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PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH MATT PEACOCK, AM PROGRAM,
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PEACOCK: Mr Hawke, you've told your Ministers to lift their game. Does that apply to you too?

PM: Yes I'm a Minister.

PEACOCK: And what aren't you doing right at the moment?

PM: Well I think we're all discharging our portfolio responsibilities diligently and relevantly. But I think all of us, and that includes myself, have to do more to get out and explain, not just what each of us are doing in our portfolios but overall the Government's message. I don't mean by that, Matt, that the problems we've got politically are just problems of communication. Obviously the community is hurting at the moment as a result of policies that we believe we've had to apply to save Australia from longer term damage. It's a mixture of communication and reassurance that these policies are going to produce in the medium term the outcome that we all need.

PEACOCK: Yes well that's the point of course isn't it. I mean, people like Senator Button can hardly be told they're not communicating. You appear to be carpeting him about every couple of weeks for saying how bad he thinks things are.

PM: Well if you think that that's a fair statement of what's been happening you're entitled to that opinion. It's a totally erroneous misrepresentation of what's been occurring.

PEACOCK: There is concern in the Ministry, isn't there, about how bad things could get?

PM: There's concern not only in the Ministry but in the Party generally that - put it this way - they understand, there has been no questioning about the need to slow things down because there was a clear appreciation that the high level of activity and the associated high level of imports was not sustainable. So they accept that the policy of slow-down was necessary. Where the real concern is, Matt - and I understand it - is were the brakes kept on too long as it's going into a deeper hole of activity than was intended

and a recoverable one? There are concerns about those things.

PEACOCK: Can I introduce a couple of other items. I mean, let's be pessimistic for a minute. If the shooting starts in the Middle East and if the GATT trade talks break down we're really very vulnerable in Australia, aren't we?

PM: Well the whole world is vulnerable in the case of those two circumstances. If you take the case of the Middle East and what can happen with that. Certainly it is the case that if you got an escalation of oil prices that would increase inflation and it would have a detrimental effect on a lot of our trading partners which could feed back to us. In direct terms Australia being a nett exporter of energy that could, in that respect, you know, in our external accounts, have a slight nett advantage. But overall the world must be worse off in those circumstances and so would we. In regard to GATT, well all I can say there, Matt, is that I don't think anyone however critical they are of the Government on other matters have any word of criticism about the Australian Government's activities in the GATT round. We are the leaders of the Cairns Group. We are the group which is trying to bring sense between the Americans and particularly the Europeans and to put pressure on the Europeans to put an offer on to the table in regard to agricultural trade. Neal Blewett is there at this very moment again fulfilling that role. So whatever criticisms there may in other areas there can be none there. But you're right in saying if that breaks down, and I'm not saying that it's going to, but if it were to break down then the total world economic context would be far worse.

PEACOCK: You'd then share the view of Minister Willis that our current circumstances, even at present, might get worse. That unemployment will probably get greater than the budget predictions -

PM: Because of the ongoing Gulf crisis it looks as though the price of oil could, on average for the year, be somewhat higher than the US\$23 upon which the budget was predicated. To the extent that that's true there could be a higher price outcome, somewhat higher price outcome, than was expected and there could, as Ralph Willis said, be a slightly higher unemployment outcome.

PEACOCK: So do you think it's possible, do you think it's even likely, that the economic situation at present is going to get worse. I mean, there is a recession at least in some sectors of the economy. What's your advice to the people now?

PM: Our view is that we are approaching the bottoming of the turn-down. Let me say on this word recession, I mean people just seem to be having some fun about that. The position is very simple in regard to what I've been saying about that. In economic terms, in the language of economics, the technical definition of a recession is two

successive quarters of turn-down. All I've said is that in those terms that criteria hasn't been reached. But I haven't, and I don't now Matt, try to hide behind that. I mean, that's merely the economists technical definition of a recession, when you've had two recorded sessions of negative economic growth. Now having said that that's the economists technical definition I'm not trying to say that the economy is not in turn-down and that people are not hurting. I've publicly acknowledged that. Now our belief is that as we go into the second half of the financial year, that is first half of calendar 91, that activity will have bottomed and we will be on the way up again. I have no reason to have any other view to that.

PEACOCK: OK but how do you expect, for example, say the farmers to like you more -

PM: I don't expect the farmers to like me more when things are happening to them the way they are. I can do nothing whatsoever about the prices that they are receiving for their wool and their wheat and the only thing I can do about that is to do what this Government has done better than any government before it and that is to take an active international role in all the relevant fora and in all our bilateral contacts to try and tell the rest of the world that they must have a freeing up of international agricultural trade. We're at the forefront. Australia is the leader of that fight. Now I can't do anything more than we are on that ground. In regard to the particular problems of the wool industry, the answer to those problems are partly with Government but overwhelmingly they are with the industry itself in terms of the numbers of sheep. Now we can't do anything more. In regard to the area of interest rates, then in this year there have been five successive reductions of interest rates and we can't do anything more in that area.

PEACOCK: You can do more though on micro-economic reform can't you, with a recession or what looks like it and the possibility of it getting worse, is that an opportunity to move much faster, to make more drastic reforms in some of these critical areas because obviously things like telecommunications don't attract the headlines for, say, the farming community?

PM: I'll be making a major statement on micro-economic reform in regard to telecommunications and transport policy, particularly aviation, later this week which will be yet another instalment in the most massive program of micro-economic reform that any government's ever done in this country. There's no-one in the business community or, may I say, in the farmers organisations, they do not question the fact that we have done more in the area of micro-economic reform than has ever been done or even contemplated by any government before us.

PEACOCK: What about things like annual leave loadings though, Prime Minister? Is that a rort, a luxury we can't afford?

PM: If we're going to be talking about rorts and luxuries that people can't afford I would think that the attention of commentators ought to be directed towards the business community as much as towards workers. The fact is that the workers of this country, the organised workers of this country, have made more sacrifices in the period of this Government than ever before. You've had between 10 and 11% real reduction of award wages which have been compensated by improvements in the social wage. But as far as their wages conditions are concerned, the organised workers of this country have exercised more restraint in this period which has resulted in a massive shift from wages to profits. So they've done that, they've done that, to enable that increase in profits to be reflected in an increase in investment.

PEACOCK: And what are the rorts that the business community should give up?

PM: Well if you look overall at what's happened to executive remuneration, that has moved much more, executive remuneration has moved very, very, very much more than has the remuneration of wage and salary earners.

PEACOCK: Prime Minister, I can't let you go without a tip for the Cup.

PM: Yes well the three I've chosen, Matt, are The Phantom, Flying Luskin and Ali Boy but I think that the Cup this year is such that anyone of about 15 could win. In the last seven years, apart from last year, I've picked and backed the winner every time. I don't have the same degree of confidence. But you've got to make a pick so there are my three, The Phantom, Flying Luskin and Ali Boy.

PEACOCK: Mr Hawke, thanks for joining us.

PM: Thanks very much Matt.

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