



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH JOHN JOST, RADIO 3LO
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JOST: What are the odds of an election before Christmas?

PM: I don't think there'll be an election before Christmas. I've been fairly consistent about this. I've always tended towards 1990. I've got no reason to change that.

JOST: Has the Liberal tax policy sort of helped confirm that feeling?

PM: No. I think the Liberal tax policy the more it's unfolded and all its implications understood it's going to be a minus for them, a plus for us. I suppose in that sense the more time we've got to expose that the better.

JOST: Still they do seem to be on a rise at the moment the Liberals. This tax package, especially the child care rebate seems to -

PM: Which one? Which package are you talking about? We've had three in this week. I mean they are constantly changed. They change their child care package about as constantly and consistently as they change their leadership. So we're not quite sure. Now we've got the additional change revealed in this morning's press that they're saying that they're not going to index the benefits for lower to middle income people that we've brought in. Something which they'd been saying before they did. Chaney said yesterday yes we're going to continue to do that and Peacock's office said no that's not the position. I mean what is their package?

JOST: Well let's say they may be, concede that they may be sort of a little bit vague on the course they're on, which is what you're suggesting. But nevertheless the course that they're on seems to have been greeted out there in the community with a fair amount of interest.

PM: Sure, I think that it was inevitable it's going to be greeted with interest. After all when you've been waiting for six and a half years for something you're going to be interested in what pops out because they've been promising for so long. And I'm not surprised at the beginning when you see stories about rather largish handouts that people will have some interest in that. But each passing day has revealed these things, changes in what they are proposing. There've been three changes in what they are proposing.

There've been three changes now in what they've been saying about child care. It's now revealed yesterday that they've got a changed position in regard to indexing, maintaining the real benefits of these family allowances. And of course what's also been revealed is the total unfairness of the package which is going to give back literally billions of dollars under the abolition of capital gains tax to the Federal President of the Liberal Party, John Elliott, and his ilk. That's what's involved for one per cent of taxpayers. They're going to give back through time billions of dollars which would be collected for families to be able to be paid on education and those sorts of things. But they're going to give it to the few who don't need it and in the process distort the whole pattern of economic investment decision taking in this country. As those sort of things come out the reaction will be devastating for the Opposition.

JOST: If only one per cent of the country are being affected by the capital gains taxes though, as you say, are the other 99% really going to worry about it much?

PM: Of course they are because if you are in a situation where billions of dollars are going to be given back out of the public revenue to the one per cent, that means that you, the 99%, are not going to have those billions of dollars available in the Commonwealth revenue for payment on your education, your roads, your bridges, your defence, or for the lowering of taxation. Of course the 99% are going to be worried.

JOST: You have to explain that though don't you?

PM: It's not very difficult to explain.

JOST: Ok, but coming back -

PM: I accept that. You're quite right. Yes.

JOST: Coming back to working families. After all if both parents work - and that's the way most people get by these days - they do deserve some sort of a break. And a very measurable break is a bit of assistance with child care.

PM: And when the period comes which has really started when we have to compare what we've done for families, whether they're two income or one income families, we will literally kill the Opposition. I know you haven't got much time now but I'm prepared to give you a dry run on the comparison if you like.

JOST: That's alright. I was going to ask, my next question was when do you go to the polls, when you do go to the polls will you be making some offers to the electorate? You can do it now if you like.

PM: No, I don't think we need to be making offers. I mean I'm quite happy at this point to compare two things. The record of what we've done in our six and a half years in office with what they did. Let's just give something that goes right to the heart of the family. Under the Libs when they walked out of office in regard to education, because they weren't getting the money from the wealthy in this country, because they allowed tax avoidance to be the fastest-growing industry in the country, they didn't have the money to spend on education. That meant that only 36% of our kids were staying on in school. Now because we've reformed the taxation system and made the wealthy pay their fair share of tax we have been able to get a situation now where 58% of our kids have stayed on in school. In their period they created 26,000 additional places in the tertiary system. By the time we get to 1992 we'll have created 150,000. And at the same time reduce the levels of tax. They walked out of office with a top tax rate of 60 cents in the dollar. We've brought it down now very considerably as you know to 47 and the lowest rate we've brought down from 30 to 20. So you've got all these things done because we're dinkum about tax. Making the wealthy pay their share. We've been able to pay that out then in additional educational facilities, additional family allowances indexed for those in the community most in need. But they want to go back to the same old system, let the wealthy not pay, give it all back to them and then make those in the community who are most needy pay the bill. That's crazy.

JOST: But they're still talking about, down the line, a lower tax rate for everyone aren't they. You can't really rely permanently on the last Liberal government.

PM: No, but what you can do is rely on an analysis John of what they are saying now. Their sums simply do not add up. They have been shown now to have a fiscal hole of the best part of a billion dollars. In other words that means they're going to have a looser fiscal policy than us if they stick with what they are doing now. They have a wages policy which will be disastrous because they'll just have a series of pilots' disputes all over the place. They're going to say to the strong you go out and you bargain with your employers and if you can screw them, screw them. If it's 20% or 25 or 30% you can get, that's alright. So that will blow wages through the roof. What happens to interest rates then? They go through the roof. If you leave all that in that situation you're gone. I mean they just can't make that sort of scenario work. All economic analysts now are just looking at this and saying it doesn't fit together. In that situation what they say now about what they'll do on tax simply cannot be taken for granted. They will not be able to live with this unco-ordinated set of gimmicks which they are going to call an economic action plan. They call it an economic action plan. There's no commentator in this country who thinks it's an economic action plan.

JOST: They call the Accord a gimmick.

PM: Well you see I would rather take the statement of say of Michael Camdessus. He is the Executive Director of the International Monetary Fund. He came here last year. He said - the man who examines the economy of every country in the world - he said of the Accord that this had been centrally important. He praised it. He recommended it to other countries because this enabled a government to have another arm of policy, wages policy. Look, we don't have to be John just theoretical about this. I just ask you to go back to 1981-82 because that's when they were last in office and when they applied this policy. They said we don't like the centralised wage system. They brought it to an end and they let people go off and bargain. The transport workers did it. And wages blew out by what - 18%. What happened then? We had the worst recession in 50 years. Another quarter of a million thrown onto the unemployment scrapheap. So don't let's be theoretical. They are promising now what they had then.

JOST: Isn't it crazy though that the Accord is the only way you can stop that sort of thing happening. That's what you would argue. And the Accord does distort the pattern of wages in the country.

PM: On the contrary. It doesn't.

JOST: The pilots would disagree with that.

PM: I mean if you say that it stops pilots getting 30%, yes it distorts the pattern of wages.

JOST: But that was their opening claim. Let's face it.

PM: And, not only their opening claim but they varily believe that that's what they would get. Why? Because they looked at history. They looked -

JOST: Three weeks later did they believe it?

PM: I don't know what they believe. All I'm saying is that they were entitled on their reading of history, which was pre-Accord history, to believe it. Because you know that every time before the Accord what had happened was they put their claim up and it was only a matter - I mean you tossed the coin. Who was going to give in first? Ansett or TAA as it was then. They didn't realise it was a different world under the Accord. So your'e right in saying that the Accord distorts wage fixation if by that you mean it puts a break upon the powerful being able to rape the community. Because that's what would happen under the Opposition.

JOST: You might be able to argue with that with the pilots. But the fact is that that sort of distortion probably goes into every workplace, on every factory floor, in every shop in the country.

PM: If you talk about distortion let's just look at what you mean by distortion. Under this so-called distortion we have created over one and a half million new jobs in this country as a result of this wages policy, what you call this distorting wages policy. That's a rate of job creation five times faster than under the Opposition when they were in government and it's a rate of job creation more than twice as fast as the rest of the world. So the word distortion is crazy with respect to you. What it means is that the trade union movement has agreed to modify their claims for money-wage increases, accept reward for an improvement in the social wage, through improvements in Medicare, education and those sorts of things which are non-cost to their employers but which are benefits to them. And in that way we've been able to employ five times as many more people in terms of rate of growth than under the Libs when they were in with no wages policy. And if you call that distortion I know which sort of distortion I'd like to have.

JOST: One of the things that appears to people, to some people, about this whole question of the Accord relates to, it boils back to the inflation question. You get this situation, it looks like a round robin. We get five or six per cent in wages, we have an inflation rate that seems to be just built in at six to eight per cent and they just seem to chase each other permanently.

PM: It just isn't the case. Because if you watch the position that you had before the inflation rate when we came to office was 11%. That's because you didn't have a wages policy under the other mob. When you had wages blowing out by 18% as they did under them of course inflation went out. We reduced inflation dramatically. It's now down to eight per cent. Of course what we are paying for still is the result of the depreciation that occurred in '85-86 and plus there's some more immediate factors this year. We're still getting the impact of the flood. But in fact under this wages policy you've significantly reduced the rate of inflation from that we inherited. It was at 11% that we inherited. We got the underlying rate of inflation down before the collapse in commodity prices. We'd got the underlying inflation rate down to five per cent.

JOST: Yes, but that was sort of, there was a bit of an adjustment to Medibank there wasn't there?

PM: No, Medibank out. Medibank out. We had got the underlying rate of inflation down to five per cent.

JOST: And we've got eight per cent now. It's a lot more than our trading partners.

PM: It is. And it's a lot less -

JOST: ... come down?

PM: It's a lot less than we inherited too. It's a lot less than 11%.

JOST: That's six or seven years ago.

PM: Well, that's what we inherited under their system. Under their system you could be guaranteed that you'd get back into double digit inflation immediately. Now I'm not avoiding your question. We believe that, as we said at the time of the budget, it will be in the second half of the financial year that the rate of inflation will start to move down. I believe the next two quarters will be at lower rates than this one now.

JOST: How much lower?

PM: I would think that the inflation rate will be, by the end of this year as we've said in the budget, will be down to the order of seven per cent. Certainly down below what it is now, or better.

JOST: What do you reckon interest rates will be on June 30?

PM: I'm not saying that because we are in a position where the level of demand in the economy is much higher than either Government or private sector economists thought at the beginning of this year. Therefore our policies must now be directed towards getting that rate of demand down to levels which give us sustainable rates of import. Now we'll keep monetary policy tight as long as is necessary to achieve that but not one day longer than is necessary.

JOST: I might add I've got a listener here who's just rung in with this question. It's not a bad question actually. 'Who was the President of the ACTU when wages, the Secretary of the ACTU when wages blew out under the other mob?'

PM: I was a Member of Parliament in '81. I'd gone into the Parliament in 1980. But let me say to this listener. I thank, I might have paid them for the question. When I was President of the ACTU - and this will be confirmed by people on the other side - I pleaded with Mr Fraser, pleaded with them to change their wages policy. I said this is silly that you're putting us into a position where we've got to go out and use our muscle, get as much as we can in the market. It's much more sensible I said to him that we don't have that sort of position. So that's what I argued when I was President of the ACTU. But they wouldn't listen to me. I said well if that's your way well then we've got no alternative. But I wasn't President of the ACTU during that blow-out.

JOST: Fair enough. Coming back to that interest rate thing. A major criticism that's made by a lot of economists in this country is that we are relying too much on interest rates, that that's it. It certainly looks like that ... like that to the average folk out there. ...

PM: Let me just tell you what the facts are. There are three arms - I mean I hate sounding like a Professor of Economics but your question demands it. There are three arms of policy. There's fiscal policy -

JOST: Yes.

PM: There's wages policy and there's monetary policy. You say we're just relying on monetary policy. Let's look at what's happened to fiscal policy. I'll just give you the facts. It's the tightest it's been in the 35 years that statistics have been recorded. Just look at the facts. Four successive years, real reductions in Commonwealth outlays. Never been done before. Third year in a row of a Commonwealth surplus. The public sector borrowing requirement in the period of office, been a turn around of eight percentage points. There's now in surplus. That is all public authorities are in total not making a net demand upon savings. Now those three things have never happened before in the 35 years. So fiscal policy therefore as tight as it's ever been.

JOST: Alright that fiscal policy -

PM: Wages policy we've gone through, tighter before. Just, there it is. You can see.

JOST: We're looking at a graph here.

PM: We're looking at a graph here. There's the whole answer. The straight line is the measure of the level of activity, it's over time. When it goes up the economy is operating at its peak. Now what's happened in the past, this is from June '68 up to when we came to office. Activity goes up, wages blow up, into recession. Activity up, wages up, recession. It happened every time. There it was. The worst recession ever for 50 years before we came in. Activity up, wages blew out, you see there. What's happened here under us? Wages flat, activity up, wages flat.

JOST: But it's still -

PM: Wages tight.

JOST: But it still must be a disappointment to you then if you can keep, on the basis of that document, that the economy really isn't doing a little bit better isn't it?

PM: But the problem John is the economy is doing too well. I mean I'm not saying that in terms of people are not -

JOST: Well where's the growth then, the real productivity growth in the country? ...

PM: The rate of growth has been double what it was before. The average rate of growth under this Government has been over four per cent in real terms. But because we've had such an enormous increase in employment, which is as I say five times the rate of employment growth before, then that doesn't show up in high rates of productivity growth. It's shown up in more people in jobs. We are creating jobs faster than ever before. If you've got employment going up like that then productivity, which is a measure of the relationship between output and employment, if your denominator is going up then your productivity rate of growth isn't so high.

JOST: Can I just go back to a little bit of unreconstructed economics.

PM: Sure.

JOST: And that is back to the interest rates. We're using interest rates to try and contain spending. I mean do you ever think that it might be very handy if you could ring up the banks or ring up the Reserve Bank and say call in a few SRDs the way you used to in the old days and literally put your loans on a quota basis rather than using interest rates. In other words just make people queue up for their money, pay a less rate but not have than much money in the system?

PM: What you're saying is do you want to have a freed up financial market or a regulated one? Quite obviously the trends around the world, and correctly, is for a freeing up of market forces. I mean it's not only happening in the western world but it's happening in the eastern bloc as well. The great benefits that we've got John from freeing up the markets is essentially in terms of employment and growth. We've doubled the rate of growth of the previous period and there is now, as you know, a situation where people want to get a job they can get it now, which was not what we had before. Now that's the important thing. But we've got to shade off that rate of growth until we can get a position where we can pay for the levels of imports with that rate of growth. So the secret which we're going to achieve is bringing down the rate of growth somewhat so that there's not so many imports coming in that we can afford but still at such a rate of growth that we'll employ the people coming onto the labour market. And we are uniquely well placed to do that. I wouldn't have interest rates, as I've said to you before, higher for one day longer than necessary. But we've got to do that because if we eased off with interest rates there's only one thing that would happen. What would happen then is that activity would just explode more. You would have more imports coming in and then you really would have to belt the hell out of the economy. We're not going to do that.

JOST: John Howard is coming back on the Liberal frontbench. It looks as though he's going to take over a portfolio that's responsible for microeconomic ... First up your reaction to John Howard's return.

PM: I'm glad he's coming back on the frontbench.

JOST: It's a waste of talent having him on the backbench?

PM: Of course it is. You look at that frontbench that they've got there now. They know themselves it's a joke. It's a joke to have - in terms of relative talent he should be there. I'm glad he's coming back. Unqualifiedly glad that he's going back on the frontbench. He should never have been dumped and put on the back. And of course if he's going to be in charge of microeconomic reform that will be interesting too. Because we might ask him some questions why in all the period that you were there Mr Howard as Treasurer, why didn't you do anything about microeconomic reform at all?

JOST: He might ask you the same question.

PM: And I'll have the answers and he won't. Because they did nothing and we have done more -

JOST: You've done a little bit lately.

PM: Not a little bit lately. What do you think about starting in '83 with the deregulation of the whole banking and financial system? Wasn't that a massive piece of micro-economic reform? Just right bang at the beginning.

JOST: I'm thinking of ones like the transport industry and the waterfront etc.

PM: Ok, who made the decision, who made the decision, I mean the two airline system? We did. I mean the two airline system was the creation of John Howard and his conservative mates. We've brought it to an end.

JOST: We don't have much of an airline system at the moment.

PM: I would say that what we're doing at the moment will mean that we'll have a airline system which will be about 60% more efficient than the one we inherited. That's what we're doing. Because we will have a significantly less number of pilots operating at 60% higher productivity as a result of what's happening now. That's what will happen. It will be one of the most significant pieces of micro-economic reform that this or any other country has seen. Where have you seen under any other government an increase in productivity in an airline system of about 60%, which is what will happen.

JOST: By when?

PM: Certainly by the first part of next year.

JOST: And the process of achieving this great step in progress, the process has involved God knows how many hundreds of millions of dollars ...

PM: And the alternative would've cost infinitely more and forever. Because if we'd done what the Opposition said, give into the pilots, have a 30% increase in wages for the pilots, that not only would've ruined the airline industry and the tourism industry, it would've wrecked the economy. Under this, sure there's been pain in the process but in the end Australia will be infinitely better off because it will have an infinitely more efficient airline industry. The alternative would've been to ruin the whole economy.

JOST: Well time will prove you right or wrong.

PM: Time will prove me right.

JOST: Thanks very much for talking to us today.

PM: Thanks John. It's been a pleasure as always.

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