



PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, RANDWICK EMPLOYMENT ACCESS CENTRE AND TRAINING, 19 APRIL 1989

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PM: because the decisions which we took in the April Statement will put no pressure on interest rates because we've financed the very substantial tax cuts and family allowances out of the surplus that we generated by the previous tough decisions that we've taken. The level of demand that characterised the previous twelve months will not be there in the same proportions because there won't be the great surge of income coming from the improvement in the terms of trade and we think therefore that intrinsically there is no reason. But, as I say, I don't get into the question of prediction of short term rates because that, of itself, can have some impact. I'm simply saying that the Government has made the decisions that are necessary to keep a level of viable economic growth but not at the same high level that we've got now because we can't, as must be evident from the figures yesterday, we can't have a level of economic activity in Australia which keeps sucking in too many imports. Now the evidence is starting to emerge I think that we are levelling off in the economic activity in this country. That's good and I can give the commitment to the people of Australia, as I do, that high interest rates, tight monetary policy won't be kept there for one moment, one day longer than is necessary because, as I say, I'm not a mug. I know that people don't like high interest rates. I don't like them myself. But it is necessary to protect the Australian economy.

JOURNALIST: do you think further tightening of fiscal policy during the April Statement might have been a good idea?

PM: No, let me make two points about that, about the further tightening of fiscal policy. The first is that we did take off another three quarters of a billion dollars and we simply are in a position now as a community where you can't be cutting public outlays any more. Remember what we've done. In this coming year there'll be four years in a row of real reductions, real reductions in Commonwealth outlays. We've reduced Commonwealth outlays as a percentage of gross domestic product from 30 percent down to 25 percent. We've got the Budget into surplus now years in a row, hasn't been done for thirty five years. We've got a tighter fiscal policy than has been in this country since statistics have been kept. Now what

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therefore does tighter fiscal policy mean in those circumstances? It means cutting into the services of ordinary Australian people in the area of education, of welfare, of roads and the pension and so on. So the obligation is upon our political opponents, if they just blandly get up as Mr Howard did last Thursday night in the House and say 'We would cut public expenditure more'. Easily said. The time has come for Mr Howard now to put up or shut up and say 'this is where we'd cut, we'd cut your social welfare, we'd cut your roads, we'd cut your defence, we'd cut your education'. Let him say so and then he can be judged.

JOURNALIST: Prime Minister, Nobby Clark has said again this morning he expects interest rates to rise to 16.5 or 17 percent.

PM: Yes, well you mention Nobby Clark but he's not the only person from the banking industry who's spoken today. That's not the unanimous statement of the banking industry today so why take any particular notice of him where others haven't endorsed what he's had to say?

JOURNALIST: Do you share the Treasurer's view of the National Australia Bank then that it's not accepting a cut in profit where it could have?

PM: I agree entirely with what Mr Keating has said on that and on other matters in regard to the economy over recent days because, as usual, we are at one on these issues.

JOURNALIST: So you wouldn't expect there to be -

PM: Inaudible

JOURNALIST: Prime Minister you talked about community cooperation today at the opening here. Are you confident you've got the cooperation of the community with your economic policies at the moment?

PM: Well, obviously the community doesn't like the high interest rates and I understand that. I don't like them myself and so you've got a situation where, if you look at the level of popularity of the Government, we're down a little bit. We'd probably still win an election on the Gallop poll figures today and those were taken before the Statement of last Wednesday. So there is some concern about the level of interest rates, but basically people the understand, I think, that we've been in six years, we've given them employment growth better than they've ever had before, better than the rest of the world, lowered unemployment and brought inflation down from the very high level we inherited. There's, as far as they're concerned, a bit of a dip, they don't like now the financial Well, I understand that, but I'm not going to change monetary policy just now because there might be some unpopularity What you've got to do is to keep those policies in place which are necessary to look after the Australian economy. We've shown in the past that we're prepared to take the tough decisions, you can't cut public public outlays in the way we have

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over all this period without taking a lot of tough decisions. We'll take the decisions that are necessary to look after the welfare of Australia.

JOURNALIST: (inaudible)

PM: Well, in economics you can never be absolutely certain about any prediction. I mean, there's no economist in the world, including myself, if you know anything about economics, and say that you can be absolutely certain about outcomes. I mean economics is about the aggregate of decisions. In this country of 16.5 million individuals and groups of individuals and economic outcomes in this country are not only the outcome of the decisions of 16.5 million people, well all those acting on behalf of their children as well, but it's the outcome of what happens in a world of some six billion people. Now don't be silly and suggest that in that sort of world you can be certain about outcomes. All that you can do is to make the decisions which you think are most calculated to produce the right results. Now, we're entitled to be listened to now on the basis of six years in Government where we've got it right.

JOURNALIST: The banks seem to be indicating that they're only waiting for next month's inflation figures before they raise mortgage rates.

PM: Well, let's see. Does it mean that if the inflation rate goes down that they'll lower interest rates? I mean, the banks have historically a reasonably well demonstrated capacity to try and take advantage of whatever circumstance they see that serves their own interest. But let me wait and see what they do. Simply because one spokesman says interest rates are going to go up further doesn't mean that that's what will happen. But I think that we have done all that we can to create the conditions where, over the longer term, interest rates will fall, but I'm not saying that that's an immediate prospect.

JOURNALIST: You say yourself to be concerned about the young Australians. Are you aware of the fact that there are 68 young Australians, juvenile delinquents are being held in adult prisons around Australia at the moment even though this contravenes the Human Rights guidelines ?

PM: Well that's a matter, of course, that you need to take up with the State Governments because the question of people being held in prison and so on and under what conditions is a matter for State Governments and that's a matter which you have to take up with the State Governments concerned. All I can say is that as far as this Government is concerned and what we've done for youth, it is now understood by everyone in the welfare community that there's simply never been, in the history of this country, a Government which has done so much and so positively to the welfare of youth.

JOURNALIST: Are you worried about community perceptions that some of the gains that you gave in the wage/tax statement might be being eroded by high inflation and also by high interest rates?

PM: Well, I've already addressed that on a number of occasions. Let me do it again, in fact I've alluded to it already in an answer I've given you before. The decisions that we took on Wednesday in the economic Statement will not, of themselves, have an adverse impact upon either inflation or interest rates. Why do I say that? Let's look at inflation first. In regard to wages outcomes there is a commitment by the trade union movement for an aggregate wages outcome of 6.5 percent in 1989/90. Now that means, and it will be delivered, that means that on the wages front there will not be upward pressure on inflation. We expect inflation, therefore, to come down. On interest rates, I've indicated to you that as far as the package is concerned, we've paid for that out of our accumulated surpluses. It is a paid for tax cut and welfare package and we will have for 1989/90, the same level of surpluses we had before. We'll have, as we had this year, a zero public sector borrowing requirement. We will be making no demand upon savings so therefore on both the inflation and the interest rates front, there is no reason by what we've done

JOURNALIST: (inaudible)

PM: Brian Noakes is unrepresentative of Australian employers. He can't even speak for people he's been associated with himself. I mean, the most vibrant sector of the employers that he used to speak for, those in the metal trades, Metal Trades Employers, they repudiate Brian Noakes. He doesn't speak for them. The Metal Trades Employers joined with the Government and the ACTU in the ~~action~~ that has been taken, they endorse what we are doing. Brian Noakes is a professional pessimist and CAI is, to a very large extent, is an arm of the Liberal Party. You can take very little notice of them. Listen to the employers, both organisationally and individually, who are about, positively about, developing this country. You get very cooperation from them. For those who want to peddle their politics, as Brian Noakes good luck to them

JOURNALIST: some of the more cynical among us might think you are heading for an early election -

PM: as I said before, no early election

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