



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH MIKE CARLTON, RADIO 2GB,
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CARLTON: With the opinion polls down for the Government, the economy in pain, the Prime Minister has been telling his Ministers and his Party to get out and communicate, to start selling the Government's message to get it across to Australians and I guess, perhaps, as part of that process, Mr. Hawke joins us today on the line from Canberra. Good morning.

HAWKE: Good morning, Mike.

CARLTON: Thanks for your time. When are you going to use the 'R' word and concede that the country's in recession.

HAWKE: Well that's a pretty sick sort of question after I've answered it about three or four times in the Parliament. I've said simply this Mike, that all I have been saying is that as far as the economics profession is concerned, the technical identification of recession is when you have two successive quarters of negative economic growth. That's what the economic profession says. That hasn't arisen yet, but I've said and I say to your listeners, that doesn't mean that I, in any sense, am trying to avoid the fact that as far as very, very many Australians are concerned, they are being hurt. That is, that when you slow down the level of activity as we had to do, that means, by definition, that some businesses and individuals are going to be hurt and a lot of them very severely, so there's no point in having fun about the economist's technical definition of recession. I don't nail my particular flag to that mast. I'm simply saying that's what the economist's definition is, but it doesn't mean people aren't already being hurt, they are.

CARLTON: Yeah, but the view from Sydney....we believe up here, everyone will say that Canberra is out of touch, that it is a recession, people are using the word.

HAWKE: People are entitled to use the word. I mean, the man and the woman in the street is not a professional economist, nor should they be expected to be bound by the economist's technical jargon and technical definition. I have no problem at all if people say, "We're in recession" and if that's how they feel

and that's how they're being affected, they are entitled to use the word. The professional economists haven't got a monopoly of the word and what I'm saying to your listeners is this, that the position with which the Government had to deal, Mike, was one in which in the previous year, we, as a community, had increased our expenditure, all of us, by 8% and we'd only increased our production by 4% and you couldn't allow that to go on because that's the way to bankruptcy and so you had to slow the level of activity down. We've done that by tight fiscal policy and tight monetary policy and tight wages policy. Now, when you do that, as you had to do it, then obviously some people are going to be hurt, but the point is this, that if we hadn't done that in a controlled way, out of which, next year we will come into a path of sustainable economic growth, then the rest of the world would have imposed a solution on us that would have been infinitely worse than what we've got.

CARLTON: Alright, but rightly or wrongly, there seems to be a credibility gap. While you talk about a downturn or pain or a slowdown and so on, they're talking recession here. Could that be why your opinion poll rating's down, the credibility gap?

HAWKE: I think the simple fact is that when you make decisions as we've had to do - as I've just explained to you - as we've had to do that, it would have been irresponsible not to do it and when people get hurt, they don't give you ticks of approval and I can understand, I don't have a feeling of disillusionment or of anger at the fact that people are marking us down at the moment. You'd expect that when they are suffering hurt. You can't expect people to understand all the ramifications that if we hadn't done this, then it would have been very, very much worse. I'm not expecting them to embrace all that understanding and I accept they are marking us down at the moment. The other side of the coin, Mike, of course, is, as I've said and in politics, it's not only the judgment about yourself, they look at the other side and there is a sense of community relief almost that the Libs have got rid of that outrageous hurdy gurdy of Howard, Peacock, Howard, Peacock and there was this sense of pent-up relief: That particular stupid saga's finished and there's someone else there and the present Leader of the Opposition is not doing or saying anything or when he does say something, it's quickly exposed to be ridiculous and then he says "Oh, well I didn't really mean it, it was just an idea to start debate", but he's had a bit of a positive run because he's come after the end of the stupid hurdy gurdy.

CARLTON: Alright. There seem to be, though, some doubters in your own Party don't there? I mean, Bob Carr, for example says "This is the worse recession since World War 11."

HAWKE: Yeah and Bob Carr is wrong and is manifestly wrong. Take what the Westpac bank said - I haven't got a publication in

front of me - but just a few weeks ago they just made it quite clear that this is not as bad as 1982. You've just got to look at the figures. In 1982/83 you had five successive quarters of falling employment - five successive quarters. You had bank rates peaking at about 22%, far above what they did here and you had a wages explosion of 17%. You've got wages under control here, so whether you look at the level of wages, whether you look at the level of investments, the level of employment, what is happening now has not reached the depth of 1982/83. But that doesn't make me complacent and say "Oh well, it's not as bad as the Libs brought about in 82/83". The only cause that we have and the basic cause that we have for optimism as a community is that the fundamentals are different now. Then, they didn't have a wages policy, you had a wages explosion, now, we've got a wages policy. Then, you didn't have any programme for restructuring the Australian economy, now, we have. We've got the greatest programme of reform that the country's ever seen and this economy is going to emerge basically stronger when we, as a community, have gone through the necessary pain that we must do to accommodate to the fact that we couldn't keep spending 8% more and producing 4% more.

CARLTON: Right. There seem to be some doubt as to, in your own Cabinet, John Dawkins, for example, said the other day: "We have a third world economy, we should be putting financial muscle behind our export as a change in policy."

HAWKE: Well, I don't agree with Dawkins that we've got a third world economy but where John Dawkins is right is that we do in Australia have very special problems that some third world economies have, but we've got strength that they don't and characteristics that they don't, but the problem that we have is that this is a very exposed economy because we rely so much for our export income upon fluctuating commodity prices, that is, for wheat, wool and so on and what we dig up out of the ground as well, Mike, and we have no control over those prices. Then large economies which have a very, very large manufacturing base, in a sense, can determine their own export income to a very large extent. We can't and in that sense, we're exposed, but, of course, we have very fundamental strength that put us, you know, way above other economies and the fact, Mike, is that in the last seven and a half years, we, in this country, never forget it. We, in this country, have had a rate of employment growth twice as fast as the rest of the world and you can't get that unless you've got sound economic policy and the basic structure being developed in the right way.

CARLTON: Alright. John Dawkins though, seemed to say: "We've had enough of the level playing field though, it's about time we tilted things our way."

HAWKE: Yeah, I understand the argument and the fact, of course, this Government hasn't had some ideological obsession about playing fields and levels. We have said this, however. We, that is Australia, has been in the forefront out there in the Uruguay round and, without getting technical about it, that's the whole international discussion that's going on under the GATT to try and bring about a freer international trading system and that's particularly important for Australia because we have the world's most efficient producers of agriculture products. Our farmers are the best, but they are being virtually raped on the international markets by the practices, the restrictive practices, of the Europeans in particular, and the Americans reacting against the Europeans and they have these export subsidies and producer subsidies which are ruining our farmers. Now it's very difficult for us to be out there in that GATT round at the moment, which is coming to an end now, arguing for countries to rip down these export subsidies, so that our farmers can get a fair go and at the same time, be internally embracing a different approach. That doesn't mean, Mike, however, that within our approach to government, we don't intervene. For instance, when we came to office in '83, you know that the steel industry was on the verge of closing down. We said 'not on your nelly'; we introduced the steel plan and now we have a steel industry, which is not only producing for Australia, but is producing massively for exports. We did the same in the shipbuilding industry, so we're not averse to constructive intervention, but essentially what Australia needs is a manufacturing sector which is exposed to competition because history shows that basically, in a manufacturing sector, the only enterprises that are going to be really efficient are those which come from sectors which are exposed to the winds of competition.

CARLTON: OK. When do you think.....I mean, you've conceded yourself, Australians have made sacrifices, they've exercised restraint for years now. When do you think the pain will stop and that we'll see some reward for this restraint?

HAWKE: Well, let's just get the picture straight, when you painted a picture of pain. Australians(interruption)twice as fast as the rest of the world and if you want to relate to the previous (inaudible) before we came into office, (inaudible) have been increasing in this country five times faster than they did in the period of office of the conservatives before we came in. Now that's not a picture of pain.

CARLTON: But surely you can see that people are feeling pain now?

HAWKE: Of course they are, but I'm saying don't give it as an unrelieved picture. I mean, I will come to the question of the difficulties but acknowledge surely, it's not a picture of pain

when you've got employment growth twice as fast as the rest of the world. Surely, it's not a picture of pain when we came to office, as a result of the conservatives, only one in three of our kids, one out of every three, were staying on in school. Now, as a result of our deliberate policies, we have changed the social face of Australia. It's now two in three of our kids are staying on and more of them being able to go on to have their talents trained in the technical education system, in our university system. The face of Australia has changed in that respect. Education used to be the privileged opportunity of the well-to-do, now it's been made available right across the face of Australia.....

CARLTON: Alright, conceding all that though.....

HAWKE: the picture of pain. Now, coming to the problem of the present time, what we've had to do in this period....we've lived in a period of massive swings, massive swings in our terms of trade, which relates back to what I was saying about what happens to the prices you get paid on the international market and we've had swings back there in '85, '86 when we lost eleven billion dollars of national income because of the change in our commodity prices and we had to adjust. We had to adjust there, we had to ask for very real restraint.....

CARLTON: Yeah, but granting all that and accepting all that, when are we going to see....you know, when are we going to move upwards? When are we going to see some sunshine?

HAWKE: We have been moving upwards. Look, how can you say the country hasn't been moving upwards when in fact, you've averaged over this period, since we've been in office, growth, economic growth of between 3 and 4 per cent - that's what's happened in that period, when employment has increased by 1.6 million new jobs. That's growth, that's improvement, that's creating opportunities for people to be employed, to have an income, to look after their kids, that didn't exist before. There has been growth, but there's had to be restraint as well, particularly in this most recent period. Now, I'm saying that as we go into '91 - by the middle of '91 this current downturn would have been reversed and we will have resumed the path of growth in the framework of an economy which we have continued to make stronger. There has been a situation where the Australian economy now is more competitive, infinitely more competitive than it was before. Remember this, that in this last year, our exports of manufactured goods have increased by nearly 10%. That hasn't happened by accident, it's happened because we're more competitive and it's happened because our great Australian workforce, the men and women of your programme, the men and women to whom you are constantly talking, have been prepared to accept restraint. Many of them could have, in fact, obtained much

higher money wage increases than they.....restraint and in that process, it's meant two things. It's meant that they've

created employment opportunities for many more of their fellow Australians and secondly, it means they are now working in an economy which can now sell its goods competitively on international markets.

CARLTON: Prime Minister, I'll have to leave it there, I'm out of time, but thanks very much for your time this morning.

HAWKE: Thank you very much, Mike.

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