Treasurer, especially on monetary policy issues. I liked John a lot. He gave good advice on most economic issues and was taken by the political atmosphere. In the changeover from Lynch to me, he had glided almost effortlessly from one office to the other.

Tension would develop between the senior people in the department and John early on. The top officials in the Treasury resented the degree to which both Fraser and I listened to private office advisors.

At this time the relationship between the minister, his private office advisors and his department was undergoing significant change. Ten years earlier, somebody like John Hewson would not have existed in the Australian political system. All of the principal policy advisors in a minister's office came from the relevant department. If non-departmental advice were taken, it was overtly taken from someone who was not on the minister's staff.

My five years as federal Treasurer were to change profoundly my opinions on many aspects of managing the Australian economy. When I became Treasurer I was unaware of the extent to which the Australian financial system was in need of deregulation, and although generally aware of the negative impact of across-the-board wage rises granted by the Conciliation and Arbitration Commission, I did not see the issue as one requiring freeing of the labour market. Rather I adhered to the conventional view at the time that the commission should be encouraged to deliver different wage judgements. I did not then realise that fundamental change to the system was required.

I believed that the Whitlam Government had spent far too much and that a big part of my responsibility as Treasurer was to reduce the rate of growth in government spending. I also thought the Australian taxation system needed to be reformed. However, I underestimated the enormity of the task involved in bringing about change in that area.

I was to have successes and failures. In 1978 the idea I floated of introducing a retail turnover tax collapsed, as a policy initiative, fairly quickly after an onslaught from Australian retailers and some very unhelpful comments from one of my colleagues, Bob Ellicott. He used the platform of a Sunday evening address at the Wayside Chapel in Sydney to say that the Government should abandon the whole idea because it was causing disquiet in sections of the business community. Although I had been right, in a pure policy sense, to raise the issue, I had been extremely naïve in the way in which I had gone about it. As I learned from that, you need time to build the case for change by explaining, in detail, the shortcomings of the existing system.

* * *

Decisions and promises from the first term of the Fraser Government preoccupied my early months as Treasurer. Treasury told me, shortly after the election, that the 1977 budget revenue

estimates would not be realised. This was due to the average weekly earnings issue, already mentioned, as well as early predictions of expenditure over-runs. So from the beginning of 1978, it became increasingly apparent that my first budget would be extremely difficult. Australia still had a large budget deficit, although Lynch had made an impact on this in his first two budgets, and inflation, despite having fallen, was still quite high. Very unpopular decisions would be required if a significant reduction in the budget deficit were to be achieved.

Then there were the interest-rate predictions made by both Malcolm Fraser and Doug Anthony during the election campaign. Interest rates in Australia at that time were high, and financial institutions within the traditional banking sector were still tightly regulated. Fraser and Anthony predicted during the campaign that interest rates would fall by 2 per cent during the next term of office. Fraser said in the campaign, 'Falls in important interest rates could add up to a total of 2 per cent within 12 months.' Doug Anthony said that if interest rates did not fall by 2 per cent he would eat his hat. The statements were not only wildly optimistic, but also politically unnecessary.

At that time, bank lending and borrowing rates were subject to controls administered by the Reserve Bank. All savings bank housing loans and overdraft or business loans under \$100,000 were caught by the controls. But the Government effectively decided those rates because, in administering the controls, the Reserve Bank normally reflected the views of the Monetary Policy Committee of cabinet. That committee met regularly, was chaired by Fraser, and as well as me as Treasurer, included Doug Anthony, Ian Sinclair and Peter Nixon plus Phillip Lynch and Reg Withers. The secretary of the Treasury and the Reserve Bank governor normally attended its meetings.

Thirty years on, this may sound an interventionist system, but it was not until the election of my Government in 1996 that the bank was given full independence to set interest rates. Although there was some early success on the interest-rate front in 1978, with a small reduction, there was never any hope that that 2 per cent prediction could be realised. Increasingly, monetary conditions ran in the opposite direction.

From the beginning, the interest-rate issue caused a lot of tension between the PM, the RBA and me. Fraser felt that the bank was dragging its feet on cutting rates. This was nonsense. He should never have made such a specific prediction in the campaign. I was caught in the middle. The Monetary Policy Committee once talked about invoking section 11 of the Banking Act, which enables the Government to direct a monetary policy move by the bank, provided the reasons for the direction and the RBA's contrary view are tabled in parliament. I thought that such a move would be extremely damaging for the Government, because on the economic merits there was no justification for a further cut in interest rates. As part of the debate with the bank, I was asked by the Monetary Policy Committee to meet the RBA board and argue the case for a rate reduction. I felt uncomfortable carrying this brief, and simply went through the motions. Quite justifiably, the RBA did not shift. My discomfort was increased by the presence, as an RBA board member, of Bob Hawke. Fortunately, my senior colleagues thought better of invoking section 11.

Within a few months of becoming Treasurer, it was clear to me that far from interest-rate controls keeping interest rates low, they were having the opposite effect. Banks could not attract enough money to lend for housing because the controls to which they were subject prevented them from offering sufficiently attractive interest rates to attract funds in the first place. Increasingly, as time went by, the solution seemed to me to be the removal of those controls.

The winter of 1978 was consumed with preparing the budget, and I knew it would be extremely unpopular. The expenditure-cutting process was made even more difficult because Eric Robinson, the Finance Minister, was sidelined because of a Royal Commission. I carried both portfolios. It was a lonely exercise. Any euphoria about being the youngest Treasurer had gone. I was determined to cut the deficit, but at every turn I met solid resistance from colleagues defending their patches. There would be no last-minute revenue surge to relieve the pain. The early forecasts were that, for the first time in 20 years, the Government faced a reduction of revenue receipts in real terms.

The main purpose of the budget, delivered in August 1978, was to cut the deficit, preferably through spending cuts, although some tax increases were needed to achieve the desired result. There was a temporary income-tax surcharge, steep increases in excise duties on spirits and cigarettes, taxation for the first time of certain lump-sum payments, the introduction of an airport departure tax, the elimination of home-loan interest deductibility (which had only been re-introduced by the Fraser Government in 1976), and the tightening of conditions relating to estimating provisional tax.

The big long-term policy announcement in the budget was that Australian crude oil would, in future, be sold domestically at the higher world market price. It was not popular because it pushed up the petrol price by 3.5 cents a litre, but it was good policy. It priced a wasting resource at its market value — surely sound conservation policy. The price increase for crude oil meant that, overnight, oil companies would potentially enjoy a windfall profit gain, so the Government increased the production levy imposed on oil companies to the level necessary to ensure that all of the windfall gain went to the Treasury as revenue, and not to the companies.

The budget was seen as mean and nasty, although some grudging commentary indicated that the Government was at least trying to hold onto its economic fundamentals. The problem was that it was the kind of budget that should have been introduced (with some modifications) in 1976, not two years later. The public thought that the Government was taking back things which should never have been given in the 1977 budget.

Malcolm Fraser was very unhappy about having to take back any of the personal income tax cuts. He had been the real author of them in the 1977 budget. The initial decisions we had taken for the 1978 budget did not include the temporary income tax surcharge. Fraser had wanted a range of increases in indirect taxation, so as to preserve the 1977 tax reductions. At the last moment I persuaded him that we should substitute an income tax surcharge, as the indirect tax increases would have a very negative impact on the consumer price index, thus blunting the impact of our ‘fight inflation first’ strategy.

Thirty years later, reading through the budget speech of 1978, I was struck by how big an emphasis I placed on the wage-fixing decisions of the Conciliation and Arbitration Commission. It was a reminder of the distance Australia had travelled concerning industrial relations — until Julia Gillard’s Fair Work Act reversed much of the progress of the past 25 years — and how all-pervasive, and therefore inimical, a centralised wage-fixation system had been for the Australian economy.

Nasty and unpopular though it was, the 1978 budget did lay the foundation for the next two budgets and was, therefore, important in setting up our economic credentials for the 1980 election. If delivering an unpopular budget is a measure of economic responsibility, then this had been a most responsible budget. Later, whenever I heard Kevin Rudd boast about all the ‘tough’ economic decisions he had taken, I rolled my eyes and thought of my first budget, more than 30 years ago.

In his 1977 budget speech, Phillip Lynch gave a general warning that he would ‘crack down hard’ on artificial tax avoidance schemes. In April 1978 I was informed by the Commissioner of Taxation, Bill O’Reilly, that a particular tax avoidance scheme, called the Curran Scheme, was eroding revenue conservatively to the tune of \$400 to \$500 million a year, with some estimates putting the revenue loss well over \$1 billion; O’Reilly recommended that the Government take immediate action to proscribe it.

Cabinet authorised me to outlaw the scheme with effect from budget night 1977. Thus began my long and often very bitter campaign against the tax-avoidance industry, which lasted whilst ever I was Treasurer. At times it poisoned my relations with a large section of the WA Liberal Party; some of its major donors had been involved in tax-avoidance schemes. Some of my anti-tax avoidance activities helped fuel the Joh for PM campaign.

Banning the Curran Scheme caused some anguish amongst Coalition MPs because, strictly speaking, it did have retrospective effect. Many in the Liberal Party held to the purist line that, irrespective of the revenue at stake, the principle of non-retrospectivity should never be violated.

Others argued that there was a clear difference between reaching backwards to prevent people from avoiding an obligation parliament had always intended to impose on them as compared with imposing, with retroactive effect, a completely new obligation, previously not intended.

Price, Waterhouse & Co., one of Australia's leading firms of accountants, wrote to me, strongly supporting the stand I had taken. This reflected the fact that many reputable legal and accounting firms did not wish to advise their clients to go into artificial schemes, but as time went by, with no action being taken against those schemes, that position became increasingly difficult to sustain. There were always others in the two professions willing and eager to gain new clientele by advising how taxation obligations could be artificially avoided.

I enjoyed working with the commissioner and his senior people, who had their own distinctive style. On tax avoidance, I found them quite demoralised, and I understood why. Much as I admired the late Sir Garfield Barwick, there was little doubt that the Barwick High Court, in applying a very literal interpretation to the taxation laws, had rendered the general anti-avoidance section of the Taxation Act, namely section 260, largely inoperative.

That section had been in the Tax Act for decades, and stated that if an arrangement were entered into by a taxpayer with the purpose of avoiding taxation, then to the extent of that avoidance, the arrangement was void against the commissioner. For a long time the section had been applied effectively to protect the revenue against blatant and artificial schemes, but from the late 1960s and into the '70s, however, the High Court began applying the section differently. By the time of Cridland's case, decided on 30 November 1977, it was the view of Bill O'Reilly and his colleagues that section 260 was useless.

My response was to instruct the Tax Office to draft a new anti-avoidance section to replace (or update) section 260. The commissioner and his colleagues thought this a waste of time, telling me that no matter what parliament said, the courts would find a way of watering it down in favour of the taxpayer. I persevered and ultimately a new anti-avoidance section, known as part IVA of the Income Tax Assessment Act, was introduced, coming into operation in May 1981. Part IVA has worked very effectively. According to the commissioner, it put a stop to new tax-avoidance schemes of a totally contrived nature.

The controversy following my axing of the Curran Scheme was as nothing to the conflagration which occurred almost five years later when the Government enacted tax recoupment legislation to collect the proceeds of tax evaded through the use of bottom-of-the-harbour schemes. The bottom-of-the-harbour scheme involved a practice which effectively denuded a company of any assets, meaning it was unable to meet its tax obligations. It was different from an artificial tax-avoidance scheme, where the arrangement was such that there was no legal obligation to pay the tax. With bottom-of-the-harbour schemes the legal obligation remained, but the company had no assets with which to meet the obligation. The disposal of the company's assets was a fraud on the revenue because its only purpose was the evasion of the tax. Why 'bottom of the harbour'? In some cases disposal of the assets was accompanied, literally, by the records being thrown into Sydney Harbour.

The legal advice then was that, because fraud was involved, the scheme could not be banished under existing law or a specific prohibition, as with Curran. The only remedy was to make the fraudulent disposal of assets a crime. This caused me to swallow hard. It was one thing to adopt a no-holds-barred approach to outlawing artificial tax schemes; it was entirely another to threaten people, for the first time, with the criminal law if they engaged in certain behaviour. A lot of citizens deplored tax minimisation, but even they may have balked at making the minimisers criminals.

After a lot of agonising, I recommended to the Government that it use the criminal law to stamp out bottom-of-the-harbour schemes. The Crimes (Taxation Offences) Act came into operation early in December 1980 and ended the practice. I thought that I would hear little more of bottom-of-the-harbour schemes. I was, however, wrong, although it would be two years before this became apparent.

In September 1980, Malcolm Fraser and the Victorian Liberal Government had appointed Frank Costigan QC, a Melbourne lawyer, to conduct a Royal Commission into the activities of the Federated Ship Painters and Dockers Union. This group was notoriously linked to alleged criminal activity on the wharves and elsewhere. The aim was to expose any corrupt or illegal behaviour. But it also could embarrass, politically, the Labor Party, because of its associations with the union, especially in Victoria.

During his investigations, Costigan uncovered the involvement of some officials and affiliates of the union with people who had promoted bottom-of-the-harbour tax schemes. He included this material in his findings, which became a blockbuster report, and along with the separate McCabe/Lafranchi report, tabled in the Victorian Parliament, it ended up damaging the Fraser Government. Names, amounts and shady practices were detailed. This heightened public outrage. The Victorian report cited 'very serious errors and omissions and resigned attitudes on the part of the Australian Taxation Office'.² Both reports gave colourful and dramatic descriptions of what had gone on in some bottom-of-the-harbour activities.

Regrettably for the Government, the perception was that a vast amount of tax had been evaded before the criminal law had been invoked, and nothing had been done to recover it. The fact that the Government had taken steps to ensure that even more tax would not be evaded in the future made no impact on the public.

The issue was on our minds as we prepared the 1982 budget. With the country rapidly falling into recession, that budget was proving very difficult to put together. The Taxation Office and the Treasury urged the passage of special legislation to recover tax evaded under bottom-of-the-harbour schemes prior to the passage of the special criminal legislation in November 1980; so did Peter Durack, the Attorney General.

The attraction of collecting the tax to help with the budget, combined with the apparent value of quietening public concern regarding the evasion of so much taxation, proved an irresistible combination. On 25 July 1982 I announced that we would legislate.

This caused uproar in many sections of the Liberal Party and the business community, particularly in Western Australia and Queensland. Elsewhere, there was a lot of support for what the Government had decided to do. The gathering recession had slashed revenue forecasts and, as a consequence, collecting this unpaid tax would avoid some less palatable imposts on honest taxpayers.

The legislation, however, wreaked havoc on Coalition unity. No fewer than 14 members of the Liberal and National parties crossed the floor to vote against it.

The decision to enact the recoupment legislation did not kill the issue. Critics alleged that if the Government and the Taxation Office had not been negligent in the first place, this special legislation would not have been needed. This issue put me under great pressure from the Labor Party and the press. To defuse the situation I tabled in parliament all of the advice I had received from the Tax Office on the subject. It became known as the 'telephone book' because of the large number of documents involved.

There were rough patches for me, particularly some of the delays between Tax Office advice and action in response. The quite radical transparency I had adopted — the bureaucracy was horrified, so were a few of my ministerial colleagues — took a lot of steam out of Labor's attack. In addition, the opposition then scored a spectacular own goal, which effectively took the heat off the Government.

At the time Hayden was under pressure, having just beaten off a challenge from Hawke. He overreached, in the hope of landing a leadership-boosting blow on the Government, with his allegations of tax avoidance against the respected businessman John Reid. Reid had been a director of a company subsequently sold in a bottom-of-the-harbour scheme. Foolishly, Hayden named him in the house on the strength only of a company search showing Reid as a director. At Reid's request, the commissioner quickly looked at his affairs and was able to certify that he had not been involved in any improper conduct. This blew Hayden out of the water. He had gone too far.

Although it was no longer on the back foot, the Fraser Government had been hurt by the whole episode, because there was a lot of disunity and bad blood in our own ranks.

After all the drama I have described, Murray Gleeson QC, the clear leader of the bar, later Chief Justice of New South Wales and then Australia,

delivered an opinion that section 260 could, after all, be used to recover tax evaded through bottom-of-the-harbour schemes, and that special recoupment legislation had not been needed. Several years later, the Federal Court agreed with Gleeson. It was a frustrating finale to a distracting revenue and political saga.

Fraser had committed the Coalition to an inquiry into the financial system at the 1977 election, and early in 1979 I established the Committee of Inquiry into Australia's Financial System, to be chaired by Keith Campbell, the boss of LJ Hooker Limited, the leading real-estate developer; other committee members also had impeccable credentials for the task.

It produced a landmark report which reshaped, fundamentally, Australia's financial system. I doubt that any major inquiry in past decades saw as many of its key recommendations adopted by governments as did the Campbell Inquiry. All of the members I appointed to the committee shared my view that the financial system should be deregulated. Therein lay its great strength — philosophical consistency. I ignored the urgings of some to appoint a token regulator. Sadly, Keith Campbell would not live to see the full implementation of his blueprint for modernisation. He died in 1983, shortly after the change of government.

The financial press may have welcomed the Campbell Inquiry, but such things meant little to the average citizen, who was still hoping for some reduction in interest rates. The general economic news, however, was slowly getting better. Unemployment finally began to fall, and something of a mining boom was gathering pace, especially in Western Australia and Queensland.

12 ‘YOUR INDIRECT TAX IS DEAD, COBBER’

As Treasurer I worked in close collaboration with the Prime Minister. Malcolm Fraser was a highly intelligent person with prodigious energy and a total preoccupation with the responsibilities of his high office. He was always the best informed on the widest range of subjects within cabinet. Having previously been a minister in both a major domestic portfolio (Education) and one with national security emphasis (Defence), he could bring perspectives to cabinet discussions lacking in others.

But he held too many cabinet meetings, and they went on for too long. Moreover, too many of them were called at very short notice, thus causing chaos with arrangements made to address gatherings in different parts of the country. On several occasions, I had to pull out of speeches or events to which several hundred people had committed themselves, in order to attend a Fraser meeting.

Malcolm Fraser made great demands of the public service. He was entitled to. Any prime minister is. They must, however, be prioritised demands. It is the worst possible administrative style to treat every request made of the public service as urgent. It is not the case. Nothing saps the willingness of public servants more than having to work over a weekend preparing a paper for ministers, only to have ministerial consideration delayed or, at the best, consisting of a cursory glance and a scrawled ‘noted’ on the paper.

There were regular clashes between Treasury and the Department of Prime Minister and Cabinet over economic policy. Fraser’s department mistrusted the Treasury, and Treasury elite were resentful that their advice should in any way be questioned or qualified. Tension could reach absurd dimensions. For one premiers’ conference, two completely separate working documents were produced for the discussion between the Prime Minister, me, and our respective advisors. Clearly there should have been agreement on one set of figures.

Having wanted the financial system inquiry, Fraser seemed to go cold on the idea of financial deregulation as Campbell’s work proceeded. His own utterances increasingly ran counter to what I expected the inquiry would recommend. At monetary policy meetings he would frequently criticise banks, and talk of the desirability of greater, not less, control of financial institutions. On several occasions he asked that consideration be given to proclaiming part IV of the Financial Corporations Act. That would have further extended financial regulation.

I arranged for Keith Campbell to brief Fraser on the work of his committee to date. As I sat through the briefing, it became clear that Fraser was uncomfortable, even irritated, by the direction the briefing was taking. Campbell made no attempt to disguise his view that significant deregulation of the financial system was essential.

John Hewson and the financial community, especially in Sydney, were enthusiastic about Campbell’s work and eagerly anticipated wide-ranging plans to shake up the system. Treasury was unenthusiastic, with the Reserve Bank being more supportive of deregulation. I did not think that the Monetary Policy Committee would be champing at the bit to adopt Campbell’s recommendations.

None of this affected Malcolm Fraser and me working together closely on the immediate economic goals: to keep the budget under control; reduce the deficit; and hopefully make room for further taxation relief. The deficit had fallen significantly over a two-year period, and by the time the 1980 election arrived we had a good story to tell on the expenditure-restraint front.

Malcolm Fraser rightly saw me as a close political ally within the Liberal Party. I was conscious of an underlying tension between him and ‘the young man’, as he called Andrew Peacock. In part it was a product of their former rivalry regarding John Gorton, and the understandable ambitions which Peacock himself entertained about the leadership of the Liberal Party. To some degree I probably filled a gap left by the fracturing of Fraser’s relationship with Phillip Lynch, and the complete termination of it with Reg Withers. These two had been very close to Fraser through the

Constitutional crisis of 1975, and in the early months of the new Government. Whilst Lynch and he continued to work together, I do not believe that trust was ever fully restored to the relationship following the events on the eve of the 1977 election.

I remained ambitious about my future, but it would have been a grand delusion to have imagined that, by 1978, I had developed any hard core of people who saw me as having a future beyond continuing as Treasurer. The economic dries remained supportive of Lynch. Those unhappy with Fraser, or still, for one reason or another, carrying lingering resentments about earlier disputes, tended to coalesce around Reg Withers and Andrew Peacock. Overwhelmingly, however, Fraser commanded the loyalty and support of the parliamentary party. He had won two massive victories, and had a demeanour which transmitted commitment and toughness.

On the other side of politics Hayden had replaced Whitlam after the 1977 election. He was respected within the political class for having done a good job as Treasurer in quite impossible circumstances. Deciding to stay out of the leadership for the first two years had been a sensible move. He had a Herculean task to restore his party's credibility on financial matters.

Bob Hawke was by this point strutting across the national political stage as president of the ACTU, openly ambitious about winning a seat in federal parliament. It now seems incredible that it should have taken the Labor Party so long to find an electorate for him. Once he did win the prime ministership, he would demonstrate a connection with the Australian electorate stronger than any Labor leader, before or since. That, of course, was still several years into the future.

The other Labor figure outside the federal parliament who continued to make an impact was Neville Wran, the Premier of New South Wales. In my view, Wran joins Bob Hawke as one of the two most significant Labor figures of that generation. Wran gave Labor victory, and also competence in government, at a time when national morale for the party had hit rock bottom. Remember that Whitlam was routed in December 1975, and having waited 23 years in opposition to see their dream of a viable Labor alternative in government destroyed so quickly, Labor people despaired of the future. Winning government in New South Wales in May 1976 gave Labor new heart. Wran was a polished media performer — as good as any I have seen on TV news bulletins — got on well with what he called 'the big end of town', and provided something of a role model for future state Labor governments around the country.

* * *

The 1980 budget will chiefly be remembered as the one which was almost fully leaked by Laurie Oakes, then with Channel 10. Oakes got hold of one of the close-to-final drafts of my budget speech, and its leaking a few nights before the budget was a huge embarrassment for the Government. I later thought that the leak had come from a public service source.

The leak completely overshadowed the fact that for the first time in years Australia was projected to record a domestic budget surplus. After five years of grind, it was a significant achievement but its symbolism was completely lost in the bigger story of the budget's premature disclosure.

The 1980 election and its immediate aftermath would markedly change my relationship with Malcolm Fraser on policy issues. I had retained my enthusiasm for taxation reform involving the introduction of a broad-based indirect tax accompanied by reductions in personal income tax. After the election had been called I reached an understanding with the Prime Minister, which he honoured in full, that neither of us, nor indeed the Deputy Prime Minister, Doug Anthony, would, during the course of the campaign, rule out future taxation reform. I wanted to keep open the option of moving on this issue if the Government were returned.

Hayden exceeded expectations in the campaign but Labor still fell short, with the Government winning with a reduced majority of 23 seats. Bob Hawke entered parliament via the safe Labor seat of Wills, in Victoria. There was a big swing against the Liberal Party in Victoria, although we held up better in New South Wales. Most people attributed this to the effective fear campaign waged by

the Government on the capital gains tax issue during the dying days of the campaign. Peter Walsh, who became Finance Minister in the Hawke Government, had raised the possibility of a capital gains tax. Fraser grabbed hold of this with an impressive ferocity, reminding all of us what a formidable campaigner he could be. Walsh should have known that Fraser would hurt Labor with a claim it would tax the family home.

When the remarks were made by Walsh, the Government was struggling in the polls, and although Labor had a huge leeway to make up there was considerable nervousness in the Liberal camp. Property values in Sydney were higher than in any other part of the country, and the capital gains tax issue resonated in the nation's biggest city more than anywhere else. Ten days out from the election, Fraser rang me at home and said that 'our polling says that Labor is in a clear winning position'. I had spent most of my time in New South Wales, and told him that the mood in that state was still strong for the Government.

As a measure of Fraser's nervousness, he rang me on the Tuesday before polling, when I was campaigning for Michael Baume at the Moss Vale Golf Club in his electorate of Macarthur. Fraser told me that he had a number of ministers, mainly Victorians, gathered in his office discussing the state of the campaign. They were canvassing the possibility of the Prime Minister announcing that the Government would boost family allowances if it were returned. I said I thought that would be regarded as a panic move by the electorate, and might backfire. He asked me to seek Michael Baume's view, given that Michael held a marginal seat. Michael replied, 'Tell the big bastard to calm down and focus on the Government's record.'

The 1980 election result was a real shock for Malcolm Fraser. It should not have been. The 1977 result simply reflected the unwillingness of the electorate to seriously contemplate Whitlam again. Once Whitlam had gone, things were bound to return to a more normal political situation.

When Malcolm Fraser and I discussed the election outcome, he said that part of the reason why the Government had lost so many seats was that he had not been able to give people lower taxes. He said that his Government had been elected on a smaller-government, lower-tax platform and more had to be done on this front, and that he intended to do something about it. This was encouraging, because I had to agree with him that that was part of the problem. Now that Whitlam himself was gone, it was no longer tenable to hark back to the Whitlam days too much.

He established what became known as the 'razor gang', under the chairmanship of Phillip Lynch. This group of ministers was charged with trawling through all areas of government, to find expenditure savings to form the basis of a major statement about the size and direction of the Government. This was quite separate from my earlier understanding with Fraser to reform the taxation system.

As well as Phillip Lynch as chairman, the committee included me, Margaret Guilfoyle, the newly appointed Finance Minister, Peter Nixon, and Ian Viner. Fraser wanted the committee to start work immediately and have only minimal time off over the Christmas period, with a view to the major statement being made early in 1981.

Margaret Guilfoyle had replaced Eric Robinson as Finance Minister. Fraser demoted Robinson from cabinet to the outer ministry — for no good reason — and Robinson refused to serve in the lesser post. He died suddenly only weeks later (from a congenital heart condition). Robinson had been Queensland Liberal president, and the Nationals in that state unreasonably resented his continued, aggressive advocacy of the Liberal cause in Queensland. The friction this produced would have heavily influenced Fraser's decision to treat Robinson as he did.

In keeping with our understanding, I announced that the Government would immediately start an examination of the taxation system, including the possibility of introducing a broad-based indirect tax, accompanied by reductions in personal income tax. Once again I felt quite excited, as this was a reform I was convinced was needed. There had been a false start two years earlier. There was only a

six-month window of opportunity, as the Government would lose control of the Senate by 1 July 1981. There was not a moment to be lost, and I was keen to get to work on the tax proposal immediately.

On 3 December, the Monetary Policy Committee of cabinet, on my recommendation, decided that interest rates paid on deposits taken by banks from customers be deregulated. I had also argued for deregulation of lending rates, but this change was rejected. This was a significant decision and set the ball rolling on interest-rate deregulation, which would emerge a year later as one of Campbell's major recommendations. Once rates offered by banks were deregulated, it was only a matter of time before the rates charged by banks had to be deregulated. Nonetheless, the ball rolled very slowly, as it was not until early 1986 that the Hawke Government moved to phased deregulation of lending rates by removing the ceiling for new loans, thus adopting a policy I had advocated as Opposition leader.

When announcing the 3 December decision to parliament, I challenged decades of orthodoxy on interest-rate controls, from both sides of the house, by pointing out that, in particular, they had resulted in small borrowers being denied access to funds. Today such comments would be accepted as a statement of the obvious; in 1981 they were anything but.

After a gruelling year, I was relieved when I arrived at Hawks Nest, on the Central Coast of New South Wales, for a family holiday late in January. This would be the first of many holidays at Hawks Nest for our youngest child, Richard, who had been born the previous September. It went extremely well until I received a message from the motel owner asking me to ring Michelle Grattan, chief political correspondent of the *Age*. There was nothing strange in this of itself. Michelle was never one to be deterred by the fact that somebody was on holidays. When I rang back, she said, 'Your indirect tax is dead, cobber.' I asked her what she meant, and she told me that Malcolm Fraser had been on Melbourne radio a short while before, pointing out some of the difficulties in broadening the indirect tax base, including the time taken to put the proposal together, and its inflationary impact. The *Age* quoted him on 10 February as having said on radio the previous day that it would cost \$3.5 million to cut the standard rate of tax from 32 to 25 cents in the dollar. He was reported as saying, 'If you were going to raise the same amount of revenue by indirect tax you would add about 5 to 7 per cent to Australia's inflation rate.'¹ Fraser gave me no warning of his intervention.

This was very bad news for me. I knew instinctively that he would not have gone public with these reservations unless he had made up his mind to oppose taxation reform. To make matters worse he had not given me any advance warning about his comments. I spoke to him subsequently, and his response was, 'Well, John, there are difficulties, and they need to be considered, but you should continue your work.' I resolved that I would but I knew then that we were not going to achieve taxation reform because the PM was against it.

I, nonetheless, went ahead and put forward a submission proposing a modest broadening of the indirect tax base, including, for the first time, a tax on services, with compensating personal tax cuts. It was a proposal which could be implemented in the remaining six months of government control of the Senate, and could be further expanded once the principle of a broadened indirect tax base had been accepted. It would have begun easing the heavy burden of personal tax in the Australian taxation system, and shifting some of it to the indirect tax base. Cabinet rejected my proposal, as I knew it would once the Prime Minister had disclosed his hand, although I was not without a number of supporters, including Ian Viner, Fred Chaney and Peter Durack.

I made a major statement to parliament, explaining why we had decided not to broaden the indirect tax base, on 12 March 1981. Although the statement contained that explanation, it really put on record my arguments for long-term restructuring of the taxation system.

This episode affected my attitude towards the Prime Minister. We still remained close colleagues, and I was a staunch supporter of his within the parliamentary party, but I felt badly let down on an important policy issue and sensed that when it came to big reforms, he would not chance his arm. This had implications for the durability of the Government. We had lost quite a lot of seats

at the just-concluded election, and the immediate summation had been that the Government had not been adventurous enough.

The razor gang proved to be anything but adventurous and was one of the great damp squibs of the Fraser Government. For example, there was a strong view amongst its members that we should privatise government-owned businesses such as Qantas, Australian Airlines and the Commonwealth Bank. There was no point in pursuing this unless we had the support of the Prime Minister. We deputed Phillip Lynch to obtain Fraser's views. Unsurprisingly to me, he was very negative. He held the economically conservative view that government enterprises kept the private ones honest.

Meanwhile, the dynamic within the Liberal Party itself was changing, and a challenge, of sorts, from Andrew Peacock to Malcolm Fraser had begun to brew. Perhaps it was one of the reasons why he got cold feet over taxation reform. Immediately after the election there was the customary party meeting. Naturally there would be no contest for the leadership, and it was assumed by most the same would apply to Phillip Lynch's position as deputy. Peacock nominated for the position, and mustered a very respectable 35 votes against 47 for Lynch. This outcome was interpreted by many as a virtual nomination of Peacock as Fraser's logical successor.

Peacock's strong showing in this ballot had unsettled Fraser a lot, and had injected a new element into the internal mood of the Liberal Party. After the election, Peacock voluntarily gave up the Foreign Affairs portfolio and moved to Industrial Relations. He had been Foreign Minister for five years and before that shadowed in the area. It was thought that his good interpersonal skills would work well with many trade union leaders.

Andrew Peacock lasted just six months as Minister for Industrial Relations before he resigned. There was obvious tension between him and the Prime Minister from the beginning. He complained that the PM interfered too much in the running of his portfolio, but I don't think that he received any rougher treatment than other senior ministers. He was on stronger ground in his dispute with Fraser over the continuing recognition of the Pol Pot regime in Cambodia (then Kampuchea), when he argued that Fraser had broken a promise to deny a false report about his threatened resignation on the Pol Pot issue.

Many colleagues saw Peacock's resignation as the first step in a tilt at the leadership and although he was the likely next leader, that was down the track; there was little belief that Fraser should or would be replaced by Peacock before the next election. As a consequence, his resignation lacked justification, hurt the Government and was resented by many colleagues.

1981 also saw a major development in the internal debate on economic policy within the Coalition. As Minister for Industry and Commerce, Phillip Lynch took to cabinet a proposal which effectively would continue quite high levels of protection for the car industry in Australia. I, along with a number of other colleagues, opposed the Lynch package but Lynch and Fraser had the numbers.

As a prelude to cabinet's discussion, no fewer than 33 members of the Coalition party room addressed a letter to the Prime Minister and Phillip Lynch calling for lower tariffs and a less protectionist policy. It was a remarkable rebellion on fundamental economic policy. It received wide publicity, but in the final analysis fell on deaf cabinet ears. John Hyde, the Liberal member for Moore in Western Australia, and acknowledged leader of the economic dries within the Coalition, had spearheaded the letter-writing effort, and he had gathered much more support than many had expected.

Lynch lost the support of the dries following the policy decision taken by cabinet on the motor vehicle industry. It also had implications for me. Having been disappointed by Lynch, Hyde and others close to him began to talk more regularly to me, not only about economic policy but also my future within the Liberal Party. This group had become frustrated with Fraser.

The dries were a group of MPs largely elected in 1975, enthusiastically committed to smaller government and more market-oriented economic policies. They had become increasingly disillusioned with the Government's direction because they felt that decisions often failed to reflect

the economic principles in which they believed — the motor vehicle one being the most egregious example. John Hyde had come in with me in 1974, but 1975 had brought in Ross McLean from Western Australia, James Porter from South Australia, and Murray Sainsbury from New South Wales as examples of this line of thinking. In 1977 Jim Carlton joined their ranks. To their credit they maintained intellectual consistency, irrespective of political circumstances, in the arguments they put to me both in private and in the party room. They were quite an impressive bunch who wanted the Government to practise as well as preach the values of the free market. All of the dries paid homage to Bert Kelly, Liberal member for Wakefield in South Australia, as the parliamentary trailblazer of their economic values. In an era of high tariff protection, Kelly's had been a lonely voice.

Signs developed through 1981 that the economy was beginning to cool. The impact of the 1979 second oil shock had been masked in Australia by the revenue surge it gave the Government flowing from the parity pricing of crude oil. There could be little doubt, however, that the rest of the world was suffering from the impact of another rise in crude oil prices, with recession spreading in many countries. This was bound to have an impact on Australia.

In the lead-up to the 1981 budget I had a meeting with Hugh Morgan, managing director of Western Mining, and other mining industry leaders where they gave me a very sober assessment of where they saw the Australian economy heading. They were gloomy about the prospects for the mining industry. This was particularly daunting, as the wave of investment in mining over the previous year or two had been the source of a lot of hope concerning the future of the Australian economy.

Having earlier in the year rejected my plea for a broadening of the indirect tax base, accompanied by reductions in personal income tax, perversely, senior ministers agreed to include in the 1981 budget some broadening of the indirect tax base (although not as much as I had earlier proposed), but with no personal tax cuts to smooth the acceptance of the indirect tax changes. The extra revenue from the broadening of the indirect tax base was used to further cut the deficit, so as to take pressure off interest rates.

The Government had lost control of the Senate on 1 July 1981, and, as a consequence, never really had a hope of getting the indirect tax changes in the budget passed. The folly of not acting at the beginning of the year, when there were still the numbers in the Senate to achieve reform and change, was there for all to see. It was immensely frustrating.

For decades the Metal Trades Award had been the benchmark for wage fixation in the Australian industrial relations system. In 1981 pressure mounted for a big increase under this award. While some firms could afford to pay increases, many could not. This was always the inherent contradiction, indeed flaw, in a centralised wage-fixation system. It formed the basis of the intellectual argument that I and many others mounted against the system through the 1980s.

After strike action which caused significant industrial dislocation, there was a settlement which conceded much of what the unions had wanted. On 18 December 1981 the Arbitration Commission ratified an agreement between the Amalgamated Metal Workers and Shipwrights' Union (AMWSU) and the Metal Trades Industry Association (MTIA), the relevant peak employer group, for a wage rise of \$41 a week and a 38-hour week.

Before long the implications were clear. The December 1981 agreement flowed through to all of the other awards, and before long firms unable to pay the higher wages began retrenching staff.

That was how a centralised wage-fixing system worked. For me it was a political, as well as economic, nightmare. The Government was left marooned without a policy response, other than the highly unattractive one of increasing interest rates to restrict the capacity of firms to pay higher wages. That was no response at all, because it would result in still higher unemployment. What our side of politics needed, and did not have at that point, was a totally different approach to wages policy.

Federal Labor was the political beneficiary of the wages explosion, but it also recognised the implications of what had happened. Some years later, Paul Keating would famously say to George Campbell, the Federal Secretary of the Amalgamated Metal Workers' Union (AMWU) at the time

of the explosion and later a Labor senator, that he and his associates 'carry the jobs of the dead men' around their neck, a reference to the widespread unemployment caused by the wages breakout. Labor's political argument was that the Liberal Party had no way of controlling wages, except by the blunt instrument of tightening monetary policy through much higher interest rates, thus squeezing firms, which in turn laid off more staff.

This argument would remain valid if a centralised wage-fixing system continued, whereby across-the-board wage increases were delivered irrespective of individual capacity to pay. It would be an entirely different matter if that approach were abandoned, and a system of workplace or enterprise bargaining were introduced. That was the system for which I was to campaign for years. If there were to be a change to such a system, then union power, most particularly the monopoly the unions held over the bargaining system, would need to be rolled back. This was to become the real battleground in a debate which is yet to be fully resolved and remains intensely relevant to Australia's economic future.

13 FOOLED BY FLINDERS

The year 1982 opened amidst a deepening world recession, which Australia did not escape. Stagflation, the economic disease of the 1970s and '80s, afflicted most developed economies. In the United States, interest rates remained very high; for this and other reasons, they were also high in Australia. In 1979 Paul Volcker, a dedicated inflation fighter, had become Chairman of the Federal Reserve in America and signalled that he would push interest rates up to the level necessary to squeeze inflation out of the system. This approach worked. In 1980 annual inflation in the United States was 13.5 per cent. By 1983 it had fallen to a little over 3 per cent.

This year was made worse by one of the most severe droughts of the 20th century, which afflicted large parts of eastern Australia. It threatened the survival of breeding stock as well as producing the usual debilitating effects on farmers and communities of all bad droughts. The response of the Fraser Government was comprehensive and effective, with interest-rate subsidies helping preserve breeding stock, so vital to Australian pastoralists.

On 4 January, the former prime minister Bill McMahon retired from the Sydney seat of Lowe, which he had held since 1949. This would prove to be a bad by-election for the Government. There was a swing of more than 7 per cent and, on 13 March, Labor won the seat from the Liberal Party for the first time since its creation, at the 1948 redistribution.

1982 was also to become a watershed year for Victoria politically. After 27 years of Liberal government, inaugurated by Henry Bolte in 1955, the Labor Party won office under John Cain on 3 April. The psychological impact of this on Liberals from Victoria was immense. Intellectually they had prepared for defeat, but the jewel-in-the-crown sentiment ran deep in this Liberal division.

With the Victorian election out of the way, Fraser acted to bring the long-simmering stand-off between himself and Andrew Peacock to a head. It had become a constant distraction for the Government and a regular signal to the community that the Liberal house was divided. Fraser called a party meeting for 8 April and indicated that he would resign the leadership, thus providing Peacock with the opportunity of challenging for the top job. I never thought that Peacock had a chance of toppling Fraser. The only issue was the size of Fraser's victory.

In the weeks preceding Fraser's initiative, a group of Liberal MPs, led by John Hyde and Ross McLean, had come to me with the proposition that, if there were to be a spill of leadership positions, then I should contest the party leadership. They said they had lost faith in Fraser's economic direction, but that Peacock was not committed to the type of economic policies they thought Australia needed in the years ahead.

I was flattered by their offer of support but, nonetheless, made it very clear that I did not think it was in the best interests of the Liberal Party for me to stand, that I would support Fraser and campaign for him, and I urged them to do likewise. They were not entirely surprised by my response. But their approach had told me that in the year or more which had passed since the 1980 election, the dries had not only transferred their support from Lynch to me, but had well and truly given up on Fraser.

Phillip Lynch decided that he would give up the deputy leadership at the same time as the ballot for the leadership. After a quick assessment of support, I decided to nominate for that position. I had Fraser's support. He promoted the advantages of a deputy coming from Sydney, as against his Melbourne attachment. This was my first experience of a contested party room ballot, and I did the only thing that seemed logical. I directly approached people for their votes, naturally excluding some who I felt intuitively would never vote for me. Michael MacKellar, a fellow New South Welshman and the Health Minister, also stood. It seemed pretty clear that the great bulk of those who were going to side with Peacock against Fraser would also support MacKellar against me.

Fraser defeated Peacock by a neat margin of 2 to 1: 54 votes to 27. In the contest for deputy, I won 45 to 27 on the second ballot against MacKellar. After eight years in parliament I was both Treasurer and Deputy Leader of the parliamentary Liberal Party.

My sense of achievement was heavily qualified. Although it was not a poisoned chalice, I had come to the deputy leadership at a very difficult time. The Government had been in office for over six years, was performing poorly in the polls, had been through a bruising leadership contest, and the economy was slowing rapidly.

I did not see elevation to the deputy leadership as necessarily indicating that I would become the leader after Fraser. The Prime Minister was then only about to turn 52, so issues of longer-term succession were not on the agenda. My total political focus was the re-election of the Fraser Government.

Late in 1981, the Campbell Inquiry reported. It had met all of the expectations. Campbell recommended widespread deregulation of the financial system, including: floating the Australian dollar and the abolition of exchange controls; admitting foreign banks; and the removal of controls on interest rates. It went too far for the comfort of the Prime Minister and some of his senior colleagues.

I had a difficult negotiating session with Fraser over the contents of my statement welcoming the publication of the report. I wanted to be as positive as possible. He did not want the Government locked in too much to supporting the main recommendations.

Doug Anthony wasted no time in saying, publicly, that he was against removing interest-rate controls. Fraser and other senior members of the Government made clear their complete opposition to floating the dollar. As I mention later, Doug Anthony maintained this attitude in opposition, and Fraser, by then out of parliament, attacked the Hawke float.

When the Campbell Report landed with a thud on the cabinet table, interest rates were still high, and there was acute concern in the Government about the cost and availability of finance for housing and small business. The controlled ceiling for housing interest rates was then 12.5 per cent, and there was little finance available at that rate because the banks were losing deposits to other financial institutions offering higher rates. A typical arrangement then was for a borrower to receive a relatively small portion of the required loan at 12.5 per cent and the rest from a finance company, often a trading bank affiliate, at a much higher rate. These 'cocktail' loans usually produced an average rate of 17 to 18 per cent for the whole loan. It was, therefore, easy to see that interest-rate controls were not delivering cheaper loans for homebuyers. That was Campbell's conclusion, which I endorsed.

I therefore recommended in a submission to the Monetary Policy Committee in February 1982 that we commence the process of deregulating interest rates on housing loans of less than \$100,000 — average loans in high-priced Sydney were less than \$50,000. My submission spelled out how controls were failing their intended objective, and I advocated lifting the controls through a process of negotiating with the banks for phased deregulation. I could not obtain authority to do this; rather, there began weeks of negotiations with banks to secure extra housing finance through a combination of a 1 per cent increase in the interest-rate ceiling and the removal of some restrictions on the banks, as recommended by Campbell. These changes were helpful and produced promises of increased lending, but fell well short of the change needed to break free of counterproductive regulation — and that was removing interest-rate controls altogether on future housing loans. In one stroke, that would have lifted permanently the flow of money into housing.

There was also a time-consuming examination of other quite nonsensical proposals to boost the flow of money to housing, including the unsound idea of the RBA releasing some of the Statutory Reserve Deposits (SRDs) it held from the trading banks to augment the pool of money for housing. One of the reasons it was unsound was because the SRDs were subject to short-term variations, whereas housing finance was for long periods. Another equally flawed idea was to extend the old 30/20 rule whereby life offices and superannuation funds paid higher taxes if they did not invest a portion of their funds in government bonds to housing finance. The life offices and superannuation

funds would pay higher taxes if they did not commit a specified level of funds to housing. Campbell had recommended abolition of the 30/20 rule, let alone its extension.

Both proposals ultimately bit the dust, but it was only the combined opposition of me and the RBA governor which stopped the SRD proposal appearing in the 1982 budget speech. These proposals ignored the central reality that interest-rate controls aggravated, rather than ameliorated, the shortage of housing finance at a time of generally high interest rates. That was the view of Campbell. If that was the view of Malcolm Fraser in 1982 he did not act upon it.

With Fraser's support, early in 1983 I announced that the Government would allow in approximately ten foreign banks. They would provide much-needed competition for the existing domestic banks. This decision was applauded by the business community, but criticised by the shadow Treasurer, Paul Keating. In a statement on 26 January 1983, Keating said, 'By allowing foreign bank entry in Australia the nation is being subjected again to ad hoc decision-making which in this case will effectively change by stealth the whole structure of the Australian financial sector.'¹

Also the Fraser Government had taken the obscure-sounding decision to bring in a tender system for the sale of Treasury bonds. This change meant that demand would determine interest rates on government bonds; as a consequence, there would be less printing of money to finance deficits. In his 2006 Boyer Lecture, Ian Macfarlane, the former governor of the Reserve Bank, said that this had been a major reform not accorded the recognition it deserved — second only in importance to the floating of the dollar. It was a change that Fraser himself strongly advocated.

I knew that putting together the 1982 budget would be a daunting task, even more difficult than my first in 1978. With the economy slowing rapidly and revenues falling away, there was a gruelling tussle between me and the Prime Minister about the direction of policy. He favoured an expansionary budget. By contrast, I argued that the inflationary pressures in the community were still so strong that any large increase in the budget deficit would add to those pressures and be damaging to the economy. Unemployment had begun to increase, and large parts of the country were still racked by drought. All of the options were bleak. I wanted our economic policy to remain consistent. For years we had preached the virtues of fighting inflation, reducing the budget deficit and avoiding the easy resort of spending our way out of difficulties. The way things started, it looked as if this budget would turn all of that on its head.

The budget cabinet deliberations became acrimonious. The differences between me and the Prime Minister were out in the open. Our colleagues must have been dismayed as the Prime Minister and his Treasurer argued and sniped at each other about the shape of the budget as the country headed towards recession.

I became alarmed that early spending decisions were so extravagant that there would be a huge increase in the budget deficit. To me, this was untenable, and I talked about resigning with my wife, John Hewson and Michael Baume, my parliamentary secretary and close friend, later a NSW senator. I put it aside as an option. It would be seen as disloyalty to the Government, only worsen its political difficulties and not necessarily result in a better economic outcome.

Fortunately, Fraser responded to my concern, acknowledging that too many expenditure decisions had been taken which added to the budget deficit. We met in his office and he immediately suggested changes to decisions already taken, and some other measures which would help bring the prospective deficit back to more manageable limits. We would still end up with a very expansionary budget, but it would not be as bad as had seemed likely a short while before.

I brought down the budget on 17 August 1982. It was attacked as too expansionary, and breaking with the economic doctrine the Government had been enunciating for many years. This was the central political dilemma we faced. For years we had preached the virtue of expenditure restraint and reduced deficits, yet all of a sudden we were saying that the solution to the nation's economic problems lay in more government spending. It confused the public.

So much for economic and political theory; the public was more interested in the human consequences of the worsening recession. On several occasions, over coming months, it became necessary to revise upwards, the unemployment predictions. This not only reflected the reality of a collapsing labour market, but unavoidably conveyed the impression that the Government was powerless to do anything about it.

Due partly to his having come to the prime ministership through an early election, Malcolm Fraser was always attended by early election speculation. I felt sure that he wanted, if possible, to have an early election at the end of 1982. I was against this. My principal reason was that the public had grown sick and tired of elections being called to accommodate what they saw as the political interests of the incumbent government. The Liberal Party organisation was in no mood to fight an early election. Fraser was both stunned and angry at opposition to an early election.

Suddenly, in October 1982, Phillip Lynch announced that, because of ill-health, he would retire from parliament, leaving a vacancy in his seat of Flinders to be filled at a by-election before the end of the year. Within a few days there was a real bombshell. Malcolm Fraser developed severe back problems and had to enter hospital for surgery which would sideline him for up to two months. This put paid to any possibility of an election at the end of the year.

It also meant that I would lead the Liberal campaign effort in the by-election, as acting party leader in Fraser's absence. What is more, I was left with most of the responsibility for a wages pause, which Fraser had initiated only a few weeks earlier. It had struck a chord with Australians. By now, employment was falling like a stone, and even some of the more difficult elements of the trade union movement embraced the idea of holding down wages as a trade-off for some others keeping their jobs. As part of the healing process, Andrew Peacock was able to return to cabinet in November, taking the place of the retiring Phillip Lynch.

Bob Hawke had entered parliament in 1980. From that moment onwards there was constant speculation about his replacing Hayden. On 16 July 1982, with the open support of the NSW right, led by Keating, Hawke challenged Hayden. The result was the best possible for the Government. Hayden defeated Hawke by a margin of only five votes: 42 to 37. It left Hayden debilitated and Hawke, despite his wordy protestations, as an untamed predator. Hayden needed a good result in Flinders to consolidate his leadership.

Lynch had held Flinders at the 1980 election with a margin of 5 per cent, and with a by-election in the depths of a recession, it seemed ripe for the taking by Labor. The ALP got off to an atrocious start by choosing a very poor candidate, a local real-estate agent by the name of Rogan Ward. He was uninspiring on the campaign trail. In by-elections, particularly highprofile ones, and Flinders was certainly one of these, there is constant publicity surrounding the candidate. A bad candidate can get lost in a general election. He or she can't hide in a by-election.

The Liberal Party's candidate was a local solicitor, Peter Reith. I opened his campaign with a rally at Mornington High School on 12 November. My travel to the event attracted more than the usual publicity. I had burst an eardrum and had medical advice not to fly. I therefore took the Riverina Express from Central Station in Sydney to Spencer Street Station in Melbourne. It had been a long time since a senior political figure had travelled between Sydney and Melbourne by rail, and there was quite a bit of interest in this.

The Liberal Party's one campaign theme was the wage pause. We said to the people of Flinders that the country was in a recession, unemployment was rising and one way which meshed with the Australian notion of mateship, of helping those whose jobs were at risk, was for those who had jobs to forgo wage increases to help their fellow Australians who were at risk. It seemed to catch on. But I didn't imagine for a moment that it would be sufficient to prevent the seat falling to the Labor Party. Reith was a very good candidate, and he and his wife, with their then young family, presented a good image of a local family, strongly identified with the aspirations and the future of the electorate.

The Labor Party was knocked sideways, three days out from the election, by an article appearing in the Melbourne *Age* suggesting that the Labor candidate, Ward, had been involved in some shady real-estate deals. Rogan Ward denied the allegations. It was manna from heaven for the Liberal campaign. I stayed in Sydney the day of the by-election, 4 December, and rather nervously awaited the result. Finally, I rang Grahame Morris, who had been 'minding' Peter Reith throughout the campaign, and to my great delight he said, 'I am about to go in and tell Peter that he has been elected as the member for Flinders. It has been a great result. The swing against us was only 3 per cent.' This was an amazing outcome, the deficiencies of Rogan Ward notwithstanding. It had huge implications for both the Government and the opposition.

Labor's dismay was palpable. How could it be, that, in the middle of a recession, with unemployment heading towards 10 per cent and the incumbent government having been there for seven years, it was not possible to achieve a swing of 5 per cent? It defied all political reasoning. Inside the Labor Party, the near-universal judgement was that Hayden was the problem. The media hounded Hawke for a response. He had one of his celebrated temper outbursts, telling some television journalists to 'get a grip of yourselves!' This kind of response only reinforced his appeal to the Australian public.

The Flinders by-election came to occupy a special place in Australian political history. It crippled Bill Hayden's leadership, thus creating the eventual circumstances for Hawke to take the Labor leadership in a most remarkable way in February 1983. It also produced, in Peter Keaston Reith, the only person who won a seat in federal parliament, but was never sworn in, because the parliament to which he had been elected did not sit again after the poll in the by-election had been formally declared, and lost the seat at a subsequent general election.

Parliament resumed for a week immediately after the by-election, and there was relief and mild hope at the Christmas drinks in my office for colleagues. It proved to be a false dawn, for the by-election outcome had been precisely the wake-up call which the Labor Party required to galvanise the forces needed to change its leadership.

For me, the beginning of 1983 was a sad one. My mother died on 9 January, just a few weeks after her 83rd birthday. Mum had survived my father by more than 27 years, and had lived for most of that time with extremely good health. She had taken a quiet pleasure out of my political success, but with the typical caution of a person of her generation, who felt that success for themselves or their family was always somewhat unexpected. Mum's tenacity and single-minded fidelity to things in which she believed had left its mark on me.

My parents' lives had been a world away from my own, and even more so from those of my children. My mother was buried from the Earlwood Methodist (by then Uniting) Church, which had been such an important part of our earlier lives. My three brothers had each married there, and my father also had been buried from there.

It soon became obvious that Malcolm Fraser had not lost his desire to have an early election. He believed it was only a matter of time before Hawke replaced Hayden as Labor leader, and was determined that the poll should take place before this occurred, leaving him facing a much stronger opponent. During his convalescence he had developed a campaign theme, based on the belief that Australia could not wait for the rest of the world to deliver it economic recovery. It was something he pounded home to me when I visited him on holiday in January. The election slogan became 'We're not waiting for the world', complete with lyrics sung by the popular Colleen Hewitt.

Our January holiday at Hawks Nest was interrupted by my having to go to Canberra on 2 February for a meeting with the major banks to discuss issues relating to the proposed entry of foreign banks into Australia. That was a useful blind for a meeting with the Prime Minister, Tony Eggleton, the party's federal director, and Peter Nixon, whose advice Fraser always respected. Fraser wanted a poll on 5 March. He remained preoccupied with the possibility of Hawke replacing Hayden and intensely pessimistic about rural Australia, speaking as if he believed that the drought would never

break. The mood at that point was optimistic about our prospects, due to the Flinders result and the belief that Fraser would face Hayden. Eggleton said to both Nixon and me, 'I think we should win.'

I returned to Hawks Nest that evening, and over dinner I disclosed our plans to Janette, including that Fraser would announce the election the following day. In response she said, 'Are you sure that they won't change leaders on you?' I said that that was highly unlikely. Janette's assessment had been based on a most equivocal response she had heard Lionel Bowen, the then deputy Labor leader, give to a question about the leadership on radio earlier that day.

The very next day, 3 February, Janette's prophecy was realised, as we learned listening to the radio on a drive to the beautiful Myall Lakes, not far from Hawks Nest. In a highly dramatic turn of events, Hayden, that morning, had succumbed to the pressure of his colleagues and stood down from the leadership in favour of Hawke. What it meant to the political landscape was best summarised by a remark of another Hawks Nest holidaymaker who ran a small business. Passing me outside our unit that evening he simply said, 'So we've got an election. Now you've blown it.' He was a Liberal supporter, concerned that the change to Hawke had made it very likely that the Government would be defeated.

I spoke to Fraser after he had held his news conference and knew that he would face Hawke and not Hayden. He sounded upbeat and remarked that we would be knocking off two Labor leaders at the same time. Yet, he, most of all, must have been totally unsettled by what the Labor Party had done. The truth was that in the space of just 24 hours Fraser had lost control of events. Labor had struck with remarkable boldness, and the dynamic of Australian politics had been turned on its head.

Janette and I both knew how much Hawke's accession had changed things and it was very likely curtains for the Government. Australia was in recession, and Bob Hawke had strong public support. We pinned our hopes on the possibility of Hawke blowing up under the pressure of a campaign, with the Australian people deciding that he was too volatile to be entrusted with the prime ministership. He had already obliged with his bad-tempered response to Richard Carleton's question on *Nationwide*: 'Mr Hawke, could I ask you whether you feel a little embarrassed tonight at the blood that's on your hands?'² That proved to be wishful thinking. Apart from that intemperate outburst on the day that Hayden had quit, Hawke was a model of balance and restraint during the campaign. He gathered strength as the days went by. The switch had a near-euphoric effect on large sections of the public.

It was impossible not to feel sorry for Hayden. I sent him a personal note expressing the empathy of a political rival who guessed the agony through which he would be passing. There was one especially poignant TV image of Hayden looking on as a quite adoring crowd of people mobbed Hawke at some public gathering.

Despite this, it took a while into the campaign before I accepted the strong likelihood of defeat. As a political competitor, that, after all, is a natural state. One keeps hoping and fighting until the end. If nothing else, Australian politics had proved to be remarkably unpredictable during the previous year. A lot of my mood flowed from my respect for Fraser's campaigning abilities. He had won three elections and, up until then, had been the most successful Liberal leader since Menzies.

In an election campaign, there are two ways of testing public opinion. There are the published and private polls and then there is what I call the field evidence. The published polls were bad, having strengthened for Labor once Hawke took over. I learned, after the election, that Gary Morgan had done some private polling for Fraser two weeks out from the election which showed that the Government was in a hopeless position.

The field evidence was uniformly bad. The day after the campaign launch in Melbourne, I flew to Brisbane for a small business luncheon in support of Don Cameron, the member for Fadden. It was a poorly attended event; there was a marked lack of enthusiasm, which troubled me, given that small business was part of our traditional base. Later, passing through Tullamarine Airport, I was stopped by a party activist from Casey, a Melbourne electorate held by Peter Falconer. He was in small business and told me how badly we were doing and that high interest rates had done great

damage with small-business proprietors. Grant Chapman, the Liberal member for Kingston in South Australia, invited me to address a public meeting in his electorate, which three people attended. Whilst public meetings at 8 o'clock on a weekday night had long since ceased to be flavour of the month, this was ominous. Cameron, Falconer and Chapman all lost their seats in the 1983 election.

Both Doug Anthony and I wanted Fraser to take up an offer from Rupert Murdoch, who then owned the Ten Network, for a debate with Hawke. The three of us thought that it could help Malcolm, but he refused.

I spent election day visiting polling booths in Bennelong, thanking my helpers for their support, but sensing by then that the election was gone. We gathered at our Wollstonecraft home to watch the results. Once the result was clear, I rang Fraser, who was plainly shattered by the outcome. It was a difficult conversation. He was the fallen giant, who had for so long seemed invincible.

Hawke's win in 1983 has been the best of any Labor leader at a change of government. He won a majority of 25 in a house of only 125. During the campaign, Hawke had captured the imagination of many Australians with his talk of bringing people together. In contrast, Malcolm Fraser often sounded shrill, with exaggerated claims that Australians should put their money under the bed if Labor won.

Overwhelmingly, though, the Coalition lost because Australia was in deep recession, and Labor was led by a person in Bob Hawke whose blend of larrikinism and intelligence had long appealed to lots of Australians. The fates had conspired to deliver Hawke the leadership at the optimum time for him. He never had to face Fraser in parliament, where he could well have fared poorly.

Following the chaos of the Whitlam years, Fraser had restored calm and order to the nation's government. The budget was brought under control. It was being steadily returned to surplus until the recession of the early '80s hit, and this had happened through a time of subdued world economic growth.

To properly assess Malcolm Fraser's economic stewardship is to understand that, first and foremost, he was a creature of the Menzies–McEwen period of economic management, when plenty of benign and protective government intervention appeared to work. There was strong growth and low unemployment to show for it. Why, therefore, should those policies not be continued? Fraser, and many around him, brought that attitude back to government in 1975.

For the seven-and-a-half years that we had worked together, the relationship between Malcolm Fraser and me had been politically close. I was an advocate for Fraser within the parliamentary party, as I always believed that he was the right person to lead the party through the time that we were in government. I also had a strong sense of loyalty towards him, reinforced by his generous promotion of me. Our relationship, although friendly, was very much a professional political one, which was never likely to continue once he left parliament in 1983.

My differences with Fraser, in government, were confined to certain economic issues. It was during my prime ministership that we really parted company, with Fraser attacking many of my stances on social and foreign policy as well: the handling of Pauline Hanson, asylum-seekers, a formal apology to Indigenous people and involvement in Iraq. His quite unfounded allegation that I played the race card ignored, for example, the fact that during the time I was PM my Government maintained a non-discriminatory immigration policy. I deny the claim in Fraser's memoirs, co-authored with Margaret Simons, that in 1977 I said to him, in a corridor conversation, that we should not take too many Vietnamese refugees.

In 1993 Malcolm Fraser announced that he would seek the federal presidency of the Liberal Party, but pulled out when it was obvious that he would not be elected. His withdrawal speech vehemently attacked freemarket economics. He said that a small group had pushed our policies further to the right, and that the Liberal Party had become a right-wing conservative one. This was an ideological distortion, but one he would increasingly invoke to explain the growing gulf between him and the party he once led. In truth, the 1980s saw a major shift in the centre of gravity of the

economic debate towards a more free-market approach. Attitudes within the Coalition parties as well as the ALP reflected this change.

For Malcolm Fraser, the harsh reality was that legions of Liberals felt that he had not used the massive mandates of 1975 and 1977 to effect sufficient change. Moreover, as time passed, many staunch Liberals who had gone to the barricades for him in 1975 deeply resented his regular attacks on my Government during our time in office.

Although I had commenced my ministerial career with anything but a strong commitment to economic rationalism, I had, by the time of the Fraser Government's defeat in 1983, gone through something of an epiphany. The influences on me had been many and varied, most particularly the experience of administering the Treasury portfolio. In opposition I was to develop my views even further, especially in respect of industrial relations policy.

In retrospect it was clear during the 1980s that Australia needed broad economic reforms to taxation, the labour market, industry protection and the financial system. As well, governments had to be taken out of the ownership of business undertakings. The economic story of the ensuing 25 years was how both Coalition and Labor governments contributed to that reform task, and how in opposition the Coalition also gave crucial support to ALP reforms — a gesture never reciprocated when the ALP was in opposition. I was a major player in that saga, from both government and opposition, and many of the pages which follow contain a detailed account of that economic journey which did so much to ensure that when the global financial crisis of 2008 hit, our nation was better placed than most to withstand its ravages.

Picture Section 1

Plate 1



My parents married on 11 July 1925 at Marrickville in Sydney. They devoted their lives to the welfare and future of their four sons.



My father 'somewhere on the Western Front'. A gas attack damaged his lungs, which contributed to his death at age 59.

Plate 2



It was a short walk from home to Earlwood Primary School. Here I am aged six, sixth from the left in the third row. World War II ended the year before.



Dad's garage in 1954, just after going 'one brand'. It was at the corner of Wardell Road and Ewart Street, Dulwich Hill, Sydney. I loved working there.

Plate 3



The Canterbury Boys High School debating team of 1956 (second from the left, front row). Debating gave the priceless discipline of marshalling arguments.



I played in the CBHS Second XI in 1956 (second from the right, front row). Captain Ian Sharpe, on my right, later a professor of economics, was a good leg spinner.

Plate 4



Before a family wedding early in 1955. Dad's health was failing; he died nine months later. The Howard brothers (from left to right): Stan, John, Bob and Wal.



With Mum at my law graduation early in 1961. My hearing problem made university quite taxing. It also meant I could not go to the bar.

Plate 5



A safe federal seat: Janette and I show elation after the Liberals picked me for Bennelong in December 1973. It was a marathon day.

Plate 6



Our wedding day at St Peter's, Watsons Bay, 4 April 1971.



A polling booth at Gladesville Public School on election day, October 1980. Fraser's retreat on taxation would later disappoint me.

Plate 7



This family photo was taken after Richard's birth in September 1980. Melanie, looking cute, is aged six. I am holding Tim, approaching three.

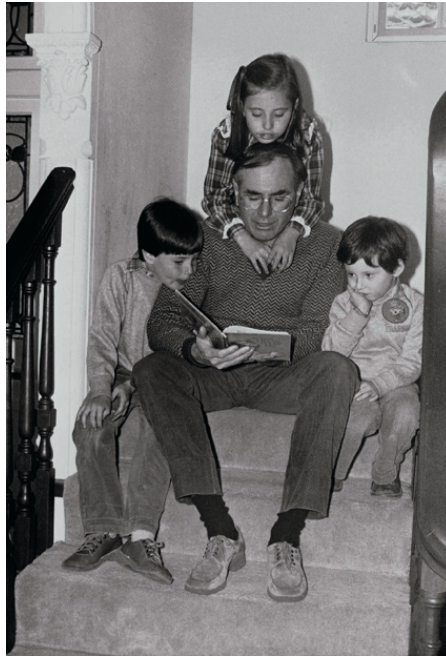
Plate 8



Late 1975 with Melanie and Janette on the front lawn of our Wollstonecraft home, the scene of many news conferences in the 1970s and '80s.



Family photos from the 1980s. Weekends were filled with the children's activities. There was always sport.



I loved reading to them as well.

Plate 9



I became leader of the Liberal Party in September 1985 in amazing circumstances. The euphoria soon faded.



The Liberal campaign launch for the election of 1987 struck a real chord, but 'Joh for PM' made victory impossible. We didn't pick up enough speed to win.

Plate 10



Janette and I on election night 1987. Despite a 1 per cent swing to us, Hawke won four seats.



On the verandah at Wollstonecraft in 1988. Future Directions was launched later that year. It was a clear statement of my philosophical beliefs.

Plate 11



On the eve of the 1996 election, enjoying one of many family holidays at Hawks Nest. During a beach walk, the idea came to me for the Natural Heritage Trust policy from Telstra sale proceeds.

Plate 12



Election night, March 1996 — victory at last!



Watching Lleyton Hewitt's US Open victory in the lounge room of the Australian ambassador's residence, Washington, 9 September 2001.

Plate 13



With Richard, Tim and Janette, paying respects at Ground Zero, New York, January 2002. The raw emotion was still strong.



After my victory speech in Sydney on election night 2004. It was the Coalition's fourth straight win. Unexpectedly, we won control of the Senate.

Plate 14



A proud father with his daughter: Melanie at her graduation from Sydney University, May 1996.
All of my children took law degrees.



About to give away Melanie on her wedding day, September 2003.

Plate 15



With George and Laura Bush on the verandah of the White House before an official dinner, May 2006.



Intervarsity fencer Janette brandishes Cromwell's sword in the 'long room' at Chequers. Cherie Blair and I admire her thrust but keep our distance.

Plate 16



With Melanie and my grandson, Angus, after voting on election day 2007.



Conceding defeat on election night 2007, with Richard, Janette, Tim and his future wife, Sarah. My Government left a stronger, prouder and more prosperous Australia.

PART 2 THE OPPOSITION YEARS

14 PEACOCK VS HOWARD

In March 1983, the Liberal and National parties commenced 13 years of opposition. We would lose five elections in a row, and pass through some of the most despairing years since the Liberal Party's foundation in 1944. The most traumatic episode would be the split in the federal coalition in 1987, forced by the overwhelming influence, within the National Party, of the Queensland Nationals, led by Joh Bjelke-Petersen, who was, for 19 years, premier of that state.

During this period we would have four leaders: Andrew Peacock (twice), John Hewson, Alexander Downer and me (twice). At the end of this long period of political exile, the party would, in coalition with the Nationals, regain office under my leadership and stay in power for almost 12 years.

Through those opposition years, I experienced just about all that could come the way of a long-serving participant in Australian politics. Yet I always retained a total commitment and sustained enthusiasm for political life. Irrespective of the position I held, I kept an unflinching interest in what I was doing. The experience of those years told me that, beyond argument, politics was my life and vocation. Some of the most productive policy work that I did in the whole time that I was a member of parliament occurred between 1990 and 1993, when I was spokesman on industrial relations for the Coalition, and my only expectation was to hold that portfolio in a Hewson Government.

Being bundled from office is a humbling experience — not that I was unprepared. The campaign had delivered a mounting realisation that there would be a change of government. The adversarial nature of politics requires one to change, almost overnight, from a reasoned decision-maker to a vigorous and informed critic of those now making the decisions. That was virtually impossible. I felt tired, both mentally and physically. What I wanted in March 1983 was a six-month sabbatical. But there was no hope of that; politics was my life.

I decided on the night of the election to stand for the leadership of the Liberal Party, made vacant by Fraser's resignation. I knew that my only opponent would be Andrew Peacock, and that he would almost certainly win. He did, comfortably, by 36 votes to 20. As Treasurer, I was far more closely linked to the policies of the just-defeated government than Peacock. That made him a more appealing choice. I was re-elected deputy leader, and wanted a shadow portfolio away from Treasury. Doug Anthony persuaded me to stick with my old area because of my by-then-vast experience with economic issues. Fraser quietly lobbied for Andrew Peacock in the leadership contest. He did not attend the meeting at which the ballot took place, and later explained this to me on the grounds that it would not have been in my interests if I had won only narrowly, implying, unconvincingly, that he would have supported me if he had been there. I had not sought his support and, strangely perhaps, did not feel particularly offended by his attitude. Many of my friends, however, saw his behaviour as poor repayment of the loyalty I had shown to him over a long period of time.

The early weeks in opposition were very hard for me because I had to beat off claims that I had misled the public about the true state of the deficit. It was right on the eve of the election that I was given a figure of \$9.6 billion as the likely deficit for the following year, which was much higher than the stab-in-the-dark figure I had casually mentioned to some journalists. Moreover, the \$9.6 billion was only a starting point, and would be reduced in the normal budget process. This did not stop Bob Hawke and Paul Keating, his new Treasurer, making a huge issue of it. This was their honeymoon; the press swallowed their lines and I took quite a shellacking.

Andrew Peacock and I were rivals for the leadership of the Liberal Party for some years, but this did not, as many have argued, completely paralyse the Liberal Party in opposition. Rivalry between key figures in political parties is commonplace. From 1986 onwards, the rivalry between Keating and Hawke within the governing Labor Party was barely disguised, periodically spilling into the public arena. Nonetheless, Andrew's and my rivalry was real, both as personalities and on policy issues.

In the culture of the Liberal Party, Andrew and I were almost born to be rivals. We were only a few months apart in age. When it seemed, to many people, to matter a lot more, he came from Melbourne and I came from Sydney. He had taken over the seat of Kooyong from Sir Robert Menzies, the great hero of our party. We were of different personalities and styles. Andrew's urbanity and very considerable personal charm had won him early notice as a future leader of the Liberal Party. He had been a very effective minister in the McMahon Government, and had won a lot of deserved praise for the relationships he established with key figures in the newly independent Papua New Guinea. It was so easy, given our contrasting styles and personalities, for commentators to paint him as emblematic of the progressive side of the Liberal Party, and me as a dull, dogged conservative.

I respected Andrew Peacock's diplomatic and public relations skills, but I never thought that he had deeply held policy views on more important economic issues. That influenced my attitude towards him, especially after he became party leader.

There was fault on both sides. I don't think Andrew ever understood the depth of feeling about his resignation in 1981 and the damage that many of his colleagues believe it inflicted on the Fraser Government. As for me, I don't think I fully understood the extent to which my continuing ambition to be leader of the Liberal Party was so apparent to colleagues, and others, from the time that Peacock defeated me for the leadership after the 1983 election.

I suspect that the last thing Andrew Peacock wanted in early opposition days was an intense debate about the philosophical direction of the Liberal Party on economic policy, especially industrial relations. Yet that is what he got, because of my determination that the Coalition should take a more consistent pro-market approach. It was, even more importantly, an unavoidable debate because the Hawke Government threw off its old Labor garb and, on issues such as financial deregulation, surprised many by going further than would ever have been expected from a Labor Government.

I never lost my ambition to lead but decided to put it on hold, and resolved to do everything I could to argue the policy positions which I held. I would perform as well as I could as deputy leader and essentially through the prism of my strongly held economic opinions.

Having been frustrated by Fraser's opposition to certain economic reforms in government, such as taxation, I was determined not to go quietly in opposition. When the opportunity presented itself, I took a strong market-centred economic position. Sometimes this was in advance of the party's position and annoyed Andrew Peacock and others who, for a combination of political and other reasons, might have thought that a quieter approach was appropriate.

The quiet approach was not really an option. The dynamic had changed quite rapidly since the election of the Hawke Government. The Liberal Party was under a double pressure to have a clear position on economic issues. Not only did altered world economic circumstances require different responses, but the new ALP Government was not behaving like the Whitlam Government, or indeed consistent with the commitments it had made in opposition. It had assumed the mantle of economic responsibility. This put real heat on the opposition.

Many of the Coalition's traditional supporters in the business community began to like what they saw of the new Government, particularly when it floated the dollar and decided to admit foreign banks. Comments such as 'the best free enterprise government we've had' began to be uttered at boardroom lunches attended by opposition spokesmen. The Liberal and National parties ran the risk of being left behind if the Coalition did not sharpen its thinking on some key economic issues.

In some cases this meant agreeing strongly with what the Hawke Government had announced. In other cases it involved adopting a new policy position likely to win business support, and which the ALP would be unable to match. This made my campaign to change our industrial relations policy so important. Here, I felt, was a policy change which would win wide, but by no means unanimous, business support and which Labor, with its trade union base, could never match.

The farmers, the miners and, crucially, small business would support a new industrial relations system. Many manufacturers, however, were still wedded to the old centralised system. They felt they

could live with it. In any event I was told they could ‘talk to Hawke’ if things got out of hand. The corporate state, Australian-style, was already in full bloom.

My aggressive push for policy change aggravated some colleagues. They didn’t share my sense of urgency about the need for policy revision; they thought that some of my prescriptions were too edgy, and I thought they were altogether too complacent about the solidity of our political base. A party needs more votes than its base can deliver so as to win an election, but unless its base is energised, as distinct from just mildly supportive, it has no hope of victory. Big business had been partly mesmerised by Hawke, so I saw the preservation of our small-business base as absolutely critical to our longer-term hopes of revival. Internally difficult though it was, I believed that we had to confront hard policy choices early on.

I loudly supported the Hawke Government when the dollar was floated and exchange controls abolished in December 1983. This was overwhelmingly the right policy response for the future benefit of the Australian economy.

On the morning of the day the decision was taken, the Treasurer announced the closure of our foreign exchange markets, a clear signal that the Government intended to float the dollar. That morning, Liam Bathgate, Doug Anthony’s chief of staff, showed me a press statement Doug proposed issuing, strongly attacking the floating of the Australian dollar. Liam knew that Doug’s views and mine were different, and he did not want public disagreement between us. I immediately raised the matter with Doug and we had a heated debate, totally disagreeing on the desirability of the float. In the end he acceded to my view and did not issue the statement. Floating the dollar was the ‘big bang’ of financial deregulation. Our differences on the issue symbolised a deep divide in Coalition thinking on economic policy. Fraser later attacked the float.

The Coalition’s clear support for such a huge policy decision was critical to winning acceptance for the change in the general community. It meant that as time went by and fluctuations in the value of the dollar inevitably occurred, hurting some and rewarding others, a cheap fear campaign blaming the float could not have been credibly mounted. In sharp contrast, such unconditional bipartisan support on a big policy issue was never forthcoming from the ALP during the years of the Howard Government.

Floating the dollar had more influence than any other decision taken by either the Hawke or Keating governments. Although Paul Keating is often given the credit for floating the dollar, his timidity on the issue was overridden by the Prime Minister, with the strong support of the governor of the Reserve Bank, Bob Johnson.

In its first budget the Hawke Government brought in an assets test for the payment of the aged pension. I thought this was good policy, although politically unpopular. I was absent on a brief holiday with my family in the snowfields when the shadow cabinet discussed the Coalition’s attitude to the proposal. The following day I read in the newspapers that the opposition would oppose the assets test.

If I had been present at the shadow cabinet meeting I would have argued that we support the Government. I wasn’t there and, by coincidence or not, a decision on this issue was taken. I had no alternative to going along with it, even though I felt uncomfortable.

Politically, it turned out that Peacock’s judgement on this issue was absolutely correct. His opposition to the assets test was a major reason why the opposition performed much better in the premature 1984 election than many expected. He developed a fine line of rhetoric, and it resonated with many older voters. It was a very good example of successfully applying the politics of consolidating one’s base of support, albeit in a different manner from what I was endeavouring to do with small business.

On 19 June 1984, Phillip Lynch died at the very early age of 50. Some time before, he had been diagnosed with stomach cancer. Lynch had been a hardworking servant of the Liberal Party, and had carried much of the grinding work of building the case of economic mismanagement against the Whitlam Government throughout 1975. We had been close as colleagues, and I felt for his wife,

Leah, and their three sons. I called to see him at his home on the Mornington Peninsula only a few weeks before his death. He knew his fate, but was sustained by his strong Catholic beliefs. I admired his fortitude. He did not seek pity; rather he remained deeply engaged about the challenges then facing the Liberal Party.

The opposition languished in the opinion polls all through 1984. Six days before the election was called, the Morgan Poll in the *Bulletin* showed Hawke at 73 per cent against Peacock's 15 per cent on the preferred prime minister rating. This probably encouraged Bob Hawke to call an election for December that year, only 20 months after his win in March 1983. He was to get a rude shock. He entered the election campaign with supreme confidence, believing that the Labor Party would win seats from the Coalition, particularly in Victoria. As a measure of his hubris, he programmed a 55-day campaign, which was ridiculously long, especially as the election was being held so soon after the change of government.

Before the election there was speculation, both amongst some colleagues and in the press, that if the Coalition performed badly, and many expected this, then I would replace Peacock as Leader of the Opposition. My own stocks within the party had been bolstered unexpectedly by a very successful parliamentary speech on race issues in August 1984. I effectively attacked a speech by Hayden, the Foreign Minister, in which he had clumsily attempted to smear people in the opposition as racist. I drew attention to the Labor Party's long historic support for the White Australia policy and managed to capture the moment. For immediate impact, it was probably as good a speech as any I delivered during my 33 years in parliament.

The campaign for the December 1984 election turned into something of a tour de force for Andrew Peacock. Undaunted by his poll deficit, he hammered away very effectively on two issues: the assets test on the aged pension, and altered taxation arrangements for lump-sum superannuation payments.

For the first time in Australian political history there was a televised debate between the Prime Minister and the Leader of the Opposition. Peacock won the debate quite convincingly. As Hawke and others were to learn, the expectations of these debates are such that, as there is an assumed ascendancy for the incumbent, a reasonably good performance by the Leader of the Opposition exceeds expectations, and he often ends up 'winning' the debate. That is not to take anything away from Andrew Peacock's extremely polished performance. He put in more than a reasonably good performance; he outclassed Hawke with an engaging, direct style of presentation. Such was the impact of this debate on Bob Hawke that at the next election, in 1987, he refused to debate me as Opposition leader. An overly compliant media allowed him to get away with this piece of dismissive arrogance. Leaders' debates returned in 1990 when Peacock was again against Hawke and have been a permanent fixture ever since.

At the election the Labor Party was returned with a reduced majority of only 16 seats. Peacock and the Liberal Party had performed beyond all expectations. There was a wide feeling within the party, and elsewhere, that we would be back in government at the following election. This result put paid to any idea of a leadership change, and both Peacock and I were unanimously re-elected to our respective positions at the post-election party meeting.

At the news conference following the party meeting, I gave an answer to the question, 'Will you rule out a leadership challenge to Mr Peacock during the term of this parliament?', which was to be the source of intense irritation to Andrew Peacock and his close supporters. My response was, 'I think somebody who has had the track record of loyalty that I've had for the cause of the Liberal Party is not really required to answer that question.'¹

I took the position that no person could ever be expected to rule out a leadership challenge.

Peacock's leadership had been consolidated by his election performance, and it was my expectation that he would lead the party to the next election. However, politics is always unpredictable, and I saw no reason why I should not, in an upfront fashion, keep my options open. I understood why

my response irritated Peacock. In return, he should have accepted that it was a perfectly legitimate stance for me to take.

One other incident concerning the leadership of the party in those months is worth recounting. Andrew Peacock, Malcolm Fraser and I, with our wives, attended a function staged by the Victorian division of the Liberal Party in October 1984, just before the election, to mark the 40th anniversary of the party's foundation. After the function, Malcolm, his wife, Tamie, Janette and I, together with Tom Austin, deputy leader of the Victorian Liberals, and his wife, Judith, adjourned to Austin's hotel room for a drink. In the course of discussion Malcolm lambasted Peacock's leadership, asserting that he had no policies, and said that the party was headed for ruin at the next election and that I had an obligation 'to put my hand up'. Both Janette and I were rather taken aback at this outburst, and afterwards confided to each other that maybe Malcolm had in mind two leaders being knocked off for the price of one election. There had, for some time, been low-level chatter that perhaps Fraser might be recalled to lead the Liberal Party. It should be remembered that he had left the prime ministership at a very young age, 52. Hawke, in fact, was six months older than Fraser when he defeated him for the top job.

Whatever may have been the former Prime Minister's motives, he left me with the unmistakable impression that I should seek the leadership, and quickly do so. I had no intention of doing this and made that clear to him. The very next morning Janette and I ran into him at the airport. Robin Gray, the Premier of Tasmania, was also there and we chatted inconsequentially. As Malcolm left to get his plane, he raised his arm and repeated the words 'Put your arm up.' According to the media, when asked about the whole incident, Fraser denied that it had taken place.

Some months later, after the election, Malcolm Fraser rang me and said that in light of changed circumstances, I should ignore the advice he had given me back in October 1984.

The changed circumstances to which Fraser referred were not only the unexpectedly good election outcome, but also the extraordinary way in which Bob Hawke had handled a national security issue involving the US Alliance. There had been an understanding between the Australian and US governments, concluded under the Fraser Government, whereby Australian facilities would be available to help monitor splash-down trials of the MX missile, then under production in the United States. As the time of the trials approached, this became a sensitive issue within the Labor Party because the missile would be capable of carrying a nuclear warhead.

The 1984 election had seen a surge in support for the Nuclear Disarmament Party (NDP), and Palm Sunday peace rallies had attracted large crowds. Hawke's natural instincts were to honour the agreement with the Americans but, remarkably, he caved in to the left wing. Keating, to his credit, had commented before Hawke's capitulation that the Government should not take any notice of 'fifth-graders'. If he is to be believed, Graham Richardson is the person who finally persuaded Hawke to give in to the left. By chance I ran into Richardson in the lobby of the Imperial Hotel in Tokyo just after the decision had been announced. He was quite happy to confide in me that, having canvassed opinion within the parliamentary party, he had offered Hawke the advice to compromise with those who were nervous about being too close to the Americans. There were never any flies on that fixer.

Hawke's back-flip caused something of a run on the Australian dollar, and coming on top of the worse-than-expected election result, this helped create the impression that the Government had begun to lose its way.

After the 1984 election, which saw the return of Peter Shack to federal parliament as member for Tangney, Peacock made Shack spokesman on industrial relations. This created an interesting position. Shack was very close to Andrew Peacock, having worked on his staff between the 1983 election, when Shack lost his seat, and his return to parliament. On the other hand, he was a strong supporter of a freer labour market. His views on industrial relations were much closer to mine than had been those of Ian Macphee, the previous spokesman, who, prior to entering parliament, had been

director of the Victorian Chamber of Manufacturers, which was quite a supporter of the traditional industrial relations order.

1985 gave me an opportunity to give vent to my long-suppressed interest in defence and foreign policy issues. I had some very strong things to say about the Labor Party's capitulation to the left on the MX missile issue. The strategic defence initiative, which involved the creation of a missile shield against a possible nuclear attack, then in its embryonic phase and receiving active support from the Reagan Administration, was something which I openly supported.

At this stage Paul Keating and I enjoyed an easy personal relationship. He had even sought my advice about moving his young family to Canberra. Our links attracted some media interest because the Canberra gallery appreciated the support I extended when the Hawke Government adopted good policy.

For months the Treasurer had been working on an elaborate plan for taxation reform, to be presented to a taxation summit promised by Hawke in the 1984 campaign and due to take place in July 1985. The centrepiece of Keating's plan was the introduction of a broad-based consumption tax, at a rate of 12.5 per cent, accompanied by reductions in personal income tax, the introduction of a capital gains tax and a fringe benefits tax. It was a huge and ambitious proposal that mirrored changes for which I had argued when Treasurer, most particularly the proposal to broaden the indirect tax base and reduce personal income tax.

On the day his tax blueprint was released, he asked me round to his office and gave me a copy of the document, saying how important certain reforms were to the future of the country. Mindful of my past support for taxation reform, he was appealing to me for bipartisan help.

Keating's taxation proposals led to a renewal of tension within the Coalition between those who wanted to oppose it outright for popular political reasons, and those like me, who believed that the national interest required a completely different taxation system. Its foundation was a new broad-based indirect tax in exchange for much lower income tax, something I had advocated for years. How could I oppose it? I made it clear that I backed these parts of the Keating plan.

Due to those tensions, the opposition appeared to want it both ways. It favoured reform, but not this one. In the end this did not matter because the unions heaved Bob Hawke into pulling the rug on his Treasurer over the whole plan. The consumption tax was dumped, leaving a compromise which did not embody such far-reaching reform. The opposition could readily oppose this.

15 LEADER BY ACCIDENT

In the weeks which followed the collapse of the tax summit, three things caused Andrew Peacock to confront me on the leadership issue. The first of these was my being guest host on the Nine Network's *Midday Show*. This program had an enormous audience, and Andrew Peacock had been invited to host it but declined the invitation. My appearance attracted a lot of interest as I was able to nominate people to be interviewed, and amongst those I selected was Bill O'Reilly, the legendary Australian Test cricketer. Secondly, a chance encounter with David Morgan, a senior Treasury official but later to be chief executive of Westpac, led to an embarrassing moment for both me and Jim Carlton, the Liberal MP for MacKellar. In casual discussion Morgan said to me, 'Hypothetically, if you were Leader of the Opposition, who would you have as your shadow Treasurer?' and I replied, 'Jim Carlton'. It was foolish and indiscreet of me and no doubt fuelled the impression, when the story got out, that I was preparing a list of shadow ministers. This was not the case.

The final straw was at the National Press Club on 28 August 1985 when I gave the traditional shadow Treasurer's response to the budget speech. I spoke broadly and passionately about the need for reform in numerous areas, including the maintenance of my commitment to taxation reform. It was widely reported as the speech of somebody who had a policy agenda for the opposition.

My view was that there was nothing disloyal in performing well as a spokesman for one's party, even if, on occasions, that performance might outshine the contribution of the leader. At one point a member of Peacock's staff told my chief of staff, Gerard Henderson, that I should tone down my media appearances because they were overshadowing the leader's contributions. I thought that rather missed the point.

I was away on a short skiing holiday with my family, at Berridale at the foot of the Snowy Mountains, when Andrew Peacock telephoned me on 2 September and asked that I return to Canberra the following day to discuss the leadership issue. He made what I thought to be an absurd and naïve request that I rule out challenging him for the leadership.

Peacock's action was ill-advised. The party did not want him to be removed as leader, and the last thing that colleagues wanted was a public scrap between Andrew and me. Yet that is what they got because of his decision to require what I was unwilling to commit to. I had not been plotting to depose him, I was not gathering any numbers, and I wished to continue working with him as deputy leader of the Liberal Party.

When I refused to give a commitment not to challenge, Andrew called a special meeting of the parliamentary Liberal Party to try and oust me as deputy leader. His planning had been poor. Rather haphazardly, he had settled on John Moore, MP for the Queensland seat of Ryan, to be his candidate for the deputy leadership. It was reported that he approached Jim Carlton and Wal Fife, but they had refused to nominate against me. Maybe he was advised that I would capitulate, but of course I didn't, and set about fighting to retain my position as deputy leader.

I continued to do media appearances, restating my support for him as leader and my willingness to continue working as his deputy. My media appearances also included continued attacks on Labor's economic management; some colleagues were impressed by the fact that I kept a focus on the main battle, despite the pressure I was under. I carefully telephoned just about every person in the parliamentary party with the simple plea that I be retained as deputy on the basis of my experience and my willingness to work with Andrew as leader.

Clearly the Peacock camp had not done a systematic job of canvassing for the numbers. I gave a crucial indication that if I lost the deputy leadership I would go to the backbench. Apart from people strongly committed to Andrew and hostile to me, the colleagues to whom I spoke clearly wanted the status quo. Many were quite embarrassed by the public stand-off, and none to whom I spoke expressed a view that I had been disloyal.

I received a lot of support from close colleagues and friends. Between midnight and 1 am the night before the ballot, Kerry Packer telephoned me from his property near Scone and asked, 'Sport, is there anything I can do to help you?' Loyalty and remembrance of past support was always a strong Packer virtue. During the so-called 'Goanna' accusations surrounding Kerry Packer in 1984, when many people shunned him, I had made a point of identifying with him, simply because I did not believe for a moment the allegations raised about him. He never forgot this expression of friendship.

On the morning of the ballot, I expected to lose. I travelled in a Commonwealth car from the Commonwealth Club to Parliament House, with Pru Goward interviewing me for ABC Radio current affairs. Her first question was, 'Mr Howard, what does it feel like to be in the last day of your time as deputy leader?' That turned out to be an accurate prediction, but not in the way that she and most others expected. Although the motion to remove me as deputy was carried, when John Moore and I nominated for the vacant position, I defeated Moore by 38 votes to 32. The outcome stunned me and many others. To this day, I believe a number of people who voted for me as deputy leader did so in the belief that I would continue working for Andrew Peacock as leader. They did not contemplate what was to follow immediately after this ballot.

Peacock asked me and the other members of the leadership group, Fred Chaney and Peter Durack, to his office. He told us that he was in an impossible position and that he would resign. He then returned to the party meeting, informed those present of his decision, to cries of 'No, don't', and some of 'Grow up', and called immediately for nominations to fill the vacancy in the leadership of the party. The only other person to nominate was Jim Carlton, and I defeated him by 59 votes to six. There were seven informal votes. After several ballots, Neil Brown from Victoria was elected as deputy leader.

The outcome was nothing short of extraordinary. It was a case of a party changing its leader by accident, not by deliberation. Whilst I was naturally happy, indeed exhilarated, to have the leadership, I had not been campaigning for it. True it was that I was ready to parade my policy credentials and to argue publicly for the things in which I believed, but I had not been organising a challenge, and would not have challenged Andrew Peacock in the circumstances then prevailing within the parliamentary party. If Andrew had not lost his nerve and sought to remove me as deputy leader, I am sure that he would have continued as leader until the subsequent election.

The sudden change in leadership was greeted with much enthusiasm within the party and in many sections of the community. There was widespread press endorsement of me, largely on the grounds that I had been prominent in arguing policy substance. Andrew Peacock gave a gracious and light-hearted press conference in which he rather humorously said that he didn't know if he had ever wanted to be prime minister. The immediate reaction was one of surging public support for the Coalition and me.

My honeymoon was very short-lived, however. Starting with the leaking of a shadow cabinet strategy paper prepared by Tony Messner, my newly appointed Finance spokesman, the Coalition leaked like a sieve, until a temporary cessation for the 1987 election. The parliamentary party entered a difficult and divisive phase.

The poll resurgence did not last long, and some tactical mistakes of mine did not help. For example, I maintained the rather rigid policy position that there should be an immediate deregulation of housing interest rates. This was economically sensible but politically very dangerous. It presented the Labor Party in the South Australian state election held on 7 December 1985 with a real gift. Although the Liberal Party opposition distanced itself from the federal policy, it was easy for Labor to make the link. I should have anticipated this and embraced a gradual approach on deregulation of housing interest rates — which I was to advocate early in 1986 and which was copied by the Hawke Government several months later.

Although there were flaws in my leadership style, the larger problem was that I was being targeted from within through a torrent of leaks which undermined my authority, almost on a daily

basis. The Coalition ended the year in a very weak political position. The early excitement about my securing the leadership had turned to a sense of puzzlement and drift. The great momentum of September 1985 had dissipated.

For much of 1986 the party struggled. My poll ratings against Hawke were dismal, and until the latter part of the year the Coalition itself was well behind the Labor Party. Polls became the nightmare of my existence, as is inevitably the fate of any Opposition leader who does not keep himself and his party reasonably competitive with the Government and the Prime Minister. Not only did I rate poorly against Hawke but, as time went by, popularity polls were conducted between me and Peacock; predictably, Andrew Peacock began to move ahead on these measurements.

One particularly damaging poll, conducted by the Quantum research group, commissioned from Western Australia, was leaked extensively to the *Australian Financial Review*, which gave it extraordinarily heavy coverage, way beyond what could have been justified by ordinary reporting principles. This included extensive reporting on the morning of a nationally televised address by me. This poll was paid for by a group angry over my anti-tax avoidance action as Treasurer.

The party was in a real bind. By accident it had changed its leader and a substantial section of the party remained profoundly unhappy about this. For some of them, the honourable thing was to grin and bear it and do their best to be an effective opposition. For a much smaller group, the answer was to embark on regular bouts of destructive destabilisation, which of course had a disastrous impact on my leadership authority and badly damaged the opposition.

Despite the instability and leadership problems, I was determined to push ahead on the policy front. Thus the Coalition's new and quite radical industrial relations policy was released by Neil Brown on 11 May 1986. For the first time it provided for individual contracts and made very significant changes to the old centralised wage-fixing system. Getting the policy out and winning wide acceptance for it was quite an achievement given the turmoil within the Coalition parties.

In the first half of 1986, Paul Keating made his widely reported comment on the John Laws radio program that if Australia did not rectify its terms-of-trade problem, it would end up a 'banana republic', which I thought at the time was no more than a throwaway line, not the considered warning to the public it was later claimed to be. The terms-of-trade challenge led to an address to the nation from the Prime Minister, with a response from me, in which I laid out an alternative approach. Despite the fog of leadership speculation, my response won considerable praise from the commentariat.

The Liberal Party held a most successful federal council in Adelaide, in September of that year. Its conclusion coincided with the publication of a Morgan Poll which showed the Coalition ahead of Labor by six points. For a leader who had been under siege from the opinion polls for close to nine months, this was a welcome relief. Generally favourable publicity coming out of the meeting boosted the spirits of the Coalition as the year moved on.

Notwithstanding our internal problems, the Coalition had had some notable parliamentary successes. It severely embarrassed Paul Keating over his failure to lodge an income tax return for the previous year. This hurt Keating a lot with ordinary voters. When the document suggesting that Keating had not filed his return came into my hands, I found it hard to believe. So I asked Jim Carlton, the shadow Treasurer, to call on Keating, confront him with what we had and indicate that if the information were bogus then the matter would not be further pursued. It was clear from Keating's reaction that the information was spot-on. I am glad that I had taken the precaution of checking. That precaution did not for a moment dilute the intense public embarrassment Keating suffered.

Incredibly, Wilson Tuckey, who was a loud barracker for Peacock, criticised me for such caution, and that criticism found its way into the papers.

The ongoing controversy regarding the position of Lionel Murphy on the High Court also provided the opposition with the chance to wrong-foot the Government for an entire week in the parliament. Although spasmodic, these events continued to give Coalition members hope and to

remind all of us that we had a real show of getting on top of the Government, if only our own difficulties could be put behind us. That remained our principal challenge.

16 JOH FOR PM

On 2 June 1987 I arrived back at our home in Wollstonecraft close to 8.30 in the evening. Janette met me at the door and said, 'They're in the lounge room'. She was referring to the delegation from the Queensland National Party. This was the end of a quite remarkable day in the distracting saga of the 'Joh for PM' campaign, which did such immense damage to our prospects of winning the 1987 election. The delegation had come to signal an unapologetic surrender in a campaign which had engulfed and enfeebled the federal coalition for close to a year.

The events of the early days of June 1987 may have ended the 'Joh for PM' push, but its ramifications would haunt the Liberal and National parties for some years into the future.

How did it all come about in the first place? As the Coalition in Canberra, and the Liberal Party in particular, struggled through the early part of 1986, there were murmurs out of Queensland that Joh Bjelke-Petersen, that state's long-serving Premier, might take a tilt at Canberra.

Disunity within the Liberal Party and the constant speculation about my leadership encouraged anti-Labor people to believe that an alternative to the orthodox Coalition approach in Canberra was needed. Importantly, Andrew Peacock and Joh Bjelke-Petersen had a warm regard for each other. It stemmed from Peacock's heavy involvement, as Foreign Minister, in negotiating with the Indonesian Government on border issues affecting Queensland. Joh liked Andrew, who was always ready to sing the Premier's praises in public. There was also the Russell Hinze factor. Hinze, a senior Queensland minister, wanted to be state Premier, and to do that he had to get rid of Joh. How better to achieve this goal than to have Joh launch himself in a bid for Canberra, irrespective of the outcome?

Peacock and Hinze had a mutual love of horses, which brought them together. Hinze would frequently deride my standing in the polls, largely in private, but from time to time publicly. There is little doubt that through these difficult days Andrew Peacock was in communication with Joh and Hinze.

The Fraser years had also provided a hangover. At the beginning Fraser worked closely with the Queensland Nationals and incurred the enmity of Queensland Liberals such as Eric Robinson for being too close to them. This friendship soured. Bjelke-Petersen resented the Fraser ban on sand mining on Fraser Island. He thought Fraser was too friendly with Robert Mugabe and had little time for Fraser's strong anti-South African stance.

Then there was the bottom-of-the-harbour tax legislation, which wounded many in Queensland's so-called white shoe brigade. I learned this from comments made to me years later by people who were in a position to know. Many of them were strong financial backers of the Nationals in Queensland, and the Premier frequently mentioned this issue amongst his litany of complaints about the Fraser Government.

Also, by virtue of his intervention in federal politics regarding his Gair manoeuvre and the appointment of Patrick Field to the Senate, both of which hurt Whitlam, Bjelke-Petersen always felt that the federal Coalition owed him a lot.

One of the active proponents of Joh's Canberra campaign was the developer Mike Gore, a fierce critic of my 1982 bottom-of-the-harbour laws. Many believe that Gore paid for research in 1986 by the Canadian company Decima, which allegedly showed that Joh being part of the anti-Labor push would add considerable value to the conservative cause across Australia. Gore had obtained special legislation from the Queensland Government for his Sanctuary Cove development. To Mike Gore, Joh could walk on water. Lake Burley Griffin would be no problem.

Joh Bjelke-Petersen was a rural populist. He placed a premium on development, often without too much regard for competition considerations. When it came to investment in Queensland and the economic growth of the state, he was a corner cutter. This approach achieved results and produced a buoyant Queensland economy, which lasted long after he had gone. Sometimes people were

unreasonably enriched in the process, yet the state prospered. As Treasurer, I had several heated discussions with him about my insistence on Australian equity being involved in large coal projects.

Sometimes his preference was that the entirety of the projects should be owned by Japanese investors. His priority was investment in Queensland. I supported that too, but I wanted Australians to participate in that investment where Australian equity was available.

Like all premiers, particularly Queensland premiers, he was happy to beat the anti-Canberra drum. Finishing one very cranky telephone conversation with me regarding a foreign investment decision of mine, he said, 'Why don't you just leave us alone and let us run Queensland?'

The *Australian* newspaper became a prominent vehicle for the propagation of the Joh cause. The editor at the time, the late Les Hollings, gave huge coverage to anything that Bjelke-Petersen said or did. The paper's editorial pages championed the causes of lower taxes and reduced union power. That was fine by me, but the underlying theme from contributors like Katherine West and Des Keegan was that I wasn't quite up to the task and a person with the heft of Joh was needed.

These were all ingredients which led to the 'Joh for PM' campaign. They were not, however, the overriding reasons why it happened. In the end it happened because Joh Bjelke-Petersen himself believed that he could become prime minister. It was not rational, but it was real.

By 1987 he had been Premier of Queensland for 19 years. Australia had a federal Labor Government, and Labor was in power in all other states except Tasmania. Joh was a hero to people on the right and centre-right of politics, not only in his own state but elsewhere. He spoke with the authority of being in government. I spoke with the limitations of being an Opposition leader, and one who was under pressure within his own party.

Bjelke-Petersen had beaten Labor on numerous occasions. He had demoralised the Liberals in Queensland with his remarkable win in November 1986. Although some former National Party insiders say that Joh had resolved to tilt for Canberra before the 1986 election, his amazing victory removed serious doubts in his mind. Until then the possibility of the 'Joh for PM' campaign gathering traction was remote.

To win 49 out of the 89 seats in the Queensland parliament was a huge accomplishment for the National Party. A week out from that election a deadlocked parliament looked likely. The all-out National Party assault during the final week shifted many people who traditionally might have voted Liberal towards Bjelke-Petersen, in the name of having a stable, conservative government in Queensland. This victory persuaded him, and many around him, that he had broad vote-winning appeal, including amongst blue-collar Labor voters.

There was another simple reason why he turned his gaze to Canberra. 1986, despite the triumph it was, was his last state election. It became, therefore, a question of why not have a go for Canberra. In the atmosphere of Queensland politics after the election, such issues as the unlikelihood of his state popularity translating fully into the federal arena never occurred to his spruikers. There have been very few successful translations of successful state political figures into positions of equal power and prominence federally. Behaviour deemed popular, even loveable, at a state level becomes quirky and even embarrassing at a national level.

There was also the reality that many Liberals who happily declared their regard and support for Bjelke-Petersen whilst he was Queensland Premier had a completely different attitude towards the prospect that he might be the alternative to Bob Hawke as prime minister. As Christmas 1986 drew near, none of this seemed to matter. The victory in November had converted a fanciful dream into a tantalising possibility.

Until Bjelke-Petersen's Queensland election victory, I did not judge that the 'Joh for PM' campaign, although distracting, would become a reality. Watching Joh's victory speech that night in November 1986, my concern deepened. I said to Janette, who had watched it with me, 'This is going to create terrible trouble for us.'

My concerns were realised almost immediately. In a post-election interview with the *Australian* on 3 November he said, 'This time I won't be working through them. They'll work with the policies I set or I will work against them, and I've told them that.'¹ Hinze had been even more direct: 'We need a type of leader like Sir Joh in the nation,' he said. 'Howard tried to help Knox [the Queensland Liberal leader] and was not accepted. It's a problem for the conservative parties in Australia, we have to find a new leader,' he continued.² When pressed, he said that Andrew Peacock was one of the politicians capable of saving Australia.

Bjelke-Petersen was unresponsive to any personal overtures. I rang him on Christmas Eve 1986. He was polite in response but decidedly distant. It was plain that he had no intention of sitting down with me to plan a joint strategy to defeat Hawke.

The Bjelke-Petersen push had precious little to do with philosophy. It was driven by the desire to achieve and wield power. The Queensland Premier and I were close on some issues. We were both socially conservative and shared similar views on industrial relations, although we differed on other economic policies. He frequently railed against 'trendies' in the Liberal Party — hardly applicable to me. But our similarities meant nothing.

Although, as fellow premiers, Sir Charles Court, of Western Australia, and Sir Joh Bjelke-Petersen often made common cause against Canberra, Court was dismayed by the Joh for PM campaign. He thought it ill-advised, doomed to fail and damaging to the Liberal cause. He tried in various ways to persuade his former premier-in-arms against it, and expressed concern to me about some of the people around Bjelke-Petersen.

Joh used the Christmas/New Year period to keep the speculation going. He held a major rally in Wagga Wagga on 31 January and announced his strong support for a 25 per cent flat tax policy. He spoke of 'starting a bushfire that will spread across Australia'.³ That meeting was addressed by Des Keegan of the *Australian* and the activist leader of Australia's surgeons, Bruce Shepherd. He personified the type of person who caused me difficulties with Joh. A very conservative man, he professed support for me and had actually told me in advance what he proposed saying at the Wagga Wagga rally, but also told me what a great man Joh was. Shepherd railed against the so-called trendies in my party such as Ian Macphee and Peter Baume. I told him that the Liberal Party was a broad church and that it was the final policies which emerged that really mattered.

In January 1987 I went to Perth for some America's Cup activities and had breakfast with Ian McLachlan, still president of the National Farmers Federation (NFF) but there for a meeting of the Elders board. He was an impressive figure who I liked and really wanted as a Liberal candidate at the next election. Then one of Australia's largest woolgrowers, his leadership of the NFF had made him a real poster boy for industrial relations reform on issues such as the Mudginberri abattoir. Whilst being friendly, he was unwilling to commit. Shortly afterwards, John Carrick, who had been a NSW senator since 1971, told me that he would resign his Senate seat in favour of Ian McLachlan, if that would help. I rang and told McLachlan of this. He was non-committal. Carrick had made a huge gesture, but I don't think that Ian was fully seized by this. A few weeks later I called to see McLachlan when in Adelaide. We had a long and friendly talk, but it was of little avail. He said that he did not wish to commit specifically to either the Liberal Party or the Nationals. He kept referring to the right-hand side of politics. McLachlan said that he had been in touch with Bjelke-Petersen. He said, 'You know, he really thinks he can do it. I am going to take a detailed look at his proposals.' He also said that the NFF was resolutely opposed to a consumption tax and would campaign hard against it if it became Liberal policy. The farmers wanted fuel excise abolished. I left that meeting feeling dispirited.

A huge complication throughout was the poor relations between Bjelke-Petersen and the Nationals' federal leader, Ian Sinclair. The Queensland Premier had no interest in getting closer to his federal colleague, and Ian Sinclair struggled to find the right *modus operandi* for handling Joh. Relations between Joh and the federal Nationals had always been problematic. In the Fraser

Government days, Peter Nixon had been the man to deal with Joh. Nixon was neither in awe of Joh nor insensitive to his raw populism. He was a straight shooter, and on many occasions both Malcolm Fraser and Doug Anthony would ask Peter Nixon to 'deal with Joh'.

Tension built as parliament prepared to resume in February 1987. Tactically, Bjelke-Petersen's first objective was to break the federal coalition. My aim was to preserve it. I knew that if the federal coalition held, there was no real prospect of a 'Joh for PM' campaign getting off the ground. Crucial to maintaining the federal coalition was the determination and leadership authority of Ian Sinclair.

We held a joint party meeting on 2 February, after which I called on Bjelke-Petersen to be either supportive or to keep out of the federal scene. On the same day, at a news conference, Ian Sinclair reiterated his commitment to the Coalition and said that no individual premier or leader of any state parliamentary party 'will have a direct role in determining any other course'. That was the right attitude.

The agitation from the Queenslanders continued, and attention shifted to a separate meeting of the federal parliamentary National Party, set for 16 February. This shaped as a test of Ian Sinclair's authority to hold the federal Nationals in the Coalition. Before the meeting, I spoke to him about the need to reaffirm the commitment of the Nationals to the Coalition.

The outcome of that National Party meeting could not have been worse. Instead of a clear statement of support for the Coalition, what was described to me by Peter McGauran, a National MP, as 'an olive branch to Bjelke-Petersen' emanated. It said nothing about the Coalition. Rather, it welcomed the thrust of what the Premier of Queensland had been seeking to achieve and expressed support for his general philosophy. This outcome told me that, when push came to shove, Bjelke-Petersen had enough influence to break the federal coalition. The Queenslanders were in mortal fear of their party endorsements. Not only could Bjelke-Petersen corral them but also at least two from other states.

This was anything but an endorsement of the federal coalition. The following day, I told Ian Sinclair that I would not preside at a joint party meeting, scheduled for later that day, unless he was willing to have his National Party colleagues join in an affirmation of the Coalition, to be publicly made after the meeting of the two parties. After consulting his colleagues, Ian said he would do as I wished. The joint party meeting was held, and the statement I wanted was issued.

The statement said that Ian Sinclair had informed the joint party meeting of the desire of the National Party to continue in coalition with the Liberals. It also reaffirmed that the maintenance of the Coalition was the most effective instrument to defeat the Hawke Government. Cracks were being papered over.

The shove came from the central council of the Queensland National Party meeting at Hervey Bay on 27 February. Effectively, that meeting called on the parliamentary members of the federal National Party to withdraw from the Coalition. The 'Joh for PM' campaign came out of the closet at that meeting. 'Joh for PM' T-shirts were distributed and ostentatiously donned by people such as the Deputy Premier of Queensland, Bill Gunn. I attached significance to him as my colleague Wal Fife, who had been a fellow Education Minister with Gunn some years earlier, had conveyed to me assurances from Gunn: 'Don't worry, Wal. It won't happen.' The bandwagon was well and truly gathering pace. Ian Sinclair had attended the meeting and rang me afterwards sounding deeply depressed about the outcome, but assured me he would continue to resist any breaking of the federal coalition.

Sinclair publicly ignored the Hervey Bay resolution. The Queensland members of the National Party decided to wait until a meeting of the federal council of the National Party, due at the end of March, before deciding whether or not to bail out. Meanwhile, the central executive of the NSW party reaffirmed its strong support for Ian Sinclair as leader, and the maintenance of the federal coalition.

Separately, the federal member for Groom in Queensland, Tom McVeigh, withdrew from the federal parliamentary National Party. There were rumours at the time that McVeigh had been offered

a job by Bjelke-Petersen in return for vacating his very safe Darling Downs electorate in favour of the Premier.

In directing the parliamentary Nationals to leave the Coalition, and threatening their endorsements if they did not do so, the Queensland Nationals were doing something which for decades both the Liberal and National parties had publicly held against the Labor Party. Dictation from unelected party bosses had been a characteristic of the Australian Labor Party in the 1950s and '60s.

To people such as Doug Anthony, this thuggish behaviour by the unelected central council of the Queensland National Party was contrary to fundamental beliefs of the two coalition parties.

Speaking at the Sydney Rotary Club on 2 March, Doug Anthony said, 'I cannot stomach the intimidatory (sic) action against sitting members of parliament. Threatening them with their preselection if they don't obey the organisation is political blackmail ... For 60 years, the party was proud of its parliamentary freedom and goodwill. For the Queensland organisation to direct and threaten elected members of parliament smacks of those features of the Labor Party we have always deplored.' He went on to say that if the federal coalition were broken, 'the mantle of blame would fall fairly and squarely on the Queensland National Party'.⁴ He said it was absurd of the Queensland National Party to imagine it could ever win seats in metropolitan Sydney or Melbourne and that all that would occur would be the re-election of the Hawke Government. Doug Anthony understood precisely what was at stake.

The federal council met in Canberra on 27 March 1987. It resolved that it be left to the parliamentary Nationals to determine when they would withdraw from the Coalition. Many, me included, saw this as a real breakthrough, and perceived that the Queenslanders had backed off. We were wrong. All they had done was to embrace a tactical retreat. Time had been bought, so it was later claimed by Sparkes, the Queensland Nationals president, and others, to deny Hawke the option of an early election. If that was the reason then clearly it did not work.

The Queenslanders did not waste much time. The State Management Committee of the Queensland National Party met on 10 April and ordered its remaining 11 federal parliamentarians to leave the Coalition. This, of course, ignored the decision of the federal council to leave the timing of Coalition withdrawal to the parliamentary party. It was yet another illustration of how the Queenslanders held the National Party in the rest of the country in contempt. It was poetic justice that, in the end, this contemptuous indifference was the undoing of the whole Queensland enterprise.

I sensed that it would probably be short-lived, but I tried the tactic of holding together a remnant coalition. This was to consist of Nationals who remained committed to the Coalition, namely non-Queenslanders and Liberals. I announced a reshuffled shadow ministry with fewer National Party representatives.

Meeting on 28 April, the full parliamentary National Party rejected two of the stipulations I had made relating to meetings of the parliamentary Nationals as part of the deal I had concluded with Sinclair to keep a remnant coalition going. They regarded them as inconsistent with the continuation of their party as a separate parliamentary entity. Their reaction was understandable, but so had been mine: to do all in my power to preserve as much unity as possible between the two parties.

It was the Nationals who had broken the coalition. It had been the unwillingness of the parliamentary collective of National Party members in Canberra to defy the Queensland organisation which had brought about the crisis. If the Queenslanders in the federal parliamentary National Party had stood together and defied their party organisation and stayed in the coalition, there is no way that all of them would have lost their endorsements. If they had all displayed the fortitude of Stan Collard, who defended the right of the parliamentary members to decide these things, history would have been different. Instead they let him be picked off, and he alone lost his preselection.

At 8.30 pm on 28 April 1987, in Canberra, feeling very sad about it, I announced the end of the federal coalition. I said:

Mr Sinclair and I reached an agreement which was an honourable agreement. But because a few Queensland National Party members did not have the guts to stand up to the maverick Premier of Queensland, the National Party has broken that agreement and thus the National Party has brought an end to the Coalition. Therefore, the Liberal Party will now go all out to win government in its own right. If we fall short by a few seats of achieving that goal at the next election I will negotiate a new coalition agreement with the National Party so that we can get rid of the Hawke Government, form a new Coalition Government, and implement policies which will benefit all Australians.⁵

They were brave words, uttered with much passion, but I knew in my heart just how difficult our predicament had become.

We were a spectacle of disunity and weakness. Labor could not have believed its extraordinary good fortune. The 'Joh for PM' push had sucked all the oxygen out of the air for me, my party and those parliamentary National Party members who were genuinely trying to concentrate on our main job, and that was to oppose and hopefully defeat the Hawke Government. Ian Sinclair had done his level best to save the Coalition.

It was an immensely dispiriting time for our supporters throughout the country. Constant preoccupation with the threat to the Coalition posed by the Queensland Nationals had rendered serious policy work virtually impossible. Not only was an enormous amount of my time, and that of other senior colleagues, focused on the Bjelke-Petersen issue, but the totally compromised independence of the parliamentary Nationals meant that they were in no mood to focus on, let alone commit to, particular policies.

The Queensland Nationals had achieved their negative objectives. They had wrecked the federal coalition and completely undermined Ian Sinclair's leadership. They had gravely weakened my own position as alternative Prime Minister. Yet, with the exception of John Stone, the former Treasury secretary, they had not recruited any star or high-profile candidates willing to run under the Joh banner. None of the other prominent potential recruits mentioned from time to time materialised. Some made it plain they would not sign up with Bjelke-Petersen. One was Greg Chappell, the cricket great, who in a telephone conversation with me firmly ruled out any possibility of becoming a candidate for the Queensland Premier. The negative part had been accomplished fairly easily. The more difficult part of presenting as a credible alternative conservative force had not been achieved.

By contrast, Hawke continued to govern decisively. On 13 May the Treasurer delivered a major economic statement outlining a reduction of \$4 billion in the prospective budget deficit. It gave the appearance of a government dealing directly with the economic challenges then facing Australia.

Hawke had been presented with the irresistible temptation to call an early election. He readily succumbed, and announced it at 5 pm on 27 May. It was a double dissolution, obtained on the strength of Senate rejection of the Australia Card legislation.

Not since its formation in 1944 had the Liberal Party of Australia faced a federal election in less propitious circumstances. Its 40-year coalition with the Nationals had been brutally broken. It had, for months, been racked by leadership speculation and, due in no small measure to these two factors themselves, had not completed enough policy work to go to the people with a comprehensive program, credibly costed.

Early on 2 June 1987, Ian McLachlan telephoned me in Canberra to say that he was having absolutely nothing further to do with the Joh campaign. McLachlan's flirtation with Joh had hurt us a lot. He was a credible figure. No end of effort had been made to encourage him to endorse the federal coalition. Yet he had stubbornly refused, saying that he didn't think that we had the bottle to take the tough decisions needed if we got into government.

Alexander Downer, who had only been elected in 1984, had three months earlier publicly offered to vacate his very safe seat of Mayo to make way for McLachlan as a Liberal candidate. It was a big thing for Downer to do. He had his heart set on a long political career but was motivated by

his deep affection for the Liberal Party and driven by his alarm at the spectacle of disunity presented by the Liberal and National parties. There had also been the Carrick offer.

Whatever had been his prevarication in the past, by 2 June McLachlan had become quite angry. He told me, after a meeting with them, that the Queenslanders had done no serious work. They had no policies to speak of. His disillusionment gave me some hope. It was sorely needed.

The Queensland Premier had been in California when Hawke announced the election and was thus caught quite unprepared.

John Stone also telephoned me that same day. He had secured a spot on the Nationals' Senate ticket for Queensland. John would be the main architect of Joh's taxation policy and was the one person who gave some nationwide credibility to the Queensland push. John had always been quite an admirer of Bjelke-Petersen. In his call he hinted that the Queenslanders knew that the 'Joh for PM' campaign could not succeed. He said that they wanted to see me as soon as possible, to discuss ways of working together to defeat the Hawke Government.

So it was agreed that Joh and his senior National Party people would see me at my home in Sydney later that evening. They had been in Melbourne during the day, where the abortive meeting with Ian McLachlan had taken place.

Accompanied by Tony Eggleton, Liberal federal director, and Grahame Morris, my chief of staff, I went to Sydney for one of the more remarkable political meetings of my entire life. 'They', to whom Janette referred, did not include the man himself. At the last minute Bjelke-Petersen, who had come to Sydney, had decided to sit it out, either at the airport or at some hotel. In the lounge room of my home, I found three emissaries from the north. They were Sir Robert Sparkes, the formidable president of the Queensland Nationals, his likeable and friendly deputy, Charlie Holm, and the state director, an advertising man called Fred Maybury. They hurriedly tried to explain Joh's absence. Then we began our discussion about what was to happen.

They were an interesting trio. Holm was a traditional Country Party man from rural Queensland. 'He's the sort of man you would buy a horse from,' remarked my wife later. He was seen by most people as an honest broker. Sparkes had played a major role in building the National Party organisation and had a good political brain. He had never been enthusiastic about the 'Joh for PM' campaign and only signed up quite late in the piece, when he realised that the momentum had gathered so strongly that it could not be ignored. Fred Maybury, given his advertising background, was completely obsessed with market research. He had been an enthusiast for the Canberra push by Bjelke-Petersen from way back.

They hadn't come to apologise but to acknowledge, grudgingly, that the game was up. They accepted that the Liberal and National parties, facing an election on 11 July, needed to cobble together as much unity as possible, even though it was the 11th hour.

Maybury had brought an armful of research material with him. He plonked it on the lounge room floor. Given that the die was already cast, I didn't quite see the point of this. The bizarre feature of the evening was that he kept telling all of us that it would have been possible for Joh to have made it, if it hadn't been for what he saw to be the perfidy of the NSW Nationals.

He was right, but I was the last person to think that the NSW Nationals had done the wrong thing. To me, they had been heroes. For all the political skills and strategic planning of which the Queensland Nationals were alleged to have been capable, they had ignored the most fundamental step needed to achieve their goal. They had not enlisted the support of the National Party organisation throughout Australia for the 'Joh for PM' campaign. Without this they never had any hope. Doug Moppett and his colleagues had outsmarted them.

The real rabbit killer to the 'Joh for PM' campaign had been delivered at a meeting in my office in Canberra just a few weeks earlier. Then an agreement was struck, not only to maintain the decades-old joint Senate ticket between the Liberal Party and the National Party in New South Wales, but to implement a strategy that would cripple Joh in New South Wales.

That meeting was attended by Doug Moppett, the chairman of the NSW Nationals, his state director, Jenny Gardiner, Bronwyn Bishop, president of the NSW division of the Liberal Party, Dr Graeme Starr, the state director of the Liberals, as well as Tony Eggleton, Ian Sinclair and me.

Moppett had shown genuine strength in the face of the Queensland push. From the beginning he had been scathing about what his northern confrères had in mind, and contemptuous of the way in which they had undermined his federal leader, Ian Sinclair. He and Jenny Gardiner shared the historic warmth of the NSW Nationals towards cooperation with the Liberals.

I had always strongly supported close cooperation with the Nationals. The reaffirmation of the joint NSW Senate ticket was very important. Equally important was our agreement that if any 'Joh for PM' Nationals stood against sitting Liberals, then the NSW Nationals would campaign against the Joh Nationals in support of sitting Liberal candidates. In similar vein, the Liberal Party would support sitting Nationals and Nationals endorsed by the party organisation in New South Wales against any 'Joh for PM' Nationals. This tight electoral pact was designed to shut out the Queenslanders. It succeeded.

Although Sparkes and Holm said very little, Maybury bitterly complained about what the NSW Nationals had done. It was quite extraordinary, because he was venting his spleen to someone who thought that the NSW Nationals had behaved honourably and in the best traditions of close coalition harmony. I thought that Doug Moppett, in particular, had displayed tenacity and strength where many others melted away.

We talked at our Wollstonecraft home for about an hour and a half. The message out of the meeting was clear. The 'Joh for PM' campaign was finished, but they thought it had all been rather unfair, because if the rest of the National Party had come on board it might have been successful!

Given all that had happened over the preceding few months, I felt considerable relief. There still remained the awkward issue of a meeting between the Queensland Premier and me. We all knew that without that meeting and a declaration from the two of us that we would work together, there was no hope of stitching up even a façade of unity for the election campaign. They wanted me to go and see Joh in Brisbane in the next few days.

After Sparkes, Holm and Maybury left, I held a council of war with my two Canberra colleagues and Janette. Despite all the rough edges, and the possibility that I would be criticised for going cap in hand to someone I had called a 'wrecker', we all agreed that it was more important to achieve the public outcome we wanted than worry about personal dignity. To have any hope at all in the election we needed to put as much of the Coalition disunity behind us as possible. We could not even begin to do this unless Bjelke-Petersen and I had been seen to have mended fences.

I went back to Canberra that night with Grahame Morris and Tony Eggleton. The following day was devoted to a series of phone calls between me, Sparkes and Stone.

In my discussions, I told both Stone and Sparkes that whilst I accepted that a visit to Brisbane was necessary I would not undertake it in the absence of a guarantee that Joh would come good on acknowledging that his Canberra fantasy was over. They gave me those guarantees. I remained dubious but arranged to fly to Brisbane the next day.

There was a lot of fog at Canberra Airport the following morning, but that was not the real reason for my delayed departure on the RAAF jet. Maybury had rung Eggleton very early to say that Joh was having second thoughts — more likely that Maybury had persuaded Joh to have those second thoughts. At one point Maybury rang my home looking for me. He spoke to Janette and told her that the whole thing was off. Agonising phone calls followed, with my speaking to Sparkes, Maybury and finally Joh. I obtained Joh's word. His press secretary, Ken Crook, even read out the news release Joh would issue.

I finally left for Brisbane. The meeting with the Queensland Premier was awkward but it achieved its purpose. A statement was issued which declared our determination to work together to defeat the Hawke Government. Deference was paid to the Queensland Nationals' views on taxation,

without compromising anything which the Liberal Party might say on the subject during the election campaign. Bjelke-Petersen's demeanour was of a man who knew that his great dream would not be realised.

When I returned to Canberra, the house was still sitting. There were predictable cries of derision from the Labor side of the house that I had behaved weakly towards Bjelke-Petersen. I was happy to wear all of that. Hawke even moved a censure motion against me; that was going too far. He sounded rather foolish. A week earlier I would not have thought anything like what had been achieved in the previous 48 hours was remotely possible. Against all the odds of recent months, I now gave the Liberal Party just a faint chance of winning the election racing towards us. But the odds against us were colossal.

* * *

The really fatal blow to our 1987 election campaign was the discovery by the Labor Government of a double counting error in the Liberal tax policy after that policy had been released on 10 June at Box Hill in Melbourne.

Savings from cutting expenditure on certain programs were also included in savings from reducing payments to the states which, in turn, had included some payments under those same programs. The mistake involved several hundred million dollars. The tax policy document had been largely prepared in my office but also with the involvement of the relevant shadow ministers. All had been working under near impossible conditions, but when parties make mistakes of this kind, they have to carry the blame. No excuses are permitted. It was our mistake, and when it was exposed, it did us irreparable damage. If the policy had been prepared under different conditions, then adequate time would have been available for further checking, and I am sure that the mistake would not have arisen.

I had to go through the painful experience of calling a press conference, admitting the error and endeavouring to explain that the tax commitments we had made elsewhere in the policy could be properly funded in another manner. I did the best I could but the damage had already been done. Although he did not tell me at the time, Tony Eggleton later let me know that a private poll conducted for the party by Gary Morgan not long after the tax error was discovered showed that the Coalition was 18 points behind Labor.

Although it was of little ultimate consolation, the rest of the campaign went remarkably well for the Liberal Party. Bob Hawke refused to debate me, which barely earned a rebuke from the press.

The Liberal and National parties achieved a nationwide swing of 1 per cent. The final result on a two-party-preferred basis was 50.8 per cent for Labor to 49.2 per cent for the Coalition; we had actually shaded the ALP on the primary vote. Unfortunately for the opposition parties, the swing had not been evenly distributed, and despite the nationwide swing in its favour, the Coalition suffered a net loss of seats to the ALP. The Liberals won the suburban seats of Lowe in Sydney and Chisholm in Melbourne, but lost Michael Hodgman's seat of Denison in Tasmania as well as the Queensland seats of Forde, Petrie, Hinkler and Fisher. Labor also captured the Northern Territory from the Country Liberal Party. Hawke increased his majority from 16 to 24 seats.

The cumulative leadership difficulties within the Liberal Party, the broken coalition as well as the policy mistakes had severely damaged our chances. It was, nonetheless, clear from a regional analysis of the poll that electors had especially punished the Queensland Nationals. Not only did both parties lose seats in Queensland but the loss of the Northern Territory could also be attributed in no small part to the Queensland connection.

The 'Joh for PM' push destroyed more than the Coalition's prospects in the 1987 election. It began the Queensland Premier's own political decline. Not only had he been unsuccessful in his bid for Canberra but, in the process, had done much gratuitous harm to what was still seen as his side of politics in its bid to unseat the Hawke Government.

In a few short months he went from being a political Messiah to someone whose best years were behind him. To all but his most ardent followers Joh increasingly became a political liability.

For all the damage he had done to our prospects in the 1987 election, I recognised the huge contribution he made to his state as Premier. At his state memorial service in Kingaroy, some 18 years later, on 3 May 2005, I said, ‘The reality nonetheless is that he made a massive contribution, a defining contribution, to the growth and the expansion of the state of Queensland.’

The ‘Joh for PM’ campaign had wrecked our chances of winning in 1987. I must acknowledge though that disunity in the Liberal Party helped create a vacuum on the anti-Labor side of politics. This encouraged Joh and his supporters to think that they could successfully indulge their ludicrous political fantasy. A completely united, strongly performing Liberal Party would not necessarily have aborted the Joh push but at the very least it would have given its architects greater pause to think.

17 THE COUP

After the election Andrew Peacock stood for the leadership against me and I defeated him by 41 to 28. He was then easily elected as deputy leader and immediately became shadow Treasurer. Thus began a period of time in which we worked together in quite close professional harmony.

There was a strong feeling within the party that I should be given a fair go. Most accepted that the period leading up to the election campaign, particularly the rupture of the federal coalition, had presented me with an impossible task at the 1987 election and although we had lost seats, the Liberal vote had held up better than might have been expected. Also, due in part to the influx of new MPs from both the 1984 and 1987 elections, there was greater support for my brand of economic policy. Peter Reith, Alexander Downer and Julian Beale had entered in 1984; John Hewson in 1987.

The period from the 1987 election until the end of 1988 was one of calm and unity within the Coalition, with one exception. That was the debate on Asian immigration. After the 1987 election the leaks stopped, and gradually the Liberal Party assumed the appearance of unity. The federal coalition was re-formed, and the federal influence of the Queensland Nationals greatly diminished.

The double-dissolution election had not given the Hawke Government control of the Senate, so the opposition was able to kill off the Australia Card by threatening to block any regulations made under Australia Card legislation, using its majority in the Senate. The Australia Card needed regulations to operate. Bob Hawke did not mourn the loss of the Australia Card.

1988 was significant for the heavy defeats inflicted by the Liberal Party or Coalition whenever there was an electoral contest. Yet in overall terms, the Coalition still finished the year without clear political dominance over the Government. This was because it proved impossible for me to break completely free of doubts regarding my leadership tenure.

There were four by-elections federally. On 6 February Michael Pratt won the seat of Adelaide from Labor, with a two-party-preferred swing of 8.5 per cent. The following month there was a 9 per cent two-party swing to the opposition in the safe Labor seat of Port Adelaide. On 9 April, the conservative voters of Queensland in the Darling Downs electorate of Groom showed what they thought of the antics of the Queensland National Party the previous year. The Liberal Party captured the seat with a 21 per cent swing in its favour away from the Nationals. There was a solid 5.2 per cent drift from Labor. In October of the same year in the seat of Oxley, vacated by the newly appointed Governor-General, Bill Hayden, there was an 11 per cent primary swing against the Labor Party, although it retained the seat. It would take the disendorsed Liberal Pauline Hanson, in 1996, to claim this Labor stronghold from the ALP.

On top of the federal swings there was the Liberal victory in New South Wales, with Nick Greiner ending almost 12 years of Labor Party government.

With Andrew Peacock and me working together, the new leadership flash-point became John Elliott. He had become the federal president of the Liberal Party just after the 1987 election and immediately set about making plenty of statements on policy matters. This was difficult for me and indeed for Andrew Peacock as most of the statements Elliott made were about economics. He regularly advocated the introduction of a broad-based consumption tax. That was something that had never been completely taken off the table, but the timing and political handling of it was entirely a matter for me and the parliamentary leadership.

Media interest in Elliott was huge. He was a boisterous, larger-than-life character, and there was a naïve, even childish, belief within some journalistic and business circles that what the country needed was a key business figure to have a 'sabbatical from the boardroom', go into parliament for a couple of terms, fix the country and then return to business. To these simplistic souls, it was all as easy as that. The two people who fitted this bill and who were most frequently touted were John Elliott and Ian McLachlan. The interface between business and politics is both frequent and

very important. Understanding business is a crucial ingredient to being a successful politician in government, particularly at a senior level. Likewise a pragmatic understanding of the political process will always serve a businessman well. My experience, however, has been that an easy exchange from business life to the political and vice versa is often elusive. Understanding another's craft is one thing; practising it successfully is something entirely different.

None of these considerations in any way inhibited John Elliott and his backers, either inside or outside parliament. They saw him as the answer. I was regarded as shop-soiled and 'too political'. I may have had good policy ideas, most of which Elliott agreed with, but I had no 'charisma'. Andrew Peacock, on the other hand, had urbane communication skills but was seen as a policy lightweight. Elliott was the natural alternative, as he could boast both success and high profile. Whenever he made speeches they attracted enormous publicity and plainly stated slogans gained wide coverage. The fact that he appeared to have a lot of money also did not escape attention. Ironically, given the outcome of the election, the Liberal Party had ended the 1987 campaign with a surplus. During the last two weeks of the campaign our fortunes had improved sharply, and applying the age-old insurance principle, a number of business donors had come good right at the end when, regrettably, their donations could not be prudently spent. So John Elliott began his presidency of the Liberal Party by investing heavily in staff recruitment and other activities designed to build the organisation. This endeared him to many at Menzies House, the Canberra headquarters of the party.

In the public's eye the Howard–Peacock rivalry was replaced by the Elliott–Howard rivalry. Elliott and I had a difficult, and quite public, standoff at the federal council meeting in April 1988. Miraculously this difficulty was overshadowed by the emphatic victory achieved by Bill Taylor, the Liberal candidate in Groom, on the Saturday of the federal council meeting.

In July of 1988 I visited Israel, Italy and Britain. In London I saw the British Prime Minister Margaret Thatcher, who had reached the zenith of her power and influence among centre-right adherents around the world. There was great value in the visit for me. I returned to Australia via the west in order to address the state conference of the WA division of the Liberal Party at Esperance. It was here that I made the first of my 'One Australia' speeches.

For some time I had been ruminating about the policy of multiculturalism. Inaugurated by Whitlam, embellished by Fraser, continued by Hawke, it was a policy with which I had never felt comfortable. Leaving aside for a moment the separate issue of the White Australia policy, Australia's post-World War II immigration policy had been built on the principle of assimilation. We would draw people from many countries, but when they came here they would become Australians. They would be assimilated into the host culture; they were then called New Australians.

That was a term with which I had grown up, and which I had always imagined accurately described the process. They were to become Australians and were new to our country; hence the term seemed to me to make good sense. I never believed that people who used the term did so in a patronising or offensive fashion. As time passed, however, and subsequent generations were born in Australia to those original 'New' Australians, the term was no longer appropriate.

Sensing the political power of individual ethnic groups, Whitlam embraced multiculturalism. There was to be more emphasis under the policy of multiculturalism on the individual characteristics of different ethnic groups. Assimilation was discarded as a term, it being described as too patronising and Anglo-Celtic-centric. It was one of those areas where nuance and degrees of emphasis mattered a lot. If multiculturalism simply meant that there should be a greater emphasis on honouring the culture and land of one's birth, then nobody could possibly object. By contrast, if it meant entrenching differences of culture without acknowledging the mainstream character of the host culture, then more difficult considerations were raised.

My view was that Australia should emphasise the common characteristics of the Australian identity. We should emphasise our unifying points rather than our areas of difference. I extended this thinking to our approach to Indigenous policy issues, where I disagreed with Bob Hawke's flirtation

with the notion of a treaty. These were considerations I had in mind when I gave my speech in Esperance.

At the time of my Esperance speech, there was separate debate in Australia about the pace of Asian immigration. Clearly there were some people totally, and wrongly, opposed to any migration from Asia. There were others who were simply concerned about the speed of change in particular localities. My response to several questions on this issue, during two radio interviews, was to state simply that if it were in the interests of social cohesion to slow the pace of Asian immigration a little then that should occur.

The initial reaction of the public was supportive of what they saw, not as a racial outburst, but a commonsense remark about the rapidity of change. That had been my intention. I should have realised that my political opponents, and critics elsewhere, would seize on the comments and use them to attack me, as introducing racial considerations into debate on Australia's migration program. Bob Hawke exploited the situation very cleverly by introducing a motion into the parliament declaring that considerations of race should never be used as a criterion to determine flows of immigration to Australia.

When this motion was discussed in our party room, some, including Ian Macphie and others, argued that we should simply support Hawke's resolution and the matter would then disappear. I argued against this, believing that, if we were to do this, it would be seen as a repudiation of my earlier statements. I had got myself into a bind and was certain to be damaged regardless of how the matter was handled. In the final analysis the party resolved to vote against the resolution. Four of our number, including Philip Ruddock, crossed the floor to support the resolution.

The whole issue had done me considerable damage. It had divided the Liberal Party and diverted attention from the original issue of substance I had introduced during my speech in Western Australia, namely the real doubts I had about multiculturalism. It was a case of having antagonised everybody. Those who supported multiculturalism disagreed strongly with me. Those who may have agreed with my views on multiculturalism lost track of the debate as the Asian-immigration issue intruded, and those who might have agreed, on careful analysis, with what I had said about the pace of Asian immigration, felt that having raised the issue I had then gone quiet on it. I had been wrong to make the original statements on the pace of Asian immigration.

My handling of the issue lost me the support of some press columnists such as the *Australian's* Greg Sheridan, with whom I had had a good relationship and who over the years had voiced support for many of my positions on other matters. The whole episode weakened my leadership authority within the Liberal Party.

In December 1988 I launched *Future Directions*, a policy and philosophical manifesto to which Graham Wynn of the Liberal secretariat made a major contribution. In time it would be seen as the document which foretold much of the philosophical direction of the government I would lead from 1996. Its themes were consistent and its policy content strong. It was a classic statement of the economic liberalism and social conservatism which would guide my years as Prime Minister. It depicted the traditional family in front of a white picket fence. There was much initial derision towards the manifesto, but a great deal of that receded as its thrust struck a real chord with middle Australia. I had tapped into something with a subliminal appeal to traditional Australian notions of stability and security in their family and national life.

Months later, and after I had been removed as Liberal leader in May 1989, Rod Cameron of Australian National Opinion Polls (ANOP), the long-time ALP pollster, and a real professional in his business, told me that *Future Directions* had really begun to bite, that I was 'onto something' and that, by implication, the Labor Party was mightily relieved that I had been removed. The value of this document was not only in what it said but also its easy identification with its author. No political leader can convincingly advocate a policy or a set of values unless he or she genuinely believes in

them. I believed in every element of Future Directions. It told Australians that I was very much a conviction politician.

Although the Hawke Government remained in a strong political position, my own leadership appeared more secure in the early part of 1989. Unbeknown to me, John Elliott had quietly put his leadership hopes on hold at the end of the previous year, and the coming together of his supporters and those who wanted Peacock to replace me had begun.

Emboldened by the strong reception received by Future Directions, I became more assertive on a range of issues. I persuaded the NSW division not to field a Liberal candidate against the National Party for the Gwydir by-election made necessary by the retirement of Ralph Hunt. The by-election brought into parliament John Anderson, who was to become my longest-serving deputy prime minister. His maiden speech was that of a person with very strong values and a deep and practical Christianity, who would apply what he believed to the daily business of politics. I liked him from the start. John remains one of the most genuinely decent people I have met in public life.

Disunity between the Liberal and National parties had been such a negative for us at the 1987 election that I felt it essential, where possible, to overcompensate when it came to the two parties working together. I therefore set myself the task of achieving a joint Senate ticket between the Liberal and National parties in Victoria, feeling that if it could be brought about, thus emulating the situation in New South Wales, it would not only achieve the beneficial outcome of removing the need for three-cornered contests involving sitting members of each party, it would also be a symbol of unity.

Having directly lobbied the Victorian executive, and with the enthusiastic backing of Michael Kroger, the new and most effective Victorian president, I carried the day with the Liberals, many of whom had been reluctant, and, with Ian Sinclair's assistance, the leadership of the parliamentary National Party and organisation also came on board.

Jeff Kennett, the Liberal Opposition leader in Victoria, was sceptical, but in the end the push I started produced not only a joint Senate ticket but also a rebirth of the state coalition in Victoria. The formal consummation of these new arrangements took place after I had been removed as leader, but the decisive votes had been taken by the party's governing bodies in Victoria while I was still at the helm.

A difficult and sensitive policy then emerged — deregulation of the domestic wheat market. At that time a single desk operated, both in relation to wheat sales abroad and also sales on the domestic market. The Government indicated that it wished to deregulate the domestic wheat market, and the Coalition was required to form a view. Unless the Coalition adopted the same position as the Government, it would reflect poorly on our economic credentials. Once again it would look as if the Labor Party were more market oriented than, in particular, the Liberals. I made it very clear to both Ian Sinclair and Bruce Lloyd, the two National Party leaders, that I wanted a change in policy, knowing full well that the overwhelming bulk of the joint party room, who were Liberals, would support my position. I suspected that privately several Nationals were also on side. Ian Sinclair knew the pressure this would put on the National Party, and Bruce Lloyd was explosive in his response. To him it represented a fundamental repudiation of something the National Party had always stood for. It was a challenge to the McEwenite orderly marketing tradition still very much in the ascendancy amongst Nationals.

The Coalition decided to support deregulation of the domestic market while reaffirming the maintenance of the single desk for export sales. The Coalition held together, but only just. Despite his deep personal feelings, Bruce Lloyd pulled back from the brink of resigning as deputy leader of his party. At heart he was a good Coalition man.

On both the issue of the joint Senate ticket and wheat marketing policy I had achieved results. There was no dramatic change in the polls, although the Coalition remained reasonably competitive. There was, however, growing confidence in opposition ranks. We had tackled and resolved difficult issues. Parties paralysed by leadership doubts don't normally do that.

It was through Michael Kroger that I first met Peter Costello. They had been friends since university days and were close allies within the Victorian division. Early in 1989 Michael led a push to strengthen the federal representation from Victoria in the parliament by encouraging challenges against sitting MPs who were not perceived as performing well. One of those readily within his sights was Roger Shipton, MP for Higgins, who had followed John Gorton in the seat after the latter's departure from the Liberal Party in 1975. Shipton was a hardworking member, but not likely to make it to senior office in government or opposition. When John Elliott had been hankering after a seat, Higgins was always the one mentioned.

Elliott had never publicly declared an intention of standing for Higgins, so when his parliamentary ambitions went on ice in late 1988, nothing was said. It remained the case, however, that Shipton was still highly vulnerable to a challenge. This created a perfect opening for Costello. He was young, very articulate, and with a well-developed reputation for political toughness. His career at the Bar had been successful, with his appearance on behalf of Fred Stauder in the Dollar Sweets case an industrial relations landmark, winning much praise. Costello had Kroger's strong support. He lived very close to Higgins. Not surprisingly, he nominated against Shipton for the seat.

Interest in Higgins was as nothing compared with the stoush which was developing in the nearby seat of Goldstein, held by Ian Macphee. He had been challenged by David Kemp, former close advisor to Malcolm Fraser when he was PM and also until very recently director of the Victorian division of the Liberal Party. Kemp was close to Kroger, but it was an oversimplification to describe his nomination as a Kroger-inspired head office push to throw out Macphee.

The Canberra press gallery virtually demanded that I intervene in Goldstein to save Macphee. Being a 'small l' Liberal, he was one of their favourites. This was all about stopping the dark reactionary forces of Michael Kroger taking over the Liberal Party in Victoria, although nothing of the kind was occurring. As it happened, one of the key Liberals of local influence in Goldstein, who had encouraged Kemp to stand, was Sir John 'Bill' Anderson, a veteran of World War II and former president of the Victorian division. A party grandee, Anderson was also a man who Malcolm Fraser greatly respected, although they disagreed about the Goldstein preselection. The former PM strongly backed Macphee.

Given the pressure I was under over Goldstein, not only from the press but also from a growing number of MPs, who always feel nervous and experience an extra charge of collegiality when one of their number is under challenge — after all, I could be next — I decided to do some research of my own. I rang Anderson and was politely but bluntly told to stay out of Goldstein. According to him there was a lot of unhappiness with Macphee within Goldstein branches and influential locals had invited Kemp's nomination; there would be deep grassroots resentment if I poked my nose into the preselection. He confirmed what Kroger had told me all along.

Kroger and I had built a solid relationship. He had been a huge help in my drive for a joint Senate ticket, kept me informed of what was going on in Victoria and strongly supported my leadership. He had lifted the morale of the party in his state. It is a lasting loss for the party that he has never entered parliament. He would have gone a very long way.

Events were moving to a weekend of preselections, commencing with the Higgins ballot on 5 May, which Costello won easily. Kroger rang me that evening, simply saying, 'Peter Howard Costello', which was the future Treasurer's full name. The next day saw the drama of Goldstein, with media coverage at absurd levels. Kemp won comfortably, it clearly being the case that local Liberals wanted someone else. Then on Sunday, Julian Beale, who held the seat of Deakin, defeated Ken Aldred for the safer electorate of Bruce. There had been a redistribution which had touched both seats. Aldred later defeated Macphee for the nomination in Deakin, despite the latter's endorsement by Andrew Peacock, by then the freshly reminted Opposition leader.

These preselections, especially the one in Goldstein, were an important backdrop to the sudden leadership change which occurred the following Tuesday, 9 May. Although each was a good outcome

in its own right, the combined impact played into the hands of my critics. When an MP loses his or her preselection, it is so easy for remarks such as 'the boss could have done more to help you', to gain currency. Peacock knew what buttons to push, and he pushed them. In the ABC *Four Corners* program which I mention shortly, John Moore cited my handling of the Victorian preselections (meaning Goldstein) as delivering the final impetus to the push to get rid of me as leader.

* * *

The coup against me had been well planned to take place at a routine party meeting. I did not know about it until confronted by Andrew Peacock, Fred Chaney and Austin Lewis (leader and deputy Senate leader respectively) in my office the night before, and was therefore denied any chance to organise in my own defence. Peacock won convincingly by a vote of 44 to 27. I was devastated, as I felt that I had really begun to turn the corner with strong leadership on hard issues. I was angry with Chaney for not having warned me of what was coming. He was entitled to switch support to Peacock but, given our past friendship, should not have been part of the ambush. I felt that it was the end of my dream to be PM. At a subsequent news conference I replied, 'Like Lazarus with a triple bypass', to a question about my returning to the leadership. The best lines are never scripted.

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