

## Chapter Seven

### John Stone, Federalism and the Commonwealth Treasury

Des Moore

I first met John Stone, I think it was in 1958, when he was then the Treasury Representative in London; I was just over the road from Australia House at the London School of Economics completing what was then known as a Bachelor of Science (Econ) degree (one wonders if the “science” component has survived the GFC!). Those were the days when, despite the terrible war-time destruction, Britain was still regarded as an important economic and financial power, the Commonwealth was known as the British Commonwealth, most of Australia’s international reserves were held in sterling and London’s financial market remained a major source of the Australian government borrowings that Keynes had observed in the early 1930s were high enough to justify the 20 per cent reduction in government spending decided in the 1931 Premiers’ Plan. The front page attention given in Australia in the 1950s to Bank of England decisions on what was known as *the* Bank rate have long ceased to be a policy indicator for Australia.

But the situation that then existed justified two Treasury officers in London (after abandoning some years ago the stationing of any representative in London, the Treasury has recently restored one). Coming from the almost complete absence of a reasonable place to eat out in sparsely populated Canberra, one essential qualification for any appointee was a capacity to discover the right places to lunch. You will understand that for an impecunious student I was pleased to soon be invited by John to help savour the classic British dish of beef and Yorkshire pudding from Simpsons in The Strand, which is still carving from silver-domed trolleys at the table. I also succumbed to John’s persuasive tones, using words I doubt he would repeat quite so fulsomely today, that life in Canberra would appeal to Felicity and me if I joined the Treasury on return to Australia.

As it happens I joined Treasury *in* London and had the advantage of working with John in the Australia House office for several months before moving to Canberra early in 1959. Our relationship did not stop then. I soon discovered that John not only assumed an ongoing responsibility for those he recruited but also took a personal interest in their developing lives. Indeed, in researching this presentation I came across 15 pages of “encouragement” letters he sent to me in the next two years. Such encouragement continued when he returned to Canberra in 1961 and, over subsequent years, he showed that, whether it involved professional or other staff, he assumed almost personal responsibility for the well-being of those who worked for him. Those letters bore the stamp of a person who, one could quickly see, wanted to do his utmost to ensure citizens enjoyed good government. The responsibilities he assumed were not confined to the personal well-being of colleagues but extended to correcting potential recalcitrants at the Hotel Canberra on Friday evenings. Such activities later extended to the National Press Club where those members of the Press Gallery unable to understand the correct course of economic policy were put on the right track.

My Australia House experience was of enormous value because I benefited greatly from experiencing bilaterally John’s outstanding capacity to think through a problem and to express succinctly the likely solution in impeccable English. But it was also rather scary for a raw economics graduate. John’s exceptional ability had already been recognised both in Canberra and London as his appointment in 1958 as Treasury Representative came after about two earlier years as Assistant in the London office that included six months secondment to what was then the holy of holies, the UK Treasury, then

well known as an employer principally of classical scholars. As one of the very few economists then working in the UK Treasury, that was doubtless an educative experience.

My period in the London office in 1958 also allowed time for Felicity and me to meet Nancy and appreciate, even then, her remarkable contribution to their partnership, including the five children to whom she gave birth, two in London. Of course, we discovered when dining at John and Nancy's first residence in London that one major problem Nancy faced in 1958 was not babies but how to handle the provision of the English washing facilities that assumed once-a-week was sufficient in a bath whose water was coal-heated!

One demonstration of John's analytical ability came soon after my arrival in the Australia House office when Canberra sought his advice on a tax issue that emerged from reports of a judicial decision in an English court. Not satisfied with obtaining an assessment from relevant authorities in Whitehall he set about analysing the decision and sent a lengthy rejection of the judge's reasoning back to Canberra – a precursor to his role in founding The Samuel Griffith Society.

When Julian Leeser asked me to talk about the Stone role in the Treasury and Federalism, I flinched because of the seeming enormity of the task, involving as it does some assessment not only of the man himself but of his contribution to building the role of Treasury in what I call the governance of society. That enormity was enhanced after a discussion with John himself, which brought home just how extensive and how important a role he has played in influencing public debate about the structure of society and government both while in the Treasury and since. A role, I might add, that is far too little acknowledged.

My assessment will inevitably fall well short of doing justice to John, partly because my memory of earlier times is fading in regard to detail but also because of my often limited involvement in the important events and developments to which John contributed. Such involvement as occurred, together with continuing contact and involvement after the Treasury years, has led me to conclude that, while many citizens become well known because they have contributed to society through the successful pursuit of a particular occupation or profession, there are few who play a leading role in genuinely making their prime objective the promotion of the interests of the nation. I believe John has made a major contribution there.

I should acknowledge, however, that you are going to get a slightly one-sided view. As in all large organisations views differed within the Treasury and they also differed outside the department as to the policies that should be pursued and the way that they should be presented. The perception I will give you today would not be universally accepted, even as to detail, by some of those Treasury colleagues who were John's and my contemporaries.<sup>2</sup> Equally, there were some who resented that the main responsibility for providing economic advice lay with the Treasury. Because of the firm expression by John of his views, that resentment has particular application to the period when he was a senior Treasury officer. In one sense John experienced the glory days of the Treasury and that was importantly due to the power of his views. As we have recently witnessed, the Treasury still has an important role to play but it faces increased competition in assessing and providing economic advice.

Before offering some examples of John's contribution, I want to point out that a measure of the man and how he acted as a benchmark continues to crop up today, some 26 years after he resigned as Secretary in 1984.

My benchmark derives from an observation on a recently published book by Blanche d'Alpuget – which I have no intention of reading – entitled *Hawke: the Prime Minister*. It is reported that, in commenting on this book, Hawke's then principal economic adviser, Ross Garnaut, suggested that, in the Hawke/Keating relationship, Paul Keating got a "lot of confidence" from the decision to float the dollar because he "had taken a position contrary to John Stone . . . and . . . that was crucial in building his confidence". This illustrates the respect still given to the Stone view even today.

However, as with his analysis on global warming now, Professor Garnaut is in error and it is shameful that Keating has never acknowledged that, well before the December 1983 decision to

float, John Stone (who by then had been Secretary for nearly five years)<sup>3</sup> had advised Keating that “Treasury supported *and in fact proposed* . . . the freeing of spot against forward . . . [and] the proposed changes were aimed at ‘developing the market in foreign exchange’ and ‘loosening up the exchange rate’ ” [emphasis added]. As John subsequently pointed out, a freeing of the forward market would inevitably have led within a relatively short time to a floating (spot) rate.<sup>4</sup>

What Garnaut also failed to acknowledge is that Labor’s decision in December 1983, only nine months after assuming office, to float the dollar and remove exchange controls was taken without Cabinet consideration of any submission by Treasury on the pros and cons of the action, or on possible subsequent policy action, of which there was none. According to the author of the book it was taken at a late night meeting in Hawke’s office (possibly by an infant gang of four!) and doubtless reflected the views of Garnaut and the Reserve Bank, both of whom favoured having the market determine the exchange rate rather than having it being continually adjusted by a committee for which the Government could be held directly responsible.<sup>5</sup>

Perhaps the absence of a request for a Treasury submission reflected ministers’ concern to avoid the official recording of the Treasury’s (and John’s) view that any decision to float needed to have regard to the regulatory framework within which the exchange rate would emerge and of accompanying changes in other economic policies, particularly monetary policy. The decision to float with virtually no exchange controls exposed Australia to volatile capital movements and ignored the existence of such controls in many other countries with floating exchange rates.<sup>6</sup> Relevant is the comment in the book by Keating’s economic adviser that “Stone’s complaint that there were no high quality studies of the issues was quite right – the quality of the papers provided by the Reserve Bank to Keating was very poor”.<sup>7</sup> The best that could be offered the Treasury by the Hawke Government was to invite Stone and two of his henchmen (one of whom happened to be me) to attend a Cabinet meeting and be given the chance to respond orally – but to an obviously already-taken decision. Needless to say, there was not much joy in that exercise.

I must add here that, in the Shann Memorial Lecture<sup>8</sup> John delivered in August 1984 while still in the Treasury (but after announcing his resignation as Secretary), John expressed the view that “the decisions taken by the present Government on 9 December last will stand as its greatest achievement when all else is forgotten”. He went on to remind those at the lecture that in his presentation at the May 1984 OECD review of the Australian economy he had suggested it would “work very much to the end of ‘locking’ Australia into the wider world, with all the benefits – and no doubt problems also – which that will entail”. This Stone lecture in his home State is, incidentally, still well worth reading for its analysis of “financial mismanagement, protectionism and ossified labour markets”, on the latter of which he described the then current system of wage determination as “a crime against society”.

The myth that Keating had a confidence boost because he took a decision contrary to John Stone raises the question of how the decision worked out in practice. While this is not the place to undertake any detailed examination of the many developments after the float and the factors contributing to them, two developments are worth recalling. First, after the December 1983 float at about 87 cents to the US dollar the exchange rate steadily went downhill and by May 1986 was about 15 per cent lower at 74 cents – thereby adding, of course, to the high rate of inflation from which the Australian economy was already suffering. Second, at this point, Treasurer Keating went into panic mode and made his famous public comment that, unless Australia adopted policies that would improve its international competitiveness, it was in danger of becoming a banana republic. Although various factors contributed to the depreciation and Keating’s outburst, I think John could reasonably claim that there was a major failure by the Government to implement other regulatory and policy changes at the time of the float.<sup>9</sup> Whether or not Keating’s outburst was partly designed to persuade his fellow ministers to improve their game, it was followed by some recognition that, as politicians sometimes acknowledge, “something needed to be done” on the policy front. But that is another story.

Taking a step back to Whitlam times<sup>10</sup> (most of the initial year of which I had the good fortune to miss in London), John Stone was then Deputy Secretary (Economic) and managed to stay the course through a period when there was great difficulty at times in deciding whether Australia actually had an operative federal government. This is a story that has yet to be fully told<sup>11</sup> but I think it is fair to claim that Treasury and John in particular played a major part in trying to keep the government within survival bounds when it was actually pretty much inoperative.

My suspicion is that this Whitlam experience confirmed John's views about the desirability of both limiting the role of government and spreading the exercise of its responsibilities and power. It scarcely warrants saying that the experience of more recent times under the Howard and Rudd governments provides further confirmation. Based on the performance of those two governments plus Whitlam, no federal party can sustain a claim that it would succeed in having the Commonwealth play an efficient and effective role in the delivery of, say, health and education services. The attempt by the Rudd Government to solve the alleged problem with health services by increasing the Commonwealth's share of funding to 60 per cent has already produced a leaked analysis by Victoria indicating that most of the new arrangements supposedly agreed at the friendly COAG meetings are not applicable to that State (so much also for ending the blame game!). Unfortunately, each of the main parties in the 2010 federal election sought my vote on the basis that from Canberra they will improve funding and structural arrangements for health services delivered by the States.<sup>12</sup>

It is pertinent here to refer to the article<sup>13</sup> John wrote after an address by Prime Minister Howard in May 2005 entitled "Reflections on Australian Federalism".<sup>14</sup> That article endorsed Howard's claim that his government's goal was to "expand individual choice, freedom and opportunity, not to expand the reach of central government" but pointed out that the rest of the address was in effect a plea "for yet more intrusions by Canberra into areas which are none of its business". The Government should, John said, "give primacy to protecting our federal Constitution, our most important bulwark against the centralisation of power in Canberra (the depredations of the High Court and successive federal governments notwithstanding)". John emphasised that he was saying this not as "a Howard hater" but as someone who had supported and continued to support his prime ministership as "vital for the cause of cultural conservatism". Members of this Society will naturally recall the many concerns expressed about the state of federalism by former President, Sir Harry Gibbs, as well as the centralist warnings by John, one of my favourites being his *cri-de-coeur* after the 2004 federal election regarding "the swelling tide of ignorant centralism rushing out of Canberra" and "the ignorant mouthings" of certain ministers.<sup>15</sup>

Notwithstanding John's critical remarks about Howard's centralism, after the latter's defeat in November 2007 the Stone contribution to the first chapter of *The Howard Era* book<sup>16</sup> took the position that "in my view Howard was the best, or at least the very equal best (with Menzies) prime minister in our history". That conclusion was reached in part by observing that, as with the reigns of the two world leaders John most admires – that is, Margaret Thatcher and Ronald Reagan – the overall situation at the end of the reigns was much different, for the better, from what it had been at the start. However, I doubt that this applies in the case of Australian federalism: rather the opposite, as we can see from the many Commonwealth intrusive promises during the recent election!

I divert here to refer to the conclusion, reached in my 1995 paper to the Society,<sup>17</sup> that, if specific purpose grants by the Commonwealth to the States had been converted to general purpose grants, there would then have been "little or no change in States' expenditures on the great majority of targeted activities". In short, the provision of specific purpose rather than general purpose grants by the Commonwealth was "largely an exercise of political power" and probably would not have resulted in any significant increase in total government expenditure in the various areas targeted by those specific grants. My guess is that, notwithstanding Rudd Government claims of "the most significant reform of Australia's federal relations in decades",<sup>18</sup> a substitution of general purpose for the still large specific purpose grants by the Commonwealth<sup>19</sup> would today still make little difference to national expenditure in the areas concerned.

Returning to the Whitlam period, some may recall that it established in March 1973 a task force to review the Continuing Expenditure Policies of the Previous Government, with the former Governor of the Reserve Bank, Dr Coombs, as chairman. This sought to identify how the new government's spending priorities might be reconciled with existing programs. It is evident from the report of the Task Force published in June 1973 (followed shortly after by the surprise 25 per cent reduction in tariffs) that, as the sole Treasury member,<sup>20</sup> John succeeded in having the Task Force (which included a future Chief Justice of NSW) identify a large number of existing expenditure programs eligible for cutting or eliminating.<sup>21</sup>

Unfortunately, the 1973-74 Budget still produced a much higher (nominal) increase in spending than in 1972-73 (18.9 per cent, cf 12.7 per cent),<sup>22</sup> including a very large rise in spending on education and health that increased the proportion of funding of such activities by the Commonwealth. Under the Whitlam Government the centralisation approach resulted in the number of specific purpose payments to the States jumping to 100 (cf 30 in 1964-65) and the amounts provided under such programs increased by nearly seven times over its three years in Canberra.<sup>23</sup>

Moving to the drama of the 1974-75 Budget, the closeness of the May 1974 double dissolution election, and the deterioration in inflation and employment that was an issue in that election, led Gough Whitlam to obtain advice from the Treasury on a tougher fiscal policy. However, no cuts in expenditure were included in the limited measures actually announced in July 1974 by Treasurer Crean after the Premiers had been told at the June 1974 Premiers' Conference that the economic situation demanded funds "starvation" for them. Attempts by John and Treasury colleagues to constrain Commonwealth spending were thwarted by the effective take-over of the budget process by the Deputy Prime Minister, Jim Cairns, and the 1974-75 Budget actually brought down showed a very large estimated increase of more than 30 per cent (nominal) in spending.<sup>24</sup> Despite his supposed leadership abilities Whitlam was unable or unwilling to discipline his ministers and the government became barely functional<sup>25</sup> during the framing of the 1974-75 Budget. The Treasury's economic and budget advisers then came under strong attack from a range of ministers and the chaotic circumstances that developed allowed most ministers to readily secure "Cabinet" approval for additional expenditure allocations for their portfolios. Economic advice by Treasury, including even on the likely budget deficit, was overtaken by advice from other sources without regard to the national interest.

Following this chaotic budget process the then still Treasurer, Frank Crean, delivered the 1974-75 Budget speech on the much later date than normal of 17 September 1974. History tells us that about the same time the Minister for Minerals and Energy, Rex Connor, had started canvassing with foreign money market carpet baggers a borrowing for 20 years by the Australian Government of the then enormous amount of US\$4 billion, said to be available from certain overseas sources. The extraordinary story is now well-known of how Tirath Khemlani from Pakistan effectively conned, or was allowed to con, a number of senior ministers that he had access to such funds – at, of course, a sizeable commission. I say "allowed to con" because the then Attorney-General, Senator Lionel Murphy, had no apparent compunction in agreeing to the borrowing and advised Whitlam orally that it could be regarded as being for "temporary purposes" thereby not requiring Loan Council approval from the States.<sup>26</sup>

I say "history tells us" that discussions with the money hawker started around the September Budget because it was not until three months or so later that Treasury was informed, through an officer in the Attorney-General's Department, of what was going on. On the same day, 10 December 1974, John sent a three-page minute to Treasurer Crean setting out a series of questions raising various economic, legal, and foreign policy aspects and asking why a commission of 2.5 per cent would be paid up to a week before the funds were received. That minute was evidently circulated to other ministers, one of whom leaked it to journalist Alan Reid who reproduced it in his book, *The Whitlam Venture*, published in 1976. Reid started his book by characterising the authorisation of

Connor by ministers on 14 December 1974 to pursue the borrowing as the “death warrant” of the Government.

Unfortunately, in a sign of the times, Crean was dismissed the day after receiving the minute, which meant he became out of play, as it were. But John was then heavily involved in many continuing inter-changes initiated by Treasury head, Sir Frederick Wheeler, with other senior Commonwealth officials, mainly the then head of the Department of the Prime Minister and Cabinet, John Menadue. Those discussions, principally designed to have the proposal receive due process, usually occurred in Wheeler’s office where he used a loudspeaker reception – as well as a certain amount of lubrication to help the concentration of those other Treasury officers present!

The astonishing thing is that this canvassing of overseas borrowings through intermediaries continued well into 1975 and when Treasurer Cairns also became heavily involved in his own loan raising venture it soon began to appear like the old nursery rhyme of Jack a Nory. Some may recall the rhyme went as follows:

*I'll tell you a story,  
About Jack a Nory,  
And now my story's done,  
I'll tell you another,  
Of Jack and his brother,  
And now my story is done.*

Well, it was not Jack but Jim who was soon done!

As head of the Overseas Economic Relations Division I accompanied Cairns to the OECD Ministerial Council meeting in May 1975 from which he was recalled.<sup>27</sup> Whitlam plucked up the courage to ask him to quit as Treasurer and on 5 June 1975 he agreed to move to the Environment ministry. But it then emerged that he had lied to the House of Representatives in denying that he had offered a commission of 2.5 per cent to his intermediary. Whitlam judged that he now had enough Caucus support to dismiss him.

By contrast with the obsequious attitude of other departments, the continued drawing of attention by the Treasury to the need for due process of loan proposals may well have prevented Australia suffering a downgrading in its credit rating and, for this, John must take a good deal of the credit. The Treasury’s overall experience of the Whitlam years was, however, scarcely encouraging from a national interest perspective.

Returning briefly to the 1973-74 Budget, about its only saving grace was inclusion of a functional classification of outlays and receipts that provided a much improved framework for analysis of policy proposals and objectives. This change was an extension of the national accounting presentation of the Commonwealth budgetary accounts developed in the Economic and Financial Surveys Branch (of the General Financial and Economic Policy Division) after John became its head in 1963. That development filled an important analytical gap that existed in the statistics then published by the (then) Bureau of Census and Statistics.

While head of the Economic and Financial Surveys Branch, John also exerted a significant influence on policy thinking and decision-making on economic policy.

Perhaps the most significant contribution was the role he played as head of a small Treasury team which analysed the 1965 report of the Committee of Economic Enquiry, chaired by Sir James Vernon of CSR. The vice-chairman of that inquiry was Sir John Crawford, who had been the head of the Department of Trade before resigning to move to the Australian National University. Crawford had well-known protectionist and planning inclinations, admired the visions of his minister, John McEwen, and saw the inquiry as an opportunity to create an “independent” group of economic policy advisers (with himself as its head?) as a rival to Treasury. The Stone team compiled no less

than 14 Cabinet submissions for the Treasurer, Harold Holt. After Cabinet consideration, Deputy Secretary Sir Richard Randall was asked by Sir Robert Menzies to draft a statement for him. I think it fair to say that, while Menzies himself added some choice bits when dismissing the Vernon recommendations in his statement to the House of Representatives,<sup>28</sup> the genesis came from the contribution John made to the whole exercise.

As head of what might be described, without in any way down-grading other parts of Treasury, as the deep-thinking branch, John also initiated an important new series of Treasury publications on matters of topical and important economic interest (published as Special Supplements to the Treasury Information Bulletin). These included *The Meaning and Measurement of Economic Growth* (Nov 1964), *The Australian Balance of Payments* (Feb 1966) and *Investment Analysis* (July 1966). The publication on the balance of payments was described in The Institute of Public Affairs journal, *Review*, as “the finest piece of applied economic analysis produced in Australia since the war”.

Subsequently, a Treasury Economic Paper entitled *Economic Growth: Is It Worth Having?*, published at John’s initiative in 1973, resulted in John addressing,<sup>29</sup> in a personal capacity, a public seminar held by the Australasian Council of the Club of Rome. He was introduced as the author of “one of the most constructive and articulate criticisms” of the Club’s publication, *Limits to Growth*. That publication was of course the precursor of the Intergovernmental Panel on Climate Change reports that purport to convey a similar need for government intervention in the functioning of society. John’s commentary to the seminar included a reference to the espousal of worthwhile causes by distinguished men and the response by a Cambridge University cynic to the effect that distinguished men are chiefly involved in conferring distinctions on each other.

These, and other publications which followed as Treasury Economic Papers,<sup>30</sup> added considerable economic substance to the continuing policy debate and were written in a way that could be readily understood by that mythical person known as the intelligent layman. While they carefully avoided taking any political position or openly criticising specific policy proposals, they drew attention to the likely adverse economic implications for the nation of a departure from rational policies. There was a particularly noteworthy reference at the start of the concluding paragraph of the paper on economic growth. It stated: “Of course, while the maximum practicable economic growth is an objective which any government is likely to accept as desirable, it would be entirely unrealistic to expect a government completely to subordinate all of its policies to that aim”. If only we had today a Treasury able to address so well the questions raised by policy proposals on, say, climate change!

Stone’s initial stirring of the economic debate with Treasury publications was followed by his appointment in 1967 as Executive Director for Australia and certain other countries on the Executive Boards of the IMF and World Bank. There, as one of 20 Directors, he soon found himself in the midst of a heated controversy over the role of the IMF. In 1969, the IMF proposed the creation of a de facto international currency, described as Special Drawing Rights (SDRs), supposedly to supplement the availability of currency reserves and gold which the IMF claimed to be insufficient to support the expansion of world trade in the era of fixed exchange rates. As John quickly perceived, this would make the IMF a supplier of cheap funds to assist developing countries and provide an excuse for countries to dodge the implementation of policy changes needed, in particular, to deal with the emergence of rising rates of inflation. While at the IMF John wrote the first paper he had published personally.<sup>31</sup> This contained a forerunner of the view he strongly expressed over his subsequent 15 years in Treasury – and, indeed, beyond – that controlling inflation was the central issue facing governments and, in carefully framed words, he sounded a warning note about mechanisms for “international reserves creation”.

Despite instructions to the contrary from the Treasurer, William McMahon<sup>32</sup> (and the New Zealand Minister for Finance, Robert Muldoon), John insisted that as IMF Executive Director he had the responsibility, indeed a fiduciary duty to the Fund, for deciding what attitude to adopt to the Special Drawing Rights proposal and he voted against it when it came to the board meeting, the only

Executive Director to do so. Although the then Managing Director, Frenchman Paul Schweitzer, was much displeased, when a row subsequently developed with the Americans over who was to be his successor, Schweitzer took a remarkable step and sought formal advice from Canberra as to whether Mr Stone's name could be advanced as the possible next MD! That produced a response from McMahon that saved John from a possible life at an international institution.

In the event, the move away from fixed exchange rates in 1973, and the reluctance of developed countries to swap their currencies for SDRs held by developing countries, has limited the role of SDRs. However, as indicated by the major increase in 2009 in the allocation of SDRs, the IMF continues its attempts to become the world central bank.

On his return to the Treasury from Washington in 1971, John was appointed head of what was then the rather quaintly named Revenue, Loans and Investment Division. A major responsibility of that division was actually Commonwealth/State relations, a subject on which I had been working for the previous six years but which most Treasury officers shunned because it involved an overlap between economics and politics. Unfortunately our relationship was short. John was soon promoted to Deputy Secretary (Economic) and, in late 1971, I was lent to the Department of the Prime Minister and Cabinet. There I had the privilege of being on call to play squash whenever Prime Minister Billy McMahon was short of a partner.

While head of the RL&I Division John played an important role in developing the response to the pressure being exerted by the States for a so-called growth tax. This followed numerous earlier attempts by the States to widen their tax bases, including by the imposition of a receipts duty and requests for access to income tax, both of which the Commonwealth opposed on the ground that it would mean the end of a uniform income tax system. While this was a general Treasury view, which John supported, the desirability of the States obtaining increased access to tax resources by transferring payroll tax had been recognized for some time within the division, and in his role as division head, John had the main carriage of the matter. However, Prime Minister Gorton had opposed the transfer of payroll tax and it only became possible when McMahon became prime minister in March 1971, leading then to the Commonwealth agreeing to the transfer at the June 1971 Premiers' Conference. Unfortunately, by giving extensive exemptions the States have failed to use the tax as an independent general source of revenue and have treated it as a tax whose primary effect is a deterrent to employment even though businesses probably largely pass it on to the consumer as they do with the GST.

I turn now to the post-1975 period when John was, first, Deputy Secretary (Economic) in the Treasury and, then, Secretary from January 1979 until his resignation five and a half years later in 1984. Even though occupying those positions was, for obvious reasons, a major part of his life in the Treasury, there is all too limited scope to cover the role which John (and more generally) the Treasury played. As all but a year and a half of John's closing years in Treasury was in the Fraser period of government ending in March 1983, and I have already dealt with one post-March 1983 experience with Labor, I now refer only to the Fraser experience.

In John's critique of Howard's 2005 address, "Reflections on Australian Federalism", to which I have already referred, he commented that "we did not re-elect John Howard to emulate Malcolm Fraser's do-nothing debacle". I think that sums up his strong feelings of frustration, if not anger, that with control of the Senate until end of June 1981 Prime Minister Fraser missed major opportunities to take advantage of the obvious widespread antipathy to the Whitlam shemozzle and, in particular, to fulfil the role of a small government crusader in which he portrayed himself. This is not the occasion on which to try to explain why Fraser failed to take those opportunities or why the longer the Fraser period went, the less there seemed to be direct contact with the Treasurer, John Howard. But one prominent journalist mistakenly portrayed in 1992 the policies pursued for much of the Fraser period as reflecting Fraser's "broad acceptance of the John Stone Treasury".<sup>33</sup> The reality is reflected in John's article in *Quadrant* of July-August 2007.<sup>34</sup>



That article responded to claims made in December 2006 by Dr David Kemp, a member of Fraser's private office staff when he assumed office, that there had been a failure to provide appropriate advice on economic policy options to Fraser in 1976. However, in advancing that complaint Kemp acknowledged that throughout 1976 "there were significant differences between the economists in Treasury, the Prime Minister's Department and the Reserve Bank, on the one hand, and the Prime Minister, on the other, over budgetary policy, over the deficit and expenditure cuts, wages policy, monetary policy and the management of the exchange rate", adding that "the key protagonist of the official view was John Stone". John's article indicates that the Treasurer, Phillip Lynch, and his chief private office advisers were also in agreement with what Kemp describes as the "official view". In essence, Fraser was complaining that the advice he received from the public service was not the advice he wanted to receive.

Initially these differences came to a head in the framing of an economic statement in May 1976. This included the indexation of personal income tax<sup>35</sup> that Fraser insisted be part of a package of budgetary measures but which the Treasurer, Lynch, argued strongly against in what John describes as a remarkable 13-page letter to Fraser that has not yet seen the light of day. As to controlling government expenditure, after the enormous expansion in government expenditure under Whitlam from 18.8 per cent of GDP in 1972-73 to a massive 24.2 per cent in 1975-76, one might have expected the Fraser period to produce at least some reduction. However, despite two other attempts at "control measures" in the first half of 1976, and the initial majority in the Senate, the 1976-77 Budget actually produced a small real increase in spending. The Fraser Government completed its terms in office with expenditure levels a significantly higher proportion of GDP than in Whitlam's last year.<sup>36</sup>

One other important complaint by Kemp was that the Reserve Bank "appeared to the Prime Minister to think that its primary task was to support whatever view the Treasury put forward" and that this "frustrated Fraser immensely". It seems highly likely that this "frustration", combined with frustration with the advice being provided by Treasury itself (also reflected in Fraser's biography by Margret Simons),<sup>37</sup> led Fraser to hold on 18 November 1976 a meeting of three other ministers to split the Treasury into two, with the new Department of Finance assuming responsibility for analysis of government expenditure.<sup>38</sup>

As responsibility for economic policy advice remained with the Treasury, this change in itself could be interpreted as no more than a move to improve the efficiency of government. But the split reflected the move by Fraser to increase his capacity to question and challenge ministerial views in Cabinet as well as Treasury views. As he said in his biography, "I tried to be across everything. I would try to know as much as I could, and if I found that when a submission came to cabinet I knew more about it than the minister, well, you knew you had a problem and to be on the alert".<sup>39</sup>

On economic matters Fraser drew directly on the expertise of senior ex-Treasury advisers already in the Department of the Prime Minister and Cabinet in 1975, and, from August 1976, his newly-appointed department head, Alan Carmody, who had been a deputy secretary of the Department of Trade and Industry (and, as John has put it, was an ultra-protectionist).<sup>40</sup>

Soon after Carmody's appointment, it became clear that Fraser wanted to effect a major devaluation.<sup>41</sup> No advice was sought from the Treasury but, at Fraser's direct request, the Governor of the Reserve Bank, Sir Harry Knight, provided him in late October with five papers, including an Executive Summary, stating that "in our view, the case for a devaluation fails on two grounds".

Then, early in November 1976, joint Reserve Bank and Treasury papers assessing two options (no devaluation or a 10 per cent one) were considered by a ministerial group which decided against devaluation. It was immediately following this decision that Fraser instructed the preparation of material on the split of Treasury, presumably partly reflecting his frustration at being unable to get his way. However, later in November, the devaluation issue was again considered at another meeting of ministers. At that meeting Treasury options papers canvassed three possibilities, including a 10

per cent devaluation. But it was decided that there would be a 17.5 per cent devaluation. That was announced on 28 November 1976.<sup>42</sup>

Such policy changes decided for primarily political reasons were also of major importance in determining levels of interest rates during almost the whole Fraser period, adding to the difficulty of bringing the continuing high inflation rate of around 10 per cent per annum under control through monetary policy. In fact, for most of the Fraser period John and the Treasury generally were continually trying to persuade the Government to implement a range of reforms that were clearly needed and which would have effected improvements in economic efficiency. Policy changes were made but they were predominantly changes that Fraser perceived, for the most part wrongly, would have political benefits.

On tariff policy, for example, in addressing an Australian Institute of Management conference in November 1979, John pointed out that the increasingly favourable outlook for mineral exports indicated that imports were also likely to increase and that a response involving the lowering of import protective barriers would in turn make Australian industry more productive.<sup>43</sup> Such comments fell on deaf ears with ministers but did lead the Chamber of Manufactures to ask the Public Service Board about the procedures needed for having the Treasury secretary sacked.

On wages policy, in addressing a 1981 Bureau of Agricultural Economics conference on the Economic Outlook, John observed that, reflecting the inflationary pressures exerted by the “combination of trade unions and arbitral tribunals”, the whole question of wage determination was “under review”. In reality, however, Fraser shied away from any major conflict with the unions – indeed, on one occasion, let a large proposed wage increase “pass” without critical comment so that he could travel overseas – and late in his term even foreshadowed Labor’s Accord by succumbing to a process that included a wage pause agreement with union and employer groups and, at the same time, provided in the 1982-83 Budget “compensatory” reductions in personal income taxes and increases in personal benefits.

As to federalism, the Treasurer, Phillip Lynch, stated in his 1976-77 Budget speech that the Government “accorded a very high priority” to financial relations between the Commonwealth and State and local governments. Lynch made much of the increase in the proportion of Commonwealth assistance provided on an untied basis and of the new basis for determining the States’ general purpose grants by providing States a fixed share of personal income tax receipts, which was one of the Liberal Party’s election policies in 1975. The States had also been offered the opportunity to impose a surcharge or offer a rebate but no State availed itself of this. While neither the Treasury nor John had any underlying reason to oppose the proposed link between personal income tax receipts and general purpose grants, the yearly fluctuations in personal income tax collections forced the Commonwealth to give the States a guarantee that the amounts received would not be less than they would have received under the pre 1976-77 arrangements. In 1981-82 the arrangements were further changed to provide that the States would then share total taxes collected by the Commonwealth, but with a guarantee that there would be an increase each year in real terms.

Despite this apparently favourable funding arrangement with the States, the total assistance provided to them grew at a slower rate than the Commonwealth’s expenditure for its own purposes, that is, all expenditure other than transfers to the States. This failure to bring its own purpose expenditures under control was one of the most disappointing features of the Fraser Government.

It is not surprising, then, that John’s Earle Page Memorial Lecture in 1987, made when he was Shadow Minister for Finance, described the final budget of the Fraser era in 1982-83 as “undoubtedly the worst Budget in that Government’s term of office”.<sup>44</sup> In that lecture he argued for a reduction in the size of government, for a “perestroika” that would include much less Commonwealth intrusion into areas of service delivery “rightly the province of the States”. That lecture remains relevant today, including the call for a re-assessment of immigration policies that led Shadow Cabinet to demand that Stone cease references to matters outside his portfolio. Needless to say, such suggestions fell on deaf ears!<sup>45</sup>

That 1982-83 Budget experience was highlighted in the advice which, during the caretaker period leading up to the 11 March 1983 election, John sent as Treasury Secretary to Treasurer Howard and on the day following the election to incoming Prime Minister Hawke. This advice showed that the initial estimated budget deficit of \$1.7 billion for the year ended June 1983 had by March more than doubled to \$4.3 billion due primarily to an estimated real increase in outlays of 7.5 per cent, the highest since 1974-75. The advice also included a preliminary assessment that the 1983-84 deficit would be an enormous \$9.6 billion and that even excluding election promises there would be a real increase in outlays of about 5 per cent.<sup>46</sup> As no forward estimates were then included in Budget papers, the publication of the Stone advice by Hawke naturally caused an uproar.<sup>47</sup>

What I have said in this paper relates to only a relatively small part of the contribution John has made, and continues to make, to Australian society. Even the references I have made to his time in Treasury fall well short of his contribution there and to government more generally.

But how does one assess this in the overall scheme of things? I mentioned earlier the suggestion made by John that, in assessing the contributions made by Howard, Thatcher and Reagan, one has to have regard to what the situation was when they assumed office and what it was when they vacated. John and I were in Treasury for almost the same number of years – 30 and 28 respectively – and a tremendous amount of that time was spent trying to persuade others to accept basic reforms in the interests of a better society. In this John performed well beyond the call of duty and through his three years in Parliament and other activities he has continued to play that role ever since. My belief is that the world is a much better place because he responded so well in fighting the attacks and diversions that occur almost constantly, as they do amongst the pieces on a chess board.

As in chess, John Stone may in the process have lost one or two prize pieces but he greatly helped the world of economics and politics to fight off the black knight – and he still has his Queen. Lewis Carroll's *Through the Looking Glass and What Alice Found There* seems to capture a little of the Canberra scene – and beyond.

*For some minutes Alice stood without speaking, looking out in all directions over the country ... 'I declare it's marked out just like a large chess board!' Alice said at last. 'There ought to be some men moving about somewhere – and so there are!' she added in a tone of delight, and her heart began to beat quick with excitement as she went on. 'It's a great huge game of chess that's being played – all over the world – if this is the world at all, you know. Oh, what fun it is! How I wish I was one of them! I wouldn't mind being a Pawn, if only I might join – though of course I should like to be a Queen, best.*

## Endnotes

1. Des Moore, Deputy Secretary, Treasury, 1982-87, is Director, Institute for Private Enterprise.
2. The surprisingly small reference to the period when Stone was Treasury head in *The Centenary of Treasury 1901-2001*, published by the Department of Treasury in 2001, may to some extent reflect some “other” views.
3. As indicated in his book on *Keating: The Inside Story*, Keating's economic adviser, then left wing journalist John Edwards, was allowed access by Keating to a huge number of official papers in his office, including minutes sent to Keating by Stone about exchange rate policy, to write Keating's biography. In his article on “Floating the Australian Dollar” in the *Australian Financial Review*, 11 December 2003, John Stone draws on Edwards's references to those minutes (under the 30 year rule for the preservation of confidentiality of information possessed by public servants, John is not allowed to quote from them until December 2013), including

one that indicated that Treasury had proposed liberalisation of the foreign exchange market as quoted in the text.

4. *Ibid.*
5. Another then prominent outside economic adviser, Barry Hughes, saw market driven changes in the exchange rate as a way of reducing the need for the Government to make other policy adjustments that would help improve Australia's internationally competitive position. For a Labor Government with close connections to the union movement this had obvious appeal as it allowed deregulation of the labour market to be dodged.
6. Many countries, particularly so-called developing countries, still retain controls over capital movements and their exchange rates.
7. *Ibid.* There were, basically, no papers submitted by official agencies.
8. J.O. Stone, Secretary to the Treasury, *1929 and all that . . .*, The Shann Memorial Lecture, 1984, Delivered at the University of Western Australia on 27 August, 1984.
9. The main official explanation is the deterioration in the terms of trade. However, the jump from zero to about 5 percentage points in the "gap" between Australia's inflation rate and the OECD average inflation rate between end 1984 and early 1986 suggests policy failure.
10. From December 1972 to November 1975.
11. Journalist Alan Reid contains some of it in *The Whitlam Venture*, Melbourne, 1976. However, it is written from the perspective of a journalist and is not an assessment of the implications for the national interest.
12. In fact the letter I received from my sitting Labor member was headed: "Better hospitals, more doctors and nurses".
13. John Stone, *The Australian*, 18 April 2005.
14. John Howard, "Reflections on Australian Federalism", address to the Menzies Research Centre, 11 April 2005.
15. John Stone, "Introductory Remarks", *Upholding the Australian Constitution*, vol. 17, The Samuel Griffith Society, 2005, xxxiii-xxxiv.
16. Keith Windschuttle, David Martin Jones and Ray Evans (editors), *The Howard Era*, Quadrant Books, 2009.
17. Des Moore, "Duplication and Overlap: An Exercise in Federal Power", *Upholding the Australian Constitution*, vol. 6, The Samuel Griffith Society, 1995.
18. Budget Paper No 3, 2009-10, page1. The "new framework" is stated to involve a rationalisation of the number of payments to the States and a clearer specification of the roles and responsibilities of each level of government.
19. In 2009-10 specific purpose grants to the States amounted to about \$50 billion, or about 14 per cent of total Commonwealth outlays, and more than \$33 billion or two thirds of such grants were for health and education.

In 1974-75, specific purpose grants amounting to \$4.1 billion were a considerably higher proportion – 27 per cent – of total outlays. The States do not now receive general purpose grants as such but the condition-free proceeds from the Commonwealth GST that are sent to the States are, in effect, general purpose grants. The basic underlying conditions affecting decision making by the States has not changed.

20. The other members of the Task Force, who included Paddy McGuinness and the then senior adviser to Whitlam, Jim Spigelman, were not obviously suited to the task. Spigelman was appointed Chief Justice in NSW in 1998.
21. The Task Force did not make “recommendations”; it identified “options”.
22. In his budget speech Treasurer Crean “explained” that the increase in outlays budgeted for was “more than covered by the increase in receipts” whereas “in 1972-73 outlays increased about twice as fast as receipts”. The figures quoted are from the 1973-74 budget statements. Historical data in budget documents for 2010-11 show a lower rate of increase in 1973-74 cf 1972-73 (4.2 per cent cf 7.7 per cent in real terms).
23. Des Moore, “Duplication and Overlap: An Exercise in Federal Power”, *Upholding the Australian Constitution*, vol. 6, The Samuel Griffith Society, 1995.
24. The estimated increase in *nominal* terms of 32.4 per cent compared with the actual 1973-74 increase of “only” 20.2 per cent as shown in the budget papers for 1974-75. The estimates for the latter year were no less than 59 per cent higher than the outturn in 1972-73. According to historical data in the budget papers for 2010-11, the *real* increase in outlays was 19.9 per cent in 1974-75 and 15.7 per cent in 1975-76.
25. The Budget Speech was delivered by Mr Crean, who was not “sacked” until 11 December 1974.
26. See Alan Reid, *The Whitlam Adventure*, chapter 1.
27. My recollection is that Cairns was recalled before he had an opportunity to speak but a Treasury colleague stationed in Paris at the time says that Cairns did actually address the Council before his recall.
28. The entry on Menzies in the *Australian Dictionary of Biography*, volume 15, Melbourne University Press, 2000, notes that “McEwen’s department was sometimes at odds with the Treasury, occasionally to Menzies’ displeasure. This was the case in 1965, for example, when Menzies rejected – on Treasury’s advice – the report by Sir James Vernon’s committee of economic inquiry, a document understood to embody the views of McEwen’s public service lieutenants, in particular his former departmental secretary Sir John Crawford”. After 16 years as prime minister, Menzies resigned in January 1966 at age 71; he was succeeded by Harold Holt.
29. John Stone, “Rough Speaking Notes”, Australasian Council of the Club of Rome, Public Seminar, 3 November 1973.
30. The first of these was on *Overseas Investment in Australia* in 1972. As head of the Overseas Relations Division I contributed to the sixth of such papers published in 1979 on the *NIEO: An Assessment of the Proposals for a New International Economic Order*. To the chagrin of the Minister and Department of Foreign Affairs, its critical analysis helped prevent the Australian Government from expressing support for the various proposals advanced in United Nations fora by developing countries for changes in the international economic system designed to deal with the alleged failure of the market-oriented system.
31. John Stone, “Inflation and the International Monetary System”, *IPA Review*, April-June 1969. Treasury “cleared” the publication of the article.
32. The US Ambassador to Australia called officially on Treasurer McMahon and requested him to instruct the Australian Executive Director to fall into line.
33. In *The End of Certainty* (Allen & Unwin, 1992), for instance, Paul Kelly portrayed “three distinct phases in Fraser’s eight years in power. The first, which covers 1976, was that of Fraser

reformism.; the second, from 1977 to 1981-82, saw Fraser's broad acceptance of the John Stone Treasury, "fight inflation first" philosophy; and the third, which covers the final year, saw Fraser break from the Treasury and attempt a series of interventionist experiments, notably an expansionary budget and a wages freeze to counter the recession".

34. John Stone, "The Dismal Beginning to the Fraser Years", *Quadrant*, July-August 2007. The article's main purpose was to reply to strong criticisms made by Dr David Kemp of the advice, or rather the alleged lack of it, provided to Fraser in 1976 by the Treasury, the Reserve Bank as well as the Prime Minister's own department. Those criticisms were made at the release by the National Archives of Australia of the Cabinet papers for 1976, which Kemp attended in lieu of Fraser. However, the article also provides an excellent summary of the terrible economic and budgetary conditions inherited by Fraser from Whitlam.
35. In 1978-79 the standard rate of tax was increased.
36. Fraser claims to have been advised by Treasury head, Sir Frederick Wheeler that, after the Whitlam years, the economy would not take the strain of large cuts in government spending. The historical budget figures published in Budget Paper No 1 for 2010-11 show an increase in total payments in 1976-77 of 14.5 per cent in nominal terms (0.6 per cent real) compared with 30.1 per cent (15.7 per cent real) in 1975-76. In the latter year, however, expenditure was 24.2 per cent of GDP and the deficit of \$1.5 billion was 1.8 per cent of GDP compared with expenditures in 1982-83 of 25.7 per cent of GDP and a budget deficit of \$3.3 billion still at 1.8 per cent of GDP.
37. Margaret Simons, *Malcolm Fraser – The Political Memoirs*, Miegunyah Press, 2010. See, in particular, the following on page 364 – "Meanwhile, Fraser had become so frustrated with the dogmatism of Treasury and the struggle to acquire a range of policy advice that he decided to split the department into two, establishing the Department of Finance alongside Treasury".
38. The majority of people working in Treasury (840 out of 1480) went to Finance in the split. It should be noted that the Centenary of Treasury publication states incorrectly that the decision was announced on 18 October 1976. The announcement was made on 19 November 1976.
39. *Ibid.*
40. The two ex-Treasury officers were Ian Castles, who later became Secretary, Department of Finance, then Australian Statistician; and Ed Visbord, subsequently Secretary, Department of Employment and Industrial Relations. Alan Carmody was head of the Department of Business and Consumer Affairs when appointed head of Prime Ministers Department. He died in 1978. Another senior appointment in 1979 was Mike Keating, who during the 1974 budget process had provided analysis, without consulting Treasury, which contradicted Treasury advice.
41. At a meeting in early October with the Managing Director of the International Monetary Fund, Fraser had quizzed the latter on his attitude to such action. At a subsequent meeting in the Treasury, the managing director said that, while he had told Fraser that he would not oppose a devaluation, he had indicated that he would not recommend such a course and that "there should not be a devaluation now and the appropriate course would be to follow developments in the economy in the next six months" (from Treasury Note for File quoted in *The Dismal Beginning to the Fraser Years*, op cit).
42. This was quickly reduced by the exchange rate management committee to 12.5 per cent.
43. J.O. Stone, "Australia in a Competitive World – Some Options", Paper presented to the 21<sup>st</sup> General Management Conference of the Australian Institute of Management, Sydney, 19 November 1979.

44. Senator John Stone, Shadow Minister for Finance and Leader of the National Party in the Senate, *Back to Basics*, Third Earle Page Memorial Lecture, Brennan Hall, St John's College, University of Sydney, 3 December 1987.
45. An advance copy of the lecture had been given to the Leaders of both Coalition parties and not long after that the Leader of the Liberal Party was himself raising the immigration issue.
46. Historical budget figures in current budget papers show real increases in outlays of 6.3 per cent in 1982-83 and 9.4 per cent in 1983-84. The 1983-84 deficit came out at \$7.0bn or 3.3 per cent of GDP. Had it reached \$9.6 bn it would have been about 4.5 per cent of GDP.
47. Some of the increase in outlays and the deficit reflected the deterioration in economic conditions and the on-going drought. However, there were many new expenditure commitments (including the Darwin-Alice Springs railway!) principally designed to attract votes and reflecting an undisciplined approach to managing government.

## JOHN STONE – CURRICULUM VITAE

### Educational Qualifications

- 1942** Perth Modern School – Scholarship.
- 1946** Leaving Certificate; Western Australian Government University Exhibition for Maths and Physics; *Proxime Accessit*, Gold Medal for English.
- 1947** Winthrop Scholarship, St George's College, University of WA
- 1947-50** Bachelor of Science, University of WA (1st Class Honours in Mathematical Physics).
- 1950** Awarded Rhodes Scholarship for WA (1951).
- 1951** (Feb-July) Junior Lecturer, Mathematics Department, University of WA.
- 1951-54** Bachelor of Arts, Oxford University (New College).
- 1951-52** Reading Honours Schools in Mathematics.
- 1952 (Mar) -1954** Honours Schools in Politics, Philosophy and Economics (PPE).
- Oct 1953** Awarded James Webb Medley Scholarship for best second year student in Economics within the University.
- July 1954** Awarded First Class Honours in PPE (formal *viva*).

### Sporting Activities

- (1) Perth Modern School 1st XI Hockey (Captain) and 1st XI Cricket.
- (2) University of Western Australia.
  - 1948** Represented Western Australia at Hockey (Under 21).
  - 1949** Ditto: selected to represent Australia (Under 21).
- (3) University of Oxford "Occasional" Oxford University representative at Hockey. Elected to Vincent's Club, 1953.

## **Student Activities**

### **University of Western Australia**

Elected to Council, Guild of Undergraduates (SRC), 1948; Secretary, 1949; Vice-President, 1950; President, 1951.

St Georges College          Winthrop Scholarship, 1947.

Georgian's Prize for best all round contribution to the College, 1949.

Elected Senior Student for 1950.

## **Employment in the Commonwealth Treasury (1954-84)**

**1954-56**    Assistant to the Australian Treasury Representative in London (including 6 months on secondment to the Economic Section of the UK Treasury).

### **1956 (Sept) - end 1957**

Senior Research Officer, Home Finance Branch, General Financial and Economic Policy (GFEP) Division, Canberra.

### **1958-61 (April)**

Australian Treasury Representative, Australia House, London. Attended various international meetings (GATT; Commonwealth Finance Ministers; Commonwealth Trade and Economic Conference, Montreal; Annual Meetings of International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD) ("World Bank"); Sterling Area Statistical Committee, etc.)

**1961-62**    Chief Finance Officer, Fiscal and Monetary Policy Branch, GFEP Division, Canberra.

**1963-66**    Assistant Secretary (Level 2), Economic and Financial Surveys Branch, GFEP Division. Developed the national accounting presentation of the Commonwealth budgetary accounts and initiated new series of Treasury publications on matters of topical economic interest (published as Special Supplements to the Treasury Information Bulletin).

**1967-70**    On leave without pay from the Commonwealth Public Service as Australia's Executive Director on the Boards of (1) IMF; and (2) World Bank, Washington, DC.

**1967-68**    Executive Director for Australia, New Zealand and South Africa (IMF and IBRD).

**1969-70**    Executive Director for Australia, New Zealand and South Africa (IBRD).

Executive Director for Australia, New Zealand, South Africa, Lesotho and Swaziland (IMF).

**1971**        First Assistant Secretary, Revenue, Loans and Investment Division, Canberra.

Secretary, Australian Loan Council.

Secretary, National Debt Commission.

### **1971 (November)**

Deputy Secretary (Economic). Responsible for the GFEP Division and the Overseas Economic Relations (OER) Division.

**1973**        Member, Committee of Review of the Continuing Expenditure Policies of the Previous Government (The Coombs Task Force).

**1976**        Deputy Secretary to the Treasury.



- 8.1.1979** Secretary to the Treasury.  
Member, Reserve Bank Board (ex-officio).  
Member, Board of the Commonwealth Banking Corporation (ex-officio).  
Member, Defence Committee (ex-officio).
- 14.9.1984** Resigned as Secretary to the Treasury, and from the Commonwealth Public Service.

## **Employment Post-Treasury**

### **1984 (October - December)**

Professor, Centre of Policy Studies, Monash University.

### **1985-87** Consultant (half-time) to Potter Partners.

Senior Fellow, Institute of Public Affairs (IPA).

Weekly Columnist, *The Herald* (syndicated to the Sydney Morning Herald and various other capital city dailies).

Various consultancies.

### **1986-87** Director, Peko-Wallsend Ltd.

### **1987 (April - June)**

Leave without pay from Potters and the IPA in order to undertake a consultancy with the Queensland National Party to develop the "single rate tax" proposals.

### **1987 (July)** Elected Senator for Queensland (National Party).

Elected Leader of the National Party in the Senate.

Shadow Minister for Finance (Howard Shadow Cabinet).

Weekly Columnist for *The Australian* (later for the Murdoch Sunday newspapers throughout Australia).

### **1989 (May)** Member, Opposition Leadership Group (Peacock Shadow Cabinet).

### **1990 (March)**

Resigned Senate seat to stand (unsuccessfully) for House of Representatives (Fairfax).

### **1990-95** Senior Fellow, Institute of Public Affairs.

### **1994 (July) - 1996 (March)**

Chairman, J T Campbell & Co Limited.

### **1996-97** Member, Defence Efficiency Review Committee.

### **1990-98 (March)**

Weekly Columnist, *The Australian Financial Review*.

### **1998-2003** Monthly Columnist, *The Adelaide Review*.

### **2004-2008** Regular contributor, *National Observer* (quarterly).

Occasional contributor, *The Australian*.

Occasional contributor, *The Australian Financial Review*.

### **2008 (March) to date**

Regular contributor, *Quadrant* magazine.

Occasional contributor, *The Australian*.

**2008** Elected Member, Mont Pelerin Society.

## **Other Activities**

**1972 (November)**

Elected Fellow of the Academy of the Social Sciences in Australia (ASSA).

**1983 (July)** Resigned from Fellowship of ASSA (in disgust at the quality of the Academy's proceedings).

**1985** Founding member, Council for the National Interest.

**1985-94** Member of the Board of Management.

**1986** Founding member, HR Nicholls Society.

**1986-89** President.

**1990-93** Member of the Board of Management.

**1994-95** Treasurer.

**1992** Founding member, The Samuel Griffith Society.

Member of the Board of Management.

Conference Convenor.

**1992-2008** Editor and Publisher, Proceedings of the Society, *Upholding the Australian Constitution, Volumes 1 - 21 (2009)*.

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