



TRANSCRIPT

TRANSCRIPT OF A DOORSTOP FEATURING ACCI CHIEF EXECUTIVE PETER ANDERSON, CANBERRA - 8 September 2009

Economic Stimulus

Peter Anderson

As the Senate considers debating the current economic stimulus measures next week, it is important that the voice of the business community be heard by all Senators.

The economic stimulus that is currently being provided by the Commonwealth and the Reserve Bank is supporting business activity and also supporting jobs in our economy.

The welcome green shoots of economic recovery mask the fact that our economy is still facing a difficult challenge. We have a global recession, we have low business investment and we still expect our unemployment rate to trend up.

What that means is that there are considerable downside risks to any sudden or immediate withdrawal of the economic stimulus measures, bearing in mind most of them phase out over a period of time, indeed some important measures scale out at the end of this year.

It is far preferable from a business point of view for stimulus measures to be scaled out of the economy over a period of time, rather than any sudden withdrawal of the support that is currently being provided to the Australian economy.

What is important is for the Senate to also focus on some of the medium term economic challenges that our nation faces. It is proper for our Senators to enquire into the question of how in the medium term Commonwealth finances will support the debt that is now part of the Australian fiscal and budgetary scene and how over time that debt burden can be eased so that undue pressure does not come on interest rates as we move into an economic recovery.

But that recovery is not yet here, therefore those economic stimulus measures currently need to be maintained given that they are going to phase out overtime.

Reporter

So you'd like Dr Henry to be quizzed by the Senate committee?

Peter Anderson

I think it's the proper role for the Parliament to examine Commonwealth spending particularly given that the spending is part of an extraordinary response to the economic circumstances that we face. But that examination by the Senate needs to be realistic and it needs to occur in the context of the economic challenge we still face. The fact is that some of the positive economic news we have received over the past week is occurring within an economy that is experiencing a substantial measure of support by the Commonwealth and the Reserve Bank.

That means that our economy's true underlying health is not yet clear and it would be far too early for any pre-emptive measures to be taken on the basis that the economy is returning to its standard performance. That is not yet the case.

Reporter

Are you happy with the Government's timetable at the moment?

Peter Anderson

I think the timetable is reasonable. Over the next four months we will see two very important measures withdrawn from policy. The Investment Allowance is going to be phased out at the end of December and the First Home Owners Grant scales down from this month and then ends completely at the end of December as well.

They're two important stimulus measures that have been a significant part of last weeks GDP figures. That type of timeframe seems to be sensible. And certainly as we move into 2010 we will need to see some pressure taken off Commonwealth spending but if that policy response is to occur too early then we will run into the problem of having policy fluctuate if the Government moves too quickly, then if the assumptions that underpin that decision are not correct we would need to see stimulus return to the economy. That up-and-down sequence of policy responses would not be in the interest of the business community.

Reporter

Should the Reserve Bank Governor be at this hearing?

Peter Anderson

I think that the Parliament's major focus needs to be on the issue of the Commonwealth spending because the Parliament does have a proper role in terms of scrutiny of the Commonwealth finances.

As to the issue of interest rates I think that it's very important that we have an independent Reserve Bank and the Reserve has put clearly on the table what the reasons for its recent decisions have been. I think that's material that's probably sufficient for the purposes of the Senate but it's really a matter ultimately for the Governor of the Reserve Bank and the Reserve Bank to make a decision as to whether they wish to appear.