



## PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP  
INTERVIEW WITH PAUL LYNEHAM, 7:30 REPORT, JANUARY 29 1992

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LYNEHAM: Prime Minister Paul Keating welcome to the program.

PM: Thank you Paul.

LYNEHAM: Are you getting used to the title?

PM: It takes a while I think, it takes a while.

LYNEHAM: Is it enjoyable still?

PM: Very I think.

LYNEHAM: Why?

LYNEHAM: Well for a start it's the greatest honour I think any Australian could be paid, to be Prime Minister of the country and the power of the job means that all of those options one looks for in public life are available to you.

LYNEHAM: How does it compare to being Treasurer?

PM: I think the workload's are about comparable but its a different sort of work. It is more of an overview of all the responsibilities of the Government and also an overview of society.

LYNEHAM: Of course your critics would say you'd love to be the boss wouldn't you?

PM: My critics say I'd love to be the boss?

LYNEHAM: Yes

PM: I mean I have spent 22 years as an apprenticeship which is reasonably a long time.

LYNEHAM: Does it make you more interested in a wage tax trade-off?

PM: Well a wage tax trade-off is the principal reason why Australian inflation is where it is. The 1989 tax cuts which were \$6 billion, I might add, just on \$30 a week and I might add without a consumption tax, those tax cuts stopped Australia from coming out of this recession with inflation at 8-9%.

LYNEHAM: Well are you interested in another one?

PM: Well they have been very effective but again there's got to be, time has to be precocious for them. First of all everyone has to want to do it, including the trade unions.

LYNEHAM: Have you been on the phone to your mate Bill Kelty?

PM: No, and the other thing is the capacity has got to be there, the result has got to be there. I mean they were always done, I hope with a lot of aplomb, all the bits fitted together at the right moment and the result was we have now got the lowest inflation in the western world thanks largely to the Accord with the trade unions.

LYNEHAM: Well thanks largely to the fact that the economy is in intensive care.

PM: No that's not true. The recession has certainly deflated prices, but we came out of 1982-3 with a 10% inflation rate, we are coming out of this recession with an inflation rate at 1.5% with an underlying rate of about 3%. The difference is wages policy, the difference is the Accord, the thing the Liberals don't want and the thing which has put Australia up the front in the inflation race world wide.

LYNEHAM: Presumably 1.5% inflation does give you a lot more room to move now as you contemplate how to prime the economic pump a bit.

PM: Well obviously with the recession the way it is the economy can stand some stimulation before we see demand take off and reach a position where it is beyond where we would like it to be. So if you are asking me is there scope to stimulate the economy the answer is yes.

LYNEHAM: If you wanted an immediate boost to business activities some would say why not let the dollar fall gently to around 70 cents. Why have the reserve in there propping it back up from 74 to 75 all the time?

PM: Well I'm not here to give you commentary on the exchange rate.

LYNEHAM: Do you think getting it in a caucus spill gives it the legitimacy that you get by going to the people and actually getting their endorsement though?

PM: I think there's only three Prime Ministers who have ever become Prime Minister at an election. Bob Hawke did, Malcolm Fraser didn't, Gough did, Bill McMahon didn't, John Gorton didn't ...

LYNEHAM: Are you really fair dinkum now unless you have gone to the polls?

PM: Harold Holt didn't, I mean as far as I know all Australian Prime Ministers bar three became Prime Minister other than a general election. This is true of Curtin, true of Chifley.

LYNEHAM: Inflation at 1.5% does this mean we should all expect lower wages outcomes than the 4.5 - 5% that's in the current Budget?

PM: Well, the fact is we have had a better performance on inflation than was generally believed and while I'm not sure what the wage outcome for this year will be, obviously there will be a real increase in wages, that is, with inflation lower for any given nominal wage, that is, for any given wage outcome there will be part of that wage outcome will be a real increase in wages.

LYNEHAM: But should the outcome be so far ahead of the annual inflation rate?

PM: Well success breeds success, it's the old story, that is if you can do better you end up with the benefit, if inflation is low the benefit is higher real wages. If at the time when forecasting that and putting wages together we believe we'd have inflation down to 1.5% obviously the nominal wage outcome, or the nominal wage target would have been lower.

LYNEHAM: But you don't feel inclined to try and ratchet them down now?

PM: Well it's too late to do that now. The year is halfway over.

LYNEHAM: It would make a wage tax trade-off a lot less costly though, wouldn't it?

PM: Well there's no guarantee they will come out at four and a half, I mean it just depends on what, I mean there is a recession out there, wage costs have been held, the labour market deteriorated for the getting of wages, even the enterprise bargaining slows up, so we are not certain what the wage number will be yet. It could be lower than that.

LYNEHAM: But wouldn't you get a lot of economic bang for very little bother?

PM: Well the thing is the foreign exchange markets are quite deep and I think now over the years quite smart, that is, what they have there is a lot more depth and understanding than there was in 1984 or 1985 and the fundamentals will always remain important, I think, for that market and it's a mechanism to keep Australian commerce, the Australian economy competitive and what you are talking about is that the recent depreciation of the exchange rate has made us more competitive and that's obviously true.

LYNEHAM: But then the Reserve has gone back in and pumped the dollar back up again.

PM: Well no I mean if a market wants to set a rate, central banks, I don't believe can resist that rate, this bank hasn't, and the result is that the place is more competitive but again part of that has been the interest rate changes in the period but it also has an attendant inflation risk and that's got to be borne in mind as well.

LYNEHAM: But yesterday's NAB survey for example, suggested that Australian companies who are operating now at about 76% capacity was a fair bit of slack in there before you have to start to worry too much about inflation isn't there?

PM: Well exactly. You are making my point for me. You asked me before is there a risk on inflation and on demand if we stimulate the economy and the answer is minimal risk given the state of the economy, the state of capacity, the very point you make.

LYNEHAM: So the dollar could come down, boost our exports without too much immediate danger of inflation as long as it is done gently and ...

PM: ... Let's leave the dollar out of that. Let's just say ...

LYNEHAM: Well the farmers don't want to ...

PM: There is room for a stimulus. I noticed today that Dr Hewson, by the way, said there was no room for a stimulus and he came up the gobbledegook, yes well if you want to do structural things which can improve investment you have got to make savings somewhere else, but if it is Budget neutral, in other words if you save what you spend it has not stimulus to the economy. Now he was trying to brand that as irresponsible, of course it isn't irresponsible he is the only one that shares that view, Westpac, Bankers Trust, Citibank, a whole stack of institutions have made the point that the economy can stand a stimulus and the Government's now considering that.

LYNEHAM: But isn't there a balancing act that you have got to make here. On one hand you have got warnings that there

is a distinct possibility that a dash for growth ahead of the next election could precipitate a further currency decline, I mean you have got to do something but do it very delicately with aplomb as you say

PM: Well we have always done that. I mean I think, look this Government has husbanded over the years a fiscal policy which has been the envy of most countries and John Dawkins and Ralph Willis and I and others have sat in that room for seven or eight years cutting outlays to get the size of the public sector down. We have earned ourselves the room and the judgement to decide how we ought to treat fiscal policy in a recession and we don't need to be told by some jock from Citibank or somewhere else that they'll be watching us if we do that. I mean, frankly, the Government will be making the judgements around here, we're the best place to make them. Not only that, we have earned the right to make them.

LYNEHAM: Yes, but you didn't do too well with the recession bringing the economy in for a landing at 90 degrees.

PM: Well you might make the same point about the United States which is in a recession where I'm told that pessimism about confidence is at lower levels in Australia about the same as Britain and New Zealand. I mean there was a stock market crash in 1987, monetary authorities world wide for a crash larger than 1929 avoided the depression like 1933 but the result was a recession, but a recession we will emerge from to a recovery and the main emphasis now has to be on a recovery.

LYNEHAM: Well you spoke recently of taking economic risks on inflation and on the current account.

PM: No what I said was in the '80s I always tried to run Australia faster so that Australians had more jobs than they would in a place where we were running it more slowly and with the attendant inflation and current account was being lower. I said the trick is not to be running the place slowly with high unemployment and lost opportunities, the trick is to be running it with faster rates of employment growth and at the same time lower inflation and lower current account. In other words doing the hat trick, and that's basically what the 80s structural change is about, restructuring in the context of growth. Now in other countries, such as New Zealand, they restructured in the context of very low growth or no growth or contraction. There result is there is a much higher level of social misery.

LYNEHAM: But you have also got the political imperative, you have got no time at all to spare have you? You have got to perform the equivalent of the economic loaves and fishes by the time of the next election?

PM: What I would like to see is a recovery coming through as early and as strongly as possible.

LYNEHAM: How daring can you be though?

PM: Strong in the sense that it is sustainable in terms of inflation and demand and the current account. Which it can be. I mean we have come a long way, remember this we have got a cyclical problem with the recession, a problem with the cycle. But in terms of the structure the long-run structure, is low-inflation, structural Budget surpluses, a competitive exchange rate mechanism, all of the other changes, the wage and profit shares, the changes in enterprise bargaining, all those competitive, efficiency things are still there in the structure, for the '90s for Australia, and they are put there by this Government.

LYNEHAM: A lot of it has not rung the bell yet. I mean waterfront reform. When are importers and exporters going to see the waterfront companies actually lowering their charges?

PM: That will happen because we have now reduced a cost for them substantially.

LYNEHAM: But not for the users.

PM: Let's understand this Paul, the Liberal Party left us an industrial museum, they left us an industrial museum, a country of industrial archaeology, from the Rip van Winkle years of Menzies, we're the ones that had to internationalise the place and we are the ones who are going to finish the job. There is a limit to how much macro economic policy, that's Budget policy, and interest rates can change the country and the tax system. We are now into the micro economy. There are things like ports and wharves, you know, airlines, telecommunications. They're the things which are the constraints we are now pushing it through. Now in contrast what are the Liberals talking about? They are having a debate whether we tax income or expenditure. Well big deal. Big deal! Whether we tax income or expenditure, not how you get a container between Sydney and Melbourne, not how you get it across the water ...

LYNEHAM: For all we've heard from your Government, if I am an importer or an exporter I am still not paying less on the waterfront?

PM: Well you may well be but I mean, that will come through. We have made the changes. Whether stevedore companies have yet passed them on is a moot point, I'm not sure.

LYNEHAM: It's a bit academic unless its...

PM: There is a 40 per cent improvement in the wharves and we are not finished yet. But I'm just trying to say this. We're the only ones that have ever tackled the rutted-in, deep problems. The waterfront issue did not arise since we were in office. It's been there for 40

years. How come the Liberals had 7 years office and did nothing about it? How come when Dr Hewson was advising Treasurer Howard, he said, listen Treasurer, what about that waterfront and micro reform, what about those airlines, Treasurer, what about the two airline agreement? What about Telecommunications reform, what about the structural budget deficit, what about the 10 per cent inflation.

LYNEHAM: What about we talk about ...

PM: These are all the things which we had to tackle.

LYNEHAM: What about we talk about the Morgan Poll. I mean I know you said you would prefer to operate from behind.

PM: No, I said I have always enjoyed coming from behind.

LYNEHAM: Well you certainly are aren't you. 28 per cent is just about terminal isn't it? How can you get from 28 per cent?

PM: Look, I have never been out there chasing popularity. I have always thought it was important to earn one's regard, one's respect, and as Prime Minister I will do my best to earn it.

LYNEHAM: But since the last poll, 7 out of 10 of those who undecided then have gone against you. That's hardly a trend you can afford to see kick along is it? 7 out of 10 of them have given you the thumbs down and gone in for your disapproval slot.

PM: And which poll is this?

LYNEHAM: Morgan Gallop.

PM: Since the last poll.

LYNEHAM: Yes, since the one before.

PM: Well I don't know how you read that statistic into it.

LYNEHAM: Your approval went up 3, your disapproval went down 7 and your undecided's went down 10.

PM: Well it is a very large undecided group, and I hope they decide in my favour.

LYNEHAM: Well 7 out of 10 of them gave you thumbs down.

PM: And I will be doing my best to earn their respect and regard. And I will not be picking up shabby policy, I will not be making decision I am ashamed of, I will not be selling the place out for a bit of cheap cheers. Now the point is, I was part of the structural change from Australia, to take it from that industrial museum to a

country which is part of the modern world and will continue it, and I'm not going to go into bribes, you know tax options, and other tom foolery a la the Liberal Party, in the process of trying to garner some regard.

LYNEHAM: Are we seeing a new Keating style emerging here as Prime Minister? I mean you're certainly haven't called anyone a perfumed gigolo, or a mangy maggot in recent months.

PM: Well I mean again, you use those points Paul, but you've seen me in Question Time, basically in an educational role for nearly a decade. Educating the Opposition to policy and I hope the Press Gallery with forensic answers which were wrapped in a bit of politics to paint the picture, and it's always ... it's always the lolly in the wrapper, its always suited the media to run the wrapper and drop the lolly. Now the fact is I've used some of those expressions once or twice in 20 years. Now if you want to drag out Dr Hewson's record already you will find something there. You will find it from..

LYNEHAM: So you have been misunderstood?

PM: No you will even find it from John Howard, who I know wants to keep policy as high or low up about all these things. But the fact is, this is a clearing house of public pressures. The House of Representatives. It's where we do our national business. Now in some countries people decide issues by shooting themselves across footpaths, or other kinds of violence. We don't have any of that in our political scene, fortunately. But we do have a vigorous debate and I really don't think the media has a right to score off it all, report it all with all the colour and verve and vivacity and technical accomplishment is often the stock in trade of the Parliament and then pick up the odd word to say, Oh now, isn't this dreadful. Well of course it isn't dreadful and you know that in terms of, there is not a Parliament in the world that takes answers without questions. There's not a Government in the world required without any notice for three quarters of an hour or an hour a day to answer questions on each subject. That's the level of general competence which obtains here day in and day out, and it is that which with lifts the tone of the debate, but unfortunately it's not that which is always reported.

LYNEHAM: Well let's talk about one or two off the cuff things you have said since you became Prime Minister. Your suggestion that Bob Hawke's style was to let others lead for him which was the antithesis of leadership. Why kick him like that when he was already ...

PM: Oh look, I was not seeking to kick him. He made a point to me, he made a point of trying to say to me that I should change what he perceived to be my style. I was only making the point that his style worked well for him, my style is different and I hope mine works well for me. But

..



LYNEHAM: ... that's not just a neutral comment?

PM: I just made that point about Menzies. Menzies put Australia in the cooler for 30 years. Bob Hawke was the Prime Minister who took it out and I had the pleasure of doing a lot of that work with him.

LYNEHAM: He wasn't too pleased by your remark?

PM: Well he might not have been. But his record will survive that remark and many others.

LYNEHAM: Do you think he is going to retaliate? Do you expect him to?

PM: I shouldn't think so because I don't think it was a remark calculated to secure a retaliation or that warrants one.

LYNEHAM: Your other piece of outspokenness was accusing the Coalition of an anti-Asian bias in wanting the immigration intake cut. Do you really believe that John Hewson or Phillip Ruddock are racists?

PM: No. I was saying I hope we don't have a repeat of some of the 88 shenanigans and that I thought that some of the remarks which have been made in by-elections ran that risk. Now I didn't refer to any remarks, I didn't name anybody, I just made that point and I was very pleased to have Dr Hewson's assurance that this debate, important as it is, will be conducted properly.

LYNEHAM: You don't regret stirring the possum?

PM: Well I have just told you what my motives were.

LYNEHAM: The Statement you are planning will be March now presumably will it?

PM: Well the timing is yet to be decided.

LYNEHAM: These things usually later than early aren't they?

PM: Well, there's a lot to be done, and there's not, by any measure, a long time to do it.

LYNEHAM: What's the danger that expectations are starting to become unrealistically high and that it could end up a bit like an anti-climax?

PM: Well it's always a danger with any Government announcement which is foreshadowed. But you know we've been, I personally introduced 8 Budgets and 7 May statements, that was 15. About 15 years of Budgetary presentation crammed into 8. So we have got an idea of managing expectations and also what a package should contain.

LYNEHAM: And how risky can you afford to be in such a package?

PM: I don't think we need to be risky at all and won't be. The fact is the Government can do two things here at once. It can do things to induce a recovery, it can do things which are of a stimulatory nature to the economy but which add to a long-term productive capacity of the nation. In other words, not costly Budget bangs which go up in smoke but things which have a long-run benefit to the productive base of the country. We have always got those things right. And from the Government which produced the first structural surpluses ever in the nation's history, the first huge structural surpluses. From that Government you will see no risky things but well thought through, sensible things which will serve the nation well.

LYNEHAM: There's a danger isn't there that even if you can get the economy going again reasonably well many voters will give you very little thanks because many of them blame you for causing the recession in the first place.

PM: Well we also had 8 years of almost unprecedented growth. We took the workforce from 6 million to currently to this very day 7.5.

LYNEHAM: With a million out of work.

PM: No, well we always had 600,000 out of work at any stage. But the fact is we created 1.8 million jobs, we lost 300,000 of them. Now that's a great pity, but we had 10 per cent unemployment in a workforce of 6 million in '83. We have got 10 per cent odd now in a workforce of 7.5 million. The trick is now to get the economy growing again to take those new entrants to the workforce. And the increment in wealth, the wealth of this country which changed between '82 and '91, has been quite profound, I don't think we have every seen anything like that in our post-war history. So they have got to see us in the context of the 8 or 10 years and not just in the context of the stock market crash fall out, the boom of '88-89 which was induced by sharp lifts in the terms of trade etc.

LYNEHAM: Amazing what not having a job and no opportunities for your kids can do to the lapse of your memory ... how Paul Keating used to be.

PM: ...No no. Look the Government regrets the fact that there is a recession but if we were now growing as strongly as we were in '88 we would be copping America's exportable surplus, we would be copping Britain's exportable surplus, we would have a current account which would make Australians never forget any of this for the next 20 or 30 years. Now what I'm hoping is that as we get out of this recession we can get on with it, recovery and not be burdened down for a generation as we would be with an irresponsible policy which

never made those changes. Now the fact is, the recession is to be regretted, but let's get out of it.

LYNEHAM: Finally East Timor Prime Minister, isn't it simply humbug for the Government to be expressing concern for the human rights for the East Timorese, while ruling out one of their most fundamental human rights, which is the opportunity for some sort of senseless self-determination?

PM: Well, I think that matter would have been appropriately taken up perhaps in the middle '70s and that matter, I think, largely passed Australia by then.

LYNEHAM: Have we dropped the ball then, and they are then condemned to suffer now?

PM: Well, I hope not condemned to suffer. That is that we have deplored the events in Indonesia but at least we have seen disciplinary action taken by the Indonesian Government against the people in the military who were not responsible but who presided over as commanding officers of the groups of soldiers involved. And we've seen remarks by President Suharto and the presentation report and the action which he took upon that presentation which gives us heart to believe that the final report will be a report of substance and where clear action will be taken. So in other words we will see some change of behaviour or light or future behaviour as a result of this unfortunate occurrence.

LYNEHAM: And should it worry our national conscience that they are there, our northern neighbours without any right to determine their own future?

PM: Well I mean this is always a problem, I think Indonesia came at this issue in the '70s from what it believed was the post-colonial arrangements in this part of the world. That's what I think spurred their action at that time. Rights of self-determination are obviously something which we have fought for. In fact we fought for the right of self-determination for Indonesians themselves in the 1940s. But a lot of water has flowed under the bridge since that time, and I'm not sure it's a realistic expectation that Indonesia will surrender control of Timor.

LYNEHAM: Even to the East Timorese?

PM: Even to the East Timorese.

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