

## **CHANGE WITH SECURITY:**

### **REVITALISING THE LABOR TRADITION**

The 10th Denis Murphy Memorial Lecture, delivered by the Hon Gareth Evans QC MP, Deputy Leader of the Opposition and Shadow Treasurer, Nambour, 3 August 1996

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The ALP finds itself in 1996 in a position that was all too unhappily familiar to Denis Murphy: out of office in Queensland, out of office federally, and agonising as what to do about it. As so often in the past, our misfortunes have been interconnected: whatever the precise causal relation may have been between the slide in the fortunes of the Goss and Keating Governments, and between the timing of the Mundingburra by-election and the national election, the simple truth remains that in the House of Representatives we have 42 out of the 97 seats in the south-east corner of Australia but only 7 out of 51 outside it, with most of the shortfall concentrated in this State: we hold only two out of the 26 seats in Queensland, with no Labor representative anywhere north of Stafford in metropolitan Brisbane.

In confronting the task of regaining the confidence and support of the Australian community, not least here in Queensland, it would be wonderful to have Denis Murphy still with us. Steeped in the history and philosophy of the Labor movement, as one of its finest and most prolific chroniclers; steeped in practical knowledge about all the economic, political, social and personal forces that make this State tick; indefatigably dedicated to making the Labor Party work effectively internally (as I remember very well from the many conversations I had with him and Peter Beattie and Bill Hayden in those heady days in the late 1970s and early 1980s, when they were working away at the reform of the Queensland State Branch - which had been even more conspicuously unsuccessful than the Victorian Branch before our own Federal intervention a decade earlier); and with the intellectual and personal skills to be an effective communicator, persuader and reconciliator.

Denis was one of those relatively rare people who could straddle the divide between ideas and action, being more or less equally at home with both. Without his efforts, and those of the people he inspired, it is hard to believe that Queensland could have made the contribution it did to our national victories through the 1980s, or that the eventual State election victory of 1989 would have been won even then. Denis Murphy would have made a marvellous Parliamentarian, and likely eventually a marvellous Premier, had he been able to take up in full health the State Parliamentary seat which he won in 1983.

It remains one of the great tragedies of Australian Labor history that we lost him in 1984, at the heart-rendingly early age of 47, before he could fully realise the capacity and vision he had for this State and this country. I am delighted that this Memorial Lecture continues to thrive in his honour, and deeply honoured personally to have been invited to deliver this 10th Lecture in the series.

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I don't think Denis Murphy would have any difficulty accepting that the first pre-requisite for regaining government is Party unity and discipline. Had he been settling down to address some of our present discontents, he might just have had a trace of a wry smile at the flurry of re-evaluation now going on at almost all levels and in all directions in the Party. In Victoria alone we have had just in the last few days and weeks a Fabian Society conference on "renewing and revitalising Labor", a Non-Aligned forum on "reinventing Labor", and a Left forum on "new policy directions". But I am sure he would be among the first to acknowledge, as am I, that thinking and talking constructively about how we might bounce back from defeat is an infinitely more useful form of occupational therapy than the recrimination, blood-letting and general destructiveness that followed so many of our electoral disasters in the past.

Kim Beazley and I could certainly not be happier with the enthusiasm, cooperative spirit and constructive intelligence with which our colleagues in the Shadow Ministry are approaching the task of rethinking policy, and taking the debate right up to our opponents. And there is every sign that the same atmosphere is overwhelmingly present all round the country, and will continue to be so.

All that said, while Party unity and discipline is certainly a necessary condition for regaining electoral support, it is hardly a sufficient one. Communication skills, ensuring that we connect with our target audiences, addressing issues in ways that seem relevant to people's experience in language they can clearly understand, is so obviously necessary that it is difficult to believe in retrospect that we could have neglected them to the extent which we appeared to have done over our latter years in Government. And properly resourced, skilful campaign organisation - assisted (to state the obvious as gently as I can) by having the right candidates in the right seats - is also obviously critical in ensuring the communication process is focused, consistent and effective.

Underlying all these factors is the most critical requirement of them all - to have our basic messages right. No party can remain effectively united unless there is at least a common core of values basically shared by its members; no communication can get started - however brilliant a party's leadership - unless and until we know at least broadly what we want to say; and no campaign organisation can move beyond basics until there is agreement about the story to be told. What, then, should be the basic story that the

Australian Labor Party should be trying now to tell - five years into its second century, and four years short of the birth of a new millennium?

My own instinct, stripping it back to bare essentials, is that it is a story with two basic dimensions - change and security. We are the Party who can, as can no other, manage necessary change - but at the same time promote the necessary sense of security that every person needs. The years of our greatest success have been when those two themes have operated more or less credibly in tandem. Our failures have come when there has been a lack of confidence that we have the balance right. And our prospect of recovery and early return to office will depend to a great extent on our capacity to get right and accepted once again, in the tumultuous world of the late 1990s and beyond, the right message. And this message is that we are not only the best architects and accelerators of necessary change, but also its best moderators - the best at providing the personal security that needs to go with change.

These are the themes on which I primarily want to focus in this Lecture, drawing out what we can learn from the past, and suggesting how we might embrace and project them in the future - not least in the context of the immediate battleground of the forthcoming Budget.

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But there is a preliminary question that needs to be addressed: what exactly are the core values on which these themes of change and security are based? Is it just a question of having, and projecting, superior managerial competence - or is it the case that we do have a distinctively different view of the world from that of our opponents, one which can and should govern the way in which we identify and embrace necessary change, and seek to moderate its harmful impacts?

I believe that there *is* a distinctively different Labor philosophical tradition - albeit one that has itself evolved and been refined over the years - upon which we can and should continue to draw in defining our specific policy positions. It is not so much a matter of trying to project that philosophy as a package in its own right to the electorate: Australians are notoriously resistant to bulldust, and abstract statements of commitment to particular ideas and values, shorn of any particular policy context, are likely to be seen as just that. But equally no consistent and credible set of policy responses is likely to be able to be effectively projected unless anchored in firm philosophical foundations. Parties without governing principles, adrift from any philosophical moorings, who haven't thought through what they basically stand for, who are trying to be everything to everyone, are parties well on their way to having no credibility with anyone.

The Australian Labor Party's philosophical tradition has been given over the years many different labels. Maybe the most hurtful of them, certainly from the perspective of some of

my harder lined Socialist Left colleagues, was Lenin's description of us in 1913 as a "liberal bourgeois" Party. More often, our tradition has been described generally as progressive or reformist, and more specifically as "democratic socialist" or "social democratic". (For a long time I used to argue that "social democracy", despite its impeccable European pedigree was inherently meaningless and the preferred choice only of ideological wimps in the Australian Labor movement - that "democratic socialism" was the way to go for those with something serious to say about values. These days I am inclined to think that the distinction is essentially a matter of linguistic taste, and that if exactly the same flavour can be conveyed while frightening less horses in the process, then "social democracy" is probably to be marginally preferred. Maybe I am just getting older.)

Simple or single-focus labels don't take us very far in accurately describing the Labor tradition. For a long time - and certainly since Evatt - we have liked to think of ourselves as internationalist, but in our earlier years "chauvinist" and "isolationist" would probably be more accurate descriptions. And it is always painful to remember that as a movement we were racist before we were socialist; for that matter, we were never very fervently socialist either. (The Party Objective embraced "racial purity" in 1905, and extended to "the socialisation of industry, production, distribution and exchange" only in 1921. That language was immediately qualified by the "Blackburn Declaration" protecting "socially useful" private ownership, was progressively diluted thereafter, and was never taken as a very serious commitment to the compulsory acquisition of anything very much.) As Stuart McIntyre put it in his 1994 Manning Clark Labor History Memorial lecture, "The Labor Party is the product of trade unionists not socialists; it begins as a workers' party but not a working class party; it seeks to civilise capitalism, not to replace it".

I believe that the Australian Labor Party's philosophical tradition is best described not in terms of single labels or slogans, but rather as a complex set of inter-connected *values* - viz. equality, liberty, democracy and social cooperation - all of which have been incorporated into the explicit text of the ALP's Objectives since 1981.

**Equality** means a real commitment to the maximum possible equality of wealth, income and status, not just equal opportunity. It involves an assault on continuing inequalities in the enjoyment of education, medical care, housing and the like, but also a serious and systematic commitment to the redistribution of income and wealth. In the Labor tradition, equality hasn't always been understood, as of course it is now, as extending to racial and sexual equality, but it has always embraced the idea of equal opportunity for a decent life, the fair distribution of community wealth, and safety nets for the disadvantaged and underprivileged.

**Liberty** has, in the *democratic* socialist and Australian Labor tradition, shared a great deal of common ground with those conservatives embracing the liberal tradition - although that liberal tradition has often been very weak in the Coalition parties and their predecessors

(never more so than at the time of the Communist Party Dissolution referendum, the Labor Party's opposition to which was probably its finest libertarian hour). The main difference over the years has been in our willingness to accommodate a number of constraints on individual economic freedoms in the interest of larger social values. Certainly our traditional emphasis has been on the inherent rights and dignity of men and women, rather than on claims of education and property.

The **democracy** theme is built around the idea of participation (or at least the opportunity for participation), not just in the formal political process - which was the preoccupation of the original founders of our Labor movement - but in all the key decisions that affect people's lives - in the workplace (industrial democracy), and in relation to urban and environmental planning, welfare delivery or anything else.

**Social cooperation** is a value at the opposite end of the spectrum from the selfish pursuit of individual objectives at the expense of the common good; and from confrontation, and victory to the fittest, as the preferred means of resolving competing interests. The idea of cooperative action has been at the heart of many Labor positions over the years, with the now defunct Accord and the now decaying Aboriginal reconciliation process being powerful examples of how social cooperation can work - and be destroyed when the will to pursue it is not there.

Social cooperation also means a willingness to accept an enhanced role for government as a guardian of the common good, not only in achieving equity and distributive justice, but in securing many public goods which are simply unlikely to be delivered as effectively, if at all, by the private sector and the free market - goods like first class education and medical research, the enjoyment of culture and the protection of our environmental heritage. There is a very big difference between the Howard/Costello Commission of Audit view of the proper role of government in this respect and that of the Labor movement. (I can't help but notice that this exercise was replicated recently in Queensland as one of the apparent rituals of conservative politics Mr Borbidge felt obliged to follow: I hope nobody in this State takes its findings more seriously than any other previous exercise of this kind has deserved to be.)

And social cooperation has an international dimension as well, implying a willingness to achieve by cooperative strategies many objectives - like nuclear disarmament, climate protection, narcotics control, refugee settlement and terrorism prevention - which are simply unachievable by any single government acting alone.

Individually I think each of these values has a real distinctive resonance for members of the Labor movement. Together - reinforcing each other as a total, interlocking package - they constitute a formidable foundation on which to build policies for government that both distinguish us from our conservative opponents and have real appeal for the voting

public.

Throughout the last century the Australian Labor Party has been self-consciously the party of *change* - arguing that it could see better the waves building, and ride and manage them better in the interest of the whole nation. This view was widely embraced by many historians, particularly in the pre-Second World War years, as the "initiative-resistance" theory of Australian history, the view that in office (and in some versions, out of it as well), the ALP had provided the basic dynamic force in Australian politics.

Among the developments supporting this view in the earlier years were Labor's establishment as the country's first fully organised political party, combined with our world leadership in forming Labor Governments in Queensland in 1899, and nationally in 1904; the achievement of equality in the franchise and a fairer electoral system generally; a compensation system for injuries received at work; an industrial arbitration system to protect workers and advance their wages and conditions; free education; prices regulation; protection against sickness, old age and economic crisis; and the inauguration of the Commonwealth Bank; the Snowy Mountains hydro-electric and irrigation schemes; and the Australian National University. The Chifley and Curtin Governments in wartime and subsequently initiated some enormous changes that have impacted on the life of this nation, and our place in the world, ever since - not least the acquisition by the Commonwealth from the States of the effectively exclusive power to levy income tax, and the shift from Britain to the United States as our closest defence ally.

The initiative-resistance theme became somewhat discredited as the empty years of Labor non-achievement and infighting ground on through the 1950s and 1960s, but has had rather a revival since with the extraordinarily innovative roles played by the Whitlam Government of 1972-75, and by the Hawke and Keating Governments from 1983 to 1996.

The Whitlam Government broke moulds in so many different directions simultaneously that succinct summary is almost impossible, but among its major initiatives were an assertively independent foreign policy; Medibank; far reaching human rights and law reform; free tertiary education and massive expansion of schools funding; the abolition of the imperial honours system; massive support for the arts; and new attention to cities, regions and the environment as national priorities.

The innovative role played by the Hawke and Keating Governments has been brilliantly characterised by Paul Kelly in *The End of Certainty* as involving nothing less than the final demolition of what he calls the "Australian Settlement" - the body of five core ideas which had been sustaining themes, to a greater or lesser extent, for governments on both sides of politics since Federation. Under intense pressure from a combination of almost irresistible global and regional forces (the globalisation of markets for finance and products; the collapse of the Cold War security system; the rise of the economic power of

the Asia Pacific; and the new world of communications and technology), "White Australia" became at last multicultural Australia, up to its eyeballs in engaging with Asia; "Protection" gave way to the recognition that the only way of avoiding a massive deterioration in Australians' standard of living in a highly competitive, internationalised economy was to dismantle trade barriers and open the economy to international forces; "Arbitration" gave way to the Accord and productivity-focused enterprise bargaining; "State Paternalism" gave way to a much more selectively focused application of government authority in business and welfare; and what was left of "Imperial Benevolence" gave way to an active push, symbolically extremely important, for the establishment of an Australian republic, with the monarch replaced by an Australian citizen as our head of State.

In the process of all of this the Australian economy and Australian society was fundamentally transformed, and became equipped as it had never been before to meet the challenges of a globalising economy, a fluid new international security environment, and a growing, highly educated population keen to lead rich and full lives. Not every agenda was completed, and there were many ups and downs along the way, but the major changes that had to be made to prepare us for the realities of life in the 21st Century were accomplished. Rather than resisting forces of change as so many earlier Conservative governments had done, including those of Menzies and Fraser, and storing up in the process major economic and social problems for the future, the Hawke and Keating Governments were, if anything, constantly ahead of the cutting edge: certainly they were on the pace as much, if not more, than any other government in the world wrestling with similar problems.

The downside of all this was that the government almost certainly got ahead of the wider community. Change transformed the lives of Australians, but it also destabilised them. Maybe, people felt, change did have to happen, but why did it have to happen so *fast*. There *was* an end to certainty. Jobs were no longer for life or secure. New technologies demanded a life of constant learning and relearning. The rise of service industries at the expense of the smokestacks may have created a more fluid and flexible workplace, but one affecting working hours and family responsibilities. Agribusiness pressures and the closure of family farms put many rural communities under stress. Globalisation opened up many parts of the world to Australia, but opened Australia to many parts of the world in a way that quite a few people inevitably found stressful: Anglo-Celtic dominance seemed to be dissolving in the rich diversity of tongues and customs now swirling around us. A new culture of rights began to be visible - in relations between men and women, parents and children, predominant ethnic groups and minority ones, predominant sexual preferences and other kinds, humans and the environment, even humans and animals - all disconcerting enough to enough people to attract, and bring into wider circulation, the contemptuous label "political correctness".

Aggravating the problem was that there were perceived winners and losers from the

change process - certainly those for whom it was more obviously and immediately beneficial. Upper income groups by and large did well in Australia - as they have been doing in every advanced industrialised country taking a similar path - enjoying high quality access not only to continuing substantial incomes, but to information technology and communications services; to leisure amenities, entertaining and travel; supplementing all that with privileged access to the political system through lobbyists and interest groups. But this world of cyberspace and office space was a world away from that of many others. For lower income groups it was, as always, a different story: wage incomes grew slowly, and even with an array of new government social wage payments, they found it difficult to think of themselves as better off. And they could never match the access of the upper income groups to information technology, to leisure services, to the political system - or even to some aspects of consumer society, for instance as local shops within walking distance for the aged or the non-car owning poor, became ever less viable.

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When perceptions become widespread, whether well founded or not, that Labor has become preoccupied with the excitement of moving change forward rather than with the responsibility of moderating its impact on those most vulnerable in the community, then we are bound to be in some political trouble. This is because as well as being the party of change - of progress and reform - the Australian Labor Party has always been the party of *security* for the economically vulnerable. Our performance in government during times of national military crisis has given our Party a credible claim to be regarded, as well, as the party of *defence* security for the nation. But economic security for individuals and families has always been, in a sense, Labor's core business.

Graham Maddox put it nicely when he wrote (*Political Parties in Australia*, 1978, p.167), that "Those achievements of Labor governments that give their supporters most cause for pride concern measures aimed at raising the living standards, of improving "the quality of life" of ordinary men, women and children. Much of this work falls into the category of social welfare legislation for those for whom society has the obligation to help: the sick, the aged, the handicapped, the deprived, the unemployed. But most particularly, Labor has been identified with improving the working conditions and raising the living standards of working people".

Labor governments have generally matched these expectations with quite substantial achievements. As Maddox again reminds us, apart from child endowment (first introduced at the federal level by Menzies and increased by Fraser), and aged and invalid pensions (introduced by Deakin with Labor support), most social service provisions have been Labor achievements: these include widows pensions, maternity allowance, rehabilitation allowances, funeral benefits and, eventually, the dramatic provision of health care under Medibank, dismantled by Fraser but re-established under Hawke as Medicare. Earlier Labor governments, again, introduced Commonwealth scholarships to university students

and later abolished tertiary fees altogether. Particularly given the very few years that Labor spent in office before the 1980s, it is a record overwhelmingly stronger than that of our opponents.

I believe that the record of the Hawke-Keating Governments on economic security stands up well to that of our Labor predecessors, although that view is not without its opponents.

First and foremost, we created the environment for strong economic growth, and for the overwhelming majority of our years in office achieved it, leading most of the other industrialised countries in our annual additions to the nation's production and income. And growth is the bedrock on which economic security is built - the basis for job protection, job creation and the maintenance and improvement of living standards. Had new job creation continued only at the rate achieved during the last Coalition Government under Fraser and Howard, we would be looking at a current unemployment rate of not 8.3 per cent but *23 per cent*, with over two million Australians now unemployed.

During the last three years of the Keating Government - at a time of generally weak commodity prices, of severe drought, and with our major trading partner, Japan, in almost continuous recession - we achieved average growth of 4 per cent, inflation averaging just 2.5 per cent and 700,000 new jobs - putting us well on the way to achieving our medium term target of no more than 5 per cent unemployment of the year 2000.

But for us it wasn't *just* a matter of securing economic growth: it was a matter of spreading its benefits, and directing a good deal of its proceeds into social reform of real value to Australian workers and families. So we substantially increased family payments; we created hundreds of thousands of child care places; we massively increased education and training programs; we boosted social security payments; we brought most wage earners into the superannuation system; we restored equity and fairness to the taxation system; and, through Medicare, we created one of the best and fairest health care systems in the world.

With all of this, did Australia become a more or less equal society? The wounding charge has been made by a number of critics - cynical on the right but well-intentioned on the left - that whatever we tried to do or thought we were doing, the gap between rich and poor in fact widened during our last thirteen years in office. The truth of the matter seems to be as follows, as spelt out by my colleague Peter Baldwin in recent speeches and writing:

- "Market" incomes (from wages, salaries, investments and the like) have become more unequal throughout the developed world under the impact of globalisation, structural change and the changing nature of work - although less so in Australia than in countries like the US, UK, Canada and New Zealand.

- To get the total picture on equality, you have to look at the supplementation of money wages by the "social wage" - ie benefits delivered through the tax system, the social security transfer system, and as non-cash services.
- Under the Hawke and Keating Governments, and with the Accord, spending per capita on the social wage increased by around 70 per cent in real terms, whereas it had fallen by 17 per cent under Fraser. The National Centre for Social and Economic Modelling (NATSEM) recently found that for a typical low to middle income couple with two children, the health, education, child care and housing elements of the social wage were worth around \$200 per week. Tax changes, however - including scale amendments, the introduction of dividend imputation and capital gains and fringe benefits taxes - have cut both ways in their distributive impact.
- Data showing an increase in poverty, as measured by those below the Henderson poverty line, gives a misleading impression. This is because the Henderson line, being linked to movements in household disposable income per capita, measures relative rather than absolute poverty. So the economy can be growing strongly, with the real incomes of all rising, yet have measured poverty also increasing.
- Overall - as calculated in a recent study by Melbourne University researchers, commissioned by the Department of Prime Minister and Cabinet - Australia *has* become a more equal society. The social wage has more than outweighed the impact of changes in market income distribution. And this is in marked contrast to both the outcome and trend in other comparable countries.

All that said, there is no doubt that a great many Australians *feel* themselves to be less economically secure, and in fact somewhat worse off than they were a decade or so ago. There are some evident reasons for this in addition to those I have already mentioned, viz. the unsettling and destabilising effect of change generally, and the reality of much greater uncertainty about future employment prospects. One such reason is that people simply don't recognise the indirect contributions to family income made by various components of the social wage in quite the same way that they recognise increases in pay packets; another, more important, is that people still have not fully adjusted to a genuinely low inflation economy, and feel less well off with less new dollars flowing into their pay packets and home valuations each year - this may be described by economists as "money illusion", but the illusion is very real indeed for a great many ordinary Australians, and it certainly has had political consequences.

Beyond all these considerations, there is a very important real reason for discontent, especially among low to middle-income earners, which we in the Labor movement - proud as we are of our Government's achievements - simply cannot ignore. This is the

reality, again well identified by Peter Baldwin, that a great many Australian families within incomes not below the poverty line, and not in the lowest ranges but in the next group above - ie with incomes in the \$30-40,000 range - have felt themselves to be very hardly done by indeed as a result of missing out on various tax and social security benefits available to those lower down. Targeted and tapered social security benefits - especially involving assistance to families - cut out below these levels, and increased marginal tax rates cut in. And as the realisation grew that the overall result for many families was their having nothing much extra to show for the \$10,000 or more of extra wage income they were receiving, so too did their resentment grow at those below receiving assistance.

Fixing the problem of low to middle income earners being caught in such "income traps" would be enormously expensive, simply because so many Australian families are located in this income range. But it is a problem that Labor in Opposition simply has to address - recognising that distributional equality will always have less appeal for those who see themselves as being equalised *down* for the common good.

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There are many lessons to be learned from the defeat of the Keating Government, just as there were from that of the Whitlam Government, and nearly all of them have to do with getting balances right. The problem with the Whitlam Government was not that people could not cope with the rush of change, hectic though it was - rather that they were deeply underwhelmed by the quality of Labor's economic management (to the issues of which, including the proper reaction to the oil shock and rapidly accelerating inflation, the great man himself remained almost sublimely indifferent), combined with the anarchic behaviour of a good many members of the Cabinet, who handled many policy disagreements not by a mature, cooperative search for balanced common ground but by ascribing malice, lunacy or ideological decrepitude to those on the other side of the argument.

The Hawke and Keating Governments travelled much better for much longer mainly because, for the most part, we did get the balances right, both in process and in substance. We rarely flagged in maintaining the pace of change throughout our term - developments in the wider world simply did not allow it - but maintained a high level of cohesion and mutual respect throughout, and did try to pay constant attention to the social implications of what was happening. This was not least in the enormous attention we paid to weaving an effective safety net for the most disadvantaged; to better targeting and distributing government assistance; to resisting the pressure to follow the US deregulatory path of reducing unemployment by clearing the market with poverty wages; and to implementing labour market training and placement programs to ensure, to the extent we possibly could, that we didn't create an underclass of people who felt themselves to be permanent losers.

Paul Kelly has made the point that Paul Keating was at his most successful when, after becoming Prime Minister and working to throw off the image of the technocratic Treasurer who had given us "the recession we had to have", he combined, in a new synthesis, economic progress and social democracy - showing that he could deliver sustained growth with compassion, social justice and egalitarianism; and that he could complement the necessary economic transition to a streamlined, internationally competitive economy with a commitment to a new cultural agenda - involving especially republicanism, Aboriginal reconciliation and an Asia Pacific middle power status - which went to the core issue of national identity.

Had all of us continued through our last term to keep these elements in proper balance, and in particular had we worked harder to keep the presentational focus on how economic progress was working out in practice, not just for the lowest income earners and most obviously disadvantaged, but for those in the battling lower to middle income range as well, then there was a reasonable prospect that the March election result would have been much less scarifying than it was. I don't put it very much more strongly than that. It may well be too much to imagine that we could have won yet another term with all the other baggage we were carrying, not least thirteen years of incumbency and a recent recession for which we were lucky to escape retribution in 1993; we faced also an Opposition serious and united as it had not been for years, and simultaneously promising not to change any of our policy directions but to hand out some new dollars to go with them.

The key question is how all this experience should lead us to position ourselves for the future. Absolutely the *wrong* lesson to learn from our defeat would be for Labor to retreat from the broad direction of the economic issues we pursued in government. We didn't make the changes we did with the idea or expectation of making anyone worse off: we made them to give *all* Australians a better chance of succeeding in a world that is changing around us at a speed and on a scale that is very hard for anyone to grasp.

Take just what is happening now in East Asia, without precedent in world history. In not too many more years China will be the biggest economy in the world, outstripping the United States, and the scale of the wealth involved in the whole region is mind-boggling. Compare the wealth generated by the industrial revolution two hundred years ago, which is the basis of the modern world and our high contemporary living standards, and consider against that the relative size of the populations involved. Early modern Europe had less than 2 hundred million people; East Asia has 2.5 *billion* people. The consistently very high rates of economic growth being generated in our region, coupled with the high education, skills and technology levels being attained, are producing new and rising levels of wealth and opportunity which know no parallel in history. That is the reality of the world we face, and the region we live in. We plug into it and prosper, or we shelter from it and fade away.

But if we are going to win again the support and confidence of the Australian community

we have to be seen, as I put it at the outset, not only as the architects and accelerators of necessary change, but also as its moderators, as guarantors of economic security for ordinary Australian men and women and their families.

Between 1993 and 1996 there came to be a profound disconnection between our images as architect and moderator. We knew the two were connected, as they always have been in the Labor tradition, and we had many policies in place which made the connection. But we allowed the perception to grow that while we knew the benefits of change, we didn't understand the pain - while we saw the big picture, we didn't see the smaller ones connecting those themes to ordinary people's lives.

There is no point in retreating now to what Kelly calls "sentimental traditionalism", although that is territory attractive to many on both the extreme right and extreme left, as well as some Democrats closer to the middle. What we have to do is reconnect the two themes of change and security, and communicate plainly the two key messages involved: that economic security is impossible for a society like ours without the wealth that flows from responding to internationalisation and the other challenges of change, but that economic security for individuals and families cannot be assured without sympathetic government action to moderate and smooth the impacts of that change.

This is not the occasion to spell out in detail all the particular policy emphases that this might involve but some of the more important of them that we should be now talking about are as follows:

First, the overwhelming focus of the government in managing the economy as a whole should be on putting *people* first. The basic objective is always to improve people's living standards through providing sustainable full employment and rising incomes. Growth and employment are the primary targets. Everything else - controlling inflation, reducing current account deficits, bringing budgets into surplus, reducing public debt, reducing foreign debt and improving saving - are second and third order objectives: means to achieving the primary targets, not ends in themselves. Budgets which reverse these priorities for no compelling economic reason, but for obvious and crude political reasons (in the present instance, to build a large budgetary surplus by 1998-99 as a war-chest with which to buy the next election) should be assaulted by Labor in Opposition with all appropriate and available weapons.

Secondly, it is crucial to allocate, as a matter not of grudging after-thought but as a very high government priority, major community resources to building our human capital through education and training. The greatest asset an individual can have in facing the future is a marketable set of skills and the opportunity to further develop them as the nature of work continues to change. The greatest asset any community has in preparing for the even more intensely competitive economic environment of the future is a strong

human skill base. And the most appalling waste for both the individuals concerned and their society is for people to become permanently unemployed and unemployable for want of the effort and resources necessary to help them develop or recover the minimum skills required.

Thirdly, we have to apply our taxation and welfare strategies in a way that pays understanding attention to the needs not only of those who are most deprived, but of those who, while by no means the most poor and disadvantaged in our society, see themselves as being passed by and relatively disadvantaged by the course of events - and who are particularly conscious of the scale of the tax and welfare benefits that have been targeted to those below them. One approach here is that advocated by my colleague Lindsay Tanner - namely to focus more on what he calls "building institutions" (like Medicare, the Commonwealth Dental Scheme, and community health and legal services) and placing less emphasis than we have on cash transfers.

Fourthly, we have to recognise the special needs of rural and regional Australia, where every job loss - whether it be from the closure of CES or Medicare offices or bank branches or for any other reason - has a debilitating multiplier effect, and where many communities are becoming less and less viable. One important aspect of policy here is to recognise the differentially harsh impact that many otherwise perfectly defensible policies can have in regional Australia. My colleague Mark Latham has been urging that we look particularly closely at the local impact of competition policy in this respect.

Fifthly, one of the most compelling needs of all is to think through a set of policies which will really make a difference for that increasingly large proportion of Australians who make up the "third age" - those who have retired, perhaps rather earlier than they would have liked, from full time employment, but still have years of physically and mentally active life to contribute to society. They are Australians who need a decent level of retirement income to sustain them, but also (and we have neglected this in the past) a sense of dignity and personal worth in what they are doing. We have a big debate ahead of us on retirement incomes in this respect, to which Labor has already made a huge contribution with our new compulsory national superannuation scheme, which is bringing a new measure of support and justice for wage and salary earners, and which it would be both a tragedy and travesty to now unravel. But we need to supplement this with new thinking about new ways to engage third age citizens in community service activities - including for example mentoring, with their own life experiences, those younger members of the community who could badly do with personal support and role models. Simple and relatively cheap forms of government assistance, like support for volunteer organisations and financial help in paying public risk insurance liability premiums for volunteer workers, could make a quite disproportionate difference in providing new forms of security, not least emotional security, for an ever growing proportion of our community.

I said in concluding a recent paper to a Fabian Society conference, that unless we do care,

and are seen to be caring, about things that do matter to people, we can't complain if they in turn don't care very much about what happens to us. I am in no doubt that all of us in the Labor movement *do* care, as we always have throughout our more than hundred years of history, and as Denis Murphy certainly did throughout his lifetime of commitment to the Party, about how best to provide both protection and opportunity to our fellow Australians. What matters now is that we show that we care not just about the poetry of change, but the prose of security.