

## **Conversation between Robert Manne and Paul Keating Wheeler Centre**

### **Robert Manne**

Well, thank you very much ...  
[laughter]

### **Paul Keating**

I knew I was with a popular guy Robert.

### **Robert Manne**

I'll speak about what's just happened towards the end of today. I have to say, we've just heard four musicians from the Australian National Academy of Music, performing Wolf's Italian Serenade. On violins we had Edwina George and Simone Linley Slattery, on viola Laura Curotta and cello Anna Orzech. The reason we heard them was the Australian National Academy of Music was born out of the vision of Paul Keating, its creation being a major component of his government's 1994 Creative Nation Policy.  
[applause]

Paul I have to say it is my greatest pleasure and privilege to be invited to do this.

### **Paul Keating**

Thank you Robert.

### **Robert Manne**

I hope by the end of my questions, the reason for me saying that will be clear. But anyhow, it's from the bottom of my heart.

### **Paul Keating**

Thank you for doing it. You are the best one to do it.  
[laughter]

### **Robert Manne**

But I'm going to make sure that it's not entirely comfortable for either of us, so we want to have a rough and tumble time as well. The reason for this conversation is that Paul Keating has produced what I think is a highly agreeable, highly stimulating and I think vividly and beautifully written book and I recommend it to you. It's a book with a lot in it, a lot in it, just things that struck me, which I won't be questioning Paul about, but things that struck me – there is for example an extremely moving eulogy for the musical genius Geoffrey Tozer. There's an incredibly interesting essay on the Potsdamer Platz in Berlin where Paul argues that it should have been allowed to remain in ruins as humanity's what he calls "unsacred site", as to what the darkest moment of the twentieth century. There's even, as some of you won't be surprised to hear, an analysis of Mahler's Second Symphony which I listened to in deference to Paul on the way down in my car and was yet again astonished by it, as a transcendental moment in music.

The approach I am going to take today is to cover many of the issues raised in Paul's book and I'll do so on the basis of things that you say. There's much that we won't have time to discuss but I'll do my best to cover what is an astonishing tour d'horizon of Australia in recent times and also the world.

I think we should begin with what some will say is the most important thing you did which was the economic reforms in the period between '83 and 1996 by you as Treasurer first and then as Prime

Minister. And perhaps the way to begin to talk about that is a conversation you once had with Tony Blair where he spoke, as people did, of the third way, and you corrected him, as is your wont, and said "Not the third way, the only way". Perhaps you could begin by telling us what you meant by that.

**Paul Keating**

Yes. Well, I always was ... there was something dismal about the economic debate that the choices that were given to countries, we're talking here of the twentieth century, was that private initiative and private reward was everything. You know, if the rich people got the money, we'd all be OK. You know, there'd be a trickle-down effect and you'd have a bigger economy. And on the other hand, you know, a government control and a government initiative was the alternate way. And we've seen that carried out – I don't mean simply communism or Marxism, but essentially in societies where you had a very large, the government had a very large say about the way the place operated, if not centrally planned. And that was the choice, you know. And you can see it, you know, you had Calvin Coolidge in the late twenties and thirties who gave you the private initiative and private reward then you had Roosevelt who believed there was a role for government as there was a role for the private economy, you know. And this thing has sort of alternated all its way, you know, Lyndon Johnson's great society and then Ronald Reagan back to private initiative. And I always thought there was a better way than that and that had to be one where you recognised that in the end if these economies didn't produce enough GDP, enough growth, that if there was not enough productivity to produce new products, there's no way any Labor Party or any other outfit was going to shift national income to their constituency from a pool which was essentially emaciated. So therefore the main thing we had to do was to lift employment and lift GDP – lift employment. And from that we could have a more effective economy, a more efficient economy, and in that context all the social wage questions could be dealt with, you know, access and equity in, first of all employment, secondly access and equity in education. Universal health protection. In our case, retirement incomes. These were the things ... it didn't seem to me you were stretching too much of a point to argue, hang on, we'll have this efficient economy but at the same time we'll have all these things that matter socially. And who was to say, no, you had to have one or the other? So, that was really I think the change, and of course let me say that we had in my years a trade union movement which had an industrial agenda, and the key thing here Robert, the Labor Party always had an industrial agenda. If you look at my agenda, it's fundamentally industrial. It's employment, you know, it's protection for people, it's minimum rates of awards for those on the bottom end of the labour market, it's getting their kids into school and university, it's giving them something in retirement. It's fundamentally the industrial agenda. But we had a labour movement that saw that and therefore we had these trade-offs, you know, in the freer economy, but the trade-off for the social objectives, and those trade-offs were promoted in those days by the ACTU and of course, led by Bill Kelty.

**Robert Manne**

You say actually in a striking phrase that what was important about the market reforms which really you'll be remembered in history for, but they were done with a Labor heart. I just wondered – speculate about the alternative if it had been the Liberal Party that had introduced those reforms, what you think might have happened.

**Paul Keating**

Yeah, well, when I say from the Labor heart, they were ... the big reform if you like, there's a whole lot of important reforms. Exchange rate, the financial and the product markets and of course the labour market, and I take the last one first. We moved away from the safe house of centralised wage fixing to a system of enterprise bargaining, but where the Commonwealth was not involved, that is, where enterprises could negotiate with unions but with unions which had a collective process, not unions split off into individual wage contracts, but unions in the collective, and in that,

we knew that in an economy in transition a lot of people get left behind, so we had a big commitment to minimum rates for people, the low paid, for people who were disadvantaged, women in retail, kids etc. And of course we had this thing called the no disadvantage test. You could go and make an enterprise bargain but you couldn't be any worse off, the working person could be no worse off than before. Well, what the Libs did when they arrived in office – Reith and Howard kept the enterprise bargaining but wanted to take the collectivism out of unionism; two, they explicitly took the no disadvantage test away, and finally of course, with Work Choices they attacked the safety net, you know, and you say to them, but hang on, why would you do this when productivity was running at two to three per cent, why would you do this when the inflation rate was two and a half per cent consistently, when industrial disputation was at record lows, you know, why would do this when the profit share and GDP had never been higher?

### **Robert Manne**

And what's the explanation?

### **Paul Keating**

Ideology and a kind of, well ... viciousness. A kind of viciousness.

[laughter, applause]

That sort of middle class ... you know, I used to say the Liberal Party is full of, you know, used car salesmen and real estate agents and newsagents, there were never any big business figures there. If they had, they might have been a bit better. But it was that miserableness, you know, that miserableness. So Howard – we gave Howard the right model, you know, we gave Howard the right model, but quick as a flash ... he couldn't get through, he had problems with the Senate, but quick as a flash he was negotiating to move to single contracts, and then when he got control of the Senate, eventually got control of the Senate, straight away he hopped into the safety net, the no disadvantage test and everything else. That's the way they are. The only thing the Liberal Party ever accepted from us, but after seven elections, was Medicare. We had to drag them to it. In the end they finally said, oh well, even after they forced you into private health cover, they finally accepted Medicare, but no matter how much peace and goodwill the trade unions, or the structure offered business in the new model, they wouldn't take it.

If I could go back to other things, in the product markets of course, we reduced the tariffs which had of course enormous impact on manufacturing centres like Melbourne and Sydney, but we had in there adjustment packages to try and help people out, but the biggest adjustment package was their ability to jump out of a protected job into a new job in a burgeoning economy. You know, that was the thing. And then of course, deregulation. People say, oh well, you know, people of the Left in the Labor Party used to say in the early days, I'd swallowed some kind of an economic text book, you know. But look, you know, you couldn't ... banks, there were deposit maturity controls, how much a bank could take in deposits and from whom. And there were lending controls. The Reserve Bank set the quantitative lending restriction and the Australian banks would lend within the restrictions. And they'd only lend to the best customers. So banks were rationers of credit. What we did was turn them into creators of credit. So that meant any two butchers could go and buy the side opposite and build twenty-four units and then they could sell them off the plan, because people knew they could settle the contract at the end. They could pay the loan out because they could get it from the bank. So if you look at the sort of, the creation of wealth in Australia, the opening up of the banking system wasn't yet inside the Labor Party in those days, we used to find people, they believed in credit unions, they believed in permanent building societies, but they didn't believe in banks. And these were the prudentially supervised shows. So, in other words, broadly what I was involved with and what we did was use an old word but not in its worst sense, pragmatic, learning the lessons of history and not ideological. Looking at what had to be done and doing it. And therefore Tony Blair talking about the third way as if he'd found some sort of golden chalice which had, you know, it was

a bit of nonsense because the first and second ways, we'd tried them through the depression, we'd tried them, they'd failed, and this was the right way. In fact we did it here in Australia fifteen years before Britain.

**Robert Manne**

One of the things that really struck me. I'd thought about it but not as carefully until I read one of your speeches, or a couple, is the tragedy of having lost the larger superannuation objective under the Howard government. Just for those who haven't thought about this – one of the great social wage reforms was compulsory superannuation at nine per cent but it was always to go to fifteen per cent, to give a decent life to those in the future. Could you say something about that? What do you think went wrong? Why was that abandoned, the larger hope?

**Paul Keating**

Yes. Well, you know, one of my friends abroad is Marty Feldstein who's Professor of Economics at Harvard, he's the Chairman of the National Bureau of Economic Research in America and he was Chairman of the Council of Economic Advisors to President Reagan. Right, so this is no leftie. This is no leftie. And he said, Paul, you've got the strangest conservative party in the world. And I said, why do you say that. And he said, well, you at least expect conservative parties to believe in thrift. When a labour government comes along, imagine, he said, in America, the Democratic Party coming along and getting the organised workforce to agree to put fifteen per cent of their income away as savings, you would kiss them for it, you know. He said, but I can never understand John Howard and that Peter Costello, you know, cutting your scheme in half. And that's what they did. You see, in the last budget I presided over, Ralph Willis' budget in 1995, under the Accord Mark 8 which I did with Bill Kelty and the ACTU, we had the SGC running up to 9 in single point steps to 2002, 2001, sorry, 2001. And then what we were going to do was pay income tax cuts as savings, not cash. So in '97-8, '98-9 and '99-2000 we'd do one, one, one. But this came conditional with what we called the co-payment. The unions agreed that they would match the government one per cent with one of their own. In other words, the next wage round they'd have, the employers would hold back one per cent and pay it into their super account, right? So we had one in '01-2, one and one again '04, one and one in '06. Six on the nine became fifteen. Now, in the '96 election, the media pressed John Howard about this subject and he said he would keep – he would maintain the commitment of the Keating government to superannuation. Well, of course they broke it in their first budget. Broke in the first budget. And then Costello had this rinky-dink scheme where people's savings deposits would get some tax concessionality and that lasted nine months and they took it away. So what they did, they cost the average working family, working person, \$300,000 in accumulation over their lifetime so you see the current scheme at nine per cent, if you join the workforce at 22, and you go through to say 55 or 60 and your fund earns about six and a half per cent a year, you get to ... the phrase is a replacement rate. A rate of income in retirement replacing your income, but it's about 40 to 45 per cent of your current income. This is not enough. Whereas at fifteen per cent, we were more or less at ninety or a hundred, so you would go into retirement fundamentally not needing the age pension. The thing would carry you through and we had a wrinkle in there that where, if you took an annuity, in other words, you took a cash payment, you gave your lump to a provider of annuities and they gave you a monthly wage, we relieve the tax for you. Costello took this away in 2006, so now people can take their lump sum, spend the money and then line up for the pension, you know. Crazy.

**Robert Manne**

Can I ask you, this is a historian's question, something I've often wondered about. And it's to do with that process of floating the currency, financial deregulation, anti-tariff, end of protectionism, competition policy, privatisation and so on. How far when you entered the Treasury in '83 was that whole process kind of in your mind? How far did it emerge from one crisis to the next? And

secondly, was the Treasury at one in those changes, and were you at one with the Prime Minister in those changes? Big question.

**Paul Keating**

Let me go into the last part first. Bob and I were at one in all of those changes. Bob and I were a great partnership you know in these things. Bob's instincts were good instincts for doing this stuff. We fell out in the end because he stopped doing the hard stuff and he didn't want to do it any more, in which case he was no more use to me to get the things done, you see.  
[laughter]

**Robert Manne**

What year was that?

**Paul Keating**

'99, sorry that was about, really '88, after the May Statement of May '88 ...

**Robert Manne**

The Tariff Statement?

**Paul Keating**

Yeah, yeah, after that and extending dividend imputation, changing the tax treatment of super, all of that, there was no real impetus any more for change and we ended up, we went through this lull in '89 and '90, we got through the election in '90 and then there was a big blue in the Cabinet about something Bob wanted to do in the Northern Territory, I forget the name of the place now, anyway, it was all off the main beam, all off the main beam. So the kind of reform period sort of closed off, you could say about '89 and so of course when that happened, we slid through in 1990 with 39% of the vote. People forget this, you know. Bob's highest election result was '83. '84 was down, '87, '90, you know, you didn't have to be a political scientist to know we were curtains the next time. And he didn't want to do any more changes. So that was it. But before that he was great. But the Treasury ...

**Robert Manne**

Was the Treasury divided?

**Paul Keating**

Yes. Well the Treasury under John Stone, the Treasury was a product of its own self in a way. It believed in markets but particularly the markets it ran. You see, when I became Treasurer, the exchange rate was on the Cabinet table, interest rates were on the Cabinet table, wages through the Arbitration Commission and the Commonwealth's role was effectively on the Cabinet table. Tariffs were on the Cabinet table. And the Treasury kind of liked having them on the Cabinet table. And so the new construct of the Australian economy was more or less radically conceived. It was not conceived by the Departments. That is not to say they didn't help it, or there were not people in there who agreed with us. That's true. I think you would find almost everyone in the Treasury wanted to be rid of tariffs and quotas, but not the float of the exchange rate ...

**Robert Manne**

John Stone opposed that?

**Paul Keating**

He opposed the float and so did Des Moore, you see Des writing in the Melbourne papers now – a great market person. Well, he was like John, they wanted to hang on to the exchange rate. They wanted to ... and when I wanted to let the banks off, take deposits, maturity and lending controls off

them, they didn't like that either. So, the market instincts of the changes came from the Cabinet. They didn't come from the Treasury.

**Robert Manne**

And resistance in Cabinet?

**Paul Keating**

Well it was for a lot of people, until we got the model up and going. I mean, there was still a lot of people who believed in big budget deficits provide more growth. You know, you just put people on the government payroll and you decide how big the economy will grow by how much the government spends. This was very much engrained.

**Robert Manne**

And just the final part of that and then I want to move on to the non-economic parts of your Prime Ministership. But the question I've always wondered about, which I adverted to before, is were you aware early on of how dramatic a shift was going to happen with you and Bob Hawke in the economy, or did it ... was it one crisis after another driving it on?

**Paul Keating**

Not really. I said to Bob, look, the Whitlam government got three years effectively so we might be lucky to get six. We're better to go for broke. Do the changes, you know. You see, look, one of the things I hate political people saying in Australia, oh, they have great regard, they love the Australian people and they have great regard for them, but not so much regard as to tell them the truth. Not so much regard as to take them into the conversation. And not so much regard to make good public policy decisions in their best interests, you know. And if you do the cut-through, you do the stuff and you cut through, well you're somebody who doesn't understand the Australian people, you know, they dig out some poll to tell you that you don't get them, you know, that you're ... So I always thought, look, even if we last the three years, we'll get the exchange rate off the table, we'll get interest rates off the table, with a bit of luck, we'll get tariffs off the table. I would never have shifted Bob on the wages system. Bob loved the award system and the award system in the end had run out of puff. We couldn't get within sector wage flexibility and therefore we couldn't get the productivity.

**Robert Manne**

How crucial in changing that was Bill Kelty? In your judgment?

**Paul Keating**

He was central. Central to it. And I mean, he is a Labor leader who saw the absolute pointlessness in the end run of centralised wage fixing, you know. And that we had to go, to lift real incomes, we had to have a burst of ... we had to get productivity out of businesses fundamentally and we couldn't get it out of the centralised system. And I rang the Treasury, before this book cycle, this cycle of discussions started about this book, I rang the Treasury about four weeks ago and I asked the Secretary, Martin Parkinson, what was the increase in real wages since 1991 in Australia, on average. Taking the ups and downs. And the answer was 1.74%. So you multiply 1.74, you know, by those twenty years and you end up with a 35½ per cent real increase in wages. The highest real increase, let's take all the nonsense out of it, one third real increase, above inflation, over a twenty year period.

**Robert Manne**

Utterly different from what's happened in the US over that period.

### **Paul Keating**

The same period in the US, zero. Real wages have not risen in America since 1990. They've maintained nominal wages with inflation but real wages have not climbed. Here we're up 35%. Now that came from the change. That came from the abolition of centralised wage fixing, but you know, as I said earlier, Howard couldn't resist knocking off the unions in their collective bargaining, he couldn't resist knocking off the no disadvantage test, he couldn't resist knocking off minimum rates, you know, and of course now they're whingeing that the Gillard government has gone back beyond the structure I had, to give the Commonwealth more of a role, but they brought all this themselves, you know.

### **Robert Manne**

Paul, do you think sometimes you told too much of the truth? I'll give you a couple of examples.

[laughter]

I wonder whether you regret them. One is to say, unless we do x, y, we're a banana republic. Then the exchange rate dropped. The other, I suppose the one that's famous, you'll know what I'm about to say I think, the recession we had to have.

### **Paul Keating**

The recession we had to have. Yeah. Well, you see, what happened was, I'll go to the second one first. We had seven years of the Accord holding wages growth around 6% but inflation was running at nine to ten. And we were making the gap up with tax cuts. Fundamentally Bill Kelty had to hold the game together at 6½%. The banks went crazy. After deregulation, Westpac, the ANZ Bank in particular, less so the CBA and NAB, went mad. Lent to anybody to try and keep the foreign banks out. They were in but to try and keep them out of the market. Essentially they lit the place up so that by 1989 we had people in the oil industry offering 14%, management, management. This meant we go back to double digit inflation. In other words we could never beat the dismal cycle of the Australian economy always going back to double digit inflation. In other words, we'd come up, we'd go down, come up, we'd go down, you know. There had to be a brake on that and that brake had to come. What happened, it ended up worse than it should have been. And it ended up kind of worse for sort of explainable reasons. You remember the stock market crash of 1987? It was really a big event. Markets went down by 27%. It was like 1933 coming again. And at the Bank of International Settlements, which is the central bankers' club, Bob Johnson, who was the Governor of the Reserve Bank attended there and they were convinced that we had a 1933 on our hands. So, all through 1988 ... the stock market crash of '87 happened at the end of '87 and all through '88 the Reserve Bank kept monetary conditions soft here, accommodating soft. And I said to Bob, Look Bob, there's a bear transfer out of stocks into property, you know. I said, you know, you go into Sydney and Melbourne, there are cranes everywhere, the idea that we're going to have a massive collapse. We had these big positions, we had News Corp with ten billion, and Rupert was in trouble with ten billion, we had Alan Bond with about ten billion, we had Robert Holmes à Court with ten billion, and in those days ten billion was ten billion, you know, it was going to knock the balance sheets of big banks around, you know. We were at them, at them, at them, to put the rates up. They wouldn't do it, for the reasons they thought they knew better. So we kept monetary conditions accommodating through '88. What had happened by that stage, it had really taken off. So in the end, the rates had to go up by 17 or 18% to stop it. And then in 1990, Bernie Fraser became the Governor and we won the '90 election, but as a new Governor with an old Board, he wanted to keep the Board together and there were some interest rate hawks on the Board who wouldn't agree to cut the rates, so the truth is the Reserve Bank left the rates up too high, they were too slow to put them up and they were too slow to get them down. The end result was, the soft landing we were seeking to engineer, ended up a hard landing. But because I was trying to build for the first time ever, a truly independent central bank, I couldn't give them an instruction to lower the rates. You see. In the end, you're caught. And I couldn't go out and say, oh, by the way, it's not me, it's that Reserve Bank.

So I took the rap. You know, and I said it's the recession we had to have. There's a point of history which is important here. Don Russell went round to see, Don and I went around to see, he was my private secretary. He went around to see Bob. We said, Bob, look the national accounts are out and bad luck, we're .2 of a per cent in reduction under, so that's two consecutive quarters. There's technically a recession. And of course in the national accounts a year later there was no technical recession you realise, and it turned out we could have avoided it altogether. And we said, look, what can we say? The banks basically kept the rates up too high for too long. But there's no point in pretending there's not a recession either, because you can feel it out there, but it is the recession we had to have, because we would have burnt the place down again – the Accord would have been shredded and we would have gone back to double digit inflation, so I said, I'm inclined to say, this is the recession we had to have. And Bob agreed with that.

**Robert Manne**

But I always felt you were too much of a truth-teller, in that your analysis was absolutely right.

**Paul Keating**

Well maybe I should have taken your ... I should have had you around then. Bob can't ever recall that conversation.

[laughter]

**Robert Manne**

I now lecture on your governments to my students at La Trobe and I get to a certain point. I once had someone who was in the building trade and I said, what did Paul Keating say at this moment and ...

**Paul Keating**

Well, in the end, look, it was the recession we had to have. The truth is, we didn't want it to be that hard and it didn't need to be. That's the truth of it.

**Robert Manne**

My guess is that your Prime Ministership, your long term career will be noted for the economic transformation of the country, and I think now I have to say the unambiguously good result of that, which I took a long while to understand, to say about myself. But I think your Prime Ministership will probably be noted by historians for the Keating vision, the cultural vision. But I think a lot of the economic work had been ... needed to be consolidated, it was done. I'd like to take you through some of that if I could.

**Paul Keating**

Sure.

**Robert Manne**

You said something in a talk you gave that one of your great regrets about having lost office in '96 was that you weren't around to deepen the reconciliation movement and the whole way in which government and indigenous people relate to each other. Could you say something about that? Both about your hopes for that and also what's happened since?

**Paul Keating**

Well, there's a more general point, Robert, and it's this. That we reformed the Australian economy in the nick of time, you know, as globalisation really got going and as we saw the growth in East Asia coming, our openness to that economically was central to what we had. But because in public life time is always running out on you, you know, governments start dying the moment they're born, that I wanted to try and jerk the country into, having got the economy going, to start to try to

guarantee our place in Asia. In other words, psychologically to want to be in it, to want to be in Asia. And so, so therefore I thought that ... you see, it's worth knowing. Before I became Prime Minister, no Australian Prime Minister ever went to anything but the Commonwealth Heads of Government meetings or the South Pacific Forum. There was no APEC, there was no G-20, there was none of that. So, you know, if you look at Bob Hawke's years, and Malcolm Fraser's years, they were all spent in the Commonwealth. You know, they were spent with Zimbabwe and South Africa and apartheid. And I used to say to Bob, and he never liked this, I said, Bob ... he said to me one day, you know, you don't appreciate what I've done in foreign policy. I said, I do Bob, I'm with you on apartheid, but Australia's vital interests are not in Africa, they're here. They're with Indonesia, they're to the north of us. And Bob went to Indonesia once in nine years. So I wanted to sort of correct this, to try and move the place. It meant we had to go there. This is where the republic fundamentally comes from, this is where in a sense indigenous ... indigenous policy comes from a number of places, but including that and of course foreign policy. Indigenous policy was that, you know, we buckled with legislative land rights. When Bob proposed it in '84, Brian Burke and Graham Richardson knocked Bob over and he gave it up. And I used to say to him, listen, even if there's the pair of us, you and me, go to the Labor Party conference on our own, we'll just about get this through. But he wouldn't do it.

**Robert Manne**

Why wouldn't he?

**Paul Keating**

Well, his nerves went, Bob, you know. He went down the hole in 1984. And he didn't have the guts for it. He didn't have the fight for it. So the end result was it sat there, undone, unfinished business, until the Mabo decision. The Mabo decision was, you know, a very important and great decision. But it had been done in High Courts in other countries, in the United States and Canada, so what the High Court said was, you know, in Australia we have a thing called common law title to land. That comes out of European custom and tradition. You know, over the centuries we have a custom and tradition which we imported from Britain which in it has a title to land. What the High Court said is, from this day on, aboriginal custom and tradition will also be a source of the common law, including in which there is a title. But who has the title, we don't know. What is a title, we don't know. And who can get it, we don't know. That was it. In other words, they just dropped this little bundle on us and that was that. So I had the choice in '92 of either constructing this piece of property and cultural law, to make certain about native title, or to leave it to be extinguished by grants of interest in land by the Queensland and Western Australian governments. The Queensland and Western Australian governments would have wiped native title out. So there was an urgency about doing it and I brought the aborigines and the Torres Strait Islanders right into the Cabinet process, for their first time ever.

**Robert Manne**

It was probably the one and only time.

**Paul Keating**

The one and only time. And we built this massive piece of property and cultural law from the ground up because it was a thing that Australia wouldn't face up to, you know, the original colonial grievance, the dispossession, we wouldn't face up to it and frankly, neither would the Labor Party. So basically, I hocked the government on native title, you know, I hocked it. It took me eight months to do it, in '92, and we got the thing through. Since then of course a more conservative High Court is applying black letter property law to the cases and the whole case flow has slowed down. But fundamentally it was done then. So I thought if you look at the aboriginal community and the issues, the first thing was the dispossession and native title did something about that materially, for the first time ever, and then of course I set up the social justice package, which was the Land Fund, to buy

back pastoral leases which no longer qualify for native title, and I set up the Children in Custody Royal Commission, the one that Kevin finally said the sorry to, and we get onto the social justice programs. Now, had I won in '96 I would have pushed all that on a big plane forward and I would have been the Aboriginal Affairs Minister, I wouldn't have given it to anybody else.

### **Robert Manne**

Can I ask a question about that? A really difficult question. Why do you think Australia, for so long, has not been able to accept the simple truth about the injustice about the dispossession? I mean, I think Redfern was a kind of changing moment, and Whitlam also accepted it, but it's been so hard and I think still is hard for the Australian people to accept that in the foundation of the country an injustice of a very serious kind occurred. Why is it so difficult?

### **Paul Keating**

I think it's just all of the attendant cultural stuff about the mono-culture. I mean, you look at the British. They landed in, they landed in Port Jackson in New South Wales and claimed a hinterland of fifteen hundred miles as their own. I mean, the arrogance of it, you know. I always thought this. First of all, the original grievance is the dispossession, so we had to do something about it. And I've never quite understood why this was such an affront to conservative Australia. I mean, history is not an affront, it shouldn't be an affront. But the Blainey and the black arm band view of things, these people, I mean they will get relegated to the dustbin of history. It's just that they're a headache on the way through. You know. That's a real issue. I mean, history will just wash them out. The thing about the conservatives in Australia, you've got to drag them all the time to everything, you know. Drag them to Medicare, drag them to superannuation, drag them ... and then you get a shellback like Howard [laughter] who's basically [applause] a sort of 1950's reincarnate. And then of course, you've got it all going. It was mad of them, I think, to try and do what they did in changing the debate about reconciliation and about dispossession. I mean, it was in their interests I think to have faced up to it.

But there was the other more general point and that is, here we are going to ... we're saying, look, we've now got a new economy, we've got this, we've inherited a continent, I mean you've got to keep remembering this, you know. I often say, and it always gets a laugh, and I'm not saying it for a laugh, but when they were giving out continents, not many people got one. But we did. There's twenty million of us, and it's got the bounty of the minerals, and the oil and the gas and the riches, so I wanted us to be psychologically, to see us as part of the East Asian hemisphere, not as Asians, nothing other than Australians, but in ... look at this great society to our north, you know, six flying hours across the Indonesian archipelago, two hundred and thirty million people, we go to Bali for our holidays, why can't we celebrate that society as some place we want to know and have kinship with, you know. But I felt that the idea that we go there hanging on to a worn-down European monarchy, flying a flag with the Union Jack in the corner, treading on the aborigines – in other words, we say to the indigenes of the region, we're the new Australian community, with a polished-up economy and a good heart, but by the way, we're not good hearted to our own indigenes, and by the way, we still have Queen Elizabeth II as our head of state. By the way we're still waving that little flag, you know. It's just so weak, you know. [applause]

So it's true that we wrapped probably too much at once in the last gasp of it all, but again, you never know how long you're going to be around, you know. I had Dolly Downer for a few years [laughter] in his fishnet stockings you know. If I could have kept him another year, I would have won again. [laughter]

**Robert Manne**

Well, let's take that up. Despite the desire of, I imagine, many people in this audience, you did lose in '96, and John Howard replaced you. I've wondered, and this is something that's not in your book, at least I didn't find it much, a kind of theory or explanation for the '96 election loss.

**Paul Keating**

Yes, well, the book's a book of speeches, and I've never been asked and I haven't gone around ever speaking in a sort of structured kind of way about those outcomes, you know. But, you know, the big recovery was '93. You see, when I replaced Bob, we were 28% in *The Bulletin* poll and about 30 in the Newspoll. I took that to 44.9 primaries. It was the biggest recovery since the Second World War of an incumbent government. Whereas in 1990, three years before, Bob had got 39% of the vote and lived with the Greens preferences.

**Robert Manne**

The Democrats.

**Paul Keating**

Yeah, the Democrats. I'm sorry, the Democrats, and Green preferences. Whereas, in '93 we more or less won it in one go. That was going to be hard to keep up, but so in the end I got 38.9 in '96, which is still ten percentage points ahead of where the federal Labor Party is now. But losing is losing. The trouble is in Australia, there's no such thing as a landslide. Once you get over fifty per cent plus one the seats just tumble to you and if you go back the other way, they tumble back the other way. But I just needed more time. If I'd had a four year parliament, I had Carmen Lawrence all through 1995, took up six or seven months of the time, that Royal Commission. By the time I got on to Howard, I had him by November a blithering wreck you know. He went off for his holidays to Hawks Nest, he didn't know whether he was coming or going. If I'd had another year, I would have done him what I did every other day, which was tread on him, you know. [laughter and applause]. He never got on top of me in the polls. I used to just literally tread on him, day in, day out. And I would have massacred him through '96 if I'd have got another year. But I didn't have the time. I just didn't have the time.

**Robert Manne**

And you don't ... I mean, one of the obvious things about that election was that political correctness as a sort of issue began to emerge. The most ... Graeme Campbell won as an independent in Kalgoorlie, but even more importantly, someone called Pauline Hanson won in Bill Hayden's old seat. It seemed to me something was happening in the spirit of the country at that time, almost like a sort of resistance to the big picture of republic and Asia, reconciliation ...

**Paul Keating**

And reform.

**Robert Manne**

And reform, economic reform. A sort of weariness with change and a sense that we want to go back.

**Paul Keating**

Yeah, that's right. Well, the glib little guy gets up and says, that Mr Keating, you don't have to worry about him any more. All these reforms he's pressed on you, you don't really need them.

**Robert Manne**

Relax.

**Paul Keating**

You can relax and comfortable, and by the way, by the way, we don't agree, wink, wink, nod, nod, what he says about Asia, what he says about the republic, you know, what he says about native title, etc. And of course, you're only talking about, what are you talking about? You're talking about five votes in a hundred. That's what you've got to shift. Four or five votes in a hundred. Well, you know, in the end they were moveable. Now, could we have done better? Well, you can always do better. But it's hard. The other thing is, the Canberra Press Gallery sold out. Those rats and barnacles of the press [laughter] the Canberra Press Gallery. They were in the big reform phase and then they got bored with it.

**Robert Manne**

They just wanted change.

**Paul Keating**

They wanted change, they got bored with it, you know. I remember, it started, Michelle Grattan, who I've got a lot of time for, but she said this. In '93 I went to the Press Club to explain again the government's position on the Thursday before the Saturday election in '93, John Hewson wouldn't go. And she wrote in a column, what a clever strategist John Hewson was, because he didn't appear at the Press Club whereas that kind of old fool Keating came to answer the questions for us. And I thought, what chance have I got with these guys, where I wanted to lift accountability to a new standard, in a reasoned discussion over a decade or more, and they're saying, no the smart thing to do is to ignore us, it's now de rigour to ignore us. So of course from '93 to '96 I ignored them, I have to say that, and of course they never forgave me for it. In truth, I shouldn't have ignored them, but they were kind of so ordinary, they kind of had to be ignored. [laughter and applause]

**Robert Manne**

I wanted to turn to what you have to say about politics after '96. When Labor finally returned to office in the end of 2007, you wrote some things in the *Sydney Morning Herald* and the *Age* which I thought, yes, this is what I think is right. And the essence of it was I suppose, this. That Australia had lost its moral compass during the period of the Howard government, and that this matters, because it can act like a kind of poison on the national soul. And that there will be costs, a price to pay for that loss of moral compass. I suppose what I'm asking is to say something about that. What do you think?

**Paul Keating**

Well, look, I rang Kim Beazley – I was abroad and I rang him when the *Tampa* happened. And I said to him, look, I'm going to tell you something your father told me. And he said, what did dad say? And I said, he said this. When a conservative force is met with a more conservative force, the more conservative force wins. So it doesn't matter whether you do handstands, you'll never outdo Howard on this issue. I mean, Howard ... I think it's a Prime Minister's duty, one of the primary duties of a Prime Minister is to protect the country from prejudice. Howard was happy to let the racism virus out. And it's like a flu virus, you never get it back. You know, when someone at the top of the system ... you see, Bob before me, Malcolm Fraser before him, Gough Whitlam, John Gorton, none of us would ever play around with this issue, none. The only one to do it was a little guy from Bennelong. [laughter] And once he was prepared to do it, the Labor Party should have stood its ground, I think, and said, look, here we have a continent of our own, we've signed the UN Refugee Convention, we've actually set up a system of assessments, we set the system of assessments up, so people just didn't disappear into the economy. We didn't know where they were from or whether they had tuberculosis or what ... you know. And we could re-process them through and move them along but when something like that happens, you have to attack it, in my opinion, you've got to go for it. And you've got to risk it. See, at that stage the Labor Party was way ahead of Howard in the

polls. And we drifted back on this thing. And we've never recovered on the issue since. It's still a current issue, you know.

[applause]

**Robert Manne**

I mean, just a couple of things about that. One is, I think in present circumstances, the letter that Pauline Hanson wrote to the local paper that caused all the fuss and got her losing her preselection for the Liberal Party, we wouldn't even notice any more. I think there's been such a shift in attitudes towards racial questions, since that time. You know, I'd say that. But I suppose the question I want to ask is, do you think since the de-election of John Howard, since 2007, we have the poison ... the poison has left the national body.

**Paul Keating**

No, no, I don't. No, I think the poison is still there and I think it has to be ... there's got to be an exorcism take place here. [laughter] You know, and you've got to ... you see, look, the great event, the great contemporary event of our age, is a return of China to its position of primacy in the international system. You know. Before 1800, China was the largest economy with the largest GDP. You know, the industrial revolution saw quickly a little country like Britain have a bigger GDP than somewhere like China. With the equalisation of productivity across the world now, the states with the biggest populations will again have the biggest GDP and China will have a bigger, a larger ...

**Robert Manne**

Just like a return to the eighteenth century.

**Paul Keating**

Yeah, it's a return ... the Chinese missed two centuries and we're returning to the world the way it was in the eighteenth century. Now, this is the event of our time. How do we go wandering around having a debate about racial questions here. Twenty million of us occupying a continent, you know. I notice Bill Hayden saying the other day, oh I think when Prince William and his attractive wife move nearer to the throne this will give new life to the monarchy, you know. God help us. God help us. [laughter] You couldn't breathe life into that old horse, it wouldn't matter what you did. But the fact that we're still going on with it, you know, we're still going on with it. And, I mean, if you remember the Chinese politburo, looking at us, could you fathom us? You couldn't. And to have this poisonous debate, this poisonous debate about race. You see, it's very interesting that parties of the right, most of them have one thing in common, one policy in common, and whether you're talking about people like Hanson, or we're talking about Howard, or Eugene Terreblanche, who's now dead, but in South Africa, or Le Pen in France, or of course, and I'm not comparing any of these people to Hitler, Hitler, they had a commitment to one policy, the citizenship. Who was in and who was out.

**Robert Manne**

Exclusion.

**Paul Keating**

Who was in the human community, sorry, who was in the civic community and who was in the human community, and if the human community want to become part of the civic community it's verboten, verboten. Now, there's that line runs through the lot of them, you know. And the truth is that the Labor Party in my years, we did not have this in common with these parties on immigration, on citizenship, so therefore this is a sort of live matter on the right, but how do you win it, in a world like this? I mean, the developed economies now account for 13% of world population. Europe, all the people with white faces and round eyes, you know. Europe, North America, Australia, Canada. We occupy 13% of the world. China and India alone occupy 33, and if you throw in Brazil and

Argentina, you've got 50. 50% and growing at 6% a year. The other lot at 13% are growing at 1½% a year. There's no question about which game you want to be in. You want to be in the 50% game. But you can just see the way in which the world has changed. This year, two thirds of all world growth has come out of the developing economies. And we think we can have a debate about the circumstances of someone's birth, and their complexion and how they look. I mean, it's sick, sick, sick. This is truly sick.

[applause]

### **Robert Manne**

The quote from you is this: I left Homebush on the night of the closing ceremony of the Olympic Games, uncertain whether I had just seen the beginning of something new or the concluding fireworks of the period of reform and ambition of Australia in the 1980s and '90s. And it struck me, it crystallised for me something I had felt as well. The question I have really is, do you have greater certainty now, ten years later? I mean, have we ... is that period kind of finished? That period of creativity, which you also, interestingly, think the arts reflect. That there's a connection between vibrancy in the arts and vibrancy in national cultures.

### **Paul Keating**

Yeah. Well, it was such a big event you didn't at the time know what to think of it. But I had the inkling, this is the end of the great period, not the beginning of a new one, you know. And this proved to be too true, because of ... the economic reform stopped, the social debate regressed, and we've now sort of ended where we are, I mean, we have these, we've got these tremendous economic structure around us which has looked after us but we're kind of lost, you know, lost, and I was hoping that wouldn't be true. But as it turned out, the Olympics was the high point.

### **Robert Manne**

A sort of cultural vibrancy ...

### **Paul Keating**

Of the cultural vibrancy of Australia as an international stand-out place, as a leitmotif for its internationalism, yeah.

### **Robert Manne**

Now, I take it ... I'm just making a joke. I take it that you weren't a great admirer of the Howard foreign policy. At one point you say it was like nestling in the armpit of Uncle Sam, not exactly a flattering image. And another thing about that which I would like you to say something about is to me very interesting. You say in the book, not only have you not gone to Gallipoli but you never will. You are however famous for having kissed the earth at Kokoda. How do these symbols stand in your mind? Why never go to Gallipoli? Why does Kokoda ...

### **Paul Keating**

Well, you know, the great period of Australian nationalism from the birth, you know, federation, the whole sense of a nation, the birth of the Labor Party, which was part of it, all died in 1914. All stopped in 1914. And the Tories came back and took over the mourning, in 1918, with Hughes, and carried it all the way through – the whole ANZAC tradition was heisted by them. But I make the point in the book about patriotism and nationalism. This is really important, you know. Patriotism is inclusive and invariably kind. Nationalism is an altogether different thing. It's exclusionary and selfish. It's all about the sense of ... I'll give you an example. In Germany they used to call the *volk*, if we translate *volk*, it means people, but it didn't mean the people, it meant a certain *kind* of people. The people who had the inner sense of the nation, you know. Therefore, I make the point in the book, I'm a patriot, I'm not a nationalist. Where I think Howard is a nationalist, not a patriot. That's not to say he doesn't have what we call patriotic instincts, he does. And fundamentally Gallipoli was

more of an exercise in nationalism though not exclusively, whereas Kokoda was definitely an exercise in patriotism. You know, our boys up there fighting the best of the Japanese, in the defence of Australia for all we had created here. And it's just dreadful that the RSL and the Liberal Party and the nationalists as they called themselves before it, would never accept the importance of the role of Australia and Australian troops in the Second World War. It was always about the First World War. It was always about Gallipoli and Flanders and the First World War. And so what I wanted to do as Prime Minister was say that the battle for Australia, as Curtin called it, the battle for Australia was first fought in Papua New Guinea, and this was an exercise in national survival but in patriotism, and that there is a difference between the two. And so therefore I'm stretching a point to say that Gallipoli is purely an exercise in nationalism because many of our boys who went and died there, would have felt the full sense of patriotism here, but the fact that they were conscripted to go to a hopeless campaign, as Graham Freudenberg said in his book, the most important Prime Minister outside of Churchill in twentieth century Britain was Asquith. The Admiralty Minister was Churchill, and the Commander in Chief was Haig I think ...

**Robert Manne**

Kitchener.

**Paul Keating**

Kitchener, I'm sorry. Kitchener. They had the three best people in Britain, but they gave us Gallipoli. So therefore, going over, going rah, rah, rah, this is us, you know, my point is that the Australian nation didn't have to find its soul in Gallipoli. It had a soul beforehand, has a soul since. And therefore I won't be part of the incantation, you know. [applause]

**Robert Manne**

Now, this will be my final question about Australia. I have to say the book is very discreet, in the sense that it seems to me you don't take shots at those who've succeeded you in the Labor Party at all. But I do want to ask you something about what's happened to Labor. You say quite often that Labor is the party that achieves things and builds community. I just wonder whether you think since, in the last few years, Labor has lost its way. I'm sure a lot of people in this audience are thinking that that's the case and that they've been puzzled by the trajectory of Labor, even in office since 2007. So I don't want to get you into indiscretion but nevertheless I'm interested in what you think about where Labor now stands in the national story.

**Paul Keating**

Well, Labor hasn't lost its soul, but it has lost its story. I think that, you know, Bill Kelty and I were discussing that subject not that long ago, we were just talking about, what's Labor good at, what does it do well. It does the transitions well. Curtin and Chifley did the transition out of the war to the post-war economy. The fact that that old dandy Menzies inherited it is just bad luck for us, you know. And then you've got the transition out of the old closed declining industrial protective culture of the so-called Australian Defence model, later called the Australian Settlement. And the transition to the new economy was done by us, by the Labor Party. The Labor Party has saved Australia a couple of times, important times. This is another transition. This is perhaps the biggest transition in three hundred years. This is the transition to the establishment of China's position of primacy again in the international system, a change in the way the world works. From West to East. And we are located in it. Here we are, a primary exporter to this. Our continent sits in the East Asian hemisphere and therefore the country is again in transition and the very evidence of the transition is the effect that the mineral boom is having on the eastern states and particularly Melbourne and Sydney. So therefore it's not beyond the wit of the Labour Party, it shouldn't be, to construct a story of transition, and to see everything that they're doing in it, in a story, in the story. Like the carbon tax, like the mining tax. I mean, when Twiggy Forrest set up Fortescue Metals, it's not long ago, it's eight, nine years ago, iron ore was twenty bucks a ton. Until recently it was 160, it's now 130. Is it

too much to ask that the Australian public should have a part of it? It's not. Therefore the mining tax is a completely valid thing, as is the carbon abatement scheme. But it should be all part of the transition and the transition is also going to be a cultural one ...

**Robert Manne**

And it has to be a story.

**Paul Keating**

It's got to be a story and I think there's got to be the psychological wish to be part of the growth of this part of the world. To be part in it. I say, over and over in the book, Australia must find its security in Asia, not from Asia. And Howard tried to pretend we could find our security from Asia by doing America's bidding in Iraq, or doing some ... our security can only be found ... look, in a country of twenty million people, twenty-odd million – we must be in coalitions. The uni-lateralist option is not for us – we're not big enough to exercise the uni-lateralist option. We don't have the power. We must be in coalition, and coalition building. Around this part of the world, we were great at this. The APEC leaders' meeting, the Cambodia Peace Accords, the ASEAN regional forums – we did all this stuff. This is the game, but it seems now that we don't really want to be ... let me be fair to Kevin Rudd, he's talking about, as Foreign Minister and as Prime Minister, an Asia-Pacific community. He is talking about that. But psychologically, the show isn't talking about, you know what I mean? So, therefore, the great challenge for the Labor Party is to realign, get the psychological thing together, and in doing that, they'd have a lot of people back from the Greens, you know. Those people who used to support Bob and me would be back. But while ever it's just shooting stars, a mining tax here and a carbon tax there and a something else there, but no story line, then the end result is that you get where they found themselves.

**Robert Manne**

I'm going to ask just two or three more questions because we've been talking a fair while. I would love to go on for many hours but there are constraints. It struck me in reading the book, there's a lot on ... which is not about Australia but about the world. It struck me as a deeply non-provincial book, a book which sees the world ... and perhaps the biggest story, you've adverted to it once or twice already, that you see us living in an extraordinary period of transition in world history, as the period basically away from the dominance of European societies and societies that are based on European models like the United States and Australia and so on, to a world in which at least there will be equality between the European societies and Asian societies, and you say for example about China, that it's the most astonishing thing, almost in the history of world economy, that a country has risen so quickly. What strikes me about it is how ... I know for example that Malcolm Fraser sees things in that way, and I think there are some Australians who understand the larger world picture, but how limited it is in national politics at the moment – the sense that we're living through something really extraordinary. I just wondered if you could say a little bit more about that because it seems to me that having a non-provincial vision of things is rather important at the moment if we're going to get things right.

**Paul Keating**

Well, Robert, the core of the book is about the world. It's not about, you know, parochial conversations. It is about the world. I mean, I suppose if I had to find a central thesis for it, it is this. That at the end of the most successful policy the Americans ever employed, liberal internationalism, which has seen them stare down the Soviet Union and end up with a victory in 1989, they walked off the field the moment the wall came down. They had developed no organising principle for the world at the end of the Cold War. Yet, all these former colonial states like India, Indonesia, Vietnam, China, should have been growing in all of the post-war years but their growth was stunted by the freezing bi-polarity of the Cold War. When the Cold War finished, open regionalism became a possibility. And in the thawing, these great states started to take off. So if you were the United

States, you would have said, right, we've had this victory but now we're running a new, but better world. A more representative world. And even a world we may not be able to run. But at least let's get out there with a structure, an organising structure. But what I say in the book is that the two Clinton terms and the two George W Bush terms were completely wasted in re-shaping the world at the end of the Cold War – sixteen years, the United States went into a period under Clinton of triumphalism and the dot com boom and you knew, blew out in 2000, and then of course, the refugees from the Reagan administration come back with George W and adopt a policy of exceptionalism, of uni-lateralism, rejecting at the wrong moment all the success of liberal internationalism, and then Osama bin Laden draws a big red herring across the trail and they run off to Afghanistan into Iraq, meanwhile the big colossus is rising in China, you see you know, India coming out of its sort of post-Soviet period, Indonesia growing again, and then what happens is, nothing happens. It just all goes on. The fact is, the world is un-led. And the G-20 which has just finished, people are saying oh the G-20 is disappointing. The G-20 was called as a creditors' meeting. [laughter] When they met – when Gordon Brown called that meeting together with the support of firstly, George W Bush in the middle of the crisis in 2008 and then by Gordon Brown by 2009 with the support of President Obama, it was to have the debtor states and the creditor states in the one room. It was never the Americans saying, we're turning over a new leaf. The world has changed. The power of the world has shifted from West to East and we are now going to do what we can to develop a much more representative world structure. This hasn't happened. And you saw again, the thing flopped again on the weekend, you know. A G-20 meeting flopped again at the weekend. So the world's just sort of drifted along, and I make the point about Russia. You know, Russia is the only state in the world with a capacity to obliterate the United States. Obliterate it. So therefore if you were the US, you would have a policy towards Russia. And when Gorbachev agreed magnanimously and Yeltsin, to take the wall down and to have a united Germany and NATO, you would be bringing Russia into the European construct. No, not them. Bill Clinton allows Hungary, Poland and the Czech Republic to join NATO, so they take NATO's border right up to the Western border of the Ukraine, and then George W Bush says, I've got an even better idea – I'll put a national missile defence shield right around their backyard, you know. So of course, they've created Putin, and now Putin's talking about a Eurasian federation of states. So the US has sort of lost it. They lost the thing. Now, and in the middle of this, we're stuck with nuclear weapons. There's a speech in there I gave at the University of New South Wales about, I set up the Canberra Commission in 1995, the first Western government ever to say, let's get rid of nuclear weapons. We had the best people in the world on the commission, including the guy who, the previous year, was the head of US strategic command, General Lee Butler. It's still the basic de-nuking document. It was actually presented to Howard. Of course, Howard and Downer did nothing with it, nothing at all.

### **Robert Manne**

They called it a stunt.

### **Paul Keating**

They called it a stunt. So we lost the great opportunity of getting rid of nukes. The West gave the world nuclear weapons, so the West was in a position to take them away. Now of course, Israel has them, Pakistan has them, India has them, Iran may have them, North Korea has them. Etcetera. Outside of the main five. So, there's a huge mistake ... let's not use the word mistake, a huge lost opportunity. And this has changed the way the world now is. The Chinese have worked all this out, and they're not going to be run by the United States, any more. They're not going to be in that. They're not going to be run by the IMF. You know, etc. So the book in many respects focuses on this. Every couple of years I write about this saying, look at this – this is such a shame. Yet, I was, despite a bit of discussion with the Americans from time to time, you could never quite get them to see. I could see China coming in 1990, 1991. You know, China was nothing in '91 but you could see it coming. So, the book is about that. It's about how the world will be and how we ought to be

setting up organising principles for its management, how it should be led, in a construct, and how we could be part of it.

**Robert Manne**

Now, we've gone on for a good time. I think we should open the audience ...

**Paul Keating**

Do a few more if you like. I'm quite happy for a few more questions. [laughter] I like Victorians let me tell you. In 1996 I got a majority of votes in a majority of seats in Victoria. [laughter and applause]

**Robert Manne**

So we'll have a few questions and then I'll make a couple of remarks to conclude.

**Floor**

I just want to say a pleasure to have you here today Mr Keating. And thank you for laying the foundations for our nation's enduring prosperity. Many have described your Prime Ministership as an unfinished revolution. My question is, if you were Prime Minister today, what would you do and what do you think needs to be done to advance Australia to its next stage of development? Thank you very much.

**Paul Keating**

The biggest single challenge is to have Australia psychologically wish to be part of the region around it, that is, wanting to be in it and that means, feeling comfortable with the societies around us, learning the languages – we were teaching them in the 1990s, a lot of it's stopped – Bahasa, you know, various dialects around the region – and not fearing it, to want to be there. And so in other words, it's fundamentally a big re-education task. So that's the most important thing now. It was well and truly rolling in the '80s and '90s but it's gone into a hollow. That's the one I think is most important.

**Floor**

Thank you very much.

**Floor**

Yes, my question goes just a little bit further. If you subscribe to your idea that being a parliamentary career, is not necessarily something that you'd have in continuity. What would you think of the premise of having another crack, actually, having another crack of coming back in, you know, because in some European countries, parliamentarians [applause] – I can give you examples of parliamentary democracies in Europe where somebody's been Prime Minister, goes out, comes back as Prime Minister, and even in some cases, and that's another story, Prime Minister's don't necessarily have to be elected MPs.

**Paul Keating**

Well, thank you for the compliment. I think, no, there's a certain time when – in military aircraft, you know, we have this expression, they have a certain, what they call, dash capability – that is, to get into a target and do something and then get out again. And I think in public life we all have a certain dash capability. Dash it, I think mine's over. [applause]

**Floor**

What is the role of reciprocity in our engagement with Asia? How should Australia be engaging with Asia when many Asian governments aren't yet inclusive of their citizens fully?

## **Paul Keating**

Well, this is one of the things I think we have to live with. That is, as these societies become wealthier they will demand their own say. You can see this in China today. You know, the biggest problem the Chinese face is the issue of the control of the party, vis-à-vis the wishes of the population. I mean, the story of modern China is fundamentally the story of urbanisation. And urban areas are full of people. And their incomes normally go up. And they can talk to one another. So there's occasions for their discussions, their congregation. This is putting enormous pressure on the party in China. And it is in other parts of Asia. But the idea that we are exporters of Jeffersonian democracies and that we have the answers on the human rights and if they don't measure up to it, well, they can just get out, you know, which is a sort of *Sydney Morning Herald* line, the *Age* line, you know. These sort of puny little journos who've never really been to these ... never really understood what these massive lifting a billion people out of poverty, what that entails. Therefore we have to both be Australians, be what we are, with our values, and not surrender those values to anybody, to propagate those values by all means, but still be useful interlocutors in the region. Now, the great challenge for us in this part of the world, is to watch the change in the strategic balance in North Asia. At the moment, of course, we've all enjoyed the protection of the United States as a strategic guarantor of Japan, of South Korea, of the Philippines, of Australia. All of a sudden this great state rises. The great tragedy will be if we try and do to China what Russia, France and Britain did to Bismarck's creation in Germany at the end of the nineteenth century – we will cause ... it will be catastrophic for us. The moment Russia and France signed their entente cordiale, so-called, in 1885 and in 1904, Britain joined them. From that moment on, the march was on to the First World War. What we have to do around here is keep the structure not rigid, not bi-polar. Therefore Henry Kissinger makes the point too in his latest book, the flexibility of diplomacy, the ability of diplomacy to play a role in a construct of a group of nations, a concert of powers in Asia, not a balance of power, a concert of power, not a balance of power, is the most pressing requirement in our national debate. That is, how do we keep Asia fluid, how do we convince the Americans that they have got to give strategic room to China, all great states claim strategic space, and if you don't give it to them, they take it. The US took it from Britain, Germany took it from Britain and the rest of Europe in the First World War, Hitler tried to do it again in the Second World War, the Russians did it after the Second World War, the United States of course has done it everywhere, and of course the Chinese will too. Therefore for us, one of the useful things a middle power like Australia can do is to construct a debate in the region which allows a transition of power, the recognition of China's rise, but having it as part of a concert of nations, and a concert of power in the area, with a healthy debate running between us, with transparency and openness and regard, that's the great challenge. The challenge is not to look down our noses and preach to them about human rights. You can do that. But what is the practical outcome of the policy? You know. The primary things matter most, and that is trying to construct that kind of diplomatic flexibility in a time of great change. I mean, the Americans are now trying to exit Iraq quickly to get back to now, the Pacific. The United States has got to look after two oceans – it's got to look after the Atlantic, and it's got to look after the Pacific. China doesn't have to look after the Atlantic at all. It's only got part of the Pacific, North Asia, and it will claim strategic space. So therefore accommodating China in a new construct is really hugely important, and the most important thing facing Australia.

[applause]

## **Floor**

Mr Keating. My name's Maris Beck. I'm here from the *Age*.

## **Robert Manne**

We'll have time for two questions there but I think ... is there one up the back. And one here.

**Floor**

I was first.

**Paul Keating**

First is best.

**Floor**

Mr Keating, I'm up here.

**Paul Keating**

Oh, there you are.

**Floor**

Up the back. On the right. I just want to say it's a privilege to be here. You were an inspiration to me when I did my Social Science degree at UTS and the difference between your policy and John Howard's policy during the mid '90s on indigenous issues led me to my Honours thesis and I interviewed Olga Havnen and Rick Farley and it made a big influence on my life. But anyway, I just wanted to ask you – you said something before about how politicians claim they know what the public wants, and with social media these days, how do politicians and political parties know what the public wants?

**Paul Keating**

Well, my line is – you don't necessarily give the public back what the public wants. You give them what the public needs. [laughter and applause] If you give them too much of it, they get fed up with you. But you try to give them what they need, you know. There's a nice, I think there's a nice demonstration of the point someone made, this has been part of the commentary about the demise of Steve Jobs and Apple. And it's just as true of him as it is of public life. What he didn't do was to poll his customer base to see how he could improve his product, or give them what they wanted. He gave them a completely new idea of something, which they had not conceived. You see. And I think this is true in public life too. In the end, the key ingredient in public life is imagination. You know. And you imagine something better and you try and bring people with you to get there. Sometimes you make it, sometimes you don't. The worst of it is to be subject to the response, the reactionary response of the polling and the conversation backwards and forwards. I still think the big ideas have their own currency and their own momentum, and it's the absence of the bigger ideas, the big and truthful conversation, that all the static rises. The static's there while ever there is a void in the thing. So I don't – I'm not – I don't believe that social media is going to displace the big national conversation but it will certainly displace while ever there isn't one. [applause]

**Floor**

I'm interested to know what you see would be the logical steps for the current government to take in order to move out of the current mess that we have with asylum seeker policy and on to a more sensible footing.

**Paul Keating**

Well, I'm not here to instruct the current government. We're here talking about things I've written over fifteen years or so. But I've pretty much made my position clear. I think the idea that we have this vast continent but we sort of close it up to the human community outside, or appear to close it up, is a bad thing for us to be seen to be doing. And the idea that we can sign up to the Refugee Conventions, but we won't process people here, we'll have these subterfuges of sending them to Nauru or to Malaysia or to someone else. I don't believe in those places, I believe in processing in Australia, and I believe in facing up to the fact that there's a lot of footloose people in the world. We don't share a border with any one country. If you were Germany where I think there are eight states

around it, imagine how porous your border would be. Or even the porous border between Mexico and the United States. We don't have that. We have a few people coming, a relatively few people coming by boat. Most of the people who come to Australia illegally, come on a visitor's visa through our main airports. That's how they come. And it's because that Howard was able to make the imagery of people coming in boats, they're coming to invade us, that idea, this debate's got going. But we've got to think not just about the political debate now, but the long term debate. What do we do with a continent like this? What should be our position? Which principles do we adopt? How do we get along in the region? Or do we appear in the region to be simply selfish people who want to hang on to the place for ourselves? But more than that, where we have some sort of racial thing running as well. I think this is very bad for us. [applause]

**Robert Manne**

We'll just have time for two more questions. I've given the call over here.

**Floor**

Both political parties have become so focused on electability and it's become quite toxic and we see well-meaning people enter politics and become compromised. As a Prime Minister who was seen as ... who is now seen, retrospectively as the embodiment of principled government, I suppose to a certain degree, what would it take for a political culture to be actually be more invigorated by ideas rather than electability?

**Paul Keating**

Well, there are a lot of ideas. It's not true to say there are not ideas around. I think what you need ... I said it before about imagination. Imagination and courage are the two things that make up political leadership and the big sweeps, the big schematic is what we need. The other bits of the story will fall into place. They'll be there. But that does require absencing yourself from the sort of hourly news cycle. You know, I mean, I think leaders need time to think and they need time to make the construct, because a Prime Minister for instance, or a senior Minister, but a Prime Minister has a whole system to think about. It's very hard to think productively about the whole system responding to two radio interviews a day, and all the rest of the social chit-chat that goes on. So therefore there's got to be a premium back on leadership and the offices. I think the political system is now just too much ... I said the other day about the Lateline program, Ministers going on the Lateline program. I mean, it just drags the position of Ministers of the government down. I mean, they're sharing a program with people who've got no mandate for anything, you know. So therefore, the government having courage about what it is and what it stands for, what its prerogatives are, but more than that, what its responsibilities are, is the way to approach government again, not to be everything to all people, available for every ratso program, you go on, you know, every comment, every ... which is where it is now. As a result, the whole system goes down and the ability to stand back and think and lead the place is jeopardised.

**Robert Manne**

And the final question up there.

**Floor**

Thank you. Actually, it's a nice cycle. I'd like to bring it back to the very start of the day when we had what was really a wonderful performance demonstrating the legacy of the Creative Nations Program. You'd be acutely aware that Simon Crean's currently putting together the next national cultural policy. Would you have one thing that you'd like to see as a main agenda on that? And I'll give you a hint. My particular interest is the visual arts.

### **Paul Keating**

Well, you know, you've heard me say and you may have read, the highest form of the arts is not the visual arts. [laughter] The highest form of the arts is music. [applause] Because in the end the visual arts are representational. They're representing something else. They're trying to paint an image that an artist imagines or they're trying to make a film about a circumstance which exists, whereas in music there's a creativity that didn't exist until it was created. In other words, it's not representational – it's true creativity. That doesn't invalidate the visual arts, let me say. [laughter] But I think that Simon is a committed Australian, a great Labor Minister, and more than that, he's always to my knowledge, had this great interest in the arts. He understands that a country ... that the arts are central to a country. They're not peripheral, they're central, and the more central they are, the more substantial the direction of a nation will be. So therefore I think you'll find from him, if I know him, a panoply of things, which will be about things we excel in. The visual arts is one of course. As in literature, as in of course music, as in generally the arts themselves. I don't know what I can say particularly about the visual arts that marks them out. They seem to me to have a fair bit of energy in Australia, I must say. The film industry of course has its better times and it's not so good times. I'm not sure what the answer to that is. But one thing is for certain. I do think the Labor Party – it's not to say that the people in the Liberal Party are people who are either not interested in the arts or don't see its impact – but the Labor Party generally has a better understanding of the importance of the arts to the country than I think does our conservative opponents. That's not to wish them badly. It's just that you wish them to come over to that side of the argument. So I don't know what else I can say. I look forward to Simon's statement. [applause]

### **Robert Manne**

I just want to say a couple of things. Partly I'll inform you that Paul will be signing copies of his book which I'd recommend very highly indeed. Towards the end of the book when speaking about the absence of leadership in today's world, Paul Keating says. I quote "in the end everyone in political life gets carried out. The only relevant question is whether the pall bearers will be crying." [laughter]

I wanted to assure you that, and I think this audience is testament to this, many Australians have been crying since 1996. [laughter and applause]

Earlier on in the book you quote something Winston Churchill, one of your heroes, once said to Violet Bonham-Carter. I quote: "You know Violet, in the end we are all worms. But I do believe I am a glow worm." What Churchill said of himself I feel confident I can say of you, Paul. You have been in my view, a mighty glow worm in the history of this country and for that, you have all our thanks.

[applause]