



HON CRAIG EMERSON MP  
MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS  
AND THE SERVICE ECONOMY  
MINISTER ASSISTING THE MINISTER FOR FINANCE ON DEREGULATION

Transcript  
4BC Drive with Michael Smith  
Tuesday 06 October 2009

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Subject: Interest rates, Australia's economy.

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**SMITH:** Gee it's tempting to do a segue on the back of that ad to the Minister for Small Business, Independent Contractors and the Service Economy, Dr Craig Emerson, who is on the phone. G'day Dr Emerson.

**EMERSON:** G'day Michael.

**SMITH:** One of the - I think - more capable ministers in this Government, along with Lindsay Tanner. Certainly very financially literate.

Can I just start with one question before you get your free kicks in Craig. Do you believe that the science on climate change is absolutely settled, rock solid, dead certain; yep, humans are causing climate change?

**EMERSON:** I believe that there's more than ample evidence to warrant action on climate change. And...

**SMITH:** Do you believe the science has settled though Craig? Completely?

**EMERSON:** I think that there's, as I say, more than ample evidence. I think the science...

**SMITH:** [Interrupts] Yeah, but that's not the question. Is it - is the science settled?

**EMERSON:** I think the science is clear and the International Panel on Climate Change has an estimate of more than 90 per cent probability that human activity is contributing to global warming. In those circumstances, when you've got a 90 per cent plus probability, it would be irresponsible to stand and wait for the other 10 per cent to be removed, and that's why this Government is committed to addressing the problem of climate change.

**SMITH:** [Laughs] Okay, right, well that - a topic for another day Craig. You know, it's a problem - I bet...

**EMERSON:** [Interrupts] Yeah, happy to have a discussion about climate...

**SMITH:** We might do that one time. But look, this afternoon our interest rates were at three per cent. Interest rates in the United States, in Japan, in the United Kingdom, are at fractions of a per cent. I mean, Japan's just a shade over - of a percentage point - a shade over zero.

Our Reserve Bank Governor has told us that three per cent is an emergency setting and they're going to have to go north. What do you make of the rise of point - you know, of 25 basis points today?

**EMERSON:** No-one likes to see interest rates going up, but you're right, the Governor not only in the last few days but for some time has been describing the three per cent cash rate as an emergency level. It is a 50-year-low interest rate in Australia, and it is true, as you say Michael, that interest rates are lower in other countries such as the United States where unemployment is passing 10 per cent. Those countries, nearly all of them, are already very well into recession, quite a deep recession. We're not.

We've managed to avoid a recession which is good. But - and we won't make promises or commitments like John Howard did, to say that we'll keep interest rates at record lows and then preside over 10 successive interest rate rises. We've been upfront with the Australian people, but as the Australian economy recovers, as the global economy enters the recovery phase, of course international interest rates will rise.

**SMITH:** Are you concerned about the level of Commonwealth Government debt?

**EMERSON:** No, I'm not. It's a very moderate...

**SMITH:** [Interrupts] Really? Not at all Craig?

**EMERSON:** No, I'm not. It's a very modest level of debt. It has been fundamentally important...

**SMITH:** [Interrupts] It's historically high though Craig?

**EMERSON:** ...in keeping the Australian economy out of recession. But...

**SMITH:** In Australia's history it's historically high.

**EMERSON:** It is a very modest level of debt, as again, attested to very recently - just last week - by Glenn Stevens, the Governor of the Reserve Bank, who said...

**SMITH:** [Interrupts] It's the highest level of debt we've ever had though Craig. Isn't it?

**EMERSON:** I don't - I'm not sure of the global, you know, the international, the national comparisons going back 100 years [laughs]. I don't have those figures in my head. If I did I'd give you a direct answer.

**SMITH:** [Interrupts] In dollar terms it's absolutely.

**EMERSON:** Well you know, it also costs, I don't know, about \$10 bucks to get into the pictures, and when I was a little kid it used to cost four bob. So...

[Laughter]

So I don't think we should be making dollar term comparisons. But the point is, the Governor of the Reserve Bank has said in testimony to a Senate Enquiry that our level of debt is modest, that the deficits of the Rudd Government have been instrumental in keeping us out of recession, keeping 210,000 more

Australians in work who otherwise would be very much at risk of losing their jobs. And we think it is important to keep Australians in work to avoid a recession, and we've managed to do that.

**SMITH:** How are we going to pay it back? Are taxes going to increase?

**EMERSON:** What will happen as the economy recovers [break in transmission] revenues do automatically increase, and that comes from two sources - two main sources. One is just an increase in incomes and the income tax associated with that and other taxes, including for the states a consumption tax. But on the other hand too, less outlays on unemployment benefits. In economic terms they call these the automatic stabilisers. And we'll be dedicating those increases of revenue to running down our deficit and to running down our debt.

**SMITH:** Okay, when will we be out of debt Craig?

**EMERSON:** Well it's looking a little better than it was a year ago when the official projections were for unemployment to peak at eight and a half per cent. The Mid-Year Economic and Fiscal Outlook suggests that that rate will be considerably lower now and even with a budget projection to where the unemployment rate was eight and a half per cent, was around 2015, but we [break in transmission] if we are able to sustain this [break in transmission] and there aren't major setbacks in the global economic situation, it could be sooner than that.

**SMITH:** Craig, how long's the economic cycle?

**EMERSON:** Well you know, cycles are not uniform in length. There do tend to be economic cycles, bubbles and booms and busts, but we had a period of very strong growth for a long period of time. But when the global recession hit then that obviously had an impact on Australian economic outlook.

**SMITH:** Let me be quite specific then Craig. The economic cycle that I want to know the length of is the one that Mr Rudd said we would have the budget in surplus over - we'll keep the budget in surplus over the economic cycle. How long's that cycle?

**EMERSON:** Well, we set out in the 2009-10 budget a timetable for returning this budget to surplus. And that sat there for all to see and as I was saying in response to a previous question, if we were able to sustain this recovery - and it will continue to be, you know, quite a long road to recovery - then we might do better than that.

And we're committed to doing that, to dedicating increases in revenues through economic recovery to the task of moving the budget from deficit into surplus.

**SMITH:** Does that - I mean, is it a meaningless term, does anybody know what the economic cycle is?

**EMERSON:** I think they do. Basically, I think...

**SMITH:** [Interrupts] Well what is it? Who is it, who can I ask?

**EMERSON:** Well you can ask me. An economic cycle is associated with, you know, the economy rumbles along and then people become more optimistic. You tend to

then get stockmarkets booming, you then get a kind of a boom condition when people think that the only way the economy can go is up, because that's the only way that it has been going for a fair while. But they turn out to be wrong, because in so many areas, including economics, ultimately what goes up can come down.

**SMITH:** [Laughs]

**EMERSON:** And that's when that particular cycle comes to a finish. But there's no golden rule that it says the cycle every time is three or four years, but it...

**SMITH:** [Interrupts] So you don't know until afterwards. Afterwards you can point back and say that was a cycle.

**EMERSON:** Well what you know is that there are forces in train, particularly if, you know, the government management of the economy isn't up to scratch, and we'd assert that that was the case with the Coalition towards the end...

**SMITH:** [Laughs]

**EMERSON:** ...of the last period, then you know that these pressures are building up. You know that house prices, stock prices, everything else is going up and people get into this mindset that it can't go down, that they can only make money from things going up, and things will continue to go up. That's when you get into strife, and that's what happened in Australia, but then we were hit by the global recession and that made sure that we went from a boom to to a very substantial slowdown here, but...

**SMITH:** We're going to have to leave it there [laughs].

**EMERSON:** ...not a recession, which is good.

**SMITH:** [Laughs] Good on you Craig. Thanks for your time.

**EMERSON:** Okay thanks a lot Michael.

**SMITH:** Craig Emerson, who is the minister with the longest title in the Government. He is the Minister for Small Business, Independent Contractors and the Service Economy, and Minister Assisting the Finance Minister on Deregulation.

Ends.