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PRIME MINISTER

TRANSCRIPT OF UNEDITED INTERVIEW WITH JIM WALEY, A
CURRENT AFFAIR, 8 DECEMBER 1989

E & O E - PROOF ONLY

WALEY: Prime Minister, thanks for your time and
congratulations on your 60th tomorrow.

PM: Thank you very much Jim.

WALEY: You're not getting soft in your old age, are you?

PM: No, I've never felt better, Jim.

WALEY: Well everyone's remarking today about your
turnaround on the pilots. Why the change?

PM: It's not a turnaround Jim. There has to be the
distinction made between the issue on which I was
fighting and that was the protection of our wages system
where I could not accept or tolerate this 30 percent
claim outside the system where the AFAP had declared war
on, on the system, on the, their employers, on the
Arbitration Commission, on the Government, on the trade
union movement -

WALEY: Also a recognition that you noticed that you'd
overstepped the mark, perhaps, on your rhetoric and that
perhaps -

PM: Well, I think, you know, looking back, not only in
this issue, I mean, I'm now 60 years old. I look back
and a lot of things in my life that, I guess if you could
have a second go at your phraseology, you may have done
it differently and I accept that some people may have
better understood my position if I'd, if I'd explained in
more detail and perhaps, somewhat differently that what
my concern was the issue. But the point I'm making, the
distinction has to be made between that issue where I was
about protecting the interests of Australia, of all
Australians, and my attitude towards the union. Given my
background, Jim, I could never be party to any attempt to
smash a union.

WALEY: But there is an election just round the corner.
Was there also a recognition that perhaps now was the
time to lift your game?

PM: No, no.

WALEY: That you weren't performing quite as -

PM: No.

WALEY: - well as you may have.

PM: No, on this point, Jim, the issue has very nearly been resolved. We are at the latter stages of it. In other words, the airlines, as is now understood commonly, had substantially rebuilt the airline capacity and in that situation you now move to another stage. I had supported the airlines in taking their case because there had to be, Jim, in my judgement an independent judicial establishment of the facts. That is what was the issue? Who was responsible? And the judge has done that very, very specifically and unequivocally -

WALEY: But the bottom line is that with your union background, you much prefer to be a conciliator rather than a hardliner.

PM: Absolutely and as I said yesterday, Jim, to the Press Club, nothing really has grieved me more in my Prime Ministership than that because of the attitude of the AFAP to this point, that role was not available to me. In other words, they were saying we're outside the system. We're not within the system within which the conciliation process can take place. Now I have been sad about that. Now what I am saying is that the judge of the Supreme Court, having established that it was the pilots, to use his language, who were spoiling for the fight and that there was no conspiracy between the Government and airlines. That, importantly, has been established by an independent judicial authority. I am not about the business of damages against the trade union and that's why I said, unequivocally, that I am saying to the airlines, both the private airline, Ansett, and the Government owned airline, Australian, that they should not press now that the point has been established, they should not press for damages because what all Australians need now, the fight, as it were, having been fought, the principle having been established and what we want is the complete re-establishment of the great Australian airline industry. A much more efficient one now it will be. What we need is decent relations, harmony. That sort of position is not going to be established by the extraction of damages from a union. I don't agree with the principle, in general, and in these circumstances in particular -

WALEY: Have the airlines indicated that they're willing to drop their damages claim?

PM: I believe that that will be the case. They have to appear before His Honour in January and I guess it will be for them a matter of judgement as to how or when they indicate their position. That may be complicated by the responsibilities they have of appearing before His Honour, but I would believe, Jim, that they would respond positively to what I've said.

WALEY: Well, let's hope so. Leaving aside the rights and wrongs, very briefly, what sort of damage has been done by this pilots dispute to Australia?

PM: Well, it's a balance that you have to take into account. There's no doubt that some damage has been done in this period, but what you have to understand is that we will go into 1990 with a much more streamlined and efficient and more productive airline industry as far as the pilot employment is concerned. There will be a significantly lesser number of ... productivity of the industry will be very much higher. So in the longer term we will come out of it, tragically through this sort of process which I would have much rather seen avoided, but we will come out with a significantly enhanced, more efficient, more productive airline industry.

WALEY: But on the other side of the equation, the tourist industry is on its knees. Now how long will it take to revive tourism?

PM: Tourism will be able, as we go into 1990, to go back to its full growth path.

WALEY: It might take a bit longer to gain the confidence overseas though.

PM: No, I don't think so. If you look at the evidence of the number of the people that have come to Australia in this period, it is basically in line with the projections that were made before the dispute commenced.

WALEY: So back to normal by mid 1990, the end of 1990?

PM: No, certainly by mid 1990. There is no reason at all, in terms of internal airline capacity, why that can't be happening in the beginning of 1990.

WALEY: The big message from your speech yesterday to the National Press Club was, of course, about the economy. That we have to endure the pain, it was worthwhile during this period of restructuring yet you still held out the promise of lower interest rates. When will that happen and how long will they stay down?

PM: Could I go to the first part of your question, then to interest rates, Jim? The essence of my message, and I'll try and make it as brief as I can -

WALEY: Please, yes.

PM: It is rather complex, but I'm saying there is no single measure of how we, as an Australian community together, are progressing along the path of reconstructing the Australian economy. You can't simply use the measure of lower real wages because, as part of the lower real wages, what has happened are two things. As you've got lower real wages, there's been a move to profits, from profits, increased profits, into the highest investment we've ever had in our country. That investment is doing two things. It's sustaining record employment growth, but it is also, importantly, re-equipping and restructuring the Australian economy so that it will be more efficient in the future. Access Economics, has - that's the body used by the Opposition - has said there are some \$90 billion of projects either under construction, committed or under serious consideration and when they all come on stream that will generate an additional \$10 billion of foreign earnings for us.

WALEY: That's long term. What about the short term?

PM: Well some, no, no, some that, Jim, of that that's under construction, that will be coming on stream earnings in 1990. Some of it. So it's immediate, medium and longer term. So that's one thing that's happening as a result of the lowering of real wages. We are, as a community, now setting in place those benefits for the future. The second thing, of course, is that as our part of the bargain of the trade unions accepting lower real wages, we've massively increased the social wage. Without boring you, or your viewers, Jim, with all the details of those things, just by way of example - and I think it's terribly important as far as Australian families are concerned - we have poured massively increased resources into education, both into the system and also to families, we've more than doubled the secondary education allowance to lower and middle income families. The result? When the Liberals walked out of office only 36 percent of our kids staying on in the education system, it only increased that retention rate by two percentage points from 34 to 36 in their seven years -

WALEY: Prime Minister -

PM: We've lifted that to 61 percent. Now that's part of the social wage -.

WALEY: That is accepted, but I mean the immediate hurt is on interest rates, now -

PM: Well, I'm coming to interest rates. I mean, I had to answer your question in two parts.

WALEY: OK.

PM: I was giving the message that if you make the judgement about hurt and part of the hurt has been the reduction in real wages, then you've got to see what has happened in terms of benefits. Interest rates. That is the result of the fact that our economy is growing so rapidly. I mean, we are having such a high level of economic activity, that we are sucking in a level of imports, such a high level of imports, that our exports won't pay for. So we have to somewhat dampen down the level of activity and to do that - in addition to tight fiscal policy and tight wages policy - we have to have tight monetary policy. And what I am saying is that the signs are now emerging quite clearly that those interest rates are having the effect. There is a gradual slowing down. That's why I say to you, and to your viewers, Jim, that together all of us who've exercised that restraint, Government has cut its expenditures, the restraint has been exercised by the community, interest rates have played their part. I believe that as we go into the 1990s that evidence will become stronger and the conditions will be there for a lowering of interest rates.

WALEY: Before the end of the financial year?

PM: I believe so.

WALEY: And will they stay down?

PM: I believe so in terms of the Australian conditions. In other words, an Australian economy is influenced by two things. It's influenced by what we do ourselves, not just Government, but the community. My judgement is in terms of what the Government is doing and how the community is responding, yes, that we can do that. Now if you had a situation externally where you had a total collapse of our terms of trade, for instance, I don't believe that's going to happen, but to be honest with you, fully honest with you in answer to your question, will they stay down. Provided the international economy continues to operate on steady levels of output growth - as the predictions are internationally that it will and, therefore, we will not have a collapse in our terms of trade - then I don't believe there are external reasons why that move down our interest rate structure can not be sustained.

WALEY: Maybe that was one of the provisos that Andrew Peacock was thinking about this morning when he predicted that yes, indeed, interest rates will come down early next year but they will not be sustainable.

PM: Yes, well, of course, I don't want to say this in a harsh, personal sense, but it is the universal judgement, the universal judgement of his colleagues, of the commentators here in Canberra and of all analysts and business people who've met with Peacock, that he simply doesn't know, he simply doesn't know anything about economics.

WALEY: Could there be an element of truth though in what he said?

PM: No. Not on this issue. I mean, when you have a man who says in regard to the central issue of what happens to the Australian economy, that is, wages outcome, that is the central issue which will determine the whole of the economic outcome. When asked specifically at his Press conference, what will be those outcomes? He throws up his hands in hopelessness and says who's to know.

WALEY: OK. Let's move on to the economy. You mentioned a moment ago that -

PM: I thought we'd been on it, mate.

WALEY: Well yes but the slowing of the economy.

PM: Yes sure, sure.

WALEY: Obviously there's a lag in official rates when they are issued. One of the dangers of tight monetary policy - if in fact it is biting - is the fact that it will take effect quite suddenly and dramatically. Are you taking steps to ease the brake, so to speak, at the right time so that the country doesn't dip into recession?

PM: Absolutely.

WALEY: In what way?

PM: Well that's the centrally important ... It is the important question. I congratulate you for asking it. I mean the fine art of economic management now, Jim, is to watch all the indicators as to what's happening in the economy. They really fall into two categories. There are the official statistics. For instance, the recently issued national accounts figures together with official statistics on housing and so on in investment. But secondly and very importantly, there is the anecdotal evidence. What we are constantly doing, Jim, is getting feed in for instance, from BHP, what's happening to steel sales, what's happening to steel imports, those imports which they bring in for their own purposes. And for instance, they indicate to us that the signs there are of a slow down. We are also in constant contact with the retailing industry. So you combine -

WALEY: Are they telling you though, that there is a slow down?

PM: Both of them are telling us that the evidence of a slow down is there.

WALEY: Dramatically so?

PM: Sufficiently so. Now what you have to do, Jim, that is Government and the Reserve Bank, what we have to do is to watch those indicators and be extremely responsible about it. The worst thing I could do, Jim, to your viewers would be in terms of trying to get some immediate electoral acclaim, is to say whack interest rates down now. We've got to be certain that the impact is there, that the economy is slowing down sufficiently for us to ease rates off.

WALEY: I guess what I'm asking you is there going to be a recession?

PM: No. I know that's the point of the question. No and the fine art of economic management to have the easing off at the point where you can be confident that the slowing down of the economic activity has occurred enough so that the easing off will mean that in the jargon of the economists, to get the soft landing, that is you ease it off at the point where if the economy is not dipping down like that. It's come from here, gone down a little bit, and getting to a plateau level which will still be economic growth to sustain employment growth.

WALEY: Prime Minister, can we take a break at this stage?

PM: Sure.

WALEY: Do you think at a time when many within Cabinet are calling for perhaps softer measures, that the Treasurer will hold out and be too fanatical, too hard line?

PM: Jim, the premise of your question is not soundly based. The Cabinet supports the responsible approach. It's not correct to describe it as a hard approach, it is the responsible approach.

WALEY: With the incidence of high interests rates fairly hard?

PM: Yes, but it's responsible, I mean, as I've said and I don't want to keep repeating this phrase, but it's important. I am neither sadist nor am I masochist. In other words the last thing I want them to do, I haven't been in Australian public life for thirty years to want to hurt Australians, the opposite is true. Now I am not a masochist, I don't want to hurt myself. But what we have to do is to get that position where the great advance that we, as Australians, have made together towards restructuring the Australian economy, which is acknowledged it is happening. We mustn't prejudice that by just allowing a splurge of activity now which would destroy everything, because if you allowed activity just to splurge at this rate we couldn't sustain that level of imports and then the exchange rate would collapse, interest rates would go through the roof and we're into recession. So you can describe it as hard but it is necessarily hard if you want to use that, because in terms of benefits, enduring benefits for Australians, we mustn't allow the economy to collapse in that way. As a result of this policy we will be able to have the easing easing off of rates next year and in that situation we will have retained all the benefits of growth and of restructuring.

WALEY: So no disagreement between you or Paul Keating on policy?

PM: Or within the Cabinet, Jim.

WALEY: How are you getting on with the Treasurer these days?

PM: I would think it's true to say that our relations have never been better.

WALEY: Categorically?

PM: Yes.

WALEY: OK. You turn 60 tomorrow, seven years almost of Labor Power. Do you agree that there's a perception out there, perhaps, that after so long, you turning 60, that Labor's looking a little bit tired, a little bit jaded?

PM: No, on the contrary. I mean, if you look at the level of activity and the importance of decisions that have been taken, I would think it's probably true to say, Jim, there hasn't been a period in our office when we have been making more important decisions more regularly. I mean, without being exhaustive just let me refer to some of them internally and externally. Externally first, we just had here in November an historic meeting as the result of the initiative I took at the beginning of this year. For the first time the countries of the Asian Pacific Region have met here in Canberra as a result of my initiative in January in Seoul and they have met and acknowledged and paid tribute to my Government for the initiative, and as a basis of that we now have the momentum towards this Asian Pacific Economic Co-operation which is going to be enormously important for the region and tremendously important for Australia.

WALEY: So you feel that there's a confident young image about the present Government, do you?

PM: Well, it certainly should be an image of confidence because it goes back to the questions you have been putting. I mean, it would have been, if we weren't confident, if we were weak we would have wobbled around and said no we'll cut interest rates back immediately.

WALEY: Let me put it another way. The National Executive has been meeting today, and as I understand it changing the rules for some of the candidates. Does this mean that there's a recognition there, you need brighter, younger blood?

PM: No, no. This goes back to an issue which has been before the Federal Executive going back for two or three years. It's a question of preselection rules in New South Wales. There's a general recognition that there could be room for improvement in the preselection processes. But that goes back some time and let me say this, that the existing preselection processes not only in New South Wales, but in other States produced a situation that when I became Prime Minister in 1983 there was an enormous range of talent that was there, so much so that the Shadow Treasurer, Dr Hewson, said just a couple of years ago, that the Hawke Cabinet is the most talented Cabinet since the war. He was right then and it remains true today.

WALEY: OK. You say you'll retire if you lose the election.

PM: Now let me say that was entirely hypothetical, Jim, and I said I don't believe that will happen, and I don't say that in a cocky way. I realise that we've got to work hard to be re-elected. We will work hard to retain the confidence of the Australian people. The question, then what Mr Hawke despite that you would lose. I said, well I think in those circumstances I would retire.

WALEY: But you'd stay on for another three years, at least, if you won?

PM: Yes.

WALEY: You feel you only have a contribution to make if you win?

PM: No. But I would think, that's why I said I think I would retire, I mean, obviously I'd be guided by my Party, Jim. I mean, if they said to me, in those circumstances, and pressed enormously, ... we want you to stay, well, I would have to give that consideration. But I just make the point that this year, at the end of this year, where we are now, I have been in public life for thirty years, ten years as the Research Officer and Advocate for the ACTU, ten years as President of the ACTU, ten years in the Parliament, and seven of those years as Prime Minister. Now that's a long time in public life and I am eternally grateful to the Australian people for having given me the proud honour and privilege of being the Prime Minister of the greatest country on earth. I've been there a long time, I had no definition of a life before Parliament, there is a life after Parliament. If the view of my Party, and, in a sense, the people, was that they wanted to stay there in Opposition I would have to give that serious consideration because without, I hope, sounding mawkish the thing that dominates me is my love of this country.

WALEY: (inaudible)

PM: I guess, I mean, I would be a remarkable individual if I hadn't and I would be a singularly unintelligent person if I hadn't. I mean, as Prime Minister you have a unique opportunity to learn even more about your country and also, Jim, to learn about the international context within which we operate.

WALEY: Still retain a sense of humility?

PM: I am a mixture of pretty supreme confidence in my capacities. I say that directly. I do have a supreme confidence in my capacities. A mixture of that and also, I don't know whether I would describe it as humility, but it has been said and I think it is correct that I am one of the best listeners in public life. I do listen, I mean, I have this love of people, I mix with people, I listen to them as well as talking to them and call that humility or what, I don't know, but I believe that you can always learn in life, and certainly as Prime Minister you can always learn, Jim, from listening, absorbing things. So it's a mixture of, as I say, supreme confidence in my capacities, but also a knowledge that I can perform better the more I listen.

WALEY: What does a 60 year old Prime Minister Bob Hawke do on his birthday, go to the races?

PM: No, he won't be going to the races. He'll be swamped in the morning, joyfully, by his grandchildren which, of course, is one of the great joys of my life. I mean I can't describe the pleasure I get from my family.

WALEY: Big family reunion?

PM: Yes. They'll all, except my two little grandsons, who are up in the North West of Western Australia, but my son will be there, my two daughters and four of my grandchildren, they'll be all over me in the morning and then later on in the morning I'll try to pick a few winners and place a few bets.

WALEY: So it's a family day?

PM: Oh very much so. I'll watch a bit of cricket I suppose tomorrow afternoon and then tomorrow night we're having a party.

WALEY: What about Clem, your father?

PM: Remarkable, he's now nearly 93. I see him as often as I can. I've seen him two or three times in the last few weeks.

WALEY: You're very close to him aren't you?

PM: I love him.

WALEY: What will you say to him tomorrow.

PM: Be well and thanks for everything you have done for me.

WALEY: What's he done for you?

PM: Well, he's passed on to me the fundamental beliefs I have and that is that we are in this world, not just to advance our own interests, but we owe an obligation to our fellow human beings and I think you have heard me quote before the thing that he said to me that has always stuck in my mind, he said, Bob, he said, if there is a belief in the fatherhood of God, then that, inevitably, has the corollary of a belief in the brotherhood of man. That's, I suppose, if I had to say what I owe most to my father it is the implanting in me of that belief.

WALEY: It's been another Red Letter Day this week and that was your son Stephen receiving a Human Rights Award from no less than Mrs Hawke. He's a very independent man isn't he?

PM: He's a remarkable young man. He has a brilliant mind, a brilliant intellect. When he was doing his HSC in Melbourne he left the school he was at, Melbourne Grammar, he didn't like that, left there in that HSC year, went - uprooted himself - went to another school, was hit with glandular fever, was knocked out a couple of months or so before the exam and got brilliant results, you know 100 in mathematics and these sorts of things. I mean, it's just not the pride of a parent, he's got a brilliant mind, could have been anything, could have done anything, but he's devoted his life to the most underprivileged group in the country, the Aboriginal people, devoted his whole life to that. He could have been anything if he had been concerned with just his own advancement, could have been anything, and yes, I am very proud of him.

WALEY: Prime Minister, I guess when we all turn 60 we are entitled to shed a few tears. Congratulations and thanks for your time.

PM: Particularly when you talk about my Dad. He's been a truly remarkable man. I don't think I've ever met anyone of whom I could say that I don't know that they've ever done anything crook in their life. He's been, to me, something very special.

WALEY: Indeed. Thank you, Sir.

PM: Thanks.

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