Frank Crean: a long wait for a turbulent tenure

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Frank Crean was effectively shadow treasurer for a decade or more before becoming treasurer. But soon after achieving the post he was facing the most turbulent global economic conditions since the depression as the quadrupling of oil prices saw the emergence of stagflation in almost all advanced economies. Crean was a decent man and technically competent but not politically strong enough for the challenge.

1 The author formerly worked in the Domestic Economy Division, the Australian Treasury. This article has benefited from comments and suggestions provided by Selwyn Cornish, Simon Crean, Alex Millmow and John Wanna. The views in this article are those of the author and not necessarily those of the Australian Treasury.

2 Wolfgang Sievers, 1974, Portrait of Frank Crean, Minister for Trade, National Library of Australia, pic-vm464153.
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Introduction

Frank Crean was an ‘amiable, tolerant man of calm temperament’. His hobbies were gardening and reading. He had some old-fashioned habits, wearing a hat, often staying in the Hotel Kurrajong used by Ben Chifley and sometimes travelling by car between Canberra and Melbourne. Nicknamed ‘the woodpecker’ for his habit of nodding his head to make a point, Crean possessed ‘no tricks of oratory’, being an ‘almost monotonous’ but sincere speaker.

Crean was admired for his ‘real depth of economic and financial knowledge’. He saw himself as the ‘best qualified’ Australian treasurer. He was ‘the one who diligently read the technical material’ and so ‘always knew what he was talking about’. But most saw him as ‘temperamentally unsuited for the role of treasurer in an

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4 Whittington (1964, p 108). His reputation as a wine connoisseur was exaggerated: ‘I was never a teetotaller … but I am not a bon viveur’; Crean (1983, p 19:2).

5 This sometimes annoyed Whitlam. Once when he needed to speak to Crean urgently and was told how long ago he’d left Canberra, Whitlam exclaimed ‘the bastard’s in Benalla’ and arranged for the local police to intercept him; Chalmers (2011, p 178).

6 Whittington (1964, pp 107-8). Journalists described him as having a ‘plodding, soporific manner’; Sydney Morning Herald, 17 December 1975, p 8, and being ‘not a forceful, dramatic speaker’; Barnes (1971).

7 Kevin Rudd, Hansard, 4 December 2008, p 12358. ‘His qualifications and special interests are in economics and ... he keeps abreast of the latest books and journals’ (The Australian, 6 February 1967). Crean cited as intellectual influences Fabian writer Tawney’s The Acquisitive Society and Veblen’s The Vested Interests; S. Crean (1998, p 55) and Crean (1993, chapter 3). The Argus, 5 February 1951, referred to him as ‘a brilliant scholar’. Whitlam called him ‘one of the great educators in the Labor Party, referring to his role as an economic teacher; Crean (1994a). Barnes (1971) called him ‘the economic brain’.

8 The Australian, 3 December 2008, p 11. Millmow (2011) agreed Crean was ‘technically well qualified’. His colleague Clyde Cameron ranked him ‘the best qualified treasurer and the best treasurer this country has seen over the past generation’; Hansard, 8 November 1977. The Australian Financial Review editorial of 14 August 1974 referred to him as ‘probably the best treasurer Australia has had for quite a few years’.

9 The Age, 3 December 2008, p 11. As shadow treasurer ‘it was the detail that delighted him, not the concept’, according to then treasurer Billy Snedden (1976).

inexperienced government with ambitious spending plans’. 11 He ‘lacked the drive, the ambition, the fire and the personality’ to be a successful leader. 12

Crean noted on one day three newspapers labelled him as respectively right wing, moderate and left wing. 13 His own description of his beliefs was ‘a little more day to day or prosaic’. 14 He described taxation as the means by which we ‘buy civilisation’. 15 He said he had an ‘evolutionary rather than revolutionary approach to politics’. 16

Crean’s life before politics

Francis Daniel Crean was born in Hamilton, in western Victoria, on 28 February 1916. His father John had been a miner and sold, made and raced bicycles and his mother Alison had been a teacher. Francis was the third of their five children. He recalled his early years as ‘uneventful and happy enough’ 17 as he attended the local schools (being dux of Hamilton High in 1932) before moving to board with some aunts in Melbourne to complete his secondary education, topping the state in accounting. In his early teens he was in bed for almost a year with rheumatic fever and he read a lot, including literature provided by an activist neighbour which fuelled his interest in politics. 18 Soon after recovering in 1929 he attended a speech by ALP leader Jim Scullin. 18

He worked for the Victorian government’s taxation department and studied accounting, commerce, economics and public administration part-time, acquiring both a BA and a BComm from the University of Melbourne, as well as accounting qualifications and a diploma in public administration. 19 Crean was the founding

16 Crean (1993c).
17 Crean (1993a, p 15 and 1993c, chapter 1).
18 Crean (1993c, chapter 1). In later life, as a Labor treasurer facing global economic difficulties and a hostile Senate, he may have identified with the luckless Scullin.
19 At the Federal Institute of Accountants examinations in 1935 Crean placed second in Australia. He admired one of his history tutors: Manning Clark, Hansard, 23 September 1976, p 1444.
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chairman, and served for many years as Victorian president, of the Fabian Society and the Council of Adult Education.

Parliament

Crean was elected member for Albert Park in the Victorian parliament in 1945, after taking advice to change his name from Francis to Frank to avoid losing votes due to anti-Catholic prejudices. In 1946 he married Mary Findlay and they lived modestly in inner Melbourne, never buying a car. He lost his seat in 1947 when the dominant issue was federal Labor’s plans for bank nationalisation. After two years working as a private tax consultant and part-time university tutor, he returned to the Victorian parliament in 1949 as member for Prahan.

Crean switched to the federal seat of Melbourne Ports in 1951. His first speech was on a supply bill, where he cited the national accounts and emphasised the importance of how ‘total productivity is shared among the various sections of the community’. He was appointed to a re-established Public Accounts Committee around 1954.

After the death of Chifley, Crean gradually became the Labor Party’s principle spokesperson on economics. From the mid-1950’s he chaired the caucus economics committee. Crean was on the Labor Party’s parliamentary executive from 1956 and referred to as ‘shadow treasurer’ by treasurer Holt as early as 1963. Crean wrote regular articles for the *Australian Financial Review*.

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20 Crean (1993a, p 17; 1993c).
21 *Hansard*, 26 June 1951.
22 Jim Cairns was the only other Labor member with significant economics training, but was more of an economic historian; Whittington (1964, p 107). Edwards (1974c, p 24) reports Crean claiming to have been Labor’s economics spokesman for 20 years and Courvisanos and Millmow (2006, p 115) agree. As deputy leader, however, Calwell would have been expected to have been treasurer in an Evatt government; Crean (1983, p 4:4). Crean had been tipped as a future treasurer as early as 1951 when he was compared to Chifley for ‘his ability for economics and his modest manner’; *Australian Post*, 26 April 1951. By one account he was brought into federal parliament to provide Labor with some economic expertise; Barnes (1971). Bury said ‘for almost a generation he had been shadow treasurer’; *Hansard*, 11 September 1973, p 781. Paul Keating, interviewed in Henderson (1990, p 175), notes Crean was one of the few Labor MPs interested in economics and he ‘used to do his number at the table on the economic bills as they came through’. Crean spent a lot of his own money on economics books and journals; Crean (1994a). This reading showed in his parliamentary speeches.
24 *Hansard*, 29 August 1963, p 696. Labor did not have a formal shadow cabinet until Whitlam became leader in 1967. Whitlam (1985, p 212) describes Crean as ‘vaguely accepted’ as shadow treasurer under Calwell, and says he ‘had long been accepted as the most knowledgeable member of the Federal Parliamentary Labor Party on fiscal matters’ (p 81).
Crean was regarded as a potential candidate for deputy leader in 1960 but decided not to stand. He contested the leadership in 1967, and after Kim Beazley and Fred Daly had been eliminated, the votes were Gough Whitlam 39, Jim Cairns 15 and Frank Crean 14. He was then beaten by Lance Barnard for the deputy leadership. Crean believed Labor could have won in 1969 with him as deputy as he ‘could have presented far better cases on the economy’.25

Crean looked back on the 1960s as ‘lost years … the illusion of apparent prosperity but a real failure to grapple with the problems that are now glibly described as structural’.26

Shortly before becoming treasurer, Crean had described the tax system as ‘a hotch-potch of concessions, exemptions, qualifications and subsidies’.27 In particular he criticised the ‘inequitable’ deductions for children in the tax system as benefiting rich parents more than poor parents and advocated examination of a capital gains tax.28 At the time, however, Crean supported Whitlam’s view that the 1972 policy speech should include a promise not to increase taxation rates and this made it harder to reform the tax system.29 On company tax, he remarked ‘there is possibly a case for taxing smaller companies at a somewhat lower rate or you could not impose the present maximum rate until the profits get to a certain point’.30 Crean was unenthusiastic about removing the means test on pensions and thought if it was done then the pension should be treated as taxable income.31

Whitlam promised in the 1972 election campaign to aim for 6-7 per cent economic growth. Crean believed ‘economic stagnation’ was an important reason for the victory.

26 Crean (1993b, p 21).
27 Crean (1972, p 73), repeated in Crean (1993c, chapter 12).
28 Byrt and Crean (1972, pp 44-45); McQueen (1972, p 9).
29 Bob Hawke and Clyde Cameron unsuccessfully argued against it but the majority of the federal executive supported Whitlam; Freudenberg (2009, p 232) and Whitlam (1985, p 197). The policy speech included the statement that ‘the huge and automatic increase in Commonwealth revenue ensures that that rates of taxation need not be increased at any level to implement a Labor Government’s program’. Crean (1993c, chapter 12) later called it ‘a foolish promise’.
30 National Times, 11 December 1972, p 44.
31 Crean (1993c).
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Treasurer

Early days

Whitlam was his own treasurer during the ‘duumvirate’ he formed with Deputy Prime Minister Lance Barnard from 5 to 19 December 1972, while the final election results were awaited. But Crean was a ‘sort of pro-tem treasurer’ and talked with Treasury during this period, before formally being appointed to the role. Whitlam reputedly considered appointing Bill Hayden as treasurer but did not have the heart to deny Crean after his long service as shadow treasurer. Crean recalled of his appointment by Whitlam; ‘I think he knew I had talents he did not have and needed’. During the duumvirate Whitlam regarded Crean as the third most important man in the government but once the caucus had elected the ministry Crean ranked behind Cairns and Bill Hayden in cabinet seniority. Some early press commentary referred to Crean as playing a role for Whitlam comparable to that played by Chifley for Curtin.

The Christmas Eve 1972 revaluation of the dollar was a decision taken just by Whitlam, Barnard, Crean and Cairns, on Treasury and Reserve Bank advice. Also announced at this time was a ‘variable deposit requirement’, initially set to require 25 per cent of overseas borrowings with maturity of over two years to be deposited interest-free with

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32 Whitlam later quipped it was his best ministry he ever led but twice as large as it need have been. Crean mildly rebuked Whitlam’s priorities ‘the wine tax and the contraceptive tax, which seem to me to be two rather curious things to be urgent about’; interview in National Times, 11 December 1972, p 44.
33 Crean (1993b, p 22; 1993c). The press quoted him as assuming he would soon be treasurer.
34 Whitlam (1985, pp 212-3), Oakes (2004, p 302). Whitlam also realised that establishing Medibank was an important and challenging role for which Hayden was the best suited.
35 The Australian, 21 January 2006, p 5. Crean recalled ‘I was the only bloke who knew the realities of what the Treasury was about’; interview July 1998 cited in Martin (1999, p 49). Whitlam had little interest in economics and left economic matters to the ministers with economics training; Crean, Cairns and Hayden; Oakes and Solomon (1974, p 137). Whitlam (1985, p 184) himself said ‘it is fair comment that my own preoccupations and predilections lay beyond the narrower field of economic theory’, but argued that had been true of all prime ministers.
36 Hocking (2012, pp 14-15) says Whitlam instructed the governor-general that if anything happened to him and Barnard, Crean should be commissioned to form a government. Crean and Barnard were the Whitlams’ first guests at the Lodge.
37 Cairns had outpolled him in the caucus ballot for the ministry while Hayden won the same number of votes but then won a coin toss’.
39 Crean (1993c). As Gruen (2011, p 5) notes, the Government ‘aware of its unpopularity, timed its announcement for the Saturday two days before Christmas, confident that most people had other things on their minds at that time’.

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do the Reserve Bank, It was lifted to 33.3 per cent in October 1973 before being wound down between June and November 1974.

As early as January 1973, Crean called for a pause for stocktaking and in February was warning of conflicts between the new government’s spending plans and economic management objectives. During his time in cabinet he was at the forefront of urging restraint where it was needed. Crean recalled I had 23 ministers who each reckoned he could spend as much as the total budget was.

Whitlam chose former Reserve Bank governor ‘Nugget’ Coombs to head a task force to find areas of government spending and tax concessions that could be cut to make room for Labor’s priorities. This proved harder than expected. The main changes to result were eliminating an investment allowance and some other business tax concessions and abolition of the phosphate fertilizer subsidy.

Relations with Treasury

Crean believed departmental experts should be on tap, not on top. Coming into the job, Crean had been always very highly impressed by the calibre both of Treasury staff and the Reserve Bank. He expressed sympathy for Treasury as everybody’s favourite whipping boy. He observed Treasury had pretty good relations with industry when I came in and that was useful to me, especially as Crean’s own links with business and banking circles was limited.

40 Then Treasury deputy secretary John Stone (2012, p 14) claims it was introduced primarily on his advice.
41 Kelly (2004, p 4).
42 Simon Crean, Hansard, 4 December 2008, p 12587.
43 The Australian, 3 December 2008, p 11. Crean (1993c, chapter 14) described the cabinet as ‘too large and too democratic’.
44 As Fred Gruen (1977, p 19) reflected however, unreasonable a [tax] concession has been made by government, once it is made it will be taken to be just and necessary. Its subsequent removal will arouse bitter opposition … .
45 It was a line he believed was first coined by Professor Harold Laski; Crean (1993c).
46 Crean (1983, p 7:10). McGuiness (1972, p 45) characterised the incoming treasurer’s attitude to Treasury as ‘friendly, cooperative and sceptical. And this indeed should be exactly what characterises the Treasury’s attitude to a new treasurer’.
47 Crean (1993c, chapter 14).
48 Crean (1994b).
49 Snedden and Schedvin (1990, p 159) describe Crean’s contacts with business as ‘minimal’.
Initially, Whitlam shared Crean’s ‘high regard for the capacity and integrity of Sir Fred Wheeler’.50 But by 1974 Whitlam wanted to replace Wheeler with John Menadue, who declined, or Lenox Hewitt whom Crean rejected. Whitlam dropped the idea, deciding it would damage the Government’s already poor relations with Treasury.51

Crean believed budget day was overemphasised, referring to it as ‘one day of daily devotions that makes the economy holy for the rest of the year’.52

Crean once said ‘however, nice it is to try and identify the budget with the individual name of the treasurer bringing it before parliament it is — in fact must be — the collective responsibility of the whole cabinet, but it took the Labor Government three budgets to properly realise this’.53

Crean aspired to publish Treasury forecasts and also supported the Melbourne Institute producing independent forecasts.54 ‘The Whitlam era marked the end of the Treasury’s unrivalled dominance of economic advice’, with rival sources of advice established in the Department of Prime Minister and Cabinet and the Department of Urban and Regional Development and Nugget Coombs and academics such as Fred Gruen, Eric Russell and Geoff Harcourt also influential.55 Treasury opposed equal pay, increases in the minimum wage and then wage indexation but in all cases lost out to labour minister Clyde Cameron.56 Whitlam and Cairns successfully put forward to the Labor Party’s national conference a proposal to establish a Department of Economic Planning as a rival to Treasury but this was not enacted.57

Crean as treasurer gradually became estranged from his department. By mid-1974 he ‘failed to argue strongly or effectively for his department’s views’.58 Later he was reputedly dissociating himself from their views, claiming that papers brought before cabinet were the department’s views not his own.59 For its part ‘Treasury had more or

50 Crean (1983, p 7:13). Whitlam’s later contretemps with Wheeler, which almost led to Wheeler being charged with improper conduct, are described in the next essay in this series. Looking back much later Whitlam (1985, p 184) himself said ‘I believed that the Australian Treasury could be relied on for loyal, disinterested and frank expert advice. I shared that mistake with my immediate predecessor and my immediate successor’.
52 Interviewed in the National Times, 11 December 1972, p 44. He made similar remarks in Hansard, 25 August 1976, pp 559-560.
53 Crean (1993c, chapter 14).
57 Hocking (2012, p 199).
58 Freudenberg (2009, p 309); Whitlam (1985, p 210); Edwards 91975, p 5).
less tolerated Crean’.60 ‘Treasury weakened its own influence with the Labor Government not because its advice was often unpalatable but because it was always monolithic’.61 By the time of the 1974 budget Treasury was regarded as sulking, preparing only a perfunctory draft of the budget speech and not helping explain it to the press.62

The challenge of inflation in 1973

A conflict with the social programmes of the Whitlam Government arose from the rising inflation rate. The Reserve Bank was describing inflation as the ‘most conspicuous problem’ and made an unusually public call for a tight budget.63 Crean identified inflation as the ‘major economic problem’64 and a cause of inequality.65 The proposition that ‘inflation of prices and costs can be cured by creating a pool of unemployed’, however, he viewed as unacceptable as ‘the cure would be worse than the disease’.66 He argued instead that ‘policies to contain inflation must be broad and multi-pronged’.67

Among these anti-inflationary measures was the establishment of the Prices Justification Tribunal, which Crean saw as ‘improving the functioning of the market’ rather than replacing the market with controls.68 Companies with revenue of over $20 million a year were required to notify the Tribunal of price rises and the Tribunal could launch an inquiry to form a view on whether the rise was justified. The OECD judged that the PJT ‘had met so far with somewhat greater success than might have been expected a priori’.69 The PJT was complemented by a Parliamentary Joint Committee on Prices.

Labor’s economic policy aimed at lifting productivity by utilising science and lifting research and development and ‘transferring resources to those areas where productivity is high and rising’.70 One means of achieving the latter was the 25 per cent

60 Freundenberg (2009, p 169), who notes by contrast that Treasury despised his successor Cairns.
63 Reserve Bank of Australia (1973, p 4).
64 Hansard, 31 August 1973, p 32.
65 Crean (1974, p 7).
66 The highest acceptable unemployment rate in 1974 was generally regarded as around 2 per cent; Crean (1983, p 10:13).
67 Hansard, 9 May 1973, p 1888. He elaborated in Hansard, 31 August 1973, p 33. The Reserve Bank (1973, p 4) agreed, commenting ‘it would not be prudent and probably not sufficient to rely only on monetary policy to achieve the desired restraint’.
70 Beresford (1975, p 66).
across the board tariff cut in July 1973. This was recommended by a committee of experts including Tariff Board chair Alf Rattigan and Professor Fred Gruen, but Treasury opposed the idea.\textsuperscript{71} Quiggin regards the Whitlam Government as starting economic rationalism in Australia, albeit in a much more progressive form than it subsequently took, building on the Keynesianism of the Chifley Government.\textsuperscript{72} Whitlam had long supported cutting tariffs which he regarded as a hidden cost to consumers, an encouragement to industrial inefficiency and hurting workers in developing countries.\textsuperscript{73} As well as a long-term reform it was equally seen as a short-term anti-inflationary measure, cutting the price of imports and allowing increased demand to be met through higher imports.\textsuperscript{74}

Cabinet agreed in early 1973 to a Treasury study on the reintroduction of land tax but nothing eventuated.\textsuperscript{75}

The 7 per cent appreciation in December 1972 was followed by further appreciations, in February 1973 and September 1973\textsuperscript{76} and monetary conditions tightened a number of times during 1973. In December 1973 there were referenda to give the government power over prices and incomes.\textsuperscript{77} Both were decisively rejected.\textsuperscript{78}

In October 1973, Cabinet asked Bill Hayden as acting treasurer to commission a paper from Treasury on responses to rising inflation. This was an early sign that Whitlam was losing confidence in Crean as treasurer and made Crean (unjustifiably) suspicious that Hayden was angling for his job. The paper’s call for expenditure restraint was rejected.\textsuperscript{79}

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\textsuperscript{71} Kelly (2004, p 4); Crean (1993c). Stone (2003, 2012) rejects the view that Treasury had been opposed to the cut.  \\
\textsuperscript{72} Quiggin (2012, pp 210-211) said ‘Whitlam’s view of a modern social democracy was one in which governments would abandon piecemeal intervention in markets through tariffs, quotas, subsidies and arbitrary regulation, and would instead work more systematically through progressive tax and welfare systems, free health and education, and efficiently run government enterprises.’ Megalogenis (2012, pp 33-35) viewed the decision as the start of deregulation.  \\
\textsuperscript{73} Leigh (2002, p 493).  \\
\textsuperscript{74} Whitlam (1985, p 192).  \\
\textsuperscript{75} Cameron and Connell (1990, p 215).  \\
\textsuperscript{76} All calculations refer to trade-weighted exchange rates.  \\
\textsuperscript{77} The wages question was the price for DLP support for the prices referendum; Oakes and Solomon (1974, p 156); Edwards (1974, p 28).  \\
\textsuperscript{78} The prices referendum was only supported by 44 per cent of voters and the incomes referendum by 34 per cent, neither having majority support in any state.  \\
\textsuperscript{79} Kelly (2004, p 4); Megalogenis (2012, p 37).
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The 1973 budget

Crean said of his 1973 budget that it ‘incorporates far more decisions than any previous budget’ and aimed ‘to reconcile the Government’s determination to carry out the whole of its program with wise management of the economy’. He prompted opposition interjections by proclaiming ‘the whole thesis of the Government’s policies requires that there be some increase in the share of resources going to the public sector’. As examples of why this was necessary, Australia is ‘much better at selling cars than providing decent public transport services; much better at building houses than providing sewage services for them’.

The budget included cuts to tax concessions for mining and ‘Pitt Street’ farmers and investment allowances. A uniform company tax rate and quarterly instalments were introduced. Duty free allowances were reduced and taxes increased on fuel and tobacco. Crean introduced a new functional classification of outlays, gave more attention to the development and presentation of forward estimates and announced a more ambitious system of programme budgeting. Crean described education as ‘a top priority’, with the government assuming full financial responsibility for tertiary education from January 1974.

To left wing critics the budget was ‘a cold and dessicated exercise in economic planning, rather than a program to transform society’.

Crean budgeted for a larger increase in revenue than in outlays and delivered a budget surplus but mainly due to inflation boosting tax revenues (known as ‘fiscal drag’). Accordingly, ‘the extent to which the fiscal actions of the Whitlam Government stimulated the economy during 1973-74 has been a source of considerable debate’. But they did not exercise the degree of restraint that many economists believed was required given the growth in demand and the rising inflation.

Treasury was upbeat in its August 1973 review of the economy, describing it as ‘growing very strongly’ and forecasting 1973-74 to be ‘a year of above average growth’.

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80 Hansard, 21 August 1973, p 32.
81 Hansard, 21 August 1973, p 33. This was reiterated in the next year’s budget speech; Hansard, 17 September 1974, p 1276.
82 Hansard, 21 August 1973, p 33.
84 Hansard, 21 August 1973, p 34.
85 Catley and McFarlane (1974, p 17).
86 Whitwell (1986, p 208).
87 Treasury (1973, pp 7 and 36).
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Crean inexplicably refused to go on television to promote the first Labor budget of the television era.88

Other economic issues

Crean acknowledged that foreign investment ‘has brought with it new technology, skills and managerial know-how’ and without it Australia ‘would have been a less prosperous nation’ but while ‘foreign capital can be a valuable servant, it is certainly a bad master’ and he was particularly concerned about takeovers of real estate, mines and monopolies and purchases of assets at temporarily depressed prices.89

Among measures blocked by the Senate were the Overseas Trading Corporation, the Australian Government Insurance Corporation, Petroleum and Minerals Authority and the National Investment Fund which aimed to increase the share of Australian ownership of industry. The frustration this caused was one impetus for investigating foreign loans to ‘buy back the farm’, later to result in the ‘loans affair’.

Crean regarded economic growth as a goal but not population growth, and placed importance on equality and improving the standard of public services on which the poor relied.90

In August 1973 Crean appointed Bob Hawke to the board of the Reserve Bank. In late 1973 Crean accompanied Whitlam on the first visit of an Australian prime minister to China.

Economic challenges of 1974

The outbreak of the Arab-Israeli war in October 1973 was followed by the OPEC oil embargo and the global price of oil quadrupled.91 This led to a spike in inflation around the world. Wages had accelerated under the previous government and this continued over the course of 1973 and 1974, partly due to the Government’s push for equal pay but also due to the temporary fall in unemployment. To some extent the government was using the public services as a wages ‘pacesetter’.92 The trade union

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88 Oakes (1977, p 245). Crean did not see himself as a marketer; ‘as far as the press was concerned I never refused to see anyone but I did not believe it was right for them or for me that I should seek them out’; Crean (1993c, chapter 14).
89 Crean (1973, p 809); Johnson (1989, p 61).
91 Macfarlane (2006, p 30) argues that ongoing inflation had eroded the real price of oil and a ‘catch-up’ was unavoidable.
92 Fred Gruen (1977, p 23) argues the influence of this was overstated.
movement pushed hard for wage increases under its leader Bob Hawke with little apparent regard for the problems it was causing the Labor Government.93

Treasury was puzzled by the way that increasing job vacancies were not being matched by a corresponding fall in unemployment. Some argued that rising unemployment benefits, and in particular the abolition in March 1973 of the lower rate for those unemployed aged under 21, were a significant factor, while others argued for the importance of reduced immigration or high real wages.94

In May 1974 there was an early election. Whitlam was not sorry as Treasury was warning unemployment and inflation were certain to increase.95

The 1974 economic statement

Cairns successfully challenged Barnard for the deputy prime minister’s job after the election, telling journalists ‘I felt we needed an increase in the role of an economic thinker, an economic worker, in the councils of the party’.96 The deputy prime minister was traditionally allowed to choose his portfolio but Cairns did not seek the treasurer’s job, partly because he did not want the associated administrative burden and partly because of his liking for Crean.97

In the campaign for the May 1974 election, under pressure on the issue of inflation, Whitlam had promised to budget for a domestic surplus. Once the Government had been narrowly returned, Whitlam brought Crean (along with Barnard, Cairns and Hayden) to a meeting with senior economic advisers to plan for the budget. Treasury, the Reserve Bank and Whitlam’s economic advisers Coombs and Gruen all argued for a hard line against inflation, with cuts to government spending and tax rises. This ‘short, sharp shock’ strategy was taken to a full cabinet meeting where Whitlam was initially supportive but Crean was quiet, and the cabinet would not agree to it.98

93 After Hawke had become prime minister himself, ‘Crean himself wistfully commented that he wished Hawke had given him as much assistance in negotiating a prices and incomes accord as his son [Simon Crean, then ACTU president] had given Hawke’; Whitlam (1985, p 203).
94 Whitwell (1986, p 210).
97 Oakes and Solomon (1974, pp 527 and 528).
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Crean had planned to make a major economic statement in July 1974 but with cabinet not agreeing to major measures, it became little more than a concession that ‘the Government’s hopes that the rate of price increase was slackening have proved illusory’ and an announcement of an increase in the age pension. Crean’s rhetoric about the need to fight inflation seemed unmatched by action, further damaging his credibility.

By 1974 the Reserve Bank was publicly warning that the acceleration of global prices was offsetting the impact of the stronger dollar and the tariff cut. Monetary policy appeared ineffective; ‘there was still no clear evidence that the ... most protracted liquidity squeeze in Australia’s post-war history had made any identifiable impact on the wage-price spiral’. Inflationary expectations appeared entrenched. The Financial Corporations Act of 1974 would have given power to control non-bank financial intermediaries but its major provisions have never been proclaimed.

Whitlam regarded the credit squeeze as his government’s greatest mistake; it was ‘begun too late; it was too severe; it lasted too long’.

The unemployment rate was rising, reflecting the turning of the inventory cycle, tighter monetary policy and the squeeze on profits from increased imports and the constraint on prices from the Prices Justification Tribunal.

The 1974 budget and the decline in Crean’s influence

Crean called the 1974 budget the ‘budget of too many hands’. Cairns presented a paper on the budget to the caucus economics committee, drawing on input from a range of economists. It was said that ‘Cairns and other ministers were being forced to go to outside experts because the Treasury, stubbornly intransigent, flatly refused to present the government with alternative options to its “horror budget” recommendations. The Cairns paper rejected Treasury’s proposals to deal with inflation but did not offer a convincing alternative, beyond calling for wage restraint

100 Andrew Peacock interjected ‘I think your speechwriter is setting you up’; *Hansard*, 23 July 1974, p 508. See also Schedvin (1992, pp 510-511). Crean narrowly avoided a greater humiliation; caucus rejected by 40-35 a motion that would have further watered down the package after it had already been distributed to the press gallery; Kelly (2001, p 114).
102 Schedvin (1992, p 508).
103 Whitlam (1985, p 204).
104 Gruen (1977, pp 24-25).
106 Oakes and Solomon (1974, p 541). Treasury’s influence was weakened when a document they presented to cabinet appeared to have an incorrect number for the budget deficit; Hocking (2012, p 167).
and suggesting a penalty tax on excessive wage increases; but it was received more favourably than was the Treasury advice, which even Crean failed to advocate.\(^{107}\) Whitlam failed to ‘step in to take the side of the treasurer’ against the spending ministers.\(^{108}\) The underlying problem was that ‘1972 to 1975 was possibly the worst period in the last 25 years for the introduction of those reforms’ the Labor Party had been waiting almost 25 years to introduce.\(^{109}\) In this way the construction of the budget slipped out of Crean’s hands and came more to reflect Cairns’ approach.

Edwards (1974b, p 33) says Wheeler and Stone told cabinet 100,000 workers would need to lose their jobs in order to get inflation under control. Tight monetary policy was criticised by Lionel Bowen (1990, p 9:24) as a ‘fatal decision’ but ‘not a cabinet decision’.

Crean noted in his budget speech that ‘we share with all our major trading partners problems of economic management unparalleled in modern times’.\(^{110}\) Government spending rose by almost 20 per cent in real terms in 1974-75. At the time the resultant increase in federal government spending from 18½ per cent of GDP in 1971-72 to approaching 22 per cent shocked many, although the proportion has never been lower since.\(^{111}\)

There were further cuts in tax concessions for mining. Television licence fees were abolished. A 10 per cent surcharge was introduced on property income on the principle that ‘unearned income’ should be taxed more than ‘income from personal exertion’.\(^{112}\) A capital gains tax other than on a principle residence was foreshadowed,\(^{113}\) but to Crean’s disappointment it was blocked by the party conference.\(^{114}\)

Crean worried that the 1974 budget would ‘give us the worst of all worlds’ with both rising inflation and unemployment, but did not resign.\(^{115}\)

An ad-hoc committee, chaired by ‘Nugget’ Coombs and including treasury secretary Sir Frederick Wheeler, Fred Gruen, Sir Edward Cain, Brian Brogan and Trevor

110 *Hansard*, 17 September 1974, p 1275.
111 Data from Treasury (2012, p 350).
112 *Hansard*, 17 September 1974, p 1278. Crean (1993c, chapter 15) described this as ‘politically stupid and often economically unfair’.
113 *Hansard*, 17 September 1974, p 1289.
Swan, was given three days to examine the exclusion of wage increases above an established norm as deductible expense for company tax, and found that while there would be administrative and other difficulties it was not impossible. Crean referred to the idea in his budget speech, but ultimately the idea was dropped.

In late 1974 the Mathews Committee was appointed to examine the effects of inflation on the tax system.

In September 1974 the Government announced a 12 per cent devaluation, against the advice of Treasury, and moved from the Australian dollar being tied to the US dollar to it being determined daily against a trade-weighted index.

**November 1974 mini-budget**

The November 1974 mini budget was devised by the Department of Prime Minister and Cabinet, and delivered by Whitlam, who described it as providing ‘further fiscal stimulus’, with cuts to income and company tax and a relaxation of monetary policy. The Government would support wage indexation but wanted the Arbitration Commission to regard the income tax cuts as a substitute for a quarter’s indexation. The Prices Justification Tribunal would be asked to ‘now give particular attention to the problem of sustaining and stimulating an adequate level of private investment and of maintaining rates of return on capital which will induce the new investment required to maintain economic growth and employment’. He also announced there would be an inquiry into the interaction between inflation and taxation.

Whitlam commented ‘employees can price themselves out of the market as effectively as business can. As the Treasurer said recently, in current circumstances “one man’s larger pay packet can mean another man’s job”.

**Crean’s departure from Treasury**

Whitlam’s failure to support Crean on a number of occasions reduced the influence of both treasurer and Treasury. By late 1974 Crean was ‘depressed and...
disheartened’. Hasluck had included Crean in a list of possible successors as governor-general in July 1974 but Crean (and Barnard) demurred and Whitlam made one of his worst decisions in appointing John Kerr. Crean later asked Whitlam for the chairmanship of the Commonwealth Bank. Whitlam was initially sympathetic to the idea, which he saw as also allowing Bob Hawke to enter parliament, but Hawke rejected the approach believing he would not win the by-election and the idea lapsed. Instead Whitlam replaced Crean as treasurer with Jim Cairns in December 1974, a decision Crean warned him he would regret.

Subsequent career

Crean served as minister for overseas trade from December 1974 to November 1975. He was also deputy prime minister from June to November 1975, after the resignation of Cairns. He unsuccessfully opposed the Government's involvement in the 'loans affair'. He supported Bill Hayden in framing his budget. He was acting treasurer in September 1975.

Crean ran unsuccessfully for the leadership after the 1975 election. He retired from parliament at the 1977 election, but remained active in his local ALP branch. In 1975 his wife Mary was an unsuccessful candidate for South Melbourne council.

His son, Simon Crean, was president of the ACTU, has been shadow treasurer and leader of the opposition and held a number of cabinet posts. Like his father he served over two decades on Labor’s frontbench, but unlike his father for about half of the time

123 Freudenberg (2009, p 311). Whitlam (1985, p 210) makes similar comments. By November 1974 there were stories in the press that Crean would be replaced and rumours he could be appointed governor of the Reserve Bank and in a bitter speech Crean said ‘we already have too many headless chooks’ and ‘I do not believe that the answer to present difficulties lies in throwing the Government’s policies completely into reverse’, The Age, 2 November 1974, p 1.


125 Whitlam (1985, p 211). This was an unusual lack of self-confidence on Hawke’s part given the seat of Melbourne Ports was held by a margin of 15 per cent.

126 Crean said ‘you will be sorry you made Jimmy treasurer’; Hocking (2012, p 169). Mark Latham has suggested Cairns having a doctorate in economic history was a factor in Whitlam appointing him treasurer; interview July 1998, cited in Martin (1999, p 49).

127 Crean warned Whitlam when he was replaced as treasurer, ‘for goodness sake don’t have anything to do with this loan business’; Crean (1993c, chapter 16) and McMullin (1991, p 356). As will be described in more detail in the subsequent essay in this series, the ‘loans affair’ was a plan to raise finance through unorthodox channels for public participation in the development of natural resources. As Whitlam made clear, however, ‘none of the moneys could have been spent except in accordance with parliamentary appropriations’; Hansard, 9 July 1975, p 3597. Crean (1993c, chapter 16) said ‘it was certainly not corruption … but was supreme folly’.

128 Crean (1993c, chapter 14).

129 The vote was Whitlam 36, Bowen 14 and Crean 13.
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he has been in government — and was one of Labor’s longest-serving ministers. His proud father helped prepare material for his speeches. Another son, David, became Tasmanian state treasurer. His third son Stephen was a public servant and active in the union movement before dying in the snowfields.

Frank Crean, aged 92, was one of the oldest former members of the House of Representatives by the time he passed away on 2 December 2008.

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