



PRIME MINISTER

INTERVIEW WITH MIKE CARLTON, RADIO 2GB, 13 APRIL 1989

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CARLTON: Can we get the election question out of the way first? Will you go to the polls this year?

PM: No, Mike. I've made that quite clear in a program I recorded last night, you just jumped in front of AM by a quarter of an hour -

CARLTON: Rightly so.

PM: So, it's quite clear that all we're doing is what we said we'd do last year. I mean this is a situation where I made a promise last year, middle of last year, that I'd deliver tax cuts July 1, 1989. I delivered my promise, something I gave twelve months ago. The only person who's talked about a July election is a little bloke called Johnny Howard who's tried to introduce this note of cynicism in on the delivery of my promise. If I hadn't delivered my promise he would have said you can't believe the Prime Minister. I deliver my promise and he says it's only an election ploy. Now all he's doing of course is what everyone knows is that there's a numbers game on in Canberra this morning. It's not a numbers game about what you get out of this package, it is can Andrew Peacock get above the 34 votes that he's got in his pocket now to knock Howard off? That's the numbers game in Canberra today.

CARLTON: Alright, so no election this year?

PM: No election this year.

CARLTON: Alright, so what happens now? What happens -

PM: now is that the people of Australia get the tax cut and the increase in their family allowance as they deserve. We've had to ask them to do it reasonably hard for some time because of the toughness of the situation. We said we'd remedy that when we could. We can now and the real question as to what happens now is what does the Opposition say about what they'd do.

CARLTON: Alright. Well what happens if Australians spend the extra money, we don't save it? Is that going to pour kerosene on the fire?

PM: I think it's a very legitimate question. The answer is basically this Mike - and I don't want to get into technical jargon and statistics for your listeners, but I'll try and put it simply as it is - in this past year we've had an eight percent growth in consumption. This has been associated with historically high investment, more money being invested by business as a portion of our output than ever before, a massive improvement in our terms of trade which has meant extra billions of dollars flowing into the economy and historically high investment in housing and non-dwelling construction. Now those things will not be repeated, so those elements of demand won't be there. Of course, on the public side we are again going to have a reduction in real Commonwealth outlays and a situation therefore so there is no fuelling of demand from us. In those circumstances the economy can accommodate the extra demand that may be associated with this although some people of course may use it, as we hope, for saving purposes.

CARLTON: Well you've really got to punt on that haven't you because everyone rushes out and throws money around? Surely our imports will rise again and interest rates will rise again.

PM: No, but that ignores, with respect Mike, what I said about the other factors. I mean, that assumes that all the other elements of demand that have been making a high demand on imports in this past year will continue. It simply is not possible that you will have the same high levels of investment, you will not get an improvement in the terms of trade of the dimension that we'd had, you know, of the order of about 11 or 12 percent in this last 12 months, which of itself, has brought extra billions of dollars of demand into the country. You are not going to have those elements there in 1989/90 that you had before. So there is room, it's not as though this is adding on top of existing demand in terms of the pattern of 88/89.

CARLTON: Can I put this another way and see if you agree?

PM: Yes.

CARLTON: You're saying that business has now made its investments, they've got new factories, new technology, new computers, they've done that. So you're now saying that Australians can spend a little and buy the products of that business investment?

PM: To a very considerable extent. Business will tell you they won't undertake those same levels of investment. We wanted them to do what they have done because that will put us in a stronger position to be competitive with imports and to improve our export performance. We're glad that that's happened, but you're right, but could I make this point Mike and I would appreciate it, because I think you understand

(PM cont): these things I would appreciate it, if the message could be sold that the extent that your listeners spend what they get now, a lot of them will want to save it, but to the extent that they spend, spend it on Australian made goods. If people want to continue the great cooperation that we've had with them in this past six years and they have been truly magnificent, then I plead with my fellow Australians, if you are going to spend what we've given you and not save it, spend it on Australian made goods.

CARLTON: Do you intend to campaign strongly on that, I mean is there going to be a big buy Australian campaign to follow this up? It makes sense.

PM: We'll enlarge the emphasis on the campaign that we've had in the past. It's always been right, it was right when we had the tough situation where we lost so much in national income with the decline in the terms of trade before. It's at least as important now, in a sense more important, that where we've got to deal with this external problem, not too many imports, that Australians spend on Australian made goods. It's the great contribution. We have given to the people the money in tax cuts and family allowances that they need and that they deserve. Their great contribution as part of this can be to intensify their effort to buy Australian.

CARLTON: Alright. You've done long and hard talks with the unions, the ACTU, much will depend on their attitude. I assume that you are firm in your belief the ACTU will stick to the bargain and not go for big wage rises?

PM: Yes and I think Mike, it's a good question and I'm entitled to say to you as I know you will appreciate, look at their record and mate if you look at their record why is it that we've created 1.3 million new jobs? Why is it that the profit share has gone to a historically high level? It is because the trade union movement have stuck to their bargain. They could have been out there getting much more, they haven't and they've given us an undertaking that in this coming financial year, '89/90, they will adhere to that and that the wages outcome in total will only be six and a half percent which, given the level of activity is historically unprecedented. Could I just say to you Mike as a quick thing, I know most of your readers won't have the opportunity of reading this, but I do ask you sincerely to read Attachment A with Paul Keating's speech. It sets out there in about 15 pages the whole essence of that story and it really is worth reading.

CARLTON: I'll take it to bed tonight.

PM: I don't know where you should read it, that's a matter for your discretion my friend, but I know you're dinkum and that you will read it.

CARLTON: Alright. All the punters this morning though are predicting an interest rate rise, at least that they'll stay high or perhaps they will go higher. Do you see that?

PM: Let me make this point, that as far as our decisions are concerned, there would be much more basis for that proposition some significant rise in interest rates if we had increased our demand on savings, but what we've done is to continue what we've done in the past three years. In the past three years we've had real reductions in our outlays, real reductions in the Commonwealth's outlays and we've indicated for the next year there will be a further real reduction in our outlays. The public sector borrowing requirement will remain at zero. That is we, as a Government, will be making no demand on savings. So as a result of what we've done and with our own operations there will be no increased demand on savings and therefore no pressure from us on interest rates. So you go back to the answer I gave you before Mike, that is we've had high levels of demands but the elements that I identified will not be there or not there to the same extent as before. Therefore there is room to accommodate the sort of increases in personal demand that may be to some extent be associated with these increases.

CARLTON: OK, but surely interest rates will have to stay at least where they are for quite some time?

PM: Sorry, I was just going on to say, now we have said we are going to keep interest rates high as long as is necessary to protect the public. I mean as you know Mike, Bob Hawke wouldn't have interest rates higher one fraction of a point for one day longer than it was necessary. We can't have a fiscal policy any tighter, that is we're not going to cut services to the people any more than we have and we can't have wages policy any tighter. So monetary policy has got to carry the burden for a bit longer, so interest rates will stay high for some time until we can see that level of activity coming down from the high levels that we can't sustain.

CARLTON: Alright, well there will be people paying off mortgages and people paying rent wanting to know how long that will be, how long will rates stay high?

PM: Well, as long as is necessary. I've said in January this year that I thought interest rates would be coming down before the end of the year. I think that's right, but I'm not going to speculate as to the exact timing because speculation by me about that can, of itself, have an effect on the market. I'm not going to be in that, but your

(PM cont): listeners can be assured of two things. One, that interest rates are where they are because if we didn't have them where they are there'd be a further massive surge of imports, the whole show would collapse. Now we can't do that and that reinforces the point I made before, buy Australian. The second point is this, that the very significant increases that we've given them now in disposable income by way of tax cuts and increased allowances for family and the kids, that that's going to help them at this point meet the high interest rates and when the high interest rates come down they are still going to have that money in their kick.

CARLTON: Alright. You sound very buoyant this morning, I'm wondering do you think the economy is buoyant as well, that we will get down our foreign debt, that we will eventually export more and drag more money back in?

PM: Yes I am buoyant and on the question of export, let me make this point. Our export performance is good, it's the net export position which is important. That is you can have an increase in exports which we've had, a very significant increase in exports but if your imports increase more than your exports then, what we say in the jargon, the net export position has not pulled its weight, not because exports haven't increased but because we're bringing in too many imports. So I keep coming back to this central point, your listeners, great people that they are, they see Governments making decisions and they approve/disapprove in varying degrees but they wonder 'well we're a bit remote from that'. Now can I just repeat the plea that one way in which every single one of your listeners can play a personal part in helping Australia and I know they all want to, they are glad to get the cuts and the increase in family allowances, what can they do to help? Buy Australian.

CARLTON: Prime Minister, thanks very much for talking to us.

PM: My pleasure Mike.

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