



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP INTERVIEW WITH JOHN STANLEY, RADIO 2UE, 1 JUNE 1995

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JS: Mr Keating good afternoon.

PM: How are you John?

JS: I am very well. Has John Howard been a hard target for you given that he hasn't given you much to hit at?

PM: Well I said the other day I thought, rather well, that there can be no honesty or credibility in politics without policies. I mean how can anybody go around saying I am honest and credible if they are too cunning or too devious to say what they stand for. As John Howard, wanting to be Prime Minister of Australia, says ... he is trying to say "I am not going to show that Prime Minister my policies". What he is really saying is "I won't show the Australian community my policies". So it is not me he is being tricky with. He is tricky with the whole Australian community.

JS: And yet he is saying that he will outline those policies in the course of an election campaign and he says he is going to give his broad philosophy which I think people do know that, don't they?

PM: Well, I mean, his broad philosophy he has only ever had three outlooks, three political philosophies since he has been here. That is cutting the wages of people under \$30,000. What he calls true labour market deregulation, meaning no award safety net. Letting them fall just as they fall in America and other countries. The other thing is throwing top-end benefits to families on very high incomes. And the third thing is a GST. They're his three things since he has been in politics for twenty years.

JS: Well can I just take those three things up? The first of those is lowering wages. He would argue that the true believers, the people who support Labor, have seen real wages fall under your Government.

PM: That is completely untrue, completely untrue. The best measure of average living standards in Australia is the measure we call real household disposable income and the reason it is the best measure is because it includes wages, salaries, supplements, pensions, social security benefits, it is also after tax and it is per person. And between 1983 and 1995, that is the twelve years the Government has been in office, real household disposable income increased by 40 per cent. Now there wouldn't be another country comparable to Australia with numbers such as that. I notice today that Peter Costello was running on any radio station that would take him. He was saying that incomes had fallen and he said that, I will quote him, "we are as poor, in fact, Australians, comparable to people overseas, are now as poor as they have ever been". Well that is just a straight lie and let me just expose the point this way. If we look at the per person change in real disposable income, household income, it was 19.8 per cent per year, over the period 1983-95. When the Coalition was in office, the best they could do was 2.1 per cent. So we have been doing in every year that which the Coalition was able only to do in seven years.

JS: But what people who might be on middle to low incomes who hear all of these figures say well look I am not 40 per cent better off, I don't feel better off, I feel like I have gone backwards? What is the problem with them because you talk to them all the time?

PM: Well you might but the fact of the matter is we have got now very low inflation, you have had wage adjustments through the period. Remember this, John Howard has opposed every wage increase since 1983. I mean it is just a disgrace for the Liberals to be up there ... you see their advertising agency has given them this word 'battler'. And this is the people who were opposed to every wage adjustment since 1983. In fact, Peter Costello went into the 1986 National Wage Case arguing for a reduction in all award rates to \$25 below the lowest award rate then applying. You know that they wanted to abolish bulk-billing for the lowest income people who go to doctors who don't charge them. They want to put a GST of 15 per cent on their backs for everything. You know they wanted to kick people off the dole after nine months in their last election policy. And they are still telling us they want to cut \$10,000 million from outlays and that will, of course, come out of payments to families, transfer payments, payments to the aged, to pensions, payments to schools and they are out there - of all people, the Dollar Sweets man, Costello, talking about battlers.

JS: And yet when they say ... I mean these are their policies which they say were rejected at the polls and, therefore, they are not going to proceed with them. I mean what is the difference when saying that, John Howard, he wants to put a 15 per cent consumption tax on? Couldn't that be equally said that you want to put a 12 1/2 per cent one on? You had your option C.

- PM: Yes, but we had over-compensation. We assumed that these people at the time, low income people, were dis-savers. You know what that means? That is not only were they spending all of their income, but they were also spending extra income given them by relatives, or by debt which they had, or by savings. When the consumption tax came out from Dr Hewson, Mr Howard and his friends, they had these people on the most modest income, with savings ratios of somewhere between 20 and 40 per cent from memory. I mean they never save. Do you understand the point? In other words, they were saying "the impact of this tax will be only modest on you because it is only hitting the part of your income you have got for these savings". The truth is, under our arrangements in the 80s, we had massive over-compensation to make sure that the lowest income people were most protected. These characters, when they are putting a 15 per cent, right on their backs, at the same time as they are knocking off bulk-billing.
- JS: But that is why they lost the election. They are saying now that they won't knock off bulk-billing, they won't bring in a consumption tax and, in the end, isn't it you trying to dredge up their baggage from the past, to match your baggage? People want to hear what you stand for now, not what they stood for in the past.
- PM: What do you mean people want to hear what we stand for now? What we stand for now is a 15 per cent superannuation scheme in the Budget. I mean that is what we stand for. We stand for a person on average weekly earnings, picking up a lump sum of \$460,000 at the end of their working life. Hear what John Howard said about it, he'd cap it he said in his reply to the Budget two weeks ago. I mean we stand for access and equity in health through Medicare. Access and equity in education. Do you know that only three kids in ten completed secondary school in 1983? That is now eight in ten. We have now added 60 per cent of places to university. I mean, do you know that we have supported every wage increase and we have now got, again, a safety net sitting under the system that John Howard is opposed to?
- JS: Sure.
- PM: So on what basis is he going around talking about battlers, other than on the basis of complete hypocrisy.
- JS: Well what I am saying to you though I mean the opinion polls and I mean you say you don't believe the opinion polls, but they are across the board.
- PM: No, I say, not that I don't believe them, that journalists don't understand them, that is what I say.
- JS: Well could you expand on that then because I mean they do seem?
- PM: Well because let me say in the last election, if you look at all the polls, the Government would have lost the election and the Government was

certain by the second last week of the campaign that they had the election won.

JS: Well but with the polls on the last day though of the last election, the polls on the day before, suggested that you were going to go very close to winning.

PM: On the last day. But our view was we had the election basically, we thought, won a couple of weeks before the polls and at the start we thought we had a chance of winning it. Whereas the commentators and the polls gave us not a snowball's chance in hell.

JS: So the polls now don't reflect what is going to happen in the future? Nobody is changing their mind?

PM: Well what happens is if you go and say to people I mean a lot of members of the public have worked it out and they say they there might be an election at some time in the next 12 months. Who would you vote for, the Coalition or the Labor Party? And they say "well look there is a way of sending the Government a message here". In other words, they put a little needle into the Government always. Whereas in by-elections, or whether it is in polls, they always underestimate and understate the results. And, of course, the other thing, a lot of these polls are taken by telephones, which distort the result as well.

JS: Isn't there also an argument that the people have decided twelve or thirteen years they want anyone but Paul Keating? That last time there was a GST factor entered into it and if John Howard runs on basically a very bland policy mix, he will get in?

PM: Well I think you are dead wrong about that, John. That is the simple stuff that you might think. But look at yesterday's National Accounts. Right on target under the Government's policies. A sustainable 3.7 per cent growth in GDP. In other words, not only have we done the principal thing we said at the last election to get the economy growing again, we have created 630,000 jobs, we've got the economy on a sustainable rate. As The Financial Review said today, putting into doubt completely Mr Howard's cynical line about five minutes of sunshine.

JS: But the people who pay interest rates. I mean mortgages, for instance, most of them don't read The Financial Review.

PM: No. But, I'll tell you what, anyone who has got a memory will know that it was 22 per cent under John Howard.

JS: Yes, but they also know that they have taken three hits of increases in interest rates in recent times.

PM: But off very low levels, John. They were 4 1/2 per cent. The cash rate at the Reserve Bank, at the bottom of the system, was 4 1/2 per cent.

You have still got housing rates now at 10 per cent, or under 10 per cent.

JS: Yes, but it is still a couple of per cent higher than it was say twelve months ago.

PM: But we were then coming back into strong growth. You can't expect rates to be, now, in the face of 6 and 5 and 4 per cent economic growth, what they were when it was 2 per cent.

JS: Yes, but I am simply saying that people who twelve months ago had a higher disposable income, given that they were paying less in their mortgage payments, are going to say well things are not better for me today, than they were twelve months ago.

PM: Whoa, whoa. In 1993 we gave people a huge fall in interest rates for housing - a huge fall. And a huge increase in disposable income and, because of the wage arrangements and low inflation - you know we had inflation running at 1.5 per cent and 2 per cent - we have had wage settlements running at around 4 per cent. People have had a real increase in disposable income, from wages, and from disposable income and lower interest rates. Let's not get away from the facts. And that's why, I think many people understand, that in fact this is happening. Why would somebody take John Howard, who had a double digit inflation rate, a double digit unemployment rate, the biggest Government spending in the history of the Commonwealth, and where we had one-fifth of the employment growth in his years that we have had under these years - do you know we have had nearly 2 million jobs created since 1983?

JS: But that's....

PM: Just a second - when I became Treasurer in 1983, there was a workforce of 6 million. Today, it's just on 8 million - it's just over 8 million. In the period of 7 years, they had one-fifth of the employment growth under John Howard, that we had under this Government.

JS: That's right. That may be right, but that was...

PM: It is right.

JS: But that was in the 70s and the early 80s.

PM: No - up to now. Up to now. We have had 1.9 million jobs since 1983.

JS: But are you going to rely on the election campaign on continuing to talk about John Howard's record?

PM: No. I'm talking about ours. That is, a good Budget - a strong Budget - the Budget back into surplus - strong employment growth - 400,000 in

the last year, 630,000 since the election - I'm talking about the only national savings scheme that the country has ever had, 15 per cent contributions on behalf of everybody to occupational superannuation, so that from here on, every generation of Australians will not have to worry about their retirement income. That's what I am talking about - I'm talking about real progress.

JS: I guess what I'm talking about is in terms of the election is perceptions, and there is a perception there in the community that people no longer believe you - they have heard you talk about bringing home the bacon, they have heard....

PM: Hang on a minute - we have had 13 or 14 quarters of economic growth - do you realise that? We have had about 13 or 14 quarters of economic growth, and we have just had another one. Don't believe me - believe the record. Surely you are not trying to insinuate this discussion conveyed to your listeners that there isn't a growth economy out there?

JS: No. But what I'm saying is that there are people, and there is a significant proportion of people, who no longer believe you...that no longer believe assurances. I mean, you may say that, but they will say "oh, we have heard that before - we have heard that things are going to improve before"?

PM: They have though - they did improve. Let me just take this - go back...

JS: So why is this.....

PM: You put the question - let me just get the answer. Go back to 1983 - we have had growth every year, bar 18 months. And the 18 month period was in 1991-92. From 1983 to 1995 now - and the Treasury is saying for the next 3 years to 1988 - that is, for 15 years under the Labor Government, you are going to have growth - strong growth - bar 18 months: 2 million jobs, enormous increase in the national income. I mean, when we have said these things, they have happened.

JS: So why is there that perception, and why are you so far behind in the polls?

PM: Because...well, this time in the last parliament, we were 20 percentage points behind in the polls - this time we are about what? 5 per cent or 6 per cent?

JS: A bit more than that isn't it - I thought it was more like 8 per cent?

PM; No. I don't think so - been on average about 6 per cent - something like that. Look, are they going to task John Howard, who had no ideas as Treasurer? [He was] a complete failure as Treasurer, didn't open up the foreign exchange markets, didn't float the dollar, didn't deregulate the economy, didn't lower tariffs, didn't deal with micro-

economic change, didn't touch education, didn't have a decent health scheme - are they really going to go back to that? Someone from the 1970s who believes in the policies of the 1950s?

JS: So he is not entitled to have changed, to have learnt or....

PM: But he hasn't.

JS: We don't know what policies he is going to be putting forward, though, do we?

PM: But you can hear him every day in the house - the questions, the intonations. Here he was yesterday, on Monday, up supporting this character in Western Australia who is trying to lock these people out of the Western Australian waterfront. John Howard never learns. This is a country now with the lowest level of industrial disputes that probably we have ever had. Did you know that in yesterday's National Accounts, average weekly earnings was 2.2 per cent growth for the year, and on the statisticians survey basis, they are running at around 4 per cent. So, somewhere between 2.5 per cent and 4 per cent. Yet, these people want to adopt American style policies - did you hear what the American Labour Secretary said? I thought it was very instructive, and I will just read it to you: this is the labour market system that John Howard wants, and has spent all these years talking about - he said this - Robert Reich, US Secretary of Labour: "We in the United States are proud of our record in creating jobs", he said, "but not of the continuing decline in medium wages. While we know lead advanced countries in growth and productivity, and have lowered inflation, the average hourly compensation of American workers trails 10 foreign economies, and this average masks a more disturbing reality. While inequality is growing in every advanced country, the distribution of income and wealth in the United States has become most unequal of all". He goes on to say this, "In contrast, the European Ministers complained of very low employment growth, high rates of unemployment, and high levels of long-term unemployment", he said, "the choice between America's low unemployment with falling real wages, and Europe's high real wages and high unemployment is a diabolical trade-off". Now, John, we have got the right mix - right down the middle. High employment growth, and decent wages growth, because we have got award underpinning's in our enterprise bargaining system - the very thing that John Howard wants to take away.

JS: So, if the situation is so good, and the polls aren't looking bad for you, could you win an election today?

PM: I have never spoken about an election.

JS: No. I'm just asking. I'm just asking you

PM: Why should I give an answer to it? I have always taken the view that these elections are too hard to win without giving away time, and the public want value from the Parliaments and from the government. They have asked us...what was the Government's principle commitment in the last election? To restore the economy to growth, and to deal with unemployment. Our target was 500,000 jobs in 3 years - we got to the 500,000 in 2 years, we are now at 630,000, and what yesterday's National Accounts show is that we have got a sustainable economy. So, John Howard's line about 5 minutes of sunshine is just a cynical, advertising agency lie.

JS: So really, there is no justification to have an election before next year, is there?

PM: In this system, the Prime Minister has the option of going to the polls at a time of his or her choosing, and that is obviously a prerogative that I will maintain.

JS: But unless something extraordinary happens, from what you have just said - that you are going to give value for the mandate you have got - there is really no justification to go before next year, is there?

PM: The full Parliament - so-called - comes about when the House of Representatives and half Senate can go to an election, so it is then a matter of choosing by the Prime Minister of the day.

JS: But in terms of giving 3 years value, you would have to call next year, wouldn't you?

PM: Value is when the 2 come back into the cycle, and they come into the cycle sometime later this year.

JS: Yeah.

PM: But the key point is - has the Government kept complete fidelity with its commitment to get growth and employment back into this economy, and has it produced a sustainable growth economy? And the answer is yes, and yes.

JS: Well, let me just ask you one final question then on another one I know you normally wouldn't answer on interest rates - can you see them falling later this year?

PM: John, one thing I always think about you is that you can ask a good and sensible question - recitation of questions about interest rates don't do any of us any good.

JS: Okay.

PM: The thing is, let's get the conditions right. What are the conditions? Basically, underlying inflation. Yesterday, we had the statisticians

National Accounts for the economy, and for the year to the last quarter, the broadest measure of inflation, and non-farm product deflator, was 1.4 per cent, and the private consumption deflator - the measure of private consumption inflation - was 2.2 per cent. That's the best answer I can give you.

JS: Okay. And you agree with The Financial Review - we are going to have a soft landing?

PM: Well, 3.7 per cent means that we have got the sustainability which John Howard said was going to disappear with 5 minutes of sunshine. I mean, there ought to be a lesson in this for Howard - don't take you lines from an advertising agency.

JS: So how much sunshine are we going to have, then?

PM: You have had 14 quarters now. And the Treasury says you have got 36 quarters coming up?

JS: 36 quarters?

PM: Sorry - 12 more quarters coming up.

JS: So, 12 more quarters of economic sunshine coming up?

PM: They say - the Treasury's best estimate is that we will have 3.7 per cent and 4 per cent growth - in that order - over the next 3 years, that was in the Budget forecast.

JS: Prime Minister, we are out of time. Thank you.

PM: Thank you very much indeed.

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