



PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH KEVIN HUME, ABC RADIO - 27
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HUME: Prime Minister, why bother to battle for Carmen, she is dead and gone isn't she?

PM: I don't think so. Carmen is held in high esteem and the polls tell us that. She has done a first class job in tightening up the administration here in Western Australia, she is an honest, decent, hardworking person who is running a fairly tight government and I think she has every reason to be re-elected.

HUME: Every reason to be re-elected, a fairly cautious endorsement. I mean the polls are showing 9/10% swing against Labor.

PM: Polls are not always right, they are not always right and we will see what happens on polling day. She has had a battle and she has known that but all the same she is in there with a chance.

HUME: You talked yesterday about generational change, Richard Court in a sense represents generational change or does he?

PM: I don't think so, much the same age, he and Carmen. No if Carmen were an elderly person I would say yes that's fair comment, if she was the age of you know Joh Bjelke Petersen or Charlie Court or somebody, fair enough, but she is a young person as a Premier and I don't think the generational change in turn anyway. If a generational change refers to a youthful view of the world, a youthful view of the world and a sort of upbeat progressive view of the world, she is a younger person than Richard Court is.

HUME: If you look back to the 1980s the heritage of the past, the baggage of the past that Premier Lawrence has got to

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HUME: (cont'd) discard, part of it includes of course economic rationalism. Does economic rationalism to you these days represent the baggage of the past?

PM: I don't think it includes economic rationalism. I think it includes state participation in the private economy and a lot of questioning about that but the issue is it was she who set up the processes of enquiry into these policies and therefore I think that any problems in the way in which the state has functioned in those respects shouldn't be sheeted home to her.

HUME: Let's look at the wider question of economic rationalism and your own promise with the coming federal election to bring just a touch of the Whitlams back into the campaign, a touch of excitement certainly from the 1970s but it's curious to look to the past to find that contemporary touch of magic to inspire the electorate isn't it.

PM: I think so. I think politics is about imagination and you can't get nations to do great things, great deeds without a sense of imagination by the public and it is the job of political leaders to instill that sense of imagination in them and I should have thought in the last year we have done quite a bit of that.

HUME: Can you successfully remake yourself though from the 1980s, can you shed all of the baggage from the 1980s?

PM: I don't want to, I am not intending on remaking myself at all, not one bit. I mean it depends, you are confusing the terms I think rationalists with the ideology of the right. The view that sort of John Hewson subscribes to the sort of Margaret Thatcher, Reagan view. I was never for that but I was always for rational policy not for irrational policy and you can't compare Australia today to 1983 or 1984. Here we are now a much more interesting country, much more diverse industries, much greater wide basis to our wealth. This is the first year we have exported more manufactured goods and rural goods than rural products. The great bulk of those, the greatest growth in those has elaborately transformed manufactures which we just were not doing a decade ago. International services, medical services, education services, health services, tourism, were just not traded services ten years ago. These came because of a Labor government turning Australia into a proper functioning market economy.

HUME: There have been considerable costs as we have seen with the continuing turmoil for example over the banks, the role of the Reserve Bank whether regulation ought to be reintroduced and tightened in the 1990s, a deregulatory fervour as though you were not susceptible to it. But there were certain -

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PM: It's not a matter of being susceptible to it. I introduced deregulation but you can't half introduce it, that's the old point about pregnancy, you can't be half pregnant, you either are or you are not. If, when I was for instance deregulating deposit maturity controls back in the 80s, savings banks for instance, well trading banks couldn't accept deposits under 30 days. Why? Why? No reason. So what do you say we won't go to accept deposits, any deposits at any duration, we will only make it 15 days, we will only partly deregulate. I mean what is the rationalisation -

HUME: I am confused here, you are saying that Thatcher and Reagan for example were excessive in their fervour as far as deregulation is concerned. You are saying as far as you were concerned you couldn't be a half deregulator?

PM: No, no because Thatcher and Reaganism is not about deregulation, it was about basically no role for government. It was about government withdrawing, it was about ripping down the public sector, it was about not breaking the social wage, the safety net, these people didn't care about access and equity in education or access and equity for health or access and equity in age care. These are the things that marked out the Labor Government against the cold winds from the northern hemisphere in the 80s. The things we had in common was making economies function, function more naturally. That I regard as simply rational.

HUME: One of the costs again of the 80s in a sense though was the increasing internationalisation of that deregulated world economy we are seeing with the turmoil on the foreign exchange market day by day for example. The extent to which the Treasurer and the Government, the Keating Government in a sense is a prisoner of those international forces. Do you regret in any sense having to deregulate to a degree to make Australia more competitive, more part of that international economy?

PM: No, we just had to happen, it just had to happen. You look at Western Australia, Western Australia is a mining and agricultural state. Just imagine how it would be without a proper exchange rate mechanism, without a competitive exchange rate, where would those iron ore mines be.

HUME: But it has made you a prisoner in a sense those international gnomes in Zurich, hasn't it?

PM: No, no that's all static from the Left, you have been mixing with too many Lefties mate, that's just voodoo stuff. You are a prisoner of your economic performance. Floating exchange rates came because when some people were inflating at 10% and others at 2 they wouldn't take your currency for theirs because yours wasn't worth as much, so the fixed exchange rates went, so what was going to

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PM: (cont'd) be put in its place? Obviously mobile floating exchange rates and in the days of low inflation when everybody was inflating about the same low rates of inflation you could keep fixed exchange rates. But you have seen how difficult it's been with Britain. I had a lot of people in this country say to me in the 80s we shouldn't have our currency tied to something, look at Britain it's joined the ERM and I used to say yes, this is a mistake they won't stay there and of course it's proven to be true. They tried to stick with the fiction that a country which was less productive and more high cost could keep its currency on a par with one which was more productive and lower cost and of course in the end people won't swap your currency for theirs for the same price. So floating exchange rates in fact cover, they make the difference. In other words they make the system equilibrate.

HUME: But they still create considerable political and economical turmoil for a Prime Minister heading into a very tight federal election.

PM: There is no turmoil here. There is turmoil in Britain with a fixed exchange rate but there is none here. The exchange rate has come down over a period of time, there is an occasional flutter and it gets a headline in the newspaper but by and large the system works and it works because it's in a sense the shock absorber that takes the change, be that change be the difference in the terms of trade, that is the falling prices for commodities etc or be it be in interest rates, whatever it might be that exchange rate takes the shock and takes the change. You intimate therefore we are sort of prisoners of that, what you are if you are a prisoner of anything you are a prisoner of your economic performance, you can change all this by changing your economic performance and countries that don't change their economic performance, that don't be productive, that basically lay back on the oars, fine, in the end someone marks them down.

HUME: Let's look at other prisoners of the past internationally then. John Major certainly, Bill Clinton certainly. The Germans with the price of reunification still to be paid and hoping to make it to be paid through credit cards rather than in a sense through raising taxes. The Japanese also suffering because of their past enthusiasm for asset inflation from the late 1980s, stock market fervour and so on. All prisoners of the past, to that extent you and your Government and this country is also a prisoner of the past and the legacy of the past internationally.

PM: The past that I have had to deal with was the sloth of the coalition parties who believe that we should be just left with agriculture and minerals. I mean they took the view when I became Treasurer in 1983 only three kids in ten completed secondary school. They didn't think we needed to educate the workforce, they didn't believe we needed to do sophisticated things like sell health, medical, tourism services. They didn't believe in high value added products,

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PM: (cont'd) they believed basically in farms and quarries. It has let us down, that's what produced our national debt, it's that basic weakness that occurred over 25 years that produced the rise in our national debt and the only way out of it is to change the basic nature of the economy so you can pay for yourself. That you can pay for your imports and you do it in a way ... adding value rather than selling primitive things, primitive things or primary things. Now that is the job that I had to do that was to change all that, to change all that culture to an outward looking productive culture and it's changing. As I said this is the first year in our history where we have exported more manufactures than rural products.

HUME: Ten years on the point again is still that Australia is a prisoner of the past, the legacy of Reagan and Thatcher to a degree a prisoner also of international forces whether they are the stock market, international foreign exchange -

PM: I don't think we are prisoners of anything. I think Australia is in a position to control it's own affairs. If it wishes to promote its investment, if it wishes to produce more product, if it's productive sectors are more supple and there is a larger level of production then of course our current account deficit will be lower, our exchange rate will be stronger. What I am trying to say long windedly it's all up to us. But if you want to lay back and not make the changes well you get beaten up, you will get beaten up by markets. There is no one looking out after you any more that's all changed and the changes of the 80s mean that we are now a long way on the path of changing Australia towards that kind of integrated with the Pacific particularly and integrated productive international culture.

HUME: I can certainly understand your optimism, if I can quote some Jerimiahs from Britain though, economic forecasters and others. You say that 1990s because of the past is going to be a decade of stagnation essentially. It's going to be a repeat to a degree of the slump of the 30s. America is bound by \$460 billion of budget deficit, Clinton can do very little in the way that FDR did in the 1930s something like the economy. The Germans as I have indicated are unwilling to do anything -

PM: The Germans -

HUME: - finance themselves through credit card fantasies. Not the most encouraging with which you have to work as Treasurer or Prime Minister.

PM: That's true, the Germans are obsessed with inflation and they are now through their policy of their central bank largely hurting, seriously and badly the economies of western Europe starting of course at Britain, now France, now others. The French Franc is seriously overvalued and it's hurting, desperately hurting the French economy. But

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PM: (cont'd) the people in the Bundesbank are keeping the pressure on those economies to make certain that their domestic change, that is the incorporation of East Germany into West Germany is a low inflationary incorporation. In other words they are prepared to punish the rest of Europe. I don't approve of that but it's happening we have got to live with it. Japan is in a recession because of the spread of credit in the 80s, credit in the 80s went beserk, it went beserk in Australia. That's part of when you were talking earlier about the problems in Western Australia. It was part of that credit binge, the availability of credit, the easy availability of credit through international credit markets.

HUME: Ok, let's look at solutions then. Bill Clinton again, the generational change we talked about at the beginning of our discussion. He has hedged in there is very little that he can do, he cannot in the sense be FDR as he might want to be. Can he though reform the international economic order which is still tilted against countries like Australia?

PM: I think he can, I have great hope and expectation for Clinton. I am very heartened by his presence by his attitudes and I think he is in a good position. People need to remember this that America, like Australia, today there is one in ten roughly out of work. In the Depression it was three in ten, this is not to be compared this period. American production fell by 33% between 1929 and 1933, the month that Roosevelt was inaugurated three years back to the stockmarket crash of 1929 American GDP, American product fell by 33%. In the last two years American products has fallen by 3%, 3% not 33, so I think that gives you the relative weightings. We have got problems, yes, but they are solvable, they are capable of solution and I think Clinton has the energy and the youthfulness and the mandate to go and do it.

HUME: But much depends on either revival of the north south dialogue from the 70s, redressing the balance between the third and first world or some sort of fairly fundamental readjustment of the terms of trade around the world. We are in crisis.

PM: That's what the GATT is about, that's what the General Agreement on Trades and Tariffs is about.

HUME: There has been certainly a significant shift in terms of GATT but the job has barely started. It was an interim arrangement until Clinton gets in there one surely must hope that Clinton will see the need for radical change for the world economic order if it is to survive, if prosperity is to continue.

PM: We have certainly played more than our role, a bigger role than our size in getting agriculture into the GATT. I must say we, I mean this Government in getting agriculture into the GATT agenda and the GATT discussion in

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PM: (cont'd) 1986 and it's in there now and there is some likelihood now that we will get a solution on agriculture which we will mean we will have an international regime for trading goods, in services in intellectual property rights and in agriculture. This will be a great backdrop for Clinton to inherit the American presidency and a very enthusiastic and bull point for Australia in finding itself in a fairer trading world. They are the things you can do as well as all the bilateral things that's between our country and another country but it's the multilateral, it's the great world steps like the GATT which make the difference. So I am quite optimistic, get the GATT together get a decent backdrop in trade, further liberalisation of trade in the Asia Pacific, the development of APEC which this Government has started in the Asia Pacific area, a pickup in American growth, a better rationing of credit worldwide. I don't think there is cause for pessimism about the 90s at all. Notwithstanding the excesses of the 80s and they were huge excesses. People talk about the roaring 20s it was nothing like the roaring 80s, the credit growth of the 80s was profound and this has been part of Australia's problem. The reason we had the boom in the late 80s which was then we had to slow down was because of the excessive growth of bank credit.

HUME: American historian Arthur Slessenger, he was associated with the Kennedy regime in the early 60s in the USA, pointed a couple of years ago before the trends were evident perhaps of the 1990s like the 60s and like the 30s in America and through the western world being a decade of re-emergent belief that government was good, that government regulation as necessary. Things have changed though, part of the generational changes you see in the USA is increasing diversity and fragmentation, multiplicity of races and of interests and so on, it becomes more difficult in that sense for government properly to govern and to manage that diversity and that rapid pace of change.

PM: This has always been an issue in this century the belief that the two competing beliefs, one that private initiative and private reward is a key to all prosperity, the other the government involvement and government planning as the key and you sort of go from Calvin Coolidge on the one hand to Franklin Roosevelt on the other back to Eisenhower then over to Lyndon Johnson's great society then back over to Nixon, across to Carter and then Reagan and now of course Bill Clinton who takes the view that there is a role for government. So it's been a competition for that view what is best. Now what I have said is this I believe in community values, I believe the dominant national values of this country, of Australia should be community values not individual values. My opponent John Hewson believes in individual values, he thinks if you keep the wealthy wealthy and they have got a buck well the rest will trail along successfully behind. I don't believe that, I believe that we ought to be addressing the country as a community so it is important that people can get health protection and health

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PM: (cont'd) insurance at a decent rate and find themselves covered for health regardless of income. I do believe that kids from working class families ought to avail themselves of secondary schooling and get into universities and into TAFE. I don't think it ought to be a matter of how much you can afford to pay as John Hewson does and I think that is the difference. That is whether a nation commits itself to community values or individual values and what has happened in America is 160 million Americans have voted for community value, for the policies of Clinton and I have made the point here and it's worth making to you Kevin. In this election John Hewson is going to ask the Australian electorate to vote for individual values, to vote for Reagan Thatcher values against the kind of values which 160 million Americans have just voted. So that is why I think that it's not really about deregulation or whether the gnomes have got us or what have you, it's about this nice happy fit of an effective market economy built around a decent social wage and social policy and safety net and you can do them both and that's why social democratic parties, Labor Parties have been more successful at doing this than any in the world and I think we have a pretty unique mix. We have got one of the best social security safety nets in the world and it's worth fighting for and at the same time we have got an economy in a modern transition.

HUME: But the X factor beyond all of this again to refer back to another theme of our conversation which you have moved away from time to time is the ghosts of the past, the ghosts of Calvin Coolidge if you like. An extent to which in the public Australian mind Paul Keating is seen as the ghost who still walks of Calvin Coolidge and Ronald Reagan and Thatcher of the 1980s still stick to your clothing.

PM: No, no.

HUME: You can remake yourself -

PM: But where do you think Medicare comes from, where do you think the family allowance supplement came from, where do you think supplementary payments for low paid women came from. Where do you think occupational superannuation came from? It came from me when I was Treasurer, when I was Treasurer.

HUME: - beyond the world's greatest Treasurer, Treasurer who gave us the recession we had to have and so on.

PM: No, what gave Australia the recession was a crazy leaning by Australian banks and the crazy borrowing by Australian business. That's basically where the overheating came from.

HUME: And who was responsible for -

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PM: And the slowdown was induced because we couldn't afford to go on blowing our national savings. Just understand this point, that in terms of social policy while the social policies of the Labor Government were the product of a number of people, I was the Treasurer for most of the period so if you go and ask say, an organisation like the ACTU, where did they come to give ordinary working people access to superannuation? They say the Treasurer, to me. Where do they come for the family supplement, for the funding, where do they come for continued changes in Medicare or increase in sole parent pension or the aged pension or the hostel program or the home and community care? It came from the Budgets of which I was Treasurer. So don't put me in the Reagan and Thatcher category, that's Hewson, he believes in all that stuff. He never gives the people an even break, make them pay through the nose, rip Medicare apart, make them go and pay \$30 a week for their health insurance, put a 15% GST on their back because they don't know what's good for them. Make them pay full fees at university for their kids, that's his view, it's not my view.

HUME: So realistically looking to the next federal election whenever it might be, what are the chances we are going to see Paul Keating up on television with dark glasses playing a saxophone like Bill Clinton, heralding in a new era?

PM: I am not a saxophone player and he is, he is a good one as well and good for him but it's all about your view of the world. I mean I had the opportunity to take a middle sized OECD economy and change its orientation out to the rest of the world, make it fairer and more decent and make it productive and few people in life are given those sorts of opportunities and I had mine 9 years before, 10 years before Bill Clinton had his opportunities. We are basically the same age so I had got at this stage a 10 year jump on him.

ENDS