



6 spare copy

PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH HEATHER EWART, ABC AM,
13 APRIL 1989

E & O E - PROOF ONLY

EWART: Mr Hawke, your critics say this statement isn't about sound economics but about winning the next election. What do you say to that?

PM: They are wrong. Just let me dispense with this concept of this being something for an early election. We promised in the middle of last year that we would be making a statement in respect of a tax/wage trade-off to operate from the middle of 1989. All we're doing is delivering on that promise and in delivering on that promise Heather we've got one thing above all else in mind and that is to have a control of this economy which is going to enable us to sustain growth and employment and prevent a wages explosion which would destroy the economy. There is no early election in the offing, I can assure your listeners of that.

EWART: Is this -

PM: I'm sorry, just let me make this point. There's only one person who introduced the suggestion of an early election and that was one Johnny Howard. Why? Because he knew that we were going to be producing, in terms of the promise we'd made last year to the Australian people, a package which would knock him for six. So he had to try and introduce a note of cynicism into it.

EWART: So this statement isn't directed in any sense towards an early election?

PM: That is correct and obviously by the time we go to the election, which will be a long time after the present, we expect that we will be rewarded for the management of the economy and that a judgement will be made Heather between our control of the economy and that of our opponents.

EWART: In fact you seemed to suggest in the Parliament yesterday afternoon that an election could be a year off. You said, I think to John Howard, you'll get your chance in 12 months or so, and the Finance Minister, Peter Walsh, seemed to back that up last night. That's your thinking at the moment is it, no election for 12 months?

PM: I can't see an election this year. Certainly I'm not talking about an election this year. There's got to be a half Senate election by the middle of next year and I am just not in an election mode. I've tried to make that clear. I repeat, we promised this to the Australian people last year. I said to them - and Paul Keating echoed properly what I had to say - we said, if you get a responsible wages outcome during 1988-89 and we can see that we can get a responsible wages outcome for 1989-90 then we will announce in time to take effect from July '89, tax cuts. All we are doing is delivering on that promise I made to the Australian people.

EWART: So can we just pin that down? No election this year?

PM: I don't think there will be an election this year. That's right.

EWART: Even with all the early speculation which you say the Opposition has been reviving, and it certainly has some troubles of its own -

PM: Does it ever.

EWART: It's not tempting in any sense?

PM: No, it's not tempting. What's happening - and I'm glad you introduced the subject - but what is well known in Canberra amongst all who are following politics, we know that there is a concentrated push on by Mr Peacock and his supporters, aided and abetted by the President of the party John Elliott, to dump John Howard. That's not surprising because our fortunes are somewhat lower because of high interest rates and I understand that. The vote hasn't gone to the Libs, it's gone to Democrats and others. They have made their decision that Howard has to go. That's where the problems are.

EWART: If that were true, you wouldn't be tempted to go for an early election?

PM: No, not at all. If the Liberal Party proves the paucity of its resources by having to resort to the failed Andrew Peacock, I'll be more than happy to see Andrew there in the position for a considerable period of time because the longer he's there you'll have more solidly revealed the truth of history. That is, he was not adequate before, he's not adequate now.

EWART: So a scenario like that, if it were to be true, wouldn't alter your thinking that there'd be no election this year?

PM: No.

EWART: Getting back to the statement then, is it more about sound politics? You and Paul Keating have suggested the workers and the needy deserve these measures, but did you fear that you'd asked them perhaps to bear too much economic restraint, that you were in fact driving away traditional supporters who just couldn't cop any more?

PM: It's not a question of driving away traditional supporters. It is the case that we lost some support in our heartland, I don't deny that, but the situation was that in the period from 1983 we have had to ask Australians, your ordinary average listener, we've had to ask them to exercise restraint. They've been magnificent in doing that and together we've reaped the benefits. And the benefit, the outstanding benefit is what we've done in regard to employment. I can't repeat this too often, and I know that your listeners are proud of it, as I am, that we've created together, that is the Government and the people, we've created 1.3 million new jobs. The relevant statistic about that is that's four times as fast as under Fraser and Howard, twice as fast as the rest of the world. Now we've been able to do that because the people have co-operated, the trade union movement has co-operated, there've been reductions in real wages which we've compensated by extra jobs. It's meant that real household disposable income has risen while we're in there, but that's happened not because wages have increased in real terms but because there've been more people in the households in work and because we've substantially increased benefits to those most in need. But the time comes when having a strong economy - the economy in this last year has been growing at over 4% and the employers of this country are knocking down the door of the ACTU Heather saying we wan't to give massive wage increases. The ACTU was saying no, we want to keep the lid on wages. Now you can't just keep doing that forever and saying no wage increases. So the trick, the secret, what you have to do is to accommodate that move for increased wages in a way which is economically sustainable. So what have we done? We've given people on average as a result of this package a 12% wage equivalent increase at a cost to employers of only 6.5%. Now that means that people are getting the increase in disposable income which is going to enable them to improve their standards, but not in a way which is going to put undue pressure on inflation. In fact, inflation will track down.

EWART: Well, on that point, Mr Keating has had a lot to say about tax and wages. He has had less to say about interest rates and inflation. Do you think the money markets aren't going to be too pleased about that, and new home buyers?

PM: Let me take the two parts of that question Heather. As far as what the market reaction is I'm not quite sure. All I can say is I'm told that the initial reaction was that the dollar went up a bit so one would tend to think that that's not an adverse reaction by the market. Now, as far as interest rates are concerned, let me say quite clearly as I said in the Parliament, Bob Hawke, like any sensible

PM (cont): politician, is not going to have interest rates one percentage point or a fraction of a percentage point higher for one day longer than is necessary. I mean, I'm not an idiot. I know that people don't like high interest rates. But I think people have enough trust in me to say Hawke and the Government are running a tight monetary policy now with high interest rates because it's necessary. What we've got to do is reduce somewhat the level of activity so that we don't suck in an unsustainably high level of imports. As soon as the level of activity comes down somewhat, while still consistent with growth and employment growth, then monetary policy will be eased. But it would be a dereliction of duty on my part if I pulled interest rates down now just like that because people are saying it's hurting.

EWART: Well finally, you say no election this year. So do you have a date in mind, early next year?

PM: No, I don't have a particular date in mind. But let's remember this, that the last election was held in July of 1987 which would mean that the judgement, I think, of all commentators would be that any time, you know, from the relatively early part of 1990 would be appropriate. What I want to get across to you is that I am not in an election mode. I haven't made these decisions with my colleagues on the basis of an early election. That's not part of it, it is the delivery of a promise I made to the people of Australia last year. The election will be held at a time which will be regarded by all objective commentators as at a reasonable time. I'm not, in saying that, doing anything more than any other Prime Minister has said in the whole of the post-war period. It has been accepted that there is some degree of latitude in timing but it will not be an election which will be regarded as an early election.

EWART: Mr Hawke, thank you very much.

PM: Thank you very much Heather.

ends