

(2)



PRIME MINISTER

TRANSCRIPT OF DOORSTOP, WILLOUGHBY LEISURE CENTRE,
WILLOUGHBY, 19 OCTOBER 1990

E & OE - PROOF ONLY

JOURNALIST: Mr Hawke are we in a recession?

PM: Well, technically, no and I'm not trying to avoid your question. The economists' definition of a recession is when you have two quarters in succession of negative growth. We're not in that position but I don't avoid the fact that there are economic problems for a lot of people. But as I've explained in the Parliament as I think is understood by the people. We have not deliberately tried to create a hardship for Australia but there's a simple statistic which must be understood - it's not complex economic jargon. In the last year we increased, as a nation, we increased our expenditure by 8 per cent. We only increased our production by four per cent. We made up for that four per cent gap by just borrowing from overseas people from their savings to finance our extra consumption. Now you can't go on doing that. So we had to slow down the level of Australia's activity so we could cope because if we hadn't done it ourselves the rest of the world would have done it for us in a very vicious way. Now I think people know Bob Hawke over all these years. He's not one who tries to hurt. He tries to help. We had to do that because if we hadn't done that the world would have done much worse things. So we've slowed things down and now we're reaching a point where our imports are falling and our production is greater than our consumption. Now -

JOURNALIST: Prime Minister -

PM: Now just a minute. Now that's what had to be achieved. We've done that and I think therefore as we go into 91 we will see the recovery take place in a sustainable way.

JOURNALIST: Prime Minister last night the Australian dollar fell through US77 cents. Will this impact on fuel prices and therefore the CPI?

PM: It's impossible to predict because what's happened to international oil prices is quite remarkable. Let me just give you a couple of figures which will show what I mean. Before the Gulf crisis the price of oil was US\$20 a barrel. It moved gradually up and then it jumped to over \$40 a

2.

barrel between a week and two weeks ago. Now it's down to about 36 and we can't make any decisions at a point where it's moving so unpredictably and when we're not sure what's going to happen in the Gulf. What we all hope is that the crisis will soon end. In those circumstances, you know, we will get back to normality in petrol pricing. It just would be irresponsible to make a decision at this point on that issue.

JOURNALIST: How strong will the recovery be, Mr Hawke?

PM: What we've got to do for some time, as a nation, is to make sure that our increase in production is above our increase in consumption. But I think we're capable of doing that. We haven't had the collapse in the employment market that characterised the 82-83 period. I want to see that we can continue the record employment growth. Not necessarily at the same rate. In this period of office we've created 1.6 million new jobs. Ninety per cent of them in the private sector. That's been a rate of job creation more than twice as fast as the rest of the world. That's been great for Australia and I want to see us retaining employment growth as we go into 91 and through 92. I think we'll do that but we mustn't as a nation think again that we can just go on consuming, through private consumption and investment, we can't consume more than we produce. That's a discipline as a nation that we have to keep upon ourselves.

JOURNALIST: inaudible.

PM: Just a minute. One at a time. I'll get to yours.

JOURNALIST: What are your expectations though in terms of growth and employment growth in the next six months?

PM: We think that the GDP for 91 will be positive. As to just precisely what the level of growth will be you just can't now, in these volatile circumstances, put a precise figure upon it because since we framed the budget you've got the Gulf crisis. That does introduce uncertainties. We believe that growth will be positive for the year and employment growth with it will be positive. We have said that there might be some increase in unemployment but that employment will remain positive. You had a question here.

JOURNALIST: The recovery, Prime Minister, are you saying it will happen in the new year or at the beginning of the next financial year?

PM: I'm saying that it will happen as we go into 91. It will happen during 91 in my judgment.

JOURNALIST: Well that appears to be at odds with what you said to the Business Council last night -

PM: I know what I said. I mean I was the one who said it. You'll see that it's not at odds.

3.

JOURNALIST: Is the Deputy Governor of the Reserve Bank wrong when he says parts of the economy are in a deep recession?

PM: No. Of course he's not. I mean the economy is made up of parts and if you look at the rural sector there are parts of the rural sector which are in very deep problems. I mean you take the wool industry and the wheat sector. They are in very deep problems. Because in those circumstances, overwhelmingly, because of the collapse of international prices. No-one can deny it. We've asserted it. We've met with representatives of the National Farmers Federation and the Grains Council. We recognise, for instance, that those sectors are in very deep problems.

JOURNALIST: If we're not trusting though the two terms of negative growth as a definition for recession, I mean, how should we be defining it then?

PM: I didn't say you don't accept that. Where did you get that question from?

JOURNALIST: Why are you and the Treasurer reluctant to use the word recession?

PM: It's not a question of reluctance. I mean, I've got up in the Parliament and said I don't resist the definition. The definition which is accepted by the economists. I mean I don't run the economics profession. That is the technical definition of two successive terms of negative growth. That hasn't occurred. I don't hide behind that technical definition to say that no we haven't got problems. We have and I've said that in the Parliament. But the point I'm making, and which has got to be understood, is if we hadn't taken the action deliberately that we have with tight fiscal policy, tight wages policy and tight monetary policy to slow the economy down, as we now have, then the rest of the world would have imposed a much worse solution upon us.

ends