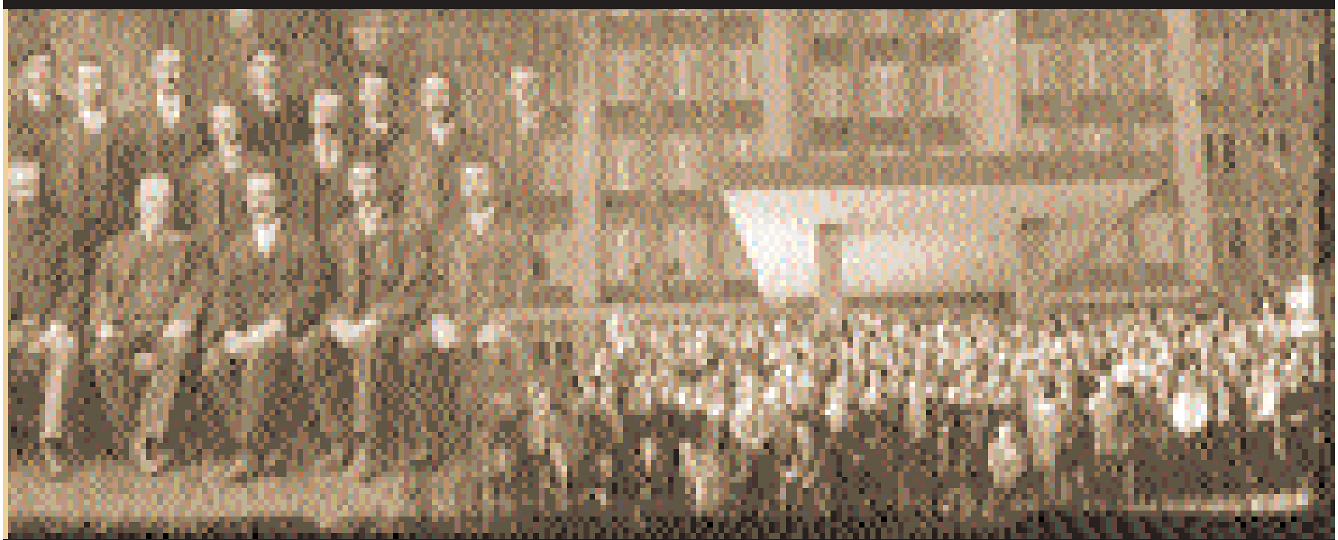
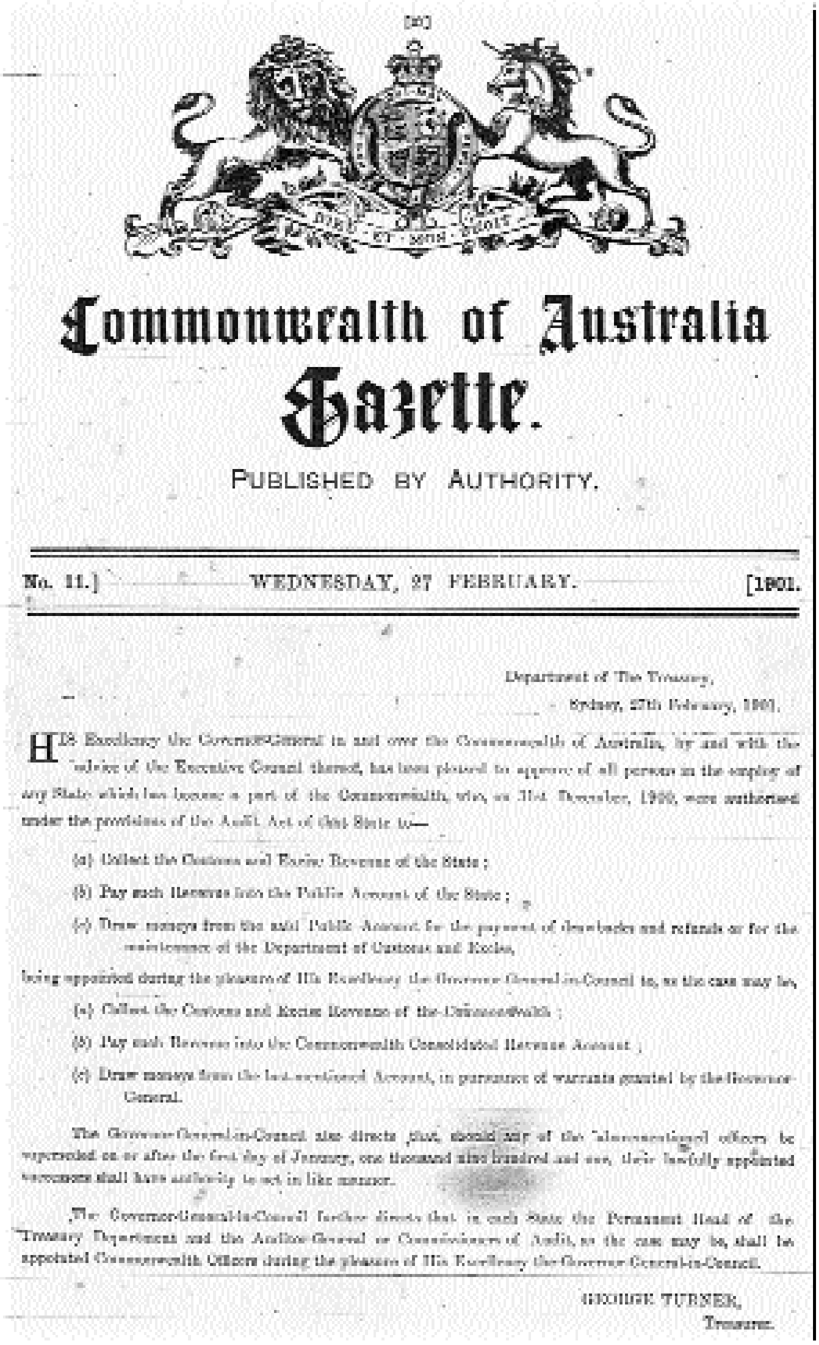
Part 3
CENTENARY HIGHLIGHTS

To celebrate its first hundred years, in April 2001 Treasury published The Centenary of Treasury 1901–2001, an informal history. The following extracts provide a glimpse at that history and at some key people and events.





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Commonwealth of Australia Gazette.

PUBLISHED BY AUTHORITY.

No. 11.] WEDNESDAY, 27 FEBRUARY. [1901.

Department of The Treasury,
Sydney, 27th February, 1901.

HIS Excellency the Governor-General in and over the Commonwealth of Australia, by and with the advice of the Executive Council thereof, has been pleased to approve of all persons in the employ of any State which has become a part of the Commonwealth, who, on 31st December, 1900, were authorised under the provisions of the Audit Act of that State to—

(a) Collect the Customs and Excise Revenue of the State;

(b) Pay such Revenue into the Public Account of the State;

(c) Draw moneys from the said Public Account for the payment of drawbacks and refunds or for the maintenance of the Department of Customs and Excise,

being appointed during the pleasure of His Excellency the Governor-General-in-Council to, as the case may be,

(a) Collect the Customs and Excise Revenue of the Commonwealth;

(b) Pay such Revenue into the Commonwealth Consolidated Revenue Account;

(c) Draw moneys from the last-mentioned Account, in pursuance of warrants granted by the Governor-General.

The Governor-General-in-Council also directs that, should any of the abovementioned officers be superseded on or after the first day of January, one thousand nine hundred and one, their lawfully appointed successors shall have authority to act in like manner.

The Governor-General-in-Council further directs that in each State the Permanent Head of the Treasury Department and the Auditor-General or Commissioners of Audit, as the case may be, shall be appointed Commonwealth Officers during the pleasure of His Excellency the Governor-General-in-Council.

GEORGE TURNER,
Treasurer.

Commonwealth Gazette notice establishing the Commonwealth Department of the Treasury. (National Archives of Australia)

Preface

Treasury is one of the few departments which could claim a mention in the Constitution. Yet when January 1901 came around it was the smallest of the seven Commonwealth departments established at the time. It wasn't until 9 July 1901 that the Executive Council appointed the five men who made up Treasury. Others joined them the following year, but numbers remained very low during the first fifty years.

While they had initially trained as book-keepers, the Treasury leadership almost immediately found themselves dealing with issues of policy in all sorts of fields. Public service pay and conditions, inspectors and auditors, and bank notes were understandably within Treasury's scope, so too the development of the then new tax system, land tax and later income tax; but what of pensions, postage stamps, a national bank, statistical collections? Treasury also addressed these issues. Over the years, associated with the growing complexity of government, the Treasury gave birth to separate agencies and new departments (Commonwealth Bank 1912, Ministry of Social Services 1939, Department of Finance 1976, among others). The work of the Treasury focused increasingly on matters of fundamental economic policy. Treasury has not merely reflected the national economy — its policy role has made it a key player and influence on the life of our nation.

The birth of a federal public service

Treasury and six other departments were foreshadowed in the Federal Constitution. The other departments were Attorney-General's, Customs, Defence, External Affairs, Home Affairs, and Postmaster-General's. These seven were the seed of the federal public service which was to develop from January 1901.

First Commonwealth Public Service Permanent Heads
Left to right: Back row: Capt. M. Collins (Defence), A. Hunt (External Affairs), Col. D. Miller (Home Affairs).
Front row: R. Garran (Attorney General's), Dr. H. Woolaston (Customs), R. Scott (Post Master General's),
G. Allen (Treasury) (National Library of Australia).

1901 - 1920

Key outcomes and developments

1901
- Customs duties no longer payable on products moving between States.

1909
- Commonwealth Government introduces pensions. Treasury has administrative responsibility for pensions.

1910
- Commonwealth-State financial agreement for per capita payments to States signed.
- Commonwealth land tax introduced.
- Treasury given power to issue bank notes under Australian Bank Notes Act.
- Invalidity pensions introduced.

1911
- Legislation enacted to establish the Commonwealth Bank.
- First Commonwealth coins issued.

1912
- Commonwealth Bank opens for business.
- Maternity allowances introduced.

1913
- First Commonwealth banknotes issued.

1915
- Commonwealth introduces income taxes as a temporary war measure.
- Land Tax Office is established.

1917
- Entertainment tax introduced.

1920
- Commonwealth Bank takes over note-printing from Treasury.
- Royal Commission into taxation begins.

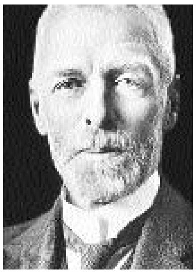
Treasury building 1901, located on the corner of Spring and Collins Streets, Melbourne. (National Library of Australia)

1901-1920

Heads of Treasuries meeting 1901

The first Heads of Treasuries meeting in Melbourne in January 1901 discussed the "different systems of keeping books and accounts throughout the States, to decide upon a uniform system". The States agreed on the need for a permanent Commonwealth Treasury. Using personnel seconded from State treasuries, Federal Treasurer, Sir George Turner, set about creating the Commonwealth Accounts — the work of Treasury had began before the department was formally established.

Five men were appointed in July 1901 by the Executive Council. They were Mr George Allen, Secretary, Mr James Collins, Mr Francis Ross, Mr Charles Cerutty and Mr August Bolle. By January 1902, Treasury had taken on another four staff and all bookkeeping functions were then performed in-house.



Sir George Turner (1851–1916) was the first Commonwealth Treasurer. He presented the first four Commonwealth Budgets. Turner recognised the practicalities of cooperating with the States.

George Thomas Allen, first Secretary to the Treasury (1901–1916). Allen dedicated his entire career to Treasury, starting in the Victorian Treasury at 19. Although without formal qualifications, he worked his way to 'Accountant' by 1895. As Treasury grew, Allen became also commissioner for pensions as well. In 1910, he established the Land Tax Office (which became the Australian Taxation Office) to service the new federal taxes.

The 1901-02 Budget

Receipts for 1901-02 were estimated to be £10,339,750. Commonwealth expenditure was estimated at £3,777,207, leaving the balance of excess revenue to go to the States.

Of the receipts, the major portion consisted of tariff and excise revenue (£8,009,000). Of the tariff receipts (£7,358,056) the major item (£2,975,374) was in respect of stimulants (alcoholic drinks) and narcotics (tobacco and opium products).

First Commonwealth payment to the States

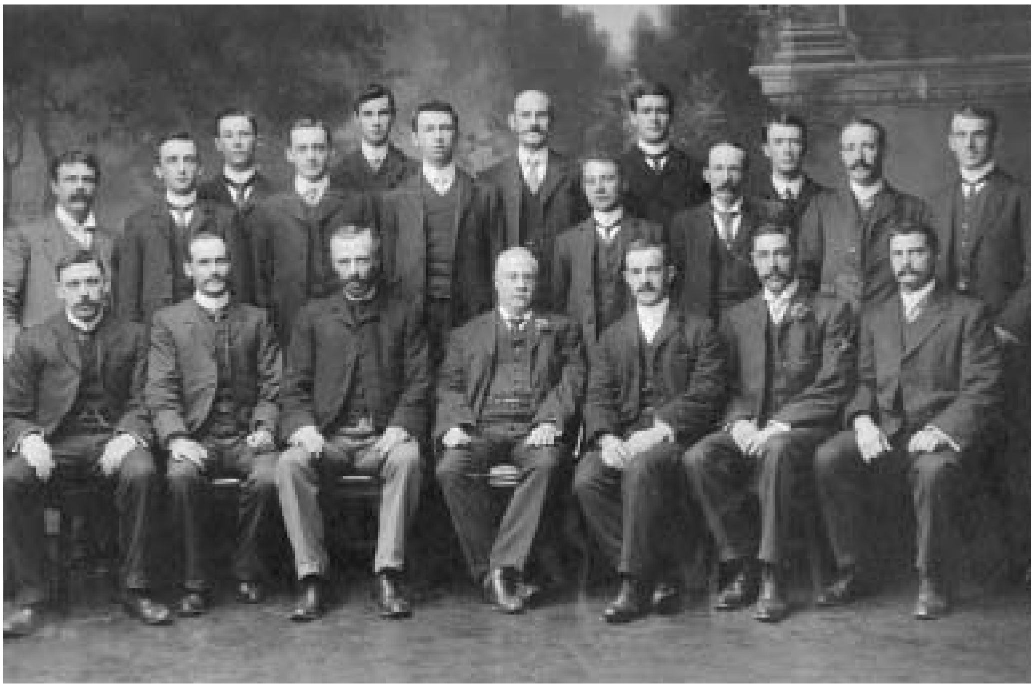
Before 1901, a major source of revenue for the States was customs duty and excise. With Federation, the constitutional right to impose customs duty and excise was passed to the Commonwealth. The Commonwealth was required under the Constitution to pass surplus revenue back to the States. The States received £6.5 million from the first Commonwealth Budget.

Above left: Sir George Turner. Above right: George Thomas Allen.

The Functions of Treasury in 1903

"The Department of the Treasury has the management of the Consolidated Revenue, Trust Funds, Loan Funds, Banking Business, Floating of Loans, Preparation of Estimates, Budget, Quarterly and Yearly Statements of Revenue and Expenditure. It administers the Audit Act, frames regulations thereunder, and controls the receipt and expenditure of all public Moneys throughout the Commonwealth. It is essentially an Executive Department. It originates the system of accounts, the form of the Estimates, and all financial statements published under the Audit Act. It corresponds with the Banking Institutions transacting business with the Commonwealth, and issues instructions to all Commonwealth Departments on the subject of collecting, expending and accounting for Public Moneys, preparation of Estimates and Returns.

It prepares Orders in Council for the granting of Pensions or Compensation to Officers who have retired, and administers the business connected with Fidelity Guarantee. It also controls the Government Printer." George Allen, Secretary to the Treasury, 16 January 1903.



Treasury staff photo 1903. G.T. Allen on the right of Treasurer Turner (seated centre), along with future Secretaries J.R. Collins, J.T. Heathershaw, H.J. Sheehan and S.G. McFarlane who together covered nearly fifty years of leadership for Treasury.

James Richard Collins, second Secretary to the Treasury (1916–1926). Collins role involved overseeing of war, invalid and old age pensions and maternity allowances. He was the second signatory on Australian banknotes until 1923, and a delegate to the International Financial Conference and the Assembly of the League of Nations.

Sir John Forrest, a founding father of the Commonwealth and Treasury. Sir John Forrest was the third Commonwealth Treasurer. Two issues dominated Forrest's attention as Treasurer: financing the Commonwealth and taking over the States' debts. This would leave the Commonwealth responsible for all Australian loan raising in the United Kingdom. "The Commonwealth, with its great and exclusive power over Customs taxation, is in a far stronger and better position to deal with this great financial matter than are the States, either collectively or separately."

A federal currency

In August 1910, the Fisher Government legislated to establish an Australian paper currency with notes issued by the Federal Treasurer. The notes issued by private banks were driven out of circulation by the imposition of such a high tax (10 per cent) that banks found them unprofitable to issue.

The effect of the 'Great War' on the economy

The outbreak of World War I in 1914 interrupted economic development. The effects of the war were felt immediately as capital inflow stopped, bringing public construction and house building to a standstill. Population growth also abated as immigration ceased. With the advent of war, there was a sharp rise in inflation, coinciding with restrictions on imported goods.

Significant economic instability followed the end of the war. Australia emerged from the war weakened by the loss of the maimed and dead and by the monstrous burden of a £350,000,000 war debt, although in other ways Australia had been strengthened by war.

In 1915 the Commonwealth introduced income tax as a temporary measure to help the war effort.

From top: James Richard Collins and Sir John Forrest.

1921 - 1945

Key outcomes and developments

1923 The original Australian Loan Council is set up.

1924 Treasury Secretary becomes an ex officio member of the inaugural board of the Commonwealth Bank of Australia.

1927 Financial Agreement formally establishes the Australian Loan Council.

1930 Sales tax first introduced.

1931 Treasurer's plan to introduce £18 million 'fiduciary notes' blocked by Senate.

- Australian pound linked to pound Sterling (£A125 = £stg100).

1932 Commonwealth passes legislation to take over State debt liabilities.

1933 Commonwealth Grants Commission established.

Entertainment tax abolished.

1937 Royal Commission into Money and Banking.

1939 Finance and Economic Advisory Committee transferred to the Treasury.

1942 The Federal Government for the remainder of the war (and after it, through legislation passed in 1946) becomes the sole levier of income and company taxes in Australia.

- Entertainment tax reinstated.

1943 PAYE tax introduced.

- Government advertising responsibility given to Treasury.

1945 Banking Act and Commonwealth Bank Act come into operation.

- First annual White Paper National Income and Expenditure.

Treasury moved to the Commonwealth Offices, West Block in 1927. (National Archives of Australia)

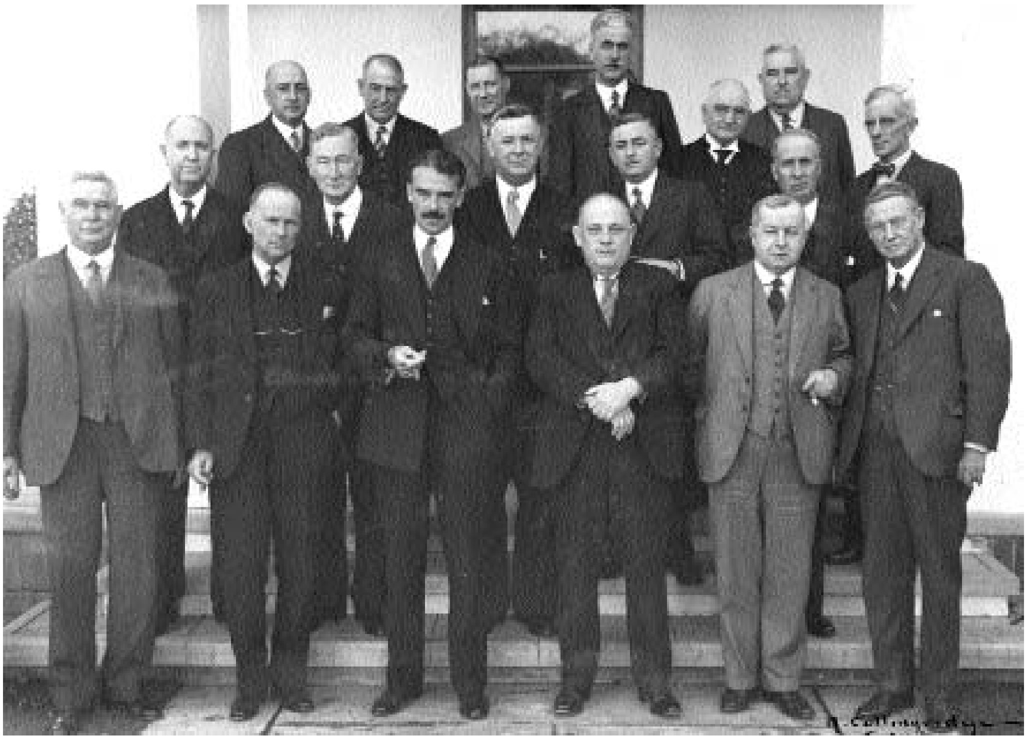
1921-1945

James Thomas Heathershaw, third Secretary to the Treasury (1926–1932). Heathershaw joined the Victorian Treasury at 17. He transferred to the Commonwealth Treasury in 1902 as a ledger-keeper and worked his way up to the position of accountant 14 years later. In April of 1932, bad health led Heathershaw to stand down as Secretary and to transfer back to Assistant Secretary (pensions, compensation and insurance) until his retirement in 1935.

Commonwealth–State Financial Relations: The Australian Loan Council

Throughout the early 1920s Commonwealth and State financial conferences sought to resolve conflict over national revenues. Out of it arose the Loan Council in 1923, initially voluntary and informal, to coordinate the loan raisings of all Australian governments. In 1927 all Australian States agreed to join a statutory Australian Loan Council of Commonwealth and State Treasurers.

A significant part of Australia's problems during the 1930s was due to the high cost of servicing international debt — mostly to London banks — with a depreciated currency and low world commodity prices. This gave Treasury the opportunity to develop the specifics of Council policy.



Loan Council members, Canberra, May 1936.

Sir Henry (Harry) John Sheehan, fourth Secretary to the Treasury: (1932–38). In 1903, at 19, Sheehan obtained one of three places with the Commonwealth Treasury. He qualified as an accountant. He was one of Treasury's rising stars, worked on the Budget, and established a bureau to monitor government loan raising. He helped bring about the Loans Council. He is seen as one of the driving forces behind the establishment of Australia's monetary and banking systems.

The push to employ graduates

The war was associated with the arrival of young economic graduates to Treasury.

Notable among them was H.C. Coombs, with a PhD from the London School of Economics. He came to Treasury in 1939 as Treasury economist, and stayed until 1942 when he moved to Melbourne as Director of Rationing. Frederick Wheeler, a graduate from the University of Melbourne, also arrived in Treasury in 1939 in the new position of research officer. Bob Whitelaw joined the Treasury in 1943 as a research officer. Whitelaw, a University of Melbourne graduate, was recruited by Professor Giblin.

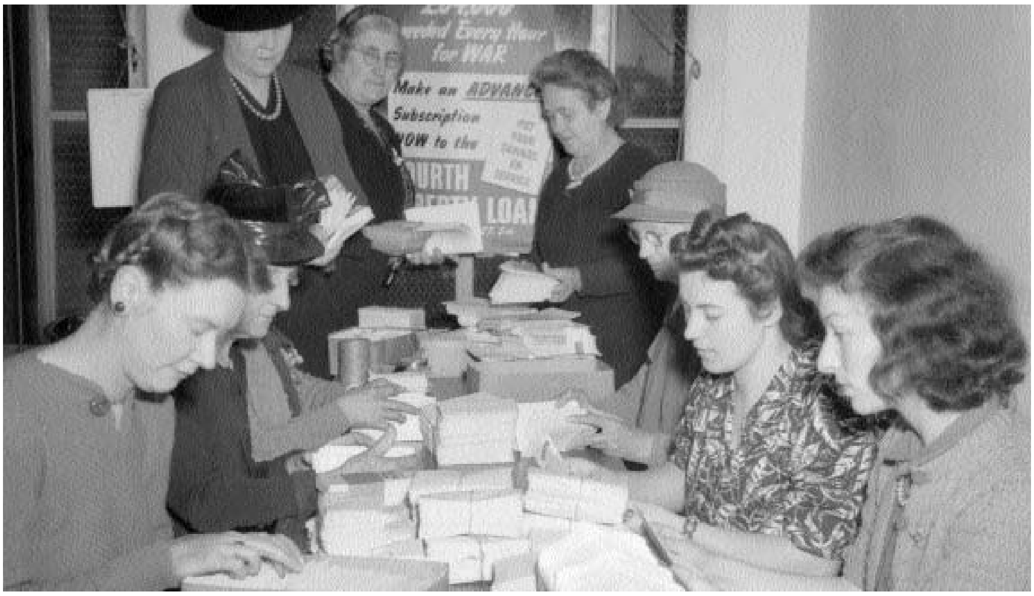
The influx of economic graduates during the war was the beginning of a noteworthy trend in the recruitment pattern of the public service. This was particularly evident in 1951 when, with the appointment of Roland Wilson as Secretary, the Treasury was headed for the first time by a trained economist. By the end of the 1950s economics and commerce graduates dominated the senior ranks of the Treasury.

Treasury staff photo, July 1936.

Top: Sir Henry (Harry) John Sheehan.

Administering war loans

The Loan Council was active during the war in such areas as curtailing borrowing of State Governments so that finance for the war effort would not be impeded. Over 1943-44 one of Treasury's primary responsibilities was to restrict new capital raising not related to the direct war effort. During the first part of the war, efforts were directed at re-orientating investment towards the war effort (including the closing of the inevitable loopholes in the supporting legislation), while later in the war the relaxing of investment controls for post-war reconstruction became prominent.



The Finance and Economic Advisory Committee

The most influential of wartime committees was Treasury's Finance and Economic Advisory Committee (the 'F&E'), established by the Government in 1938. The F&E considered employment and economic policies, of which financing of the war effort was foremost.

Stuart Gordon McFarlane, fifth Secretary to the Treasury (1938–1948). McFarlane joined Treasury aged 18. In 1936 he was appointed financial adviser to the Australian High Commissioner in London. He returned to Australia in 1938 to take up the position of Secretary. In 1948 he left Treasury and was appointed Executive Director of the IMF and the World Bank in Washington.

Top: Staff of the Commonwealth Treasury preparing circulars dealing with the new Commonwealth War Loan. (Australian War Memorial)

1946 - 1970

Key outcomes and developments

1947
- Legislation to nationalise the private trading banks, strongly supported by Prime Minister and Treasurer Chifley was passed. Implementation immediately injuncted by the High Court.

1951
- The Federal Government increases tax by 10 per cent.

1952
- Land tax abolished.

1953
- Entertainment tax abolished for a second time.

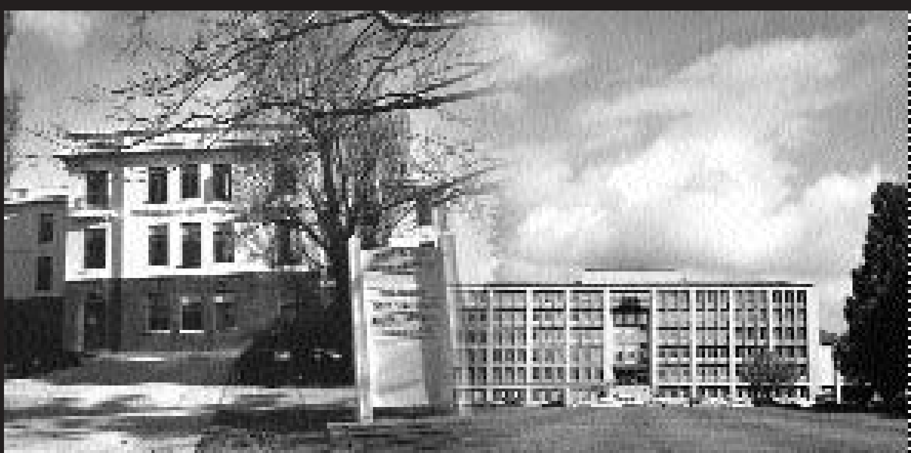
1960
- Reserve Bank of Australia, Commonwealth Development Bank and Commonwealth Banking Corporation begin operations.
- The Secretary becomes an ex officio member of the Reserve Bank.

1965
- Royal Australian Mint opens.

1966
- Decimalisation of currency.

1967
- Five dollar note issued.
- Nexus with pound Sterling broken.

1969
- 50 cent coin re-introduced as a dodecagonal shape.



Treasury moved from West Block into the newly built Treasury Building in Parkes Place in late 1968.

1946-1970

Ben Chifley

The Chifley years

Prime Minister Chifley retained the Treasury portfolio. Some say that Treasury then exercised considerable — even undue — power. Facing major economic challenges, the Government exercised strong control over the economy. Changes to the Commonwealth Bank in 1945 gave Government more control over currency and employment stability. A 1946 referendum further strengthened the Government's power over the economy. In 1947, the Commonwealth legislated to nationalise private banks. But despite all this growing federal Government power, Treasury still had only six to eight people working on policy issues.

Unwelcome policies

Treasury and the Commonwealth Bank under Coombs were the main architects of the 1951 'horror Budget' that focussed on the fight against inflation. The strategy included a 25 per cent cut in State programs, and forcing the States to borrow for works rather than rely on Commonwealth grants. On the revenue side, there were considerable rises in company tax, sales tax, customs and excise, as well as a 10 per cent income tax levy on individuals. The strategy did not succeed. The income tax increases remained.

The Reserve Bank

The 1950s saw major structural changes in the banking sector. Pressure grew to separate the Commonwealth Bank's central bank and trading bank functions. A separate Reserve Bank for all central banking was set up in the late 1950s. The issue was very contentious, to the point that the two Labor Parties managed to put aside their huge differences to defeat the initial legislation in 1957.

George Percival Norman Watt, sixth Secretary to the Treasury (1948–1951). Watt was with the Victorian Treasury from 1905 to 1908. He completed an accounting degree in 1917. In 1940 Watt joined the Commonwealth Treasury as a First Assistant Secretary (Defence Division) in Melbourne, and was appointed Deputy Secretary in 1947. He retired in 1951.

Sir Roland Wilson, seventh Secretary to the Treasury (1951–1966). Wilson's leadership in Treasury coincided with Sir Robert Menzies' in Parliament, and with the nation's longest period of full employment and economic growth. He played a leading role in economic policy formulation and the development of the economic policy advisory structure.

Above: George Percival Norman Watt (left) and Sir Roland Wilson (right).

Post-World War II Treasury

The early post-war years were particularly interesting for Treasury people. New international institutions were set up and new ideas of international cooperation were tried.

Australia was a member of the sterling area, countries with currencies tied to the pound sterling and settling transactions through London. The sterling area was broke and the Bank of England's gold and US dollar reserves depleted. So Australia made Britain a gift of gold.

The International Monetary Fund and the World Bank had been formed and the Secretary to the Treasury, S.G. McFarlane, was the first Australian director. The Treasurer usually attended their annual meetings and took Treasury advisors with him. Australia was also a member of the General Agreement on Trade and Tariffs (GATT). Treasury had an interest there too, particularly in the provisions allowing import restrictions to protect the balance of payments.

Australia's economy 1961-1973

The period 1961 to 1973 is commonly referred to as the 'Golden Years' of Australia's economic history. Following the 1960 'credit squeeze', Australia recorded thirteen years of sustained growth, low unemployment and moderate price and wage inflation.

The performance of the economy over this period was the result of a number of factors including a rapidly growing world economy (particularly the US economy), rising skilled immigration, and demand for commodities.

The Commonwealth Government recorded fiscal deficits, partly due to expenditure associated with the Vietnam war, and successive reductions in taxes on income and on the sale and importation of goods over much of the period.

Some notable events with which the Treasury was associated during this period include the establishment of the Royal Australian Mint in 1965, the introduction of decimal currency in 1966 and Australia's membership of the OECD in 1971.

Brian Fleming (left), Senior Treasury Representative, London, and Sir Roland Walker (right), Australian Ambassador to France, at a meeting of the Development Assistance Committee of the OECD, Paris, 19-20 July 1967. (Private Collection)

Sir Richard John Randall, eighth Secretary to the Treasury (1966–71). Randall was a woolclasser in Queensland from 1924 to 1932, and later graduated in economics from the University of Sydney. In 1940 he joined the Commonwealth Treasury, aged 34, but served with the Australian Imperial Force until 1945. He was appointed Deputy Secretary in 1957 before becoming Secretary to the Treasury, a position he held until he retired.

From Treasury to Treasurer, Leslie Bury is unique in the history of the department in that after working in Treasury, he later returned as its political head. He was Treasurer for 16 months. Harold Holt made him a cabinet minister, but he achieved a lifetime ambition when John Gorton appointed him Treasurer in November 1969. He retired from Parliament in 1974.

The 1969 reorganisation

Treasury's first major reorganisation since 1945 occurred in 1969 with a significant increase in the number of divisions. The new structure established eight divisions, with 23 branches. Previously Treasury had five divisions each with a first assistant secretary and 13 branches. The three new divisions were Overseas Economic Relations, Financial Institutions, and Defence and Works. In 1972 the Foreign Investment Division was set up. The organisational structure was to remain essentially in this form until the Treasury-Finance split in 1976.

Treasury faces new competition

Treasury's role and its oversighting functions expanded in the late 1940s and 1950s. Expenditures on such needs as defence, social services, and grants to the States expended considerably. The use of the Budget to achieve economic aims such as full employment required detailed data-collection and analysis of causal relationships in the economy. Treasury became involved in aspects of national development and planning, trade, banking and finance, investment, and labour markets.

The oversight function meant that Treasury retained its pre-eminent role despite the influence of the Department of National Development, and the Department of Trade and Industry (created in 1956), which became a particularly powerful advocate of industry protection.

From top: Sir Richard John Randall and Leslie Bury.

1971 - 1990

Key outcomes and developments

1973 u Fifty dollar note issued.

1976 u Treasury-Finance split.

1979 u Treasury's first annual report tabled.

u Tender system for Treasury notes begins.

1981 u Australian Financial System Inquiry Report (Campbell Committee) released.

1983 u National Economic Summit.

u Australian dollar is floated.

1984 u Banks deregulated.

u One dollar coin and $100 note introduced.

u Australian Payments System Council established.

u National Taxation Summit.

u Release of draft White Paper, Reform of the Australian Tax System.

u Major tax reforms announced.

1988 u Two dollar coin introduced.

1990 u Industry Commission established.

The Treasury Building in Parkes Place (1968 - 2000).

1971-1990

The ‘Long Boom’ and the 1970s oil crisis

The 1970s saw profound changes in Australia’s economy and in the ways economic policy choices were perceived. The international environment became volatile, past economic policy verities were called into question and Treasury’s policy advice had to contend with much greater turbulence in the economic environment than in the preceding quarter century.

Reflecting the 1973 oil price shock and domestic inflationary pressures, inflation in Australia doubled in 1973–74 to 12.9 per cent despite efforts to curb its growth through restrictive monetary policy, exchange rate appreciation, and tariff reductions. The 1974–75 Budget attempted to contain the excessive cost pressures identified at the core of Australia’s inflation problem. Alternative measures were rejected for fear of driving unemployment to 4 or 5 per cent. These measures failed, and 1974–75 heralded the arrival of stagflation in the Australian economy.

Oil prices

In the aftermath of the 1970s oil price shock, the Treasury contributed to the economic analysis of the benefits which would result from selling Australian crude oil domestically at world prices instead of prices controlled below the world price. The 1977–78 Budget brought domestic oil prices into parity with world oil prices, thus later exposing the Australian economy to the full effects of the 1979 oil shock. Treasury designed a system of excises on crude oil production that made a significant contribution to the Commonwealth budget out of the windfall gains that would otherwise have accrued to producers from established low-cost Australian oil fields.

Structural reforms and deregulation

Treasury played a major role in advising successive governments on policies and options to improve resource allocation. A characteristic of Treasury’s role in assessing policy options has been its willingness to question whether the constraints usually taken to be immutable were in fact immutable. One of Treasury’s earliest contributions to public policy formulation was its advocacy of value-for-money in government spending programs and the systematic use of cost-benefit analysis.

Arguably the most far-reaching economic decision was taken in 1983 when the Australian dollar was floated and exchange controls removed. Contrary to widespread misconceptions about the impact of lowering tariffs and floating the currency, the proportion of Australia’s production that is now exported has nearly doubled over the last two decades.

Sir Frederick Wheeler

Sir Frederick Wheeler, ninth Secretary to the Treasury (1971–1979). Wheeler was at the helm of Treasury during its most turbulent years. Within his first five years as Secretary, five Treasurers had held office. He oversaw two of the toughest budgets in Treasury's history: the 1971–72 Budget and the 1974–75 Budget which followed the double dissolution election. He was in the chair during the eventful treasurership of Dr Jim Cairns, for the 1973 oil price hikes, and when the Treasury split to give birth to the Department of Finance. He had joined in 1939. By 1948 he was First Assistant Secretary and acted as Secretary while still in his thirties.

The Treasury–Finance split

When Prime Minister Malcolm Fraser announced that the Treasury would be split, commentators interpreted the decision as intended in part to reduce Treasury's influence in economic policy advice. The Government believed that splitting the department would have a number of efficiency advantages, as two departments would be able to focus more on their specific roles. The split took effect on 7 December 1976.

Broadening the base for economic advice

In the early 1970s, Treasury was virtually a monopoly employer for economists and consequently many graduates gravitated to it. Critics of government economic policy resented Treasury's 'monopoly of economic advice' as noted in several enquiries in the mid-1970s.

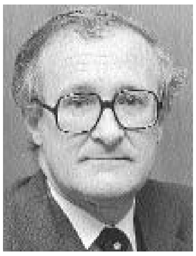
Treasury's dominance in economic policy advice declined during the Whitlam years, as the Department of Prime Minister and Cabinet and other new departments began to employ economists.This trend continued with the increasing awareness that economic policy analysis and debate contributes to policy formulation.

The deregulation of the Australian financial system broadened the sources of economic advice as the financial sector's demand for economists grew. Globally, exchange rate changes became more frequent, capital flows more important, and fiscal deficits larger - with financing consequences. Domestically, open-market operations became the main focus of the Reserve Bank's operating system. The tender system for Treasury notes begun in 1979, and for bonds in 1982. The Australian dollar was floated in 1983. New banking licences meant more financial institutions sought internal economic analysis of a wider range of volatile financial variables.

Academic economic training and Treasury work experience became an ideal training path for the burgeoning demand for financial sector economists.

The effect of deregulation

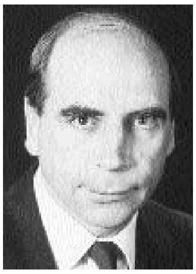
The Campbell Committee (which operated from 1979 to 1981 and which recommended deregulation), pre-deregulation developments in economic policy were increasing the financial sector's demand for economists, and thereby broadening the sources of economic advice.



John Owen Stone, tenth Secretary to the Treasury (1979–1984). Stone, a Rhodes scholar, joined Treasury in 1954. He was Treasury's representative in London from 1958 to 1961, and from 1967 to 1970 Executive Director for Australia at the IMF and the World Bank. Back in Canberra, he was promoted Deputy Secretary in 1971. He resigned in 1984. In the period 1987 to 1990 he was a National Party Senator for Queensland.

New responsibilities for the 1980s

Treasury's main focus until the mid-1980s was to concentrate primarily on macroeconomic policy. However it was becoming obvious that microeconomic policy was proving to play an increasingly relevant and important role. Treasury was restructured again in October 1987 to balance responsibilities and workloads among divisions, aligning functions to changes in the economic framework and increasing Treasury's capacity to review economic activity. As a result of the restructure, Treasury adopted a more corporate approach, with the creation of the Executive and the Corporate Services Branch.



Bernard (Bernie) William Fraser, eleventh Secretary to the Treasury (1984–1989). Fraser was educated in Junee and grew up under less than luxurious conditions. He won a scholarship to study at university. He joined Treasury in 1963 and was its representative in London between 1969 and 1972. In 1981 he became Director of the National Energy Office. He came back to Treasury in 1984. From 1989 to 1996 he was Governor of the Reserve Bank.

Christopher (Chris) Ian Higgins, twelfth Secretary to the Treasury (1989–1990). Higgins left an indelible mark on Treasury. Not just because he spent most of his working life breaking new ground in Treasury, not because he was part of an influential group of rising stars, but perhaps because of his personality which drove him to push himself continuously to achieve more, and to do better — to the point of a fatal heart attack at 47 on the AIS race track.

From top: John Owen Stone, Bernard (Bernie) William Fraser and Christopher (Chris) Ian Higgins.

1991 - 2001

Key outcomes and developments

1992
- Superannuation Guarantee Charge introduced.
- One and two-cent coins withdrawn from currency; plastic notes introduced.

1994
- For the first time, the Budget is released before the financial year to which it relates.

1995
- National competition policy introduced.

1996
- Charter of Budget Honesty announced.

1997
- Reform of Australia's tax system announced.
- Corporate Law Economic Reform Program (CLERP) announced.
- Final Report of Financial System Inquiry released.
- Staff negotiate first Certified Agreement.

1998
- Review of Business Taxation reports.
- First pre-election Economic and Fiscal Outlook issued.
- Review of Treasury core and corporate support business.

1999
- Australian Prudential Regulation Authority, Australian Office of Financial Management and Axiss Australia established.
- Consumer Affairs responsibility transferred from Industry, Science and Tourism to Treasury.
- First accrual-based Budget.

2000
- New tax system and GST introduced.

The Treasury building Langton Crescent, January 2001.

1991-2001

Anthony (Tony) Stuart Cole, thirteenth Secretary to the Treasury (1991–1993). Cole graduated and joined Treasury in 1968. From 1979 he spent two years as Australia's alternate Executive Director at the World Bank. In 1983 he became principal private secretary to Treasurer Keating. He was later appointed Chairman of the Industries Assistance Commission. In 1993 he was transferred from Secretary to the Treasury to lead another department. He left the Public Service in 1994.

The 1990s productivity boom

With the exception of the recession at the start of the decade, the Australian economy grew at an average annual rate of over 4 per cent in the 1990s — on a scale not been seen since the 1960s, and despite the Asian financial and economic crisis later in the decade. In marked contrast with earlier periods, this strong growth coincided with subdued inflationary pressures. Inflation averaged around 2 per cent between 1993 and 1999, and unemployment declined steadily. Declining interest rates and increasing real wages also contributed to improve overall economic living standards.

Promoting savings

A key focus of economic policy over the late 1990s was the promotion of national savings, with a particular focus on returning the Budget to a surplus and retaining this surplus. Treasury was also heavily involved in earlier efforts to enhance private saving, particularly superannuation savings, with the introduction of compulsory employer superannuation contributions for employees.

Continued structural reform

The 1990s saw a continuation of a wide range of structural reforms, aimed at improving the efficiency of the economy. These reforms typically sought to reduce unnecessary regulation and increase competition, thereby improving the range and quality of goods and services available to consumers as well as, in many cases, lowering costs for both producers and consumers.

Taxation Reform

The second half of the decade saw Treasury heavily involved in major tax reform culminating in the Goods and Services Tax (GST) replacing the wholesales sales tax regime, and a number of State and Territory taxes.

Reform of Commonwealth–State relations

Under an intergovernmental agreement the Commonwealth agreed to appropriate all GST revenue to the States and Territories. These revenues replaced the financial assistance grants previously made by the Commonwealth to State and Territory governments, as well as a number of excise and sales taxes which the Commonwealth had collected on behalf of the States and Territories.

New responsibilities

In 1993–94, the responsibilities of the three deputy secretaries were re-aligned and each became responsible for one of three newly defined areas: fiscal, economic, and financial and structural. A major organisational change took place in 1998–99 as Treasury moved from a program-based structure to an output-based structure, reporting on outputs and outcomes, in line with the APS accrual budgeting reforms. This led to the formation of three defined groups: Budget, Economic and Markets. A number of new agencies joined the portfolio.

Human resources

Personnel matters in Treasury for most of the century were covered by the Public Service Act and by directives from the Public Service Board. Reforms such as encouraging women in Treasury required slow cultural changes. The driving force behind many changes were the service-wide equal employment opportunity (EEO) policies initiated in the mid-eighties. In Treasury the main thrust of EEO was towards women.

Ted Evans, fourteenth Secretary to the Treasury (1993–2001). Evans joined Treasury in 1969, on graduating from university, after ten years as a PMG technician. From 1976 to 1979 he was a member of the Australian permanent delegation to the OECD in Paris. In 1984 he was appointed Deputy Secretary and was heavily involved in taxation and microeconomic reform. He represented Australia on the Board of the IMF from 1989 to 1993. He retired in 2001.

Ken Henry, fifteenth Secretary to the Treasury (2001–). Ken Henry was born in Taree. He taught overseas before accepting a position in Treasury in 1984. From September 1986 to June 1991, Dr Henry worked as a senior adviser to the Treasurer. In July 1992 he headed the Australian Delegation to the OECD in Paris. Dr Henry returned to the Treasury in January 1994 and became Secretary on 26 April 2001.

The future

Treasury in 2001 is a vastly different organisation from Treasury in 1901. Its role has changed. Over the last century Treasury shifted its focus from accounting to economics. It will continue to change, in line with changes in Australia and the rest of the world.

Treasury currently contributes to many facets of the economic life of the nation, as it assists the Government in the development of economic policy. It is fair to expect that Treasury will continue to play a significant role in advising the Government in meeting its commitment to Australia and itscontribution to the world economy, and in its relations with other nations and world economic powers.

It is also reasonable to expect that Treasury will be called on to develop new policies in areas we can't yet imagine. Treasury can expect to be drawn, and participate in one way or another, in higher levels of debate with its clients and the public, whose awareness and understanding of economic issues are constantly increasing.