



## PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP,  
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- Q: Prime Minister, last week the Treasurer in consultation with the Governor indicated that there would be no more cuts in interest rates in this cycle, yesterday that position was reported to be qualified. Could you please clarify that?
- PM: You mean, would you like me to make your job easier? What we say is that given that the inflationary performance that we've been able to secure, that's with inflation rates, the statistical inflation rates below 2 per cent, and 2 per cent again in forecasts for this year, that it will be our performance on inflation and inflationary expectations which generally governs what we do on monetary policy, and also the conditions within the economy. I think we would say that at this point rates have fallen far enough, but if you want me to say they won't be falling any further under any circumstances I won't be saying that, won't be saying that.
- Q: Prime Minister, with regards to the FBT proposal on car spaces could I ask firstly, who will supply the car spaces where the person using the car requires the car for his or her business? And secondly, will it apply to car spaces at Parliament House in Canberra?
- PM: I don't think so, but you know the Departments of State pay to the Treasury. We make the appropriate adjustments in terms of fringe benefit payments. And I know things like this are dear to the hearts of many here, but the fact of the matter is that fringe benefits tax is a tax so that cash, or substitutes for cash, for goods taken in kind are appropriately taxed. Now when the fringe benefits tax was established in the middle of the late 1980s some concessional treatment was given, particularly

with relation to motor cars and other things, and in this case in parking, and I think all we are essentially doing is tidying up an anomaly in the design of a tax.

Q: Treasurer, it's how I remember you Paul.

PM: Loyalty, even after they leave us.

Q: A bit of a statement, you've been associated with all but one of the past ten Budgets, and a quick count this afternoon was six mini Budgets, and over this period the Budget balance was moved from substantial deficit back to surplus, then back into deficit. Was this experience and your views changed by the role of fiscal policy and the economic adjustment process and with respect to influencing income net distribution?

PM: I don't think so. No, I think that in the early 1980s it was appropriate to expand fiscal policy for the Government, with private investment down, to substitute for public investment and public spending, and as then the recovery came through and we saw boom conditions for most of the '80s, from the middle to the late '80s, it was then also appropriate to withdraw that stimulus and produce a surplus, or surpluses. But now in these conditions where the economy is finding it difficult to grow with the sort of speed we would like, although for the public sector I think, and the Government and the Budget and fiscal policy, in promoting that kind of recovery is I think important. That is, that in terms of the shorter term movements in the cycle of the economy, fiscal policy has an important, I think, balancing role to play. That is, where in the past people have believed that monetary policy was the instrument most quickly to be capable of this, I mean people have often said, commentators of fiscal policy, the lags are too long, and the lead times are too long, whereas the monetary levers were available at the hand of the Central Bank. But as we know the monetary impacts take quite some time to come through and it may well be, I think it probably is, the case that fiscal policy may be a more speedy remedy in some cases to the national economic condition.

And so I think that the trick is to use both instruments together, and of course with it wages policy as well. And that is why we take the view that in a complex society, a complex economy, reliance upon simply one instrument isn't enough and that's why we differ with the Opposition in believing that, for instance, now where we have got a Budget deficit of \$13 billion or about 3.3 per cent of GDP, that it would be an entirely inappropriate thing to do to cut that in half, to

withdraw \$7 billion from public spending and stimulus. That is, to take 2 per cent of GDP from it would simply kill the recovery stone dead. That is entirely the wrong thing to do as our friend Dr Hewson is urging us to do. The wrong thing to do.

So I think fiscal policy has got a sort of medium term role about it, and it is a role which we played through the '80s and we are still playing now. But those who simplistically believed that I believed only in surpluses and that now I should continue to believe in them even though the economy has been much weaker and that private spending and private investment has been lower, then of course that's wrong. I don't believe that and I never have. I think fiscal policy has a very useful role to play and a Government which wants to play it well, that is to design measures carefully and be cognisant of the stimulus and the lags which can come with it, can be using a very a useful device in the economy.

So I think fiscal policy is an exceptionally useful thing and it ought to be used sensibly, and can be, and I think we are using it sensibly. We have produced now in this year Budget outlays of 4.1 per cent of GDP real. The population is growing at 1.6 per cent so we have got about 2.5 per cent of the outlays grove as part of, if you like, the stimulus in this year's Budget. It is entirely the right thing to have.

Q: Mr Prime Minister, what resources or assistance is the Federal Government prepared to contribute to actively promoting the Sydney Olympics 2000 campaign? And more importantly, how does the Government view the prospects of success for this campaign?

PM: Well I contributed on behalf of the Commonwealth \$5 million to the campaign at a breakfast. They must have had something in the Weetbix, I don't know what it was but it was something there. And I have coughed to the tune of \$5 million on behalf of the rest of us, and 5 now is better now than 5 later. And as well as that the Commonwealth is going to underlie a substantial proportion of the cost in the event that the bid is successful. And at this stage it seems that were the matter be decided now, I'm told that Sydney has been faring very well. I can only hope that remains into a year ahead, in September next year when the decision is taken. But the Federal Government is behind the bid, we think it would be important to Sydney and Australia and that's why we've put our money on the line in the early stages to help the bid succeed.

Q: Prime Minister, is the Government concerned that the change in tax status of limited partnerships may in

fact discourage investment, equity participants in infrastructure projects? And is this in fact in conflict with the Government's agreed agenda that these projects are in the national interest?

PM: I don't think so. I think one has just got to make decisions about these sorts of devices before they start running. I think that is exactly what we have done now, to think about all of the regulatory structure we have established for companies. There is no real point in letting people get their way around that, all in the meaning of development. We have given Australians, anyone who wants to invest in this country, a choice of instruments, either as sole traders or as single investors, or as trusts, or as partnerships, or as companies. In many countries of course equity is taxed twice, companies are taxed twice, a tax at the company level and the distribution of their dividends are taxed as income. This is not so in Australia. With dividend imputation, largely we tax company income once. So therefore there is complete neutrality between the ... of companies as a vehicle and these other things.

Now the States to try to, I think, drag some revenue their way have tried to interest investors in setting up as limited partnerships, and the attraction for many people is it means they walk around in a regulatory structure which we have for companies. Now I don't think that we want to develop another stratum in investment in a way which permits that to happen. That is, the mature thing to do is to basically keep the company structure such that all the cheques and balances we have now developed, often learning lessons painfully, some of the '80s lessons, mean that we should keep that company structure in place. Before these things start running away on us now is the time to act, and I think we have.

Q: As a large section of the older unemployed are retrenched people from the finance sector, what area of retraining do you recommend for these people?

PM: Well if you're a former Treasury officer, come back.

Q: And before you dismiss me, I live in Barton.

PM: Yes, but are you one of ours? Look, we are seeing rationalisations, we have seen them now really from the late '80s onwards, as the heady days of financial deregulation and high salaries for all sorts of people, have bought companies, financial intermediaries to their knees and they have had to make adjustments. And part of that has been in the business they have been doing and the staff they have been hiring. I think I can only say that as

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the economy grows again more strongly over the course of this year, and banks start lending again, and when the financial system starts to work again, then some of those natural employment opportunities are going to open up. Now I wouldn't think it would ever get back to the sort of levels of employment of the mid to late '80s, but again that remains to be seen. I am not certain where the surfeit of people from the financial industry should go. But I will say there is a Commonwealth program for you all somewhere.

Q: Mr Keating, in the early 1980s you were a very fervent supporter of a broad based consumption tax through your own option C. Could you please explain what lead you to discard a policy that you obviously so strongly believed in?

A: Because I couldn't get the wage discounts that should have come with it. That is, I didn't have a right any more than anyone else did to blow the national inflation rate to pieces by manically pressing on and adding 5 or 6 or 7 percentage points to the price system and then letting it drift into wages.

So I tried to use those processes to secure the wage agreements that would see us accommodate such a change with decelerating inflation. That was one reason. The second reason was that the direct tax system, the income tax system was so severely hemorrhaging that really most people in the official family gave up on this repair. That is they thought it was so badly neglected and had so many conceptual holes that the payment of income tax became entirely an elective matter. And with support of the then High Court that many people in the bureaucracy believed that it wasn't capable of repair. So we decided that one thing we would do is catch them when they spend them. That was if it was slipping through income tax net to tax expenditure and collect some of it there.

Now when the consumption tax proposal under Option C was then denied to me for the reasons I just gave you, we then went and repaired the income tax base so much so that compliance levels came back up, we put a capital gains tax into the system, fringe benefits, all these other various devices to tax income properly. And the end result is we've got now one of the most secure, complied with tax systems in the world.

So there was now no point in taxing expenditure. But to go taxing expenditure now, to blow the inflation rate back into double digits from the low 2 per cent we have after 20 years of wearing the blight of inflation, to do it simply in the name of

some ideology with no prospect of wage discounts, but worse believing and selling it as a cure all to all the nation's problems, not just a simple tax switch which Option C was, but selling it as some sort of elixir or remedy is, of course, simply naive and dishonest in the extreme. And that's why now a switch to expenditure from income is a tenth order matter, and at this stage this nation has got more to do with its time and its attention with things like enterprise bargaining, workplace reform, training and education and the real structural transition issues, it's got more to do than worry about a dangerous tax shift which will simply blow the inflation rates to bits.

So if it can't be done with low inflation it shouldn't be done. And at 15 per cent with poor compensation for low paid people and a very big burden as Dr Hewson proposes - 15 per cent on all people to have the proceeds driven by way of a reduction in payroll tax and excise on petrol. You understand that cleans the proceeds of the consumption tax out. The tax cuts don't come from the consumption tax, they come from cuts in government spending. The whole of the proceeds of the consumption tax comes are devoted to the abolition of pay-roll tax and the reduction of petrol excise.

So with when you put forward a proposition to working Australians of low income that they should have their food taxed, their clothing taxed or their services taxed so that pay-roll tax should be abolished but petrol made cheaper, it's a rotten deal, a rotten deal, and it's a deal that I think, Australians in the end won't wear. Now the Coalition wanted to be different, to propose something different. What they're really doing is proposing something extraordinarily dangerous. And the trouble is even if they know it, they're not obviously letting on, but they can't but help know it.

The obvious point also is that if someone is on \$25,000 a year or \$30,000, whether we tax their income or their expenditure is immaterial. They are one in the same thing because someone on that level of income has no savings. So whether you tax their income or their expenditure it is one in the same. But the person on \$150,000 a year has savings and yet you are only taxing their expenditure. So what you'll see is a huge transfer of wealth from the low paid to the high paid. And does anyone thinks that with such a transfer on, they'd all have the support they are now getting in the labour market for low inflation, wage restraint, high profits, productivity bargaining, productivity increases all of that will simply be under assault as a

conservative government tries to shift wealth from the lower orders of the income ranges up to the higher orders by a very unfair and regressive tax.

And that's why I think it won't wash. And even properly compensated would be a total extravagance at this time in our economic history, but uncompensated it's a piece of barbarism, fiscal barbarism which I think would be rejected.

Q: Prime Minister, if you go back over the Budget papers for the last four years or so, it appears that the main objective of monetary policy has shifted from the current account, or equivalent the excess domestic demand, to inflation. Was this shift because the current account actually increased as interest rates were raised and declined as rates were eased? Has this experience of the late 1980s influenced official thinking about the role and impact of monetary policy following the floating of the Australian dollar? And finally, if faced by widening current account deficit in the future, will the government again raise interest rates to try and reduce it?

PM: Where did the current account debt come from? It came from the fact that we were running a balance of trade deficit, that we couldn't pay for our imports. The Liberal Party after 30 years of office was so bereft that it basically left us with a position where they relied on commodities, and commodities let us down. Above all, in 1980s we were running a current account surplus of 6 per cent of GDP. It was from trade or the absence of it that the current account debt developed and started to derail rapidly under an uncompetitive regime, and rose to about 38 per cent of GDP by the middle 1980s. Now it was that growth in the trade deficit which produced the current account debt.

At the moment we're now running a strong balance of trade surplus. In other words, if we were not dealing with the accumulated debt and the net income deficit Australia would have made one of the substantial economic adjustments to a higher level of exports and import replacement and a better trade balance. But that's not the position because we've still got the net income deficit to deal with.

So it means, I think, that we've got to produce more goods and services. That is that the correct response for Australia is a supply side response. That is, we've got to put in more productive plant and equipment and produce more value added, which we are doing of course in elaborately transformed manufactures and all sorts of manufactured exports, as well as in agriculture, and as well as in minerals.

So while monetary policy will always have a role in demand management of some kind, so too does fiscal policy. But in terms of the current account, I think Australia has to press on until its supply capacity starts to catch up with the net income deficit. And that's going to take time but that's, I think, our only course. Because to try and sit on the place and hold it down, this sort of double digit unemployment, if that were seen to be the remedy for the current account deficit, will I think be a mistake because socially it wouldn't hold and wouldn't last and it wouldn't deal with the problem anyway.

So I think monetary policy has its role to play, it's obviously got a role to play in price stability, it's got a role in demand management and again as Bernie Fraser said so eloquently during the week, it's got to be done with all of the instruments together. And that's why running a complex economy is a complex matter where complex judgements have got to be made, and some simple resort to some draconian monetary policy to try to deal with demand and inflation is, of course, only the view of simpletons, and of course that's exactly where I put Dr Hewson.

Q: Mr Prime Minister, could you please comment on the economic performance of New Zealand and your forecast for New Zealand for the current financial year?

PM: Look, I know that there is a bit of a sport developing in the media about New Zealand and frankly it's not a sport I like. I don't like it and I think it's a great shame that the Liberals have decided to try to come back to Australia and push New Zealand down our neck, our throat. But let me make a couple of points because I have never accepted, never, that one introduces structural change like economic change, but not in the transition with growth and activity.

Now in the 1980s in Australia, we had an enormous structural transition from an inward looking closed economy to an outward looking one. We had such things as the removal of exchange controls, floating of the exchange rate, the opening up of the financial system, the reduction in tariffs. But it was all accommodated with an employment related policy. That is, with the agreement we had with the trade unions we sought to run the economy faster and to turn the proceeds of growth to employment rather than to see them spill away in a price and wage round, or worse, not have that growth at all believing only that micro-economic or structural



change should be accommodated at the cost of higher levels of unemployment.

I never accepted that view. I never accepted the Lange/Douglas view, never. I thought it was an un-Labor thing to do and I think it today. And I said in the House yesterday and it's worth repeating that when I became Treasurer there were 6 million people in the Australian labour market, there is now 7.6 million; it's over 25 per cent larger. In New Zealand, the labour market today is exactly the same size, in fact it is a little smaller than it was in 1983. That is, a decade on it's labour market has actually fallen or got smaller. The other interesting point I think is that we had more growth in the Australian economy than the 1980s than there was total product in the New Zealand economy. That is, more growth in the Australian economy than there was total GDP in the New Zealand economy. And I think those two facts speak for themselves. That is, a generation were left behind in New Zealand by a Government that should have devoted itself to them all in the name of microeconomic change, microeconomic change which in the end let down those people. Now it may be that New Zealand is picking itself up and growing, and I hope it is, but it is certainly about time it is, it's a decade too late.

Q: Prime Minister with the forecast to 10.5 per cent unemployment rate for this financial year, which is the same as what it was on average for last financial year, how are you possibly going to win the next election?

A: Well it makes it difficult for us. I don't think anyone but a fool would deny that. But the elections in this country should be decided by the governments who have been prepared to change Australia. And this Government took Australia from a backward frightened economy, inward looking economy, to an outward aggressive economy where structural change and change in the nature of our industrial base became the order of the day. And those changes continue apace to this very day. And in the speech I gave you earlier I talked about the quite revolutionary change in vocational education, which I was able to announce in an historic agreement between the Commonwealth and the States to create a structure to sit beside the universities in vocational education, and as well, in the huge number of places which have been added to our tertiary capacity in education over the last half a dozen years.

Those sorts of changes are the things which will remake Australia. We should be out there selling our brains, selling innovative products, getting a margin on clever things, not going out there to

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compete with low cost countries doing basically the things they are doing in cutting the wages of Australians while trying to do it. That's not the clever thing, that's the dumb thing. That's the thing that Hewson wants to do, go back to 3 bucks an hour and put people on basically low wages, to produce products we should be long out of, rather than go into the products which require education, and which require research and development, and product innovation. They are the things we need.

This Government has been the Government which has given Australia an open market economy. It maybe a great irony that it took a Labor Government to give Australia a true open market economy, but in doing so grafted onto it one of the finest social policies in the world - access to health, access to education, reformation of the social security system, reformation of education system, and occupational superannuation, long term savings in retirement. It's been basically a social revolution at the same time accommodated with the opening up in a modern way of an economy.

They're the things in which the Government will seek re-election and why shouldn't it seek re-election and why shouldn't it be re-elected? And as we go on through the period when that unemployment comes down, we'll go into the 1990s with a low inflationary period, historically low levels of inflation, lower interest rates, a more productive country, national savings being rationed to the right places and not the wrong places by the banking system after having been through the first phase of deregulation, the learning phase, and where we'll go with a smart society to do clever things in the Asia-Pacific.

I mean, that's the vista that Labor holds up. What does Dr Hewson hold? Basically, it's the Gordon Gecko view of the world, greed is good, survival of the fittest, if you're not a millionaire you're a lay about, if you want health protection go and pay for it, if you want to put your kids through university let your old man cough up 15 or 20 thousand bucks a year to put you through. That's his view. That's why I don't think he is going to win.

- Q: If I can just follow up, does that mean you think you can win the election with 10 per cent unemployment?
- PM: Of course I do, of course I do. Why would I waste my time on some of you jokers if I didn't?
- Q: Mr Keating, last night I listened quite attentively to Mr Dawkins explain the need for Australia to

develop our manufacturing industries. Could you please explain to me how an extra \$335 million of local government expenditure will assist our manufacturing industries rather than just contributing to the number of council workers I see propped up by shovels?

PM: That's not a very clever question, I've got to say, not a very clever question. So if you're looking for marks I'd reward you low marks. Now let me give you the answer. Unlike you, there are people out there unemployed. And they're unemployed through no fault of their own, they've been denied the opportunity society can offer them. And one of the great tragedies of unemployment is that people lose their self esteem, and they think society doesn't want them and that they are of no use. And they get locked out of doing some of the very useful things the rest of us can do with the right of keeping their self esteem up. And as well as that they lose the opportunity to go and take on full time employment, because as they are more stigmatised by unemployment their opportunities wane. That's why labour market programs exist around the world. That's why we'll put 400,000 people through the Commonwealth's labour market programs this year. And that's why \$345 million to regional areas of Australia, which is particularly hard hit by unemployment, will be a useful thing to do, to give those people work experience, and also to do work on projects for which there's obviously always a pressing need in local government, often and invariably underfunded as it is. It's always struggling for revenue because rates are the basic areas of its income apart from direct payments from the Commonwealth. And therefore, financial support for these sorts of projects in local communities is, I think, important. You made the point about, and of course need I say necessarily, it means that in societal terms those people are getting a go and they might not otherwise, which makes things just better generally.

Now, you made the point about how are we going to be a more clever country? The answer is, by doing clever things. By putting more kids through university, by getting retention rates up in schools. I mean, how the Liberals could have ever thought we could have been a clever country with 3 kids in 10 completing secondary school, God alone knows. With 7 out of 10 children basically untrained, how we could have ever been approaching a very smart country. Those retention rates in secondary school are now 7 in 10 and they are now heading for 9 in 10, and the appropriate proportion of them will go through university, and the balance of them will now be picked up in a mature vocational education system.

That's how we're going to be producing the sort of things, and the focus on research and development, the focus on product innovation, the higher profits, the competing exchange rate all are of that enormous story of exports through the 1980s. We've literally exported our heads off through the '80s producing, in many respects, elaborately transformed goods. And there's no, the link that you make, which is basically saying look, if they're not producing something smart forget them, if they're out there unemployed in Fairfield, in Bankstown where I'm from, or Western Melbourne or Northern Melbourne, forget them. That's the view that says you don't really want a society like this, that you're putting no premium on social value and no premium on harmony, and not taking responsibility, but in a country with large structural change and particularly where demand is falling, that there's a responsibility on the Government to deal with unemployment. That's a responsibility I accept, and particularly where demand is falling, a responsibility on the Government to deal with unemployment. That's a responsibility I accept and one which I think society accepts. That's why I think your link between smart goods and smart products and 335 million local councils is not a proper link and not an appropriate link and one which I think would be a great mistake for Australians to believe should be made.

Q: We've seen a lot of deregulation and rationalisation in the period of your Government. I wonder if it's time now for the next step in that, to remove one layer, or to give Australians the opportunity to remove one layer from the Government structure within Australia, move to a two tiered structure, and possibly to elect you as our first President?

PM: Thank you for the compliment, thank you but no thanks. Look, can I just say this. It is a fact of our constitutional life and history that we have States and local government, and if we were going to the drawing board Australia would probably be more appropriately governed regionally. That's not the case. That's not the case today.

So I think the thing to do is to work cooperatively as a nation. And the work which we've done with the States in recent years is, I think, quite profound in terms of success we've been able to bring in the last 12 months in such things as a National Rail Authority, and beefing up the development in national rail in this country, in the development of an East Coast Electricity Grid, where we separate power generation from distribution to create for the first time a real market for electricity that could only be done by cooperation between States and the

Commonwealth Government, in the creation of the National Training Authority where formally the role of the States in technical and further education became a dual role between themselves and the Commonwealth. These sorts of areas of cooperation, I think, can mean that in Australia, in things like uniform regulation and uniform standards which we've now agreed upon, are a good way and I think the only way to be running Australia.

Now, one can never be entirely overtaken by with that bonhomie and give the States taxing powers and let them split the Commonwealth Budget up and the rest, because the Commonwealth Government should run the nation's economy and run fiscal policy. Within that, though, there's no cause why we can't have a cooperative structure. And in doing that we have the best of Australian governments, and the best coming out of Australian governments and the Australian people, I think, have been really well served.

Now, what our constitutional history holds in the future only the young among you will know, but I don't see it changing radically, not in my political lifetime. And so the other view is to make the existing structure work, and I think we're making it work and I think Australians are getting value from the relationship between the Commonwealth and the States.

Q: My question relates to something I read recently in the weekend newspapers, and it relates to your tastes in music. I think you were quoted that at times you liked Tom Jones, which I certainly do, but also opera, but both at full volume. And I wondered if either one of these or both combined contributed to your political acumen?

PM: My political acting?

Q: Acumen.

PM: Acumen?

Q: Not acting, no.

PM: We're all actors, I don't resile from that. Well, it's not a Budget matter, let me say. But I think if one is passionate about things and in politics, and in political life, one has to be to do it, then it's entirely likely one would be passionate about other things. And one of the things I happen to be passionate about is music, and I think that at times when my spirits have flagged, and over the years that's every now and 'again, not too often, then the Resurrection Symphony of Mahler's or something appropriate to the story like that, or even one of

Strauss' songs or something of that order, does revive one's flagging spirits. And if I feel perhaps a little more uplifted I can actually turn the clock back to the '60s and listen to a bit of twelve bar blues, a bit of good 'ol rock 'n roll and all that. But I must say that I'm basically on the classical end of the spectrum these days, even though I keep the old library at hand.

Q: Mr Prime Minister, this question will be very simple because you've virtually answered it earlier in the evening. Do you think the Australian manufacturers have the product range and capacity at competitive prices to meet the rise in demand which will occur when the economy recovers without a blowout in the balance of payments?

J: Well I think probably in the first instance it always takes a while to get that full capacity utilisation levels back, because in any system where it's running at part capacity it takes a while for that response, for people to start rehiring people, and to meet demand, which may in the first instance be met in some part by imports. But as we get our wind back and start to pull full capacity out of the system, I think that will be less the case. And there was a lot of capacity installed in the 1980s, I think people forget this. There was a terrible lot of capacity installed and it's now not being fully utilised, it's being seriously underutilised, and as we build back I think we will find a lot of domestic demand is satisfied by that. I think it would also be the case that the investment environment in the '90s will be so good in terms of inflation, interest rates, the tax system, cost of capital, depreciation, productivity, labour relations, and with the highest levels of profitability going to the traded goods sector of the economy. That we will see more investment instilled in plant and equipment, in productive capacity, when we saw in the '80s that some of the investment went into real estate, construction, office towers, shopping centres, et cetera. And given the fact now that the old belief in Australia that inflation in property has waned substantially, the next phase in investment, I think, will go into income producing businesses and into plant and equipment to add to capacity.

So, I think there's a lot of capacity there underutilised that will go up to, always it goes up to the full hundred per cent when demand starts to really pick up in a consolidated way and a sustained way, and I think then people will see the profit potential of putting in more capacity and growing more quickly. Now you may always have this problem of capital goods and capital imports, a surge of capital imports to accommodate more capacity, in the

end that's of course what we must do. And I don't think that's ever been a problem carrying capital goods on the current account providing you're going to get a return on them down the track.

The only way out of Australia's long term current account and indebtedness problems is with production, and production is only going to come from investment, and the only thing therefore to do is go for it. Get all the conditions into place to, and they are coming into place now, as I say low inflation, low interest rates, a competitive tax system, big depreciation rates, 150 per cent for R & D for instance which we've just reaffirmed, a pool of savings through occupational superannuation, there's a tremendous stack of good points for Australian investment in the 1990s, and they're in the end all the things which are basically going to deal with our production problems and imports. And it's more the pity that we had to end up with a stock of debt to learn the lesson that you can't simply do the unclever thing, and let the creativity of your people fall by the wayside and not invest in income producing things, things which add value, believing that only the primary export sector was our salvation. We've paid a very high price for that mistaken belief, and with the price paid and the lesson learned, I think we can now look forward to much higher levels of production and in the end, of course, dealing with the current account deficit at source.

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