



**PRIME MINISTER**

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP  
ADDRESS TO THE NATIONAL PRESS CLUB, CANBERRA  
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Thank you Ken (Randall), members of the Press Club, Ladies and Gentlemen. Well, Ken it is always a pleasure to be back and when you are back here, you have generally been invited because you have got something to say. And on this occasion, I hope I will not disappoint you.

Last night on behalf of the Government I offered a plan for Australia, a 4 year plan. A plan for recovery, a plan for growth, a plan that will create 800,000 jobs over the next 4 years. A plan that will make us stronger, more productive, a better economy, a plan that will provide a partnership for government and business, a plan where the unions have a place in the scheme of national affairs. And this morning, that plan was met with reactions from various sectors of the community, some of which I would like to just read to you if you haven't seen the reactions, and one which I think are generally approving.

From the Managing Director of BHP, the largest industrial company, has 'welcomed the initiatives to facilitate a restoration of growth and employment in the Australian economy and to regenerate our industrial base. He said, the improvement that depreciation regime and the introduction of a development allowance would encourage investment in productive capacity and efficiency. We need both the recovery and sustainable future growth. He said, these are much needed changes. The efforts to lift capital investment in Australia will benefit the whole economy, including major industrial companies, such as BHP. He said, BHP believed an issues upgrade and modernise Australia's infrastructure, in particular, rail, road and port networks, will contribute to the nation's efforts to become more internationally competitive. We also applaud the encouragement of participation by the private sector in new infrastructure investment projects'. And he went on to say some rather general supportive things.

The Commonwealth Bank said, 'in an overall sense, this is a clever document, this is something, there is something in it for everyone. Yet with the cost of the Budget, that is within expectations and therefore unlikely to create shock-waves in financial markets. In the real world, it should also have a mildly favourable impact on business and household confidence. From the perspective of a restrained fiscal shot in the arm, with favourable medium term and effects in building the economy's capital base, the Statement therefore rates well.'

The National Rail Corporation Chairman, welcomed the Statement and said 'it is an opportunity to upgrade the national network and to finally complete the standardisation of the inter-capital city rail links and port connections will be a great boost, to firstly, the community, rail clients and rail employees. He said, for the first time in Australia's history, we are seeing the opportunity for balanced development in national rail and road networks.'

ACOSS said, 'the one-off boost to family allowance is a well targeted way of stimulating economic activity while also relieving significant financial stress. The ongoing increases in assistance to low income families, will be welcomed by many struggling families. The removal of most of the remaining waiting period for rent assistance is also an important reform.

The Housing Industry Association said, 'the Economic Statement targets confidence. A commitment to sustain low inflation is welcome. Additional spending, thankfully, is more modest than earlier speculation suggested, might be the case, and runs off quickly by the time private business investment, hopefully, will be responding to new incentives and improved investment. Additional of funding for training and retraining programs will be valued to the long-term unemployed.

The Motor Traders Association. There are significant welcome initiatives. The measures for reform depreciation will be welcome, the capital gains tax exemption, the firming of company tax for small business by up to 9 weeks and including the taxation measures'. And of course, part of that reference would have to be to the change of sales tax on motor vehicles.

But all of that, can I say, was not good enough for the Leader of the Opposition. He said, 'it was one of the most irresponsible packages that I've seen contemplated in Australia'. The fact is, when you look at our opponents, when I listen to their reactions to the Statements, I think, they haven't changed, they never change. What has to be understood about the 'One Nation' statement is this, it addressed the future as Labor always does, and the conservatives never do. It's a statement of Government engagement and not Government withdrawal as his policy is. It is a statement of inclusion, not exclusion. It's a statement about making this country strong and self-

respecting. In other words, it is a statement in the traditions of Labor. It is nation building, governmentally active, socially inclusive, it's about a greater degree of social and economic cohesion. It's about giving greater meaning to the idea of Australia. All these things are the traditions of Labor. The idiom has changed. It is a modern economic idiom, but as fits the tradition, it is we as always who are doing it.

When I look at the others, I am amazed at how familiar the pattern is. They want to fight an accountancy solution. They want to leave the draw bridge up. Don't include the unions, don't include business, just gallop around the country every now and then, and collect the tax on the food they eat and the clothes they wear.

Don't kick-start the place with a payment to families. Don't build rail highways. Don't do the macro things, or the micro things. They think we shouldn't do anything about the recession. The fact is, there is a great philosophical gap. We can close a lot of the gaps in this country, but I'm sure we can't close the gap between us and them.

Dr Hewson says, this is one of the most irresponsible packages he has seen. He said he's disappointed by it. But the question I have to ask is, where is it irresponsible? And why is he disappointed? Does Dr Hewson think we should not build a national freight highway from Brisbane to Perth? That we should not rebuild our national road highways? That we should not create a national electricity grid, and introduce competition to that system? That we should not improve our ports or waste treatment centres or schools? Does he think we should not transform technical education in this country? That we shouldn't put it on an equal footing with universities and colleges? Does he think that it's irresponsible and disappointing to do those things? Does he think we should not offer a better depreciation schedule to business? That we should not help business with long-term investment? Is he disappointed that we have a tax cut on cars? Does he want that to stop too? Is he disappointed by the equity funds for small business, by the new bonds to help private business build electricity grids? This man is very hard to please, but I might say, easy to disappoint. Does he think we should not help farmers and families and particularly, one-off payment to families, to help their spending? Will he try to stop that in Parliament, when we introduces the Bills, or the Bills giving help to crop growers and wool growers? What does unfunded mean? Does it mean we should hold on to fiscal drag? And if it does mean that, is it the same fiscal drag which is funding his proposed tax cuts? Is it unfunded for us but funded for him, on the same things?

The fact is, Mr Chairman, Dr Hewson has reacted to this as he has reacted to most things. But basically, the conservatives are always as they have always been—the conservatives. They just simply are not about the kind of

changes which Australia needs. They are not about the kind of vista and program which Labor has provided.

We had John Howard talking this week, and Dr Hewson, who said, I did not learn respect at school. And John Howard said, I was disgraceful, and that the '50s was a good period and a 'golden age'. These are remarkable statements coming from people who fancy themselves as a Government for Australia in the '90s. Nothing could better illustrate the difference between us and between them. About John Howard's 'golden age'. The 'golden age', for instance, when GDP per head was half in the '50s what it is today. When 85 per cent of our exports were commodities, instead of 68 per cent today. When telephones were only available to half the community. When there were only half the number of cars available to Australians. When pensions were half of what they are in real terms today. When only 10 students per thousand, and not 30 went on to university. This is their 'golden age'. But as we know, it is the age when the Liberals put the country into neutral. When many Australians didn't get a look in. When women didn't get a look in. When migrants were factory fighters with no voice. When Aborigines were excluded from the system. When the Liberals were xenophobic and provincial. This was their 'golden age'. The year of the awful cultural cringe, which stifled our spirit and ate away at our self confidence.

This is the 'golden age'. And I mentioned on AM this morning about the Old Parliament House becoming a constitutional museum or a museum of Australian artefacts, and household utilities, a sort of Smithsonian, and I suppose we could set up John Howard and John Hewson down there as the exhibits, with the Astor TV set, and the radiogram, and the Morphy Richards toaster, and the Qualcast mower. And the kids could come and look at them and say, 'Gee Mum, is that what it was like then?' And John and John can say, 'no kids, this is the future, this is the future'.

John Hewson said I didn't have any self respect when the Queen was here, I didn't have respect for the Queen. But I said to him the other day, and I will say it again - but I have self respect, and self respect for Australia and self respect for Australia's interests which are not about bringing the draw bridges up, about locking Australians out of the process, about trying to banish unions of not talking to business, of not getting the partnership together, of not keeping Australia one nation. He is about breaking it up, fracturing it, abolishing Unions, not talking to business, not helping business. There is no depreciation schedule in his program. He's got, in fact, an increase in the company tax rate to 42 per cent. And what have we got, we've got what we have always had from the golden ages - a sterile exercise in accountancy. Taxing completely the low and middle paid, who spend all of their income, so whether you tax their income, or expenditure is immaterial. All you do is make the tax burden heavier on them to make it lighter on people up the scale. No vision, no vista, no rail highways, no ring roads, no new national road highways, no electricity

grids, no creativity as there is under Labor, no changing of the airline system as we propose it, no thought for the hundreds of thousands of kids who can't get technical training. No, no, that's irresponsible. But his proposals which do nothing more than simply flatten and attack the way of life of every Australian family, well they have great vision. Well, we'll let the Australian people judge, and I will be happy to take questions about it all.

ENDS

## Questions and Answers

- Q: Bruce Juddery, Prime Minister, freelancing courtesy of the recession we had to have.
- PM: You were freelancing before.
- BJ: Don't tell Mr Packer, he was paying me at the time. Prime Minister the Tuesday of the week before you ascended to your present eminence you spent two hours in your office with Senator Terry Aulich. The next morning he went out and held a doorstep, curiously coincidental with a speech/talk to be given on radio in Adelaide by Peter Duncan set the hares running by saying that we had to settle this leadership business quick smart. Then he upped the anti and said it before Christmas. He set the hares running, now he has been dumped to number five on the Senate ticket for Tasmania and even with Federal Executive intervention, it is unlikely that the Federal Minister will even get up to number three. What are you going to do for him, is the double disillusion a useful solution?
- PM: Well, the point of this one does escape me Bruce, and I wouldn't want to say Kerry was too hard on you, but if he heard you put that question, you know what a TV junkie he is, if he saw you put that question, you certainly would have gone today if not earlier. Now could I just say, Terry was a late convert, but better later than never as far as I was concerned. I don't like what has happened to sitting Senators in Tasmania and I've made my position clear about that and it's a matter then for the Federal augurs of the Party as to whether they believe that is a satisfactory situation. That will be resolved in due course.
- Q: Tom Connors from the Canberra Times Prime Minister, I don't care if Kerry Packer is watching or not.
- PM: No he sold your thing didn't he?
- TC: Yes that's right. I was wondering if I could ask you about last night's Statement. Was there a possible alternative to do nothing on this occasion, I mean so lot of your Minister's have kept telling us that the economy was on the road to recovery if you did little last night or just a little bit of fine tuning, would we not keep more in touch with what's happening in the real world rather than possibly head for some uncharted waters with the current account deficit?
- PM: Well I don't think so Tom, I don't think so. We have got in there for demand 5 per cent through 1992-93 from minus one this year and I think the place did need a

stimulus, it did need a break in this cycle of gloom that's been around the place, it did need a spur of confidence and this is a sensible way to do it, to provide a stimulus while doing two things - helping families, but principally re-building a lot of this basic infrastructure. Now it is important to Australia now where a lot of the big macro-economic challenges have been defeated, and we have been now, for a number of years moving into the micro-economy. It just does matter how quickly you can get a container through a port. Whether you can develop a block train with containers to go from city to city, it does matter to Australia. And that's not going to be changed by taxing someone's food or clothing, I mean it is just not going to be changed. It's not going to be invested in by the private sector. It can only be changed by government, it can only be improved. We've got the rail system run down over a quarter of a century and we have an inadequate highway connections in the country and we've decided to do these things and other efficiency things like electricity etc which I think are both productive, long term and fit the bill in terms of the stimulus.

So as you know there was a lot of mixed reaction today to all of these various issues, we had a few quotes here somewhere, I don't know where they are now, but we had for instance people saying it was entirely appropriate, I won't go through them all, others saying not, but by enlarge there was I think an acceptance around the commentators and the papers that the stimulus was worthwhile and sensible and that it will help the economy into recovery and that's what we need, but doing it in a way which adds to the basic productive strength of the place. So when we believed in the end of the first quarter of 1991 that the recovery would come through under its own steam, under the power of lower interest rates and the automatic stabilisers and that's fine. But that's not the case and was not the case later, certainly not the case now so I think it was a timely package and the size of the package and the way in which it's spent is, I think, good for fiscal policy, good for the economy, good for confidence, good for activity, and most importantly good for jobs.

Q: Randal Markey from the West Australian Newspaper, according to the tax scale released in your package yesterday, people earning up to \$350 a week seem to miss out on any tax cut, yet under Dr Hewson's tax package people on \$350 a week will get a tax cut of \$14.30 according to the scales. Why should middle and high income earners gain at the expense of the lower paid?

PM: Two answers to that question. The first is as Treasurer I devoted enormous fiscal wealth to the low paid. When I become Treasurer that bottom rate above

the tax free threshold was 30 per cent, it is now 20 per cent. So I did all of the tax changing for the low paid years ago, years ago. The ACTU style of tax cuts always were about directing money to the low paid. As well as that in this Statement we've got a substantial increase for the family allowance supplement which is \$250 million a year ongoing on top of what we have already done, which is now substantial payments to low income families. The people who I think deserve the concentration of the tax cuts now are the people between \$20,700 and \$40,000 and we'll cut their rate to 30 per cent, which is the rate which is in Dr Hewson's package but without a 15 per cent consumption tax. Even the people you speak of below \$20,000, they'll pay 15 per cent consumption tax. Now down there are all sorts of tax payers, income splitters etc in terms of people on full award wages, full-time award wages, there would be very few now below about \$20,000, very few below about \$20,000.

So the point is having spent 6 or 7 years directing money to that under \$20,000 area. This time we are going to direct it to the \$20-40,000 and we'll do it without a 15 per cent string attached, without a consumption tax.

Q: Peter Reece from the West Australian Mr Keating. This morning your Treasurer said the Government was considering a youth wage to encourage employers to take on more young unemployed. Isn't this an acknowledgement that the Government has been wrong on this issue? What have you got in mind? Have you discussed it with the ACTU, and further to that why did you pass up the opportunity to reverse the Coronation Hill decision last night?

PM: Well I don't think it's an opportunity at all. It's a small mine that had a lot of national publicity because it suited a lot of people on both sides of the argument to give it to it. But in terms of the mineral industry, in terms of it's volumes it was insignificant, it's in the catchment area of the East Alligator Rivers region of the Kakadu National Park, that was its principle problem, and also the development was of difference with the opinions of the Aboriginal people in the area. Now the Government went through a very long debate about this, decided against it and as far as I am concerned that's that. There is no major mining project being held up and this hides the sort of self flagellation that some people in the mining industry are giving themselves is not bourne out by the fact that Marandoo, for instance, is a huge, a huge deposit. Coronation Hill is a thimble full of minerals compared to Marandoo, is going ahead, is going ahead. So I am not just going to be part and parcel of this debate about Coronation Hill. There are bigger and better things to get on to and to get onto them quickly.



Now the training wage is an issue which has been around a long time. We've had conversations with the ACTU about it, I believe we are still having conversations about. But again we've got in this package a lot of support for, if you like, young workers particularly through the labour market programs, we have got \$44,000 going in there under Jobstart and under Jobskills another \$45 million over the next two years. These will be important influences, I think, in the labour market but the training wage question is a longer term issue and something which we have got to look about, I think, in a longer term context.

Q: Brad Crouch, Sunday Telegraph. Prime Minister you outlined some of the warm reactions from your Statement from some of the large organisations at the start of your speech, a lot of the benefits from it will take time to flow through. In light of that do you concede that there might be a large body of people out there who may simply say we've heard these big promises before we have heard the rhetoric and you still steered us into a recession so why should we believe you this time?

PM: Well the whole world has been steered into a recession. The United States is in a much deeper recession than Australia. Britain is in a deeper recession than Australia, the world went on the most enormous spending spree in the '80s and when the spending stopped, when the music stopped and the party finished, did everyone really think that property prices, stock prices, activity, employment would stay where it is? We did our best to fine tune that decline. We wanted a slow down, it turned, unfortunately, into a recession. But what did the Government do? Was it the Government priming the economy in the '80s. No. We had surpluses, we were pulling the public sector back. We actually handed the private sector \$30 billion a year. It was not the Government that kicked all the activity along by running big budget deficits. We're the people that actually pulled the budget deficits back into surpluses. The fact is the globalisation of markets produced an explosive mixture world wide and this was just as true of Australia as the terms of trade picked up in 1988-89 and we did our best to knock the top off it, to get back to where we could afford spending within our savings and that has unfortunately lead to a recession. But again, you say why should we be believed? Were we entitled to be believed when we said in 1983 we created half a million jobs but in fact created 1.8 million? Were we entitled to be believed when on all of those 15 other occasions I've stood up with these Statements and delivered everyone of them to the letter, in Bills for Acts of Parliament, or Appropriations, this is not a sham? These are a set of proposals which will be acted upon, payments will be made for projects to the States and you'll have these

kind of consequences from it. It will pull Australia, I believe, out of this recession and into a recovery.

That's the important thing, getting on with it. But the fact of the matter is, just remember this, that in 1983 the total size of our economy was \$170 billion, it's now \$400 billion, it's doubled in nominal terms and in real terms has risen by about 25 to 30 per cent. Now that's what Labor gave Australia in the '80s and five times as much employment growth even to this date, even to this day including the recession and the unemployment, five times as much employment as there was in the 7 years of John Howard and his adviser John Hewson, including their recession 1982-83. Looking at their 7 years and our 7 or 8 years, five times as much employment. So why shouldn't we be believed? We tried to produce a slow down not a recession, that wasn't possible so what do you say, forget the previous 8 years, well come off it!

Q: Tim Dodd, Financial Review, Prime Minister. Last night you outlined a four year plan to return the Budget to a surplus but it crucially depends on you achieving strong growth over these years and the magical combination of low inflation and a stable current account. Last time, in 1988, you told us that you brought home the bacon and your forecasts were blown out of the water by a swing in the terms of trade, how sure can you be that another shock of that nature is not going to upset your forecasts and if the shock occurs where will it leave your plan to bring the Budget into surplus?

PM: Well the terms of trade are always unpredictable, let's make that clear and after the presentation of the 1988 Budget when I stood here, the Financial Review of that day said Governments factored in a 9 per cent rise in the terms of trade, this is terribly optimistic and is unlikely to happen. It turned out it was 16 per cent rise and gave the economy a huge boon. So the leader writers and the journalists of the Financial Review in those days were not more perspicacious about the terms of trade than of course anyone else was. But be that as it may, the point is still worth making that the terms of trade are unpredictable, but what we've got in here is 4 3/4 for GDP for 1992-93, 4 1/2 for 1993-94, 4 1/4 for 1994-95 and 3 3/4 for 1995-96. Now frankly, if you can't do 4 per cent in this country, if our thinking is oh that is a high rate of growth, if we can't do 4 per cent, we ought to pack it in the lot of us. We ought to pack it in. What sort of country do we want to live in? You'd need about 3 per cent growth a year just to take the school leavers up. So let's say we say oh look 4 per cent is too ambitious, we'll go back to 2 3/4, that means that we won't even take the new entrants to the workforce so we'd have a continuing rise in unemployment. I mean that is not a possibility for Australia. All the countries near us

are growing at 6 and 8 per cent, 6 to 8, and their economy is not spilling into imports. In other words 6 to 8 per cent they can afford and we've got in here 4s basically and we've got the sort of debate - oh that's too fast. I mean frankly if we can't do 4 we ought to give it up, the lot of us, the commentators, the politicians, the public service, the lot and say let's get a whole new bunch to try and run the place at a decent speed. So I don't regard 4 per cent as being outrageous.

Q: Alan Thornhill, A P Dow Jones News Services Prime Minister, Australia has never had the great polytechnics such as Britain and the continental European countries have had, do you see Australia's TAFE colleges taking that application and at last in Australia registering inventions being applied in this country?

PM: I should hope that the development of TAFE with the funding of the National Government can develop a system as sophisticated and as strong as we have in higher education. That must be our objective. Now in higher education since the middle '80s we have created the equivalent of 12 universities, about 120,000 extra places in higher education to take the kids coming out of that very high participation, retention rate now in secondary school. But, of course, the great gap is in vocational education, technical education and training, and it is that offer which we have made to the States to turn TAFE into a properly funded sophisticated system of vocational education and it may well be, Alan, that the polytechnic type development is something which the Australian TAFE system in the future emulates. But again can I make the point it's Labor making another vital change in our society, giving our children a change to train themselves for practical work and useful jobs. And I contrasted again with the sterility of the Coalition, where you will see Dr Hewson and his economics spokesman saying they ought to have private places, let their parents pay for them. If they want to go to university let them pay full fees and what are full fees for a course of substance? \$12,00? \$15,000? What does a private university wish to charge? And what have you got to earn pre-tax to pay \$12 or \$15,000 for your child in university - \$30,000 a year, \$25,000 a year? So how does a two income family earning \$40-\$50,000, \$40,000-\$45,000 go when \$30,000 of their gross income goes to keep one child in university? That's the incentive and freedom to achieve Hewson style. That's the nasty, vicious sting of the Hewson rhetoric and ideology. Where we're saying we'll fund these places in tertiary education, when you get a job pay us back part of the fees, part of the fees, but what we're saying with no strings attached we'll fund TAFE into a decent system. Dr Hewson says it's irresponsible. Well I'll leave you to judge about the irresponsibility of it.

Q: Martin Hirst, SBS Television, Prime Minister. You've invited a comparison between your One Nation package and the Fightback package released by Dr Hewson late last year, one area where a comparison, I think, needs to be made in talking about infrastructure is with immigration because there is a debate at the moment about, for example, Sydney and Melbourne the infrastructure cannot cope with any more migrants into those communities. Dr Hewson's package claims to have what he describes as a sensible immigration policy, they're talking about a cut of between 50 and 70,000. You have not really made any comment about this in your package, can you just today make some comments about that?

PM: It was not something I thought a recovery package was about. I made it clear that in the normal annual reviews of this program, which occur each year after the consultation process with the various States, the institutions, business etc, that we will debate the matter and produce a program, composition again, this year as usual in April and that's, I think, the appropriate way to do it and the appropriate time to do it. The real issue is that migration has made Australia bigger and stronger than it would have every otherwise been, but the program has varied from over time. Both Governments have varied the intake from time to time. It peaked when we needed skills and demand at about 140,000, about two years ago. That's now down to 111,000, and it will probably go lower. But if you take Dr Hewson's 50,000 number it would simply mean that there would either be no family reunion or no skills in demand or no business migration, it will be one or the other. And what he has never faced up to is the compositional consequences of those kinds of utterances. So you might have heard a ball park figure from him and you didn't hear it in his policy statement, you heard it about a week ago, rattled off on a radio station, vague, vague and no compositional details. Well that's not what we are about, we are about a proper review and we'll do it in time, but it has been the case that the program has come back and will probably come back further.

Q: Don Woolford from Australian Associated Press, Mr Keating. You have said a lot about the need to make our transport system more efficient. When will the Government be doing something about cabotage, particularly on the trans-Tasman group which is causing difficulties with our New Zealand friends?

PM: Look, we are the ones who have had to crack all of the difficult ones in the micro economy. By about Christmas this year there will be a 50 per cent reduction in water front employment within about two years, the last eighteen months to two years we've seen a 50 per cent reduction in waterfront employment.

Australian ships now have below OECD level crew manning about them, crew sizes. So a lot of that is behind us, in adopting that shipping package we have free entry onto the coast for new trades and even for other tied trades onto the coast, foreign ships have been brought onto the coast and are now going around the coast in various trades. So there has been a substantial change and single voyage permits have been issued frequently now for various trades. Again, can I say waterfront, shipping, aviation, road, rail, electricity, I mean who's in there breaking the barriers down? And who for years was confident with this creaky structure? The boys from the golden age of the '50s. It was always as it was in Ming's day, no company hiring on the water front, big pools of labour, very high manning levels, companies and unions getting together to rip off shippers, very high crew manning levels on ships, no conversation from the Coalition Government, you never heard John Howard talking about it. Don't remember John Hewson advising him to do something about it, don't remember even talking about the rail system, about the fact that we couldn't even shift a container between cities without changing gauges and bogies at various places along the way, don't remember any conversation about that before I sent the Industry Commission a reference on electricity generation and it came down with its recommendations. I didn't hear anything from the Coalition about electricity grids. I mean the fact of the matter is these people have no imagination, no imagination and when it's all said what's the best they can come up with - well they'll tax the food you put in your mouth and the clothes you put on your back. That is about the long and short of them and that's what they call real reform as Dr Hewson Australia, real reform for Australia, real reform for Australia. Well I don't call it real reform for Australia I call it simply praying on people who can't protect themselves from the ravages of a sort of Thatcherite ideology of survival of the fittest. If you're not a millionaire you're a loafer, if you're not a millionaire you're a loafer, and freedom to achieve means freedom to send your kids to a university providing you can pay the bill, freedom to achieve, to look after yourself means you can have private health cover and if you're low paid or you've got a large family or you're sick too bad for you. I mean this is what this is about, it's the same stuff the other day we should have been polishing the British boot straps up, tugging the forelock, I mean this is them, they have always been the same, Menzies put the country to sleep for 15 years. For 15 years we had this cultural cringe that we never had an identity, I mean all this talk of Australia returns to Britain as an infant, growing up and now wants to be included in the fellowship of European countries, I mean the craven cultural cringes of it all and we have still got it with these relics, these ideological relics like Dr Hewson and Mr Howard.

Q: Laura Tingle from The Australian Mr Keating, you've clearly drawn a distinction last night between yourself and the Coalition in terms of the role of government in Australia in the next few years, but I'd just like to ask if you could define that a bit more clearly for us in terms of government policy. First of all what is the limit on fiscal expansion as far as Labor is concerned? What are the factors which limit how far you can go? Will you rule out any further expansion in fiscal policy for either economic reasons or to make reforms to other parts of the tax system or for the social welfare system in the Budget or in the lead up to the election? And third could you just clarify for us your anti-inflation strategy because the Coalition is now making this a major election issue and your basing yours on a somewhat still undefined new relationship with the trade union movement?

PM: Laura come off it. Ours undefined? At 1.5 per cent, an inflation rate second lowest in the world undefined? Undefined with an Accord process which has taken Australia's inflation down from the 10 per cent they left us with after the last recession and all through the '70s, through the early '80s and after a big depreciation of the exchange rate in the middle '80s, we've got it down from 10 per cent to 1.5 with a combination of tax cuts through the Accord and monetary policy and they are by their own admission about to double it with a consumption tax and we're the ones with an ill-defined inflation policy. I mean their's is very highly defined, they are going to double it. They'll take inflation from an underlying rate of at least 3 per cent to at least well over 6 or 7 per cent and as Dr Murphy the econometrician that Dr Hewson bragged about on the day he launched his Fightback proposal had to say the other day, if any of it goes into wages, that is if the price effect of the GST, the 15 per cent on bread and milk and food and clothing and dry cleaning and everything else goes into wages, then inflation rates are likely to go back to 10 per cent. And what can they do about it? Other than draconian interest rates which will simply slow the place down and produce a continuing recession. I mean they don't have any discussion with the unions, I met 40 people from the Wages Committee of the ACTU last week, they gave a commitment to the Government that their target will be with the Government's, keeping an inflation rate around the average of our trading partners and making their claims accordingly and their activity in the labour market accordingly. What commitment could Dr Hewson secure from the unions? He wants to destroy the unions. He said he wants to wipe them out, he said there will not even be a national wage case, I mean they have no anti-inflation policy other than to get the Governor of the Reserve Bank to jack interest rates back up to very high levels to try to squash activity to cut inflation. That's their sole policy. But fancy

breaking the back of Australian inflation after two decades and getting it at a statistical rate of 1.5 per cent and then let someone let it out of the bag again, let it out again by willfully adding substantially to prices and to inflation, that's what Fightback is about. It's a vast macro-economic risk, but it's more than a risk it will be a disaster because they have got no possibility of keeping it out of wages, none. Why would a wage and salary earner who's been duded under their tax cuts say oh yes I'll give you a wage discount. Why? Of course they won't. They're not going to cop a bar of it, if there was a GST it would go straight into wages, bang, in a decentralised bargaining system, bang, straight into wages. And what would Dr Hewson do about it? Put a press statement out in the press boxes, attack the ACTU on the steps of Parliament House, have Peter Reith do a doorstep? I mean compare that to the proven success of Labor in getting inflation down and by using the mechanism of bringing business, unions and government together as I say again, 'One Nation', to get over a major impediment - inflation, which we have done and which they could never hope to do.

Q: Glenn Milne from the Australian Mr Keating, if I could continue on the inflation and wages theme, you've secured agreement from the unions to keep inflation in line with our major trading partners, could you give us an indication on what the upper limit of that rate would be and what would be the sort of broad across the board wage increase that would underpin that number? And taking the wages and taxation question a little further, does this mean the statement last night, that you've got no room left to move on personal tax reform in the August Budget or is there still some scope for that?

PM: The Government is governing, is going to have a Budget in August. It always has policy prerogatives available to it, I mean we have never seen Australia's change in the post war years and the possibilities of reform has been all tied up in one statement and while this statement 'One Nation' is about taking Australia back into recovery with reform it will not be the end of reform under this Government, we will do other things and we will do them as needs be and as opportunities arise. Now you are asking about wages this year, average weekly earnings are running about 3.5 per cent and depending on what productivity is and can be, and I think we have got a great opportunity for high productivity growth in the 1990s. It's entirely possible that you will see sectors of the workforce getting wage increases with quite low inflation rates, with quite low cost consequences because of that productivity, so the yard stick will be not aggregate wages but trading partner inflation rates, and as you know that will be the competitive inflation rates of the developed low inflation OECD countries.