

# **ABC NEWS BREAKFAST (broadcast live on ABC2)**

**Friday 6 November 2009**

**ABC Business editor Peter Ryan analyses Reserve Bank governor comments on the state of the Australian economy**

**Interview with presenters Virginia Trioli and Joe O'Brien.**

Virginia Trioli: So we'll take a look, a closer look now, at the speech given by the Reserve Bank governor Glenn Stevens last night and we're joined by the ABC's Business editor Peter Ryan. Peter good morning.

Peter Ryan: Peter, good morning.

VT: You got to sit with through that speech. Lucky you.

PR: That's right. What an exciting evening. Glenn Stevens is a very conservative, reserved person but even he appeared to be quite excited that the economy has recovered. He said that even the optimists have been stunned at the pace of recovery and that if we did have a recession it was a mild recession and the fact that people are evening arguing about whether or not we had a recession says something about the downturn we've just had.

Joe O'Brien: And he actually called it one of the mildest downturns there's ever been?

PR: Yeah that's right and the evidence is there. Certainly unemployment hasn't hit Treasury forecasts of 8.5 percent. It's now going to be around 6.5 percent. You also have to look at where Australia sits with the rest of the world. No banks have had to be bailed out. And he said last night that the wholesale guarantee that the government had given banks to use their triple A rating to raise money on global markets was slowly receding. He said there was no longer a need for banks to use that and so that goes to the argument that certainly with banks the wholesale guarantee might be in its last months.

VT: And the opposition's certainly been calling for that to be let go of for some time. It's confusing isn't it though because these are the same people who just a very little while ago were warning of Armageddon when it comes to the economy. And now didn't he go on to say there could be a danger of bottlenecks in the Australian economy sometime soon?

PR: Well that's right and that's what has most economists worried that the bottlenecks particularly in rail and port mean that supply just can't meet the demand, the bottlenecks will just push inflation up and of course inflation runs into higher

interest rates which is the big story. Just on Tuesday we saw rates move up to 3.5 percent. The Reserve Bank ....

VT: It's all very confusing, we were all supposed to fall in a hole, isn't it.

PR: Yeah. We all thought this time last year that the financial system was going to end and I was recalling a speech given by the ANZ bank chief Mike Smith in September last year and he was asked what would happen if the US Congress failed to approve the \$780 billion bailout. He said he'd be working on a farm ..

VT: Mike Smith on a farm hoeing vegetables to sunny days.

PR: That's right so we've gone from the scenario that most of our parents had told us about growing up in a depression with a capital "d" to a very mild recession. But just stepping back into the real world, in the United States and Europe it is dire. Unemployment in the United States is going to be tipping into double digits very soon and in Europe there's a staggering figure in the Eurozone area , 21 million people out of work. That's the Australian population out of work. So the challenges on unemployment and debt are quite overwhelming.

JO'B: And did Glenn Stevens have anything to say about interest rates?

PR: Yes well he didn't say too much about interest rates. But he did have a question put to him about comments he made in Perth before the October interest rate rise about what he saw as a neutral or normal interest rate setting. He said on the one hand it could be lower than the higher level of 7.25 percent that we had. But then he said it could be lower so he's having a bet both ways.

VT: Peter Ryan, always good to see you. Thanks so much.

PR: It's a pleasure.



## ABC Online

### **The World Today - Rudd warns of recession or depression if G20 fails**

**The World Today - Friday, 27 March , 2009 12:21:00**

**Reporter: Peter Ryan**

TANYA NOLAN: The Prime Minister Kevin Rudd has warned of a prolonged global recession or even a depression if next week's G20 meeting in London collapses because of disagreement and self interest.

Speaking earlier today in Washington Mr Rudd has highlighted the need for coordinated political action to avoid a repeat of the acrimony and descent into protectionism that exacerbated the Great Depression.

Mr Rudd has also joined the US Treasury Secretary Timothy Geithner in calling for a super regulator to rein in the global financial system.

I'm joined now in the studio now by our business editor Peter Ryan.

Well, this week we've seen some positive signs that the global financial crisis might be easing. Are the Prime Minister's fears about recession or depression unfounded?

PETER RYAN: Well Tanya, Kevin Rudd is a keen student of history and as a former diplomat he knows all too well that at many summits, national self interest is more often than not the overriding factor.

But he believes next week's G20 summit should be different and it will be critical in tearing down those fear-laden barriers and keeping protectionism at bay.

And of course one target is the US Congress, which is already showing signs that trade barriers are getting tougher.

Mr Rudd used the example of a critical 1933 summit at the height of the Great Depression, also in London, where world leaders simply couldn't reach agreement on how to resolve the crisis. As a result the depression got worse, trade barriers increased and currencies were devalued.

Seventy-six years on, Mr Rudd is clearly concerned that without global unity, the mistakes of the Great Depression could be repeated.

KEVIN RUDD: The challenges are great. The urgency is great. The obstacles are substantial. History reminds us of the consequences when nations fail to work together.

In the midst of a crisis we are in danger of markets and governments being overwhelmed by complexity.

At its core however, the challenges we face are clear for all to see. The policy responses also are relatively clear. Political will is what is needed most to prosecute that course of action.

TANYA NOLAN: That was the Prime Minister Kevin Rudd speaking in Washington earlier today.

Well Peter, he's definitely targeting his audiences while he's overseas. What sort of solutions is Kevin Rudd proposing?

PETER RYAN: Well that's right Tanya. This speech was designed to rattle some very specific cages within the G20, ahead of next week's meeting, and the Prime Minister was clearly working to set the agenda today.

For example, he's called for a rapid reform of the International Monetary Fund, which failed to accurately predict the extent of the crisis, and he wants changes to its funding mechanism.

He wants tougher regulation of financial institutions and markets, including those mysterious hedge funds, and importantly a 12-month ban on protectionist policy is coming into effect.

And he wants countries to do more on the lines of pump-priming economies that we've seen in recent months, perhaps at the level of two per cent of GDP next year.

TANYA NOLAN: And the Prime Minister's comments coincide with plans for an all-out regulatory assault announced by the US Treasury Secretary today. How has the market responded to that idea?

PETER RYAN: Well it's been a big week on Wall Street. Wall Street has rallied and over the week today's gains have extended the market's best monthly gain since 1974.

And there is indeed renewed optimism that the plan might just work, even though

it means the effective printing of trillions of US dollars to get toxic assets off bank balance sheets.

And as you said, Timothy Geithner wants to go further. He wants that single regulatory body. In particular he wants to control institutions deemed 'too big to fail'. That's a clear reference to the insurance giant American International Group, which is at the heart of this crisis and the controversy over multi-million dollar performance bonuses paid out to groups of executives.

And for the first time he wants to regulate the multi-trillion dollar derivatives industry, including credit default swaps that are at the heart of the financial can of worms we're seeing today.

TANYA NOLAN: The trillion-dollar question - will it all be enough to drag the world out of the crisis?

PETER RYAN: Well there's a lot of pressure on this single G20 meeting, but also on Barack Obama to deliver a solution that will rescue the US economy and ultimately the global financial system.

He has taken historic action this week, long awaited action but the reality is that he can only touch the tip of this financial iceberg and manage expectations of when the system might actually return to normal.

The 'New York Times' columnist Thomas Friedman, summed up the challenge for the US President in quite a scary way.

TOM FRIEDMAN: One thing that has been missing from the beginning, is a sense of, for the average American, how big this problem is, and, you know, the image I've really been using from the beginning of this crisis is that incredible scene in the movie 'Jaws' where Roy Scheider first beholds the great white shark.

And after he sees the shark he walks, you know, wide-eyed up to the captain and he says, 'We're going to need a bigger boat'.

And we are going to need a bigger boat. And right now, that sense that this is so big. You know, Leigh, we built up a credit bubble that was this big!

And you know what that means? The hole we're in is (makes sound effect) this deep!

And I think the President still hasn't quite conveyed that to the American people.

(End of excerpt)

TANYA NOLAN: Wrestling with sharks. That's 'New York Times' columnist Tom Friedman and that analysis from our business editor Peter Ryan.

## **AM with Tony Eastley**

Monday to Saturday from 8:00 am on ABC Local Radio and 7:10 am on Radio National.

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# G20 leaders claim historic agreement

Peter Ryan reported this story on Friday, April 3, 2009 08:00:00

Leaders of the world's 20 most industrialised nations have agreed to an unprecedented set of comprehensive and coordinated actions to address the problems caused by the world economic slowdown. Business editor Peter Ryan outlines the agreements made.

TONY EASTLEY: They came they met, they agreed. Now comes the hard part - the implementation and the follow through.

The leaders of the world's 20 most industrialised nations have agreed to an unprecedented set of comprehensive and coordinated actions to address the problems caused by the world economic slowdown.

It includes pumping more money into economies and a crackdown on tax havens and executive salaries.

The US President Barack Obama is aware of the global challenge facing the G20 nations.

BARACK OBAMA: You know at home I've often spoken about a new era of responsibility and I believe that this era must not end at our borders. In a world that's more and more interconnected, we all have responsibilities to work together to solve common challenges. And although it will take time, I am confident that we will rebuild global prosperity if we act with a common sense of purpose, persistence and the optimism that the moment demands.

TONY EASTLEY: The US President Barack Obama.

Speaking at a post-summit media conference, the American President warned that a lot more work needed to be done by individual nations.

BARACK OBAMA: This alone is not enough and obviously the actions that each of us take in our individual countries are still absolutely vital so we have a set of principles, for example, around dealing with systemic risk that I think will be very important in preventing the kinds of financial crisis that we've seen.

That does not entirely solve the problem of toxic assets that are still in US banks, in certain British banks and certain European banks, and how each individual nation acts to deal with that is still going to be vitally important.

TONY EASTLEY: Barack Obama.

So what has been achieved and how will individual governments go about implementing their London promises? There is many a slip betwixt cup and lip, as they say.

For more on the G20 summit I'm joined in the studio by our business editor Peter Ryan.

Pete good morning, we've heard plenty of profound statements but how significant is today's outcome?

PETER RYAN: Well Tony, today's agreement from London amounts to a potential rewriting of the rules of capitalism - something no leader would have contemplated a year ago.

What we have now is a blueprint - or as the G20 communique says, a 'framework' - to rein in the excesses from the worst financial crisis since the Great Depression.

Now the rewriting of the rulebook also contains a historic admission from the world's industrial powers that the deregulation of the financial system we've seen in recent decades was wrong.

And although calls for a super-regulator or a cross border financial cop are dead in the water, G20 leaders have united on calls for 'greater consistency and systematic cooperation' to clean up the current mess and to stop it from happening again.

TONY EASTLEY: Yes well, let's drill down to the details. What areas have the G20 specifically targeted?

PETER RYAN: Hedge funds are in the line of fire. They'll have to be registered and required to disclose the potential risk they pose and have been posing to financial systems around the world.

Credit rating firms such as Standard and Poor's and Moody's will be required to provide better disclosure of their track records, their clients, and importantly, the assumptions that underpin the ratings they provide.

Executive pay standards will be reviewed, given the outcry over bonuses for failed executives we've seen around the world but particularly in the United States and Britain. For example, the United States wants to standardise executive remuneration across all financial firms.

And of course banks will be under greater scrutiny. There'll be no change to the minimum capital requirements for now but there will be a review to, quote, 'harmonise' the definition of what bank capital really means.

And finally the leaders have closed ranks to widen membership of the Financial Stability Board to include all G20 countries, the European Commission and also Spain.

TONY EASTLEY: I know it's difficult to characterise in black and white terms, but who are the winners and the losers from this?

PETER RYAN: Well the US, Britain and Japan had wanted global concerted action to pump more stimulus into economies around the world and there was a figure floating around last week that this could have amounted to around \$10-trillion.

They were defeated on that front. Instead we're seeing a trillion US dollars in emergency aid going out around the world. So opposition from France and Germany won the day and further fiscal measures are on hold for now until the earlier stimulus shows signs of working or perhaps not working.

Australia, Canada and South Africa won the battle for more funding of the International Monetary Fund and the outcome has been a tripling of IMF funds, a victory of sorts for Kevin Rudd.

Britain and Brazil won the argument to provide major credit lines for international trade. They won \$US250-billion - that's well above expectations.

But in all of this Tony the key words are 'framework' and 'blueprint'. Implementation might be a much tougher challenge.

TONY EASTLEY: And away from the conference and the summit itself, how have the share markets reacted to what's being called 'a window of opportunity' from this London summit?

\* PETER RYAN: Well Tony this rare unity from the industrialised world resounded firstly across Europe. In London the FT100 closed more than four per cent stronger but markets in France and Germany were up five and six percent respectively.

In New York when the news hit, the Dow Jones Industrial Average exceeded the 8,000 point level, that's a psychological point, for the first time since February and it closed a short time ago 2.7 per cent higher.

And the global rally will continue here when the Australian market opens this morning and traders are expecting a similar surge, given the new optimism.

TONY EASTLEY: Business editor Peter Ryan, thank you very much.

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