



# PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH GEORGE NEGUS, 2UE/3AK, 12 JUNE 1986, E & O E - PROOF ONLY

- N. After all the blood sweat and tears of the last few weeks on the economy you must feel pretty let down <sup>by the fact</sup> that almost universally across the country today, at least on page one, what you put to us last night has been thoroughly rejected.
- H. Well let's say this that some union spokesmen have, some business spokesmen, have the editorials have, been like the curate said, partly good, partly bad. I think the ground work has been laid and I think a number of them quite correctly say the time for judgement is along the track. And the first time for judgement, I guess, will be tomorrow night.
- N. But you say some of the unions have been negative in their response. Simon Crean is already saying that discounting is not on, which would appear to put you back in square one, because that's the cornerstone of what you have been getting at?
- H. I'm not back at square one, the position of the Govt. is quite clear. We have made the judgement as we see the economic situation now. But in addition to the discounting <sup>that is</sup> involved and the delay in this case, no further case before next year, that there will need to be further discounting the next case. That's the Govt. position.
- N. So where does that leave you with the unions, because Mr Crean is making it very clear, and of course the left wing unions are, that discounting, so far as they're concerned, is no longer negotiable?
- H. Well if that's what they say, I think we'll have to see what the Arbi. Comm. says because after all neither Govt nor the Unions make the decisions for the Comm., the Commission makes it's own. I hope that they, in regard to this case, will be impressed with what we're putting - that there should be the discounted 2.3%. And the positive finding on the productivity. The alternative, and this is what the business community of this country has just got to have the good sense, begin to understand that they couldn't possibly in the absence of this system have a 1986, calendar 1986, with no more than a 2.3% National Wage Case decision. That's all it will be.
- N. On the union front, Simon C. has said that he thinks it's asking a bit <sup>ed</sup> much for the unions to make any further sacrifices. Now you talk to them last week, obviously you didn't get very far?
- H. Well, it's a slow process. All I'm saying is that we are going to adhere on our judgement of the economic situation as we see it, to the

proposition that there needs to be a further discount. The simple and unavoidable economic fact is that the world, by its reduction in the prices they pay us for what we have to sell the world, has marked down our national income by 3%. We are 3% less able to sustain the standards of the past. Now it's no good us trying to say that it hasn't happened, I wished it hadn't. But that's what's happened to our National Economic capacity as a result of that fall in our export prices. *I can't wish that away.*

Simon Crean can't wish it away, George Negus with all his great powers can't wish it away. And so if George Negus and Bob Hawke can't wish it away, noone else can.

N. But being very serious about it, are you asking Australians, the great bulk of Australians, those 6,000,000 of them that are trade unionists at least, to take a cut in their living standards?

H. It was there in the speech, we will have to reduce our standards for the time being, it's there right at the very beginning of the speech, you can't say it more clearly than that.

N. But their argument is that they're being asked to take the full force of this?

H. Well unfortunately the fact is that wage and salaries earners constitute the overwhelming proportion of our national income and our nat. expenditure so by definition it's amongst those of us who are employed that the lowering of standards will have to take place.

N. On another ... though you're asking unionists to front up to the Arbi Comm and have the full force of the Industrial laws come upon them, but you're simply requesting business to help?

H. Well the constitutional and institutional fact is that we have as a Govt, as a society, the institutions to deal with wages and salaries. We have no constitutional or institutional framework to control business. What we've got to do is exhort them, and I certainly say this to the business community, if as a result of what I'm saying and if as a result of the AC decisions we get this restraint in wages that I'm talking about, there is an overwhelming onus and responsibility upon the business community to respond in the area of their own incomes and salaries, *executive* *salaries* directors' fees firstly. *same* The onus upon them I believe, in the area of prices, to exercise price restraint, and thirdly to take advantage of the improved investment climate to increase their investment so we can broaden our export and import competing base.

N. But you can see the point, all you can do is exhort, as you say, exhort business to do that?

H. *Of course I can see the point. Not only see the point. I have been talking about it for many years.*  
The fact is George that there are the institutions to deal with wage

and salaries earners and we've got to use them,

- N. Would you like to have the legal power to control things like prices and executives' incomes and fees and profits?
- H. Well I don't, the concept of price control is sensible and indeed, I must say, that we haven't been pressed on that point by the representatives of the trade union movement, they're not really seeking price control as such. What we want to see is an economy which is freed up so that there is enough competition to ensure that those forces do bring about price restraint. In the areas where there's not sufficient competition we will try to respond more to anything that the Prices Surv. Auth. puts to us to see that their powers in this area are improved. Now what the business community does have to understand, I think, is that the alternative to cooperation by them on this front, if they get this sort of restraint, the alternative is if the restraint's not exercised there will be a break away from the centralised wage fixing system and you'll get a return to the period of the past (Nagus: a free for all) Let's quantify it. Under the, under our conservative opponents they had that sort of system and they had a wages explosion of about 17%. Under the Liberals the average wages increase, earnings increase, was over 11% per annum. We've got it down to 6%. And that's in a period of high economic growth. So it's quite clear that business would be confronted if this system breaks down, with chaos. Much higher wages outcome, and then an eventual slow down and breakdown in activity. The whole community has got to understand the facts. The facts are that there is this cut back in our Nat Economic Capacity. There's one of two ways that the economy will adapt to what the world has done. Either in this cooperative and measured way that we're talking about where we recognise the facts and still keep growth going, by holding back our standards and expectations, we do it that way. Or the other way is chaos where you have an attempt to keep up pre-existing standards, keep up your levels of expenditure by further borrowing, in that situation your exchange rate collapses interest rates go through the roof and the economy grinds, not merely to a halt but goes backwards. *Now, it is much more sensible to do the former rather than the latter.*
- N. Mr Hawke you say that some union leaders and some business people reacted negatively, I have to put it to you that if you look at any paper in the country and I've seen the Sydney and Melbourne papers at least, they have rejected what you have put to them almost out of hand. Tinsel and trust package. Tub thumping. Not even a modest molehill. Unions and Business rejects Hawkes plea, Biggest fizzer since Halley's Comet. etc. I mean you can hardly feel encouraged by that sort of

H. Well you see I have a somewhat more balanced view about the people of Australia, some of the statements you included there are those of the leader of the opposition, what can you expect from him. I'm simply saying that on my reading of the Australian public, <sup>and I reckon I have got to know them pretty well over the years</sup> that the ordinary rank and file worker will understand that in these circumstances that there is need for further restraint. I believe that people have to make statements to their constituencies, including may I say the business leaders. Let me give you an example. I find the representatives of the Business Council coming out, in the reactions in this mornings paper, and condemning us for saying that there should be a positive finding by the Arbi. Comm. in the superannuation case: Now that's not what they tell us privately, they quite clearly outline it that it's much more sensible that this be done because they know that if it's not done in a controlled way over two years by the Arbi Comm that it would come in another way. So there is all the difference in world between things that some people feel they have to say publicly to what they really mean.

N. But could I put this to you .....

H. As the actual decisions are taken. As they see the firmness at the Premiers Conference, the firmness in the Budget, see I hope an Arbitration decision which reflects the sort of approach which is sensible, as these things actually come into place, I believe, the reactions will be positive.

N. Could I put this to you. I talked to a lot of people this week and over the last couple of weeks about the flipp-flopping that's been going on in the economic policy and the discussions you've been having with all sorts of people and ordinary blokes are saying to me. "I used to think Bob Hawke knew what he was doing, now I'm not at all sure" Other people have said "it sounds like he's trying to make up his economic policy as he goes. And this whole thing is just an economic cosmetic effect that he's giving us here. Not any real policy. Does he really know what he's about?"

H. I've had discussions with you before <sup>on</sup> this question of what people say to you. I could just as easily say to you some of the things which have been said to me, which are quite in the opposite direction and from some very substantial people. Now that would be putting my quotation, my reference against yours, I don't think that get's us very far.

N. But people would be a bit intimidated talking to you: they might be only interested in saying the right thing?

H. I've never noticed that, I've never seen you being intimidated. People talk very frankly to me. I get to the point which is this.

People will make the judgements and they will be entitled to make the judgements in terms of the delivery or non-delivery in the weeks and the months ahead and they can start making their judgement as from tomorrow night on that, after the Premiers' Conference.

N. You say delivery or non-delivery, you'd have to acknowledge that at this point at least, the whole economic exercise that you've been going through has damaged you politically?

H. No I don't accept that. I think the judgements will be made about me and this Govt. in the terms of what we have done. I just ask you to remember we're now talking after we've been in Govt for a little over three years and I will stand on the record of achievement of this Govt. in any forum anywhere. The....

N. Even though people are saying we're facing a recession you will say you'll stand on your record?

H. We're not facing a recession in terms of what we've been able to do in the economy. What has happened is, as the most recent Nat. Accounts say, it has marked down the international world because of the lower prices they are paying for our products has marked us down by 3%. That's where our problem has occurred, now we have to make the internal adjustments again to meet that challenge.

N. Can I ask you this, is it possibly the case that for many years now, say at least the last ten, Australians have been expecting too much that we are in the long run an extremely materialistic country and now we're paying the price?

H. Well that is a far too simplistic a statement, what is the correct thing is that over a fairly long period there has been a gradual deterioration in our terms of trade and we haven't, successive governments haven't made the adjustments which are necessary to diversify our economic structures so that the composition of our exports are better able to protect us. Now that's been going on for some time, and because every now and then something <sup>beaut.</sup> happens and you get a lift people say well it's going to be all right. Well it isn't going to be alright if we simply adopt that attitude. We've got to face up to the fact, now, that with this decline in our National Economic Capacity, brought about by this fall in our export prices we can't simply go on expecting to maintain the same standards by borrowing more.

N. You've talked to me this morning about the possibility of chaos if this whole arrangement with the unions is not worked out on discounting and future national wage cases; last night on TV you talked about us living in a time of crisis it's a pretty bleak picture of Aus. that you're painting?

- H. No, you're emphasizing part of what I said. I said I believe that Australians have the capacity to meet this challenge. I mean just let me go back to the point I made. Do you remember what it was like in February '83. (Just before you took office) We had the worst economic crisis for 50 years, we had double digit unemployment and double digit inflation, the country in absolute despair.
- N. So why are people saying now that we're going down the gurgle hole and fast?
- H. Well, can you have a 30% depreciation in you currency a 14% decline in your terms of trade in the last year, and 9% decline in your terms of trade since last June and say that's not having an adverse effect upon you? I mean that is a massive impact in a very short period imposed from outside on this economy. <sup>And the Australian community,</sup> (Negus overtalking) including the Australian Govt. and particularly the Aus Govt., has to take account of that fact and adjust it's policy settings accordingly.
- N. Finally, is working out this whole discounting and national wage problem with the unions the keystone of this whole thing, and if that doesn't work out over the next few weeks and months is the Accord in strife, and is your whole economic strategy in strife/
- H. Well obviously the question of wages is central to what happens to our macroeconomic strategy. We've got to have a lower wages outcome. I believe that the next important point in working it out is the Commission's decision.
- N. How do you think the trade union movement would feel hearing an old ACTU President like yourself, telling them that they're the blokes who've got to cop all this?
- H. I think that the overwhelming rank and file will understand. I believe that the leadership of the Trade Union Movement will come to understand. But I repeat it's difficult and I understand it. It is difficult for the trade union leadership to be in virtually anything other than the position they're adopting now until they see the decision by the Commission.
- N. Could you blame them for thinking...
- H. At this stage there has been no national Wage Increase in 1986. If they were not to get anything in this case that would mean nothing in 1986. Now they can't therefore finalize positions. If they get the 2.3% and some sort of indication that the superannuation will come over will spread over a period of some two years, then that creates a different framework within which they can formulate their position.
- H. Finally, You couldn't blame them in many cases for thinking that Bob

Hawke's got into bed with business and has sold out the union movement?

- H. Well then they ought to look at what the business community is saying you can't have it both ways. The business community's not saying that.
- N. Mr Hawke: thank you.

ENDS.