



PRIME MINISTER

DOORSTOP BY THE HON P.J. KEATING MP, PRIME MINISTER
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PM: The discussions have been very productive and enthusiastic. I think that people want the economy to get back to growth, they want growth planned, they want things which improve and build on the general improvements in the economy over the last decade. Many believe that there are a lot of fundamental strengths in the economy that will come out quite strong when we can come out, but they want leadership on the real issues and the real issues are growth, restoration of growth and employment, a recovery, and adding to our fundamental structural strengths and there have been some good ideas proposed. I think if anyone listens well, and in public life you have to be a reasonable listener, that there is a lot of obvious stuff said but there is always the odd little jewel that falls out and if you're alert you can find it.

The Government is working in this statement in a framework, obviously the framework we have worked in from the 80s was to internationalise Australia, to globalise our markets but what we want to do now is engender a recovery but do it in a way that adds to our structural strengths and so even though we are working in a framework and we have our own ideas, those ideas can be complemented and added to by the practical experience of people in Australian business and that's why this process has occurred and I think it is going to be a very valuable one.

J: Mr Keating, any jewels today?

PM: A couple of things. A couple of good things.

J: Mr Keating the business people all seem to be prepared for extra spending, does that fit in to your framework?

PM: Let's be clear about this, there was not spending greater than the tax cuts we provided in the 1980s, middle 80s and late 80s, to hold the inflation rate which we succeeded in doing. We went through a boom without wages taking off via the 1989 \$6 billion tax cuts. In other words, the surplus was not immutable. Likewise, nor is the deficit depending though upon what is responsible and sensible, what is cyclical and what

is structural, these are the qualitative things both quantitative and qualitative, that the government will keep its eye on. I mean this is the most experienced fiscal group in Australia's long constitutional history. Nearly a decade of the one group of people stewarding Commonwealth fiscal policy and we are going to do it very carefully.

J: Will you be seeking any off-setting savings Mr Keating towards spending....?

PM: Well, they are all policy choices for the Cabinet, and for the specialised group of Ministers these matters have not been determined at this stage.

J: But spending cuts are a possibility?

PM: Well, everything is a possibility.

J: Mr Keating will tomorrow's meetings be a mirror image of today, or does it move on a notch now?

PM: Well they will be different people from various different other walks of life including the trade unions. But there is a tremendous amount of pride in what we have achieved as a structural change, I mean most of these people today have remarked about that, about how their business is now more productive, even though the squeeze has made them more productive, that's unfortunately led to lay-offs by many of them, but the outcome has been more productive companies - ready to pick up on any roll that comes through the economy, they want the economy to spring back into activity, so do we, it's about trying to find the best way of doing it.

J: Do you think they are relying too much on wanting the Government to kick-start the economy, they are not doing enough themselves?

PM: No I don't think so. A decade ago such a conversation would have been complaints about protection - not enough of it, complaints about wages. What we saw is what I think is what we predicted. Valuable contributions by people who are wide-eyed and constructive and trying to put sensible and constructive proposals which the Government can do. I mean it is a very nice constructive quality to the discussion.

J: Mr Keating, what is the prospect of a wage tax trade off being included in the statement?

PM: Well it is too early to say, and the hard news game which I know you are all in, it's too early to say. The Government will just have to consider its position on all these matters on inflation, the inflation prospects, activity, therefore wages, wages prospects, etc.

J: Mr Keating, are you disappointed that two major opinion polls show your approval rating to be a record low?

PM: Well, I had not expected to be bouncing out in this climate with a gaggle of polls sort of announcing my entrance to the Prime Ministerial stage, but I've always been best fighting from behind, I've always felt uncomfortable out in front. It generally slows me down and while I don't want to be obviously too far behind, being behind for me is a positive stimulus.

J: Does it surprise you that your ...?

PM: Not really, I don't think. Not really.

J: Mr Keating, is the Government prepared to reconsider the Coronation Hill decision?

PM: No we have not. The general view of the Cabinet was that it should not be reconsidered.

J: Mr Keating, the upturn has now been delayed. When is it your hope and expectation that we'll see reasonable signs of the economy coming good?

PM: Obviously, the earlier the better in 1992.

J: What are your expectations?

PM: Well, it would be foolhardy for me to be nominating turning points and then you would be scoring off the days and weeks. You know I've been around for too long for that sort of stuff. We'll be trying to engender a recovery as quick as possible. One thing is for sure, nobody believes, as far as I know, certainly no one said to us, that what Australia needs to help itself is a new tax. I mean it would be a novel twist of priorities if we thought what Australia needed now in a recession was just to give it something to go on with, it was a tax on its food, a tax on its clothing and to belt up its inflation rate. No one, of course, was advocating that.

J: Is there a sense of desperation from the talks today at all?

PM: I think a sense of well placed and good natured optimism but with cautious optimism.

J: In reality Mr Keating, did you actually hear anything that you hadn't considered before in all your years as Treasurer?

PM: Yes, a couple of things.

J: ... special treatment for the States?

- PM: Well no, all States will be treated ... we will be treating the Commonwealth as a Commonwealth and all States equitably. But I do think that Victoria has taken a large brunt of the recession and confidence levels, and activity levels are lower in Victoria. I have said this often. This is still true.
- J: Does this justify some special help?
- PM: Not particularly, but it justifies consideration about the State of the economy and Victoria in particular.
- J: How about tarriff levels, is there a need to wind back ...?
- PM: No, I don't think so and they are phased. They are predictable and the change in the exchange rate of late will only, if you like, soften the impact of the reduction.
- J: There is no question of hurting ...?
- PM: Well, that might be true but the fact is it is not hurting the export industries who have got the monkey of protection off their back. It's not hurting, it's helping them.
- J: Prime Minister, can you give us some scope of responsible fiscal stimulus might be?
- PM: No I can't, and that's something ... it is very early days but it was very important for us, I think, to take the opportunity to say to people who are at the coalface, what do you think about this?, what's your view?, give us some of your thoughts. We are working in this framework, if you have got general ideas about where we want to go but if you can add to that we would appreciate it particularly if it fits into our framework and I think it has been well worth doing.
- J: Was the anecdotal evidence you got today generally gloomier than official forecasts?
- PM: No. People think the economy is flat, not falling further, but flat off a generally low base and they want to see a pick up in a domestic economy as quickly as possible as we do. They are not into ideology, they are into a practical purposeful shift of activity in employment.
- J: Do you have any problem with the risk of over stimulating?
- PM: Not off these low levels of activity I don't think but that's within reason, of course. But again, I remind you of eight years of fiscal stewardship by this Government, I mean it is without ...

J: How soon will we see ...?

PM: Well that's one of the things we will be considering obviously in the course of these approval processes.

J: ... jewels more regularly during that period?

PM: Well I did, I was always a good listener. You have to be in public life to be a reasonable listener. I have met a lot of people in business, in fact at my luncheon meeting two of them were reminding me of a discussion I had a year earlier with a very similar group, two of the members of which were common around the same themes at a dinner I had at Pacific Dunlop.

J: (inaudible)

PM: I did a lot of it. I saw a lot of business groups, interest groups while I was Treasurer. But that's to say I thought it was my responsibility to develop these ideas myself within frameworks from things I heard and within the general framework the Government was working in.

J: What's the theme of today then, you have your own main framework and they'll just add to it?

PM: No, the Government is obviously working in a framework, but the framework is now the one most Australian businesses are working in and therefore they are not coming at you or looking for increased protection, they are not coming at you with complaints about wages. There's a commonality in the framework now so therefore we are very receptive to things which are put.

J: Prime Minister, where most business you spoke to today mentioned depreciation and some mentioned special investment allowances. Are you disposed towards measures like that?

PM: Well I can't say I am. It's entirely reasonable they should mention them and therefore their things will be considered. Thank you.

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