



Case Study 2

John Howard

This is an interview with the Hon. John Howard, OM AC SSI, former prime minister of Australia (1996-2007) conducted by CEDA in May, 2013. An excerpt of this interview was published in CEDA's publication *Setting Public Policy*.

The Hon. John Howard OM AC SSI is Australia's second longest serving prime minister, having held that position from March 1996 until November 2007. He led the Liberal Party of Australia for more than 16 years.

Do you think it is accurate, that there has been a decline in the quality of public policy here in Australia?

John Howard: I'm critical of the quality of public policy over the last five years. You might expect me to say that, but it's true. It has declined. We haven't had any serious economic reforms. Some will argue that there's economic reform involved in the Carbon Tax. That whole policy area has run out of momentum because there's more genuine doubt about the validity of the need to put a price on carbon.

And so in that regard, CEDA has questioned substantially the basis and assumptions underpinning positions in that space, and I presume that gets to the position of the quality of the public policy debate in Australia.

John Howard: Well, not completely. The question of whether you need a carbon tax is tied up with how seriously the science supports the argument about mankind's contribution to global warming and how you should respond to it, compared with five or six years ago.

There's no doubt the climate change fervour is less now than it was.

Some of that is due to the simple fact that the Global Financial Crisis retarded economic growth and that, in turn, had an effect on the contribution of activity to greenhouse gas emissions.

There's also a lot more scepticism about the validity of the science and some evidence that the pace of global warming has slowed down. And a growing feeling that, aided in part by what has happened in the United States with the extraction of gas and oil from shale, the feeling that maybe it's not as serious as originally thought, and that more particularly, technology will solve the problem.

So in the last five years, you said there was a decline in the quality of public policy. Do you think that can be attributed to changes in the media?

John Howard: I don't think it's changes in the media. It's a product of the political stalemate we've had and the fact that the government has reversed one of the major reforms of the last 10 or 15 years, and that's industrial relations, liberalisation.

Was there any particular style of leadership you strove to emulate or adopt?

John Howard: No, no, no. I don't place much store on emulating other people. Everybody does it differently.

What are the key attributes, if you will, of success?

John Howard: Well, everybody looks at this differently, but the first thing is you've got to have a strong set of convictions and values. You've got to be a good listener, but also you've got to be a person that once you've listened, you then resolve to go ahead. You've got to have good relations with your people immediately around you, and you've got to understand that successfully implementing public policy changes is a combination of ideology and realism. You can't do things unless you're in government, but if you only worry about being in government, you don't do anything.

And I think that's some of the concern our members have been expressing, that there is a tendency to be in government rather than to have those values.

John Howard: In fairness to the current political class, it ought to be said that the fact that we can come out of the last election in virtually a dead heat has really paralysed things. That's not necessarily blaming one side ahead of the other.

Obviously I'm more critical of the Labor Party and I do think they've run out of any reform zeal. I don't think they really have a road map. But it's very difficult when you don't govern in your own right, and I've said so before.

Prime Minister Gillard lacks political authority because she doesn't have her own majority, and she's the first prime minister in 80 years to have that problem. Even Menzies in 1961 had a slim majority, but they were all his own.

That's had a hugely inhibiting effect; it's paralysed the government. It's had to enter into a contract with the Greens and the Independents representing conservative electorates, and as a result, it's got no central message.

Could you discuss the tension between pragmatic implementation of policy and the values that underpin those policies?

John Howard: In politics, you need to be in government to implement things. The phrase I used often is "it is better to be 80 per cent pure in government than 125 per cent pure in opposition. But I used 80 per cent very deliberately. You had to maintain the central feature of good policy. You have to compromise at the edges to get it through.

For example, we all would have been better off if the opposition had accepted the verdict of the public in 1998 with our GST and allowed it through in the form for which the Australian public voted, and that included a GST on food. It included a higher threshold for the imposition of the top marginal rate. It was a better tax, but we had to settle for what was, I guess, 85 per cent of the original package.

Now, my argument is that we still ended up with a better tax system, but it would have been better still if we'd have been able to get the whole thing accepted, but we couldn't, even though the public had supported it.

It's a much better tax system. It would have been even better, though, and we wouldn't have some of the problems that the states are encountering now. They're not getting enough money out of it.

There's a tension between values and ideology on the one hand, and political

advantage on the other. It's always been there and the successful government achieves both.

It seems like policy is poll-driven rather than driven from those values or an ideological perspective at times. Is that something you would agree with or disagree with?

John Howard: Oh, I would certainly agree with it at present. Yes, of course I do. Very much so.

Do you believe having a mandate is important?

John Howard: Yes, it was very much so in 1998. It wasn't just a question of us going to the election and saying we were going to have a GST.

We actually put the details of it, we put the tax scales out, we put every single thing out in complete detail and the public knew exactly what it was voting for and we won the election.

In my opinion, the Opposition should have said, well, we don't agree with it, but the public's voted for it and we'll let it through. They didn't. And that was very serious violation of the mandate principle, because it wasn't a mandate in generality, it was mandate of quite specific, detailed policy.

No policy has ever been presented in such detail to an electorate before. Arguably, the GST was, if you measure an economic reform by its impact on people's daily lives, the GST is the biggest economic reform since World War II, much bigger than floating the dollar or cutting tariffs, important though they were and although the long term impact of floating the dollar was greater than anything else, its impact on people's daily lives is not as immediate and something of which people were aware.

Nobody was really conscious that something changed in their lives and went, "Oh, that's because we've floated the dollar". Whereas with the GST, every time people bought something, they noticed some variation in price. They had to change their habits if they were in small business. Its impact was far more day-to-day and far more insidious. That's what I mean.

So my view very much is that "what else can you do?" You have an election and people vote for you despite that. And anyway, it's happened.

The mandate principle has been suggested as a necessary ingredient for economic reform. Do you agree?

John Howard: It's a theory of government. There is a theory that you have good government when you tell the public in advance what you're going to do, and that if people vote for you, that gives you a certain moral authority to implement what you've done. Now, it's a good idea too, if you're going to undertake significant economic reform to tell the public in advance what you're going to do. Although that's not a necessary precondition. The Hawke Government didn't say it was going to float the dollar, but it didn't matter, because the opposition supported it.

You gave the example of the GST where a wide-ranging reform was implemented without bipartisan support, and yet in your own role as leader of the opposition, you gave considerable bipartisan support to a number of those major economic initiatives introduced by Labor in the '80s and in the '90s.

John Howard: In relation to the Hawke Government changes, I gave bipartisan support because I believed in them and I thought they were good policy, and it certainly made it much easier for the Hawke Government, much easier, particularly something like tariff reform.

Because tariff reform, if that had been opposed by the Coalition, then probably a fear campaign could have been run on its effects on Australian jobs and so forth, but we were never going to oppose that, because by that stage we'd come to support those policies.

And you can argue when you look at some of those policy changes in the 1980s and '90s implemented by the Labor government, that they implemented policies in the main which, at the time they implemented them, they had already been embraced as policies by the opposition.

The floating of the dollar, financial deregulation came out of Campbell and many of the major opponents of implementing some of those recommendations left. Obviously some of the leaders of the former Coalition government who were less supportive of financial deregulation, either left or their influence had shifted. By the time those decisions were taken, and the same thing applies with the privatisation of Qantas and the Commonwealth Bank, they had been embraced as policies by the Coalition in the 1980s. You can argue that in many of those areas, the Labor Party was following policy made in opposition and made by the Coalition in opposition, and they knew full well that we could hardly turn around and oppose them.

It did make a big difference, the bipartisan support, financial deregulation, tariff reform, privatisation, the introduction of university fees - they were all very sensitive issues, but on each occasion, the Coalition supported what the Labor government was doing, and that made the path of economic reform much easier. Now, I'm not taking credit away from the government of the day for having done it, but it did make it much easier.

They knew in advance there could be no credible fear campaign on any of those issues. And that was important on tariffs especially. Tariff protection has always been sensitive in Australia. And there's still probably a majority of Australians who instinctively support tariff protection. It's just an instinctive thing and the debate will re-emerge in the light of Ford's announcement recently.

And you experienced significant partisan opposition on those issues like the GST for example.

John Howard: Yes, in government, we had no support from the Labor Party on any of our major economic reforms. They opposed the GST reforms, they opposed the privatisation of Telstra, they opposed our industrial relations (IR) reforms, waterfront reform and all the other reforms, and of course now that they're in government, they've wound them back. Wound back the IR reforms, they won't be able to wind back the others. Even something like the Welfare to Work reforms that we introduced, they voted against them, and then now largely embraced them

themselves. But the Labor Party were a very negative opposition. I can't think of any major economic reform that they supported.

When we were in opposition, we supported their big things. There were some things we didn't. I acknowledge we didn't support the superannuation reforms in 1985, and we opposed the tax package that they brought in that didn't include a GST. But all the other big reforms that they introduced and implemented, I think people would agree - financial deregulation, tariffs, privatisation in particular - we strongly supported those.

Can we talk about the GST and talk about that as an example of how you introduced a very difficult reform, or how you built a coalition for reform?

John Howard: One of the ways that we were able to do it, one of the reasons we were able to do it is that it's a debate that the Australian community had been fitfully involved in for a long period of time. We had a big debate in 1993, when John Hewson put out Fightback!, which was a very good policy; very good policy.

Unfortunately, the Labor Party ran a very effective fear campaign against it and the then prime minister proved a better campaigner when it came to fear than John Hewson. I don't think he won a lot of credit policy-wise, because after all, he'd originally supported a broad-based consumption tax, and it's a bit hard when you've supported it to then have a different position.

But if you come forward to 1996/97, one of the ways that we were able to get it up was that we did spend a lot of time trying to enlist or I guess to at least neutralise opposition from some of the welfare and other community groups that had a historic antipathy to consumption taxes, because they thought they were regressive. We got the business community talking about it and talking to some of the welfare groups, so it meant that when we launched it, people were at least familiar with the arguments and that helped them, and if we didn't get people onside, it neutralised their opposition.

I always encouraged people in the business community who wanted certain economic changes to argue the case.

Is it true that a group of businesspeople came to you and said, "Look, we're interested in a consumption tax and you turned around and said, in that case, start the debate."

John Howard: There was no seminal meeting of me. I certainly would have said at various stages to lots of businesspeople who raised it with me, bearing in mind that I had been on the record as favouring it for a long time, "well, it would help if you started advocating for it." I certainly did to that. I always did that, I always encouraged people in the business community who wanted certain economic changes to argue the case.

And is that important?

John Howard: Yes, it's very important. But the crucial thing is what happens at a political level, and what turned the faint possibility into a reality was the decision I took in 1997, after the 1997 budget.

I did an interview on a Sunday television programme and said that we really had to get taxation reform back on the agenda , and I'd previously discussed this in general terms with a couple of my senior colleagues.

I announced that we were going to carry out an overhaul, a review of it, an internal review of the tax system according to certain principles. And one of those, of course, included the introduction of a broad-based, indirect tax. That kicked it off and out of that came the entire tax package that we put to the public in 1998.

And you describe the relationship between business and welfare groups as being...

John Howard: Oh, it was very important, and in some cases it was the first time that those groups had seriously talked to each other about policy. In some cases, I don't say in all cases, but in some cases.

Can you talk a little bit about the role of a leader in terms of convincing the party to introduce and accept substantial reforms?

John Howard: Oh, it's absolutely critical and you've got to have a willingness to argue the case, but the first group that you've got to get onside is your cabinet. And if you can get the great bulk of your cabinet onside, you have a flying start in getting the party room onside, because it's very rare that the party room completely disregards the view of all the senior members of the cabinet.

There's nothing fancy about this. It's a question of personal persuasion and the leader plays a very big role because it's the leader that carries the main weight of public debate, although obviously when you're talking about economics, the treasurer has a big role in it. But the whole tone and pace of the thing is set, and if the leader is known to believe very strongly in something, then that carries a lot of weight. I was known to believe very strongly in tax reform, believe very strongly in industrial relations reform, waterfront reform, and privatisation. They were things that I had built form on in the 1980s when we were in opposition, so when people thought about me and policy, they thought, "well, he's in favour of this and this and this and this, and he's been arguing those things for years". They weren't things that I suddenly produced. It's much harder for a leader to suddenly out of the blue say, "well, look, I'm now in favour of doing this and I want you to follow me", if you've never talked about or argued the case for them in the past. None of the things that I championed on the economic reform front as prime minister were blinding revelations to my colleagues.

As second longest serving prime ministers, how did you go about renewing and replenishing the policy war chest over time?

John Howard: Well, the only way you can go about it is, people should argue things they believe in the public space. I do think that we don't have as much debate now about the big policy issues that we had before. Now, one of those things is this very fraught political situation, where you don't really have a government or an opposition. You've got two contending governments. And it's a very unusual situation, because if you have an orthodox outcome, and that is a government clearly wins an election in its own right, well, its psychology is, right, we've got three years, and the opposition's

psychology is, okay, we've lost the election, so we've got to spend a bit of time on introspection and work out where we went wrong and where we might go in the future. That hasn't really happened in Australia over the last three years. The government hasn't really felt it had three years. It's felt it's been on borrowed time and the opposition has really felt that, well, we didn't lose. And you've had this stalemate.

Does that suggest there's not much of a sense of projecting a vision for where the country can be?

John Howard: I think that's too simplistic a criticism. That word gets flung around and different people have different ideas of what a vision is, but it's inevitable when you don't have a clear winner and a clear loser out of an election, you get a different mind-set. It's unavoidable that there should be more, that everybody thinks in the short term far more when you have that outcome. That's what I'm getting at.

Are there any elements of an effective reform process that you think need to be in place to actually get them successfully adopted and implemented?

John Howard:

You first believe in it yourself. You've got to have somebody in the government, but particularly the prime minister and the senior minister in the area who actually believes in the reform, and if somebody doesn't really believe in something, it's very hard to get it done. Conviction is the first element of successful reform. Then you've got to take your own party and the people immediately around you with you. The relationship between the leader and the immediately led is very important in the political environment, as it is in a military environment. This idea that you can do these things almost in isolation is nonsense. You have to take people immediately around you with you.

You need, obviously, to have the support of the public, the professional public service. You shouldn't underestimate that. I don't believe in governments being run by the public service, but you can't run a government without the public service. And having a good relationship between the government of the day and the public service is very important.

How did you go about cultivating that relationship?

John Howard: Well, it's an attitude. You have staff that respects the public service, and you have a relationship with the public service whereby there's an understanding of who does what and having a constant stream of communication between the Prime Minister's Office. The same thing applies with the minister, but on a much smaller scale but there was a very good relationship between my staff and my department.

Do you feel there's been a change in the relationship?

John Howard: I can't really answer that, but I can only speak of my own experience, and my own experience was that it wasn't perfect, but we had good relations between my office and the relationship that my chief of staff had with the two heads of my department in the time I was prime minister was excellent. They had good, friendly relations, they respected each other and things operated very smoothly. It

meant that the public service was always given a good hearing. We didn't always take their advice. They obviously didn't always agree with what we did, but they gave their advice, and there was no sense in which they were inhibited and it did work very well. It didn't work as smoothly as that in every department, but it certainly did at the top in my department. And that's a very important thing. Getting that balance right, because the professional public service is a critical resource and you can't have big reforms successfully implemented unless you've got the public service working with and for you. And my experience is that whatever their individual political views are, they'll do that if they're treated in the right fashion, that is respectfully and professionally.

Did you try and engage the public service in the policy development?

John Howard: Yes, very much so. But, obviously, the way to use the public service is not to say, "Well, what do we do?" You're meant to know what you want to do. The way to use the public service is to say, "Well, if we decided to do this, how would we do it? Can it be done in any better way than what I think it ought to be done, which is as follows? What are the major pitfalls and what are the consequences?" But that's the way it's done.

A lot of these big things, if you've been around for a while, you have a fairly good idea of the outlines of what's involved in something like tax reform. Well, I knew what would generally be involved in introducing a GST.

It's not as if we were just starting with a blank sheet of paper. You develop policy in opposition in some areas. We had developed that in government, although it had been around.

But we had an industrial relations policy which we gave the public service and said, "Look, this is what we want to do." They accepted that we were going to do it. They didn't say, "We think it's a silly policy" or anything. This had all been debated and they knew that we were serious about it.

Was there any particular process you adopted when developing policy while in opposition?

John Howard: It's a range of things. You talk to industry groups – depends on what the policy was. In the case of industrial relations, there were some industry groups that were in favour of it and some were strongly opposed. The farmers and the miners and small business favoured it and the manufacturers, many of them, were against it. They were comfortable with the old industrial relations club. Some academics, people like Dick Blandy, were very helpful.

A lot of us had done our own research and reading and some of us, like myself, had been informed by our experience in the previous government, the impact of the wages explosion in 1981 coming out of the Metal Trades Award. We saw it put 100,000 people out of work. We knew what the impact of centralised wage fixing meant.

Do you feel the media have had an influence on the ability of a leader to actually prosecute a case?

John Howard: I find that hard to accept. I can't think of the policy that's fallen foul... the genuine reform that's fallen foul of outcries through the social media. What's the reform?

My experience was that large sections of the mainstream media supported economic reforms. I thought the media gave us a fair go on the GST. When I was opposition spokesman on industrial relations from 1990 until 1995, when I became opposition leader again, that's five years almost, I got a fair hearing on IR reform, particularly from the ABC because it's an issue that ABC radio in particular was quite interested in. I'm not saying they supported me, but they gave me plenty of airspace. And because they felt that they were facilitating a debate on something that was quite fundamental.

The last three years, simply because they've had this deadlock thing, you've got a very short term reaction from the media on a lot of things, and a 'gotcha' approach, but I don't blame the media. I don't share Lindsay Tanner's view on that. I think that's a cop-out. I don't think you can blame the media.

So how do you approach that then as a leader trying to introduce reform?

John Howard: One of the things I did when I was prime minister was that I went on all the programmes, even those that were antagonistic to me. Heaven's sake, I went onto the 7.30 Report every time I was asked, and O'Brien and I couldn't have been further apart, but I went on his program. Because it was a serious program and he'd done his homework and he took the subject seriously and I understood that.

I think you've got to engage with all serious media programs. I don't believe in this selective stuff, I don't. I mean, everybody likes to go on and be interviewed by somebody who's perhaps going to give you a better go than others, but you've also got to do the other people as well.

And so almost talking to the opposition?

John Howard: No, you've really got to talk to the public all the time. That was something I did.

I used talkback radio an enormous amount, and I did it for two reasons. The first was that it was a way of getting around the interpretive proclivities of the Canberra press gallery.

You do a news conference and you've got no guarantee that what you're trying to say is going to be reported. So I found in many cases I'd do a news conference, and I'd announce something, and then somebody would ask me a question, and they would do something with my answer and that was the main story out of the news conference, not what I'd announced.

What I'd announced sometimes wouldn't even get reported, or it might get reported in a very cursory fashion. You've got to do those news conferences; I did a lot of them, but if as well as doing that, you go on a radio programme, you can be certain that the people who are listening to the programme, they will hear your argument

and they will hear what you've announced, and there's no guarantee that happens in a news conference. Just a simple reality that escapes a lot of people.

And you go on a morning radio programme, Alan Jones for example, and Neil Mitchell in Melbourne, I used to do him every fortnight for half an hour at 8:30. Well, he had an audience, something like a half a million people all over Victoria, and that's a big audience, and a lot of them would actually hear my argument.

You talk about the importance of bringing the GST in an electoral format and being able to talk through it in great detail. Are there any lessons you learned from that experience?

John Howard: Oh, no. It was largely as I expected. It was hard work. You had to know all the details of the policy. You had to be on top of detail; you've got to have a grasp of detail.

Peter Costello did a fantastic amount of work in relation to it as well, so obviously it wasn't just me. And he and his department had put together all the detail of it, and he had a very superb mastery of the detail of it.

One needs to be in that situation, but you really do have to be willing to spend a lot of time talking to people and explaining it, and over a period of time, there builds an understanding in the community of what's at stake, and you can, in that fashion, shift public opinion, or at the very least you can neutralise it. And that's what we were able to do, in my opinion, with the GST. We just managed to persuade the public that even though there might be some short term disadvantage or short term inconvenience, in the long term, it would make the country better and stronger. And they voted for it on that basis.

How did you create a sense of urgency around the need to introduce a reform?

John Howard: I think urgency's the wrong word. I don't think people felt it was urgent in the sense that we were going to collapse if we didn't have it. We were able to create the impression in the community that the current taxation system was no longer strong enough and effective enough for the welfare of the country, that we needed a big change and that the change we proposed was fair and would leave Australia in a stronger position. You can normally sell reform to the public if you satisfy two conditions. The first is that it's for the betterment of the country and the second condition is that it's fundamentally fair and it's not going to unduly hurt a particular section of society. If you can persuade people of those two things, they'll normally support it.

In regards to reform within a federation; the GST was such an important reform.

John Howard: It ended up being seen more in that context than perhaps it started out to be, because we decided that we would give the entire proceeds of the GST to the states. That wasn't necessarily our intention at the beginning, but that seemed the neat, clean solution. And if we had got the GST that people voted for, I don't think there'd be the same complaints at the moment from the states. The states do have a very difficult revenue problem at present.

Yes, and that match between community's expectation and the capacity to pay are...

John Howard: Well, their revenue base has declined. Their GST revenue base has fallen off because when you have a bit of a slow-down, people stop spending on non-essentials, and the essentials are the ones that don't carry the GST, so therefore the GST revenue's fallen. I mean, there's an inelastic demand for food, but there's a very elastic demand for eating out.

What was your observation or experience of introducing reforms within a federation?

John Howard: No federation in the world operates all that harmoniously, but ours hasn't operated too badly. I don't accept that the Federation's broken. People use that term too much. I have come to believe that you need cooperation in a federation, you don't need total uniformity. And sometimes it's a good idea to have a bit of competition between the states. It creates incentives.

We would never have gotten rid of death duties, whether it was a good idea or not, leaving that aside, that would never have happened if we hadn't been a federation. And the Bjelke-Petersen government's decision to get rid of it set up a momentum, it created a momentum that just resulted in the thing disappearing everywhere. Now, some people think that was a bad idea, some people think it was a good idea.

So that competition between the states is a positive thing?

John Howard: It's not a bad thing up to a point. It just depends. It's a good idea to have an education system whereby if people move from one state to another, their children are not disadvantaged. However, that doesn't mean to say they've got to be taught the same thing at the same time in every classroom in the country. That's carrying it too far.

And our Federation is not marvellous, but I don't think it's as bad as people argue.

So were there any keys to introducing reform within the federation?

John Howard: Oh, no, there was no difference. You had to get people onside.

And there were some things that people on the other side of politics would accept and there were other things they wouldn't. It's very hard to get any Labor states to agree to any change on industrial relations. The unions still hold hostage on that.

In developing economic reforms, how important are external bodies? Does it change from when you're in opposition to government?

John Howard: Well, there's certainly a difference in that when you're in government, you've got the resource of the public service, which you don't have in opposition.

The research capacity of the major industry groups, independent think-tank type bodies like CEDA and others has improved enormously in the last 30 or 40 years,

and there's a lot of very good policy work now done in the private sector, and that is a big change from what the situation was when I entered parliament in 1974.

The industry lobby groups had economists and research capacity, but they were industry specific advocacy groups, so therefore their research was not dispassionate. And the more powerful ones tended to be those whose industries relied on government assistance. They had a particular point of view. Bodies like Centre for Independent Studies and Sydney Institute, the revitalised Institute of Public Affairs (IPA), which is doing a fantastic job, your body, they're all very important, and the quality of their work now is of a high order, and in the economics area, the research departments of the major banks and financial institutions are all very important.

So there's so much more substance in the debate coming from the non-government sector now, and that is a very healthy thing, and it's a very big difference from 40 years ago.

Are there any other major shifts in the nature of politics or political debate that you have observed over that timeframe?

John Howard: The biggest single change in that 40 years is that there's no longer any serious thought stream in Australia in favour of greater government involvement, or in favour of the command economy approach. That's a result of the end of the Cold War and the total disintegration of the economies of Eastern Europe.

I entered parliament in 1974, and there was still a serious body of opinion in the world that the command economy approach would work, or was at least as good as the capitalist approach. And that's all gone.

The other big change is that the government no longer has a monopoly of the raw materials of the debate. They're the two big changes.

It is inconceivable. So the whole centre of gravity of the debate has shifted right, if I can put it that way. It's a huge change.

Is there anything else that you'd like to add?

John Howard: I suppose the only thing I'd do is just emphasise again that the governments that enjoy explicit bipartisan support from oppositions on big changes are very fortunate. And I'm thinking of the Hawke government. It did some good things and I've always acknowledged that, but it would have been much harder if it hadn't had our support on many of those big things.