



## PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP  
INTERVIEW WITH HINCH, CANBERRA  
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H: And tonight it's good evening live, as you can see behind me, from the marble foyer at Parliament House. We are here for a special broadcast tonight, to follow up the release last night of Prime Minister Keating's Economic Package, 'One Nation'. A package that he says, is the best hope to kick-start a sick economy out of a recession he once said, we had to have. A program he says will generate 800,000 jobs in the next 4 years. If, and the polls show it's a big 'if', the Australian voters elect a Keating Government at the next election. Tonight my special guest in the exclusive interview after a torrid and controversial day in this House, if we can ignore the bells, Prime Minister Paul Keating. That's coming up next. I'm Derryn Hinch.

H: In this House this afternoon I heard you in full flight, I thought you might not have a voice by the time you got here tonight.

PM: Oh no, just a cup of tea gets me going again.

H: I should say, welcome to day one of the election campaign, shouldn't I?

PM: Not really, I think that the Government took the view that the economy was not recovering quickly enough. We had to do something to try and induce, to put a stimulus in it, to get a recovery going and to do some sensible productive things while we are at it. Now, there is no doubt it will have some impact on the state of the parties, but an election is so far off that, it's far enough away not to be able to say what influence it can have.

H: Well, after all these budgets, all the Mini-Budgets, the Summit, the J curves, whatever, why should the Australian people believe Paul Keating this time?

PM: Well look, the recession has marred what was a fairly unblemished record for growth and employment for the Government. From 1983 to 1990 we had very fast rates of growth and very fast rates of employment. But the recession has knocked that off. It means that we are now not growing fast enough to take up school leavers and other entrants to the workforce, but what we wish to do is to go back to doing what we were doing in the '80s, that's growing Australia, pulling that employment out of the economy and finding jobs for people.

H: Now, you have said recently, that you regret using the expression, 'a recession that we had to have', and it has come to haunt you hasn't it?

PM: Well, it was a slow-down we had to have. You see, we were spending twice the capacity the economy could produce, so it was slow-down we had to have. When you knock 0.1 out of GDP, it is a recession. And the day that happened I said it was a recession we had to have. Now as the recession got deeper it seemed like an ...

H: Cool, callous ...

PM: ... an uncaring thing to say. But it was really shorthand for the slow-down.

H: When you talk about the recession we had to have, initially you did not mean it, but did you think it?

PM: It was a slow-down we had to have. You see, we had, it's as simple as this, we had spending running at 9 per cent growth and we had product, the economy, running at 4. So 5 per cent was coming as imports, so we had to take the 5 out. Now, if you can do it precisely and take the 5 and none of the 4, you are set. But what happened we cut into production and that's cut into employment, that's where the recession comes.

H: But your Government, you, the then Prime Minister Mr Hawke, kept saying there wasn't a recession, there would not be a recession. You went into an election saying there would not be a recession, and there was and you personally, whether it was right or wrong, you personally are blamed for it.

PM: I know that, I think every Treasurer is. But there is a similar recession in the United States, Britain, France, Canada and they are all deeper than Australia. And I think the thing we did not figure upon was the big collapse in asset values world-wide. When the world-wide financial market system decided that low longer funds, asset values of properties, of stocks, as that dropped out of the system, we were bound to have, as it turned out, a recession. Now we thought here we

could avoid that, we could fine tune it down so it didn't quite happen, but it did happen.

- H: But you are the experts and Joe Blows like me, we all seem to know, and our bank managers certainly knew, and small businessmen seem to know and the guys whose home loans jumped when you lifted the ceiling, jumped to 18 per cent, they seem to all know long before you did, that this recession was hurting like hell all over Australia.
- PM: We knew it was hurting. We knew the slow-down would hurt, but it was whether it would cut into production and employment was the issue. And whether we could cut the excess spending out, but without cutting GDP, without cutting the economy. But the collapse in asset values, the fact that we actually pulled inflation. See, in the last two years Derryn, we have taken Australian inflation down from 7 per cent to 1 1/2. As that's come out, it's had quite traumatic effects inside the economy, that is the reliance upon property prices continue to rise, and all other asset prices. With that gone so was the confidence that you could buy an asset and sit there do nothing and the rise in value went with it. So the banking industry decided not to keep funding these things and that's where basically, the depth of the recession has come from.
- H: But also, apart from the non-funding, the interest rates went through the roof, and for a while there you did not mind that.
- PM: No, that knocked the spending out. But remember this I knocked interest rates down, in January '90, over two years ago. It shouldn't have given us a recession of this depth. It's a combination of interest rates and the collapse of asset values, and the fall in inflation, of expectation.
- H: Does it scare you, we'll come and talk about jobs after a break, but does it scare you that you have this image as the grim reaper, because of the recession, because of the collapse of the small business especially, because of people out of work, how can you go on to win an election when you have that reputation?
- PM: Well, I will just make this point, that in the years that I was Treasurer and including to this day, we produced in Australia 1 1/2 million jobs. We actually produced 1.8 million and we lost 300,000 in the recession.
- H: How many of them were in the Public Service?
- PM: Virtually none. They were all private sector jobs, 1.5 million. In the previous 7 years, under John Howard and John Hewson, that period, including their recession, they created 350,000. That is, 1/5 of the

jobs that the policies associated with me created. But what I say is, don't look at our 1 year or 18 months, look at the whole 8 years.

H: Unless you want the people out of work?

PM: Well OK. People are entitled to take the bat to you if they are out of work. I accept that. But again, what I want to do is get into a recovery and get cracking again.

H: Mr Prime Minister, we'll take a break and come back and talk about jobs from Parliament House.

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H: And back with the Prime Minister. Mr Prime Minister, 800,00 jobs in 4 years. Got good headlines this morning, very ambitious and sounds great. But most of the 800 surely will be 3 years down the track when you may not be Prime Minister?

PM: No, no, we would have about the first 150-200,000 in the first year.

H: And therefore, 600-700,00 when you might not be Prime Minister?

PM: Well, that's a possibility, but they will still be there, whatever the outcome of the election, they will still be there Derryn. I mean, the fact is, that these are not phenomenal. Employment and the production of the economy are very closely related. If the economy grows, employment grows. If we get the economic growth, the employment comes through.

H: What scares me about these figures is, you've got in 1996, 800,000 jobs, you say, that means 4 years from now, unemployment will still be over 7 per cent. That's your projection?

PM: With a very high level of participation. Very high level of people looking for work.

H: And of those people, anybody who have been out of work, long term unemployed, unemployed for more than 12 months, there could be between 300-400,000 of those in that number?

PM: There could be good quarter of a million in that number. That's a lot.

H: What worries me is that you and I, believe it or not, are exactly the same age virtually. We are 48, we've both got jobs at the moment. But what of the guys of our age who look in the shaving mirror in the morning and know they will never work again. What do you say to them?

PM: Well, I think that they will, because you see, the velocity... Let's take the late '80s, when we had unemployment down to 6 per cent, because the change is about 4 per cent, it is not 10, it's about 4 because we never ever got the below 6. But it's like a pool. People come into one end and go out the other. It is the time they spend in the pool of unemployment that matters. The velocity of movement through the pool, and if we can speed economic growth up, the movement through the pool, there still may be 9 or 10 per cent unemployment in the pool, but the time through it and out the other side is quicker. So that's what matters. If you can get the growth up, you can get the employment. And we should get growth of the order... Look, if we can't grow at 4 per cent a year Derryn, which is what I have got in these forecasts, we ought to give the game up, the whole lot of it.

H: People are saying that you can't grow at 4 per cent. So what happens if you don't?

PM: Well, we have always grown at 4 per cent through the '80s and we can grow again. If we can't run the Australian economy... You need 3 per cent a year to simply take the new interest of the workforce up, not to touch unemployment, just to take the new ones. You need 3 per cent growth. If we can't do 4, we should pack it in - me, the bureaucracy, the Parliament, the lot of us.

H: Would you?

PM: Well, I mean the place can do 4. It should be able to do 5s. All of the countries around us can do 6, 7 and 8 per cent a year growth. The reason we can't do better than 4 is that we've had this lousy equipment stock from the '60s and '70s. We can't run faster than 4 without spilling into imports. So what we are about now, is trying to run it at 4 and gather the capital stock back.

H: Coming back to the credibility thing where back in the '80s you said, 'hang on, we are setting our sails'.

PM: But we did, we had more growth than they have ever seen. The trouble is it wasn't sustainable.

H: Then you would have had about as much chance as setting your sails as Australia in the next Americas Cup?

PM: But no, we did 4.2 on average. The previous 7 years was 1.8 on average. The last 7 or 8 years was 4.2 on average. It ran twice as fast. The problem is, it was a spending spree at the end. I mean, we had every punter, sort of buying property and shares and stocks and taking over companies. We never had the savings to go around and the Government said look, we can't go on

borrowing from the rest of the world, we have got to pull it all back to something we can live within. That's what it was about. Now, when we go out of this, what are we going to go out with? Low inflation, 1 1/2 to 3 per cent. We are going to go back with a good profit position in companies, we are going to back with a good level of investment, with now a new tax regime which is also going to help investment and with it will come good employment.

H: Let's move on to GST because I was in the House this afternoon and obviously, that is going to be the major issue you will stick to John Hewson over in the months ahead leading up to the election.

PM: It is such a dull idea.

H: Well, if it is such a dull idea, do you recall, back in 1985 in the economic summit, that was your preferred option, 12 1/2 per cent wasn't it?

PM: Yes.

H: You fought like tooth and nail for it.

PM: I did.

H: You got rolled and looked shocked when you got rolled, by the deals that were made. Do you know what you said about GST after that? At the press conference? Have a look at this for a few seconds.

"It's a bit like Ben Hur. We've crossed a line with one wheel off".

H: What's your campaign now?

PM: Well, I will tell you what it is. The direct tax system the income tax system, was then like a bag. You've seen these bags of water which you see in the bush, it was like a bag of water with holes in it. The holes were the tax avoidance that dripped all the water out of the bag. So when governments get desperate and they can't fix their tax system, they say, look don't worry, we will get it when they spend it. So you pull a plastic bag under the bag, that's the GST. When the GST was refused to me, I fixed the holes in the bag. I made the Australian income tax system totally secure. It didn't need ...

H: So you now say the GST will now work?

PM: It doesn't need another thing receptacle underneath it to collect it from ...

H: I watched you in the House today, and you are saying, taxing the clothes on kids backs, taxing their food on

their table, and I recall in radio days criticising you for using that exact same language.

PM: But we had massive compensations in that package. This is not true of this thing. And can I also say, in Italy for instance, Governments there couldn't run the tax system, it was just haemorrhaging away. So I said, 'don't worry, let's not try and fix it, we will collect it when they spend it'. But in Australia we did fix it. In the '80s ...

H: Sorry Mr Prime Minister, it is live and we have got to put the plastic bag on the water, bush bag, we will take a break, we will be back.

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H: And back in Canberra live with the Prime Minister.

PM: What I was saying before we went to our break Derryn, fringe benefits tax, capital gains, removing credit cards, free lunches, all those things plug the tax system. We made the direct tax system totally secure. So now, to build a consumption tax is simply to shift income around. It is not to repair the tax system. That's why now we don't need it. And it always had an inflation risk and the reason I was refused in the middle '80s is we could not guarantee wage reduction, that is, wage changes to get the inflation rate down and John Hewson can't get those wage agreements either.

H: Alright, speaking of John Hewson, you don't personally like him do you?

PM: Well, they're opponents, it is a professional matter.

H: But you can have professional matter, but you don't personally like him?

PM: Well, I don't think he stands for much. He is sort of a boy from the wrong side of the tracks who has sort of gone to the other party to look after the wealthy people in this country. He has given up on his own people and I don't admire that, you see. I think if God has given you enough brains to do anything you should at least represent people that need help.

H: Well, people around here today, some people on both sides, tell me that you and Hewson are virtually obsessed with each other?

PM: Oh, no, no, no. Well, he might be with me, I'm not with him.

H: Because watching you today, and some of the brawls earlier this week, it's like two school teachers brawling, while the school is burning down.

- PM: Oh, no, no, no. I mean, last night I produced a statement of substance that changed the way Australia is. Look, all those great big things, rebuilding the railway lines, the ports, the roads, a new airline system for Australia. This is real reform.
- H: Yes, but the road recovery one worries me a bit, because we had this huge bicentennial roads campaign all over the country, it didn't stop the recession hitting us?
- PM: But the point I am making is, what we are about here, always been about here is reforming the place and making it better. Now the Parliament and theatre of the Parliament is part of all that. It is part of all that. People should not mistake the substance for the shadow. The substance will always be the changes. But that's not to say that in the theatre of ideas, which is the Parliament, you won't have a joust about ideas and about arguments.
- H: So a lot of it is just show-business.
- PM: No, no, it's about how you debate things out. It's how the psychological balance of politics changes. That's what the House ...
- H: Alright, today's effort, are you going to get a caning probably from a lot of people, especially royalists tomorrow, about your outburst today about the Brits, about people getting knighthoods, you really went full flight on that didn't you?
- PM: Well, I hate this sort attitude you still get from John Hewson and Howard and others, that we should be still sort of tied up with Britain and that we don't have own cultural identity and some way we are not as entitled to be as proud of where we stand independently in the world without this sort of connection. I mean this sort of foggysm held Australia back for generations.
- H: I eavesdropped on a couple of politicians in the lift today, just after you had said that in full flight, and they said, 'it is his Irish Catholic background'.
- PM: No, no, no. I can't stand that sort of pomp and nonsense and this idea. Both of them went on so anxiously on the radio after I addressed the Queen in here.
- H: The respect line got to you didn't it?
- PM: No, no, I thought it was said so much about them, that we should be sort of forelock tuggers, that I couldn't say to the Queen of Australia, that Australia had made its way independently in Britain and Europe. What a shocking thing for me to say. These people are from the tribe, the team, that gave us all of the Rip Van



Wrinkle years of the '50s and most of the '60s, and they are sort of still back at it.

H: Are you a republican?

PM: I think Australia will probably end up a republic at some point, but certainly not while I am Prime Minister of Australia.

H: That could be next year?

PM: I don't think it will. I think that as time goes on..

H: No, I mean about you not being Prime Minister?

PM: That's right, that's what I am saying. So this is a matter which has been, this debate has come on and off and it will probably head that way.

H: Would you like to see Australia a republic by the end of 2001?

PM: I think that's a matter that should run its course in the public discussion, in public debate.

H: How did you feel when the Fleet Street papers all said, 'Hands off Cobber' and 'Hands orf Cobber' and ....

PM: Well, you used to run a tabloid, you know what it is like. But I mean, I must say, the Sydney tabloids were a cut above those London ones.

H: So is the New York Times compared to...

PM: The New York Times is better, I know.

H: I defended you actually on my program, when you put your arm around the Queen. It seemed to be just a guiding gesture.

PM: Well, that's right. Because you see, we were zig-zagging across a corridor, and there were people I knew that she knew, like Dame Patty Menzies, John Gorton, Gough Whitlam, I was moving here around to see people she knew and other people and she is engaged in conversation and there are people trying to crowd on her, so you are trying to both be guiding and protective of her. And I thought it was a very nice morning for her. She seemed to enjoy herself immensely. And of course, she is right across all the issues. She is very well briefed and ...

H: You were helped a bit by the fact that the Duchess of Kent was saying similar things in Queensland at the time.

PM: The Queen is a very gracious, conversationalist and very well informed, very well informed.

H: We will take a break.

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H: And back live with the Prime Minister. Mr Prime Minister, Richard Nixon, I'm not comparing you to him, but Richard Nixon fought and scraped and clawed and plotted to get himself to the White House, and when he finally got there, it didn't quite sink in for a little while that he had made it. Did you have a feeling like that in the first few weeks of being Prime Minister, after the way you got the job?

PM: Not really, but just trying to find where all the bits and pieces were. Where the weights were within the country, within the Government, how we could sort of put the two together. It took a while for me to find my way around the job.

H: But personally it did take you a while to find your way and say, I've made it, after all these years, I've made it.

PM: No, not really. I have been that close to it for so long. The scales have long fallen from my eyes about it. So I didn't really have that, it was about saying, where is everything, what can we do here now. It was all that sort of thing.

H: After being in the job for a month, or six weeks of it when it happened, were you surprised by the manner of Mr Hawke's departure and the way he did it on television?

PM: Not really no. I thought there was an even chance Bob would quit and ....

H: That way?

PM: Well, it didn't matter. He announced it, then went on television, that didn't worry me.

H: If you got beaten in the next election, and you resigned, would you take \$10,000 from a TV show to announce it.

PM: Probably not, but that is not to reflect on him.

H: Did it offend you?

PM: No, no, I just probably would do it privately.

H: Do you talk?

PM: Occasionally, we spoke the other day a bit. Yes.

H: Is it friendly?

- PM: Oh yes, yes, it is still friendly. Sure.
- H: I presume you talked when his wife was ill, something like that?
- PM: We are not all over each other. But it is friendly, it is cordial.
- H: When you made the run, I would broadcast from there last year, you missed by the numbers. You knew you were not going to get the numbers that time, didn't you?
- PM: Yes, I did.
- H: So therefore, it wasn't the one shot you fired, it was your first shot?
- PM: I mean, I did by the end. I wasn't sure a bit earlier. I thought I might have, but as they faded away I knew I wasn't going to win.
- H: By the time you walked into the room, you knew you wouldn't win?
- PM: Yes, that's true.
- H: So it wasn't the one shot you said?
- PM: Oh yes it was. In the end, Bob did actually resign his position and I had not decided to challenge him, so it might well have been just the one shot, as it turns out.
- H: But you would have stuck around ...?
- PM: Not for long. I will tell you this quite honestly, had Bob taken questions at the beginning of this week, I would not have stayed to have given the Labor Party or him any difficulty.
- H: Is that right?
- PM: Absolutely.
- H: If he would have stayed on, in this building for Question Time, you would have quit?
- PM: That was the end of me. That's it.
- H: Why?
- PM: Because I don't think it would have fair to him or the Party and probably ...
- H: Would you have taken such a kick-in?

PM: No, no, just to have me around, it wouldn't have been fair to him. And I think it is probably the same reason in part he's decided to go, which I understand.

H: So one of you had to go.

PM: I think so. It got to the stage after 8 years, and it got to the point where either one of us was going to leave the place. Whoever had it, should have kept it by that stage, that is February.

H: You said that you would have walked away?

PM: Absolutely, I would have packed my bags and said, 'give my regards to Broadway', or something like that.

H: That's a good note to go out on. Thanks for your time.

PM: Thank you.

ENDS