



## CHRISTIAN KERR

*Young governments,  
like young children,  
learn in different ways.*

New ministers and their minders will never admit it, but young governments are very much like young children.

They see that it's a wonderful world out there, but to succeed they need to know their limits. They need to know what they can and cannot do. They need to learn how to conduct themselves. So their mandarins try to settle them down and teach them some life skills.

The Rudd government has sat up straight and listened most attentively for its first few months. There have been a few outbreaks of childish enthusiasm—Peter Garrett with his whales and his customs ships and deciding he doesn't like those nasty, nasty plastic bags—but for the large part our young government has been quite well behaved. Some ministers have channelled their energies in most productive ways. Take Lindsay Tanner. He has dismembered coalition programs with that mix of concentration and glee little boys display as they rip the wings off flies.

The Rudd government might be a young government, but it is already showing the bright and earnest nature of its leader. It knows that there is a wonderful world out there, full of things a government can do, but it also realises that there is always danger lurking.

The maxim might not be politically correct, but as the Rudd government has taken its first few steps, most ministers have remembered to always stay close to nurse for fear of finding something worse.

That worse, of course, is economic trouble—either in the form of contagion from a global slowdown or some domestic disaster.

Young governments, like young children, learn in different ways. The Treasury mandarins would have sat Kevin Rudd and Wayne Swan down with their incoming government's Red Book in the first days after the election. Reading through their media releases and transcripts, however, it seems as if a nursery rhyme has been drummed into them.

Nursery rhymes are about more than

entertainment. They help young children develop their vocabulary. Several teach rudimentary counting. Some psychoanalysts say nursery rhymes enable us to symbolically resolve issues. They perform functions of catharsis for children, and allow them to imaginatively deal with violence and danger. In the face of a global slowdown, it appears that our Prime Minister and Treasurer have sat down with Christopher Robin and *When We Were Very Young*:

Whenever I walk in a London\* street,  
I'm ever so careful to watch my feet;  
And I keep in the squares,  
And the masses of bears,  
Who wait at the corner all ready to eat  
The sillies who tread on the lines of  
the street,  
Go back to their lairs,  
And I say to them, 'Bears,  
Just look how I'm walking in all  
of the squares!'

(\*insert New York, Shanghai, Frankfurt or any other global financial centre)

Throughout last year's election campaign, Kevin Rudd emphasised his credentials as an economic conservative. Now, as Prime Minister, he is determined to walk in the squares. He is relying on Treasury and the Reserve Bank for guidance.

In his first official act as Prime Minister, Rudd ratified Kyoto. His second was to issue a 'Statement on the Conduct of Monetary Policy' designed to strengthen the independence of the Reserve Bank and enhance policy transparency.

Rudd outlined his economic priorities in a press conference after the first meeting of his new cabinet early in December.

'We've been warned recently by the Governor of the Reserve Bank about continued inflationary pressures in the economy,' he said. 'There are three ways in which we can address this challenge. One is to ensure we have an effective independent monetary policy anchored still in the independence of the Reserve Bank plus the continuation of the Bank's inflation targeting regime.'

'The second is to ensure a disciplined

approach to fiscal policy,' he continued. 'We're committed to robust budget surpluses and part and parcel of that is to ensure that we are properly implementing a regime of razor gang type disciplines.'

'The third element of effective policy... is to ensure that we maximise our investment in skills and infrastructure.'

In his last *Quadrant* editorial, Paddy McGuinness observed: 'At this early stage the new Labor government looks a lot like the Hawke Labor government before Keating's grab for power—overall, an effective, reformist government introducing many of the reforms which the Fraser government should have introduced but for various reasons, in particular Fraser's sheer stupidity, did not. Like Hawke Labor, Rudd proposes to dwell on fiscal responsibility as well as overall monetary soundness.'

There is a crucial difference, though. The Hawke government did not seek the role of reformers. It was thrust upon them. In contrast, the Rudd government would dearly love that mantle. It has taken office, though, facing what may be the most uncertain economic times since the early 1970s.

Self-proclaimed economic conservatives have had even more conservatism thrust upon them—and the need to be daring, rebuff the calls for spending Labor always faces and ensure government invests our money prudently and productively. So it has embraced Treasury, the Reserve and all the financial regulators.

Treasury, as a department, is not known for its humility. It will appreciate the attention. But there is a danger in all of this. In its first few weeks, the Rudd government seems keen to learn. It seems determined not to err. Ever so careful to watch its feet. But if anything suddenly goes wrong—economically or simply just politically—it can blame its teachers.

After all, it is only a young government.

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*Christian Kerr will have a regular column in the IPA Review.*