



the Australia and New Zealand
School of Government

ALF RATTIGAN LECTURE

ECONOMIC REFORM: A LOST CAUSE OR MERELY IN ECLIPSE?

Dr Paul Kelly, Editor-at-Large, The Australian

7 December 2016

The Shine Dome, Canberra

Godfrey Alfred Rattigan, known as Alf, was born on the Western Australian goldfields at Kalgoorlie in 1911 and died in Canberra as a retired public servant in the year 2000. He was an ordinary man who did extraordinary things.

Shy, diligent, astute, unbending, quietly spoken with a dry sense of humour, Alf Rattigan was a model public servant of that great postwar generation. Educated at the Royal Naval College at Jervis Bay that he entered as a 13 year old, the Great Depression cost him a naval career. He joined the public service, worked in the Customs Department, transferred to Trade where he administered the import licensing system and in 1960 returned to become Secretary of the Department of Customs and Excise.

Every sign is that Alf would have a distinguished career but never register in the annals of Australian history. But that changed in 1963 when John McEwen, 'Black Jack' as he was known, near the mid-point of his 21 continuous years in the successive portfolios of Commerce then Trade, offered Rattigan the pivotal position as Chairman of the Tariff Board.

Rattigan balked. He told McEwen he didn't want the job. Perhaps he had an inkling of the difficult future. But McEwen persisted and Rattigan agreed. My colleague, economics writer, Alan Wood, offered the immortal remark it was "probably the most serious political miscalculation McEwen made in nearly 37 years in federal politics." ¹

McEwen felt he knew his man. Explaining his choice, he said: "Rattigan's qualifications were impeccable. He was very experienced in the tariff field and had shown himself to be a very clear and perceptive thinker in the past." McEwen had worked closely with Rattigan in the Trade Department and "had formed a high opinion of his abilities." ²Years later Rattigan offered a more insightful view of McEwen's decision. "Why did McEwen want to appoint me?" he asked. "Probably because he thought I was both 'saleable' and 'manageable'." Rattigan suggested he was considered saleable because he knew the manufacturers, importers and distributors and was "presumably acceptable to most of the industry groups." He speculated he was seen as manageable because he had had a long association with McEwen that equated to "a satisfactory working relationship." ³

Rattigan was Chairman of the Tariff Board from 1963 to 1974 when it was replaced by the Industries Assistance Commission. He stayed chairman of the IAC until 1976 when he retired with ill health. In these positions he changed the operations and role of the Tariff Board and became a seminal influence in terminating the long history of Australia as a protectionist nation, a stance that drew him into an epic conflict with McEwen, much of the Canberra bureaucracy and many of the nation's industry leaders.

Few public servants are given the opportunity to re-shape national policy. Rattigan had that chance and he took it. The arena in which he operated – protection policy – was decisive in its own right and critical in opening Australia to global forces that drove further market-based reforms. In retirement Rattigan was a visiting fellow at the ANU and wrote a remarkable but dense book *Industry Assistance – The Inside Story*, published in 1986, on which I have drawn for this lecture.

¹ Alan Wood, *Remembering Black Jack*, Sydney Papers, Winter 1994

² John McEwen, *His Story*, private publication, p 68

³ Alf Rattigan *Industry Assistance – the Inside Story*, MUP, 1986, Melbourne, p 9-10

It is an honour for me to deliver this inaugural lecture. I met Alf Rattigan only briefly. My most extensive meeting with him was not long before he died when I went to his home and recorded a television interview with him for my five part ABC series to mark the centenary of Federation. Alas, the Rattigan grabs never made the cut.

Because this is an 'inaugural' lecture I intend to devote much of its content to Rattigan's historically important role in attacking the protection edifice, a gripping story in itself, and the rest in exploring lessons the Rattigan legacy holds for us in these times when economic reform is in retreat and the nation is adrift in dismal complacency.

In his final years in office Rattigan had the unusual experience for a public servant of being given brand recognition by Prime Minister, Gough Whitlam. In his famous address to the Heavy Equipment Manufacturers' Association dinner on 23 September 1974 Whitlam told the assembled dignitaries to their faces that he wanted to "wean" manufacturing away from subsidies, tax deductions and tariffs. He lamented the collusion between "multinational companies and Australian trade unions" and told the dignitaries "I am a bit jack of people who blackguard us with lies." He then said: "If you want me to put it in personal terms I am a strong Rattigan man. I have scarcely known the man but I have admired him for years. I believe Rattigan is the most rationalising force in the use of this nation's resources that any of us have known." The applause at the end was lukewarm.

Being a 'Rattigan man' had a meaning – a determined, rational approach to tariff reduction in the cause of free trade and an efficient economy. It is rare for a public servant to be so identified with a position that it can be branded under his name by a prime minister. Gough liked the phrase "I'm a Rattigan man." I recall being present on a number of occasions when he used it. For Whitlam, it was a badge of honour. And he was not accustomed to invoking others as prophets for him to follow. The irony is that Alf Rattigan, was a most unlikely man to achieve this celebrity.

The questions, therefore, are: how did Rattigan achieve such sway and how did he pursue his responsibilities as Chairman of the Tariff Board.

The answer begins with the fact that the Tariff Board was an independent statutory authority set up to provide impartial procedures for public inquiry and recommendations to Government on protection assistance. The legislation authorised the board to initiate inquiries into a wide range of matters concerning industry assistance. It specified that the minister could not alter import duties or bounties without a Tariff Board report and it required the board to report annually. When Rattigan studied the act he found he was vested by parliament with immense responsibility independent of government. As a long-standing public servant he took those responsibilities seriously.

The act and the principle of statutory independence was the foundation on which Rattigan built his church. McEwen, by contrast, felt Rattigan's job was "to accept the overall tariff policy of the government as given" and work within that framework. They were divided, therefore, on their core interpretation of the Tariff Board's role. In truth, the future of the Tariff Board was in jeopardy with Rattigan being advised by the board's chief executive officer, Peter Robertson, that "if you don't become chairman, the Board will be simply an appendage to the Department of Trade."

When Rattigan became chairman quantitative restrictions had recently been removed on imports of manufactured goods, which meant the focus fell on the tariff. Manufacturers who wanted high tariffs had become politically and financially powerful while farmers who backed free trade had seen their share of GDP and political influence diminish. This created a political problem for the Country Party with its rural base.

McEwen, Country Party leader since 1958, used his trade portfolio to fashion his response – a stance of “all round” protection to widen his party’s political support. Industry got tariffs while primary producers got subsidies, tax breaks and price support schemes. For McEwen, this was not just a political strategy; it was a faith. In his memoirs he said: “It was my belief then – and still is now – that the whole of the Australian economy is protected. You cannot logically protect one section and not protect other sections.”⁴ The government’s shock from its near defeat at the 1961 ‘credit squeeze’ election had strengthened McEwen’s hand during much of the following decade.

McEwenism was a philosophy and a system.

After his 1963 appointment, it took Rattigan time to settle into his position and perceive the fortress he faced. The Tariff Board was not honouring its statutory functions. It was manipulated by McEwen and the head of the Trade Department, Alan Westerman, through a series of ad hoc references that resulted in higher protection. It was a neat fix: financial gains for manufacturers and political gains for McEwen, the cost carried by consumers and taxpayers. The de facto rules were understood: no manufacturer would oppose higher protection to another manufacturer; if inputs costs for a manufacturer increased as a result it was assumed this would constitute an argument for other manufacturer to get even higher protection.

“My problem was how to break out of this situation.” Rattigan said. “I knew that McEwen and Westerman were both very tough men.”⁵ Rattigan needed a strategy.

It is a sign of our historical amnesia that we remember Sir Robert Menzies but not Sir John McEwen, who entered the House of Representatives in 1934, served in the wartime cabinets and was deputy PM from 1958 to 1971. Alan Reid described McEwen as: “Self-made, self-contained but passionate...he practised politics with a courtly deadlines. He was long-sighted, astute and thorough in preparation for the furtherance of his aims, implacable in his determination. He tramped over the top of those who got in the way.”⁶ Upon his death Paul Keating, said he felt McEwen was the most significant post-war conservative and, with respect, said of McEwen: “He grabbed the naked flame of power and held on.”⁷ In 1986 I called McEwen ‘Godfather of the Banana Republic’.⁸ McEwen was guided by the advice of his maternal grandmother who told him: “Get to the top. If you go into the church become an archbishop. If you go into the army become a general. If you go into politics become a Prime Minister.”⁹ For ministers there was a safety rule: never fight with McEwen.

This was Rattigan’s chief opponent.

⁴ McEwen, memoirs, p 68

⁵ Rattigan, Industry Assistance, p 24

⁶ Alan Reid, *The Power Struggle*, Tartan Press, 1969 p 19

⁷ Alan Wood, *Remembering Black Jack*, Sydney Papers, Winter 1994

⁸ Paul Kelly, *The Weekend Australian*, July 26-27, 1986

⁹ Kelly, *The Weekend Australian*, 1986

It seemed a very unfair contest.

But Rattigan planned well. His strategy was for the Tariff Board to initiate a review of the assistance given every industry. This meant determining and publishing the level of effective protection for each industry. It meant identifying industries according to whether they had high, medium or low protection levels. Rattigan used the established powers of the Tariff Board to engage in a public process to threaten McEwen's system. He saved the Tariff Board from being a McEwenite rubber stamp and turned it into an instrument of the public interest.

The tension between McEwen and Rattigan was explicit and documented in extensive correspondence. There was no personal confrontation. Both were men of dignity. McEwen, as he said, would simply tell the cabinet "the disparity between Rattigan's views and my own on general policy questions."¹⁰ But McEwen did make public criticisms of Rattigan's tariff review plans and did launch attacks on the Tariff Board, a symptom of losing control.

The manufacturing lobbies launched aggressive campaigns against Rattigan's plan for transparency. Rattigan was unwavering, saying: "A review of the existing tariff was obviously a necessary step in developing a tariff policy which gave due regard to the interests of the whole community." This was a profound break from the past and the hostile industry reaction was no surprise. Previously, the Tariff Board made recommendations according to an industry's "need" – that is, the level of protection needed to compete against international competition. Rattigan proposed a new methodology based on the effective rate of protection, a concept developed by Professor Max Corden, to show the true levels of protection received by different sectors.

In its 1969-70 annual report, tabled by McEwen in parliament without comment, the Tariff Board said: "The average rates of effective protection available to individual Australians manufacturing industries....ranged from 0 to 120 per cent and the average effective rate for manufacturing industry as a whole was 46 per cent." It said if all tariff protection had been fully utilised, the total cost of manufacturing processes would have been \$2.7 billion per annum greater than with no tariffs.¹¹

The \$2.7 billion figure was higher at the time than the total spending by all levels of government on health, education, welfare and defence combined. The figure gained prominence in debate as highlighting the cost of the tariff to the public. The analysis showed that excess tariff protection was financing a higher wages bill drawing the link between wage fixation and the tariff.

This was a struggle when sections of the newspaper industry rode the wave of change. In a directive worthy of a place in the history of our politics and journalism Max Newton, Editor of the *Financial Review* sent Alan Wood to Canberra in the early 1960s telling him: "Take on tariffs as an issue. We've going to pull this bloody McEwen on." P P McGuinness, a subsequent *Financial Review* Editor said: "What Newton did was point Australian economic journalism in a new direction, looking at the economic issues and corruption surrounding the use of the tariff system." Wood said: "My instructions were to develop a tariff round because Newton considered it an important national policy issue and no newspaper was covering it." Alan's middle initial was 'T' for Thomas but he quickly became known as Alan "Tariff" Wood. Many colleagues were amused by his "incomprehensible activities" – but not all of them.

¹⁰ McEwen, memoirs, p 69

¹¹ Rattigan, *Industry Assistance, Protection,*

A small group of economically literate and aggressive journalists was emerging. They would transform reporting by bringing economic analysis to the task. Besides Wood, the most notable were Ken Davidson, Economics Editor of *The Australian* and Maximilian Walsh of the *Financial Review*. Wood and Davidson were economics writers. But Walsh who arrived in Canberra in 1966 was a political correspondent. In his relatively short time in the Press Gallery, Walsh would transform the coverage of politics by putting economic policy at the heart of political journalism. These trail blazers had many followers.

A de facto alliance was created. While Rattigan kept a wide berth from journalists, the Tariff Board provided the public data and private briefings that contributed to immense political pressure through the newspapers. Rattigan put a high value on the role of Wood and Davidson. "They weren't just concerned about the dispute between me and the minister," he said. "They were able to bring out what was the effect of it." Newton, who had a head full of Adam Smith and talked like a wharfie, drifted into newsletter land where he conducted guerrilla warfare against McEwen's policies.

The *Financial Review's* position continued under the editorship of V J Carroll, a former finance reporter and one of the most influential figures in post-war journalism. Carroll, in turn, was succeeded by Peter Robinson, a free trader who later worked for the IAC. Former Fairfax Chief Editorial Executive, Max Suich, said Carroll, Robinson and Walsh, built on the intellectual foundation "set up by Alf Rattigan and the Tariff Board gang." In a revealing remark, Max Walsh said Bill Carmichael, Rattigan's deputy and confidant, had been the "critical link man" with the *Financial Review* paper and was much more political than Rattigan. But Rattigan understood Walsh's axiom that "you can't do reform without the media."¹²

In late 1970 McEwen, close to retirement, decided on massive retaliation and had prepared in great secrecy a lethal cabinet submission arguing that the Tariff Board's new policy put at risk 40 per cent of manufacturing and employment for 600,000 workers. In an assault on the tariff review he proposed new compulsory guidelines for the Tariff Board that would nullify Rattigan's strategy and, in Rattigan's view, "justify high levels of protection" of virtually any product. The long delayed showdown had come.¹³

McEwen, however, was brought undone when his submission was leaked and published at length by Ken Davidson in *The Australian*. The resulting robust public debate showed the tide of opinion turning against him. The eventual cabinet decision was a dressed-up defeat for a retiring giant. Max Walsh wrote the leak had been the decisive event in thwarting McEwen.

In reflection, Rattigan said McEwen was the hardest working minister he encountered and his 'all round protection' philosophy arose from genuine belief. Rattigan felt a generation of trade department officials had never put the full story to the minister. McEwen said that after his departure, Rattigan had "got much of his way."¹⁴

¹² Andrew Clark, 'Financial Review: the Paper that Shaped Australia', the AFR, 25 November 2013

¹³ Rattigan, *Industry Assistance*, p 81-86

¹⁴ McEwen, *memoirs*, p 69

At the 1972 election the McMahon Government was protectionist and the Labor Party shadow minister for trade and industry, Dr Jim Cairns, had a record of sympathy for industry demands. Yet there was a strong ray of hope. In late 1971 at a cocktail party in Canberra, Whitlam had sought Rattigan's advice about a new body he wanted to create under which assistance to primary as well as second industries could be assessed. Rattigan gave Whitlam firm advice on the model. In March 1972 Whitlam announced that a Labor Government would reconstitute the Tariff Board under a new name with expanded powers to inquire into and reports on measures of support and protection for primary as well as second industry.¹⁵

It led to the creation of the Industries Assistance Commission. In his discussion with Rattigan, Whitlam said he was impressed with the Tariff Board's efforts in recent years to produce a more efficient use of resources and this goal was important for Labor given its ambitious social agenda. Nobody, however, was prepared for Whitlam's boldness on the tariff leading to the mid-1973 unprecedented shock, the 25 per cent tariff cut.

After all these years in bureaucratic conflict Rattigan was calculating. On 4 December, 1972, the first working day post-election he wrote to Whitlam suggesting that portfolio responsibility for the Tariff board be shifted from Cairns to Whitlam. It was an audacious play but it was time for audacity. Whitlam's adviser, Dr H C 'Nugget' Coombs, also felt this move was vital. On 18 December Whitlam announced the Prime Minister would have responsibility for the Tariff Board, an historic move. A new protection policy division was established in the Prime Minister's Department.¹⁶

Rattigan and Coombs then collaborated to win Whitlam's approval for former Trade Department secretary, Sir John Crawford, to conduct an inquiry laying the basis for the new body replacing the Tariff Board.

In June, Crawford recommended the Tariff Board be expanded into a new body to advise government on all forms of assistance. Whitlam announced that Rattigan would become chairman designate of the Industries Assistance Commission. He told Rattigan the new act "will have your imprimatur impressed on it." The Financial Review said the new commission would have "teeth." In a 21 July speech, Whitlam denounced a protectionist past saying too often after an industry came into existence "it considers that its very existence entitles it to a certificate of immortality."¹⁷

An influential figure in the fight against protection, David Trebeck, initially with the Australian Woolgrowers and Graziers Council and then the NFF, told me in a 1989 interview: "The IAC was the turning point in the protection debate. The rural sector, aided by the IAC, came to realise that it was issues beyond the farm gate which were determining its future – inflation, exchange rate, wage and protection policies. We fired the 'bullets' made by the IAC."¹⁸

¹⁵ Rattigan, *Industry Assistance*, p 126-27

¹⁶ Rattigan, *Industry Assistance*, p 148-152

¹⁷ Rattigan, *Industry Assistance*, p 159-161

¹⁸ Paul Kelly, *The End of Certainty*, Allen & Unwin, Sydney, 1992, p 44-45

In February 1973 the Treasury warned Treasurer, Frank Crean, that the country faced a serious inflation problem. The government, however, planning the first Labor budget for 23 years, would not abandon its agenda – it would be a big spending budget. That was non-negotiable. In June Whitlam, influenced by his adviser, Professor Fred Gruen, asked Rattigan to chair a secret panel. Its brief was to procure a significance increase in imports to restrain inflation. Tariff changes were to be compatible with long-run policy and structural adjustment was to be recommended for those adversely affected. Rattigan was edgy. He suggested Gruen be chair but Whitlam said ‘no’ – he wanted Rattigan. The panel included both Gruen and, critically, Dr Brian Brogan, the astute chief adviser to Dr Cairns. It was given 18 days to report – before budget cabinet met. The late Peter Wilenski, told me the prime motive was an anti-inflation measure to justify the budget.

Rattigan was more interested in the long-run. He saw an opportunity to make a real difference. He had been ruminating whether ‘across-the-board’ tariff cuts would be more effective in improving resources allocation. Aware there had been no across-the-board tariff changes since 1929-30 he judged the advantages of an across-the-board cut would outweigh the disadvantages. The report was written by Bill Carmichael.

On Monday 16 July, 1973, Rattigan rang Whitlam and told him the report was finished. “Come over straight away,” was the command. The Prime Minister was pleased. The report recommended a general 25 per cent tariff cut and estimated the percentage reduction in employment in affected industries. It would be implemented on a buoyant economy. That night Alan Wood rang Rattigan. He had been fully briefed by somebody. Rattigan appealed to Wood to delay publication fearing the backlash would prejudice the decision. Wood agreed to wait two days. Rattigan informed Whitlam and the recommendation was taken to cabinet. The key to the politics was that Whitlam had locked in Cairns. Cairns backed the report in cabinet against the protectionist ministers. The announcement was in the joint names of Whitlam and Cairns.¹⁹

The country was shocked, manufacturers were staggered, trade unions, but not Bob Hawke, were horrified, economists were delighted. In the *Financial Review* Robert Haupt, wrote the “entirely unexpected” decision demolished the bi-partisan view that across-the-board tariff cuts were “politically impossible.” But the paper’s editorial was prophetic, warning that any pockets of unemployment in future, regardless of cause, would be blamed on the tariff cut.²⁰ Malcolm Fraser, a future Opposition Leader and Prime Minister would preach this gospel on his path to the Lodge.

In his book, *The Whitlam Venture*, Alan Reid said his own reaction to the announcement was “disbelief.” He saw Coombs, Rattigan and Gruen as the guilty advisers. Reid said Labor carried “the decision around its neck like a dead albatross to the shipwreck of the ALP hopes at the 1975 election.”²¹

How should we assess the tariff cut?

¹⁹ Rattigan, *Industry Assistance*, p 167-171

²⁰ Rattigan, *Industry Assistance*, p 167-171

²¹ Alan Reid, *The Whitlam Venture*, Hill of Content, Melbourne, 1976, p 63-64.

First, it had an unprecedented one-off impact on lowering protection. On that test, there has been nothing like it. Second, it was a strong political negative for Labor at the 1975 and 1977 elections. The government did not know in 1973 that a steep recession would occur anyway in 1974. When the recession came the backlash from industry, unions and the Labor caucus was irresistible. The government was forced to adopt temporary protection and import controls in a range of areas. Its 1974 decision on the car industry saw strong protection levels being retained. Third, the cause of future tariff reduction was delayed until the late 1980s and early 1990s.

Former Productivity Commission chairman Gary Banks, our host this evening, said at the Commission's 30th anniversary: "In retrospect, I have come to the view that a prime example of what *not* to do was the one-off 25 per cent tariff cut of July 1973. That this cold shower descended on an unsuspecting, out-of-shape manufacturing sector, just as Australia was about to enter a recession anyway, did not help....in the recession that followed quotas were re-introduced for some particularly hard-hit and uncompetitive industries, and further serious reform was effectively put on ice for the next 15 years." ²²

In 1976 the Fraser Government, following a protectionist line, suggested Rattigan retire and he agreed. Fraser never left McEwen's shadow; his time would be a wasteland for efficient resources allocation. The free trade cause was renewed with conspicuous success in the late 1980s and early 1990s during the Hawke-Keating era proving the nation had escaped from McEwenite protectionism. Keating as PM, confronting the early 1990s recession with unemployment rising above 11 per cent, refused to buckle on the phasing-down of tariffs.

Reflecting decades later, Alan Wood said: "While McEwenism was ultimately defeated by powerful forces of economic change, if any single individual should be credited with ensuring and hastening its demise, it is Godfrey Alfred Rattigan." ²³

Summarising his struggle Rattigan said pursuit of protection by Australian governments "has promoted divisiveness within our society, eroded our standards of living and depreciated our basic freedoms."

We should cherish such warnings today. They are reminders of the cost of shunning necessary reform in favour of special and sectional interests. The consequence is an unhappy society and Australia is an increasingly unhappy society today.

Rattigan became chairman of the Tariff Board at a time when the prospects for reform seemed bleak, just as they seem bleak today. Few would doubt in 2016 the reform cause has been in eclipse for some years. Our political culture is more reform hostile - yet the volatility of politics highlights the potential for change. Volatility can work both ways – for or against good policy.

There are contradictory insights from President elect, Donald Trump. He has shown the extent of unhappiness with the status quo. Trump has shown many people want decisive change. I suspect more people voted for Trump because of what he opposed rather than what he advocated. The message needs to be seized: this is a time of change, a time for reformers to be pro-active, not paralysed by populists.

²² Gary Banks, *Gaining from Trade Liberalisation: Some Reflections on Australia's Experience*, 2004

²³ Alan Wood, *Sydney Paper*, Winter 1994

Some implications for reform today

In our current predicament it is vital to renew the enduring rules for successful reform, many practised in this country during the recent age of Australian Exceptionalism. Some feature in the Rattigan story.

Let me summarise.

First, the essence of Rattigan's campaign lay in the public's right to know. This is often called "transparency" a word that I suspect means little to the public. Rattigan put the facts on the table via Tariff Board and IAC processes. He believed once this happened, protection would eventually collapse – and he was right. Exposition and publication is the life blood of successful reform. It delivers the political bullets.

Second, reform is a battle of ideas. One big mistake reformers made, on the way to growing arrogant and patronising - as many are today - is to think a debate won is won forever. That's wrong. Debates are not won forever. They must be fought and re-fought generation by generation. That's one of the lessons from Trump. If you think the protection debate is over, you are misguided. Look around the world – we have in the Senate today protectionists as dedicated as McEwen and with immense power. If you thought the GST debate was over in 1999, you are misguided. The opposition to GST expansion is as strong today as was the opposition to its introduction a generation ago. Such battles often need to be waged over years; it is easy to think no progress is being made when the ground, in fact, is being softened up. This is one lesson from Rattigan's long hard grind. The foundations are built over time – when the Hawke Government arrived we underestimated the extent to which a set of pro-market ideas had already gathered force and was waiting to be picked up.

But the case for reform must be made. In recent times the Labor Party has argued for its reform agenda – changes to superannuation, negative gearing and capital gains tax – and has made progress. The Coalition, despite winning the election, has been more cautious. The moral is that the case must be made, the argument must be advanced – there can be no success for a proposition not put.

Third, we need to revive the old fashioned axiom – "good policy is good politics." This is what Rattigan believed. It is what Hawke, Keating and Howard believed at various decisive moments. Australia needs to revive this principle, even in a Trumpian world where the proposition will be tested more severely. If you believe in the Enlightenment, if you believe in informed democracy, then you believe "good policy is good politics." Many of the populists today are grandstanders trading on grievance, celebrity and, above all, the appalling failures and ineptitude of the political Establishments over the past 15 years in economic, cultural and foreign policy. The so-called revolt against the 'system' is hardly a surprise. Most populists are not the giants they pretend to be – but treating their supporters as deplorable fools assists their cause. The populists need to be met with a calculated, policy and political response.

Fourth, reform in Australia invariably needs a strong equity profile. Rattigan was alert to the need for structural adjustment to assist those workers displaced. It is easy to forget these days the extent to which Hawke and Keating prioritised the social wage as they internationalised the economy – implementing Medicare, HECS, higher rates for year 12 completion and mandated contributions to superannuation funds. Inclusion and fairness must be the handmaidens to reform. Today we live in a post-GFC world of stagnant wage growth, compressed living standards and heightened equity concerns which mean reform to be viable must meet two tests – growth and equity. This is one of the lessons from the 2014 Abbott/Hockey budget. If you want to take something constructive from the 2016 election then this is the message. Electorates struggling with our economic transition – in Tasmania, South Australia and North Queensland – registered their protest in decisive fashion. Policy needs an all-encompassing approach.

Fifth, in Australia we now live in an age of incremental, as distinct from ‘big bang’ reform, and unless this is grasped misery lies ahead. I say this not because it is my preference, but because it is the reality. Rattigan had a keen understanding of this point and, indeed, as his career showed, he tried both methods. He tried incrementalism through his review of the tariff and ‘big bang’ reform via the Whitlam-driven 25 per cent tariff cut.

Perhaps the greatest failure of ‘big bang’ reform was the rejection of *Fightback!* at the 1991 election. ‘Big bang’ reform is in retreat now because of its serial failure over a decade – John Howard over WorkChoices, Kevin Rudd over his mining tax, Julia Gillard over her legislated carbon scheme and Tony Abbott over his 2014 budget. Four successive prime ministers have been destroyed because of their reform failures. Malcolm Turnbull considered a major tax reform early this year and decided against.

There are two common themes in this saga of woes – not getting right the actual design of these big reforms and failing to carry public opinion. Obviously, they are linked.

The nation is now locked in a phase of more limited reform against a backdrop of public distrust of the political system, the rise of dysfunctional minor parties and a destructive Coalition/Labor contest. Modest reform extracted through major struggle seems to be our current lot. The wheel, however, will turn – and we need to be ready when it does.

This brings me to point six – government needs to get much smarter at shaping the nation’s direction. Government these days is too much about narrow-cast operations to retain electoral support rather than trying to shift the national outlook. This is a serious mistake. The decline of process is linked to the decline of policy.

Without the operation of the Tariff Board and IAC it is difficult to imagine how the protection struggle would have played out. Institutions with legitimacy and integrity are at the heart of effective democratic government, witness the Reserve Bank, the Productivity Commission and the ACCC. Intelligent use of commissioned inquiries and advisers is imperative and results will inevitably differ – witness the Hilmer Report on competition policy, the 2010 Henry tax review, the Campbell inquiry committee on the financial system, the Royal Commission into the Building and Construction Industry. With such inquiries the personnel, timing and terms of reference are critical. These days the evidence is apparent - there are too many such inquiries that deliver too little. For government, having priorities is critical; possessing a strategy is even more so.

These factors are essential in building a coalition for reform. Few reforms can succeed these days without some form of supporting coalition. The data provided by Rattigan assisted the growth of a free trade lobby involving over time the Woolgrowers and Graziers Council, the National Farmers Federation, the Liberal Party dries led by John Hyde who were inspired by the Liberal free trade champion, Bert Kelly, the *Australian Financial Review* and a collection of pro-free trade journalists across a range of media, think tanks such as the Centre for Independent Studies and a revived Institute of Public Affairs, a range of influential voices inside and outside government and, ultimate, the consumer interest.

Coalitions for reform depend upon consultation and negotiations. In 2015 we had an interesting event: two papers, *The Australian* and the *Australian Financial Review* came together to co-host a reform summit with a range of rival stakeholders. It finished with a communiqué and some progress. How strange was this? Instead of the politicians recruiting the media to back their reform agendas we had the media organising the summit to encourage the politicians to more reformism and dialogue with stakeholders.

Consensus is rarely possible in the current political culture but consultation and compromise is essential. When it comes to a political coalition to change the existing order the most vital participant is the Prime Minister. At some point he must commit. Even in our fragmented media world, journalistic support remains vital. With more reforms spanning federal-state issues the support of as many premiers as possible is critical.

The final message is that reformers need to possess a 'sixth sense'. This is the intuition to read the times. The economy is always in flux, old forces are dying, new forces are rising, some political possibilities are closing, other political opportunities are about to open. Rattigan was helped by the drive to a more diverse economy. Hawke and Keating in the 1980s were able to mobilise a sense of economic threat and convert it into reform capital.

The issue today is whether the nation has to await a punishing economic downturn before bigger reform opportunities are unleashed. The budget situation is not sustainable on current policy; the economic transition is faltering; regional differences are being accentuated; living standards are under pressure and the community is increasingly anxious about the future but uncertain about the path to follow. The true extent of the challenge facing the country has not been put before the people by the politicians.

It would be folly to think the reform cause is lost. That is too determinist a view of history. Bravery, skill and imagination are needed more than ever. The Alf Rattigan story is an illustrious part of our history. It should not be forgotten. It is about another time but it still has messages for our age.