



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH MIKE CARLTON, RADIO 2GB, 22
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CARLTON: The 1990 election campaign and my guest for the
next half hour - Prime Minister, Bob Hawke. Morning.

PM: Morning, Mike.

CARLTON: Thanks for joining us.

PM: Pleasure.

CARLTON: Over the last seven years you've asked all
Australians to accept restraint, to tighten the belt in
the national interest and do you feel that they have done
that?

PM: Yes they have, there's been magnificent cooperation.

CARLTON: So the average worker, the average Australian
family has done the right thing - tightened the belt as
you've asked them?

PM: Well, tighten the belt - they've exercised
restraint. I mean, there are a lot of them, many of them
who could have exercised their power to get more and they
didn't. That's the case.

CARLTON: How then can you explain that your Labor
Government has presided over the greatest period of
business and corporate thuggery and piracy that we've
seen since the gold rushes?

PM: Well I don't accept that. That's your assertion,
but if you say that we've had a very significant increase
in profits, that's true, but you want to complete the
equation that increase in profits has been associated
with the largest investment boom in history which has
been associated with the largest employment growth in
history. So the move to profits from wages has gone into
investment and just look at what that rate of job
creation means. It's five times faster than before and
twice as fast as the rest of the world. I mean, if you
are going to talk about it, why don't you complete the
equation, Mike?

CARLTON: Alright, but I'm not talking about legitimate profit and investment, I'm talking about the fat cats, if you like, the Bonds, the Skases, the Herscues and if you like, the John Elliotts. They have piled extravagance upon extravagance haven't they?

PM: Yes, Mike, well a lot of people have piled extravagance upon extravagance and claim upon claim. I mean, I don't want to get personal. I don't know, for instance, in your case what the improvement in your remuneration has been over the period, but if people have the power in a market to get more out of it a lot of people do - the Bonds, the Skases, perhaps the Mike Carltons - they, if they've got a bargaining power -

CARLTON: No, mine's gone down.

PM: Well, has it Mike? Well I don't know, but all I'm saying is that it's easy to point to extravagances on the part of some and let me say, because I don't have an extravagant, you know, taste. I mean I don't go looking for miles and miles more for myself, but I don't like extravagant lifestyles, I don't like the ostentatious display of wealth. It doesn't appeal to me, but if you're going to look at what we've done about it just, I ask you to remember this. In 1980, you know in that period before we came to office, Professor Mathews, the foremost authority on the tax system and what happens in terms of people being made to pay, Mathews said it's become a matter of option and choice as to whether the rich pay their tax.

CARLTON: Yes.

PM: Now we have made them pay their tax through imposing a capital gains tax. There is a fringe benefits tax where people avoided and now literally billions of dollars have been taken from the rich who were able to flaunt their lifestyle before without paying any tax. Under my Government, while sure there's still ostentation, and I don't like it Mike any more than you do, but what I'm saying is, as a result of deliberate tax policy we've made them pay where before the independent authority said it was a matter of their choice whether they paid.

CARLTON: Yes, but the ordinary bloke out there on his \$30,000 a year or whatever -

PM: Yes.

CARLTON: Has accepted your call for restraint and as you've said, magnificently, but watched while your Government has stood by on these -

PM: Well, you're just ignoring what I've said. How can you say I stood by when the independent authority, not

the Mike Carlton ... when the independent authority said before Hawke came to Government it was a matter of choice as to whether the rich paid tax. I have changed that and now I have taken billions from them. Now to be fair, I mean, try to be fair ...

CARLTON: ... they were still throwing tax through the Cook Islands only a year ago.

PM: And that's been closed off. I mean, will you, will you give credit for the fact that we've made them pay billions of dollars, that Mathews will not write now, as he did write before I came to office, that it was a matter of choice as to whether they paid tax. They don't write that any more.

CARLTON: Do you think business got out of hand, this sort of corporate greed syndrome?

PM: I think some of it, Mike. I mean, now let's be fair. I mean, obviously, I mean if I were to talk about any group of people and pick out the, you know, the ones that behave badly, then, and tried to attach that to everyone, it would be very unfair. Let me give you an example. I went over to Auckland to the Games. Now before I went over there, there was this beatup that a couple of our athletes, it was alleged, had behaved badly. Now I went over there and I went and had a couple of hours just sitting down at lunch with all our Australian athletes and, look, you couldn't be prouder of them - a magnificent bunch - but the alleged activities of a couple at the beginning, the alleged activities of a couple -

CARLTON: Smearred the lot.

PM: Smearred the lot. Now I think, Mike, if you look at, look at the corporate sector, of course there've been some cowboys and I've been critical of cowboyishness.

CARLTON: You were seen as mates of some of them a while ago.

PM: Well, look, as far as I'm concerned if I have someone who is a friend that started off long ... I mean, Peter Abeles is talked about. Peter Abeles has been a close friend of mine going back to 1970 when he was virtually no-one. He was just starting off TNT, you saw the TNT truck around the place. He has been a close friend of me and of my family and my kids. Now I don't give away my friends. I'm not going to condemn Peter Abeles to be eliminated from my friendship because he became rich. Now -

CARLTON: I wasn't thinking of him, I was thinking of people like Bond and so on.

PM: Well, look, I've been photographed with Bondy and at the time like, may I say, 99.9 percent of Australians in 1983, I was very proud of Alan Bond. I'd like you to find an Australian who wasn't, but -

CARLTON: Now?

PM: Let me say this, not just now, who was the bloke who more trenchantly than anyone criticised Bondy at the time of his Chilean deal? I went public and I said, I mean, I just think that was appalling. Now Alan doesn't come in the category of a close, close mate of mine. I knew him and I applauded the good things he did for Australia. The things that he did that I didn't like - I'm not a Johnny-come-lately hopping on to some critical bandwagon - I said it at the time.

CARLTON: Yes, alright. A lot of Australians though say why should we have to pay these high interest rates, expensive rates paying back our home mortgage when a lot of the trouble has been caused by these, these cowboys borrowing these billions overseas?

PM: Well let's, let's get this figure about the borrowing overseas into perspective. As you are rightly implying in your observations the great majority of this overseas debt is in the private sector, but -

CARLTON: You're not borrowing it, the Government's not borrowing it.

PM: We are a net creditor.

CARLTON: Yes -

PM: ... We inherited a debt situation from our predecessors. We've paid it off, but let me make the point and it's not my source that I'm going to, it's the Opposition source - Access Economics.

CARLTON: Yes.

PM: Now Access Economics, OK, independent. They just brought out a publication at the end of last year in which it showed \$90 billion, \$90 billion worth of investment projects either being undertaken, confirmed or under serious contemplation. And that \$90 billion is, if you like, the good side of the debt picture -

CARLTON: Yes.

PM: - and they said, Mike, that that will, when it all comes on stream will be bringing in \$10 billion of export earnings. Now, sure, you could look at the debt picture and say it's bad and in some respects it is. But part of that represents, for instance, North West Shelf. They borrowed to get that, but now the ships are plying to and

from Japan, taking the LNG up there and earning us income.

CARLTON: Alright, that's worthwhile investment, but this, this huge pile we had of borrowings upon borrowings. Some of these corporations getting into mountains of debt so that they could buy more debt, the average bloke is paying for that in his home mortgage rate isn't he?

PM: Well, it's not a question of the average bloke paying for that in his home mortgage rate. The country as a whole, as a whole, in the last year we spent - the increase in spending was eight percent and because of the inadequate structure that had been built up over the years we could only produce another four percent more and that gap came from imports. And we just, as a community, couldn't keep importing that much and I think the community understands. I'm moving around amongst them and they're saying well yes we understand that you had to slow things down, we don't like the fact that it's hurting us, and I understand that. But it wasn't as though we didn't have, you know, tight fiscal policy, the tightest in history and we had a tight wages policy. All that was left was having to increase the tightness of monetary policy, but we've done that. But now the banking sector itself is saying, not just Bob Hawke, that interest rates are going to come down and they are.

CARLTON: You reckon? I mean -

PM: Well it's not just a question of I reckon, I mean they've started to come down and the banking sector itself is saying they're going to come down.

CARLTON: Alright, but they're about to go up in Japan and the United States and I cannot believe that we can bring ours down if the Japanese and the Americans are putting theirs up.

PM: Well we've already got the situation here where the cost of money, I mean, in the end the determinant is the cost of the money to the banking system and the cost of money, of money to them is coming down. When the cost of money to them comes down then inevitably, as they recognise, so does what they charge come down.

CARLTON: But surely -

PM: Now that's their statement. They expect rates to come down and so do I because we have been the ones who have had our fiscal policy tight. I mean, in other words, we've wiped out the deficit, we've made a reduction in the demand that the public sector makes upon savings - a massive change-around - and over, over the period we've been in office a turnaround of about \$30 billion. So we've vacated to that extent the savings sector. Our demand, so, tighter fiscal policy, tight

wages policy and we haven't relied on monetary policy alone. And the decisions that have been made, mean that interest rates will come down.

CARLTON: Well why should anyone believe a word you're saying? I mean, you've promised -

PM: Well -

CARLTON: - before that interest rates will come down.

PM: Well all I can say is that you're not just relying on me and I think you should rely on that, but I repeat, why do you not believe what the banking sector says? And the banking sector says, as a result of what we've done, interest rates are coming down. Now that's the banking sector saying it.

CARLTON: You could also get some parts of the banking sector ... say it was a quick fiddle, a quick fix before the election.

PM: No. The overwhelming statement of the banking sector, you look at the Stuart Fowlers, the whole lot of them, they've said the conditions have been created for interest rates to come down and the important contrast is this - I mean, as you recognise it in your questioning, whether rates can come down or not depends upon what's happening at other instruments of policy.

CARLTON: Yes.

PM: And as against what we've demonstrated, that is that we will pay and pay over the next three years for whatever commitments, spending commitments, we've got - we've done that now. We have demonstrated what we're going to spend, we pay for by savings. Against that the Opposition have got a \$6 billion hole, \$6 billion and they've got a wages blowout. So with a blowout in the deficit and a blowout in wages, inevitably under them, interest rates must rise.

CARLTON: Do you regret that promise last campaign that no Australian child will live in poverty by 1990?

PM: I regret that the full statement that was in the accompanying statement was not the words I used in the abbreviated speech. But if you look at the - as you know, you've seen it - in the full statement I said there'll be no financial need. And I'm proud of the fact, proud of the fact that the Brotherhood of St Lawrence, the Institute of Family Studies, have said that that promise, which has involved may I say the payment of more than \$2 billion per annum, that promise has been met. There's no financial need. Now what we've got to do as a community, not just my Government but the States and the local governments and community organisations, we've now got to make sure that we deliver the services

as well as paying this money which we're paying which meets the financial targets. We've got to make sure that all the services are delivered which mean that for whatever variety of circumstances may exist where the money is not getting through, that the kids get looked after. But Bishop Hollingworth of the Brotherhood of St Lawrence ... to Brisbane, put it best. He said the Opposition should really acknowledge the very substantial merit of the what the Hawke Government has done in this and stop making political capital out -

CARLTON: There's still a lot of kids sleeping out at the Cross -

PM: There's still a situation where in this country it is recognised by those in the welfare sector that more is being done and the promise of meeting those financial targets have been met. Why don't you observe that under the situation where I am now paying over \$2 billion a year to low income families that that means 1.2 million kids and half a million families, look what it means for a low income family so it's not just big figures of Hawke talking about \$2 billion. Let's take a family, a single income family on \$320 with these kids. They now get \$111 a week tax free which is equivalent to a wage increase of \$170 a week. Now that's the reality. And as distinct from the political cynicism of our opponents who refuse to acknowledge that \$2 billion and more that's been paid where it's needed, I take enormous pleasure out of when I'm moving around where mothers are coming up to me and saying Mr Hawke that saved us.

CARLTON: Can we get to the wage-tax deal out of yesterday.
That figure of \$50 a week, ... thrown around, a bit like the
bunyip. That's a mythical beast isn't it?

PM: No, it's not. If you want to look at it, if you want to be bored with the components of it I'll go through it.

CARLTON: Well let's take one. \$16 of it is already in the pipeline.

PM: It's coming through - I mean it's not staying there in the pipeline. It's coming through in this period that we're talking about out of arrangements that were made before. What was done was that you had your award restructuring principles brought in which gave you staged increases, staged increases through the restructuring principle. And in this period that we're talking about, out of those arrangements that were coming in approximately \$16 a week will come in in this period. So don't you count it?

CARLTON: Yes, but it's not a brand new gift from the Treasurer is it? That 16's been there for a while.

PM: It hasn't. It's come through in this period. It was negotiated, it was negotiated before. And if we're talking about what the increases will be in this period ahead, \$16 a week on average will come from the arrangements that were negotiated before. I mean the people are going to get it in their pocket.

CARLTON: But we don't get the tax cut though till what, January next year?

PM: From the first of January, in the period that we're talking about.

CARLTON: And we don't get the second wage rise until June next year.

PM: Yes, but we're asking - I mean what people want to know and certainly what business wants to know, making our calculations, is Michael, what's going to be the aggregate wage movement in that period? And if you look at that then you've got to take account of the elements that will operate in that period. And it's accepted that in that period there'll be this seven per cent increase on average in the aggregate wage outcome. That is what will affect both the people in terms of the receipt, their capacity to buy things, and it will be what affects the employers in respect of the cost figures that they will have facing them.

CARLTON: That depends very heavily, doesn't it, on getting inflation down to six per cent?

PM: That's the assessment that's made. Now let me -

CARLTON: You've ... inflation targets yet. ... got it wrong for seven years.

PM: Now wait a minute. We've got our wages outcome right on every occasion. And as Paul said, I think very accurately and eloquently during yesterday and last night when he was questioned about this, it is the case that we had, you know, an excessive explosion of demand in this most recent period which we admit put our estimates out. But let's go to what the Treasury, not Paul Keating or Bob Hawke, are saying. At the end of December in their last official roundup, the Treasury said that the underlying rate of inflation was 5.7.

CARLTON: Well they've been happily wrong for seven years too on inflation haven't they.

PM: No, they, basically their estimates overall have been fairly good. But I concede, and everyone has conceded in the private and the public sector, that during 1989 and through from the end of '88 and into '89, that we all underestimated the strength of demand. Now in that situation you've got to ask yourself now what's

happening now. Have you still got the high levels of demand. Answer no. Demand is coming down and we've conceded that before. Demand is coming down. And in those circumstances with the Treasury saying at the end of last year the underlying rate was 5.7, I believe that the figure of six per cent is realistic.

CARLTON: Can we turn to the politics of it all now, away from the money. The overwhelming reaction I'm getting from listeners at the moment is they would quite like to get rid of you. They've had enough of you. Do you detect that?

PM: No I don't. I mean I do detect that there is some cynicism about politics generally. I'm not denying that. Certainly Australia is experiencing what the rest of the world is, Mike, in regard to one aspect of that, that there is no doubt that the environmental vote or concern is increasing in this country, as it is everywhere in the world.

CARLTON: There's a second leg to my question ... While they would quite like to get rid of you, they are not at all in any way convinced that Andrew Peacock is a sufficient reason for doing it. Do you detect that?

PM: Well all our polling is what the public polling shows. But I'm not - I understand that Andrew's coming on air later - but I'm not here to personally attack the Leader of the Opposition, ... go to him as an individual. But there is no doubt that all the polling, publicly and our own, shows that they don't accept the Leader of the Opposition as an alternative and that we are, importantly, that on the issues of management of the economy and a range of economic issues, and most importantly on the environment, they just won't have a bar of the Opposition and the Leader of the Opposition. If you look at the environment, I mean this is an issue that I want to have very much in the forefront of people's minds. Because, funnily, when you talk about the environment you're talking about the future and you're talking about the past. The environment is one area where you cannot undo the mistakes of the past. You raised Mr Peacock and myself. Let me just say this to your listeners. If Mr Peacock rather than Bob Hawke had been Prime Minister the Franklin would be dammed, Kakadu would be mined, the Daintree would be logged. Now I've saved the Franklin, I've saved the Daintree Rainforest, I've saved Kakadu from mining, I've saved the forests of Tasmania and I've stopped that awful Wesley Vale mill that was going to pollute Tassie. Those things are the future. And it's one of the issues, one of the reasons Mike why, while they may not be happy with all that I've done, and I understand that. Because we've had -

CARLTON: I think a lot of them are fed up with all that you've done. ... I'm not trying to be rude or nasty. There's disillusionment out there ...

PM: Ok, there's an element of that. But let me say this. I wonder Mike whether you ask whether they are disillusioned with the fact - let's take the categories. Let's look at the young and the old. When I came to office only one in three of our kids were staying on in school, because the prejudices and the preferences of the conservatives was to look after the privileged. Only one of our kids in three stayed on. Now it's two out of three. I wonder, in respect of the aged whether you had a situation that when we came to office only 22.7% of the pensioner representative earnings. Now those will be over 25%, higher than it's been for 40 years. These things - all I can say to you is that when I go around, as recently as yesterday, people saying thanks for what you've done. Sure, I understand the concern. I would rather we'd had a position where we didn't have to have high interest rates for a period. But we had to.

CARLTON: I bet you would.

PM: Why would I want to hurt people? Why would I want to hurt myself. But in the end if I hadn't done it we would've had an economy like the one I inherited, with the worst recession in 50 years. Now you can't have a perfect world where you're going to be able to give everyone what they want. What you've got to do is to commit yourself to the hard decisions which are going to have a competitive economy in an increasingly competitive world. And that's what's happening. I mean in the last couple of years, 14% increase in real terms in manufactured exports. We now have Australian enterprises going out where they never could before and taking on and beating the rest of the world.

CARLTON: Yes, you've also ... going broke at a bigger rate than ever before too.

PM: On the contrary. We've got a situation, I mean you certainly can't say that. They've got the highest profit share than they've had before as a result of the restraint that's been exercised by your listeners and a whole range of people. That means our enterprises are now increasing their manufactured exports in a way they've never been able to do before.

CARLTON: Last question. Is a vote for you eventually a vote for Paul Keating or will you stay out a full term as Prime Minister?

PM: I will serve out the full term as Prime Minister.

CARLTON: No deals?

PM: No deals. And I think Paul put it right. A vote for Bob Hawke is a vote for Bob Hawke and a vote for Andrew Peacock is a vote for Andrew Peacock.