



PRIME MINISTER

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PM: I have stated consistently that I prefer the Parliament to run its full term.

The leadership vacuum and chaos within and between the Opposition Parties, together with their imminent rejection of the Australia Card legislation for a second time, have presented the option and may I say frankly, the temptation, of an early election.

I am confident that Labor would win an early election. I have decided, however, that the election will be held towards the end of this year or early next year.

The Australian people want continued strong leadership and a Government that will continue to guide them through difficult economic times into renewed prosperity. To have an early election may have brought into question the Government's resolve to make the tough decisions needed to meet the economic challenge facing this country.

Let me repeat the dimension of this challenge. Through paying drastically lower prices for many of our exports the world has cut more than \$6 billion off the nation's income; that is, we are poorer to the tune of \$1500 per Australian family. As a nation we have no responsible alternative to adjusting to that reality.

I want to tell the Australian people that we will not shirk our responsibilities in making the unpalatable, though necessary economic decisions: the May Statement will be tough but fair.

The Australian people overwhelmingly reject the deceptive voodoo economics being espoused by the Opposition Parties - bigger handouts, bigger deficits; that is, a certain recipe for higher interest rates, higher inflation, massive increases in unemployment - total economic disaster.

When the Opposition Parties reject the Australia Card legislation in the Senate later this week, they will stand condemned by the Australian people for denying to the nation this fundamental instrument for dealing decisively with tax cheats and welfare frauds. This denial of more than \$800m a year to the public purse from those who should be paying is simply a continuation of the traditional Howard/Sinclair/Bjelke Petersen philosophy - protect the privileged and increase the burden on the great honest majority of the Australian people.

JOURNALIST: Mr Hawke, the Labor Party's private sampling from the weekend tells you that the vast majority of Australians don't want an early election and that might be bound on you?

PM: I don't know because my meeting with our pollster is later today. All I can say is that the very brief preliminary discussion that I've had, is consistent with my assessment of all the other polls, that Labor would win an early election.

JOURNALIST: Mr Hawke why did you announce that there would be no early election before I.D. card legislation had been through the Senate?

PM: Once I had made up my mind that there should not be an early election and that the Government should go the full term, I saw no reason to hang around and wait on what might happen in that place. I assume that they are going to defeat the legislation. That is what they say they are going to do.

JOURNALIST: Are there any circumstances which would make you change your mind?

PM: We have been through all this now don't start it again - no.

JOURNALIST: Prime Minister, Mr Howard will say you're a whimp -

PM: Will he, I see. It is very difficult to chart Mr Howard isn't it. It's impossible, he is not consistent from one day to another. But he said, as I recall, that Mr Hawke would be guilty of the most massive act of hypocrisy in living memory if I were to have an early election. One deduces from that, that his judgment is that I should not call an early election. Now if he says what you say he'll say the implication is that I didn't have the courage to earlier and I should have gone earlier. So if he comes out and says that, I'll welcome him saying it because it will be totally consistent with the pathetic apology for leadership which he is offering this country.

JOURNALIST: Mr Hawke do you believe your decision will provoke a split in the National Party now and are you are you concerned that John Stone has joined Joh's team?

PM: Thank you for the question, it is not a Dorothy. The question assumes that there is not a split in the National Party and there is. A massive split in the National Party, so I don't know that my decision adds to that, whether it narrows or widens the split. Now as for this person that you talk about, John Stone, well look we could go for hours about him couldn't we. But we won't. I understand, I have not read the report, but I understand that he is to become the professional consultant on tax to Joh Bjelke-Petersen. It will be interesting if we could have the record of the things that the same John Stone has said about the same Joh Bjelke-Petersen. And who knows perhaps they may emerge. I think the fairest thing that we can say is that they deserve one another.

JOURNALIST: At what stage over the few weeks were you most tempted to call an early election?

PM: I'm a person who has lived with temptation all his life. And have a very great record of resisting it, generally speaking. I don't think there was any point at which the devil prodded me more strongly than another. But I just want to be honest with you all and with the Australian people. It was a very real temptation, because I firmly believe that we would win. But the temptation never assumed the dimensions that it could overcome my concern for what I think is right.

JOURNALIST: John Howard this morning painted a picture of you as a man going through public agony unable to make up his mind. Why has it taken this long for you to decide that you should not have an early election?

PM: I would have thought that you have seen me, not just yesterday, but recently. I am told that the image I'm projecting is one of not merely a healthy, fit Prime Minister, which is true, but a very relaxed one. That is true, I have never felt more relaxed than I have in the last few months. I have not felt under, or believed I have been under any tension. I can assure you I don't feel under any tension.

JOURNALIST: You are confident in your policies and confident that you would win. Why not now go to the electorate for a renewed mandate of three years?

PM: There are number of points that I think are relevant to that very pertinent question. First of all, if I were to decide on an early election and base it in part, a substantial part, on the rejection of the I.D. card, you would have to wait until the Senate finished its consideration, made its decision. Now who knows when that is going to be. At best it may be the end of this week. Then once that is made you go to the Governor-General and you get the decision of the Governor-General. And then there is quite a long period. Now it seems to me that in that period, given the sort of volatility of which you are aware, of the markets and so on, that period of instability could be adverse to the country. That was very much a consideration in my mind. Also I think people were entitled to say if I had gone earlier, they would have available to them an argument saying, Mr Hawke you have got a mandate, you were elected, the normal period is three years, use that mandate. So I think those considerations are the ones relevant to answering that question.

JOURNALIST: Mr Hawke, you said on Friday that the Australia Card legislation was fundamental to...have you backed away from that?

PM: Of course I haven't. I can assure you that from the point at which this infamous combination of Liberals and National Party and Democrats reject that legislation, they will wear that rejection from that day until the election day. I can't get it through apparently. That is not the end of it. Their rejection of the legislation, whenever the election is held, at the end of this year, or early next year, that will be a central part of this campaign, because it is clear that the legislation is right and beneficially it is also clear that the overwhelming majority of the Australian people understand that it is right and want that legislation.

JOURNALIST: Mr Hawke it is one thing to rule out an early election which is what you have done. It is another thing to cut off your other options and say that you will go the full term, which also rules out the prospect of a double dissolution and the chance of getting the Australia Card through the joint sittings. Can you tell us why you have taken the second step as well?

PM: I believe that all the arguments I have put for going the course that I am talking about, are valid. And I am making the judgment that when we do have the election we will be returned with a very clear majority and that in those circumstances, in which the election will in part have been fought on the issue on the Australia Card, that we will then in those circumstances after we have won, and in which the Australia Card has been part of the election, we will be able to get through the next Parliament that legislation.

JOURNALIST: Mr Hawke, you are the one who floated the option of an early election and kept that floating and maintained the importance of the ID card legislation and getting it through the Senate. In view of the decision that you have reached now, what was the point of all that?

PM: No, you are wrong, Heather, to say that I was the one who floated -

JOURNALIST: You kept the option alive?

PM: I answering the question as you put it. I didn't float it, it was there in the public arena. And I said - you can't get 110% honesty, you have got 100% honesty from me. I have said it has been a temptation. The ID card has been there in context of this historical level of chaos within the Liberal Party, within the National Party and between the National Party and the Liberal Party. And quite honestly it has been a temptation to take advantage of that. And so my talk about the possibility of an early election has been related, obviously as it must be, to the Australia Card because that would have been the trigger. But, as I say, I have resisted the temptation.

JOURNALIST: Prime Minister, you will still have that trigger at the time you call an election, will it be a double dissolution that you have then?

PM: Read your Constitution. The capacity for a double dissolution runs out, I think, in August sometime. Because you can't have a double dissolution within the 6 month period of when you are required to call an election to the House of Representatives.

JOURNALIST: Prime Minister, you referred to the voodoo economics of the Opposition. Do you think John Stone is a voodoo economist?

PM: It is very hard to understand what sort of an economist Mr Stone is. It is the same Mr Stone who was the economic adviser to Mr Howard and we know what the economic policies of that period inflicted upon Australia - the worst recession in 50 years. And we have an idea of what the views of Mr Stone were at that time in the taxation area. Presumably, from all we can gather, he is now a flat-taxer. That is certainly voodoo economics. But I think it is probably wisest that I don't go into details about my opinion of Mr Stone.

JOURNALIST: On a similar subject, Prime Minister, have you sent Neil Brown his retraction and apology?

PM: No.

JOURNALIST: Are you going to?

PM: The matter is in the hands of my lawyers.

JOURNALIST: Mr Hawke, part of the temptation for an election presumably was the possibility of having an election and then making the tough economic decisions. It is now the other way

round - you are going to make the tough economic decisions and then have an election -

PM: That is right.

JOURNALIST: Does that make it harder to make it harder to make those tough decisions?

PM: I guess, yes, it would have been easier if you had an election and explained again the facts as I have been doing it consistently for some time. But the point of my statement - the relevant paragraph, Geoff, - is that I am assuring the Australian people now that the necessary tough decisions will be taken. I said in my Address to the Nation and I have said it since, and it is relevant to say it again, I would rather lose that next election, when it is held, I would rather lose than go soft in economic decision-making because let it be understood when you have a problem of that dimension, if you go soft now, a la the voodoo economics of Howard and Sinclair and Bjelke-Petersen, what you would be doing would be condemning, not just this generation, but the next generation and the generation beyond that. I have been too long in public life and I have too much of a commitment to this country to do that. So I will be making the tough decisions. In the end, I repeat, I have got sufficient faith in the good sense of the Australian electorate to believe that they will both understand and accept those decisions. It is that belief in the Australian people that has informed my thinking in just about 30 years in public life. I am not going to change it now.

JOURNALIST: Mr Hawke, will those tough decisions include keeping spending to no real growth in the Budget?

PM: You will see the form, the substance and the totality of those decisions when the Treasurer delivers the May Statement on the 14th of May.

JOURNALIST: Mr Hawke, when you had your cappuccino this morning with Mr Hunt and Mr Sinclair, did you happen to tell them of your decision not to hold an early election or did you give them any other advice?

PM: I didn't tell them of my decision not to hold an early election. And for me to give them advice - you know I wouldn't be that presumptuous, Niki.

JOURNALIST: What did they tell you about the future?

PM: I think our conversation should remain confidential.

JOURNALIST: How important was it in your final decision you could not get broad support within your party to go to an early election?

PM: It was not very significant. Let me say this, I hadn't really been sounding out all the Party as is the case that some reports came back to me. But I was totally confident if I made the decision to call an early election the whole of the Party would have fallen in behind me. Let me answer it in another way. If all the elements of the Party had been saying to me, we want to go now, I wouldn't have made that decision. I would have made the decision I made now.

JOURNALIST: In what way did you fear the prospect of an early election may bring into question the Government's resolve to bring down these tough decisions?

PM: It goes back to the answer I gave to Greg earlier. We are living in very volatile times and damage can be done to the exchange rate, therefore to interest rates, quite quickly. If you had a situation where the country were in an election mode for something like two months, broadly speaking, quite an amount of damage could be done in those terms. I didn't think it was right to run that risk.

JOURNALIST: If you had been given different economic forecasts for this year, might your decision have been different about an early election?

PM: What should be understood is that the analysis and the judgments that were conveyed to me on Sunday night were precisely, they were identical with the judgments that I had been making myself. Those judgments are a matter of record, actually, but it's precisely in line with what I'd been saying to my own advisers. I put a fair bit of faith in my own capacity as an economist.

JOURNALIST: Would you have been a hypocrite to go ahead with an early election given your repeated commitment not to call one?

PM: I think there would have been an attempt to say there's an hypocrisy. This was some concern on my part. I attach considerable importance to my own integrity. I do think that there are valid arguments for going early and they've been involved in some of the questions. It could be said that if you went early, got a new mandate, then you had no inhibitions, no need to take account of political concerns about a decision here or a decision there. I think it is possible to mount a valid argument for an early election. On balance, for the reasons I've given, I thought the balance of argument comes down on the side of the decision that I've taken.

JOURNALIST: Did you take into consideration the possibility that Andrew Peacock could do a Hawke 83 and get up just before the election? And would you prefer to go to an election against John Howard rather than Andrew Peacock?

PM: Let me modestly say in response to the first part of your question, Andrew Peacock is no Bob Hawke. I will, with all the modesty I can gather, just point out that Andrew Peacock doesn't come within a bulls roar of my understanding of this country, its economic structure, of economic policy, what's required to deal with these sorts of things. He's light years away. Andrew Peacock is not Bob Hawke. The second part of your question, would I prefer to go against John Howard or Andrew Peacock? I can beat either of them and it's not certain, obviously, who it will be that I will be facing when the election comes. You know I'm a bit of a punter. I'd hate to be framing the chart at the moment, I really would hate to be framing the chart. One thing you could say is that John Howard is no odds-on-favourite to be the person that I'll be up against, but you wouldn't be putting the odds very short about Andrew getting the leadership. And of course we've got the fascinating scenario emerging, perhaps it will be someone else. Now I can't say anything about the third man in terms I said yesterday because this is now a matter of the law. But there's no end to the speculation. If you look at the seat of Higgins, there is a suggestion that it could be Mr Elliot. Well that would be fascinating too. The point you've got to understand is this. An election is not just about leaders, although obviously leaders are very important. The fundamental problem in conservative politics today, in this country, is that they are rent asunder because they have no philosophy, they have no policies, they have no constancy of positions in regard to policy matters. The only constant in conservative politics is their commitment to restore privileges to the few. Their only argument is about how they restore the privileges to the few and impose the greater burden upon the majority. And that fact is not an argument, it is a fact and that is being exposed more and more. So whether it is John Howard, or Andrew Peacock, or John Elliot, or McLachlan, or whoever it is, Bjelke-Petersen, the divisions, the fundamental divisions will be there as they try to cobble together an apology for this only constant they have. That is, let's restore privileges. Let's make sure the burden of economic adjustment falls on the honest majority. Now that is the problem for the conservatives and until they face up to the fact that they are now living in an economic and political environment within which they must have relevant policies, until they wake up to that it doesn't matter if it's Howard, or Peacock, or Elliot, or whoever it is, because what they're operating on is the assumption that the Australian people are fools. That they'll buy this \$16 billion credibility gap. That in a situation that we are the poorer for the amount of \$1500 per Australian family, that those families are going to buy the nonsense they're being told - here's another handout, here's another handout, here's a deficit of 12 billion odd dollars, which is what's involved in the \$16 billion credibility gap. That they'll buy the nonsense of those things which mean, as I say in my statement, inevitably higher interest rates, higher inflation, massive increases in unemployment, total economic disaster. Until they understand that the people of Australia won't buy that nonsense it doesn't matter who they have leading them.

JOURNALIST: Mr Hawke, are you telling us that when the election is held the economy will be in better shape than it is now? And if you are telling us that, can you give the Australian people a guarantee that come election time the home loan rates and the inflation rate and the unemployment rate will all be lower than what they are now?

PM: The first part of the question, will the economy be improving, my strong judgment is that it will be. I've been through that yesterday, I don't think you want me to go through the details of my analysis. I have had the caveat which any rational economic thinker must put on, that while I make that analysis, in terms of my judgment, that the impact of Australia's internal economic policies producing that result, you must have the caveat about what may happen overseas. But I repeat, I am basically optimistic that the external situation will not produce a contrary outcome to the one I'm talking about. If I'm right in that assessment then I have no reason to believe that, in regard to the particular matter that you raise about mortgage rates, it will be a deteriorated situation. To say that would not be consistent with the general analysis that I've put.

JOURNALIST: And inflation and unemployment?

PM: Inflation I've said, I repeat again, I have no doubt that the inflation rate will trend down in 1987. So if you're talking about an election in March of 1988, the last CPI figures you'd have, therefore, would be for the December quarter 87. My judgment, and not just my judgment, it's certainly the judgment of others who are talking to me and I would observe also the judgment of the OECD report, that we should be looking at an inflation rate at the end of 1987 of about six per cent. In regard to unemployment, it would be my assessment that we can hold the unemployment situation at the rate of growth that has been talked about, would involve a level of employment increase that would enable us to hold the unemployment situation.

JOURNALIST: What else did Mr Cameron tell you in the brief discussion that you had with him today, other than the fact that you'd win the election?

PM: I haven't had, as I recall, a brief discussion with him today. It was a very brief telephone conversation last night.

JOURNALIST: Could you elaborate on the conversation?

PM: Well I suppose I could, but I could also say no one would be more surprised than you if I did. Let me say this, however, it was a fairly brief conversation. That conversation did nothing to change my judgment that we could win an early election.

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