

Trade, debt woes point to recession

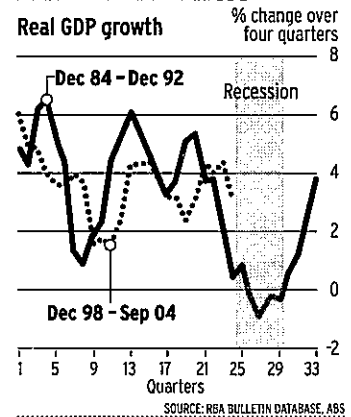
Matt Wade

The economy may be heading for a downturn similar to the early 1990s recession because of fundamental trade and debt problems, a leading economist has warned.

Ross Garnaut, of the Australian National University, said the Federal Government needed to boost its budget surplus to avert an economic slump.

Professor Garnaut, who, as a government adviser, helped shape the reforms of the mid-1980s, said the economy had "entered a period of vulnerability".

PARALLEL PATHS



Government spending had contributed to growing imbalances in the economy, including unsustainable consumption and housing investment, high household debt and a large and widening current account deficit.

Rather than relying on higher interest rates - the policy which led to the deep recession of the early 1990s - he said the Government should urgently toughen budget policy.

"We would be wise to do everything we can to reduce vulnerability in the period ahead," he said. "It would help if fiscal [budget] policy were now tightened considerably. It would have been bet-

ter done much earlier, but now is better than later."

The Government made budget commitments worth \$66 billion between May and the election in October. On Wednesday the Treasurer, Peter Costello, said the Government would honour its election promises but said he would be looking for budget savings to protect the surplus.

In the third annual Sir Leslie Melville Lecture, delivered in Canberra yesterday, Professor Garnaut drew parallels with the late 1980s, including a ballooning current account deficit, a housing boom and strong household consumption.

Professor Garnaut said the boom of 1989 had been badly mismanaged, first by allowing it to develop unchecked and then by excessive interest rate increases.

"In the early 2000s, we have repeated the first of the errors," he said. "It is important for policy to respond to them with greater skill than in the late 1980s, and applying the lessons of that period. Not to respond at all would be to substitute the error of inaction for the error of excessive and wrong reaction."

Professor Garnaut said inaction would leave the economy at the mercy of international financial markets. "This would invite dislocation more sudden and less predictable in its severity and incidence than the bungled monetary policy of 1989," he warned.

This week figures revealed the current account deficit had blown out to a record \$13.7 billion, or about 6.6 per cent of gross domestic product. Foreign debt climbed to \$406 billion last quarter - about 50 per cent of GDP, also a record.

Professor Garnaut said the economy would have to rely on favourable domestic and international circumstances - none of which were certain - to avoid a slump.

Photographer paints portraits of the artists



Lauren Martin

It's the setting, stupid. The National Portrait Gallery will next week receive 101 photographs of Australian artists, mainly in their studios, by another Australian artist, Greg Weight, who has been documenting them for 30 years.

The gallery's director, Andrew Sayers, is offered more pictures of artists than any other group of people. He knocks most of them back, but he can understand the appeal. "People who work in other creative areas of, say, business or science, the settings don't look nearly so interesting as the wonderfully picturesque detritus of an artist's studio floor, covered with paint rags," he said.

It's hard for a laptop or laboratory to compete with Brett Whiteley swinging on a rope through his studio past walls stacked with self-portraits in the style of Rubens. Or even Whiteley fast asleep, stretched out on a

couch in front of one of his paintings with an unlit cigarette in his hand.

"Many artists artfully construct their studios," Mr Sayers said.

Weight, like Whiteley and George Gittoes, worked in the Yellow House, Martin Sharp's Potts Point terrace in the early 1970s where every wall and floor surface was a canvas. "It was very much a statement of art, which is about a particular environment," Mr Sayers said.

This series, a gift from the long-time art patron Pat Corrigan, is "a who's who of Australian art over three decades," he said.

As documentary goes, "it's a bit like when Frank Hurley went to Antarctica with Shackleton... if Hurley's photos didn't exist then we would have no imaginative grasp on that particular world."

Mr Sayers loves the photographs of Arthur Boyd in his Bundanon studio on the Shoalhaven, and one of John



Olsen in the bath, but he believes that the Whiteley portraits and the image of Aboriginal artist Emily Kame Kngwarreye under a tree are already historically significant.

So when photographers call him proposing a series on artists, he suggests, "Try some other field



... [otherwise] you're going to come up against people like Greg Weight who've really looked at this seriously for a long period of time and who really do it very well."

A selection of the Australian Artists portraits will be on display at the National Portrait Gallery in Canberra from Thursday.

Making an exhibition of themselves... Greg Weight's pictures of his fellow artists capture the artistic chaos of the studio.