



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP,
DOORSTOP, HILTON HOTEL, SYDNEY, 12 MARCH 1992

E&OE PROOF COPY

J: What's your reaction to the latest unemployment figures?

PM: Well, I think it shows there is no further deterioration taking place in the labour market. Now, over the last few months we've seen a reasonably stronger trend in employment - that was interrupted this month, but the unemployment rate is marginally up on last month, that one would have to say that the trend rate is about the same. So, overall, happily, no further deterioration in unemployment.

J: Is there brighter news around the corner?

PM: Well, we expect the economy to grow over the course of 1992-3, because employment is so closely tied to GDP, the product, to the economy, as the economy grows, so too will employment.

J: Mr Keating, will next week's GDP figures show that the recession is over?

PM: I don't know, let's wait and see. I've not really been in the business of predicting National Accounts, as you know.

J: Prime Minister, John Hewson's campaigning style, particularly his challenge to you last night to debate him ...

- PM: I think he is rattled, as I said to you yesterday, I think he is rattled. He is now willy-nilly adopting our infrastructure proposals, which a few weeks ago were irresponsible, he is now going to use the proceeds of our growth which he said was unlikely to happen, and I think he is not sure what model he is working in. I think more power to him, let him continue this way.
- J: What's your response to his challenge to a debate?
- PM: Well, I wouldn't want to do to him in public what I've been obliged to do to him in the privacy in Parliament House, in the House of Representatives. So, you know, we can't be too unkind to him.
- J: Mr Keating, you had a go at Dr Hewson's fiscal discipline. In the Budget, would you undertake to offset extra spending by spending cuts to keep your own fiscal discipline?
- PM: We're the people who brought fiscal discipline to Australia, we're the first people to produce surpluses, structural Budget surpluses, we're the people who spend 7 years cutting government spending, and we will do that which we think is sensible and reasonable to the economy. I made it clear in the One Nation Statement that the deficit will come out probably beyond that which we have, in forecasts there, as the Government considers other unavoidable new policy over the course of the Budget preparation. Now how much of that we offset will remain to be seen. But I certainly don't believe it should necessarily be offset.
- J: In that case your deficit figure would blow out?
- PM: No, no, just understand. We've got a ball-park number there, and that's fine as far as we're concerned. But it's really gilding the lily for Dr Hewson who left me, in the last recession - the one who he advised Mr Howard on - with a deficit twice as large as we have now, the GDP, twice as large, to be giving us little homilies about fiscal discipline. I mean, anyone else with any self regard would crawl off into a cupboard, and never mention the word "Budget" again.
- J: Is the \$6.8 billion forecast on the deficit immutable or is that ...?
- PM: I think if you read the One Nation Statement you will find there that we say that this is the outcome of these changes as it is. But again, there is always, in every Budget, a round of considerations on the outlays and savings side. And, you know, there will be in this Budget again.
- J: Should Mr Willis have spoken out in public on his demise as Treasurer like he did?

PM: Well, I think he was asked a perfectly reasonable questions, and he gave, I think in the circumstances, a perfectly reasonable response. I wouldn't blame Ralph for being disappointed. But the measure of him is he has put his back into that One Nation Statement as few Ministers would. And he has been one of the principles in it. The three principles were myself, the Treasurer, and Mr Willis.

J: What do you think he meant by his being dismissed for 'reasons other than his ability'?

PM: Prime Ministers have the difficult task of making judgements about Ministerial places, and I can assure you it would be a moot point who was hurt the most in the decision - me making it or Mr Willis with the change. I mean it came as no pleasure to me and I had to make a judgment and I did, and he, in a most I think responsible way, has taken up again the Finance Ministry duties with great relish and fervour.

J: How long do you think it will be before you know for sure that the Australian economy is on track, and we have reached the bottom of the interest rate cycle?

PM: Well, we'll just see what happens with the National Accounts, which come out soon, and then the quarter after that. The best guide to how we are going is the official data.

J: Prime Minister, should the markets read anything into your comments about the future of interest rates, vis a vis your comments today about the relatively tight stand in monetary policy?

PM: I was just reminding people that at this stage in the cycle of the last recession, inflation was at 10 per cent. Inflation now is at 1.5 and an underlying rate of about 3 per cent. So we are 7 percentage points lower, but the shift in interest rates has been 12, the same as in '82-3, which means, necessarily, that monetary conditions have been, if you like, less relaxed now than they were then. And that's why I think the markets ought to appreciate that and understand that - that the Government is intent upon keeping inflation down, and we are about a sustainable, low inflationary recovery.

J: But the markets have been speculating about the possibility of another interest rate cut. Do you think they might draw upon what you've said - that there is some flexibility in monetary policy?

PM: Well, that's up to them. That's what they're paid all that money for - to make those judgments.

J: Do you think there is that flexibility?

- PM: Well, that's what you just asked me. As I said that's for the markets to make those judgments.
- J: Prime Minister, what about immigration? The numbers are out, what are you going to do to combat that?
- PM: What do you mean, combat?
- J: Dr Hewson says that it is out of control.
- PM: Well, that's a comment which is basically made in satisfaction of that part of that debate which is cranky about the migration program. It's not a comment which pays due regard to the difficulties of running a program like this.
- J: But 35 per cent of recent immigrants are going on some sort of government benefit because there is no work.
- PM: The thing is, look, migration programs are for the long run good of Australia, of its economy, of its population, and of course the program goes up and down during economic periods - in boom times when we need more labour it goes up, in recessions it goes down. That's what's been happening now.
- J: But it's not going down.
- PM: No, what he wants to do is basically destroy. He wants to basically destroy the program. And we'll be making a judgement about this in April. In April each year we make a judgment about what the numbers should be for the following year.
- J: Can we expect a cut?
- PM: Well, you can just expect the statement in April.
- J: What's your reaction to the East Timor peace trip, the way that's turned out? Are you satisfied we didn't step on any toes?
- PM: Well, I'm very pleased about the fact that there was no overt problem there and that the matter was, in many respects, dealt with sensibly by the people operating the vessel.
- J: You said the unemployment trends remained much the same, in Victoria in fact it hasn't, the participation rate has slumped. Is that indicative of how the employment rate will go for the next few months?
- PM: Participation rates jump about, it's very hard to make a judgment about them, they dance all over the place. The main thing is, the trend in employment is for this month no deterioration, no deterioration over the last 2 or 3 months.