



**PRIME MINISTER**

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING, MP  
INTERVIEW WITH PAUL LYNEHAM, 7:30 REPORT, 4 MAY 1994**

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**PL:** We'll go now to the Prime Minister who has just joined me here in the studio. Mr Keating, thanks for joining us.

**PM:** Thanks Paul.

**PL:** Chifley had a vision. Where's Paul Keating's vision in all this?

**PM:** Well, the vision here is of a cohesive society where we don't take the callous view that half a million people, long-term unemployed people can be the people who carry the burden of economic change and you keep a society, you keep a country together by letting everybody believe they are part of it. And this is particularly so with young people so that they don't grow up believing they are alienated and that no one is interested in them.

**PL:** But, you've produced more Budgets and statements and packages than most of us have had hot dinners over the years. Doesn't this suggest it's taking a hell of a long time to get this right?

**PM:** Paul look, the Australian economy today is not to be compared with what it was 10 years go. I mean, it's exporting its head off. It has got a 2 per cent inflation rate, it is growing at 4 per cent. We've had two million job growth in the ten years, we had a work force of 6 million in 1983, we've got a work force now of over 8 million. Employment is going to pick up again strongly, but it is not right and it is not decent and it is not efficient to leave a large body of people untrained, uncared for, unthought of. Now, this program; we are going to be personally case managing 504,000 people next year.

**PL:** This is really one-on-one stuff is it?

PM: One on one - 504,000, I mean, if that's not a vision of getting people back into the mainstream of Australian society I don't know what is. I mean, I don't want to see Australian cities like New York or Los Angeles.

PL: I'm sure no Australian does.

PM: No, and the way not to do it is to reach out to the unemployed and to give them this work experience and to train them and to give them self esteem and confidence and competence and see them taken up because, I think, in this recovery another point that needs to be made Paul is this, that the complement to skills formation, when we are going to need skills in this recovery is not going to come from migration, it is going to come from within Australia. In part, it is going to come from that pool of long-term unemployed people.

PL: And if we start running into skills shortages then we are going to end up with a bit of a bottle neck?

PM: If we run into skills shortages, you'll have wage cost pressures and you'll have higher inflation. So, the way to deal with it is to get this pool of under employed resources and unemployed people trained and back into the mainstream labour market.

PL: All right, while we're on the big picture, the long bond rates hit an 18 month high, they went into panic mode this afternoon after your statement.

PM: No they didn't.

PL: Well.

PM: Look, they have been rising for a couple of weeks on notions of what the American Federal Reserve Bank is doing and frankly, here we are when the low inflation rate came out last week at 2 per cent, it made monkeys of them. I mean, the long term bond market has got no credibility ...

PL: This document, Prime Minister, the cost of the White Paper measures are covered by the growth dividend, this leaked draft of the Budget. Is that right?

PM: That document, God knows how old it is. It is as old as Methuselah I think given what's in it. It bears no relationship to the Budget, but I made the point very clear in the statement today, Paul. When one makes the judgement of saying is the economic efficiency and equity point of picking up the young people of Australia between 15 and 20 and the long term unemployed and giving them a place in our society and growth in our economy and a complement to the labour market

better than the short term financing effects of another \$1.7 billion off the Budget. There is no judgement to be made, none what so ever.

- PL: But we have got six days now until the Budget. Are you going to be able to assure the markets that interest rates don't have to go up again because we could jeopardise growth, the real growth and prosperity - we need to get real jobs in there.
- PM: Paul, just on the markets. The market has got the long bond rate now at well over 8.5 per cent. We have got a 2 per cent inflation rate, we have got a real rate of interest of 7.5 per cent. The average real rate of interest in the last 30 years was about 4 to 4.5 per cent. It is the bond market that has basically got to wake up to the fact this is not the United States, that what the US Federal Reserve does has nothing to do with Australia's inflation rate and that the Government will bring in the Budget, as I say in this White Paper, and meet its target of a Budget deficit of around 1 per cent of GDP by 1996-97.
- PL: And will the cost of the White Paper measures today be covered by the growth dividend, Prime Minister?
- PM: It will be covered by the things which any sensible society, the resources, any sensible, efficient, compassionate society would spend on its people who are carrying the brunt of unemployment. All these people who incode say, I mean, Professor Sloane, she is confused about whether it is young people or ... It is all about saying, "look, forget them", she talked about substitutions - forget them. You forget them and you end up with a Los Angeles on your hands.
- PL: Yes, but there is going to be churning isn't there?
- PM: That's what happens to you, you end up with someone breaking your window in.
- PL: But, there is going to be a lot of displacement. People will displace others in this.
- PM: But, we'll have in a strong economy with low inflation a lot of aggregate employment growth and that is the key point. But, are these people entitled to be part of the stream? Well, the answer is of course they are.
- PL: To what extent though will all these training schemes and so on mask the real level of unemployment? Your critics say it is another Keating 'ace up the sleeve trick'.
- PM: There wouldn't be an OECD government, a western government, undertaking a package of this size and this comprehension. It is only in this country that you can get a nit-picking debate on this sort of thing.

- PL: Well, Margaret Thatcher is pretty good at massaging the figures, some say you are learning tricks from her.
- PM: Well, after that load of old codswallop you started with at this program ... I mean, that is the most absolutely irrelevant statistic I have ever seen in my life, but anyway ...
- PL: What, the manufacturing trade deficit has no relevance ... Or did you see the figures today?
- PM: You are trying to outdo Elle McFeast. You better make your mind up whether you are in entertainment or news, Paul.
- PL: OK, well how entertaining were the trade figures today - the merchandise trade figures?
- PM: I'll just give you a couple of simple numbers. Manufacturing production has doubled since 1983. Manufacturing exports have tripled since 1983 - 80 per cent of our economic growth comes out of services not manufacturing. That chart is completely irrelevant.
- PL: And what did the figures show us today. We had merchandise exports up 5 per cent and imports up 13 per cent.
- PM: I don't mind you trying to make a sensible point, but why make a daft point? We are all short of time. We are all busy, why make a dumb point?
- PL: Because the point is our economic future ...
- PM: Because you don't know what the real point is.
- PL: Our economic future is determined by our export performance. You keep telling us we have got a record deficit in manufacturing trade.
- PM: Paul, 10 years ago we exported 14 per cent of all we produce. What is it today? 21 per cent.
- PL: Record deficit.
- PM: Today. What's today mean in the long ... you mean, one month's balance of payments numbers?
- PL: No, we have a record deficit 1992-93. It has been getting worse as you see there.
- PM: That is the manufacturing sector, but what about the mining sector, the agriculture and services. As Professor Sloan said why point to that?

PL: It is one part of ...

PM: Paul, look, I don't want to have a silly argument about a silly point. Let me just make this clear that the Australian Chamber of Manufactures said today the job compact will ensure that a persons need to find a job will merge sweetly with an employers need to fill one. The Metals Trades Industry Association said they regard the Government's White Paper, 'Working Nation', as a constructive contribution to public policy which will provide new directions for industry et cetera. This is fulfilling the commitment the Government made during the election and on election night to keep faith with the unemployed, to have a more fair and equal society and a more efficient one. That is the point of today's message.

PL: Thank you, Prime Minister.

PM: Thank you, Paul.

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