



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH JANA WENDT, A CURRENT AFFAIR, 21 MARCH 1990

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WENDT: Mr Hawke, thank you very much for your time.

PM: Pleasure, Jana.

WENDT: Are we on the brink of a recession?

PM: No. If you use the economists' analysis you have two quarters of negative growth. Last quarter, the one before this one just coming up today, 0.9 percent for the quarter growth, this one, minus 0.2, so we had one quarter and this quarter is a 0.9 statistical discrepancy which, when it's rectified could have you in positive movement. So technically, no, and in terms of the assessment of the market, no.

WENDT: Would a recession be proof of the failure of your economic policies?

PM: No. What I'm saying right up till now and which I continue to say is that we've had a problem of excessive growth - that's why we had to have tight monetary policy -

WENDT: OK, but if the recession occurred, if we're in one now which as the Opposition is saying and as some of those economists are saying will that be proof of -

PM: No economist has said we're in a recession yet. What is, is technically you have two quarters of negative growth, we haven't had that, we've had to slow the economy down, but what we've had now is a big movement into more exports and a reduction of imports - precisely what we've got to do to reap what your listeners are concerned about and that's the external debt.

WENDT: Prime Minister, I want to say what, what I'm asking you. If we were to strike a recession, would that be proof of a failure of your policies?

PM: No, if we were to get two quarters of negative growth and that were sustained it would show, yes, there is a recession in the technical sense. But what I am

saying is we haven't got there. I don't believe we will and we've got to slow the economy down anyway. That's what people want, they want to see our external problem dealt with.

WENDT: You've just seen a representative of small business say that around half of Australia's 750,000 small businesses are in real trouble. Do you accept that that's a result, a direct result, of your policies?

PM: I don't accept that that is accurate. What we've got is a position where those businesses, over this whole period of seven years, have shared in this enormous increase in employment, big increase in profits. They've been part of that and that, as they've been part of the growth, and as we've expanded too much as an economy in the last year, they've had to take their share of the slowing down. I mean, you can't have it both ways.

WENDT: Yes, but Mr Hawke, it's more serious than that. You've just seen shop after shop after shop closing down. That's on an average street in an average suburb in Australia.

PM: Well, the alternative would be this. If you really wanted to ruin this economy, what we could have done is to say alright, we'll have easy monetary policy, we'll just have an even greater binge on consumption. If we'd allowed that to happen, the economy would have done what it did at the end of the conservatives' reign. We would have had the worst recession in 50 years. Now I wasn't prepared to do that. I've had to take some tough decisions.

WENDT: But are those closures the result of Hawke's economic policies?

PM: The slowing down of activity is a deliberate ... outcome of the fact of a tightened monetary policy. The alternative was for the whole economy to collapse.

WENDT: But for you, you call it a slowing down of economic activity and sure that's what it is. For those people, it's flesh and blood and money and -

PM: But what it would have been, it would have been more than that. It would have been more than that for more people. If we hadn't had tight monetary policy, then the economy would have collapsed completely, collapsed completely. Now what - just let me tell you what the, what the market is saying about what's happened. I mean, this is the Reuters screen last night, just let me read this ... what they're saying is credit market at the end of the day ... in anticipation of a further easing in monetary policy in the next few weeks assuming, this is what the market said, assuming the Hawke Labor Government is re-elected at Saturday's federal election, the only

way we're going to get rates down is with the re-election of the Hawke Government.

WENDT: OK, well you quote to me, I can quote to you. We approached, as we mentioned in the story, four major banks.

PM: Yes.

WENDT: One economist told us, yes, we are facing a recession. The other three told us we are in for a hard landing.

PM: Well, that's not the, not the consensus of the economic profession generally because what they are saying, the overwhelming majority have said we are in for a soft landing and the markets are saying, and there it was that I've quoted from, they are expecting if the Hawke Government gets re-elected, a lowering of interest rates. And that's what will happen.

WENDT: Election campaigns are about communicating to the people who'll be voting for you on Saturday or not voting for you. Do you think you can make this message plain that you are giving me to the people who've had to close, close their businesses?

PM: Well, I hope so, Jana. I mean, it is a reasonably complex message but the simple fact is, if I can put it this way to your listeners and not use economic jargon, we were expanding that rapidly that we were consuming eight percent increase, we were producing four percent increase and that gap, we were importing and that was wiping up our external deficit. We had to slow things down and these last accounts that are out today show that we've got it back in to kilter. The increase in consumption is the same as the increase in production, but importantly the production now has been channelled into exports against imports. That's the turnaround.

WENDT: Mr Hawke, it's a happy picture that you paint, but it contradicts what people are telling us, what I'm sure you hear in the streets -

PM: But Jana, I'm sorry I'm not trying to say - I never have and in my policy speech I made it clear - I know that good Australians have suffered. A lot of them, a lot of them. Because we've had to slow things down. I'm not trying to say there are not people out there hurting, I know that are. But I had to take the tough decision - either we did slow the economy down from its too rapid a growth, it was just going like that, either I took the tough which meant there was some pain or, if I hadn't done that, then we really went in to the sort of recession which the Liberals gave us just before I came into office.

WENDT: Are you accepting then that you have lost some people in delivering that message - those people who have had to close the doors of their businesses - you've lost them?

PM: Well, I don't know, I guess some of them yes, I guess some of them. But I also think - because I basically have faith in the Australian people - I think that in the end that people are going to say, on the 24th, OK, Hawkey's made it tough, I understand, a lot of them are going to say I understand why but they're not going to like it. But the simple fact is this, and this is what the market knows - that's why they say rates will come down if Hawke's re-elected - that Peacock policy is a wages explosion and blow the budget surplus, because he's got seven billion dollars in unfunded promises. If you have a wages explosion and you blow the budget surplus - then, you do have a repetition of what they gave Australia in 82/83.

WENDT: Mr Hawke, did you back away yesterday from a suggestion that you'd be able to bring about a two per cent fall in ...

PM: No, what I ...

WENDT: ... interest rates, did you back away from it because you knew you couldn't deliver it?

PM: No, what I said at the Press Club today was, I was asked about it, I said I got into a parenthesis about John Howard when I'd seen that John Howard has said two per cent. It would have been wiser on my part if I hadn't referred to John Howard. I've said consistently, and I say again now, that when we win we will be able to go to the Reserve Bank and say all the evidence is of the slowdown, there should be now a lowering, a further lowering of prime rates and then that goes into the other rates, the retail rates. And that's what I've said and, fortunately, all the industry and the market is saying that's what will happen provided - and they're putting the proviso on it - it will happen if the Hawke Government is re-elected.

WENDT: Do you think that if people believe that you're painting an all too rosy picture ...

PM: No, I'm not trying to do that.

WENDT: Well that is the impression ...

PM: Well, I mean I've just said ...

WENDT: ... that some people have.

PM: Well, it's a wrong impression. Now look, I have put it straight to the Australian people. I've said, not only in this election campaign Jana, I've said it a

number of times and I take this opportunity now of saying, directly to your viewers that I'm not a masochist and I'm not a sadist. I don't want to hurt them. I've been thirty years in public life - the whole of my adult life has been in public life - working for Australia and Australians. I wouldn't want to hurt them, I would never hurt them deliberately. But I've created, with my Government, jobs at a rate that have never been created before - five times faster than before and twice as fast as the rest of the world. That's what we've done - we've got investment at record levels - but we went that fast, that it was creating an external problem. And I've had to slow things down a bit. And I know, I mean, Jana, believe me I know, that some people have been hurt in that process. But the alternative would have been the collapse of the economy, and while my opponents are prepared to let that happen, I'm not.

WENDT: Well Mr Hawke, I'm afraid we will have to leave it there. Thank you for your time tonight.

PM: It's been a pleasure Jana, thank you very much.

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