



[HISTORY: J. R. NETHERCOTE]

The top of Treasury's talented table

Departmental secretaries

Despite the rise of PM&C, Treasury remains the heart of government policymaking

Almost 1½ centuries ago, Walter Bagehot told readers of *The Economist* that, while the Crown was the source of honours, the Treasury was the heart of business. So it remains in most Westminster jurisdictions. Treasuries have had many challengers and have seen off most of them.

In recent decades, prime minister's departments under various names (Cabinet Office in Whitehall; Privy Council Office in Ottawa) have laid claim to a prominent, even the top, place at the table. Though these institutions project themselves as powerhouses, their core business is a composite of tactics and public relations. They make a periodical mark on policy but, for durability and tenacity, treasuries remain central.

Those who reach the top in a treasury thus furnish an important illumination about the character of a public service. Dr Martin Parkinson's relatively recent appointment to this prize post provides a convenient opportunity to review this special group to see what it may suggest about the path to the most glittering prize in the Australian Public Service.

A previous study of this kind was undertaken a quarter century ago by

the then Australian statistician, Ian Castles, one of the finest intellects ever to serve in the APS. Castles wrote:

None of [the Treasury secretaries] came from wealthy or influential families, and none of them finished their secondary education at expensive private schools. They found their way to Canberra from all corners of Australia. Most of them worked at some time in their lives in jobs other than "desk jobs", and most of them - though living at some time in London or Washington, Chicago or Geneva - had returned with pleasure and pride to their own country.

At the time of Castles's survey, Bernie Fraser was Treasury secretary. Son of a tradesman and small businessman, Fraser had been educated at Juneee Intermediate High School, the University of New England and the Australian National University.

This pattern, with northern NSW the geographical locus, is reflected in three of Fraser's immediate four successors: Dr Chris Higgins, Ballina High School and Australian National University; Tony Cole, Macksville High and the University of Sydney; and Dr Ken Henry, Chatham High School, Taree, and the University of NSW.

The exception, Ted Evans, is geographical only. After leaving Ipswich High at 15, he studied part-time at the University of Queensland on a Postmaster-General's Department engineering cadetship. It was cut

short by the famous engineer's case of 1961; very soon afterwards, he took his first courses in economics, also under the auspices of a PMG's Department training program.

There was a fair measure of academic distinction in this group; Higgins and Henry both went on to doctoral studies, respectively in the United States and New Zealand; Evans was a university medalist.

Parkinson, educated at Sebastopol Technical School, Ballarat, and Salisbury East High School, South Australia, is the first graduate of the University of Adelaide to reach the secretaryship. He secured a Princeton doctorate under the chairman of the US Federal Reserve, Ben Bernanke, after taking a master's at ANU.

In the era of Keynesianism, every G8 university in Australia with the exception of Monash has had an alumnus who has become head of the Treasury. So also have the University of Tasmania (Sir Roland Wilson) and the University of New England (Fraser).

Governors of the Reserve Bank have a similar but not identical profile. There have only been seven since its creation in 1960 - the term of an RBA governor is seven years and all previous governors have served at least one full term - in contrast to 10 Treasury secretaries, only four of whom have served more than seven years (Wilson, Sir Frederick Wheeler, Evans and Henry). Most



are products of government schools, several of them selective; the one exception, Sir Harold Knight, also came from Scotch College, Melbourne.

Dr H. C. "Nuggett" Coombs took a doctorate at the London School of Economics; Fraser and Glenn Stevens have master's degrees, in the latter case from the University of Western Ontario.

Alma maters of the governors are University of Western Australia (one); Sydney (two); Melbourne (two); UNE (one); and Monash (one).

Among governors of the bank, all but one (Fraser) have been internally promoted; Coombs was an officer of the bank but had been director-general of the Department of Postwar Reconstruction for more than five years at the time of his appointment as governor of the then Commonwealth Bank.

Only six of the 10 heads of Treasury since 1952 have been internal promotions: Sir Richard Randall in 1966; John Stone in 1979; Fraser in 1984; Higgins in 1989; Evans in 1993; and Henry in 2000.

But this is hardly the full picture. Wilson, statistician from 1937 and secretary of the Department of Labour and National Service, 1940-46, had been intimately involved at the highest levels in economic policy, though rarely if ever formally on the Treasury books. In the early days of Keynesianism, he was essentially a concurrent jurisdiction, rejoicing in a title of economic adviser to the treasurer.

As Coombs acidly remarked, once Wilson was ensconced at the Treasury there was no question of treasurers having an economic adviser apart from the secretary to the Treasury. Another contemporary observed that attempts by the Prime Minister's Department to build capacity in economic matters during the early 1950s "foundered on the territorial intransigence of Wilson and no wolf or dog has ever defended his territory with such determined rudeness".

Wheeler had been a Treasury luminary for more than a decade

when he went to the International Labour Office in 1953. When appointed secretary to the Treasury in 1971, he had been chairman of the Public Service Board for more than a decade.

Cole had had more than a decade in the Treasury before a range of senior posts elsewhere, including chairman of the then Industry Commission, at the time of appointment as secretary in 1991, succeeding Higgins, who had tragically died after little more than a year in the post.

Parkinson is the first appointment from outside the Treasury since Cole. Even he had had more than half a decade at deputy secretary level in the Treasury before his moves to PM&C, then the Department of Climate Change (as secretary) in 2007.

It is noteworthy that none of the seven heads of the Finance Department have been translated to headship of the Treasury, though at least one entertained ambitions of such an elevation; Fraser seems, indeed, to be the only Treasury secretary even to have had some time in Finance.

Unsurprisingly, almost but not quite all heads of Finance have had considerable experience in the Treasury though none have been directly appointed from thence; Peter Boxall was principal adviser to treasurer Peter Costello at the time of his appointment in 1997, having previously been under treasurer in South Australia from 1994 to 1996.

All heads of Finance have thus far gone to other jobs; four went on to head a range of other departments, including, in Dr Michael Keating's case, PM&C, while R. W. (later Sir William) Cole became chair of the Public Service Board (subsequently secretary of the Defence Department) and Castles became the statistician.

For Treasury heads, departure from the Treasury usually means retirement from the APS. Fraser went on to governorship of the Reserve; and Cole was secretary of the Health Department before leaving the public service during the mid-1990s.

Wilson became chairman of the boards of the Commonwealth Bank and of Qantas. Others have taken part

in various government inquiries.

In his paper, Castles refrained from international comparisons:

International comparison in this sphere is inherently difficult, but the bureaucratic exemplars cited in this paper [inter alia, Wilson, Randall, Wheeler, Stone, Fraser] at least invite us to contemplate the possibility that the key officials responsible for economic policy formulation in Australia have been more representative of their society and culture than their counterparts in other countries.

The present secretary to Her Majesty's Treasury in Whitehall is an Old Etonian, as was his illustrious predecessor, Sir Edward Bridges (1945-56). Two were Wykehamists (Winchester), but the other 10 of the 14 since World War I were essentially grammar school boys. Until 1968, heads of Britain's Treasury were graduates of either Oxford (four) or Cambridge (two), with one from the London School of Economics.

Since 1968, British heads of Treasury have come from the LSE, a couple from Cambridge, the others from various redbrick establishments. There is an increasing tendency for them to have postgraduate qualifications (at master's level), including in economics, as it happens. Only when Old Etonian Sir Nicholas Macpherson became secretary in 2005 did an Oxonian recover the prize post for the first time since 1968.

Nor do heads of the British Treasury necessarily retire from the post; given the choice, several have moved to the headship of the Home Civil Service, in 1968 and 1974 as permanent secretary of the then Civil Service Department and, since then, secretary to the cabinet. Conversely, since creation of the office in the aftermath of World War I, apart from Sir Maurice Hankey, only two secretaries to the cabinet have not had, before appointment, significant background in the Treasury.

By contrast, the Treasury rarely figures in the routes to the top taken by secretaries to the Australian cabinet. Indeed, PM&C in its post-1949 form is more a descendant of the



Treasury's great rival of the 1940s, Postwar Reconstruction. The only time a Treasury heavyweight headed the then Prime Minister's Department, Sir Lenox Hewitt, 1968-71, the cabinet secretaryship was excised and temporarily housed in a separate Department of the Cabinet Office; as it happens, Hewitt was also an alumnus of Postwar Reconstruction.

Now that the headship of PM&C has taken on something of the character of the ancient Roman office of magister equitum (master of the horse), first lieutenant of the prime

minister, it is highly unlikely that any secretary to the Treasury will forgo the opportunity to sign the banknotes for an office overlooking East Block.

This consideration underlines that, while there are considerable similarities between Canberra and Whitehall, there remain some telling differences.

J. R. Nethercote is an adjunct professor at the Public Policy Institute of the Australian Catholic University.
john.nethercote@acu.edu.au

Unsurprisingly, almost but not quite all heads of Finance have had considerable experience in the Treasury, though none have been directly appointed from thence.

