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# PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP  
UNEDITED INTERVIEW WITH PRU GOWARD, ABC RADIO NATIONAL,  
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**PG:** Prime Minister, Mr Howard's address in reply basically talks about your broken promises - the L-A-W law tax cuts, the rise in the Medicare levy - does that leave you going into an election with a credibility problem?

**PM:** No. Here he is, he has a Budget reply and he hasn't got a policy - he had 45 minutes - 30 minutes, sorry - to give the country his policies, and he didn't have any. It was a sort of 1970s raucous, empty policy-free speech, and I don't really think that hurling rhetoric or abuse at a Prime Minister is any substitute for an opposition's position or policy. Our people on our side of the Parliament were very cheered up by Mr Howard's speech, because they thought it was so bad. And when you think about the weight and content of the Budget speech - which Ralph Willis delivered on Tuesday night - and the empty, rhetorical speech that John Howard replied to it with, the difference between the Government and the Opposition was plain and stark for all to see.

**PG:** All right, but what about the credibility problem that he argues is yours?

**PM:** I don't think we have a credibility problem. In the election I said 2 things - we would restart the growth in the economy, and that we would get employment going. We saw the second largest fall ever yesterday in employment - 90,000 fall for last month. We have now had 640,00 jobs since the election - it's the largest fall in unemployment in Australia's history - the recording of the fall in unemployment, the largest fall we have ever seen. They were the principle commitments I made at the election - not to leave the unemployed behind, to put an arm out, to bring them up. We did it

with raw employment and we also did it with *Working Nation*, with the long-term unemployed. On the tax cuts, I said in the *One Nation* policy that there would be 2 tax cuts - one we paid in full, brought it forward and paid it in full at the end 1993, the second, we have paid more than...it was worth \$3.5 billion, we are going to spend \$4.2 billion paying the second into superannuation accounts. And I believe that most Australians will think it is better in the superannuation account than simply paid as cash. Now, that means that with almost complete fidelity to the things we undertook in the election, we have done. Unlike most Australian Governments, we have actually got these achievements into place - growth employment, the tax cuts, looking after long-term unemployed and of course the other great issues like Mabo and APEC and Hilmer.

PG: I mean, he says though, technically, it is a breaking of a tax promise. What you're basically saying is that you have changed the content of the tax promise, but still delivered?

PM: That's right. We have spent more than the promise was originally costed at - \$3.5 billion - we will actually now spend \$4.2 billion. but it's a bit rich coming from John Howard who, in the 1977 election, the Liberal party as their central policy, a program of tax cuts, and they had as their logo a fist with a handful of dollars. And we were all enjoined to ring up a certain toll free number to find out what our tax cuts were. Five months later as Treasurer, he took them away completely. And you might remember that famous front page in the Illawarra Mercury which said "Lies, Lies, Lies". John Howard is up there tonight talking about transparency and decency and budgetary policy, yet it was of him that John Stone wrote that the fiscal deterioration in 1983 was the most rapid since the war, and that he had told then-Treasurer Howard about the \$9.6 billion budget deficit, but he wouldn't reveal it in the last 2 weeks of the 1983 election. So, to be up talking about transparency of budgets is unbelievable. And then of course, the other thing he did, he stood up with the Tax Act - he said "this is how big it was in my day, and this is how big it is now". Well, the answer to that is sure John, it's bigger - because we caught up with all the people avoiding tax, and that is what he should have done.

PG: But do you think the electorate will go back 18 years - I mean, there are a lot of kids who are voters who weren't born 18 years ago. I mean, the focus is really going to be on your promises - not his?

PM: No. But, there are plenty of people in public life, and in community life, who remember the cynical commitment of John Howard to those tax cuts, and he took them away, and the ones that he offered in 1982-3 and couldn't pay for, which then blew out the Budget in 1983. this is twice he's had a go at this, but look at how many tax cuts that I delivered on behalf of the Government through the 1980s - about 5 of them - all of them paid under the Accord to the letter. And then

*One Nation*, the first lot paid to the letter. In this week's Budget, they are to be paid for the betterment of everybody. In other words, they add to savings, but it's the great historic opportunity to say to people "you put 3% away yourself, and the Government will match it". This will bring everyone in the country under the Government's superannuation policies to 15%, and I gave the figures in the House yesterday. And what they mean, and show, is that under this scheme, someone on average weekly earnings - which is \$33,000 - would, in today's dollars, have a parcel of money of just on half a million, and that would guarantee them an annuity for the balance of their life of \$30,000 a year. So, in retirement, someone on \$33,000 today would - in the same dollars, in the dollars of the day - have a retirement income of \$30,000. Now, is this not a more sensible, better thing to do with the tax cuts, than simply just pay them off as cash, and not take, if you like, the generosity of spirit, the opportunity to build this great savings reform.

PG: Well, he listed a few broken promises, and we won't go through them all now, but I mean his basic conclusion was how can you trust Paul Keating to deliver the Government's promise on superannuation when there have been these other broken promises - and it is after all, after an election?

PM: We reject absolutely the broken promises routine. You look at all of the great bulk of the Government's commitments - the generalised child care cash rebate - in and proposed - the parenting allowance - in. The home child care allowance - legislated. It's very unfair for people to make, for John Howard, to be making these points.

PG: What about the current account deficit, and he said "9 years later after banana republic, and it's still not fixed - the electorate are cynical"?

PM: The reason why it's not fixed, Pru, is because, there has been a big savings hole in Australia. And that is, the nation has saved much less than it did in the 50s and 60s. And the reason for that was, 70s inflation - 10 or 12 years of high inflation established in everyone's mind that the last thing they should do is put money away. Buy the flat, buy a second house, buy a holiday house - do anything but put money away. Now, we are now back...we have had 3 years of low inflation, but 3 years doesn't change the sort of savings notions inculcated in people. What the Government has done now, and it did in the 1980s, is to make a very large change in fiscal policy - we have seen exports now go up by 50%, for 14% of GDP to 21%, and that's worth about \$18 billion a year, God knows where we would be without that - and now, in Tuesday night's Budget, we are going to see a 4 percentage point turnaround in the Budget balance, from a deficit of 2.9% of GDP to 1.7% of GDP in the next few years. And out of superannuation, we will see the Treasury estimates that the super change will be worth 4% of the GDP by the year 2020. Well,

let's say we are talking about 2000 rather than 2020, and call it 2% of GDP. The current account problem is only 2 percentage points of GDP - that's how big the problem is - that's \$10 billion a year. That's largely the size of the problem. So, the Government's put in, if you like, a 6 percentage point fix in Tuesday night's Budget, for a 2 percentage point problem. And when we said to John Howard "well, what would you do, John?", he wouldn't give us any policies. He would...

PG: He said you steal them?

PM: Did we steal occupational superannuation? Did we steal the policies of putting 3%, 5%, 9%, 15% into super away from him? He has always opposed it - always opposed it. The general change in the Budget balance - he said he was going to vote against the revenue increases. That change that we put in there on Tuesday night will basically, I believe, handle the current account problems - and that's what the long-term bond market told us in the last couple of days when they confirmed that 1 percentage point fall in the long bond rate. Let me just say this - the pressure off interest rates that this Budget will bring, will keep growth going through the 90s, and this gives a lie to Howard's principal claim that we have had 5 minutes of sunshine, which is just a cynical lie - a cynical bit of opportunism.

PG: But it hurts, doesn't it? You keep biting on it?

PM: All lies hurt. So if a lie is effective, it doesn't mean to say it's right. We have had 3.5 years of growth, and the Treasury is now saying we have got 3 years coming up. So, we have got 6 years there. you know we used to have a thing called the bond selling program? This year - because of the Budget going into surplus - the bond selling program will be about \$15 billion less - \$15,000 million. Because there are going to be fewer bonds around, the price of bonds will rise, and therefore the interest rate on them drops. That's why the bond market confirmed the 1 percentage point fall - so the Government has effectively reduced the pressure on interest rates in this Budget - effectively, and the bond market has said so. Not John Howard - the bond market. These are the important things. But John Howard had a chance to say where he would change the Budget - Peter Costello, on his behalf, has said they would not increase tax at all. So, if he believes that the public sector should be saving more, and he thinks that we have got to do a big change, like 2% of the GDP to deal with the current account, in his terms, it all must come from cuts in Government spending. Now, 2% of GDP is \$10 billion - how could he cut \$10 billion for government spending. And if that's his policy, he ought to say...he must know where it has got to come from - he had that Finance Department list he was running around with - he knows it has got to come from payments to families, or pensions, or payments to schools or to universities, or to TAFE, or defence, or payments to the States. They're the only places you can get \$10

billion out of a Budget of just over \$100 billion. And he was mum on that subject last night - he wouldn't say a word about it, and that's why I think he has squibbed the opportunity.

PG: Well, he says that the next election is going to be based on who people believe - you or him. Are you going to take him up on that?

PM: The proof is in the pudding. When I came along, Australia was an unconfident, inward looking, country ring-fenced by tariffs with an uncompetitive managed exchange rate and rust-bucket industries. That's what John Howard left me as Treasurer - with double-digit unemployment and double-digit inflation. What have we got today? We have got inflation now at just a little over 2% - 2.5% - and we have got unemployment just a little over 8%. It's a whole world of difference. And you know, Australia today is 40% more competitive than 1983 - you can't believe that number, and that's the Treasury's number. Not 4%, or 14%, 40% - 40% more competitive. So, that was the Australia that I was left, and look at what we have got today - a modern, international, competitive, low-inflation, economy. So, if it's a case of believing me, or a guy that has had no policy guts - he got nothing done as Treasurer, who squibbed all the big fights and financial de-regulation on the exchange rate, on tariffs, on social policy, on savings, on superannuation, on productivity, on product innovation, on education - I mean, there shouldn't be a contest. And so that's why.... Government MP's last night were in very, very high spirits at Howard's speech, and the Coalition MP's were very glum, because they realised that feisty little sort of speech style that Mr Howard employs on a Matter of Public Importance in the Parliament or in Question Time, is not the material for a budget reply. But that's as good as he could do, and it wasn't good enough.

PG: You did have terrific news yesterday on unemployment - it has dropped a lot, to 8.3% - but if it's only going to be 8% by the end of the year, I mean, is that enough? I mean, that's still a lot of people out of work - what else are you going to do?

PM: We have got 8% in the Budget, we may do better than 8%, I hope we do. But again, I think the forecasts are erring on the cautious side. We're at 8.3% now, 2 days after the Budget. Can we get to 8% in 12 months? There is some prospect that we will do better. But employment could also....you can't keep jobs growing at 90,000 a month. That may slow down over the course of the year, and participation rates change too. Our target is for 5% unemployment by the year 2000. We would be the only western country within cooeee of it - within cooeee of it. And *Working Nation* is helping us now get the long-term unemployed back to work - there is 102,000 long-term unemployed people gone back to work in this last year. In the same period in the 80s, it would have been 10,000, it's now 102,000. By being able to grate big chunks out of that pool of long-term unemployed people and getting them back into the labour

market, it really means that the target of 5% can be achieved. And I think the forecast in the Budget for growth over the next 3 years to be sustained on a low-inflationary basis means that we can basically get there. That is what we are going to do about unemployment, and that's what the Coalition can't do.

PG: You like forward forecasts, and it is a hopeful picture, but not tomorrow - not in the run-up to the next election which is presumably less than a year away - I mean, isn't that the problem for you and the electorate? That it's a promise that doesn't start, really, in some ways until 1997?

PM: Except that the job growth is there now - the GDP growth is there now - and it's been there, really, since 1993, so 1993, 1994 and 1995. In 1994 and 1995, the Australian economy grew faster than any other western world economy - that's a great achievement. And in this public debate, we have got a sort of unreality debate. Here we are with an environment I can't recall at any time in my parliamentary life where we have had 5% economic growth and 2% inflation. We have got, sure this time, a little slower - we want it slower, about 3.75% - 4% economic growth. Treasury is forecasting 3.75%, and inflation slightly up on that 2-3% range, but a tremendous environment for growth, and I think a lot of people are going to have to say "well, do we turn our back on that - do we turn our back on these long-term things like savings, or Hilmer, or Apec, or the big social changes like Mabo - do we that to go basically back to a party with 1950s values, and a leader with a 1950s view of the world?".

PG: So you think you can win the next election with the present current...with the current economic circumstances?

PM: The Government has set up a low inflation, contestable, high productivity, pro-growth economy. And I don't think any community in this country has ever turned a Government out on those conditions.

PG: So do you reckon this year? An election this year?

PM: No - there will be an election...I have always said that I think it is better when we get as much value....I mean, they're too hard to win elections here - they are short terms, they are 2.5 to 3 years mostly - they are too hard to win without giving time away. And I think the public expect value for their money from....

PG: ...are you calculating that the longer you leave John Howard there, the harder it will be for him?

PM: I think that the more people see of him, the more they think he is just the same John Howard from the 1980s. The only thing is, he is not

the same John Howard from the 1980s - the John Howard of the 1980s had a little more fizz to him, a little more bubble, sparkle. And I think what last night's speech showed is that he can't cut the mustard as he used to. He could never cut the policy mustard, but now he can't cut the rhetoric either. So, I think that is going to become apparent as time goes on. There was a very great chance for John Howard last night - on national television, within a year of an election, well within a year of an election, of saying where he stood. He took, rather, the opportunity to attack me.

PG: And just finally, I mean you do like forward projections - big plans - what about yours? I mean, do you think you will be here to see the 1998/99 changes that you have promised?

PM: I joined Bill Kelty and his colleagues in the ACTU, working on superannuation, in 1985/86 - we put the 3% scheme together then. And then we were tickled pink with ourselves when we got it to 5%, and then we got the superannuation guarantee levy in place, which took it to 9% by the year 2002. And now we have been able to add 6% to that in Tuesday's Budget. You do like to think that great things like this - that take time - to be around to see them happen, and, as I say, to make them Tory-proof, so that some nasty little right-winger won't get their ideological little fingernails under them and try to remove them. It's not just a matter of reform in Australia - it's keeping it. And I think Bill Kelty and I will be long enough around to repel boarders.

PG: Mr Keating, thank you for your time.

PM: Thank you indeed.

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