



AS Income Sup & Health  
AS Eco Asses |  
PA Eq L.M.  
AS Infrastructure  
FAS OMA  
AS Policy & Res. Branch  
FAS OSW  
AS Fiscal & Taxn Policy  
AS Social Justice

## PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH BRIAN WHITE, RADIO 2UE, 2 MARCH 1989

E & O E - PROOF ONLY

WHITE: Good afternoon to you Sir.

PM: Good afternoon Brian.

WHITE: Good to see you.

PM: Good to see you.

WHITE: You're looking well.

PM: I've never felt better.

WHITE: Have you had a chance yet to look at the report from the Institute of Family Studies?

PM: No I haven't been able to study it yet but I've had just a couple of notes put in front of me of what has been said on behalf of the Institute and apparently they go out of their way to commend the Government for the initiatives we've taken in the area of the family allowance supplement, which is not surprising when you think that by the end of this year we are going to be spending \$1.5B to deliver on the pledge. That is there won't be any financial need for a child to live in poverty. It's an enormous amount of money.

WHITE: Yes that's true but one major point that they make is that in the '77 financial year the family on the average wage with two children paid 46% less tax than a single person on that wage. Today that family pays only 26% less tax.

PM: Well I've got to look at the report in detail ... I understand just a very brief note that I saw that the Treasurer had at question time that the comparisons in percentage terms have, I think, a fair bit to do with the timing of the base and the end point as to it being the end point with the conservative government being taken just after a tax cut and ... before so I think that I just wouldn't be fair to you and I must say to your listeners to try and make a detailed comment until I've seen it. I'm more than happy to talk to you at some time later after I've had a chance to study it.

WHITE: Yes well perhaps one general thing that I could raise about what they say though is that their proposals would cost \$5.5B in government revenue. They're looking at the financial year after this one. Is that a feasible amount for them to be looking at or anybody?

PM: No I don't think that is feasible but what our approach has been as you know is to adopt the targeted approach - to try and put the money where the greatest need is - but in the work that we'll be doing now Brian as we look at the tax cuts, there'll be associated decisions about the whole question of family allowances and what we can do to best help families and how to target it and I think the consensus will be after the decisions that we've taken and which will involve a final delivery on the pledge in regard to child poverty concerning the family allowance increases, I think the judgement will be made - it's inevitable - that what this Government will have done will far surpass anything that's been done by any other government in the history of this country.

WHITE: Will this report from the Institute be part of your consideration of how tax cuts are to be -

PM: Certainly we will ... obviously we must look at what they've had to say, yes.

WHITE: I mean one wonders of course whether they haven't already had an input?

PM: What is being done in this whole area of the formulation of policy Brian, my colleague Brian Howe, the Minister, is to undertake consultations with a whole range of ... in the social welfare community. I mean for instance in what we're doing in regard to the aged. We had the report from Bettina Cass which came out last year. Now what Brian is doing is having consultations not merely with pensioners groups but with the superannuation industry, with going around and talking to and listening to individual pensioners. I mean everyone who's got a legitimate basis for input has been listened to.

WHITE: Yes. Of course the general impression - I mean the Sydney Daily Mirror as I understand it, has got this family/tax institute report all over page one and page three today. The impression of course that I suppose is going to be created is that the families of Australia are bleeding?

PM: Let me say as I've said quite obviously before that for some people there is no doubt that there has been a decline in standards. The interesting thing if I may say so in terms of the political situation is that if you look at the document, the much touted Howard document about which he calls Future Directions but which is properly entitled Futile Diversions, is that he actually criticises the Government. ... in the Parliament that he actually criticises the Government for the attempt that we've made to protect those in the community who really need assistance.

(PM cont) They say that as a result of the change in the balance of trade there's been a decline in the national income and we're wrong to try to protect people. I mean just let me read it, "This has been aggravated by Labor policies which have attempted to shield certain groups in the community from the effects of a reduced national income". I mean there it is starkly in this document what they say is their central document. They say there has been this decline in the national income associated with the external situation, a loss of national income, a loss of national income and criticising us for attempting as they say to shield certain groups in the community from the effects of it. Now we make no apology for the fact that in a difficult situation where the national income did go down in that period that we - and that meant that some people were hurt - we moved Brian, to try and protect those who needed help most.

CALLER: Speaking to you as a member of a family who has gone back for absolute generations of very active Labor Party members, my dad was a foundation member of a particular branch of the Labor Party -

PM: Which branch was that?

CALLER: Bankstown.

PM: Bankstown, oh yes. That's in Paul's electorate.

CALLER: That's right, he worked very hard for years, we had ..., all these gentlemen, ... worked very hard. But the part that upsets me at the moment, I have four sons ranging from 33 to 25 who all their life worked hard distributing pamphlets and working in booths ... with great pride as part of a working part of the Labor Party. But at the moment they're getting quite disillusioned, they now have young families and trying to get homes and get ahead in life and it just disappoints me that I'm finding my sons becoming quite disillusioned with the Labor Party and also in particular with Paul Keating for whom they've worked so hard.

PM: What's your name by the way.

CALLER: Pat.

PM: Let me say to you as briefly as I can Pat why I think you and your sons should just think about what this Government has done and why they should have pride, if I can put it that way, as I do in the achievements of this Government and they are achievements in the Labor tradition. Just let me briefly, if you'd like me to Pat, just go to some of the things that I regard as important in the Labor tradition and important in terms of what the real needs of this country are. First of all you referred to them working. What this Labor Government has done, and it's not

PM (cont): just done it sitting here in Canberra but it's done it in cooperation with the other part of the Labor movement, the trade union movement, we've had an accord which has meant that we've created in this country in the period we've been in office one and a quarter million new jobs. I wonder Pat if I could just tell you so that you and your sons can understand just what an enormous achievement that is in creating one and a quarter million new jobs in this country. That's four times, four times, not just one or two, but four times as fast a rate of job creation as in the seven years under the conservatives before us. It's more than twice as fast the rate of job creation as in the rest of the industrialised world. Now the best thing Pat that any government can do for your sons and for their children is to run an economy which is having a rate of job creation faster than we've had before and much much better, twice as good as the rest of the world. That's what we've done. Just let's look at the question of education Pat which I'm sure for your sons would be regarded as fundamentally important. We've thought it proper Labor policy to try and create a society in which it's easier for the kids of lower to middle income parents to be able to stay on in the education system. So what we've done is very substantially increase from \$23 a week to \$50 a week the secondary education allowance. Now what's that meant Pat? It's meant this, that when we came to office the number of kids that stayed on in the education system at the end of that seven years of Tory rule was only 36%. In other words only a third, just over a third of our kids stayed on in the education system. Now as a result of the decisions that we've taken that 36% is up to 58%, to more than half. As a result of the policies we've got in as we go into the early part of the 90s we'll have that up to 65%. Let me look at the other end, the elderly people. Under the Liberals in their seven years, let me take the four years of John Howard. The real purchasing power of the pension under Howard was cut by 4.1%. That was deliberately, they made a decision through not making the rich and the wealthy who could afford to pay their taxes, letting them avoid paying their taxes, it meant that they cut, one of the things they did was to cut aged pensions. We've brought in a fairer taxing system which meant that those with the greatest capacity to pay pay and the aged, instead of getting a cut in pensions as they did under John Howard, have had an increase of 7.7% in real purchasing power. So I could go on Pat but I've just mentioned three things that I thought would be important to you and I respect what you say about Labor tradition. Jobs, four times as fast as the conservatives, twice as fast as the rest of the world, education for kids and looking after the elderly. That's all in the Labor tradition and it's all the sort of thing that I think ordinary decent Australians want.

WHITE: Let's move to another caller.

CALLER: Good afternoon Mr Hawke.

PM: Good afternoon. Who am I talking to?

CALLER: Peter's my name Mr Hawke. I'm an airlines clerk presently on holidays at the moment. I'm having a nice relaxing time, I'm reading a book called The Fall of the Third Republic by William Shirer.

PM: Third Reich isn't it?

CALLER: No, that was one of his other books.

WHITE: This is about France is it or what?

CALLER: This is about the French one.

PM: I wish I had time to read books like that mate.

CALLER: ... done it for a while. In it it mentions about one of the reasons with the movement of French capital overseas ... before the Second World War, the French didn't keep their capital at home. I was worrying a little about how capital in this country, how when we earn interest on our savings accounts, how we're taxed at the marginal rate and I was thinking a better inducement for people to save even small amounts if there was some sort of concessional rate on interest that you earn. I know a chap at work, he won't put money in the bank at all. He says the interest, Paul Keating gets it all. He's paying a marginal rate of about 40%. Any interest you get you're paying your marginal rate of tax and even if small sums up to \$2000 if some sort of concessional rate of tax was - like on the capital gains tax.

PM: This is a suggestion that's been around not only in this country but in others. Can I make the point to you that it's interesting I think that it hasn't been done anywhere in the world and that's no accident. Could I just point out to you there are enormous technical difficulties. You need to look at the question of - it's put in terms of taking account of inflation and only if you're imposing some tax on real interest for instance. But you've got to look at both sides. You ... have a position in terms of the conduct of business that interest costs are deductible as a business expense. Are you, on that side, if you're going to do it on the side that you're talking about, are you going to say in regard to business that only their real interest costs will be deductible? The other point that needs to be taken into account Peter is this, that there is no guarantee that what you're talking about would in fact add to the savings of the community because what you must appreciate is that what is paid as tax is a form there of public saving by definition. Now what is being suggested is that if you allowed the tax deduction for interest that that would mean that it would be at least compensated by private saving.

PM (cont): There's no guarantee that that would be the case and this I think Peter is really probably the most compelling reason why in fact what I admit to you has some superficial attractiveness has not in fact been adopted.

WHITE: Can I pick up on one thing that you just said, if I understood you correctly, that that hasn't been done anywhere in the world, because the Japanese did not have any tax on savings interests from the end of the Second World War until a matter of a few years ago when they introduced a flat 15 percent and they've recently kicked it up to 20.

PM: Well my understanding and I obviously say this subject to correction, but my understanding from just a note I saw the other day Brian was that this general proposal has not been adopted elsewhere in the world and that's certainly the information that I have and I think that's accurate.

WHITE: Yes, well -

PM: I mean as you can see there are obvious difficulties, I mean there are technical, administrative and conceptual difficulties. The last one I mention is really I think the major one because when tax is paid, that is by definition, public saving. I mean, it's withdrawn.

WHITE: Yes, well it's public saving as against private saving.

PM: Yes, but you see the assumption, all this is based upon what is a real problem and Peter is correct and I'm indebted to him. It's one of the real problems we've got in this and in a number of other countries that what we technically refer to as a savings ratio is low, that is the proportion of peoples' income that they save rather than the consumers' low and therefore your investment pool is down and in our country if you don't save enough there we borrow from overseas.

WHITE: Well, one of the main things that results from it of course is that we nowadays have every month in our balance of payments an interest bill going overseas, with various other payments going overseas of a like kind, which comes to about \$1 billion a month which is matched up against the fact that the fall in savings in the last 15 or 20 years also works out at about \$1 billion a month.

PM: Well it's true, you've got to recognise that what is happening in Australia in terms of a lot of this borrowing is that the great majority of it, the overwhelming majority of it, is because we are now as a result of our decisions as Government, the public sector borrowing requirement is zero as a result of reducing our deficit and moving into surplus and we more than compensate for what the States are doing. So the borrowing now is private sector borrowing. Now these are decisions by the private sector that they are borrowing

PM (cont): and that they will be able to meet that interest commitment out of the earnings which are generated by the investment and it's also part of what you must take account of when you look at this current account question that you talk about and which I'm sure is partly in Peter's mind, the gentleman who raised the question. Obviously we can't go on with the sort of current account deficit figures that we've been seeing but on the plus side of it what you've got to remember is this and it's interesting. I've just been talking to the metal trades employers today and they are saying, confirming to me that what's happening is that they are undertaking massive re-equipment of industry. They're bringing in new capital equipment to make Australian industry more competitive, both import competitive in this country and competitive in export terms. Now, OK, so currently it's a minus but what is happening is that as a result of so much of this import of capital equipment, Australian industry and the Australian economy is going to be a very very much better place in years ahead.

WHITE: We don't have time for very many calls, but let's have what we can. Good afternoon it's your turn.

CALLER: Good afternoon, good afternoon Prime Minister.

PM: Good afternoon, what's your name please?

CALLER: Brenda.

PM: Good afternoon Brenda.

CALLER: I just wanted to speak to you. I probably identify with the first lady that you spoke to, Pat.

PM: Yes.

CALLER: I come from a long Labor tradition and a long Labor background too. Amongst my friends, I probably belong to that group that has been identified as the gender gap -

PM: Oh yes.

CALLER: .... to the new election and you'll be happy to know I'm not interested in talking about tax cuts or anything to do with money -

PM: Yes.

CALLER: .... a philosophical thing.

PM: Sure.

CALLER: This is more in terms of a statement than a question.

PM: Yes.

CALLER: As a long term Labor voter the singular thing that has upset me and my friends most .... is the concentration of media ownership in Australia, in particular the print media.

PM: Yes? That's interesting.

WHITE: Now let's see if Prime Minister you'd like to handle it as quickly as you can so we can get one more caller.

PM: I mean that is interesting. I would, you talk about the concentration of media ownership. I wonder do you realise Brenda that no Government in Australian history has done more than we have to lessen the concentration of media ownership in the regions of Australia. By that I mean that up until my Government came in, you could have a situation where one person, that's .... my beaut mate Brian White .... Brian could in one region, he could own the television station, the newspapers and the radio stations. He could totally dominate for a community what they were going to get. Now what we've done is to break up that cross media ownership by legislation Brenda, so that for the first time in Australian history that concentration of media ownership across the media is not possible. So with respect I think, that's why I sounded a bit surprised, because no Government has done more than I have and with my colleagues to break up the concentration of the media ownership.

WHITE: Now Prime Minister we really don't have enough time to take any more which means we've only got three calls in. We'd better do this again if we're going to talk to the people.

PM: Love to Brian.

WHITE: John Howard has said today that it's not the fault of his statement about Asian immigration that the number of business migrants has fallen.

PM: Well, rather than just relying on my assessment that he is the culprit and the hypocrite, could I just quote Michelle Gratten, The Age, 14 September 1988. "The real villain in the immigration debate is their own leader, John Howard" and Steketee in the Sydney Morning Herald "Howard is exposing his own hypocrisy". Now this is the judgement and of course John Stone has made it quite clear when he talked about the debate. He said "we didn't go through this to leave the policy as it was" he said "what a lot of goats we'd look wouldn't we". So he was asked "do you think that the bottom line is fewer Asians" - "that is so".

WHITE: Mr Hawke, thank you.

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