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This is the centenary of a remarkable and far-reaching event in federal politics, - the creation of what became the dominant party in most years of the 20th century. The Liberals as we know them were born in 1909. While this party is now usually seen as the specific creation of Sir Robert Menzies at the end of World War 2, its roots are deeper. Indeed he himself was a leader of this older party.

The old Liberal Party arose out of the confusion of early federal politics. Australia in 1901 held fewer people than Sydney holds today. But Sydney was not then the largest city, though it was soon to pass Melbourne in population. The dynamic export industries, wool and gold, were even more important for national life and solvency than they are today, when mining is again so vigorous.

Drought then was far more devastating for economic life than it is today. Australia was in the grip of the federation drought, with the terrible years falling in 1902 and 1905. They are still our driest years since 1900, when the nation began recording rainfall right across the continent.

Our new nation suffered acutely from isolation. Politicians living in booming Western Australia and North Queensland and of course Tasmania could not reach the new federal capital without making part or all of their journey by sea. The Northern Territory of South Australia, as it was called, was also isolated. The people of total Aboriginal descent were even more isolated. Indeed they were believed, mistakenly, to be dying out.

These first years of the Commonwealth of Australia were an unusual experiment. Nothing like it was seen in the beginnings of three older federal systems - USA, Switzerland and Canada. There was nothing like it in the parliament of the European Union, which first met in 1979.

The federal parliament, meeting in Melbourne in 1901, had a glut of leaders. There was another hazard. Initially, NSW and Victorian members would dominate the ministries of the new parliament, but they brought with them party loyalties that were not grafted easily onto a national parliament. Meeting for the first time, they did not form one party. They emphatically formed two, the Liberal Protectionists and the Free Traders. Why two? NSW and Victoria were different realms.

The new Commonwealth parliament held three main parties, but not one could govern in its own right. The third and smallest was the Australian Labor Party. Its leaders were inexperienced, and none had taken part in the creation of the federation, of which they were now a vital part. They were to win far more success than they had expected, but in World War One they virtually disintegrated for a few years. In May 2001, at the centenary of federation, they celebrated their longevity with justifiable pride. A hundred years is a long time in politics.

Liberal Protectionists, forming the largest party in 1901, reflected the political history of Victoria which liked interventionist governments. Victoria traditionally imposed a strong tariff against most imports, not only those from Britain but also those from NSW, Tasmania and other Australian colonies. Victoria was a pioneer in initiating the short working week and a minimum wage in many industries. It encouraged occupational health and safety in a humble way. It imposed a tax on large landed estates - a tax which was called 'communistic' at the time.

The Liberal Protectionists, the sponsor of these reforms, were helped by the Melbourne Age newspaper - those were the days - and its editor David Syme, a soulmate of Alfred Deakin. The Age's support was vital. It had the largest circulation by far of any newspaper in Australia.

As a result Labor made strong headway everywhere but not in Victoria. In Victoria as late as the third federal election, Labor won only 4 of the 22 seats. Three were inner suburban or industrial seats now seen as hard-core Labor and held in later times by such Labor notables as Frank Tudor, James Scullin, and Arthur Calwell, each of whom served as the party's federal leader. In contrast, at the end of 1906, Labor held only one federal seat outside Melbourne. In retrospect it seems an incredible seat for Labor to hold. It was Wannon, in the far south west, which later was the true-blue Liberal electorate of Mr Malcolm Fraser when he was the long-serving prime minister.

The Liberal-Protectionists brought to federal politics their Victorian banners. They were bolstered by a cluster of very experienced politicians from other states. In effect they were the party of the founding fathers of federation. They included Edmund Barton and William Lyne of NSW, Alfred Deakin and John Quick and Isaac Isaacs and Simon Fraser of Victoria, John Downer and Charles Cameron Kingston and Thomas Playford of SA, John Forrest of WA (perhaps the most remarkable of all our land explorers), Elliott Lewis and Philip Fysh of Tasmania, James Dickson of Queensland and several more.

In spirit many Liberals - but far from all - were close to the early Labor Party. They therefore usually gained Labor's support under Edmund Barton and then for much longer under Deakin, they dominated federal politics for more than seven of the first nine years. The alliance became so cordial that at one election Labor refused to stand candidates against most of the Liberal sitting-members. For a total of just one year in all, Labor was allowed to govern, while relying on the Liberals' support. This political cuddling was rather like an alliance between Mr Turnbull and Mr Rudd. It was not likely to last.

There was a third federal party, George Reid's Free Trade Party. In 1901 it gained nearly half of its seats in NSW, his home state. Reid's party is often called conservative, but by English standards he was not. He himself had been premier of NSW for five years, with Labor support.

In the new Commonwealth parliament, Reid's party sat in almost permanent opposition. The only exception was the eleven months when it governed the nation. Even then it had to form a coalition with a small group of Liberal Protectionists.

Known as the Reid-McLean government, it was highly multicultural in the light of the times, for George Reid was a Presbyterian and Free Trader from East Sydney, and Allan McLean was a Catholic and Protectionist from Gippsland. This coalition, which ended in 1905, was a sign that, politically, anything was possible.

The long marriage of Liberal and Labor was almost certain to end. The Australian Labor Party was becoming more radical. It was also entitled to feel more confident because, by 1905, it was probably the most successful Labor or Social Democrat party in the world. Elsewhere there was no radical party commanding the electoral support increasingly received by Labor in Australia.

Labor was now hoping, if it became the dominant party, to nationalise the iron and steel industry, to tax heavily the large pastoral properties around Australia, and to control the Australian banks. That witty orator, George Reid, certainly saw Labor as a growing menace. His Free Trade party was becoming known as the Anti-Socialist Party, for he was intent on slaying what he called the Socialist Tiger. The Socialist Tiger will gobble you all up, he warned.

Alfred Deakin, prime minister already for a total of 5 years, began to listen to Reid. He listened partly for electoral reasons: his own Liberal Party was being squeezed out by Labor on the left and the Anti-Socialists on the right.

Moreover Deakin was finding Labor less palatable as an ally. He had been a friend of the first Labor leader, the moderate and likeable JC Watson, but Watson's successor, Andrew Fisher of Queensland, was more radical and less personable. Deakin and many of his own colleagues were also perturbed by the discipline imposed by the parliamentary Labor Party - and Labor's federal conference - on its own politicians.

It was a tradition of the British parliament, and imitated by Australia's, that a member had full freedom to say what he thought Labor was beginning to defy this tradition. Its national conference and its federal executive had a tendency to try to dictate to the parliamentary party.

Some of you will remember Sir Robert Menzies in 1963 making political mileage when he pointed to the leaders of the parliamentary Labor Party, standing in the open air in Canberra, and awaiting the verdict of what Menzies called the 36 faceless men of Labor's federal executive. Most of the faceless men were not even members of parliament. In 1909 this whole topic was even more of a stick of gelignite than in 1963.

The Free Parties, in short the non-Labor parties, valued the British parliamentary traditions and the freedom of the individual member. These parties did not even wish their own party organization to be strong, because it might interfere.

So for a variety of reasons the alliance between Deakin and Labor faded away. In November 1908, Labor decided to govern in its own right, relying on support from Deakin and his party. The Labor caucus actually elected the members of the new ministry, and Andrew Fisher allocated the portfolios. It was seen by some as a further blow to parliamentary traditions.

In 1909 the Anti-Socialist party, alias the Free Trade Party, renewed its feelers to Deakin. It said the time had come to merge - to fuse was the word it preferred, a word which has since altered its meaning. George Reid now was ready to step down as his party's leader, and that was a helpful and gracious step. He was soon to live in London as our first High Commissioner.

Would Deakin's Liberal Party agree to merge? His members met, the 17 of them, in parliament house in Melbourne. They agreed, by 11 votes to 6, to fuse with the Anti-Socialists.

To lead the new party Alfred Deakin was the most likely choice. He was the longest-serving prime minister of Australia; he was one of the finest orators in the English-speaking world; and he had initiated, usually with Labor's help, most of the innovations in the early federal parliaments. There was one hidden weakness. The mental ailment which would end his parliamentary career and cut short his life was now visible to a few close observers. Though only 53 years old, he was beginning to lose his memory.

At first Deakin was reluctant to agree to lead the new united party. For eight years he had been the target of frequent attack from the Anti Socialists, and now he was to be their friend and leader. For eight years he had been the friend of Labor, and now these former friends would understandably turn around and denounce him.

Deakin accepted the post as leader of the new Liberal Party in May 1909. The name Liberal is significant: it still saw itself as a reformist party. His party, by virtue of the fusion, became the first since 1901 to hold a majority in the House of Representatives. The era of minority governments was ended. Deakin gave notice to the prime minister Andrew Fisher and his Labor Party that he would no longer give support. On 2 June 1909, Deakin was again the prime minister, and Joseph Cook of NSW was his deputy.

The Liberals had less than a year to make their mark, and then the next federal election would fall due. One decision of Deakin's proved vital for the nation. He placed an overseas order for the first big warship for the Australian navy, the Australia, and she arrived in Sydney just in time at the outbreak of World War I.

Looking back, the first Fusion was really an astonishing birth, for here was the traditional governing party and the traditional opposition party - parties normally at loggerheads during the opening decade of federation - actually merging. What were the voters to make of such a merger?

The election, in April 1910, was a blow for Deakin. His united Liberal Party was defeated decisively. He was lucky to win his seat of Ballarat. Despondently he wrote to his sister: this is "the Waterloo of the Liberal Party". He predicted Labor would be in power for years.

How quickly, in politics, the giant Ferris-wheel halts and reverses. In 1913 the Liberals, now under Joseph Cook because Deakin had retired from parliament, narrowly won. Then Labor won again, just when World War 1 was beginning. But in 1917, Labor experienced the first of the ructions and splits that were to prove disastrous. It split over the question of support for the war effort. As a result the Labor

prime minister, Billy Hughes, and a band of supporters crossed over to the Liberal Party. Within a few years later the Labor Party was so humiliated that it held only one seat in the senate.

In the first 20 years of the Commonwealth parliament, there was one notable loser: the vast scattering of small-scale farmers, the people once called cockatoo farmers. Agriculture employed more people than did manufacturing, but most farmers paid a price for the new federal policies. The shorter working week, the basic wage, the protective tariff, the Sunshine Harvester judgment, the preference accorded to trade unionists, the new regulation of coastal shipping, they all meant nothing to farmers, except higher costs. Australia's farmers - except the sugar growers - received no protection. But they were slow to respond to their plight with effective political action.

In December 1918 a by-election for the Victorian rural seat of Corangamite was held. For the first time in a federal election the new system of preferential voting - a Liberal initiative - was applied. Labor would have won easily under the old method of first past the post, but the Farmers' Union had nominated their candidate, and he won easily on preferences. In 1919 in a by-election for Echuca, the Farmers' Union won again. Then the sitting member for the Grampians decided to join, making a total of three members.

Soon this third party, under the name of the Country Party and later the National Party, covered most of the continent. In February 1923 it formed a coalition with the Liberals - the so-called Bruce-Page government. S M Bruce and Earle Page, between them, had been in parliament for a mere seven years, including only one year with ministerial experience.

This remarkable alliance of Liberals and Country Party was really the second Fusion in federal history, and just as important as the first.

Henceforth it became normal for the Liberals in the federal parliament to form coalitions with the Country Party. During the remainder of the 20th century the Liberals and the Country Party usually worked together effectively. One secret of the remarkable success of Robert G. Menzies was his working relationship with the Country Party, especially with Arthur Fadden and John McEwen. The same was true for Malcolm Fraser and for John Howard.

To return to 1909. That first fusion, which we honour tonight, carried painful lessons and clear messages. Patience was one. A willingness to find a middle way was another lesson. These messages were learned. Perhaps no other political parties in the history of the democratic world have gained so much, for so long, from a series of fusions and coalitions.

I must conclude. Kim Beazley, in an eloquent tribute to the parliamentary Labor Party in the book, *True Believers*, made this tantalising assertion: "All other parties have taken as their fundamental point of identity and unity, such as it has been, the fact that they oppose Labor".

I doubt whether this is true. The leaders of those pioneer parties, Free Trade and Liberal Protectionist, had largely created the Commonwealth. They came with their own clear aims, most of which they still pursued after the two parties merged in 1909. They had failures, as we all do, but their successes stood out. So did their distinctive viewpoint.

They wanted a stronger Australia; they wanted to defend it effectively against threats suddenly arising in a perilous world.

They wanted a more prosperous Australia, with the aid of the vast free-trade zone spanning the continent and Tasmania.

They wanted a nation where the people were encouraged to build their future by their own efforts and skills, but also be protected by a public safety-net - if they failed in their goals. While they believed in individual rights, they also believed in individual responsibilities.

They wished to maintain their British links, for Australia's defences, seafarers, commerce, culture, religions, sports, and legal and political institutions were then tied, loosely or tightly, to those of the British Isles.

They believed ardently in a federated Australia, trusting that it would best serve the diverse peoples, resources and climates of a vast continent. They believed - and they were right - that a federation was essentially more democratic than a centralised or unified political system. A federal system was also more efficient, if regularly oiled and greased. In contrast Labor, federally, showed a growing desire to elbow aside the states and, at times, even to shrivel or extinguish them.

The new Liberals combined the conservative and the radical, believing that their nation had inherited vital traditions from the past, and should usually retain them. They also accepted, much more than did the Labor Party, that the latest discoveries in science and technology could revolutionise the daily lives of the average Australian man, woman and child.

Finally the Liberals were proud to be Australian. They were not blind nationalists; but they hoped that with the help of vision and hard work and straight thinking, this nation might prove to be something distinctive and special. How it would be distinctive they did not exactly know. They were not primarily central planners or utopians. They carried their own torches, their own values, to light the way.