



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER THE HON P J KEATING MP
SBS DATELINE WITH PAUL MURPHY
26 FEBRUARY 1992

E & OE PROOF COPY

J: You are asking Australians to take you on trust aren't you that your projections tonight, in this document, are going to be right?

PM: Well Paul, the economies generally respond quite favourably and rapidly on the way out of the recession. Nearly a decade ago, when I picked up Mr Howard's recession, in the first year we had 6 per cent growth in GDP, growth in the economy. We have got it here 4 3/4 per cent. It is really quite a modest assumption.

J: Every year?

PM: We did that in the '80s. We ran about 4 1/4 per cent a year all through the '80s and we believe that given the strong profit share that exists basically in the economy, the fact that there are no structural budget deficits over-hanging it, that we have basically good productive wage arrangements, that the benefits of the economy now can produce a 4 per cent growth through this period.

J: OK Prime Minister, as you say when you came out of the last recession that you inherited from your predecessors, you have got good growth, you've created jobs, then the economy overheated, then you had to take the action you did.

PM: It overheated Paul, with the globalisation of financial markets, growing credit at 10 or 20 per cent a year through the satellite shifting of funds, the fundability of money. That's gone. The financial institutions have pulled their head in. That sort of credit growth is not on, and we are not going to have any of that overheating. What we want now is sustainable low inflationary growth and we are the only

Party that can deliver it. We are the only Party that broke inflation, and we are the only Party that can deliver it.

J: OK, and yet I think by your own admission you will go into the next election and what, you have got 15, 18 months time with an \$8 billion deficit and still 10 per cent unemployment?

PM: Coming down. Coming down to 7 3/4 over the period and with a deficit turning into a surplus by 1995. In other words, as the cycle picks up growth, activity, receipts, salaries, supplements etc. and as unemployment benefits come down, the budget goes back into surplus in '95 with very large tax cuts.

J: But will enough happen in the next 15 months for you to leap the enormous political hurdle that faces you at the moment?

PM: Well, there's no way that a switch from income to expenditure, as Dr Hewson proposes, will do anything for recovery. In fact his own econometrician demonstrated this week that it will actually contract employment and contract GDP.

J: There is some disagreement about that ...

PM: No, no.

J: ... the argy bargy in Parliament.

PM: There will be no disagreement about the computer model printout which says, under any scenario, Fightback will reduce growth and lift unemployment. So this proposition, a stimulus from a budget which can afford a stimulus, to get the economy moving but which comes back to surplus is sensible, and I believe, the only thing to do.

J: Now, Dr Hewson has criticised your tax reforms and the big ones as being hogwash?

PM: Well, let me put this to you. When I sat back and said, 'what should we do here, what can we do to make Australia move now, what can we do which at the same time is productive, like rebuilding the railways, the ports, the roads, TAFE, all of these things at the same time produce low inflation, we produced this document, One Nation. What Dr Hewson did was sit back and say, not what does Australia need, but how can I be different from Labor? What can I have that they won't have? He said, a consumption tax. And if he thinks that taxing your food and your clothing and your dry-cleaning is going to change the railroads, the roads, the ports, the wharfs, the airlines, get growth going, it's not. The fact is, Paul, it's a sterile exercise

in accountancy. This is the only proposition that will get Australia cracking.

J: Alright, if I can take you to the one-off payment at between, I think I'm right in saying, \$100-200 for families which really says, OK, we know you are hurting, isn't this what some commentators have most feared, back to the old Hawke bout.

PM: But in a program of \$2.3 billion, it is \$300 million. It's 0.3 of the 2.3. And why is it there? It's there so that at early we can get a stimulus in the economy, because the rail projects and the road projects will take 6 or 9 months to build up. We don't want to lose 6 or 9 months. So we want to give money to the people who can use it best, and that's families.

J: Now unemployment is, by your own admission, will still stay at 10 per cent but coming down. But how many jobs will you create, meaningful jobs from this package?

PM: In the period, about 880,000, in the forecast 4 year period - 880,000.

J: That's almost close to the million that was achieved last time.

PM: Well, we achieved a million in about, I think, about 3 years last time, 3 1/2 years.

J: Now, if you can't get that 4 per cent growth, and if something goes wrong with the indicators, you've had it haven't you?

PM: Well, we'll get the growth this coming year, which is the year that matters to the economy, and of course, politically matters to the Government. 4 3/4 is a conservative assumption for an economy this well off coming out of recession, low inflation, low interest rates. Coming out of the last one we had 10 per cent inflation. Coming out of this one, we have got 1 1/2 per cent.

J: And you think the back, as you put it, the stick of inflation will stay broken?

PM: With the wage arrangements we have concluded with the ACTU, yes. But it will not stay broken ...

J: Can you tell me more about that, Prime Minister, by the way.

PM: Well, the ACTU are saying we will look at, we'll make the inflation rate of our trading partners, our yard stick in wage claims, if you give us a reasonable tax environment. That's the sort of proposition that's been put. That's what we'll accept. But of course, there'll be no reasonable wage environment with the GST

doubling the inflation rate. Dr Hewson by his own admission, doubled the inflation rate. So, that means interest rates go up, the economy is slower. In this economy, low inflation, the budget in good fettle, a high profit share coming as soon as the economy picks up, the place will grow quickly.

J: Are you going to attract back all those ALP traditional supporters whom you've lost?

PM: Well, I think, this program is very much a traditional Labor program. It's building Australia. It's the kind of reforming building which Labor was always famous for. A national rail highway, a national electricity grid, taking over Commonwealth funding of technical and further education, an international airline policy, a change to the depreciation to make the private economy stronger. These are all the things, and of course, support for families, Labor market reforms. This is very much a Labor package. But a Labor package at the right time to pull the nation together and not divide it, not to cut it up, interest group against interest group, under some sort of Thatcherite 'survival of the fittest' strategy which Dr Hewson has adopted.

J: Well, perhaps you are treading this careful line, you say it is very much traditional Labor but also you give them the banks that they wanted, there is every indication that business is going to be pretty happy. What about the markets?

PM: Well, I think the markets will probably expecting a package of about \$3 billion and this is \$2.3. And a lot of it is on long term productive things, like the Brisbane-Sydney-Melbourne-Adelaide railway line, like ring roads around the capital cities. Like support, infrastructure programs for schools. These are things which will be there in 5 years from now and in 20 years from now. In other words, it is not going up in a puff of smoke, so I should think the market would regard this as responsible and sensible.

J: And the micro economic reform that business has been screaming for?

PM: Well, it has taken all the big ones on, Rail, road, ports, airlines, we are knocking over electricity, we are knocking over that micro agenda as we knocked over the macro agenda.

J: Prime Minister, on a completely different subject, the British Press has gone rabid about you and your welcoming address to the Queen in Parliament a few days ago. Are you a rabid republican or a realist setting up the changing conditions facing Australia and Britain?

PM: Well look, I have got the Age editorial here, it said this today, and it's very sensible, it said, 'when the Prime Minister addresses the Queen, he addresses her as the Queen of Australia, and its entirely appropriate for him to articulate independent Australian attitudes'. I was not addressing the Queen as Queen of Great Britain, I was saying to her, we've changed, we are in a changing part of the world. We are in a part of the world that's growing rapidly and we are more independent of Europe, but she is the Queen of Australia, our Queen. So of course, in that sense, it is not understood by the editors of the British tabloid press. An editor of a British tabloid newspaper is a particularly low form of human life, and no doubt we will see other similar distorted headlines from them.

J: OK, I hope they don't see a tape of this program, but Prime Minister, thank you very much indeed for coming on to Dateline.

PM: Thank you.

ENDS