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PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH ALAN JONES, 2UE, SYDNEY
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E & O E - PROOF ONLY

JONES: A week tomorrow Australians go to the polls. Every election for a new government is significant so its perhaps cliché ridden to say that this is one of the most significant elections in a long time. I've said before that in many ways Australia is in the ambulance - chronically ill. This election isn't about finding blame, but finding answers. Like every election the polls are playing their part, and today they suggest that the gap between the leading parties is closing. In 1980 at this time in the campaign Bill Hayden was well in front. Malcolm Fraser changed direction, Bill Hayden ignored the advice of Neville Wran and decided to tough it out and lost. Remember that Bob Hawke only needs a handful of votes and about nine seats to go against him and his government could lose. The real test of the gamble he took in calling the election is about to be reflected in eight days time on the political scoreboard. The Prime Minister is my guest this morning. Good morning Prime Minister.

PM: Good morning Alan.

JONES: Prime Minister, could we just forget for the moment perhaps if it's possible that you're Bob Hawke, Prime Minister, and just imagine that you're, say, Bob Adams from Annandale and there's a bloke out there called Hawke who's saying I want you to vote for me in this next election, and he says, well OK, I'll listen to your story. The story he's told is that when Bob Hawk first came to office, the foreign debt was about \$29 billion and now its about \$105. For the first time almost every month we've had a current account deficit for many months. We find that interest rates have escalated. Inflation in relative terms is worse than it was when they threw out Malcolm Fraser because they said he was managing the show unsuccessfully. What do you think this bloke at Annandale would say if that record was recited to him?

PM: What that bloke would say - that's Alan Jones who is not putting an impartial story. He's putting his loaded story and not putting it accurately.

JONES: Could we take those points through?

PM: Yes, sure, of course we can.

JONES: \$29 billion to \$105. Is that accurate?

PM: Can I go through them all? The fact is that there has been an increase in debt and the overwhelming proportion of that has been in the private sector. The net debt for which the commonwealth is responsible, the net overseas debt, is \$5 billion.

JONES: So you're not responsible for -

PM: Well, if the private sector in fact increases its borrowings overseas, as they have, that is a decision Alan, as you realise, that is made on commercial grounds. They assume that they are going to be able to finance out of the investment and service the debt.

JONES: So you've got no control over that?

PM: You have got no control over the private sector. If that's the sort of economy you want when you're going to stop the private sector borrowing overseas, well then so be it. What we've had to do, and what we will continue to do is to exercise on our own economic front, that is the commonwealth, a bringing down - and I'd tell that chap out there that when I came to office the deficit that John Howard left me was \$10 billion.

JONES: Not really. ... on the forward estimates. You know that.

PM: And I know that the chap who was standing on the same platform last night with you and John Howard, that is John Stone, came to me the day after I was elected - that John Stone, not someone else - and told me that's what's in prospect and we've got to do something about it. Now I would tell this chap out there, Alan, that you're talking about, so that he didn't get a ... I'd say now look, in the area under my control, I have brought that down at a rate of descent of deficit that hasn't been seen before to a point where instead of having nearly \$10 billion that John Howard left me, I've got \$3.5 in 86-87, it'll be down to \$2bn in 1987-88. As a proportion of gross domestic product, I've brought the deficit down from 5% to less than 1%. That's what I'd tell him and I'd tell him also, that that's a significantly better thing that's been done in any other western country. And then on the inflation where I've been given ..

JONES: Could I come to the debt? So you can't control, you're saying - because I find this difficult to believe - you're saying to Australia and middle Australia, who is terrified about this escalating debt which is affecting interest rates fairly dramatically, which is affecting the prices of houses and all that stuff, that Bob Hawke can only look after the commonwealth debt and there's nothing else they can do.

PM: Now wait a minute. Let me finish the answer. I'm saying that in respect of the area that I can directly

control, that is, what the commonwealth's net position is in terms of its economic operation, that's what I can directly control. And I'm telling the story of what I've done, of that large inherited deficit which I've brought down from 5%, 5% of the gross domestic product, to less than 1%.

JONES: How?

PM: By the biggest cutting in commonwealth expenditure that's ever been seen.

JONES: When you came to government, commonwealth outlays were \$43 billion.

PM: Why do you need to point the finger Alan?

JONES: I'm not. I'm asking a question. \$43 -

PM: Well that's what you were doing Alan.

JONES: Well OK, I don't want to point the finger at you. I might do that later, but not now. \$43 billion were your total commonwealth outlays. In five years they've doubled to about \$86 billion. Now does that mean that you are the biggest spending government in history?

PM: It means that what we have done is that in 1987-88 commonwealth outlays as a proportion of GDP will be 1% lower than they were a few years ago. Next year we will have brought them, as a proportion - you seem to think that as the economy grows, we have more pensioners, as we inherited, as we did, more unemployed, we had 250,000 thrown onto the unemployment scrapheap in the last twelve months of Howard - but as the economy grows, expenditures contract. I'm telling you that in 87-88 Alan, the commonwealth outlays as a proportion of GDP will be a percentage point lower.

JONES: It took 81 years to get commonwealth outlays to \$43 billion. You have extended it, you've doubled that. Are you saying that you can get around that argument about your being a big spending government, at a time when this election is about whether you want lower government expenditure, not as a percentage of anything, in real terms?

PM: Of course you've got to say its an expenditure of the total product. If population grows, does that mean less expenditure? If you've got a growing population, and if you've got an increasingly aged proportion of that population, then the obligations on government of any political persuasion are going to be greater. Simply because of the fact of population growth.

JONES: So we can't cut that expenditure?

PM: Well what I'm -

JONES: You have, but can you cut it more?

PM: What we have done is to cut it more in that last May statement than ever had been done before. \$4 billion of expenditure. It was the greatest expenditure reduction Alan,

in the last 30 years. That's what's been done.

JONES: Many people are saying you need even more severe structural and expenditure adjustment to get us out of the difficulty we are in, which your own Treasurer has said, and you said, put us almost on a war footing were your words, and your Treasurer said like a banana republic. Now can you do better?

PM: If you've finished your advocacy which is all this is so far -

JONES: No, I'm questioning you.

PM: No you're not. You've advocating.

JONES: No I'm not.

PM: Now don't let's argue with one another. This -

JONES: I'm questioning you and I'm offering fact.

PM: What I'm suggesting Alan, if you read the transcript, you'll see that this is Alan Jones Advocate. And I'm not worrying about that. It's what I expected. Just give me a chance -

JONES: No, well I mean, you're under contest, you're standing for Prime Ministership. I'm entitled to question you.

PM: You're entitled to be an advocate. Let me -

JONES: No I'm not being an advocate, I'm being a questioner.

PM: I see, alright.

JONES: If that's too difficult for you say so.

PM: No it's not too difficult.

JONES: OK, well let's answer the question.

PM: Well will you give me a chance. Let's come to the interest rate ... aspect of what you're saying. You're saying that as a result of what we're doing in the area of expenditure, the people have now got these record interest rates. The facts are that the highest interest rate in the 1980s was under John Howard. It peaked at 22%. After I came to office - don't furrow your brows, that's a fact. It peaked at 22% under Howard. Now when I came to office we brought interest rates down until we got hit by the declining terms of trade. Now what's happening, as you know, that interest rates are coming down markedly, falling, and that the statement of the banking industry is that they are going to continue to ... -

JONES: Some. Some. Wall Street said last week that there have to be greater adjustments. You launched your campaign here in Sydney, didn't you. ...

PM: You said I could answer.

JONES: OK, away you go.

PM: As far as interest rates are concerned, they are falling. You're saying that the statement put to gentlemen out wherever he is - Alan what's 'is name - we were giving him a picture, he had to be given a picture of rising interest rates. The fact is that interest rates are falling. The fact is that inflation is falling. The fact is that government expenditure as a proportion of GDP is falling. The fact is that employment is rising. The fact is that we've had double the rate of employment increase in this country compared to the rest of the world. The fact is that investment is rising. Those are the facts. Those are not the putting of a piece of propaganda.

JONES: I'm not propagandising, I'm asking you questions. I'm simply saying that you launched your campaign here in Sydney. There is a massive housing crisis here in Sydney and I wonder whether you understand that. Once upon a time you were identified with the little bloke. Now you've had a tax rebate, and we're talking about tax policy. That's got advertised everywhere. No bloke under \$20,000 gets a cent out the tax policy changes on July 1. This fellow out in middle Sydney where you launched your campaign finds himself

PM: Can we deal with that. The fellow out there has already got his tax cut. You're implying in your question that what happens on July 1 is the only stage of the tax cut, as you know, and you should be dispassionate enough to say so.. Its the second stage of the tax cuts and that bloke that you're talking about is getting a \$10 a week tax cut. And if you want to compare - I just wonder whether you'll interrupt -

JONES: No I won't interrupt you.

PM: Just look at that.

JONES: OK, what do you want me to read to them?

PM: I want to ^{you to} read the comparison Alan, of

JONES: Between Liberal and Labor.

PM: Liberal or Labor - the comparison of net benefits on Liberal and Labor family packages.

JONES: Well, let's take a break and I will read it.

Break

JONES: The Prime Minister is suggesting I should have been more subtle.

PM: Not should have been, I expected you to be.

JONES: You expected me to be more subtle?

PM: Yes.

JONES: He's just presented me with a statement about the relative positions between the Liberal tax cut and the Labor Party tax cut. Now I'm not here to argue the Liberal position. If I want to argue that I'll argue with John Howard about it. I'm here to talk about your position and I wonder whether, I'm simply asking you, in this tax cut that's out on July 1, in the current economic environment, should a bloke on \$50,000 - because you're criticising John Howard for offering tax cuts when in fact we should be reducing the deficit and we should be making sure the debt quotient is reduced - should a bloke on \$50,000 be getting \$26 tax rebate? I mean, who does Bob Hawke represent? You've had endorsement from the millionaires, from Alan Bond and Kerry Packer. Is your constituency saying, many of the Labor people, Bob Hawke's lost touch with us.

PM: No they're not. On the contrary, and all the evidence shows that they're not. What they understand is that they were the ones who in 84 were ^{given the} skewed tax cuts - \$7.60 skewed down to the bottom - all loaded down to the bottom. That was the first stage. Then they got the tax cuts last year in December. They got theirs. \$10 a week, a bloke on average weekly earnings. Here you're now getting the impact of the benefit for the people with the rate coming down from 60-49. That's not just something that's happened out of the clear blue sky. It's been a matter that's been a part of the public discussion and with the trade union movement, as well as business.

JONES: Looking after the rich?

PM: Not looking after - if you want to ask the question of looking after the rich, just let's look at the comparative package. Will you examine the fact that under the Howard package it's not until you're at \$750 a week that you get a net benefit out of the combined tax family package of Howard. Not until you get to \$750 a week. If you want the comparison between Hawke and Howard, let me give it to you. As far as the Prime Minister is concerned, the net impact upon me as Prime Minister was a loss of \$54 a week, because I taxed that part of the allowances, which under the inherited Liberal position, was untaxed. I got the benefit of coming from 60 cents to 49. That's more than offset by the fact that I taxed the whole package. Under the Howard package, as Prime Minister, there would be nearly another \$400 a week going into his pocket. So if you want to look at the question of where you actually help the poor, and where the rich get hurt, it's again the Howard package which is loaded in favour of the rich. Under his package, until you're on \$750 a week, you don't get a net benefit out of his package.

JONES: Right, but we can confirm that yesterday, on July 1 whenever July 1 was, the bloke under \$20,000 got nothing. So in spite of the fact that he might have got something before, he got nothing yesterday.

PM: Well if you want to keep ..

JONES: But you're not telling the people that.

PM: I've told them -

JONES: You're telling them now.

PM: I've told them that they got the second stage of the whole tax reform package on July 1. The first stage was in December and as a result of the total tax package, the bloke on average earnings in regard to tax is \$10 a week better off. What he's got to choose now is a position whether under Howard he wants a tax and family package regime where you've got to wait until you're \$750 a week before you get a net benefit, which is the position under Howard, or whether you get a significantly greater benefit under the Labor package.

JONES: Well let's talk about Bob Hawke.

PM: Sure.

JONES: On the fringe benefits tax. Now you've defended this high and low. I initially didn't believe that you didn't believe in it, that it was pushed onto you, but you've defended it.

PM: Yes.

JONES: Now the fringe benefits tax being paid by the employer. Now this means that Bob Hawke goes enjoying Kirribilli House, the Lodge, stationery, office space, cheap meals, free cars, drivers, VIP aircraft. Most people out there would say they don't deny the Prime Minister the entitlement to those benefits. Nonetheless, they're not being taxed. But out there, if a bloke is giving someone a motor vehicle to do his business, the employer is paying tax on that. Now what's happened is, that they have then stopped giving that benefit, and the motor vehicle industry, as you know, is in disarray, just as the housing industry.

PM: OK. Now you've finished that particular part of your ... Let's look at the facts rather than the advocacy.

JONES: They're questions Prime Minister and you achieve no benefit to yourself or anyone else to suggest that I'm an apologist for anybody. I'm simply challenging you and I'm asking questions that others don't ask and you must allow me the right to at least ... Well don't use the work advocacy if you don't mind. ... I'm here to question the Prime Minister and if you don't like the heat of the questioning, really we shouldn't be here.

PM: I'm quite prepared to stay here.

JONES: OK, well if you can't take the heat ... you should get out of the kitchen. But it's a nonsense to say I'm advocating. What I've just proposed to you is the truth. You are not paying a fringe benefit on Kirribilli House or the Lodge, you're not paying it on your VIP flights.

PM: Alan, you won't get me upset by this. Let me just make the point.

JONES: Well answer the question.

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PM: I will. But don't say that when you say the motor vehicle industry is in disarray because of the FBT - that's what you said - the motor vehicle industry is in disarray because of the FBT -

JONES: Well, why is it in disarray?

PM: Let me just point out to you, that in fact if you look at the components of the motor vehicle sales, that the area where the FBT applies is not the area in which the loss of sales has occurred. It is in the consumer, the ordinary consumer, not in the fleet sales. That is a fact, which -

JONES: ...high interest rates are stopping the consumer from borrowing money to buy a vehicle.

PM: That's right. That's absolutely right. And in fact what we did in 1985-86 -

JONES: So it is your fault?

PM: Well -

JONES: High interest rates.

PM: Well can I finish or are you just going to keep interrupting and make your advocacy. I can finish can I, good.

JONES: ... word, advocacy. You can be an advocate and I can't. Away you go.

PM: Now I would just suggest Alan, when I can resume answering the question, if you look at your transcript you will see that it's not an asking of a question, it is an assertion in regard to the motor vehicle industry that it's in disarray because of the FBT. Now I'm answering that, in fact, what this government did in 1985-86, not because we wanted to, we brought in a tight monetary policy. You had a situation where the world wiped \$9 billion off the ^{national} economic capacity of this country. Not through any fault of any workers or employers or farmers or miners. They just started suddenly paying us very very much less for our coal, our iron ore, our wheat, our dairy products and our sugar. That was \$9 billion wiped off. We had to bring back the standard of living in this country. We had to lower the level of economic activity because we weren't earning enough to pay for the imports that we were bringing in. So not because any politician Alan, or any Prime Minister, likes high interest rates. We brought in a tight monetary policy to lower the level of activity. And part Alan, of that increase of interest rates, a deliberate thing to do, was reflected in the motor vehicle industry. All I'm saying to you Alan, is that if you look at the statistics of motor vehicle sales, it was the result of that, plus other things that were happening within the motor vehicle industry, but particularly - high interest rates had their impact - it was not the FBT.

JONES: OK, can we take the FBT. You said to me once before, that the reason the FBT was paid by the employer and not the

employee was that the union movement wouldn't wear it. Why should a tax be imposed on someone who doesn't enjoy the benefit? If you're going to have a fringe benefits tax, why shouldn't - and that's your entitlement because you're Prime Minister - why shouldn't the tax be paid by those enjoying the benefit and why shouldn't then real leadership say, by Hob Hawke and Paul Keating and everybody, I'm going to pay tax on my benefits. My Kirribilli House, my Lodge, my free cars, my VIP aircraft? Then isn't that legitimate leadership? Why do we say the rules apply to others but not to me?

PM: That's not accurate. What in fact happened is, that what I did to myself in respect to the composition of my income was to impose a disadvantage on myself. As a result of the Hawke/Keating tax reform, I was \$54 a week worse off. So don't try and say that I didn't apply to myself a disadvantageous rule. If you want the comparison -

JONES: Tax isn't paid on all those things.

PM: But let me put the point to you -

JONES: There's no tax paid on Kirribilli House, the VIP aircrafts, the free stamps.

PM: Of course there's no tax because that is part of the necessary discharge of the duties of office. In the same way, if in business you have an interest cost, that is tax deductible. Do you suggest, in other words -

JONES: Well what is a fringe benefit?

PM: A fringe benefit is something where an emolument is paid to someone as a substitute for a normal ^{person's} salary. Now let's just be clear. What has happened as a result of the bringing in of the fringe benefit is that you are having a change of the emolument structure. A lot of companies said, alright here's an executive. Instead of paying him \$150,000 a year, which ^{would} attract full tax as their ordinary employer ... they say well we will give you a car, we will give you free education, we'll give you the education of your kids, we'll pay for the education of your kids in a private school -

JONES: ... Prime Minister. Not your education. We say look it's nonsense to ask the Prime Minister to work for \$100,000 but how we make it attractive is we say we'll only give you \$100,000 but we'll give you a house here, a house there. That's how we get people into office.

PM: No not at all. It's been a deliberate decision of past Prime Ministers, past governments, under all governments to say that to discharge the duty of Prime Minister there's a residence in Canberra. They also say a residence in Sydney. But they say that you fly in VIP aircraft. Now that's been going on under successive - it's not a perk, it's not a substitute for my salary. It is a necessary part of doing the job, the same way as if in a executive's position, there is something that's he's doing which is a necessary part of his job, then that's not a fringe benefit. It's where there is a decision that instead of paying you a salary, you will

PM (cont) avoid the situation of attracting tax on salary. We'll instead pay for the education of your kids. It's not in any sense a necessary part of the doing of your job.

AJ: It's 28 to 10 and it's Alan Jones with you till 12. I am speaking with Australia's PM, Mr Robert Hawke....on Fringe Benefits?

PM: Yeah.

AJ: Bob Hawke's got a question about FBT.....

PM: No. I just wanted to point out that the Pres of the Lib Party Mr John Valder, good friend of yours I think....

AJ: ...what was that?

PM: Your eyes blinked.

AJ: Can I just make the point. If you have an affiliation with the Lab Party ...(inaudible)...if you have it with the other side you are not. Does that disqualify me?

PM: I just wondered whether you were a friend of John's.

AJ: He would be able to tell you that better than I.

PM: But I just wanted to say that the Pres of the Lib party agrees with me on the

AJ: Who have you been talking to?

PM: John Valder has been talking and this is what he has to say. He talks about the whole disease of FB. "I have got to say that it is a fair and just thing in this country to get rid of it"....and that is what he is saying. His words.

AJ: What you are talking about is fair - about school fees and all that stuff is right.

PM: But lets see what the Pres of the Lib Party says. Let me remind you of what he says. He said "I would like to see them (that's the Lab Party) do the v. hard things (getting rid of FB) because electorally that is the fact of the matter they are going to get into trouble. They are not easy to do. So I have said many times, let the Lab Party get on implementing the more necessary but the less popular parts of our policies. And lets hope they get them into place and promptly lose office. And I think that would be a v. good scenario."

AJ: In other words any political leader who says that has no political morality whatsoever. And I am quite prepared to say that to Mr Valder. That is an unacceptable proposition to put to anybody.

PM: Well that is the Pres of the Lib Party.

AJ: Well that is an unacceptable proposition and would be unacceptable to decent and fair minded people in the community. Can I just take the second point though about policy positions.

AJ: (contd)

You said then that the motor vehicle industry, and you acknowledge it is in difficulty or in crisis, but not as a result of FBT. What about in this state the housing industry? Negative gearing. Negative gearing does apply and a lot of people don't understand it, do they, that you can make a loss on an investment and write it off against income. I can do that if I own a boot shop at the end of the street and if I am losing money on that I can write it off against income I have earned elsewhere. I can't do that if I put my money in a home. Now you don't come from this state but you launched your campaign here and there is an awful mess in the housing industry. On the one hand you can't get money into it and on the second hand because people have got their money in it and now can't negatively gear they have got to charge high rentals. So we have unconscionable levels of rental and the incapacity for people to buy and money in the industry drying up. Are you saying that neg. gearing in the housing industry hasn't produced that consequence? Are there any circumstances under which you would reconsider the neg. gearing proposal?

PM: I acknowledge the particular problems in Sydney. You are quite right in saying in regard to the rental market there are difficulties in NSW. Before coming to the final part of your question - "whether you would reconsider it?"...can I just make a couple of points about the housing situation generally and what we have done. When we came to office ^{in regard to} the housing situation ^{in Australia} generally, it had dropped to 105,000 starts. That was per annum rate in the last year of the Fraser/Howard govt. We lifted that v. substantially....it got up to nearly 150,000 - a 147,000. But in the same circumstances I talked to you about before where we had the lower activity, we brought that back, it will now be running over 120,000 this year. That's generally speaking. With regard to public housing, we have as you know very very substantially increased the number - I think it is 40 odd % in real terms, the funding for public housing. So we are conscious of the problem that exists. We have had particular policies including the first home owners policy which has got now 1/2 million young Australians into homes and acknowledged by the housing industry to be the best policy that has been brought in. Now that is the position of what we have done with regard to housing generally. In regard to neg. gearing the problem was - that process was used by some people to provide rental accommodation but it was a substantial tax avoidance measure. So we were faced with a situation where we wanted to smash the tax avoidance industry in this country. Neg gearing was a tax avoidance mechanism and we therefore... Well it was Alan.....

AJ: Well you know yourself that if you put your money into housing, just suppose that neg. gearing didn't exist now, the return you would get would be 5% on your money. You could get 15% somewhere else. People went in there because they were safe sort of people - bricks and mortar people. If there were people speculating and turning over in housing purchases - well you can trap them anyway. I have taken money, and I am sure you would, out of the housing industry. I am not going to put it in here for 4 and 5% and have people

AJ (contd)

kick my walls down. And that is the problem. Would you consider changing it in the light of the problems that exist?

PM: What I am prepared to say is that - and its not just into the future - but we have with the treasurer and the minister been looking at this whole question. We have been doing it within the last period of 6 months when we were considering the may statement...what sort of things that we may be able to do to assist the rental market. And I must say that one of the things that was put up - with some modification of the position with regard to neg gearing, that was suggested as one of things that we should perhaps reconsider to see whether there could be some modifications that could be put around it which stopped that element which did represent tax avoidance so you are not off the playing field by saying that something has....

AJ: We have got to get priv. sector money into it, haven't we?

PM: Well of course you have got to get priv sector money in. The whole thrust of my govts policy has been to encourage the priv. sector.

AJ: Well yeah, we are getting it into the stock market - but we can't get it into housing.

PM: We are getting it into jobs. We are getting it into 800,000 jobs Alan.

AJ: Not all priv sector jobs.

PM: Over 85% into the priv sector.

AJ: Can we go to the Opera House launch?

PM: Go where you like Alan - I am your willing guest.

AJ: We are talking about symbols of govt extravagance and all the rest of it. Do you think that the way in which you launched your campaign was symbol of extravagance which the country could do without? We have never seen so many white cars - and it was really 'scened' and after all political life is about appearance - but it seemed an indulgence. Is that the sort of thing that we can afford given the kind of economic environment you say we are confronted with?

PM: What we can't afford - and of course - it was not an indulgence - not at all. But what we can't afford - and this is not my judgement - this is the judgement of an organisation which Mr Howard calls a reputable organisation and that is Goldman Sachs. What we can't afford is the Lib Party policies. Because G.S. of NY which J Howard says is a reputable org. which is visits every time he goes to NY, just said in the last 48 hours, that Australia cannot afford the policies of J Howard. It is a recipe for disaster.

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AJ: That is was the public have to decide, haven't they?

PM: Well G. Sachs has made a decision...

AJ: I just wonder that Bob Hawke used to have a grog and used to swear at people and so on - and is he seeing himself as some sort of messiah? I say that to you because one writer last week described your policy speech as 'brachish pond coagulated with cliches'. What did you mean when you said that "we are on the threshold of one of the most remarkable experiments in nation building ever attempted in the course of human history". I mean you are not a stupid man. What history are you talking about. Is this bigger than the Christian civilisation? Bigger than the fall of Rome?

PM: We were talking in the context Alan that we were on the threshold of the 3rd century of European settlement. This is the last year of the 2nd century of European settlement. We are on the threshold of the 3rd century. It is our bi-centenary next year.

AJ: Australian history or human history?

PM: I think in human history this is one of the most exciting and unique nation building experiments that we have seen.

AJ: What you have done ?

PM: No. No. NO. Not I am talking...not ^{what} we have done - my speech was about the 200 years - it started in v. unpromising circumstances. I was reporting on the fact that here we were a land at the far end of the world - as far as Europe was concerned, they sent their convicts out here. People came from all over the place and I said this was an unpromising start and it has been one of the most exciting things that has happened in human history. The way the Australian nation has been built. I was not talking about the 4 years of my govt. I was saying "now we are on the threshold of the beginning of a 3rd century."

AJ: So you haven't gone over the top with your language?

PM: I don't think so. If you think I was talking there about the most exciting thing is what we have done - I wasn't saying that at all.

AJ: A bit messy I would say.

PM: If you look at what I say you will know that I was talking about the 200 years of Australia's history.

AJ: You will be flattered to know that I did read it.

PM: And you also know that I was talking about the 200 years?

AJ: I didn't get that impression otherwise I wouldn't have asked the question. But you have answered that. The 31 promises are answered today. I am just interested in statements like this for example. That in relation to the coming year that 10,000 trainee ships will be available. Your answer is "the govt has

AJ (contd)

already acknowledged that the first's years target was overambitious".

PM: Yes, it was.

AJ: Do you think that too many of the statements that you have made in the past, about cap gains tax, about levels of interest rates. For example, you have said that interest rates are going to fall in the next 12 months. And yet you have also said that you will maintain the real value of wages. Now how the hell can you maintain the real value of wages and pay for that - and presumably pay for it with burgeoning deficits and at the same time reduce the level of interest rates. It seems to me that they are completely incompatible...unless of course you are speaking out of another economic text book?

PM: Now let me pick up the first part of your long question, and I will accept that it is a question. You refer to what I said about cap gains tax...that is implying on your part that there was a broken promise there...now that is totally dismissed in what you read from.....Now come on let me finish....

AJ: Do you want me to tell them what you said?

PM: Yes, sure.

AJ: The original commitment was given in the context of the 1983 campaign.

PM: Well let me finish.

AJ: You broke it in the next campaign.

PM: Ok. Why.....can I read it - rather than your interpretation of what I said?

AJ: YOU wouldn't read it as well as I would....

PM: But I would read it accurately. Response: Original commitment was given in the context of the 1983 election campaign. There was no capital gains tax in Labor's first term, the period for which the commitment was made. Labor's position on tax reform during the second term was made clear in the 1984 campaign. Labor pledged to overhaul (inaudible) and reform the tax system after process of consultation based on the national tax summit. Labor spelt out 9 principles of taxation reform which included that any reform package must have wide community support. A cap gains tax was introduced in our 2nd term as part of the package developed by the govt in the light of those consultations. In other words the promise in 1983 was kept. No cap gains tax in our first term. I said when I went to the next election - the whole question of tax including cap gains tax is on the table - there is no breaking that promise.

AJ: No groping of the hands under the table - you don't think. You didn't tell them that you were going to introduce cap gains tax because you would have been knocked off.

PM: In 1984.....

AJ: If you had said in 1984 under Peacock that you were going to introduce cap gains tax .. they would've gone after you. Wouldn't they?

PM: In 1984 I said it is on the table...the whole question - including cap gains tax, is on the table.

AJ: Do you trust the Austin people?

PM: I certainly do. And infinitely more than John Howard because I tell them what is going to happen.

AJ: You are not going to tell them what is going to be in your budget.

PM: On the contrary - it is all there. It is done.

AJ: So we can't have any more expenditure cuts. We are going to face interest rates as they are?

PM: No we are not - we are going to face interest rates falling...

AJ: But you said....

PM: Let me quote you what Mr Cullen said....

AJ: But for every one you quote in your favour there is most probably one against you...

PM: No there isn't. YOU find me the banker who says....

AJ: But bankers are not Betty Bloggs at Dalmain are they? Who is out there paying interest rates - and taxed to the eyeballs.

PM: The bankers Alan, the bankers set the interest rates. And all I can say is Mr Cullen, Austin bankers assn. Mr Cullen was asked, after I said the day before, that I expected interest rates to fall....

AJ: Have you duressed these people though?

PM: Now come on...be fair....

AJ: Well have you, have you, have you?

PM: No I haven't Alan. I don't know Mr Cullen.

AJ: What about your media legislation.?

PM: Now come on! ^{AJ} Did you speak to the barons over the media legislation?

PM: Don't dodge away...

AJ: But did you speak to the media barons over the legislation?

PM: I will talk to you in a minute about....can I finish interest rates?

AJ: Well there's your next question.....I will put it on notice!

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PM: Mr Cullen was asked after Mr Hawke said that interest rates would fall. He was asked whether Mr H was entitled to say that and he went on and said that "the best judgement of the moment is that the trends look favourable...and we would certainly hope to be able to reduce mortgage rates before the end of the year". He was asked, "would you say that the trend towards lower interest rates is as a consequence of the Hawke Labor govts economic policy". He said: "not entirely because of us but he said that the govt policy in a number of respects has undoubtedly contributed to the present situation". Now you see that is a spokesman for the banks. They are saying that interest rates are going to be falling. They are saying that the PMs judgement is one that we agree with.

AJ: But listen. If productivity is going to be around about inflation - and you have said yesterday - and I can't believe, that wages will maintain their real value - how are you going to pay for those wages? Because productivity is not going to pay for them. Are you going to pay for it by increasing the debt? And if you do that can you possibly reduce interest rates? It doesn't make sense to me.

PM: Now will you listen while I tell you?

AJ: Ready to listen.

PM: Good. Lets look at the debt situation. When we brought in the last budget we made an estimate of what the current account deficit figure would be in 1986/87. As a result of the policies that we are bringing in, that current account deficit for 86/87 will be \$1 1/2 bn less than we estimated, in Aug of last year and it will fall further in 87/88. So the current ac deficit is falling. Our increases in exports are beyond expectations. And most importantly in the area of manufactured exports - 34% increase. So all those trends on our external situation are in the right direction. Internally with regard to your question about wages...the situation is that we expect wages and prices, during 87/88 to move by about the same proportion - about 6-7%. Now the important thing. Not only does that mean that you hold the real value of wages, here in Aust, at about their level, but importantly we are going to improve our competitive position with the rest of the world....Because while inflation is coming down in Australia....

AJ: Still not competitive with the rest of the world this.

PM: Can I finish? That is exactly what I am going to talk about before you interrupted. The inflation in Aust is coming down - moving down, and it is going up in the rest of the world... amongst our trading competitors. In other words.

AJ: From the lower base...

PM: The gap, in other words is narrowing significantly.

AJ: I concede that.

PM: And what is happening is that it is being selected in our capacity, Alan to compete in areas of export that we could never do before. I don't know whether you have had the opportunity, but one of the most exciting things that is happening in the country now - and I oughta take you around with me sometime and you could see it - to go to manufacturing enterprises in Australia which are

now going out and beating the hell out of the Americans, the Japs and the Europeans in the most competitive markets in the world. For instance I was up in Bundaberg last week, a really exciting place - called Aust. which is manufacturing sophisticated cane cutting equipment - sophisticated trench digging equipment. Now they are selling those cane cutters now in the most competitive markets. On the other side of this most sophisticated trench digging equipment - we currently had been importing that equipment from the USA. Now the fella himself says - he says as a result of your govt policies and the specific assistance you have given to industries like ours - we are now going to take the whole of that market off the yanks here in Australia. Without the rhetoric Alan it really is v. exciting to see those things happening.

AJ: How do we get more competitive? NOW Bob Hawke said when he was Pres of the ACTU that there should be no sanctions. The sanctions that apply to other people...for instance, I drive down the wrong side of the road, I am hauled over. Drive down the wrong side of the industrial road - should there be sanctions? Should the union movement be above the law?

PM: No it certainly shouldn't be. And under the proposals that we were putting in under the industrial relations bill not only did we not say that - but we increased the sanctions. Now the employers said that they didn't like the way we were doing it and I said after discussions with them that I thought it was against their own interests. Alan I will say to you honestly...that I just don't understand what the employers are about. Because what we were doing, was in effect to bring in a tougher set of sanctions. But the employers didn't like that and they said that they would prefer to keep it as it was. With access to common law. With access to...

AJ: But you took that away?

PM: No I didn't. What we did do was to bring a situation where you wouldn't contemperonerously have 2 sets of actions available but they still would've been able to have gone - well they still would've had access to the trade practices legislation but it would've been within the framework of the labour court. They said they didn't like that so I have given them Alan, the unequivocal commitment which the Business Council of Aust and the CAI accept. I have no argument with them at all. They accept what I say and said the position will stay as it is.

(PM: Yep.)

AJ: So the legislation is out. We'll take a break. Mr Hawke one of the issues that has been raised fairly regularly on this show, through calls, and I don't quite know its origins, concerns the whole question of Fabian Socialism. And I think I have an obligation, and many people have asked this, to clarify a few things - if you can. YOU said in your 1984 centenary speech to the Fabian Society and I quote: "I gladly acknowledge the debt of my own govt to Fabianism". Yet the philosophy of that society, written in 1887 and I am sure you are aware of this, says and I quote again: "the Fabian society aims at the re organisation of society by the emancipation of land, and industrial capital from individual and class ownership." it went on. "The society works for the extinction of private property". Now I say that because Neal Blewett last year at the ALP SAustn. branch conference said and I quote "Let me say as a socialist that its the interests of the community that should

come before the individual. We shouldn't get too hung up as socialists on privacy because privacy in many ways is the bourgeois right that is v. much associated with the right to own private property". Your presence at that dinner would seem to endorse the notion of Fabian socialism...

PM: Which dinner?

AJ: The Centenary Dinner of the Fabian Society in Melb in 1984.

PM: I completely reject any proposition, explicit or inherent against the right to own priv. property. I don't only have to make that observation which is so clear....

AJ: You knew that Neal Blewett said that?

PM: I don't know the exact words of Neal Blewett.

AJ: Regrettable, wouldn't you think?

PM: I certainly wouldn't have said those sorts of things in those words. But again to be fair to Neal, it is easier enough for you to say, and I am not saying that you are doing this deliberately, all you have got is some quotes in front of you. It may be if you look at the whole of what Neal had said - that that sort of thing....

AJ: We shouldn't get hung up on privacy??

PM: What I am saying.... I could take an Alan Jones address to his players, I would think, I have never listened to one...

AJ: You should come along sometime.

PM: I am not good enough to play.

AJ: Why do you send a telex to Patrick Cash in the 1st round of Wimbledon wishing him well, but never to Andrew Slack?

PM: That's not right. I have sent a message to you people and you know that. So don't...

AJ: 1984.

PM: Let me say this, if I took a passage out of Alan Jones' speech just one, 'god look at that'. It would make you look terrible. But I guess if I put it in the whole context of your speech it would look fairly inspiring. Lets get to the point of private property and priv. enterprise. From Day 1 I said to the Austn. people and I say it again, unless we have a healthy priv. sector we won't have a healthy Australia. And that is what I have been talking about since Day 1 - to stimulate the priv. sector. To get jobs and investment in the priv. sector. 75% of all people who are employed in this country are employed in the priv. sector. That is why for instance as I was saying to you off air, I brought in the most generous research and development taxation schme for the priv. section. Because unless we have that priv. sector in this country investing in research. Investing in development. Being able to become more profitable... Look what we have done. When we came to office the profit sector

of the GDP was the lowest it had been in memory and I said that we had to have a move back to profit. Because unless you have a move back, you won't have investment. YOU won't have employment and that is what we have done.

AJ: So you are again the FABian notion of getting rid of priv. property?

PM: Certainly.

AJ: Just one final thing. I know you have to go. Peter Sawyer when he said there was massive rip offs in soc. security. He was described by your minister Mr Howe as talking statements of 'sheer fantasy and hysterical nonsense'. Was described in parliament as a 'dishonest person'. Yet now you have introduced hit squads trying to clean up about 5,000 dole cheats a week. Was Sawyer right or wrong?

PM: He was wrong in respect to some of the illustrations he gave. Mr Howard didn't say at that stage or at any stage. He was saying about what this fella was saying....He wasn't saying.... He was there was social welfare fraud but what we say is 2 things. We have done more to deal with social welfare fraud than any other govt has done. We have reduced the numbers by more than has been done.....The one thing we need now to make sure as a society that we can totally eliminate welfare fraud is the Australia Card with photograph.

AJ: The Fed Libs say that they can do it and they have got a report which says \$4bn and they reckon the report has been destroyed. Why can't we see what the report says?

PM: You are inaccurate.

AJ: They said it was destroyed.

PM: They did not say that the report has been destroyed.

AJ: All but 2 copies they said had been destroyed - to me on the show.

PM: But that is a different proposition than saying the report has been destroyed.

AJ: Well why have some been destroyed?

PM: I don't accept that any have been destroyed. What I am saying is that the treatment, not just of that report but any stuff which comes into govt in a period before an election - goes on hold. That report will be dealt with. What we have done is provide more resources - a greater increase in resources to the Fed police than any other govt has provided. We have done more to crack down on fraud - incl. tax fraud. We inherited a tax avoidance industry which was the fastest growing industry in Aust. WE have smashed it v. substantially. The one thing we need Alan & a community to finally smash welfare fraud and tax fraud is the Australia Card with photo and the great majority of Austn people have indicated in poll after poll that they support that. And they rightly do.