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Keith Joseph Memorial Lecture 2015

THE ENDLESS FOOTRACE

JOHN HOWARD



The Lord Saatchi and I particularly acknowledge the presence of the late Keith Joseph's daughter and two grandsons. It's quite a pleasure to be asked to deliver this lecture to the Centre for Policy Studies.

I chose as a title for this lecture 'The Endless Footrace'. Now you may wonder why I chose that title for a lecture. When I was Prime Minister I used to frequently say to my colleagues and to the broader Australian public that the cause of economic reform was rather like being in an endless footrace. You had to keep going, you never got to the finishing line, you daren't give up because if you did your competitors would surge past you. Now there's nothing particularly original or novel about that, and I'm sure it's a metaphor that other people have used, but I've always since being removed from public life in Australia by the electorate in the normal democratic process. And it was very nice of Lord Saatchi to talk about the four wins in a row, but there was a fifth loss. In Ashes parlance; four out of five tests is not bad. Now my country has not got off to the strongest start when it comes to that, so we still have a possibility to get four out of five... but that's wishful thinking. All I can say, as a well-known Australian cricket



tragic, a keenly fought Ashes series between England and Australia is the epitome of fine cricket and the ultimate that anybody who loves that wonderful game could possibly want.

But having chosen the title of 'The Endless Footrace', I discovered on deeper analysis of Keith Joseph's career, the extraordinary influence he had on Margaret Thatcher, and the formation of the Centre for Policy Studies, how apt it really was because he epitomised somebody who believed that the process of economic reform was in fact an endless footrace. You kept going. You never said: "Well, that's all we need to do. We've reformed the economy, we've fixed the taxation system, we've privatised all of those inefficient government enterprises, we've freed the labour market, we've done all of those things. And we really don't want to do any more." The truth, of course, is the work has never been done, has never been finished. And it is absolutely essential that that footrace continue.

I could do no better when analysing the relationship between Margaret Thatcher and Keith Joseph - which was so important not only to the fortunes of the Conservative Party at that particular time and the formation of the Centre for Policy Studies, but also the impact her thinking and the thinking of others around at the time on the ideological debate here in Britain and throughout the Western world and not least in my own country Australia - I could do no better than to quote from that magnificent first volume of the Thatcher biography written by Charles Moore. And if you'd forgive me, I'd like to quote from it verbatim because I think it provides the right description of that relationship and gives some kind of context to what I want to say to you tonight:

'Moreover the Centre for Policy Studies gave Mrs Thatcher the context, the sense of direction and the camaraderie that she sought. For her, the CPS was the chance to get back to the North Star, almost literally to find the words for what she knew she believed, but which the Heath years had suppressed. From the beginning to the end of her career, Mrs Thatcher maintained an unbounded admiration and affection for Keith Joseph. His gentlemanly public-spiritedness, his sometimes tortured courtesy, his Jewishness, his enthusiasm for policy, his interest in the intersection of economic social and welfare subjects which many Tory grandees considered beneath their notice, all these endeared him to her. In Heath's Cabinet the two were drawn closer by a growing unease which neither fully articulated at the time. After the defeat of February 1974 their feelings burst out, like a forbidden love at last permitted to express itself.'

Now that is an emphatic and interesting and touching way of describing a very close friendship and a very strong intellectual partnership. You have to, of course, remember context. This was the mid-1970s. It's easy now for us of a centre-right disposition. For the first time I observed Lord Saatchi, for more than 50 years you have in the four old Commonwealth countries – and I still use that expression, because I think there is a difference between the old Commonwealth countries and the broader Commonwealth – this is the first time in more than 50 years that we have unfettered centre-right governments. And I say unfettered deliberately because of the result of the last election in Britain the Conservative Party now governs in its own right. For the first time in Britain, Canada, Australia and New Zealand. And that's valuable in that we can



copy from each other. And it's also valuable in reminding those at the centre-right disposition how difficult the struggle has often been in like-minded countries to achieve unfettered office.

But it's worth going back to the mid-1970s. It was a time of extraordinary hesitation in countries such as Britain and Australia and the United States and, indeed, New Zealand and Canada and many others. The mid-1970s were a time of extraordinary disillusionment in the United States. The president had resigned under a cloud for the first time ever in the history of that great country. America was still living with the failure of the Vietnam War in which Australia fought alongside the United States. Britain had experienced extraordinary political turmoil and was suffering continuing economic decline. Australia was going through a period of painful readjustment after a period of more than 20 years of uninterrupted economic growth had come to a halt. And under a Labor government many of the things that people took for granted and stability they assumed would always be there was under threat. It was a period of time that predated by a number of years the declaration by Deng Xiaoping in 1978 that China would embrace a market approach to economic management. An event that has had extraordinary influence on the development not only of China but the economic development of the world. It was fifteen years before the fall of the Berlin Wall and there was within our democracies of the West a large amount of cultural dithering still going on. It's easy now to say that there was always a resolute belief that the values of the West would triumph over the values of the Soviet-led East. That wasn't the case in the 1970s. There was still a great deal of moral equivalence talk in the West.

That magnificent policy adviser that many of you will know, and I'm delighted to say is now residing in Sydney, John O'Sullivan, wrote a book called *The President, The Pope, and the Prime Minister*. In it he had this remarkable phrase that in a sense said it all, and I quote: "*Put simply Wojtyła was too Catholic, Margaret Thatcher was too conservative, and Reagan was too American.*" And what he was saying, of course, was that their views would never be accepted; within the church in the case of the man who became Pope John Paul II; Margaret Thatcher; and Ronald Reagan. And when Ronald Reagan as late as 1986 said "*Mr Gorbachev tear down this wall*" there were plenty of people who shuffled their feet and looked at the ground and said really this is not quite the way to bring about peace and understanding between the United States and the Soviet Union.

I mention these things to make the point that what we now see as the accepted wisdom of the views of Margaret Thatcher and Keith Joseph and of Ronald Reagan and so many others; they were not so assumed to be accepted and to be appropriate back in the 1970s. And it only underlines the extraordinary courage and farsightedness of Keith Joseph and Margaret Thatcher. And it also serves to underline the extraordinary success of the philosophy that they espoused. Because it was a philosophy that brought about a shift, if I can use the jargon of political combat, a quantum shift to the right in the economic debate around the world. And it was not just a shift to the right within centre-right parties. In the interest of intellectual honesty one has to acknowledge the impact of their views, even though neither of the governments I'm about to mention would ever acknowledge it, but the impact of their views on Labor



governments of both Australia and New Zealand. The Hawke government in Australia, with our support from opposition, carried out a number of sensible market economic reforms. And it's my view that no finance minister in the 1980s could possibly touch Roger Douglas of New Zealand for the market-based economic reforms that he carried out as the finance minister in the Lange government.

Of course, the revolution that the CPS helped start, what's frequently called the Thatcher-Reagan revolution, was never only about economics. I think Keith Joseph once made a speech saying there's more to this than monetarism. Although the theories of monetarism enunciated by Milton Friedman and many other others form the core of the intellectual thrust of the Centre for Policy Studies and of Keith Joseph in the 1970s, it was much more than that. There was a great deal of, in what the Centre for Policy Studies stood for, of what Keith Joseph stood for and what Margaret Thatcher stood for, of reasserting cultural self-belief.

Part of the malaise of the 1970s in many of our societies was a lack, a growing lack, of cultural self-belief. If I can contextualise that to today. We read almost daily of the challenge of Islamic State, of Islamic extremism which has in recent weeks tragically taken the lives of some 30 citizens of the United Kingdom. We should remind ourselves that the many responses to the challenge of this kind of barbaric extremism is not to somehow or other imagine that fault lies with our societies, but rather to reassert our own cultural self-belief and to understand that the last thing we should ever do is compromise the fundamental values and attitudes of the societies of which we are privileged to be a member.

The centre of gravity of economic debate has shifted. And the contribution that has been made by Margaret Thatcher and the Centre for Policy Studies and Keith Joseph, that has been immense. But that is not to imagine that the centre of gravity of economic debate has, having shifted in that direction, that is not to imagine for a moment that the task of further economic reform is no longer in front of us.

One of the greatest challenges to the economic reformer is to maintain the gains that have been made to date. One of the welcome things of the changes brought about by Margaret Thatcher in the United Kingdom was that most of those changes – particularly in the area of the labour market and of privatisation, of private ownership of what was once council housing – most of those changes have been kept in place.

But there's always a challenge when great strides have been made, there's always a challenge that the changes will be unwound by a subsequent government. That regrettably has happened in Australia in one very important area. Australia over a period of some 30 years went through major economic changes. We reformed our taxation system. We sold government owned enterprises. We liberated the exchange rate. We admitted foreign banks and we removed tariff protection for previously highly protected industries. Most of those reforms have remained. However, in the area of the labour market, the previous Labor government in Australia has unwound most of those reforms. The country has returned to an



industrial relations system that owes more to the dominance of the trade union movement of the 1960s and the 1970s.

So, one of the great challenges of people of our disposition is to make sure that hard fought gains on the reform front are not forfeited in the future. It's also very important to understand that the environment in which free market policies are applied can change over time. Through all of the examination I make of free market policies and their application, it is also important to remember that circumstances can change to render previous beliefs about the impact of policy no longer relevant.

I raise the consideration, for example, whether we might be living in a slightly new paradigm concerning monetary policy. We have seen over the past several years a remarkable amount of what's called euphemistically, quantitative easing. When it first started, I ran into no end of people, probably sharing the broad philosophical views of this audience, who are willing to argue that quantitative easing would lead to an outburst of inflation. Now that hasn't happened. Some will argue that it will eventually happen. I'm not sure. And what I simply pose to you is the question: Is it to be the case that the quantitative easing, which has threatened to unleash large bouts of inflation, will in fact not have that impact? Perhaps we have entered into a period in the economic experience of open market economies that what previously was thought to be the consequence of unlimited amounts of liquidity sloshing around in the system is no longer the consequence. And that it is no longer the case that if you inject never-ending amounts of liquidity into the system you will have an inflation reaction. Perhaps we have entered an era where that particular aspect of the operation of monetary policy is not what we thought it might be. And that therefore we could well indeed have a situation where a focus on other aspects of the operation of the economy, particularly on the supply side, will need to be given greater attention.

And that is why I think that many of the reforms that have been carried out in the areas of education by the Cameron government since it was elected in 2010 have been so welcome. Because, as Bill English the Finance Minister of New Zealand reminded an Australian audience only three weeks ago when delivering a lecture to the Menzies Research Centre in Melbourne, it's the obligation of centre-right governments not only to contain the level of government spending but also to improve the quality, the delivery of those government services that the state still deems it necessary to deliver. It's not surprising that the size of government inevitably falls or is at the very least constrained if the quality and the efficiency of the services being delivered is improved. So the challenge that we have in front of us is to make sure not only that we contain the size of government but we also improve the efficiency of the delivery of government services.

I think it's also important, as it was in the days of the Thatcher government and under the Reagan administration, it's important to understand the crucial significance of choice in a free and open society. Expanding choice in the delivery of government services, expanding choice in areas such as education and health services was one of the major objectives of my government.



I know that the operation of the British education system and the Australian one is very different in many respects. We now have in Australia a situation whereby some 34 percent of all Australian school children are now educated in the independent school sector. And the great growth in that sector over the past few years has not been in high-fee paying independent schools but rather in low-fee paying independent schools. For a combination of reasons, increasing numbers of low and middle income Australian parents have voted to send their children to independent schools. Side by side with the crucial need to maintain the operation of the government school sector to provide that choice to the remaining 66 percent of the community that believe that the best education for their children is to be obtained in the government school sector.

It's also important to find amongst these strands of attitudes an approach over the last thirty or forty years, the commitment of governments of free market persuasion to open trade and free flows of foreign investment. My own country has benefitted enormously, since European settlement more than 200 years ago, from unfettered foreign investment. It was initially, of course, British investment, then followed by American investment, then by Japanese, and now more recently by Chinese investment. Now I don't suggest that there aren't other countries that invest in Australia, but they are the major investors. Indeed, the United States, the United Kingdom and Japan are still far and away the three largest foreign investors in Australia. And the maintenance of that foreign investment is of tremendous continuing importance to Australia.

Australia's been fortunate in the past 12 months to sign free trade agreements with China, Japan and South Korea – our three major export destinations. I think the world would have preferred to have had another successful multilateral trade round, but the Doha trade negotiations died in the sand. I don't think they are going to be revived. Therefore, a country such as Australia that relies so very heavily on exports, particularly of our resources, finds it absolutely essential to have the capacity to, as we do, to negotiate free trade agreements with our major trading partners.

I think the maintenance of the values that were espoused by Margaret Thatcher and by Keith Joseph, the maintenance of those values and attitudes probably at the present time faces the best opportunity that they've had for many decades. The reasons I mentioned in the United States, in Australia, in Great Britain and other countries in the mid-1970s, we had a very uncertain environment. But now in 2015, certainly in the case of your country and mine and New Zealand and Canada, we have four very like-minded governments.

I think we have a lot to learn from each other. I think it's one of the phenomenon of Australian and British politics that when a Conservative government is in opposition in Britain, it talks to the Liberal Party in government in Australia. And when the reverse is the case, we talk to the Conservatives. I don't think I'm giving away any bipartisan secrets in saying that when the Labor Party is in opposition in Australia and the Labour government is in government in Britain, they talk regularly to each other. We occasionally lend each other campaign directors too. I



think it's part of the cross fertilisation that is a welcome feature of the bilateral relationship between our two countries. But it can be taken much further than that.

And one of the ways in which it can be taken much further is to look at what each of the governments is doing in some of the areas that I've mentioned. I was saying to your schools minister earlier tonight that many of the things that Michael Gove did as education secretary in relation to free schools has been copied in one or two Australian states, particularly in Western Australia. In Australia, schools policy administratively is run at a state level. Now this is a process we should embrace, I think, a lot more enthusiastically.

Part of that endless footrace is for all of us to understand that we share a common economic and philosophical future. I'm struck by the resonance that exists between the attitudes of the Conservative Party in Britain and my own party. We have differences on some issues. I think my government's a bit more agnostic on climate change. I certainly am. And I think the same might also be said of the Canadian government. I think it's a little more agnostic on climate change. But these are differences of emphasis, they're not fundamental differences of values.

I am struck by the remarkable coincidence of views because we share a common experience. We are all societies that are deeply rooted in the values of the market, of personal freedom, of private property ownership, of a belief that the taxpayer's money is there to be used on trust, and if it's badly used or if there's any of it leftover then it ought to be returned to the citizen and not invested in wasteful public expenditure. They were very much the values of Keith Joseph and of Margaret Thatcher.

And tonight as we recall Keith Joseph's extraordinary contribution to public policy in Great Britain and the great influence he had on Margaret Thatcher, we should again remind ourselves, as I did at the beginning of my remarks, that the context in which the Centre for Policy Studies was established was a very daunting and challenging one. We look back now with some pride on what's been achieved. We congratulate those who've gone before us, and ourselves as well, on having been successful in winning much of the intellectual fight over a period of decades. It was a very challenging and hostile environment in the mid-1970s and as a reminder of how successful those remarkable people have been but also a challenge to ensure that we never give up in that endless footrace. Because if we do, others will surge past us, and our societies and our communities and our families will be the poorer as a consequence. I thank you.