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

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LABOR AND FINANCIAL DEREGULATION

The Hawke/Keating Governments, Banking and New Labor

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

Doctor of Philosophy

from

University of Wollongong

by

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ABSTRACT

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

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

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

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

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

Using the writer's inside knowledge as a member of the Hawke/Keating Governments, and drawing on the recollections of past and present Parliamentary colleagues, bankers, Party officials and advisers, the study concludes that Labor's embrace of deregulatory economic policies did create a "new-style" Labor Party. Most credit for this philosophical leap of faith is given to Paul Keating, whose intellectual drive and sheer persistence saw Labor become a modern, outward-looking and relevant political party.

The study has taken many secondary accounts of the ways in which policies were developed under the Hawke and Keating Governments and subjected them to rigorous analysis. The writer's position as a participant in the government, as an author of elements of financial deregulation policies, and as a person with access to many of the major actors, ensures that the study makes a unique contribution to the understanding of policy development processes in the Labor Governments of the 1980s and 1990s.

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ABBREVIATIONS

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