



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH MARK DAY, DAY BY DAY, CHANNEL 7,
MELBOURNE - 12 MARCH 1986

E & O E - PROOF ONLY

DAY: Mr Hawke thanks for your time. Don't worry about Dame Edna, she'll keep. We'll put you first.

JOURNALIST: I feel very relaxed about that Mark. You seem to be much more upset about it than I am.

MARK: I'm not the least bit upset Prime Minister. That kind of economic scenario, very tight Budget once again. It's reportedly lead to a warning from Senator Graeme Richardson, from the New South Wales Right, that too-tough a Budget could cost a lot.

PM: Now, let's just get a few things straight first. You keep saying that this a Paul Keating Budget strategy. Let's not leave it all on Paul's shoulders. The strategy that has been followed since we've been in office has been very much a Government strategy. Of course the Treasurer has the main responsibility for formulation and articulation. But the strategy is a strategy of the Government and has been spectacularly successful. Now we've come to a situation where, because of the very dramatic turnaround in the last six or nine months in our terms of trade against it, a sharp decline in the prices we receive for so many of our export commodities, increased prices for imports, this dramatic turnaround in terms of trade has posed new pressures and constraints upon us. We can't keep on borrowing from the rest of the world and expect to maintain positions on that basis. Therefore we have to reduce our demand upon the market and that requires us exercise considerable spending restraints. And that policy, which has been put forward in the submission to which you refer, has now been embraced by the Cabinet and by the Ministry and it will be followed through. Now, of course, it's true Mark, that in the process of having to make some expenditure cuts, to restrain the level of government outlays, that there will be some hurt. There's no doubt about that. But in the past we have - last year one and a quarter billion expenditure cuts. We've shown a capacity to get our priorities right. And I have a very considerable faith in the capacity of the Australian electorate to look at economic policy as a whole, to understand that we can't just go along expecting to live on our borrowings from the rest of the world, and they'll accept it.

DAY: Prime Minister, you say some hurt. Senator Richardson is quoted as saying that it could cost you office, do you go that far?

PM: Well, if one was silly about the way one went about it you could put yourself at risk. We have shown, I think, an outstanding capacity in the three years in office to get the balance right and we'll continue to do that. But it's proper, in the same sense as I had no complaint about the letter from my seven Ministers. I didn't like it being leaked, but I respected their expression of concern about the need to take account of particular interests. Now Senator Richardson is saying the same thing. Well we'll take those considerations into account.

DAY: You say we can't keep on borrowing forever and yet talking to Mr Keating this afternoon he suggested that a deficit in the order of \$5 billion may be the 1986/87 go. That's still a lot of borrowing.

PM: But it's still considerably less than when we came in and on a much higher level of gross domestic product.

DAY: So you think we can keep on borrowing?

PM: No. I'm saying that we are successively bringing down the Budget. We inherited a position when we came in, that the deficit was in the order of five per cent of our gross domestic product. Now this year we've brought it down to 2.1 per cent. In other words, we're bringing down the absolute level of the deficit and we've been doing that in a situation where we're very significantly increasing output. Now that's what we want to continue to do.

DAY: Do you think that many old timers, particularly Labor old timers, might be a bit puzzled at the sight of a Labor Treasurer flattening down, if you like, the seven Ministers who wanted to spend more on social matters ...?

PM: Let's get it right. What you're seeming to imply is that there's going to be absolute real cuts in expenditure. What we're talking about is arranging programs in a way in which there will still be real increases in outlays. We did that last year while we had cuts in the order of \$1.25 billion. We rearranged programs in a way which allowed new initiatives to be taken in our period in office. Where we've had significant cuts in outlays we've still had new policies and initiatives which have meant, in the area of social welfare, increases beyond indexation of \$1.4 billion.

DAY: But some ministers and many backbenchers are saying that's not enough.

PM: Ministers and backbenchers were saying in 1983 that our Budget was too tough. They were saying it in '84, but we got mix right and in the process it's had the greatest increase in employment in the history of this country. And that's the greatest cause of poverty in this country - unemployment. We've got now 608,000 Australians in jobs who weren't in jobs before we came to office. And at the same time as I say, 1.4 billion additional real dollars, beyond indexation. Now this has been not only a government of economic efficiency. It's been a government which has been true to the ideals of not merely the Labor Party, but what the people of Australia want - greater equity.

DAY: Could I just cover a couple of other topics very briefly?

PM: Sure.

DAY: The opinion polls out today - Hawke 57, Howard 30. In view of that from the Morgan Poll in the Bulletin did you possibly urge Mr Keating to go lightly on Mr Howard in the Parliament and not to crucify him?

PM: No. I have total confidence in Mr Keating in how he'll handle himself. I don't brief my ministers before the Parliament resumes.

DAY: Well are you surprised perhaps that Mr Keating didn't, this week, seek to crucify Mr Howard?

PM: Well I don't think in a sense you need to crucify Mr Howard when he's doing such an excellent job of self-crucifixion.

DAY: Mr Hawke, one other question. Also in the Bulletin today the proposed new flag, the submission from Ausflag to request to the Government - would it please consider it and possibly put it to the people. Now are you impressed by it?

PM: Well I think as designs go, it's not a bad design. But I said - look there are so many more important things that we, the Government, are concerned with, that we have no intention of changing the flag. I think it's healthy that people are thinking about these things, but as I've said, in this whole area of flags and symbols, republicanism and so on, that's the sort of thing the people of Australia have got to think through, talk through. And if you get to the sort of position where the people want those sort of things to happen and clearly want them to happen, then they will. There's not going to be some government initiative on this matter.

DAY: Are you clearly closing the door to any move to tie in with the 1988 Bicentenary?

PM: Well I'm saying we have no intentions about it. If you got the situation where overwhelming the Australian people are saying that's what they'd like, well the Government would facilitate it. But it's not our initiative.

DAY: Mr Hawke thanks very much.

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